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WIRRAL

Pensions Committee

Date:	**Tuesday, 26 September 2023**
Time:	**6.00 p.m.**
Venue:	Committee Room 1 - Birkenhead Town Hall

Contact Officer:	Katherine Brown
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AGENDA

1. **WELCOME AND INTRODUCTION**

2. **APOLOGIES**

3. **MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST**

   Members of the Committee are asked to declare any disclosable pecuniary and non pecuniary interests, in connection with any item(s) on the agenda and state the nature of the interest.

4. **MINUTES (Pages 1 - 4)**

   To approve the accuracy of the minutes of the meeting held on 11 July 2023.

5. PUBLIC QUESTIONS

5.1 Public Questions

Notice of question to be given in writing or by email by 12 noon, Thursday 21 September 2023 to the Council's Monitoring Officer via this link: Public Question Form and to be dealt with in accordance with Standing Order 10.

For more information on how your personal information will be used, please see this link: Document Data Protection Protocol for Public Speakers at Committees | Wirral Council

Please telephone the Committee Services Officer if you have not received an acknowledgement of your question by the deadline for submission.

5.2 Statements and Petitions

Statements
Notice of representations to be given in writing or by email by 12 noon, Thursday 21 September 2023 to the Council's Monitoring Officer (committeeservices@wirral.gov.uk) and to be dealt with in accordance with Standing Order 11.

Please telephone the Committee Services Officer if you have not received an acknowledgement of your question/statement by the deadline for submission.

Petitions
Petitions may be presented to the Board if provided to Democratic and Member Services no later than 10 working days before the meeting, at the discretion of the Chair. The person presenting the petition will be allowed to address the meeting briefly (not exceeding three minute) to outline the aims of the petition. The Chair will refer the matter to another appropriate body of the Council within whose terms of reference it falls without discussion, unless a relevant item appears elsewhere on the Agenda. If a petition contains more than 5,000 signatures, it will be debated at a subsequent meeting of Council for up to 15 minutes, at the discretion of the Chair. Please give notice of petitions to committeeservices@wirral.gov.uk in advance of the meeting.

5.3 Questions by Members

Questions by Members to dealt with in accordance with Standing Orders 12.3 to 12.8.

6. PENSION BOARD REVIEW 2022-23 AND WORK PLAN 2023-24 (Pages 5 - 24)

7. GRANT THORNTON – THE AUDIT FINDINGS REPORT FOR MERSEYSIDE PENSION FUND (Pages 25 - 62)

8. MERSEYSIDE PENSION FUND ANNUAL REPORT & ACCOUNTS 2022/23 AND LETTER OF REPRESENTATION (Pages 63 - 286)

9. LOCAL GOVERNMENT PENSION SCHEME (LGPS) CONSULTATION: NEXT STEPS ON INVESTMENTS (Pages 287 - 300)

10. WIRRAL LOCAL PENSION BOARD MINUTES (Pages 301 - 308)

11. MINUTES OF WORKING PARTY MEETINGS (Pages 309 - 322)

12. NORTHERN LGPS UPDATE (Pages 323 - 332)

Terms of Reference

The terms of reference for this committee can be found at the end of this agenda.

Audio/Visual Recording of Meetings

Everyone is welcome to record meetings of the Council and its Committees using non-disruptive methods. For particular meetings we may identify a 'designated area' for you to record from. If you have any questions about this please contact Committee and Civic Services (members of the press please contact the Press Office). Please note that the Chair of the meeting has the discretion to halt any recording for a number of reasons, including disruption caused by the filming or the nature of the business being conducted.

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PENSIONS COMMITTEE

Tuesday, 11 July 2023

Present:	Councillor	J McManus (Chair)	
	Councillors	A Ainsworth B Hall B Kenny GJ Davies C Povall	P Cleary R Molyneux V Wilson K Hodson
	Councillors	T Cardwell, Liverpool Council J Aston, Knowsley Council P Lappin, Sefton Council	

1 **WELCOME AND INTRODUCTION**

The Chair welcomed everyone and read out the webcasting notice.

2 **APOLOGIES**

Apologies were received from:
Roger Bannister, UNISON retired members representative
Martin Bond, St Helens Council
Councillor Chris Carubia, Wirral Council
Councillor Tony Cox, Wirral Council
Councillor Andrew Gardner, Wirral Council

3 **MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST**

The Chair asked members to declare any interests in items on the agenda. The following declarations were made:

Councillor Tom Cardwell, Liverpool Council	Personal interest as his mother was a member of the Merseyside Pension Fund.
Councillor George Davies	Personal interest as his wife was a member of the Merseyside Pension Fund.
Councillor Brenda Hall	Personal interest as a Member of the Merseyside Pension Fund and her husband was also a member.
Councillor Brian Kenny	Personal interest as his fiancée was a member of the Merseyside Pension Fund.
Councillor Julie McManus	Personal interest as her son was a member of the Merseyside Pension Fund

Councillor Cherry Povall	Personal interest as her daughter was a member of the Merseyside Pension Fund.

4 **MINUTES**

Resolved – That the minutes of the Pensions Committee meeting held on 21 February 2023 be agreed as a correct record.

5 **PUBLIC QUESTIONS**

No questions, statements or petitions had been received.

6 **EXTERNAL AUDIT PLAN MERSEYSIDE PENSION FUND 2022-23**

The External Audit Manager from Grant Thornton introduced this report which detailed the plan for the external audit of the Fund's statutory financial statements for 2022/23. During the summer Grant Thornton would undertake their audit of the relevant financial activities and provide verification of the Pension Fund's financial statements. The results of this audit would be reported back to the Committee.

Members sought clarification on significant risks identified and were reassured that none were unique to Merseyside Pension Fund.

Resolved – That the external audit plan for 2022/23 as prepared by Grant Thornton be noted.

7 **STATEMENT OF ACCOUNTS 2022/23 – MANAGEMENT QUESTIONS**

The Head of Finance and Risk at Merseyside Pension Fund presented the report of the Director of Pensions which presented the management responses to questions posed by the Fund's external auditors, Grant Thornton.

Resolved – That the management responses to questions posed by the Fund's external auditors, Grant Thornton, be endorsed.

8 **LOCAL GOVERNMENT PENSION SCHEME (LGPS) UPDATE**

The Head of Pensions Administration at Merseyside Pension Fund presented the report of the Director of Pensions which provided an overview of changes affecting the future administration and governance of the Local Government Pension Scheme (LGPS). Changes include a revised revaluation date to remove the impact of inflation on growth in pension benefits. This, together with increases to HMRC annual allowance limits, would reduce the number of members who exceeded the annual allowance, and for those who are affected to a lesser degree it was noted that a recommendation that an increase to the state retirement age to 68 be brought forward was not to be implemented and 10 years notice would be given on any change. It was also noted that the government response to the McCloud remedy had been issued confirming the extension of the underpin to all members regardless of age with service before 31/03/2012. In addition the Dashboard implementation had been delayed until at least October 2026 to allow time for infrastructure to be developed.

Resolved – That the administration and governance changes to the LGPS, to ensure continued compliance with legislation, statutory guidance, and industry codes of practice, be noted.

9 **MEMBERS' LEARNING AND DEVELOPMENT**

The Director of the Merseyside Pension Fund presented his report which updated Members on revisions to CIPFA's (the Chartered Institute of Public Finance and Accountancy) guidance on Pensions Knowledge and Skills, and also sought approval for officers to prepare an updated learning and development framework.

The Chair stressed the importance for Members to attend training, especially the Fundamentals Training.

Resolved – That:
(1) the report and the recommended areas of learning and development be noted.
(2) the updating of the existing learning and development framework to reflect revisions to CIPFA's Knowledge and Skills Framework be approved.

10 **MERSEYSIDE PENSION FUND BUDGET OUT-TURN 2022/23 AND FINAL BUDGET 2023/24**

The Head of Finance & Risk at Merseyside Pension Fund presented the report of the Director of Pensions which request approval of the out-turn for the financial year 2022/23 and the finalised budget for the financial year 2023/24. It was noted that the actual out-turn for 2022/23 was £18.5m which was lower than the original budget approved 22 June 2022 of £25.0m. The underspend was largely due to lower investment management fees, planned projects and areas of work being deferred to 2023/24, and the assumptions used for staffing. The budget for 2023/24 was lower at £21.3m than £25.0m in 2022/23 primarily due to lower investment management fees being forecast.

Resolved – That:
(1) the out-turn for 2022/23 be noted.
(2) the finalised budget for 2023/24 be approved.

11 **APPOINTMENTS TO EQUITY PROTECTION FRAMEWORK**

The Director of the Merseyside Pension Fund introduced his report which informed Members of a procurement exercise and sought approval (subject to the satisfactory conclusion of final checks and legal agreements) for the appointment of investment managers, providing equity overlay risk management strategies, to a framework agreement available to Northern LGPS partner funds. The audit trail for the procurement exercise and the investment firms recommended for inclusion on the framework were included in a confidential appendix.

Resolved – That the establishment of the framework as set out in the report be approved.

12 **WIRRAL LOCAL PENSION BOARD MINUTES**

The Director of Pensions introduced his report which provided Members with the draft minutes of the previous meeting of the Wirral Local Pension Board.

Resolved – That the minutes of the Wirral Local Pension Board be noted.

13 **MINUTES OF WORKING PARTY MEETINGS**

The Director of Pensions introduced his report which provided Members with the minutes of meetings of Working Parties held since the previous Committee meeting.

Resolved – That the minutes of working parties be approved.

14 **NORTHERN LGPS UPDATE**

The Director of Pensions for Merseyside Pension Fund introduced his report which provided Members with an update on pooling arrangements in respect of Merseyside Pension Fund and the Northern LGPS Investment Pool. Minutes of the previous Northern LGPS Joint Committee meeting were appended for noting.

Resolved – That the minutes of the Joint Committee meeting be noted.

15 **EXEMPT INFORMATION - EXCLUSION OF MEMBERS OF THE PUBLIC**

RECOMMENDATION: That, under section 100 (A) (4) of the Local Government Act 1972, the public be excluded from the meeting during consideration of the following items of business on the grounds that they involve the likely disclosure of exempt information as defined by the relevant paragraphs of Part I of Schedule 12A (as amended) to that Act. The Public Interest test has been applied and favours exclusion.

16 **APPOINTMENTS TO EQUITY PROTECTION FRAMEWORK EXEMPT APPENDIX**

Resolved – That the exempt appendix be noted.

WIRRAL

PENSIONS COMMITTEE

26 SEPTEMBER 2023

REPORT TITLE:	**PENSION BOARD REVIEW 2022-23 AND WORK PLAN 2023-24**
REPORT OF:	**INDEPENDENT CHAIR OF PENSION BOARD**

REPORT SUMMARY

The purpose of this report is to provide Members with a review of the work and performance of the Board and its members between 1 April 2022 to 31 March 2023 and includes a proposed Work Plan for 2023-2024.

RECOMMENDATION/S

That the Pensions Committee be recommended to consider and note the report.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

1.1 Section 12.3 of the present Terms of Reference of the Local Pension Board of the Merseyside Fund states that *The Board shall on an annual basis produce a report on both the nature and effect of its activities for consideration by the Scheme Manager. The contents of this annual report will be subject to consideration and agreement at a meeting of the Board…"*

2.0 OTHER OPTIONS CONSIDERED

2.1 Not relevant for this report as there is a requirement for the Pension Board to produce an annual report of its activities.

3.0 BACKGROUND INFORMATION

3.1 Under its present Terms of Reference, the Board is required to produce, on an annual basis, a report for consideration by the Scheme Manager which is the Wirral MBC Pensions Committee. This review has been prepared by the Independent Chair of the Board and considered by the Board at its meeting on 20 June 2023.

3.2 The review is attached as an appendix to this report.

4.0 FINANCIAL IMPLICATIONS

4.1 There are none arising directly from this report. The Pension Board assists the Scheme Manager in the scrutiny of the governance and performance of the Fund's operations.

5.0 LEGAL IMPLICATIONS

5.1 Section 12.3 of the present Terms of Reference of the Local Pension Board of the Merseyside Fund states that *The Board shall on an annual basis produce a report on both the nature and effect of its activities for consideration by the Scheme Manager. The contents of this annual report will be subject to consideration and agreement at a meeting of the Board…"*

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 There are none directly arising from this report. The Pension Board assists the administering authority in its role as Scheme Manager in the scrutiny of the performance of Fund's administration function.

7.0 RELEVANT RISKS

7.1 A failure to provide Pensions Committee with information on legislative changes and the Fund's activities could hinder the Committee in fulfilling its statutory requirements.

8.0 ENGAGEMENT/CONSULTATION

8.1 The Director of Pensions and Head of Pensions Administration were consulted in the preparation of this report.

9.0 EQUALITY IMPLICATIONS

9.1 There are no equality implications arising from this report.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 There are none directly arising from this report.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 There are none arising from this report.

REPORT AUTHOR: JOHN RAISIN
Independent Chair
Merseyside Local Pension Board
5 June 2023

APPENDICES

Appendix 1 Pension Board Annual Review.

BACKGROUND PAPERS

CIPFA: the guide for local pension boards

CIPFA: Managing Risk in the Local Government Pension Scheme

TERMS OF REFERENCE

This report is being considered by the Pensions Committee in accordance with Section A of its Terms of Reference:

(a) To be responsible for the overall investment policy, strategy and principles of the Fund and its overall performance of the Fund.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

The Annual Review of the Pension Board is brought annually to Pensions Committee.	

REPORT TITLE:	**PENSION BOARD REVIEW 2022-23 AND WORK PLAN 2023-24**
REPORT OF:	**INDEPENDENT CHAIR OF PENSION BOARD**

BACKGROUND INFORMATION

Under its present Terms of Reference, the Board is required to produce, on an annual basis, a report for consideration by the Scheme Manager which is the Wirral MBC Pensions Committee. This review has been prepared by the Independent Chair of the Board for consideration by the Board at its meeting on 20 June 2023. Following consideration by the Board an approved version of this review will be presented by the Independent Chair to the Pensions Committee at its meeting on 26 September 2023.

Purpose and Constitution of the Merseyside Local Pension Board

Under its Terms of Reference, the purpose of the Merseyside Local Pension Board is to assist the Administering Authority (Wirral MBC) in its role as a Scheme Manager under the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations. The Board consists of nine members and is constituted of four Employer representatives, four Employee representatives and an Independent, non-voting Chair who has responsibility for the co-ordination and operation of the Board. The Board provides a specific forum for Employers and Employees to be actively involved in the governance of the Merseyside Fund on an ongoing basis.

The Board is fortunate in having had at every meeting since its creation in 2015, the presence of both the Director of Pensions and members of his Senior Management Team to advise and support the Board. Additionally successive Chairs of the Wirral Pensions Committee have been actively supportive of the work of the Board and have attended, on occasion, meetings of the Board.

Summary of issues considered at Board Meetings 2022-2023

Issues considered at each Board meeting, in addition to the Minutes of the previous meeting and Declarations of Interest are shown in the Table below:

	08/07/22	**28/09/22**	**16/12/22**	**22/02/23**
LGPS Update	YES	YES	YES	YES
Risk Register	YES	YES	YES	YES
Working Party (IMWP/GRWP) Minutes	YES	YES		YES
Pensions Administration Report	YES	YES	YES	YES
Investment Pooling/Northern LGPS Update	YES	YES	YES	
Pension Board Review 2021-22 & Plan 2022-23	YES			

External Audit Plan 2021-22	YES			
External Audit Questionnaire & Responses 2021-22	YES			
Pension Fund Outturn 2021-22 & Budget 2022-23	YES			
Property Portfolio Rent Arrears & Write Offs	YES			YES
Deficit Non Recovery - Closure of Admission Body	YES			
Consultation on Climate Change Risks in the LGPS		YES	YES	
Benchmarking of Investment & Pensions Admin		YES		
Internal Audit Annual Report 2021-22		YES		
Appointment of new Strategic Investment Advisors			YES	
(External) Audit Findings Report 2021-22			YES	
Fund Annual Report & Accounts 2021-22			YES	
Draft Funding Strategy Statement			YES	
Update on 2022 Actuarial Valuation			YES	
Pension Fund Budget 2023-24				YES
Treasury Management Policy for 2023-24				YES
Authorised Signatories				YES

The Pension Board Agenda has developed to comprise of five standing items which are of particular importance to both the good governance and operational effectiveness of the Merseyside Pension Fund. These are: **The Risk Register; The Pensions Administration Quarterly Report; The Investment Pooling/Northern LGPS Update; The Fund Working Party Minutes (Investment Management Working Group & Governance and Risk Working Group); the LGPS Update report.** During 2022-23 the Board actively considered and debated the reports and papers presented in respect of these items. Constructive questions were asked of the Fund Officers and, as appropriate, comments and suggestions made by Board Members.

There are also a number of other important issues where, for the promotion of good governance and assurance, the Pension Board receives reports on an annual basis. These include the External Audit Plan; the External Audit Questionnaire and Management Responses; the Fund Budget and Outturn; the Annual Report and Accounts; the Treasury Management Policy and Annual Report; Write offs; the Internal Audit Annual Report. Again during 2022-23 the Board actively considered and discussed the reports and Officer presentations.

In addition to the above issues the Board considers as appropriate other issues of importance to the governance and operation of the Merseyside Pension Board. These are normally identified well in advance and included in the Annual Work Plan which is jointly agreed by the Director of Pensions and Independent Chair and included towards the end of the Independent Chair's Annual Review for the consideration of the Pension Board. As appropriate items are (after consultation between the Director of Pensions and Independent Chair) added to or removed from the Work Plan during the year. Such other items which the Board considers from time to time include proposed revisions to the major Fund strategies/policies and Government Consultations (for example, in 2022-23 the draft Funding Strategy Statement and the Government Consultation on the ***"Governance and reporting of climate change risks"***), and particular major Fund developments such as the appointment of the Fund's new Strategic Investment Advisors which was considered at the Board meeting on 16 December 2022.

Further commentary in relation to a number of the reports detailed in the table above is included below, in this Review. Firstly, however, I would wish to comment on the positive contribution of the Board Members, Officers of the Fund, and Chair of the Pensions Committee to the work and activity of the Board.

Members of the Pensions Board

Since 2015 the Merseyside (Wirral) Local Pension Board has been extremely fortunate with regard to the genuinely active role played by the Members of the Board. 2022-23 was, again, no exception to this. There were no changes to the membership of the Board in 2022-23. Therefore, again the Board benefitted from the input of highly experienced and knowledgeable representatives of both Employers and Employees. The Board membership comprises representatives from a diverse range of backgrounds and organisations with extensive experience of (for example) human resources, finance, information technology, pensions in general and the LGPS in particular.

During the year 2022-23 overall attendance at Board meetings was 75% with four of the nine members achieving 100% attendance. As already indicated in this report the actual value and impact of the Board Members is demonstrated more by their active and constructive participation at Board meetings than by simple reference to attendance statistics. This will be referred to again later in this report.

I wish to place on record my personal thanks to each Member who served throughout 2022-23: Donna Ridland, Geoff Broadhead, Lyn Robinson, Pat Maloney, Peter Fieldsend, Robin Dawson, Roger Irvine, and Stephan Van Arendsen. There can be no doubt that the Merseyside Fund has a clearly knowledgeable and positively engaged group of Pension Board Members seeking, without exception, to actively and genuinely interact with the Fund on behalf of both Employees and Employers and to assist the Pensions Committee to achieve not only compliance with relevant legislation, regulations, and guidance but also to achieve effective and efficient governance and administration of the Merseyside Pension Fund.

In May 2023 (after the period to which this review applies but before the first meeting of the Year 2023-24) Geoff Broadhead tendered his resignation as a Board Member. Both the Director of Pensions and I were extremely sorry to hear of Geoff's decision. Geoff was one of the original nine Board Members and had served since 2015. Geoff provided, throughout his membership of the Board, both pertinent and balanced views as to the operation of the Fund and he will be genuinely missed going forward.

Support for the Board by the Fund Officers during 2022-23

The requirement, under the LGPS Regulations 2013 for each LGPS Fund to establish a Pension Board, comprised of equal numbers of Employer and Employee representatives to assist the Pensions Committee provides a genuine opportunity to significantly enhance the involvement of stakeholders in LGPS Fund governance.

That the Pension Board can provide effective input and genuinely contribute to the ongoing development, activity, and monitoring of a LGPS Fund is, however, not in any way guaranteed or even facilitated by the fact that there is a regulatory requirement to establish a Pension Board. A fundamental requirement for a Board to be effective is genuine and extensive input by and support from the Fund Officers.

During 2022-23 the Board received the same exemplary and positive support, advice, and guidance from the Fund Officers as in previous years. Meetings of the Board were supported and attended by the Director of Pensions and the senior members of his team responsible for Pensions Administration/IT and the Finance/Risk Management of the Fund.

This Officer support at meetings is the same as that provided to the Pensions Committee and reflects the importance and value the Fund has continuously placed on the Board since its creation in 2015. On behalf of the Board, I would, as in previous years, like to place on record my appreciation of the work of the Officers in relation to both the Fund itself and the Board.

During 2022-23 there were, again, frequent discussions between Board meetings, involving myself and the Director of Pensions/ Head of Pensions Administration. These covered a range of issues and were initiated by both the Officers and myself. The willingness of senior Fund Officers to genuinely engage with the Independent Chair between Board meetings is not only very positive and appreciated but necessary to facilitating effective Pension Board activity and input to the Merseyside Pension Fund.

The Board was pleased to welcome the Director of Finance (and Section 151 Officer) of the Wirral MBC to its meeting held on 22 February 2023. The Board very much appreciated, and appreciates, the interest of the Director of Finance in our work.

Support for the Board by the Chair of the Pensions Committee during 2022-23

Another important factor in both the nature and effectiveness of the relationship between the Pension Board and the Fund is the approach of the Chair of the Pensions Committee to both the Board as a whole and the Chair. During his tenure as Chair of the Pensions Committee from 2019 to May 2023 Councillor Pat Cleary took a very positive and ongoing interest in, and encouragement of the work and activity of the Board.

During 2022-23, as in previous years, I had positive and constructive discussions with Councillor Pat Cleary as Chair of the Pensions Committee on issues of particular concern to the Board. These included the Northern LGPS, the new ERP system, and the recruitment and retention of staff by the Merseyside Pension Fund. I would wish to place on record my thanks to Councillor Cleary for both giving generously of his time and his positive approach in respect of those matters which I raised with him.

The Pension Board looks forward to continuing its constructive and positive relationship with the Pensions Committee under its new Chair, from May 2023, Councillor Julie McManus.

The Risk Register

Risk Management is fundamental to effective Pension Fund governance and operations across the Pensions Administration, Finance, and Investment functions. Both CIPFA (The Chartered Institute of Public Finance and Accountancy) and the Pensions Regulator have made absolutely clear the critical role and importance of effective Risk Management in the context of the LGPS.

One important element of Risk Management is examination, active consideration, and as appropriate constructive questioning of the Risk Register by the Pension Board. This was a prominent activity of the Board during 2022-23 although given the nature of the discussions it was appropriate that these took place in the Exempt Agenda of each meeting. There were intense discussions regarding various issues. For example, the Board was clear as to the critical need for the Fund to be able to both recruit and retain suitable staff to provide a good level of service to both Scheme Employers and individual Scheme Members. The Board expressed its support for initiatives to facilitate staff recruitment and retention and this was an issue that the Board agreed I should, in particular, raise with the Chair of the Pensions Committee.

From the Board's examination and consideration of the Risk Register during 2022-23 it continues to appear clear that this is, as it should be, a living and developing document which therefore gives (some clear) assurance to the Board regarding the emphasis on risk management by the Merseyside Pension Fund. I would particularly wish to thank the Director of Pensions for his presentation of the Risk Register to meetings of the Board and for his, and other senior Officers, responses to our questions and observations, for example in respect of the proposed new ERP system.

Pension Administration Reports

Effective Pensions Administration is absolutely fundamental to the Merseyside Pension Fund. Ultimately the Pension Fund (only) exists to provide pension benefits to those entitled to them as determined by the LGPS Regulations. Therefore, Pensions Administration was, as in previous years, an area of particular interest and focus for the Board. Interest in, and examination of Pensions Administration is of particular relevance to the Board as this is the most immediate and important direct interface between the Merseyside Pension Fund and both Employers and Employees who are the two groups equally represented on the Board.

The Pension Administration Monitoring Report presented to each Board meeting during 2022-23 was detailed and wide ranging and provided a broad range of both statistical data and commentary. The Board appreciates the ongoing work of the Head of Pensions Administration and her staff in preparing, and continually developing, this report. The Board examined each report in detail and Members asked constructive questions.

Each year the Pensions Regulator sends a *"Public Service Governance & Administration Survey"* to each LGPS Fund for completion. The Regulator suggests that this is completed by the Fund Officers working with the Chair of the Pension Board. I am pleased to report that this occurred, in 2022-23, at the Merseyside Fund and that the Fund Officers accorded me the opportunity to be actively involved in the preparation of the Fund's response.

Working Party (IMWP/GRWP) Minutes

The consideration of and focus on overall Fund governance was, facilitated by consideration of the Minutes of the two standing Elected Member led working groups – the Investment Management Working Party (IMWP) and the Governance and Risk Working Party (GRWP) which are also attended by a broad range of Officers/Advisors. As in previous years Pension Board Members attended some Working Group meetings as Observers but with the facility to ask questions and engage in the discussions. The open invitation to Board Members to attend both these groups is a very clear example of the positive approach of the Administering Authority to the Board.

These Minutes also evidenced the wide range of issues not merely covered, but actively considered and discussed, at both the Working Groups. Examination of Working Group Minutes supplemented by the attendance at some Working Group meetings provided evidence and (some) assurance in relation to both positive governance and operation of the Fund. I would wish to thank those Members of the Board who attended Working Group meetings during 2022-23 and encourage attendance during 2023-24.

Investment Pooling and the Northern LGPS Pool

Board Members in 2022-23 as in previous years actively and positively considered and supported the development, as proposed by the three relevant Administering Authorities/ Funds (Wirral/Merseyside, Bradford/West Yorkshire, and Tameside/Greater Manchester) of the Northern LGPS Investment Pool. The Board considers that this approach genuinely meets the four criteria as set out in the Government's Pooling Guidance ***"Local Government Pension Scheme: Investment Reform Criteria and Guidance"*** of November 2015.

In particular the Board has been very supportive of the governance and decision making arrangements of the Pool which are invested in the Northern LGPS Joint

Oversight Committee which consists of six Elected Member representatives from the Administering Authorities and three from the Trade Unions. There were, however, delays in the appointment of the three Trade Union representatives. As stated in my previous report (June 2022), the Board made representations to the Chair of the Pensions Committee regarding this matter who subsequently raised it with the other Administering Authorities (Tameside/Greater Manchester and Bradford/West Yorkshire). At our meeting on 8 July 2022 the Board was informed of difficulties in making the three Employee representative appointments and the Board therefore made further observations and suggestions in this respect.

It is understood that the three Trade Union representatives have now been appointed and attended the April 2023 meeting of the Joint Oversight Committee. This means that the Pool should act, in both theory and practice, in the genuine interests of and to the genuine benefit of the three LGPS Funds which participate in the Northern LGPS Pool while also providing meaningful representation to the Scheme membership.

In my view investment Pooling should not result in any dilution of the ultimate decision making role of Elected Members nor should it reduce the consultative role of Scheme members. The Northern LGPS Pool proves that investment Pooling can be effectively implemented while maintaining both the full and proper sovereignty of Elected Members, and also genuinely meaningful Scheme member representatives involvement. This model of Pool governance is, I suggest, exemplary and one which the entire LGPS in England and Wales would do well to note.

LGPS Update reports

The quarterly LGPS Updates received at each Board meeting are both a source of valuable information on a broad range of national issues with a particular focus on latest developments, and also very useful to Board Members in helping to fulfil their knowledge and understanding obligations under the Public Service Pensions Act 2013 which refers to Board Members been *"conversant"* with the *"rules"* and documents relating to the *"scheme."* The word *"conversant"* includes, in my view, within its general meaning, to keep up to date and this is exactly what the quarterly LGPS Updates enable the Board both individually and collectively to achieve in terms of their knowledge and understanding of the LGPS at a national as well as local (Merseyside Fund) level.
During 2022-23 issues upon which the Board received updates included "McCloud" (Age Discrimination in the LGPS), Pension Scams and New Restrictions on Transfers, The Pensions Dashboard, Good Governance in the LGPS (Scheme Advisory Board) Project, Department for Education Academy (financial) Guarantee Review, Reclassification of the Further Education Sector as public sector bodies. I would wish to thank the Head of Pensions Administration for her presentations of the LGPS Update reports which were most helpful in illuminating the implications of national developments in the specific context of the Merseyside Pension Fund.

Internal Audit Report 2021-22

At its September 2022 meeting the Board received, as it does annually, a presentation and the most recent Merseyside Pension Fund Internal Audit Annual Report which on this occasion covered 2021-22. The reviews undertaken by Internal Audit provide an important source of assurance, or otherwise, regarding both the overall governance of the Fund and the governance/operation of specific areas of Fund activity. Notwithstanding that during 2021-22 Internal Audit work continued to be affected by the COVID pandemic the full 150 days of planned input were delivered.

It was reassuring to note the results of the completed audits undertaken during 2021-22 and that the Chief Internal Auditor's (overall) Opinion included (as it had similarly in the previous year) that *"The assessment found that in all of the systems audited in 2021/22 there is a sound system of control in place, those controls are consistently applied and fully effective and no significant weaknesses were identified. The MPF Management Team continues to ensure identified risks are effectively managed and the recommendations emanating from the audit work are consistently and effectively implemented within the agreed timescales."* After considering the Report and hearing from the Chief Internal Auditor the Board was pleased to approve a resolution *"That it be noted that in 21/22 internal audit work undertaken found that there was an adequate and effective level of control, and this was a positive outcome for the Fund."*

The provisional four-year Internal Audit Plan for 2022-23 to 2025-26 which was included in the Internal Audit Annual Report provided assurance that a wide range of reviews across all of Pensions Administration; Investments, Accounting and Compliance; Cross Cutting issues; and Emerging Risks are planned. Finally, I would wish to record, on behalf of the Board, our appreciation for the work of Internal Audit in relation to the Fund.

Financial related reporting

During 2022-23, as in previous years, the Board received a broad range of reports and documents which have a significant financial emphasis, but which are also clearly relevant to the overall governance and wider operation of the Fund. These included the Pension Fund Outturn 2021-22 and Budget 2022-23; External Audit Plan 2021-22; External Audit Questionnaire and (Fund) Responses 2021-22; (External) Audit Findings Report 2021-22; Fund Annual Report and Accounts 2021-22; Pension Fund Budget 2023-24; Treasury Management Policy 2023-24. As in previous years these reports and documents and the presentations made at the actual meetings, gave the Board clear opportunity to understand, review and ask questions regarding the overall planning and operation of the Fund's activities, as well as its financial processes and controls.

To take the report on the Treasury Management Policy 2023-24 as an example – this report provided, to the Board, clear evidence of, and the opportunity to examine the specific Treasury Management Policy of the Merseyside Pension Fund. Given both the particular nature of the Pension Fund and the fact that it operates not only across the Wirral Council but across the whole geographic area of Merseyside (which includes four other Metropolitan Borough Councils and over 200 other separate Employers) it is vital that the Fund has its own specific Treasury Management Policy.

At the meeting held on 16 December 2022 the Board received the Merseyside Pension Fund Annual Report and Accounts 2021-22. The Minutes of the meeting record that *"The Chair of the Board noted that the annual report had been presented to a very high quality which reflected well on the Fund."*

At its December 2022 meeting the Board also received the (External) Audit Findings Report 2021-22. The Pension Board considered this report recognising both the complexity of the Pension Fund Accounts, together with the extent of the examination and scrutiny to which Pension Fund Accounts are now subjected to by External Auditors. It is therefore pleasing to report the positive content of the Audit Findings Report for 2021-22 and (as stated in the Minutes of the Board of 16 December 2022) that Board *"Members discussed in detail aspects of the Audit findings, whilst the Board placed on record their thanks to the Head of Finance and Risk, her team and the wider staff at Merseyside Pension Fund for work undertaken."*

Funding Strategy Statement and Actuarial Valuation 2022

As is required the Actuarial Valuation was accompanied by a review of the Funding Strategy Statement (FSS). An explanatory report and the draft revised FSS (as issued for consultation) were presented to the Board at its meeting held on 16 December 2022. It was pleasing to note from the explanatory report that *"consultation with employers took place from 31st October to 2nd December 2022 with key changes presented to employers during dedicated employer forums and at the employer conference on 17th November."* This approach indicates genuine and meaningful consultation.

The Fund has since the creation of the Board in 2015 consulted me as Independent Chair of the Pension Board on draft documents required under the LGPS Regulations and subsequently formally added involvement in Consultations to my role under the Board's Terms of Reference. In my response to this Consultation, I was pleased to comment that *"Overall, this draft FSS is, in my view, a very impressive and considered document…"* I commented that the Guide to the FSS and Policies on pages 2 and 3 (of the draft FSS) were *"…extremely helpful…"* the explanations of The Solvency Objective and Long Term Cost Efficiency (on page 5) *"are very helpful and clear…"* and that page 6 contained *"…a very clear and understandable statement of what the FSS is about."* I further commented that *"Overall the* ***Background*** *and* ***Key Funding Principles*** *sections on pages 4 to 14 are, in my view clear and well presented. These sections are really helpful to the reader in my view."*

I also suggested a number of (mainly minor) amendments to the FSS which were largely accepted and incorporated into the final version as published in March 2023. I also raised some queries and in response received clear and logical responses. The approach taken by the Head of Pensions Administration and Director of Pensions to my suggestions and queries clearly, evidence to me personally, that the Consultation undertaken by the Fund in relation to the draft FSS was indeed meaningful and genuine.

At the 16 December 2022 meeting the Board also received an update report on the 2022 Actuarial Valuation which was also presented to the Pensions Committee on 14

December 2022. This report provided, in my view, a clear explanation of the Valuation assumptions and results and how these were determined.

Discussing both the draft Funding Strategy Statement and Update on the Actuarial Valuation together the Minutes of the December 2022 Board meeting record that *"members noted that the Draft FSS and Actuarial Valuation represented a very positive approach and position for both the Fund and Employers, and the positive relationship between the Fund and employers was praised."*

Investment Issues

Under its Terms of Reference, the Pension Board has no role in investment decision making which is in accordance with the role of the Board as set out in the LGPS Regulations. However, in line with the LGPS Regulations, the Board has a clear role in reviewing governance and operational arrangements relating to any activity including the investment activity of the Fund. As indicated in the section of this Review above entitled **"Working Party (IMWP/GRWP) Minutes"** an ongoing mechanism for the Board to examine the governance and operational arrangements relating to investment matters is through consideration of the Investment Monitoring Working Party (IMWP) minutes and attendance at the IMWP.

Also, as already indicated in this report, the Board was pleased, as in previous years, to receive written updates on Investment Pooling/the Northern LGPS Pool and for the opportunity to ask questions of the Director of Pensions and make to constructive observations on this important issue.

During 2022 the Merseyside Pension Fund appointed Redington as its new Strategic Investment Advisor. The approach and activity of the Strategic Investment Advisor is an important element of the Fund's investment governance. Therefore, it was appropriate, and indeed good practice that the Board received at its December 2022 meeting a presentation from Redington detailing how they will address the issues in respect of which they have been appointed to support, and be accountable to, the Director of Pensions. Following the presentation from Redington, Board Members raised a number of questions related to the approach of Redington in their role with the Fund.

Board Members were pleased to have been invited to complete the Merseyside Pension Fund - Stakeholder Survey of Investment Beliefs 2023 which will help inform the Fund's strategic approach to investment going forward. Five Board Members completed the survey and five attended the meeting of the IMWP in February 2023 where the results were presented.

Pensions Administration and Investment Benchmarking

At its September 2022 meeting the Board received the Benchmarking Results for the year ending 31 March 2021 in respect of both Pensions Administration and Investment issued by CEM Benchmarking (CEM). These provided comparisons with appropriate other Pension Funds both in and beyond the LGPS. CEM is an organisation that benchmarks public and private pension funds globally.

Benchmarking is a valuable tool which assesses performance, cost and value for money and can help identify potential service improvement. By measuring a variety of activities within both Pensions Administration and Investment and comparing performance/costs to a range of comparable organisations the Fund is able to identify areas of best practice and those which may benefit from review and improvement. Benchmarking provides to those charged with Fund governance (the Pensions Committee, the Fund Officers, and the Pensions Board) independent analysis of the services provided by the Fund.

Representatives from CEM attended the meeting to provide a presentation and to answer questions. CEM together with the Head of Pensions Administration and Director of Pensions, were asked a range of questions in respect of both the Pensions Administration and Investment benchmarking and Board members also made observations. It was very pleasing to note the positive Cost effectiveness/value for money summary made by CEM Benchmarking in respect of both the Pensions Administration and Investment functions of the Merseyside Pension Fund.

Training and Development

Sufficient and effective Training and Development are clearly essential for Board Members to properly discharge their responsibilities. Furthermore, knowledge and understanding/skills are specifically required of Pension Board Members by the Public Service Pensions Act 2013. The Board's Terms of Reference also include requirements and guidance in this respect.

The LGPS Online Learning Academy (LOLA) developed by Hymans Robertson was made available to all Members of the Pension Board during 2022-23. This provides a helpful broad overview of the LGPS. However, although this programme is a very useful specific LGPS introduction/update/reminder I would stress that completion of LOLA is additional to and not an alternative to attendance at a Working Party/external training events.

As in previous years, some Members of the Pension Board attended the Elected Member led Merseyside Pension Fund Investment Management Working Party (IMWP) and the Governance and Risk Working Party (GRWP). Both these bodies, which are also attended by Fund Officers and Advisors, receive detailed papers, and actively consider a broad range of issues across Fund Governance, Risk, Pensions Administration, and Investment. Attendance at these Working Parties is an excellent opportunity for Board Members to further develop their knowledge and understanding of both the LGPS in general and especially the Merseyside Pension Fund in particular.

During 2022-23 Board Members also attended external training events which included events facilitated by CIPFA, the PLSA (Pensions & Lifetime Savings Association), LAPFF (Local Authority Pension Fund Forum). I would urge all Pension Board Members to seek to attend at least one meeting of the Merseyside Pension Fund Working Groups (IMWP/GRWP) during 2023-24 together with attendance at least one external training event or alternatively to attend at least two external training events during the period 1 April 2023 to 31 March 2024.

The quarterly LGPS Update reports, presented at each Board meeting, are also very useful to Board Members in helping to fulfil their knowledge and understanding obligations as these are focussed on both national developments which relate specifically to the LGPS (for example the Good Governance in the LGPS project) and wider pension related developments as they affect the LGPS (for example the Pensions Dashboard). Those who attended Fund Working Parties during 2022-23 also obtained knowledge and understanding in respect of both investment and governance issues with a particular focus on the Merseyside Pension Fund.

Reporting Breaches of the Law to the Pensions Regulator

The Pension Board does not itself have decision making powers. In respect of the Reporting of Breaches of the Law to the Pensions Regulator (TPR), the Administering Authority has determined (Pensions Committee of 16 November 2015) that the Board should be consulted by Officers when considering whether or not to report a specific breach (or likely breach) to TPR. This is an important role granted to the Board in terms of ensuring the good governance of the Fund and appropriate interpretation of TPR guidance and the Merseyside Pension Fund’s policy on reporting Breaches of the Law.

During the period covered by this report there were no occasions when the Board was asked to give their view as to whether or not a Breach of the Law should be reported to the Pensions Regulator (TPR) or alternatively recorded in the Breaches Log. There were no occasions when the Board, or any Member, believed that they themselves needed to directly report any Breach to TPR.

Recommendations made to the Scheme Manager (Pensions Committee)

There were no formal recommendations made by the Board to the Pensions Committee during 2022-23 The Minutes of each Pension Board are however included on the Agenda of the Pensions Committee and these, of course, include coverage of notable Board discussions and Resolutions passed by the Board.

At the request of the Pensions Board I wrote a (detailed) letter to the Chair of the Pensions Committee in relation to our consideration of the Risk Register at the December 2022 meeting – this was acted upon positively by the Chair.

Pension Board Review 2021-22 and presentation to the Pensions Committee

The Pension Board Review 2021-22 and Work Plan 2022-23 was considered and approved by the Board on 8 July 2022. This was then considered by the Pensions Committee at its meeting held on 28 September 2022 which I attended in person.

Pension Board Costs of Operation 1 April 2022 to 31 March 2023

Conferences	**£ 3,082**
Travel & Subsistence	**£ 1’342**
Allowances	**£ 20,995**

Total	**£ 25,419**

Proposed Pension Board Work Plan 2023-24

The proposed Work Plan for 2023-24 is detailed below and has been prepared jointly by the Director of Pensions and Independent Chair. This maintains an overall emphasis on Fund Governance. Pensions Administration will remain a particular area of focus given that this is an area of direct relevance to both Employers and individual Employees. Investment Pooling will also be an area of focus given this represents a fundamental change to and development of the Governance of the LGPS and a Consultation on this issue is promised from Central Government in 2023-2024. The Work Plan will be updated as necessary during 2023-24.

Agenda item	**20/06/23**	**27/09/23**	**12/12/23**	**27/03/24**
LGPS update	YES	YES	YES	YES
Risk Register	YES	YES	YES	YES
Working Party (IMWP/GRWP) Minutes	YES	YES	YES	YES
Pension Administration Report	YES	YES	YES	YES
Northern LGPS Update	YES	YES	YES	YES
Pension Board Review 2022-23 & Plan 2023-24	YES			
External Audit Plan 2022-23	YES			
External Audit Questionnaire & Responses 2022-23	YES			
Pension Fund Outturn 2022-23 & Budget 2023-24		YES		
Member Learning & Development Programme	YES			
Write off/overpayment report				YES
Internal Audit Annual Report 2022-23		YES		
Benchmarking Report (by CEM)		YES		
Pooling Consultation		YES		
Levelling Up/Edinburgh Reforms Consultation		YES		
Good Governance (in the LGPS) Project		YES		
(External) Audit Findings Report 2022-23		YES		
Fund Annual Report & Accounts 2022-23		YES		
Revised Investment Strategy Statement			YES	
Compliance Manual			YES	
Pension Fund Budget 2024-25				YES
Treasury Management Policy and Report				YES
Catalyst Fund update				YES

Conclusion and Going Forward – the Merseyside Pension Fund and the development of the LGPS in 2023-2024 and beyond.

The Merseyside Pension Fund operates within the overall regulatory/governance framework as defined in the LGPS Regulations, associated Statutory Guidance and other overriding legislation and recommended principles of best practice. Reports and presentations made to the Pension Board in 2022-2023 very clearly indicate, as they did in previous years, that the Merseyside Pension Fund (MPF) understands and takes very seriously its present obligations. This is pleasing to report.

It is also extremely pleasing to note that the three Employee representatives have now been appointed to the Northern LGPS Joint Oversight Committee to sit alongside the six Elected Member representatives from the three Administering Authorities/Funds.

In my previous Board Review (covering 2021-22 and finalised in June 2022) I commented that it was *"extremely disappointing"* that the DLUHC and previously the MHCLG had *"failed to issue the (long) awaited"* Consultation on Climate (TCFD) reporting and the Consultation to facilitate the requirement for LGPS Funds to implement the Scheme Advisory Board (SAB) Good Governance in the LGPS proposals which were referred by SAB to the then MHCLG in February 2021.

A Consultation entitled ***"Local Government Pension Scheme (England and Wales): Governance and reporting of climate change risks"*** was (at last) issued by the DLUHC on 1 September 2022 and closed on 24 November 2022. This indicated that the Government intended implementation of compulsory climate reporting by the LGPS from April 2023 with each individual LGPS Fund to produce its first mandatory report by December 2024. A report on the background to the Consultation, its proposals and the Consultation questions was presented to the Board at its meeting on 28 September 2022. A further report detailing the response of the Merseyside Fund was presented to the Board at its December 2022 meeting. The Fund's response was a joint Northern LGPS response together with West Yorkshire/Bradford and Greater Manchester/Tameside which also referenced the responses by the Scheme Advisory Board (SAB) and the Local Authority Pension Fund Forum (LAPFF).

Given the delays in issuing a Consultation on Climate Reporting it is more than extremely disappointing to have to note that at the time of completing this review the DLUHC had issued no response to the Consultation responses received from LGPS Funds and other stakeholders. Indeed, (from a notification posted on the SAB website on 23 May 2023) mandatory LGPS Climate Reporting "*is now expected to commence from 1 April 2024, with first reports due in late 2025."* This is yet another further year of delay in respect of an issue of crucial concern to not only the LGPS but all humanity!

Pleasingly, however, as the Northern LGPS response to the Climate Consultation states, *"each Administering authority within the Northern LGPS has voluntarily reported under the TCFD framework."* I would also wish to place on record my own personal endorsement of the Merseyside/Northern LGPS, SAB and LAPFF comments in respect of the need to genuinely consider and incorporate (to use LAPFF's words) the *"social risks associated with the transition"* and (to use SAB's words) *"to support a just transition".*

Nor has the DLUHC issued any Consultation to require the mandatory implementation by LGPS Funds of the recommendations of the Good Governance in the LGPS project which were finalised by SAB in February 2021. However, it is pleasing that the Merseyside Fund is itself seeking to implement the SAB proposals ahead of mandation. This represents good practice.

The LGPS is becoming ever larger and more complex in terms of its Governance, Funding, Administration, and Investment functions. In this context additional resourcing will inevitably be required to ensure that the Fund can continue to offer a good level of service to both Employers and individual members of the Scheme going forward. The issue of appropriate resourcing and in particular in relation to recruitment and retention was an area of particular focus for the Board in 2022-23 and will, in support of the Pensions Committee, all Employers, and individual Scheme members, continue to be in 2023-24.

John Raisin
Independent Chair
Merseyside (Wirral) LGPS Local Pension Board

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PENSIONS COMMITTEE

26 SEPTEMBER 2023

REPORT TITLE:	**GRANT THORNTON – THE AUDIT FINDINGS REPORT FOR MERSEYSIDE PENSION FUND**
REPORT OF:	**DIRECTOR OF PENSIONS**

REPORT SUMMARY

This report highlights the key findings and other matters arising from Grant Thornton’s external audit of the financial statements of Merseyside Pension Fund for the year ended 31 March 2023.

Subject to the satisfactory completion of the outstanding audit work, Grant Thornton’s anticipated audit opinion will be unqualified.

RECOMMENDATION/S

That the Pensions Committee be recommended to consider and note the report provided by the external auditor, Grant Thornton.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION

1.1 There is a statutory requirement to audit the financial statements of Merseyside Pension Fund and to report to those charged with governance, who oversee the financial reporting process.

2.0 OTHER OPTIONS CONSIDERED

2.1 There is a statutory requirement for this report. No other options are considered suitable.

3.0 BACKGROUND INFORMATION

3.1 The Audit Findings Report, prepared by the external auditor, presents the findings and observations arising from the external audit of the Pension Fund accounts.

3.2 External audit are required to report on whether the Pension Fund's financial statements give a true and fair view of the financial position of the Pension Fund and its income and expenditure for the year; and whether the financial statements have been prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting, and the Local Audit and Accountability Act 2014.

3.3 External audit also report on whether other information published, together with the audited financial statements and the Fund's Annual Report, is consistent with their knowledge of the organisation and the financial statements they have audited.

4.0 FINANCIAL IMPLICATIONS

4.1 Merseyside Pension Fund is charged a fee for the external audit of the Fund's financial statements; the proposed fee is £51,225 and the final fee is to be confirmed as detailed within the Grant Thornton report.

5.0 LEGAL IMPLICATIONS

5.1 There is a statutory requirement for the accounts of Merseyside Pension Fund to be subject to external audit.

6.0 RESOURCE IMPLICATIONS: STAFFING; ICT AND ASSETS

6.1 There are none arising directly from this report.

7.0 RELEVANT RISKS

7.1 Grant Thornton complete a risk-based audit whereby they focus audit effort on those areas where they have identified a risk of material misstatement in the accounts.

7.2 If any concerns identified by Grant Thornton are not addressed by the Pension Fund and the Council, then there is a risk that the Council will not be able to meet its statutory requirements in respect of the Statement of Accounts.

8.0 ENGAGEMENT/CONSULTATION

8.1 There has been no consultation undertaken or proposed for this report. There are no implications for partner organisations arising from this report.

9.0 EQUALITY IMPLICATIONS

9.1 The content and/or recommendation contained within this report have no direct implications for equality.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 The content and/or recommendation contained within this report have no direct environmental or climate implications.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 The content and/or recommendation contained within this report have no direct implications for community wealth.

REPORT AUTHOR: **Donna Smith**
Head of Finance & Risk
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APPENDICES

Merseyside Pension Fund Audit Findings Report 2022/23

BACKGROUND PAPERS

Local Audit and Accountability Act 2014
CIPFA/LASAAC Code of Practice on Local Authority Accounting

TERMS OF REFERENCE

This report is being considered by the Pensions Committee in accordance with Section a of its Terms of Reference:

(a) to be responsible for the overall investment policy, strategy and principles of the Fund and its overall performance

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
The Fund’s Audit Findings Report is brought annually to this Committee.	**28 September 2022** **20 September 2021** **2 November 2020**

Grant Thornton

The Audit Findings Report for Merseyside Pension Fund

Year ended 31 March 2023

15 September 2023

Contents

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Pension Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management.

Sarah Ironmonger
For Grant Thornton UK LLP
Date: 14 September 2023

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Merseyside Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2023 for the attention of those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Pension Fund's financial statements give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2023 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We have completed a substantial amount of our audit. However, at the time of writing this report, some audit tasks are still to be completed. Subject to the satisfactory completion of the outstanding items below, there are currently no matters of which we are aware that would require modification of our audit opinion [Appendix E] or material changes to the financial statements. However, this position is subject to the satisfactory completion of the following outstanding matters;

- Receipt of the outstanding external investment confirmations, audited accounts, controls reports and completing our testing of level 3 investments
- Receipt of a transaction listing to select a sample of purchases and sales to test
- Completion of testing for level 1 and 2 investments
- Resolution of final queries with the valuer for a sample of direct property assets
- Results of the work of our internal valuations team in valuing the derivatives
- Completion of the testing of large/unusual journals posted by management
- Completion of the audit work/sample testing on several non-significant risk areas of the accounts
- Final quality reviews of the audit work by the Engagement Leader
- Receipt of signed management representation letter
- Review of the final set of financial statements

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Subject to the satisfactory completion of the outstanding audit work, our anticipated audit report opinion will be unqualified. An updated audit findings report will be presented to the Wirral MBC Audit & Risk Management Committee, which will confirm the audit opinion which we will be issuing.

1. Headlines

National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see About time? (grantthornton.co.uk)

We would like to thank everyone at the Pension Fund for their support in working with us to complete the audit of the Pension Fund.

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Local context - triennial valuation

Triennial valuations for local government pension funds have been published. These valuations, which are as at 31 March 2022, provide updated information regarding the funding position of the Pension Fund and set employer contribution rates for the period 2023/24 – 2025/26. For the Pension Fund, the valuation was undertaken by Mercer, and showed that the overall funding level for the Fund had increased to 106% (2019 funding level: 101%). The results of the latest triennial valuation are reflected in the appendix to the financial statements. These valuations also provide updated information for the net pension liability on employer balance sheets.

We have performed testing of the completeness and accuracy of triennial valuation source data. This was to support our work providing assurances to auditors of employer bodies. As part of this work, we tested a sample of 50 members and found the source data to be complete and accurate. This additional testing is only required after each triennial review, rather than annually. See Appendix C for the impact of this work on our 2022/23 audit fee.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

For Merseyside Pension Fund, the Pension Committee along with the Audit and Risk Management Committee fulfil the role of those charged with governance.

Audit approach

Our audit approach was based on a thorough understanding of the Pension Fund's business and is risk based, and in particular included:

- An evaluation of the Pension Fund's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not had to alter our audit plan, which was communicated to you at the Pensions Committee meeting on 11 July 2023.

Conclusion

We have completed a substantial amount of our audit. However, at the time of writing this report, some audit tasks are still to be completed. Work is remains ongoing as we are working towards completing the audit by the end of September.

Subject to outstanding audit work and queries being resolved appropriately, we anticipate issuing an unqualified audit opinion however, the timing of when we are able to issue the opinion is dependent on when the Administering Authority audit opinion is also ready to be issued. At the time of writing there are several areas of our work which require completing in order for us to finalise the audit, these outstanding items are listed on page 3.

2. Financial Statements

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Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan, which was presented to the Pensions Committee on 11 July 2023.

We detail in the table below our determination of materiality for Merseyside Pension Fund.

	Pension Fund Amount (£)	Qualitative factors considered
Materiality for the financial statements	£97.016m	We have determined materiality for the audit to be £97.016m (equivalent to 0.9% of net assets for the prior year). This is in line with the industry standard and reflects the risks associated with the Fund's financial performance.
Performance materiality	£72.762m	Performance materiality drives the extent of our testing, and this was set at 75% of financial statement materiality. Our consideration of performance materiality is based upon a number of factors: • We are not aware of a history of deficiencies in the control environment • There has not historically been a large number or significant misstatements arising; and • Senior management and key reporting personnel has remained stable from the prior year audit
Trivial matters	£4.850m	This equates to 5% of materiality. This is our reporting threshold to the Pensions Committee and Wirral's Audit & Risk Management Committee for any errors identified.
Materiality for fund account	£43.822m	This equates to 10% of prior year gross operating costs.

2. Financial Statements: Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Fund faces external scrutiny of its spending and stewardship of funds, and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. At the time of writing this report we are still completing our testing of journals posted by management during the year. Management has provided us with all the required information at this stage. Our audit work to date has not identified any issues in respect of management override of controls.
ISA 240 Fraud in Revenue and Expenditure Recognition Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. We have also rebutted the presumption of fraud in expenditure recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Wirral Council mean that all forms of fraud are seen as unacceptable Therefore, we do not consider this to be a significant risk for Merseyside Pension Fund.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of Level 3 Investments The Fund revalues its investments on a quarterly basis to ensure that the carrying value is not materially different from the fair value at the financial statements date. By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved (£2,998m) and the sensitivity of this estimate to changes in key assumptions. Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end. Management utilise the services of investment managers as valuation experts to estimate the fair value as at 31 March 2023. We therefore identified valuation of Level 3 investments as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • evaluated management's processes for valuing Level 3 investments • reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met • independently requested year-end confirmations from investment managers • for a sample of investments, tested the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconciled those values to the values at 31 March 2023 with reference to known movements in the intervening period and • in the absence of available audited accounts, we have evaluated the competence, capabilities and objectivity of the valuation expert • tested revaluations made during the year to see if they had been input correctly into the Pension Fund's financial records • where available reviewed investment manager service auditor report on design effectiveness of internal controls. Per the Fund's accounting policies, year-end values for hard to value assets frequently contain 31 December values adjusted for cashflow transactions for inclusion in the draft financial statements. As part of our response to the valuation risk the valuation of the level 3 investments is assessed by the auditor to ensure that the carrying value per the financial statements is not materially different from the fair value as at the 31 March 2023, which we obtain via external confirmation from the external fund managers. We would typically expect to see a number of small variances as a result of this, usually netting out to a relatively small variance. In recent years as a result of Brexit and Covid, these movements have been more volatile and in some cases the Pension Fund have updated their accounts for the difference. From the work which we have performed to date the current difference between the valuation of investments per the Fund's accounts and that per the externally obtained investment confirmations as at 31 March 2023 is £24.9m. However, this figure is based on only 67 of the 76 items in our sample and so it will change once all confirmations are received. We are still finalising our work on this area.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of Directly Held Property The Fund revalues its directly held property on a quarterly basis to ensure that the carrying value is not materially different from the fair value at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£470m) and the sensitivity of this estimate to changes in key assumptions. Management have engaged the services of a valuer to estimate the current value as at 31 March 2023. We therefore identified valuation of directly held property, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluated the competence, capabilities and objectivity of the valuation expert • written out to them and discussed with the valuer the basis on which the valuation was carried out • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding • engaged our own valuer to assess the instructions to the Fund's valuer, the Fund's valuation report and the assumptions that underpin the valuation. We can confirm that the external valuer appointed is independent of ourselves and the Pension Fund • tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Fund's financial records • where available reviewed investment manager service auditor report on design effectiveness of internal controls. Our audit work on the valuation of directly held property is still ongoing at the time of writing this report. We are still finalising our testing of the valuation of a sample of assets and challenge of the Fund's external valuer. We also still need to follow up on the challenge questions raised by our own expert. Our audit work to date has not identified any significant issues or misstatements.

2. Financial Statements: Other issues and risks continued

This section provides commentary on other issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Issue	Commentary	Auditor view
Journal Authorisation Processes	**Ability to self-authorise journals in the General Ledger** As reported in the previous year, our work on the journal control environment identified that finance team members within the Pension Fund who have the ability upload journals, also technically have the ability to approve the same Journals. This is a function of the Oracle EBS General Ledger system and the way in which it has been developed for use within the Pension Fund and the Council. In practice the self-authorisation of journals rarely happens, this is corroborated from the work which we have done in analysing the journals posted by management during the year. There were only a few occasions in year where this did occur, and the Fund have demonstrated to us that their compensatory control of reviewing journal posting is effective as they had identified these journals during the year, and they have subsequently reversed them and a new journal with clear segregation of duties had been input into the ledger. There have not been any changes to the control environment in year and so we continue to report this to the attention of those charged with governance.	As users with access to Oracle can post and approve their own journals, this is required to be recognised as a control deficiency. We do not deem this a significant deficiency as the Pension Fund have sufficient controls in place such as; running monthly reports and reviewing all journals posted in month, which clearly shows who has posted and approved each journal, performing monthly budget monitoring against actual performance and the net asset statement and fund account are reconciled monthly against the journals reports to ensure no omitted journals postings or incorrect journals have been posted. In response to this deficiency, we gained an understanding of the compensatory controls in place at the Fund to ensure that all journals are reviewed before posting. We target tested any journals which initially were input and approved by the same staff member. We also assessed the whether the authorisation procedures were correctly followed for each journal that was selected for testing. The results of this testing remain ongoing; however, no issues have been identified to date.

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2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Item	Summary of management's approach	Audit Comments	Assessment
Level 3 Investments – £2,998m	The Pension Fund has investments in unquoted equity and pooled investments that in total are valued on the Net Asset Statement as at 31 March 2023 at £2,998m. These investments are not traded on an open exchange/market and the valuation of the investment is highly subjective due to a lack of observable inputs. In order to determine the value, management rely on the valuations provided by the general partners to the private equity funds which the Fund invests in. The value of the investments has decreased by £115m in 2022-23, largely due to significant market volatility resulting from the Russian invasion of Ukraine, the September 2022 "min-budget" and the cost-of-living crisis.	Management determine the values of level 3 investments through placing reliance on the expertise of investment managers. As such we have sought confirmations of year end valuations from all main mandate managers. We have also tested a sample of level 3 investments to audited accounts to determine if the values estimated are reasonable and within our acceptable tolerances based on our expectation derived from the audited accounts. Management have disclosed, within Note 5 of the accounts, the uncertainty related to level 3 investments (absolute return funds and private equity) as well as providing a supporting sensitivity analysis within Note 15 to allow the reader to understand the potential impact on the accounts should the value of those estimates change. Per the Fund's accounting policies, year-end values for hard to value assets frequently contain 31 December values adjusted for cashflow transactions for inclusion in the draft financial statements. As part of our response to the valuation risk the valuation of the level 3 investments is assessed by the auditor to ensure that the carrying value per the financial statements is not materially different from the fair value as at the 31 March 2023, which we obtain via external confirmation from the external fund managers. We would typically expect to see a number of small variances as a result of this, usually netting out to a relatively small variance. In recent years as a result of Brexit and Covid, these movements have been more volatile. From the work which we have performed to date the current difference between the valuation of investments per the Fund's accounts and that per the externally obtained investment confirmations as at 31 March 2023 is £24.9m. However, this figure is based on only 67 of the 76 items in our sample and so it will change once all confirmations are received. We are still finalising our work on this area.	Light Purple

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Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates

Item	Summary of management's approach	Audit Comments	Assessment
Level 2 Investments – £1,954m	The Pension Fund have investments in unquoted bonds, pooled investments and derivatives that in total are valued on the Net Asset Statement as at 31 March 2022 at £2,190m. The Fund also held investment liabilities of £236m as at 31 March 2023. The net position was £1,954m. The investments cannot be easily reconciled to valuations recorded on an open exchange / market as the valuation of the investments involves some subjectivity. In order to determine the value, management rely on the information which they are given from the various fund managers. The net value of the investments has decreased by £16m in 2022-23, due largely to decreases in market value.	Management determine the value of Level 2 Investments through placing reliance on the expertise of the various fund managers. As such we have sought confirmations of year end valuations from all main mandate managers and also tested a sample of unit values used to value level 2 investments to externally quoted information sources, or where not quoted, to unit values provided by the investment manager's own independent custodian. This work remains ongoing but no issues have been identified to date. We have also consulted with our specialist valuations team in determining the appropriateness of the valuation of the derivative investments. Our valuations team are performing their own valuation of a sample of the derivatives. As at the time of writing our report we are still awaiting their findings.	Light Purple
Directly held Investment Property - £470m	The Pension Fund has investments in directly held investment properties that in total are valued on the Net Asset Statement as at 31 March 2023 at £470m. In order to determine the value, management engage independent RICs qualified valuers, Savills, to calculate the fair value of the properties on the basis of their Market Value. All of the properties held by the Fund were valued as at 31/3/23. The value of the investments have decreased by £98m in 2021/22, this was largely as a result of decreases in the fair value of the properties on revaluation as at 31/3/23. Included in the above movement in valuation is also a net decrease of £27m on the portfolio valuation as a result of purchases and sales throughout the financial year.	Management determine the value of Level 3 direct property investments through placing reliance on the expertise of the property valuer. As such we have sought confirmations of year end valuations from the valuer as well as corresponding with them to understand and assess their skills, competence and independence from the Fund in valuing the investment properties. We have also evaluated the assumptions used in the calculation of the estimate as well as the source evidence they relied upon. We compared movements in individual asset values to movements in market indices and challenged management on any movements which were outside of our expected range. As with our prior year audit, we engaged our own auditors expert to assess the instructions provided to the valuer in comparison to the requirements from CIPFA / IFRS / RICS and also to assess the valuation methodology and approach, resulting assumptions adopted and any other relevant points. We did not identify any issues with the approach or assumptions adopted by the Fund's external property valuer.	Light Purple

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Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

			ITGC control area rating				
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	Related significant risks/other risks	Additional procedures carried out to address risks arising from our findings
Oracle EBS	ITGC assessment (design and implementation effectiveness only)	●	●	●	●	Level 3 Investments, Directly-held Property	This work remains on going – however significant deficiencies have been identified in previous years' which we expect to remain present as the Council and Pension Fund upgrade to Oracle Cloud during 2023/24.
Pension Administration System (Altair)	ITGC assessment (design and implementation effectiveness only)	●	●	●	●	N/A	This work remains on-going however, no issues have been identified to date or in the prior year.

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Assessment

- ● Significant deficiencies identified in IT controls relevant to the audit of financial statements
- ● Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- ● IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ● Not in scope for testing

2. Financial Statements: other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Pensions Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed. It is noted that declarations of interest have yet to be received from one member of the Pensions Committee. We are however satisfied that the fund has appropriate procedures in place to obtain and monitor declarations.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Pension Fund, which is included separately in the Pensions Committee papers. We have not requested any additional specific representations from management.
Audit evidence and explanations	All information and explanations requested from management was provided. We note that management provided us with a set of draft financial statements in advance of the national deadline for preparing accounts. We thank management for their assistance in ensuring the smooth execution of the audit.

2. Financial Statements: other communication requirements

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Issue	Commentary
Confirmation requests from third parties	We requested direct confirmations from the Fund's bankers, custodian and all main mandate fund managers, plus a sample of managers of alternative investments. We are still awaiting confirmations from a number of fund managers in our level 3 investments sample – see page 8.
Accounting practices	We have evaluated the appropriateness of the Pension Fund's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements. Updates have been made to disclosures as a result of findings noted from our Technical team's hot review of the accounts to improve the disclosures and their readability. For key management personnel we have noted that the Fund has used contributions as an estimate for post-employment benefits. This area is subject to discussion within the sector but the CIPFA example accounts do note that assuming that most key personnel identified will belong to the LGPS or other defined benefit pension schemes, disclosure of employer contributions payable in the period will not generally represent an accurate basis for estimating post-employment benefits. We are satisfied that readers will not be misled by the current disclosures but have discussed with management and this is an area that will be kept under review.

2. Financial Statements: other communication requirements

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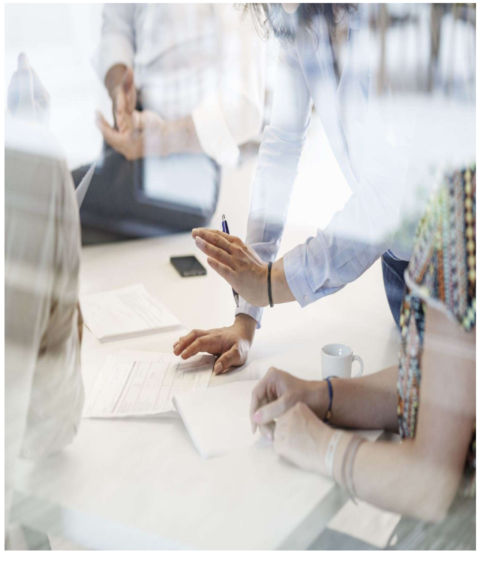
Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Pension Fund meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Pension Fund and the environment in which it operates • the Pension Fund's financial reporting framework • the Pension Fund's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	The Pension Fund is administered by Wirral Metropolitan Borough Council(the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements. We are required to read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to Appendix F.
Matters on which we report by exception	We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. We propose to issue our 'consistency' opinion on the Pension Fund's Annual Report with the opinion on the accounts. We are required to report if we have applied any of our statutory powers or duties as outlined in the Code. We have nothing to report on these matters.



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3. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix C.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Grant Thornton International Transparency report 2023.

3. Independence and ethics

Audit and non-audit services

For the purposes of our audit, we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund. The following non-audit services were identified.

Note that fees for IAS 19 letters for employer body auditors were classed as non-audit fees prior to 2022/23. The National Audit Office have confirmed that the provision of IAS 19 assurances should be considered work undertaken under the Code of Audit Practice for 2022/23 onwards.

Service	Fees £	Threats identified	Safeguards
Audit related			
IAS19 procedures for other bodies admitted to the pension fund	£33,500 (£6,000 base Fee, £5,000 Triennial Valuation plus £1,100 for each set of audit procedures - 15 Expected) We also issued 6 additional 21-22 letters due to the triennial valuation (£1,000 each)	Self-Interest (because this is a recurring fee)	The fee for this work is recurring but not significant compared to the audit of the financial statements of £51,225 and in particular relative to Grant Thornton UK LLP's turnover overall. The fee is fixed based on the number of admitted bodies. Further, the work is on audit related services and integrated with the testing undertaken as part of the audit. These factors all mitigate the perceived self-interest threat to an acceptable level. The Fund has accrued for a fee of £22,500 for IAS 19 work in the draft accounts. The amount to be recharged is to be confirmed – see Appendix C for a reconciliation to the financial statements.
		Self-review	We have not prepared the financial information on which our assurances will be used by the requesting auditor. Any decisions whether to change controls over, or edits required to, financial information arising from our findings will be a matter for informed management
		Management	We may make recommendations to the Pension Fund in respect of control weaknesses, in the same way as we would in an audit of financial statements. Informed management understand the operation of systems and can challenge our recommendations as appropriate.
Non-audit Related			
None			

These services are consistent with the Pension Fund's policy on the allotment of non-audit work to your auditors. All services have been approved by the Pensions Committee. None of the services provided are subject to contingent fees.

3. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Pension Fund that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Pension Fund held by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Pension Fund as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Pension Fund
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Pension Fund's board, senior management or staff

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

Appendices

A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●
Expected modifications to the auditor's report, or emphasis of matter		●

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings Report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Audit Adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

At the time of writing this report, there have been no unadjusted misstatements identified.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit to date, which have been made in the final set of financial statements. The audit remains ongoing and an updated position with be reported to the Audit & Risk Management Committee in October 2023.

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Note 24 Additional Voluntary Contribution (AVC's) Investments At time of finalising the 2022-23 audited accounts the Fund was still awaiting information from third parties in order to finalise the Additional Voluntary Contributions note. As such no figure was included for prudential in the 2022-23 AVC's note. The information for was received during the year and so management have updated the figures in the revised accounts.	Management are amending the final version of accounts for this item	✓
Note 15 – Fair Value An additional disclosure has been added to this note to clarify that the Loans, Cash and Other investment balances included within the fair value hierarchy table are valued at amortised cost but have been presented under the level 1 investments heading to aid reconciliation of the note to the Net Asset Statement.	Management are amending the final version of accounts for this item	✓
IAS 26 Actuarial Present Value of Retirement Benefits Disclosure The Pension Fund adopts option C of the CIPFA Code, to report IAS 26 disclosures via an appendix to the Accounts of the Actuary Statement. The Pension Fund obtained an updated Actuary statement to recognise the impact of the Triennial Valuation with the 2021-22 Actuary Statement. As a result of this the 2022-23 statement has also been updated from the version appended to the draft accounts.	Management are amending the final version of accounts for this item	✓

B. Audit Adjustments (continued)

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022/23 audit which have not been made within the final set of financial statements. The Pensions Committee/Audit & Risk Management Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Pension Fund Account £	Net Asset Statement £	Impact on total net assets £	Reason for not adjusting
It is likely that the difference between the valuation of level 3 investments included in the Fund's accounts and the valuation per the external confirmations at 31 March 2023 will be above triviality but below materiality. In such cases (as with 2021-22 below), this difference will be recorded as an unadjusted misstatement. The current quantified difference is £24.9m, however this is based on only 67 of the 76 investments within our sample. This figure will change once all confirmations are received. An update will be reported to Wirral MBC Audit & Risk Management Committee in October 2023.	£24.9m	£24.9m	£24.9m	Value is below performance materiality
Overall impact	£24.9m	£24.9m	£24.9m	

B. Audit Adjustments (continued)

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2021/22 financial statements

Detail	Pension Fund Account £	Net Asset Statement £	Impact on total net assets £	Reason for not adjusting
Level 3 Investments Per the Fund's accounting policies, year-end values for hard to value assets frequently contain 31 December values adjusted for cash for inclusion in the draft financial statements. As part of our response to the valuation risk the valuation of the level 3 investments is assessed by the auditor to ensure that the carrying value per the financial statements is not materially different from the fair value as at the 31 March 2022, which we obtain via external confirmation from the external fund managers. We would typically expect to see a number of small variances as a result of this, usually netting out to a relatively small variance. In recent years as a result of Brexit and Covid, these movements have been more volatile. From the work which we have performed to date the difference between the valuation of investments per the Fund's accounts and that per the externally obtained investment confirmations as at 31 March 2023 is £43m. This amount is below performance materiality; however, we have asked the Fund to compare the valuations as at 31/3/23 compared to the accounts for all level 3 investments held. Since this is a factual difference, it is included in Appendix B of this report as an unadjusted misstatement. In the 2022-23 Accounts this gain is effectively recorded in the change in Market Value balance of Note 13 which technically is a gain for 2021-22 however the value is not material and so we are satisfied that this balance is materially correct.	£43m	£43m	£43m	Value is below performance materiality
Overall impact	£43m	£43m	£43m	

C. Fees and non-audit services

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee (£)	Final fee (£)
Scale Fee (set by PSAA)	£32,462	£32,462
Reduced materiality	£2,188	£2,188
Valuation of Level 3 Investments	£1,750	£1,750
Direct Property - appointment of auditor's expert	£3,000	£3,000
Impact of ISA 540	£3,600	£3,600
Impact of ISA 315	£3,000	£3,000
Journals testing	£3,000	£3,000
Derivative investments – appointment of internal GT Valuations Team	£2,225	TBC
Pension Fund Audit	51,225	TBC
IAS 19 letters for employer body auditors, including testing of 31 March 2022 triennial review *	£28,500	TBC
Work on triennial valuation member data*	£5,000	£5,000
Total audit fees (excluding VAT)	£84,725	TBC

*Note that fees for IAS 19 letters for employer body auditors were classed as non-audit fees prior to 2022/23. The National Audit Office have confirmed that the provision of IAS 19 assurances to auditors of local government and NHS bodies should be considered work undertaken under the Code of Audit Practice for 2022/23 onwards. Provision of IAS 19 assurances to auditors of any other type of entity remains non-Code work.

C. Fees and non-audit services

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services		
IAS19 Assurance Letters (£6,000 base fee + £1,100 per letter – 15 expected) Triennial Valuation Fee - £5,000 Additional 2021-22 Letters (£1,000 – per letter – 6 issued)	£33,500	TBC
Total non-audit fees (excluding VAT)	£33,500	TBC

The Audit fees for the opinion reconcile to the financial statements. There are reconciling items with regards to the additional IAS 19 Fees:

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IAS 19 fees per Note 11c of the financial statements - £22,500

Triennial Valuation Fee - £5,000

Additional revised 21-22 IAS 19 Fees - £6,000 (These assurance letters were issued in June 2023 to account for results of 31/3/2022 Triennial Valuation)

Total fees per above - £33,500

Also note that the Pension Fund have included an audit fee rebate of £14,229 within Note 11c of the accounts.

None of the above services were provided on a contingent fee basis.

This covers all services provided by us and our network to the Fund, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence. (The FRC Ethical Standard (ES 1.69))

D. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'
This impacts audits of financial statement for periods commencing on or after 15 December 2021.
ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'
ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: • the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures • the identification and extent of work effort needed for indirect and direct controls in the system of internal control • the controls for which design and implementation needs to be assess and how that impacts sampling • the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: • increased emphasis on the exercise of professional judgement and professional scepticism • an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence • increased guidance on management and auditor bias • additional focus on the authenticity of information used as audit evidence • a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. • Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: • clarification of the requirements relating to understanding fraud risk factors • additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

E. Management Letter of Representation

[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

Grant Thornton UK LLP

11th Floor,

Landmark St Peter's Square,

1 Oxford St,

Manchester,

M1 4PB

[Date] – {TO BE DATED SAME DATE AS DATE OF AUDIT OPINION]

Dear Sirs

Merseyside Pension Fund Financial Statements for the year ended 31 March 2023

This representation letter is provided in connection with the audit of the financial statements of Merseyside Pension Fund for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the Fund's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the Fund and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Fund has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include level 2 investments, level 3 investments and directly-held investment property. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

vi. Except as disclosed in the financial statements:

a. there are no unrecorded liabilities, actual or contingent

b. none of the assets of the Fund has been assigned, pledged or mortgaged

c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

vii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

viii. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

ix. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

x. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Fund and its financial position at the year-end.

xi. The financial statements are free of material misstatements, including omissions.

xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv. The prior period adjustments disclosed in Note [X] to the financial statements are accurate and complete. There are no other prior period errors to bring to your attention.

xv. We have updated our going concern assessment. We continue to believe that the Fund's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that that :

a. the nature of the Fund means that, notwithstanding any intention to liquidate the Fund or cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and

c. the Fund's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Fund's ability to continue as a going concern need to be made in the financial statements.

Information Provided

xvi. We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;

E. Management Letter of Representation

b. additional information that you have requested from us for the purpose of your audit; and

c. access to persons within the Fund via remote arrangements from whom you determined it necessary to obtain audit evidence.

xvii. We have communicated to you all deficiencies in internal control of which management is aware.

xviii. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xix. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xx. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Fund, and involves:

a. management;

b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the financial statements.

xxi. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xxii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxiii. There have been no communications with The Pensions Regulator or other regulatory bodies during the year or subsequently concerning matters of non-compliance with any legal duty.

xxiv. We are not aware of any reports having been made to The Pensions Regulator by any of our advisors.

xxv. We have disclosed to you the identity of the Fund's related parties and all the related party relationships and transactions of which we are aware.

xxvi. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Approval

The approval of this letter of representation was minuted by the Fund’s Pensions Committee at its meeting on 26 September 2023.

Yours faithfully

Name……………………………

Position…………………………..

Date……………………………..

F. Audit opinion

Our audit opinion is included below. We anticipate we will provide the Pension Fund with an unmodified audit report.

Independent auditor's report to the members of Wirral Metropolitan Borough Council on the pension fund financial statements of Merseyside Pension Fund

Opinion on financial statements

We have audited the financial statements of Merseyside Pension Fund (the 'Pension Fund') administered by Wirral Metropolitan Borough Council (the 'Authority') for the year ended 31 March 2023, which comprise the Fund Account, the Net Assets Statement, and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2023 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund year;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the Pension Fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Chief Financial Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Pension Fund to cease to continue as a going concern.

In our evaluation of the Chief Financial Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

In auditing the financial statements, we have concluded that the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Financial Officer with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Governance Statement, the Statement of Accounts and the present value of retirement benefits reported under option C of the CIPFA Code, other than the Pension Fund's financial statements and our auditor's report thereon, and our auditor's report on the Authority's financial statements. The Chief Financial Officer is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Pension Fund financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice (2020) published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the Pension Fund's financial statements, the other information published together with the Pension Fund's financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the Pension Fund financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters in relation to the Pension Fund.

Responsibilities of the Authority and the Chief Financial Officer

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Financial Officer. The Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom

F. Audit opinion

2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Pension Fund's financial statements, the Chief Financial Officer is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Pension Fund without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003), Public Service Pensions Act 2013, Local Government Pension Scheme Regulations 2013 and Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

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We enquired of management and the Pensions Committee, concerning the Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Pensions Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to manually posted journals, large journals over 2.5x headline materiality, self-approved journals, journals impacting on investment valuations post year end and any journals posted by senior management. Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on manually posted journals, large journals over 2.5x headline materiality, self-approved journals, journals impacting on investment valuations post year end and any journals posted by senior management.
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of level 2 investments, level 3 investments and directly held property, and
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including management override of controls. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government pensions sector
- understanding of the legal and regulatory requirements specific to the Pension Fund including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA/LASAAC and SOLACE
    - the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Pension Fund's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Sarah Ironmonger, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Manchester

DATE

grantthornton.co.uk

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WIRRAL

PENSIONS COMMITTEE

26 SEPTEMBER 2023

REPORT TITLE:	**MERSEYSIDE PENSION FUND ANNUAL REPORT & ACCOUNTS 2022/23 AND LETTER OF REPRESENTATION**
REPORT OF:	**DIRECTOR OF PENSIONS**

REPORT SUMMARY

The purpose of this report is to present to Members:

- An update on the 2021/22 Statement of Accounts
- Annual Report & Accounts for Merseyside Pension Fund for 2022/23
- A letter of representation prepared by Officers on behalf of the Committee.

The Statement of Accounts for 2021/22 approved by Pensions Committee in September 2022, is expected to be approved by Audit & Risk Management Committee in October 2023, as part of Wirral Council's accounts approval process. An updated actuary statement for 2021/22 has been obtained and is now included within the 2021/22 reporting. This is due to the outcomes of the 2022 Triennial Valuation being published and considered to be new information being available, before the audit opinion was provided; this change was a national issue and agreed with the auditors.

The Statement of Accounts summarises the Fund's transactions for the 2022/23 financial year and its position at year end. The Fund's financial position for the year ended 31 March 2023 is reported as £10.4bn.

The primary reporting publication for the Fund's Statement of Accounts is as a part of Wirral Council's Accounts, as the Administering Authority. The LGPS Regulations require the Fund's financial statements to also be published within the Fund's statutory Annual Report.

The accounts were prepared and submitted for external audit on 1 June 2023. The external auditors, Grant Thornton, subject to outstanding work, have indicated there will be an unqualified opinion. The audit work has not identified any adjustment to the financial statements' financial position; a small number of changes to the disclosure notes have been made. At the time of preparing this report, the Fund has agreed to these amendments and there are no recommendations. A verbal update will be provided at the meeting.

The Audit Opinion will be issued following final completion of the audit, consideration of the Audit Findings Report and approval of the amended Statement of Accounts at both the Pensions Committee and the Audit and Risk Management Committee.

Subject to this, the accounts will form the basis of the Annual Report for the year ended 31 March 2023.

A Letter of Representation on behalf of the Committee has been prepared, which gives assurances to the Auditor on various aspects relating to the Pension Fund.

RECOMMENDATION/S

That the Pensions Committee be recommended to note the update for 2021/22 reporting.

That the Pensions Committee be recommended to consider the Audit Findings Report, the amendments to the accounts, the Letter of Representation and to approve the audited Statement of Accounts for 2022/23.

That the Pensions Committee be recommended to refer the recommendations above to the Audit and Risk Management Committee.

That the Pensions Committee be recommended to approve the Annual Report of Merseyside Pension Fund for 2022/23 for publication.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION

1.1 As required by International Standard on Auditing and the Code of Audit Practice, the Auditor reports its findings on the audit of the Pension Fund Financial Statements to those charged with governance.

1.2 As the Pension Fund receives a separate Audit Findings Report, this report will first be considered by Pensions Committee, and then by Audit and Risk Management Committee.

1.3 There is a statutory requirement to produce and publish an annual report for the year to 31 March by 1 December of that year.

2.0 OTHER OPTIONS CONSIDERED

2.1 This is a statutory report and no other options were considered to be appropriate.

3.0 BACKGROUND INFORMATION

UPDATE ON 2021/22 ACCOUNTS

3.1 The Statement of Accounts for 2021/22, approved by Pensions Committee in September 2022, is expected to be approved by Audit & Risk Management Committee in October 2023 as part of Wirral Council's accounts approval process. An updated actuary statement for 2021/22 has been obtained and is now included within the 2021/22 reporting. This is due to the outcomes of the 2022 Triennial Valuation being published and considered to be new information being available, before the audit opinion was provided. This change was a national issue and agreed with the auditors.

2022/23 ACCOUNTS

3.2 The primary reporting publication for the Fund's Statement of Accounts is as a part of Wirral Council's Accounts, as the Administering Authority. The LGPS Regulations require the Fund's financial statements to also be published within the Fund's statutory Annual Report.

3.3 The purpose of the Statement of Audited Accounts is to present the overall financial position of the Pension Fund as at 31 March 2023 in accordance with prescribed guidance.

3.4 The Statement of Accounts, including notes, were prepared and available for audit by 1 June 2023 in line with the statutory deadline for 2022/23 reporting. The Fund's Annual Report was available for audit during August.

3.5 Grant Thornton's audit work of the accounts is ongoing and the Audit Findings Report is on this agenda. They may provide a verbal update at the meeting on the report and officers will respond if necessary.

3.6 The audit work has not identified any adjustment to the financial statements' financial position.

3.7 A small number of disclosure note adjustments to improve the presentation of the financial statements and annual report have been agreed.

3.8 A Letter of Representation on behalf of the Committee has been prepared, which gives assurances to the Auditor on various aspects relating to the Pension Fund.

4.0 FINANCIAL IMPLICATIONS

4.1 There are none arising directly from this report. The purpose of the Statement of Audited Accounts is to present the overall financial position of the Pension Fund as at 31 March 2023 in accordance with prescribed guidance.

5.0 LEGAL IMPLICATIONS

5.1 There is a legal requirement to prepare and approve the statement of accounts under Regulation 57 of The Local Government Pension Scheme Regulations 2013 and The Accounts and Audit Regulations 2015.

6.0 RESOURCE IMPLICATIONS: STAFFING; ICT AND ASSETS

6.1 There are none arising directly from this report.

7.0 RELEVANT RISKS

7.1 A failure to provide Pensions Committee with information on legislative changes and the Fund's activities could hinder the Committee in fulfilling its statutory duties.

8.0 ENGAGEMENT/CONSULTATION

8.1 The Fund's statement of accounts form part of Wirral Council's accounts and were available for public inspection.

9.0 EQUALITY IMPLICATIONS

9.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?
(b) No because there is no relevance to equality.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 There are no environmental or climate implications arising from this report.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 The content and/or recommendation contained within this report have no direct implications for community wealth.

REPORT AUTHOR: **Donna Smith**
Head of Finance & Risk
telephone (0151) 2421312
email donnasmith@wirral.gov.uk

APPENDICES

1. Annual Report & Accounts.
2. Letter of Representation

BACKGROUND PAPERS

The Fund's Statement of Accounts
Cipfa The Code of Practice for Local Authority Accounting in the UK 2022/23
Grant Thornton Audit Findings Report
Cipfa Guidance for LGPS – Preparing the Annual Report (2019)

SUBJECT HISTORY (last 3 years)

Council Meeting	**Date**
The Fund's Statement of Accounts are brought annually to this Committee.	**28 September 2022** **20 September 2021** **2 November 2020**

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Merseyside Pension Fund

Annual Report & Accounts 2022/23

Contents

Management Structure as at 31 March 2023

Pension Fund Management Committee

Chair:

Cllr Pat Cleary	Wirral

Vice Chair:

Cllr Cherry Povall, JP	Wirral
Cllr Chris Carubia (Spokesperson)	Wirral
Cllr George Davies (Spokesperson)	Wirral
Cllr Tom Anderson	Wirral
Cllr Helen Collinson	Wirral
Cllr Andrew Gardner	Wirral
Cllr Karl Greaney	Wirral
Cllr Brian Kenny	Wirral
Cllr Jason Walsh	Wirral
Cllr Joe Walsh	Wirral
Cllr Jayne Aston	Knowsley
Cllr Tom Cardwell	Liverpool
Cllr Paulette Lappin	Sefton
Cllr Martin Bond	St Helens

Employee Representatives (Non-voting)

Roger Bannister	UNISON

Officers of the Fund

Peter Wallach	**Director of Pensions**
Yvonne Murphy	**Head of Pensions Administration**
Colin Hughes	**Group Solicitor**
Donna Smith	**Head of Finance & Risk**
Matthew Bennett	**Director of Finance & Investments**

Local Pension Board
Independent Chair:
John Raisin

Employer Representatives:

Geoff Broadhead	Merseyside Police
Peter Fieldsend	Torus 62 Ltd.
Lynn Robinson	St Helens College
Stephan Van Arendsen	Sefton MBC

Member Representatives:

Roger Irvine	Active Members
Donna Ridland	Active Members
Patrick Moloney	Deferred Members
Robin Dawson	Retired Members

Advisors to Investment Monitoring Working Party
Director of Pensions
Senior Portfolio Manager
Redington
Mr R Worrall
Mr P Watson

Advisors to Governance & Risk Working Party
Director of Pensions
Head of Pensions Administration
Head of Finance & Risk

Others

Auditor
Grant Thornton

Bankers
Lloyds Banking Group

Consultant Actuary
Mercer HR Consulting

Strategic Investment Consultant
Redington

Custodian of Assets
Northern Trust

Responsible Investment Advisors
Pensions and Investment Research Consultants

Property Advisors
CBRE Capital Advisors

Property Managers
CBRE Asset Services

Property Valuers
Savills

Performance Measurement
Northern Trust

Solicitor
Wirral Council

AVC Providers
Utmost Life and Pensions
Standard Life
Prudential

LGPS Investment Pool
Northern LGPS (with GMPF and WYPF)

Chair's Introduction

I became Chair of Pensions Committee in May this year and I am conscious that this report covers the period prior to my appointment. Accordingly, I would like to put on record my thanks to the former Chair of Committee, Cllr Pat Cleary, for his very considerable contribution to the success of the Fund and I am pleased that he remains a Member of the Committee. This Annual Report covers Merseyside Pension Fund's activities for the year ended 31 March 2023. The aim of the report is to highlight the important issues affecting the Fund over the last twelve months, as well as providing general information regarding the pension scheme.

The Overall Aim of the Fund

The principal aim of the Fund is to provide secure pensions, effectively and efficiently administered at the lowest cost to contributing employers. This requires the Fund to strike a balance between achieving the most from its investments and the need to exercise prudence 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 and the Pension Board, to ensure that they remain appropriate.

Overview

As I reflect on the year to 31 March 2023, it seems appropriate to use that much over-used word 'unprecedented'. 2022 saw the first land war in Europe for more than fifty years, sharply rising energy and food prices triggering rampant inflation, rising interest rates and a brief but volatile crisis of confidence in UK government bonds. Despite the challenging macro-environment, I am pleased to report that the Fund has navigated the challenges well and continues to deliver its services as described in greater detail in this year's report.

Investments and Performance

After a poor opening quarter to 2022 which saw the unprovoked and unwarranted invasion of Ukraine by Russia hitting investors' confidence, hopes that financial markets would stabilise in Q2 proved to be misplaced. Indeed, the second quarter provided even worse outcomes for many equity and bond markets as investors wrestled with the escalating war in Ukraine, still-rising inflation, increasingly aggressive central banks and a looming recession threat.

The fallout from the Russia-Ukraine War exacerbated inflation pressures amid tight oil supply and Russian curtailing of gas exports to Europe. Headline inflation hit multi-decade highs, underpinning a more urgent approach from central banks; policy rates around the world were increased by a greater amount and at a faster pace than had been projected. Nowhere was this more visible than in the United States where the Federal Reserve implemented a 75-basis point hike - the biggest single hike since 1994 - in June. The European Central Bank was a notable exception, but the first of a number of rate hikes was flagged for July. The inflation and rate hike backdrop ensured that global bonds did not benefit from the equity market sell-off. Sovereign bond returns were negative for the three months, particularly in Europe. Emerging market debt and corporate bonds were also weaker, with parts of the high yield market coming under significant pressure.

Before the invasion, there had already been indications that inflation was showing signs of life and central banks had started to raise interest rates. However, it quickly became apparent that in addition to energy prices, shortages of foodstuffs were also having a significant impact on inflation around the world. Governments, particularly in Europe, have intervened in various ways in order to suppress or cap the level of fuel and food prices. This has put pressure on government finances that were already suffering from the stress put on them by efforts of mitigating pandemic effects. 2022 was a year that saw nearly every asset class fall in value be it equities, bonds or property. This left few hiding places and, although the rally in the first quarter of 2023 helped recover some of the losses, taking all into account, the Fund performed satisfactorily. For the twelve months to 31 March 2023, the fund declined in value by 3.7% against its benchmark which fell by 5%.

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

31 March 2022 was the date of the Fund's actuarial valuation. At a headline level, it is pleasing to report that our funding level has continued to improve to 106% (from 101% at the previous actuarial valuation in 2019). The Fund has been busily collating, cleansing and verifying data for the actuary to enable the calculation of the actuarial valuation and it is pleasing that, in the great majority of cases, we have been able to stabilise employers' contribution rates despite the inflationary pressures.

Last year's report made reference to the raft of consultations that was expected from the Government and, surprisingly, few of these have actually been issued other than McCloud and TCFD (Taskforce on Climate-Related Financial Disclosure) reporting. We are still awaiting the Government's response and guidance on both these matters. On investments, at the time of writing, consultations on Pooling, Levelling up, Boycotts, Divestment & Sanctions and the Edinburgh reforms were still awaited. Consultations in relation to the area of pensions administration area are covered in more detail in the ***Scheme Administration Report*** but it is disappointing that the pensions dashboard initiative has been delayed and we still await further details on McCloud, Fair Deal, Exit Payments, the Good Governance report and the Pension Regulator's Single Code of Practise.

This has not hindered the Fund from making good progress in a number of areas. In November, the Fund appointed Redington as strategic advisors and they are working with officers of the Fund, reviewing the Fund's investment strategy and supporting an ambitious change programme. The change programme is focused on managing sustainability and climate risk. The programme is looking to simplify governance, improve risk/return and deliver efficiencies. It encompasses a review of our investment beliefs, our responsible investment policy, sustainability, stewardship and the management of climate risk.

Communication with Fund Employers and Members

The pandemic has reinforced how important it is to communicate effectively the issues arising from new legislation and the ever-evolving Scheme. We are encouraging greater use of electronic media to enhance security and efficiency of information exchange. Our regular newsletters for employers, employees, deferred members and pensioners have been maintained and the Fund's websites continue to be updated regularly.

Past Changes and the Future

Investment Pooling through the Northern LGPS Investment Pool is developing well. MPF has committed around £450m to the GLIL infrastructure platform, a collaboration of six LGPS funds, which now has commitments of over £3.5bn of which £2.7bn is invested principally in core UK infrastructure particularly in renewable energy and supporting the energy transition. NPEP has commitments of £2.2bn of which £1.1bn is at work. There is a separate report on the Pool's activities in this year's report.

MPF's focus on local investment is starting to bear fruit. At 31 March 2023, we were providing loans, amounting to £30m, for two local investments in Liverpool Waters and Wirral Waters which support the regeneration of the City Region and bring positive environmental and social impacts. Since year end, two further investments have been approved and a third is progressing well. We are also signatories to the Homelessness Charter; a collaborative arrangement with local businesses to alleviate homelessness on Merseyside.

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

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 Board, the Scheme employers and their staff, the financial advisors, the external investment managers and all of the Fund's staff for their considerable work in delivering the service to Scheme members.

Preparation of Report

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

Councillor Julie McManus
Chair, Pensions Committee
June 2023

Management Report

Management of the Fund

The overall responsibility for the management of the Fund rests with the Pensions Committee chaired by Councillor Julie McManus (Councillor Pat Cleary, until May 2023).

In 2022/23, the Committee comprised Councillors from the Wirral Labour group (4), Conservatives (3), Green Party (2), Liberal Democrats (1), Independent (1) representatives of the four other District Authorities (Liverpool, St. Helens, Knowsley and Sefton) and employee representatives (3). The Director of Pensions and other officers of the Fund also attend Committee, which meets around four times a year to review the administrative and investment issues affecting the Fund.

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

Detailed consideration of investment matters including strategy, asset allocation, responsible investment and stewardship in undertaken at the Investment Monitoring Working Party (IMWP). The IMWP meets at least four times a year to review investment strategy and to receive reports on investment activity. The Working Party comprises representatives from the Pensions Committee, two independent advisors, Redington and members of the in-house investment team.

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

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

The Council has signed a memorandum of understanding with the Administering Authorities of the Greater Manchester Pension Fund and the West Yorkshire Pension Fund to create the Northern LGPS ('the Pool') in order to meet the criteria for pooling investments set by Government. The Northern LGPS Joint Committee is created via the approval of an inter-authority agreement between the Administering Authorities to the participating funds. The role of the Joint Committee is to provide monitoring and oversight of the Northern LGPS to ensure that the Pool is effectively implementing the participating authorities' strategic asset allocation decisions, monitoring performance, risk and costs.

The Fund uses a combination of internal and external management and active and passive strategies across the various asset classes in which it invests. Investment managers have specific benchmarks against which performance is measured and monitored. In addition, internal investment managers report to the Director of Pensions through regular Fund Operating Group meetings and follow procedures laid down in an internal Compliance Manual.

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

Risk Management

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

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

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

- Governance Policy
- Communications Policy
- Funding Strategy Statement
- Investment Strategy Statement
- Investment Monitoring Policy
- Health & Safety Policy
- Administration Records & Data Improvement Policy

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

In addition, the Fund maintains a risk register and a compliance manual for its employees, detailing key risks and explanations of the policies and controls adopted to mitigate them.

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

Additionally, and where applicable, the Fund adheres to the Administering Authority's constitution in managing its operations. Legal opinion and advice are 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 in respect of the pension scheme are fully equipped with the knowledge and skills to discharge the duties and responsibilities assigned to them. It therefore seeks to appoint individuals who are both capable and experienced and provides/arranges training for staff and members of the Pensions Committee and the Pension Board, to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills.

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

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

Activity in Year

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

Pensions Committee receives updates on legislative changes, benefit administration changes, procurement, actuarial and investment matters. These are supplemented by regular working parties. The IMWP includes presentations from professional advisors covering all aspects of investment; asset allocation, asset classes, economics, performance measurement, risk management and responsible investment. The GRWP enables matters relating to other risks, governance and pensions administration to be covered in greater depth.

This year, with the actuarial valuation taking place, the Fund and its advisors have been working on the Fund's investment strategy and developing the Fund's Taskforce on Climate-related Financial Disclosure (TCFD) reporting. Of particular note, during the year, the IMWP received a report providing an initial Climate-related Portfolio Assessment and a presentation from Schroders' Chief Economist on the macro-economic outlook.

Bespoke training includes the LGE Trustee Fundamentals training and other conferences and seminars. This year, the Fund has subscribed to the LGPS On-line Learning Academy and access to its resources has been made available to all Members of Committee and Board.

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

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

Month	Event
June	PLSA Local Authority Conference
September	LGC Investment Summit
October	PLSA Annual Conference
Oct-Dec	Fundamentals Training
December	LAPFF Annual conference
March	LGC Investment Seminar

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

Pension Board Report

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

Statement of Purpose for the Merseyside Local Pension Board

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

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

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

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

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

Constitution/Management arrangements

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

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

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

Executive Summary

The Board continues to play an active and constructive role in its oversight of the Fund's activities.

Under its Terms of Reference, the Pension Board has no role in investment decision making. However, in line with the LGPS Regulations, the Board has a clear role in reviewing governance and operational arrangements relating to any activity including the investment activity of the Fund and undertakes this through consideration of the Working Party minutes and attendance at the Working Parties.

The Pension Board Agenda has developed to comprise of five standing items which are of particular importance to both the good governance and operational effectiveness of the Merseyside Pension Fund. These are: **The Risk Register; The Pensions Administration Quarterly Report; The Investment Pooling/Northern LGPS Update; The Fund Working Party Minutes (Investment Management Working Group & Governance and Risk Working Group); the LGPS Update report.** During 2022-23, the Board actively considered and debated the reports and papers presented in respect of these items. Constructive questions were asked of the Fund Officers and, as appropriate, comments and suggestions made by Board Members.

In addition to the above issues the Board considers as appropriate other issues of importance to the governance and operation of the Merseyside Pension Board. These are normally identified well in advance and included in the Annual Work Plan which is jointly agreed by the Director of Pensions and Independent Chair and included towards the end of the Independent Chair's Annual Review for the consideration of the Pension Board. As appropriate items are (after consultation between the Director of Pensions and Independent Chair) added to or removed from the Work Plan during the year. Such other items which the Board considers from time to time include proposed revisions to the major Fund strategies/policies and Government Consultations (for example, in 2022-23, the draft Funding Strategy Statement and the Government Consultation on the ***"Governance and reporting of climate change risks"***), and particular major Fund developments such as the appointment of the Fund's new Strategic Investment Advisors which was considered at the Board meeting on 16 December 2022.

Pensions Administration and Investment Benchmarking

Effective Pensions Administration is absolutely fundamental to Merseyside Pension Fund. Ultimately the Pension Fund (only) exists to provide pension benefits to those entitled to them as determined by the LGPS Regulations. Therefore, Pensions Administration was, as in previous years, an area of particular interest and focus for the Board. Interest in, and examination of Pensions Administration is of particular relevance to the Board as this is the most immediate and important direct interface between Merseyside Pension Fund and both Employers and Employees who are the two groups equally represented on the Board.

The Pension Administration Monitoring Report presented to each Board meeting during 2022-23 was detailed and wide ranging and provided a broad range of both statistical data and commentary. The Board appreciates the ongoing work of the Head of Pensions Administration and her staff in preparing, and continually developing, this report. The Board examined each report in detail and Members asked constructive questions.

Each year the Pensions Regulator sends a *"Public Service Governance & Administration Survey"* to each LGPS Fund for completion. The Regulator suggests that this is completed by the Fund Officers working with the Chair of the Pension Board. I am pleased to report that this occurred, in 2022-23, at the Merseyside Fund and that the Fund Officers accorded me the opportunity to be actively involved in the preparation of the Fund's response.

Internal Audit Report 2021-22

At its September 2022 meeting, the Board received, as it does annually, a presentation and the most recent Merseyside Pension Fund Internal Audit Annual Report which on this occasion covered 2021-22. The reviews undertaken by Internal Audit provide an important source of assurance, or otherwise, regarding both the overall governance of the Fund and the governance/operation of specific areas of Fund activity. Notwithstanding that during 2021-22, Internal Audit work continued to be affected by the Covid-19 pandemic the full 150 days of planned input were delivered.

It was reassuring to note the results of the completed audits undertaken during 2021-22 and that the Chief Internal Auditor's (overall) Opinion included (as it had similarly in the previous year) that *"The assessment found that in all of the systems audited in 2021/22 there is a sound system of control in place, those controls are consistently applied and fully effective and no significant weaknesses were identified. The MPF Management Team continues to ensure identified risks are effectively managed and the recommendations emanating from the audit work are consistently and effectively implemented within the agreed timescales."* After considering the Report and hearing from the Chief Internal Auditor the Board was pleased to approve a resolution *"That it be noted that in 21/22 internal audit work undertaken found that there was an adequate and effective level of control, and this was a positive outcome for the Fund."*

Reporting Breaches of the Law to the Pensions Regulator

The Pension Board does not itself have decision making powers. In respect of the Reporting of Breaches of the Law to the Pensions Regulator (TPR), the Administering Authority has determined (Pensions Committee of 16 November 2015) that the Board should be consulted by Officers when considering whether or not to report a specific breach (or likely breach) to TPR. This is an important role granted to the Board in terms of ensuring the good governance of the Fund and appropriate interpretation of TPR guidance and Merseyside Pension Fund's policy on reporting Breaches of the Law.

During the period covered by this report there were no occasions when the Board was asked to give their view as to whether or not a Breach of the Law should be reported to the Pensions Regulator (TPR) or alternatively recorded in the Breaches Log. There were no occasions when the Board, or any Member, believed that they themselves needed to directly report any Breach to TPR.

Recommendations made to the Scheme Manager (Pensions Committee)

There were no formal recommendations made by the Board to the Pensions Committee during 2022-23. The Minutes of each Pension Board are however included on the Agenda of the Pensions Committee and these, of course, include coverage of notable Board discussions and Resolutions passed by the Board.

Training and Development

Four meetings were held during the year and a rigorous training programme, involving internal and external training, was undertaken. Details of training are set out in the tables at the conclusion of the report.

Board Changes

In May 2023 (after the period to which this review applies but before the first meeting of the Year 2023-24) Geoff Broadhead tendered his resignation as a Board Member. Both the Director of Pensions and I were extremely sorry to hear of Geoff's decision. Geoff was one of the original nine Board Members and had served since 2015. Geoff provided, throughout his membership of the Board, both pertinent and balanced views as to the operation of the Fund and he will be genuinely missed going forward.

Issues considered by the Pension Board 2022 – 2023

Agenda item	8 July	28 September	16 December	22 February
Actuarial Valuation - outcome			•	
Administration KPI Report	•	•	•	•
Audit Findings Report			•	
Audit Plan	•			
Budget 2023/24				•
Budget Outturn 21/22 & Final Budget 22/23	•			
CEM Benchmarking		•		
Draft Statement of Accounts and Report & Accounts 21/22	•			
Draft Pension Board Report	•			
Funding Strategy Statement - revised			•	
Internal Audit Plan and Report		•		
LGPS Update	•	•	•	•
Risk Register	•	•	•	•
Treasury Management Strategy & Annual Report				•
Working Party minutes	•	•	•	•
Write-off of irrecoverable pension payments	•			•

Pension Board Work Plan 2023 – 2024

Agenda item	8 July	13 September	4 November	30 March
Administration KPI report	•	•	•	•
Audit Findings Report			•	
Audit Plan	•			
Budget 24/25				•
Budget Outturn 22/23 & Final Budget 23/24	•			
Catalyst Fund update				•
Compliance Manual			•	
CEM Benchmarking report		•		
Draft Statement of Accounts and Report & Accounts 22/23			•	
Draft Pension Board Report	•			
Good Governance Project		•		
Internal Audit Report		•		
Investment Strategy Statement - revised			•	
LGPS update	•	•	•	•
Levelling Up/Edinburgh Reforms consultation		•		
Member Learning & Development Programme	•			
Northern LGPS update	•	•	•	•
Pooling Consultation		•		
Risk Register	•	•	•	•
Statement of Accounts – Questions to Management	•			
Treasury Management Strategy & Annual Report				•
Working Party minutes	•	•	•	•
Write-off of Property Arrears/Pension Overpayments	•			•

Pension Board Attendance 2022/23

Date of Appointment	Pension Board		Pension Board Meetings 2022 - 2023			
			8 July	28 September	16 December	22 February
11 March 2015	John Raisin	Chair	●	●	●	●
13 March 2015	Geoff Broadhead	Co-optee	●		●	
12 March 2015	Donna Ridland	Co-optee	●		●	●
27 February 2017	Roger Irvine	Co-optee	●	●	●	●
9 March 2015	Patrick Moloney	Co-optee	●	●	●	●
3 January 2018	Lyn Robinson	Co-optee			●	●
27 June 2019	Peter Fieldsend	Co-optee	●	●		
1 March 2020	Stephan Van Arendsen	Co-optee	●		●	
1 July 2021	Robin Dawson	Co-optee	●	●	●	●

Training & Events Record 2022/23

TRAINING/EVENTS	PLSA Local Authority Conference	PLSA Local Pension Board Members Event	PLSA Annual Conference	LPB Training	LAPPF Annual Conference	LGPS Governance Conference 2023	LGC Investment Seminar
	13-15 Jun	22 Jun	12-13 Oct	17 Nov	7-9 Dec	19-20 Jan	30-31 Mar
John Raisin		●					
Donna Ridland	●			●	●	●	
Roger Irvine						●	
Patrick Moloney				●	●		
Robin Dawson			●			●	●

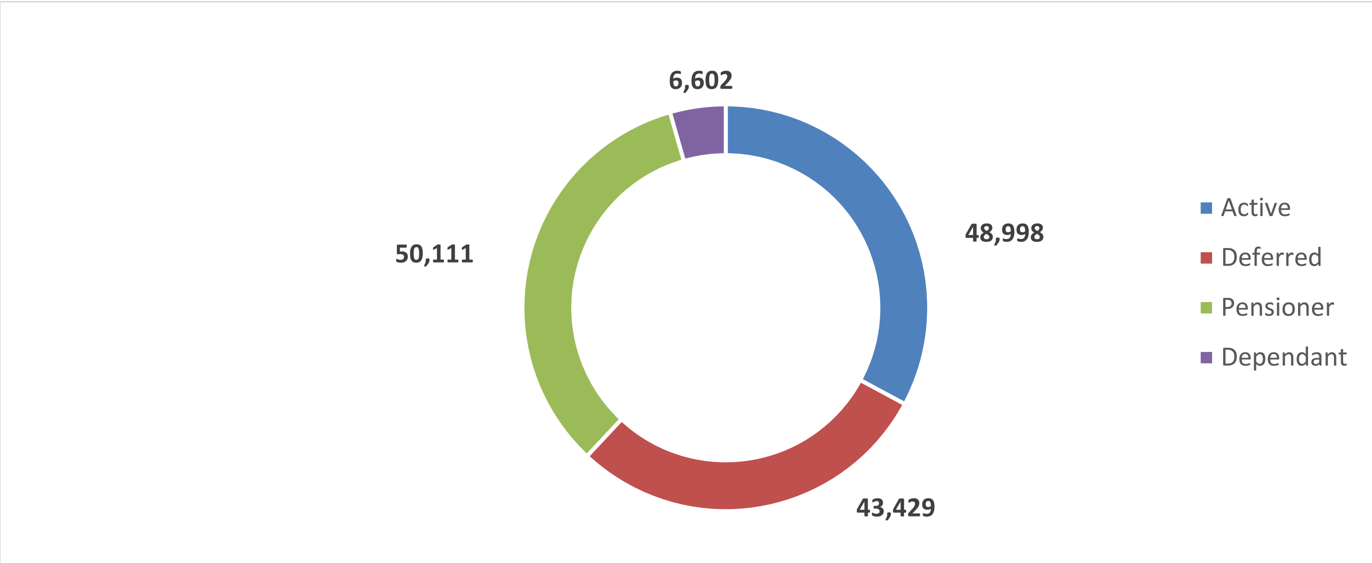
In Attendance 2022/23	IMWP	GRWP	IMWP	GRWP
	15 Nov	13 July	2 Mar	9 Mar
John Raisin		●		●
Donna Ridland	●		●	●
Robin Dawson			●	
Cllr. Pat Moloney	●		●	
Roger Irvine			●	
Peter Fieldsend		●	●	

Costs of Operation 2022/23

	£
Conference	3,082
Travel & Subsistence	1,342
Allowances	20,995
Total	**25,419**

Membership Statistics

Membership as at 31 March 2023



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				304	1,926	3,346	4,065	5,016	5,474	5,498	7,489
Deferred				43	467	1,492	3,207	4,966	5,894	5,891	8,306
Pensioner							3	8	21	57	280
Dependant	1	17	69	128	38	12	8	21	39	58	118

Status (age in years)	55-59	60-64	65-69	70-74	75-79	80-84	85-89	90-94	95-99	100+	Total
Active	8,224	5,656	1,722	278							**48,998**
Deferred	8,249	4,050	713	129	22						**43,429**
Pensioner	2,830	8,660	12,266	10,275	7,986	4,310	2,375	856	169	15	**50,111**
Dependant	267	474	663	902	1,134	1,037	925	525	150	16	**6,602**
										Total	**149,140**

Key Membership Statistics 2018 - 2023

Year	Active	Deferred	Pensioner	Dependant	Total
31 March 2023	48,998	43,429	50,111	6,602	**149,140**
31 March 2022	46,740	42,553	48,609	6,645	**144,547**
31 March 2021	47,193	39,295	47,032	6,503	**140,023**
31 March 2020	46,745	40,185	46,435	6,595	**139,960**
31 March 2019	46,726	40,259	45,038	6,547	**138,570**
31 March 2018	49,151	38,376	43,495	6,665	**137,487**

New Pensioners in Year 2022/23 by Retirement Type

Retirement Type	Number
Normal	1,865
Early	823
Ill-Health	150
Total	**2,838**

Scheme Administration Report

Statutory Framework of Local Government Pension Scheme (LGPS)

The Scheme is a public service pension scheme regulated by statute through the Department for Levelling Up, Housing and Communities (DLUHC). It is a contributory defined benefit scheme which is exempt approved for tax purposes, providing pensions and lump sums for members and their dependants, which are not affected by the Fund's investment performance or market conditions.

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

Employer Base

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

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

LGPS2014 - Scheme Design

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

The LGPS:

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

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

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

The Administration Team

The Administration Team is the customer facing arm of the Fund with an operative role wider than just a processing function of member benefits. An equally important responsibility of the team is the development and implementation of policy to manage funding and governance risk.

Like all Local Government Pension funds, over the last year we have worked to an extensive agenda to prepare implementation of national pension policy, including the McCloud remedy, and the Pensions Dashboard which is scheduled to launch no later than 31/10/2026. There is also an impetus to make significant service improvements in the way we use technology to achieve efficiencies, improve reporting to measure both the Fund's and employer performance, whilst simultaneously reducing its internal carbon footprint.

Oversight and Value for Money

The Administration Team is accountable to the Pensions Committee, the Local Pension Board, participating employers, and Scheme members in terms of overall effectiveness and value for money.

To ensure the effectiveness of the administration services, the Fund is monitored through internal and external audits. Furthermore, to demonstrate productivity and value added the Fund undertakes extended benchmarking to cover a broad range of functions and comparison of costs with other public and private pension funds. This continues to highlight that the Fund's current running costs are below the peer average with a good range of services provided to support members and employers.

The Fund continues to invest in resources and technology systems to continue to develop an efficient delivery platform, extending process automation including a 'retire online' function to provide value for money and expand accessibility to the service.

The Four Pillars to support Value for Money

Service Delivery

Whilst we are now past the restrictions introduced by the Covid-19 pandemic, like many other organisations, we are still learning how to work together well in a 'hybrid' environment, negotiating new expectations of all our stakeholders and maximising the use of technology for collaborative working.

The Fund is continually seeking to align its operational model to meet its stakeholders demands of a modern, streamlined, and supportive service to build a stronger organisation focussed on customer needs.

Workloads & Resourcing

A key objective in the Fund's business plan is to achieve sufficient resource to strengthen our future organisational resilience and capacity. As such, we continually monitor caseloads and effectiveness of processes across the disparate service areas to inform the review of whether there are sufficient resources to deal with both customer needs and impending legislative change.

We have maintained a schedule of training to extend staff knowledge and skills, to ensure that we can continue to effectively process the wide spectrum of technical benefit and transfer calculations. This was accomplished with a mixture of in-house training from managers and also by actively utilising the central training resources provided by the Local Government Association (LGA), to broaden expertise and provide access to training materials for use across the administration team.

Restructure of Employer Compliance & Membership Section (ECM)

The current structure of ECM was put in place at the end of 2017, when the whole Fund structure and job roles were redesigned to coincide with its digital transformation strategy and change of data engagement with participating employers. The fundamental change resulted in monthly collection of member data from employer payroll systems to automatically update the pension administration system, as opposed to the legacy approach of collecting contribution data and conducting member reconciliations on an annual basis.

The latest restructure follows an examination of the resources, roles, and responsibilities to ensure the service area remains fit for purpose, with the capacity to respond to future industry and regulatory developments - including the staging date for the Fund to comply with the Government's national Pension Dashboards initiative, along with the requirement to make improvements in the use of digital technology.

The business case introduced changes to the establishment incorporating; two new Employer Compliance Governance Team Leader positions, a 0.5 FTE Senior Pension Officer position and three Technical Pension Officers. The business case was approved by the Director of Pensions and by the Corporate HR and Finance business partners.

The recruitment process to fill the new positions will follow in the first quarter of the 2023/2024 Scheme Year along with a programme of training to be scheduled to up-skill staff to meet service needs and ensure compliance with the national pension agenda. A formal review of the Benefits & Payroll Team and the Operations Team will follow.

Key Activities

Monthly Data Collection (i-Connect) & Annual Contribution Return 2022/23

Work has continued this year to support employers in completing the onboarding process to migrate from annual contribution returns to monthly data collection utilising the Fund's i-Connect platform.

At the close of the Scheme Year, 70% of employers are now operational on the i-Connect platform as a result of extensive training across the Employer Compliance and Membership Team to onboard employers and handover of the ongoing operational requirements for employers to submit monthly data files. Positive engagement from the employers has been instrumental in progressing the project this year.

The employers who had not transitioned to monthly returns during Scheme Year 2022/23 were issued with annual contribution return workbooks with the intent of converting the data submissions into an i-Connect file for upload into the Fund's administration system. This will initiate the onboarding process to i-Connect and employer engagement about data queries can proceed as part of the i-Connect workstream. In line with the business plan, it is the intent to phase out the submission of annual contribution returns from the 2023/24 Scheme Year as the Fund moves towards self-service platforms, enabling members to access current estimates of pension benefits and in preparation for the government-led Pension Dashboard Programme.

Preparation for Triennial Valuation

The collaborative work between the Fund and employers to improve membership data took priority over the first quarter of 2022/23 to ensure that the valuation data submission was as accurate and up-to-date as possible. Resources were redirected across the administration team to process all early leaver, death and aggregation casework with an event date prior to 31/3/2022, in order to inform the valuation calculations, and to provide assurance to employers that the final results reflect the correct membership status of their current and former employees. Following this activity to resolve data gaps, the valuation data extract was provided to the actuary within the scheduled deadline of 30 June 2022.

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

Due to the post-valuation market turmoil, the Scheme Advisory Board issued a statement on 1st November advising Funds and employers to proceed with caution in agreeing reduced contribution rates due to improved funding levels, and they emphasised the importance of stability.

As such, much of the discussion that took place with employers were around contribution sustainability for the 2025 valuation and how risk can be managed going forward as we enter a stagflation environment (low growth, high inflation).

In tandem with the valuation work and as part of the Fund's wider risk management strategy, an exercise was undertaken to identify and monitor the covenants of employers that potentially pose a high risk of default. The results of the covenant analysis fed into the setting of the contribution rates and the investment strategy for each employer with final rates for the period 1/4/2023 to 31/3/2026 certified within the statutory deadline.

Annual Benefit Statements

Following completion of the data quality activity to support the triennial Valuation exercise, the actuary noted a significant improvement in the completeness and sensibility of data in comparison to the 2019 Valuation data extract.

This resulted in the Fund being able to achieve a 99% production rate of annual benefit statements for active and deferred members in compliance with the statutory deadline of 31 August.

The Pensions Regulator Measure of Data Quality

The Pensions Regulator (tPR) measure is the percentage of member records that pass all the tests that have been agreed by the Scheme Advisory Board, and these measures are included in the annual scheme return, completed individually by all Funds.

Measure of Data Quality	2019	2020	2021	2022
Common data	99.1%	99.0%	99.0%	99.1%
Scheme Specific data	92.9%	94.6%	96.0%	96.2%

Common data is defined as member data that all schemes are required to hold for members, in the form of name, national insurance number, date of birth, gender, and dates of pensionable service. Scheme-specific data is other member data required to enable pension providers to administer their particular scheme**.**

Annual Allowance Pension Savings Statements

Over the reporting period the Benefits team have undertaken the Annual Allowance exercise, gathering pay data from employers, and calculating individuals' pension growth to test against the HMRC Annual Allowance threshold.

The team issued 310 Pension Savings Statements to members informing them of the growth above the HMRC limit, and provided information on excess pension growth that will incur a tax charge. The number of statements issued for the previous financial year was 124 with the increase in pension growth for 2021/22 as a result of pay increases outstripping the inflationary increases applied to the value of benefits at the opening of the pension input period.

During November to December the Fund enlisted the services of a tax specialist to support members to evaluate their tax liability, complete a Self-Assessment tax return and consider the merit of invoking the 'Scheme Pays' facility to meet personal tax charges.

Compliance with Statutory Duties

The team constantly strive to meet all statutory duties as set out in the LGPS and overriding legislation by undertaking the following actions:

- subscribing to industry news updates, having representation on national boards, attending peer user groups, and taking part in consultation processes
- ensuring regular audited compliance and checking procedures are in place
- following the Pension Regulator's Code of Practice and ensuring operational processes highlight any potential breaches of the law
- take part in National Fraud Initiative checks and undertake mortality screening.

Meeting members’ expectations

The team place the members at the centre of its business objectives and look to meet member expectations by:

- having clear and achievable targets for all administrative tasks and projects
- regularly reviewing procedures and communications and seek feedback to make continual improvements
- ensure all complaints, compliments and disputes are reviewed to identify any learning points
- carrying out research, benchmarking, and peer review programmes to ensure we adopt policies and processes that are best practice within the industry.

Ensuring service delivery is cost effective

Our costs are managed and monitored by:

- setting an expected expenditure plan each year in line with the business plan
- regularly monitoring spending and reporting details of this to the appropriate forum
- benchmarking our costs by taking part in national (CEM) benchmarking exercises.

Ensuring success

The team strive to achieve success by:

- having a clear and measurable business plan in place
- using project management tools when implementing service improvements
- regularly reviewing resource, workloads and planning for the impact of future changes
- holding regular service update meeting for all teams and managers
- submitting comprehensive reports and information to the appropriate Working Groups and the Local Pension Board to enable effective scrutiny to take place
- taking part in peer user groups
- measuring procedures against the Pension Regulator’s Code of Practice
- outlining expected service standards between the Fund and employers in the Pensions Administration strategy and monitoring performance against these standards.

Legislative Change

McCloud Remedy - Amendments to The Statutory Underpin

The McCloud judgement is a high-profile age discrimination case which emerged when the Government reformed public service pension schemes in 2014 and 2015, introducing protections for older members, by virtue of a final salary underpin. In December 2018, the Court of Appeal ruled that younger members of the Judges' and Firefighters' Pension schemes have been discriminated against as they were not afforded the same protections. In July 2019, the Government confirmed that there will be changes to all public sector schemes, including the LGPS, to remove this age discrimination.

Consequently, the Government issued a consultation on 16 July 2020 in regards a McCloud remedy for the LGPS in England and Wales. Subsequently, in the absence of a full government response, a ministerial statement was issued on 13 May 2021 setting out the proposals to address the discrimination.

On 6 April 2023, the Department for Levelling Up, Housing and Communities (DLUHC) issued its response to the 2020 consultation on Amendments to the Local Government Pension Scheme statutory underpin.

The response confirms the main changes to the underpin that were proposed in the 2020 consultation as follows:

- underpin to be extended to younger members in scope.
- members will be in scope of underpin protection if they were active in the LGPS or another public service pension scheme on or before 31 March 2012,
    - were an active member of the career average scheme,
    - did not have a disqualifying gap in service (more than five years), and
    - leave active membership with a deferred or immediate entitlement to a pension, or they die in service.
- underpin service will be from 1 April 2014 to the earlier of 31 March 2022, the date of leaving active service, or reaching final salary normal pension age.

A further consultation has been issued on draft regulations and a number of areas where final decisions have yet to be made, including whether service must be aggregated to qualify for the underpin, remaining issues in regard to transfers and pension sharing orders, along with a proposal to enable underpin protection to continue to build up following flexible retirement.

Final regulations will be made later in 2023 and are expected to become effective from 1 October 2023 backdated to 1 April 2014.

The cumulative cost of McCloud across employers participating in the Fund has been assessed by the actuary to be in the region of £100 million, representing one percent of the total Fund liabilities of £10.4 billion, as calculated at the 31 March 2022 triennial valuation.

Throughout the year Fund Officers have been working in partnership with employers to reconcile the data for the remedy period on the Funds system with that data on employers HR and Payroll systems; to ensure the member data is 'McCloud compliant'. This has required in depth testing of the system providers reporting tools by Fund Officers, making material changes to the data extracts to exclude data that does not need to be shared along with rigorous checks of the employer extracts to mitigate the risks of data breaches.

The Fund has shared its operational solution in regard data reconciliation across neighbouring Funds and has also contributed to the regional McCloud working parties, sharing its experience of employer engagement and providing feedback on proposed guidance and opinions from the Scheme Advisory Board and the Department of Levelling Up, Housing and Communities (DLUHC).

LGPS (Amendment) Regulations 2023 – Care Revaluation Date

On 9 March 2023, the Department for Levelling Up, Housing and Communities (DLUHC) laid the above regulations effective from 31 March 2023.

The provisions of the regulations change the annual revaluation of CARE pension pots from 1 April to 6 April.

The primary purpose of this change to the revaluation date is to remove the impact of inflation from annual allowance calculations which should only reflect the increase in a member's pension benefits above inflation for the pension input period; that is, the period over which pension growth is measured.

The intent of the regulations is to reduce the number of members impacted by the HMRC Annual Allowance but due to the timing of the change, the revised revaluation date will have an impact on the Funds calculation and reporting processes until the system supplier can update the administration software.

The Occupational and Personal Pension Schemes (Disclosure of Information) (Requirements to Refer Members to Guidance etc) (Amendment) Regulations 2022

The above regulations – known as the Nudge Regulations – came into force on 1 June 2022. The regulations affect LGPS members over age 50 who apply to take payment or transfer their AVCs outside the LGPS, with the intent to access them in a defined contribution scheme. The fund is required to refer members to Pension Wise for applications received on or after 1 June 2022. Pension Wise is a service from Money Helper, backed by government, that offers free impartial guidance to over 50s and can be accessed from: **https://mpfund.uk/pension-wise**

A member can opt out of taking guidance and the Fund has adapted its literature and processes in compliance with legislative requirements to ensure the Fund does not proceed with an application unless receipt of confirmation that the member has received guidance or opted out of receiving guidance from Pension Wise.

The Pension Dashboard Programme

In the 2016 Budget, the Government made a commitment that 'Pensions Dashboards' would be created by the pensions industry, enabling pension savers to access their pensions information online, securely, and all in one place, thereby supporting better planning for retirement.

The Pension Schemes Act 2021 provides the legal framework for 'Pensions Dashboards', including new powers to compel schemes to provide information to dashboard providers.

The primary purpose of the dashboard project is to reconnect members with lost pension schemes and provide deferred and active scheme members with access to information in respect of all their approved pension arrangements.

Pensions Dashboards will have limited functionality, at the outset, with no ability to model benefit options, and no scope for individuals to update personal information; and are not expected to be a replacement for the Funds 'My Pension' online portal.

The 2022 Pensions Dashboard Regulations effective from 12 December 2022 set out requirements and staging dates for occupational pension schemes to connect to pension dashboards; mandating that the LGPS must comply and respond to data requests by September 2024. This deadline was subsequently reversed on 2 March as the Pensions Minister, Laura Trott, issued a written statement announcing delays to the delivery of Pensions Dashboards.

The Pensions Dashboard Programme and the Pensions Regulator encouraged schemes to continue to ensure their member data is ready for connection to the national dashboard infrastructure.

In readiness to connect to the Pension Dashboard the Fund is undertaking qualitative analysis of the Fund's member records to ensure that common data matching items such as forenames, surname, date of birth, NI Number and home address are present and validated.

In addition, the team is working with its Member Data Tracing provider to confirm the validity of home addresses of deferred members to identify potential newer addresses for those members the Fund has lost contact with following a house move.

During the Scheme Year there has been a concentration of effort to reduce any backlogs of deferred benefit casework in recognition of the statutory requirement to ensure the accuracy of member status and the suitability of data for pension dashboard purposes.

Fund Policies

The Funding Strategy Statement (FSS)

All LGPS administering authorities are statutorily required to prepare and publish a FSS alongside each actuarial valuation.

A draft FSS was drafted and sent to employers requesting feedback on the proposals and structure of the streamlined policy; designed to make it easier for all parties to navigate the key pertinent areas. The consultation with employers took place from 31st October to 2nd December 2022 with key changes presented to employers during dedicated employer forums and at the employer conference on 17th November.

A new 'Notifiable Events' policy has been included that mandates a defined set of notifiable events for employers to inform the Fund about which may have a material effect on the covenant, liabilities, or membership profile.

The draft FSS was approved by Pensions Committee on 14 December 2022 on the basis that it would be refined by the Director of Finance in conjunction with the actuary, to allow for the outcome of the employer consultation and the final valuation results.

Other Fund Policies

All policies pertinent to the administration and governance of the Fund are reviewed annually to ensure they align with operational practice and remain compliant with legislation and statements of recommended best practice.

On reviewing policies, any minor amendments are made as required to reflect slight adjustments to operational practice, updating information such as references to external agencies or providing clarity following a question posed by a stakeholder. Any significant changes required to polices are dealt with by the Fund management team, drafts shared with the Local Pension Board for comment, prior to any future ratification by the Pensions Committee.

Impending Change to Scheme Governance

Government has been delayed on a number of initiatives as a result of changing priorities and resource limitations due to geopolitical matters and the cost-of-living crisis.

Scheme Advisory Board Good Governance Project

The purpose of the Scheme Advisory Board's (SAB) Good Governance Project was to seek stakeholder views on ways in which the governance structures and practices of the LGPS could be improved with a focus on standards, consistency, representation, conflict management, clarity of roles and costs. The project progressed following completion of the Phase III Report in February 2021 with recommendations presented to the government to implement in the form of statutory guidance and legislation.

We still await Department of Levelling Up Housing and Communities (DLUHC) response to the Board's Action Plan action plan comprising.

1. Those matters that would fall to DLUHC implement, either by amending scheme regulations or producing statutory guidance
2. Those matters that would fall to the Board and other bodies to implement - subject to the actions in 1 being taken by DLUHC
3. Actions to identify and promote existing best practice that the Board can take forward regardless of the outcome of the above.

Fund Officers, in conjunction with its professional advisers, have commenced actions to undertake a gap analysis of the Fund's governance framework against the recommendations submitted to the DLUHC.

The Pensions Regulators New General Code

The Pensions Regulator (tPR) is expected to publish the New General Code, formerly referred to as the Single Code of Practice, in its final form during the summer of 2023. The Code consolidates and revises several existing codes, formalising the requirement for an Effective System of Governance and introduces the process of 'Own Risk Assessments'.

New actuarial, internal audit and risk functions will also be required, and cyber-risk stewardship along with climate change will be included in a code of practice for the first time.

The move from one dedicated code for public service pension schemes to a general code for all schemes will require innovative thinking, and the Fund is working with its professional advisers on the most effective approach to assess, implement, and demonstrate compliance with the requirements of the new Code. The initial stage of the workstream has commenced with actions in progress to undertake a gap analysis of current policies against the draft code.

Collaboration with Peer Funds, Scheme Employers and National Bodies

During 2022/23, the Fund has worked closely with a number of other LGPS Funds on national groups to drive improvements to administration procedures, share best practice and develop initiates as follows:

- develop communications for the wider LGPS, in conjunction with the Local Government Association (LGA), in the area of member engagement. During the year, collaborative work took place in regards the best practice for producing accessible communication materials, digital engagement and agreeing the forthcoming workplan for Pensions Dashboards and McCloud communications.
- A longstanding founder member of the LGPS National Frameworks, we have supported the rolling-out of a number of new frameworks, as well as revisiting existing ones, to enable more efficient and effective procurement within the LGPS. The Fund is currently actively involved in setting up a new framework for the provision of Member Data Services and Integrated Service Providers for connection to the national Pensions Dashboard.

This engagement has enabled us to keep pace with LGPS and pensions industry practice and represent the Fund's views and those of its stakeholders in the wider arena.

Operational Improvements

Digital Transformation Programme

The aim of the programme is to support the Fund to transform our business areas through the use of technology, to drive business efficiencies and cost savings whilst improving the service we provide to our members and employers.

The Fund continues to proactively engage and provide useful and valued feedback to the system supplier in regard future system design improvements.

Over the year progress was made in the following areas:

- making it easier for contributing members to view their pay history held by the Fund
- significant work with the system supplier to redesign the online functionality for members to make death grant nominations, in readiness for launching during 2023
- to extend use of i-Connect to permit employers to securely upload key documentation such as leaver forms, elections to join 50/50 or main sections of the Scheme, service breaks, request benefit estimates etc.

Customer Engagement

The Fund has a number of customer surveys that are linked to specific life events (joining the Scheme, transferring benefits, divorce work, retirement etc.). The online surveys are kept simple and short as to encourage members to complete, but unfortunately feedback and engagement has been limited. We are investigating possible methods to raise awareness and prominence of the customer surveys to increase participation.

Pensions Awareness Week took place during Monday 31 October and Friday 4 November 2022. An industry wide initiative supported by the Pensions and Lifetime Savings Association (PLSA) and the Money & Pensions Service.

The Fund carried out a social media campaign during the week, sharing links to online videos and frequently asked questions. Nine half-hour virtual events took place, where 322 members were taken step-by-step through the understanding of an annual benefit statement, a key document for members to understand and appreciate. Given its success, the Fund will be participating in Pensions Awareness Week 2023, from 11th – 15th September 2023.

Strategic Focus, Planning and Operational Cost

Service Planning

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

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

Staff Training and Development

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

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

The Fund has procured access to an online knowledge base for staff to utilise in support of their day-to-day work as practitioners, but also as a specific LGPS training resource. The knowledge base provides an on-line commentary covering all aspects of the legislation (both past and present) governing the Local Government Pension Scheme in England and Wales together with those elements of Department for Work and Pensions (DWP) and Pensions Regulator guidance that are relevant to the Scheme. It also documents pertinent decisions made by the Pensions Ombudsman, and judgments in the Courts (including the European Court of Justice) relevant to determinations made under the Internal Dispute Resolution Procedure. This online resource is unique and provides a useful reference point and context for staff who are required to administer historic legislation.

The Fund is required to demonstrate and record officer knowledge levels, and subscriptions to an online learning academy have been provided to Pensions Committee and Local Pension Board members to gain the skills to successfully manage the Fund. Adopted by the Fund in 2022, the online training covers eight modules, including governance, administration, investments performance and risk management, financial markets, and actuarial methods. The supplier has updated the training materials for a planned relaunch to Pensions Committee, Local Pension Board and Fund Officers during the summer of 2023.

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

Operational Costs

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

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

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

The administration costs reported in the 2021 -2022 ‘SF3’ statistical return was £22.46 per member.

The Fund participates in an administration benchmarking initiative by the company CEM. With eight other large LGPS Funds, the exercise produced a comparative report between the participating LGPS Funds and six large public or private schemes in the UK. The Fund was assessed as offering ‘high member service at a low cost’ by CEM when considering our cost effectiveness against the thirteen other peers.

Equality & Diversity

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

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

Member Communications

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

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

Presentations & Courses

During the year, the communications team arranged a number of one-to-one meetings with members who phoned or emailed into the Fund with general queries about their pensions.

Whilst group presentations have still not returned to pre-pandemic levels, the communications team have experienced a promising increase in the number of employers who are willing to provide the opportunity to deliver in-person events.

Virtual presentations are convenient and continue to be requested by employers, but feedback does persist that members value and appreciate the opportunities offered by an in-person event.

Employer Communications

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

The Fund has continued to update the comprehensive administration information to employers in the HR and Payroll Guides. Based on national guidance, these Fund-specific documents provide detailed information on administrative and operational practice.

Data Security

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

The following arrangements are in place to safeguard this data:

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

Cyber Security

As the Fund progresses with its Digital Transformation Programme with an ever-increasing amount of administration being conducted online, Cyber security is of paramount importance. Since 2019, the Fund has delivered a specific Cyber Security update to the Local Pension Board in line with best practice guidance from the National Cyber Security Centre (NCSC) and the Pensions Administration Standards Association (PASA).

The Fund's Senior Manager of Operations & Information Governance is a member of the Administering Authority Information Governance Board and maintains a working relationship with the Wirral Data Protection Officer, the Head of Digital Services and the ICT Services Manager in ensuring that the Fund's Cyber Resilience is monitored and maintained.

Performance Standards

Following agreement by the Local Pension Board, the Fund key performance measures are those recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) in their guidance for LGPS Funds.

The administration casework undertaken in-year and the performance indicators for key casework areas are shown opposite.

	Performance Targets	**Total Cases**	**Our Target**	**% Within Target**
1	Deaths – Initial letter acknowledgement death	1,796	5 days	99%
2	Deaths – Letter notifying amount of dependant's benefit	736	10 days	93%
3	Retirements – Letter notifying estimate of retirement benefits	633	15 days	95%
4	Retirements – process and pay lump sum retirement grant	1,428	15 days	99%
5	Deferred into pay – process and pay lump sum retirement grant	1,624	15 days	94%
6	Deferment – calculate and notify deferred benefits	2,440	30 days	98%
7	Transfers in – Letter detailing transfer in quote	759	10 days	97%
8	Transfers out – Letter detailing transfer out quote	700	10 days	99%
9	Refund – Process and pay a refund	575	10 days	99%
10	Divorce quote – Letter detailing cash equivalent value and other benefits	225	45 days	100%
11	Divorce settlement – Letter detailing implementation of cash equivalent value and application of pension sharing order	14	15 days	100%
12	Joiners - Send notification of joining the LGPS to Scheme Member	9,204	40 days	96%

Internal Dispute Resolution Cases

Appeals against Employer Decisions

Employer	Number	Appeal Decision
Liverpool		
Reason for leaving (flexi dispute) (Stage 2)	1	Ongoing
School Improvement Liverpool Ltd		
Award of ill health for deferred member (Stage 2)	1	Dismissed
Sefton		
Final Pay dispute (Stage 2)	1	Ongoing
Wirral Council (on behalf of Knowsley Housing Trust)		
Award of ill health for deferred member (Stage 2)	1	Partly Upheld
Knowsley		
Award of ill health Pension (Stage 2)	1	Dismissed
Award of Ill Health tier (Stage 2)	1	Dismissed
Total	**6**	

Appeals against Fund Decisions

Reason for Appeal	Number	Appeal Decision
Stage 1 – Dispute over child's pension	1	Dismissed
Stage 2 – HMRC Legislation (Trivial Compound)	1	Dismissed
Total	**2**	

Investment Report

Year ended: 31st March 2023

The financial year was characterised by highly elevated levels of inflation in much of the world. This is in stark contrast to the preceding decade when low inflation prevailed. Indeed, negative bond yields and interest rates existed in many large economies in the lead up to this high inflation cycle.

At the start of the financial year the negative effects of the Covid-19 pandemic on most economies, (the exception being China), had materially receded, only to be replaced by fresh headwinds emanating from the nascent but escalating war resulting from Russia's invasion of Ukraine. Western Europe began to rue the folly of being around 60% reliant on Russian gas supplies, and the world became aware of how dependent it had become on Ukraine and its aggressor's exports of agricultural products, in particular wheat, sunflower oil and fertiliser.

Supply squeezes in energy and food led to a very rapid increase in global inflation in these resources. This was most pronounced in natural gas prices during the midpoint of the financial year, as Russia drastically reduced the export of natural gas to Europe in a tit for tat retaliation to Western imposed economic sanctions. European countries competed with each other to source enough gas to get them through the winter months without the need for severe rationing. This was achieved, at a price, with European governments having to shield consumers from the true cost of their energy consumption via subsidies. To illustrate the scale of inflation in natural gas, UK natural gas prices have tended to be well below 70 £/therm over the past twenty-five years, yet they reached 630 £/therm at the end of August. Soon after the scramble to replace Russian gas was over the price retreated sharply.

Inflation and its corollary effects have been the focus of investor worries over the entire financial year. Investors have been striving to anticipate at what level the ongoing increases in interest rates would be restrictive enough for incoming economic data to provide confidence that inflation was on a sustained downward path to 2%. The main concern for investors was that central banks may dampen growth severely in their efforts to get inflation under control and cause stagflation, an economic cycle characterised by slow growth, a high unemployment rate and high inflation. Historically stagflation has proven to be a persistent phenomenon policymakers find extremely difficult to reverse.

The inflation rate in the US was 8.5% at the start of the financial year, its highest point since 1981. US inflation peaked at 9.1% in June, with EU and UK inflation peaking in October, both with readings slightly exceeding 10%. All three economies have seen inflation fall back somewhat in the face of continued aggressive monetary tightening by their respective central banks. However, the effectiveness of monetary tightening has not been consistent across regions. March 2023 CPI readings were around 10%, 7% and 5% for the UK, EU and US respectively. Labour markets have remained buoyant throughout in spite of the rate hikes, though subdued GDP growth in the latter part of the period does indicate that monetary tightening is starting to squeeze economies. Q1 2023 GDP growth over the previous quarter was 0.3%, -0.1% and 0.1% for the US, EU and the UK respectively.

The Federal Reserve commenced its tightening cycle in March 2022 and continued to raise interest rates in earnest throughout the next financial year, including hikes by 75 basis points on a number of occasions. Other central banks followed suit in adopting a pronounced hawkish stance, with both the ECB and the Bank of England also hiking by up to 75 basis points at a time. Broadly speaking the above central banks lifted rates from approximately 0 to 4% over the financial year. Post March 2023 rate hikes have continued.

The Bank of Japan is notable for not raising rates since the central bank took rates to -0.1% in 2016. Japan has for many years had to tackle sub 2% inflation despite vast stimulus packages, and inflation remains subdued still in a relative sense, registering 3.5% over the period. Japan's economy was relatively robust at the end of the financial year, expanding by 0.7% during the final quarter.

Stock markets universally fell in the face of the inflationary headwinds at the start of the financial year. Slumping markets were accompanied by heightened market volatility, an indication of investor nervousness and uncertainty. However, equity markets started to rally during October, and broadly held these gains until the end of the financial year, though markets remained volatile. Ultimately developed markets ended the financial year down around 6% while emerging market equities fell in the region of 11%.

Within the equity asset class, value stocks outperformed growth stocks by around 3% over the period. Growth stock valuations are more sensitive to fluctuations in interest rates due to the greater part of their intrinsic value deriving from future cashflows. This partly explains the US market's poor relative returns over the period, as it is dominated by such companies, largely within the technology sector.

A rising interest rate environment offers little sanctuary to bond investors. Bonds suffered greatly throughout the period as central banks unleashed rate hike after rate hike in quick succession. The UK long dated gilt and index-linked bond prices fell around 30% and 40% respectively. US treasuries and European bonds suffered similarly dramatic falls. These price drops are perhaps all the more galling given that fixed interest assets are typically held within a portfolio to counterbalance generally riskier growth assets such as equities. The financial year was an unusual period in that fixed interest assets did not provide the intended portfolio stability sought in a prevailing weak equity market environment.

Aside from the trauma inflation has had on financial assets, it has also imposed significant damaging consequences on the daily life of the majority of the world's population. Falling real wages gave rise to "cost of living crises" and strikes became commonplace as workers tried to redress the balance in their standard of living. Indeed policymakers are concerned that such "second round effects" could prolong the inflationary cycle as wage increases lead to higher prices leading to further wage increases and so forth. Once expectations of higher inflation become established such wage-price spirals tend to become persistent.

Whilst the rise in global bond yields has been almost exclusively a response to monetary tightening to combat the extraneous global factors pushing up inflation, the UK was briefly subject to a sudden rise in bond yields which was completely of its own making.

In September, the UK's newly appointed Chancellor, Kwasi Kwarteng set out his "mini budget", which many financial commentators deemed "a reckless and ill-conceived growth plan", largely because it was unfunded and so put UK monetary and fiscal policy on a collision course. As such sterling crashed, falling to a record low of 1.035 against the dollar. Moreover, the yield on 10-year gilts surged from 3.5% before Kwarteng's budget announcement to 4.3% post it. Yields did fall back to around 4.0% in the subsequent days after the emergency intervention of the Bank of England which launched a £65 billion bond buying programme.

The sudden rise in bond yields caused liquidity problems for many defined benefit pension funds which had invested in LDI, (Liability Driven Investment) funds, a product offered by financial institutions which generally incorporate an element of leverage. As bond yields rose, (and prices correspondingly fell), pension funds became subject to collateral margin calls, thus making many sudden forced sellers of bonds. This further drove down bond prices, in turn leading to fresh LDI related margin calls, thus potentially forming a self-perpetuating downward spiral in bond prices. Hence the BoE's rapid and decisive intervention.

In November the world's population exceeded eight billion. A few months down the line China became the world's second most populous country, having been surpassed by India on this metric.

At the start of 2023 China had finally abandoned its zero Covid-19 policy, thus bringing to an end all pandemic related supply chain bottlenecks. While such bottlenecks may have contributed to the rise in inflation over the preceding year, (China accounts for around 29% of global manufacturing), the influence of lockdowns on global inflation was marginal compared to commodity inflation.

During March 2023, three regional US banks failed. Two were exposed to collapsing crypto currency assets and one had large unrealised losses on its balance sheet, stemming from investments in US treasury bonds. This crisis triggered a sharp decline in global bank stock prices, which was met with a swift response by US banking regulators so as to prevent potential global contagion. New rules were created to ensure depositors were fully protected from the banks demise. The unease created by US bank failures in turn brought about the downfall of Credit Suisse. Although Credit Suisse was adequately capitalised, its scandal ridden past spooked depositors, in light of the US banking collapses, catalysing massive cash withdrawals. UBS, a larger Swiss banking rival was encouraged by Swiss regulators to purchase Credit Suisse, thus staunching the flight of capital.

At the time of writing no end is yet in sight for the end of hostilities in Ukraine. Nor has inflation been brought under control, with core inflation proving particularly persistent in many economies. Central banks continue to walk a tightrope to try and curb ongoing high inflation while minimising repercussions on economic growth and employment levels. Given further monetary tightening is widely anticipated the outlook for the global economy and financial markets is somewhat sombre.

The performance of the Fund against its benchmark for 1, 3, and 5-year periods is shown in Table 1 below:

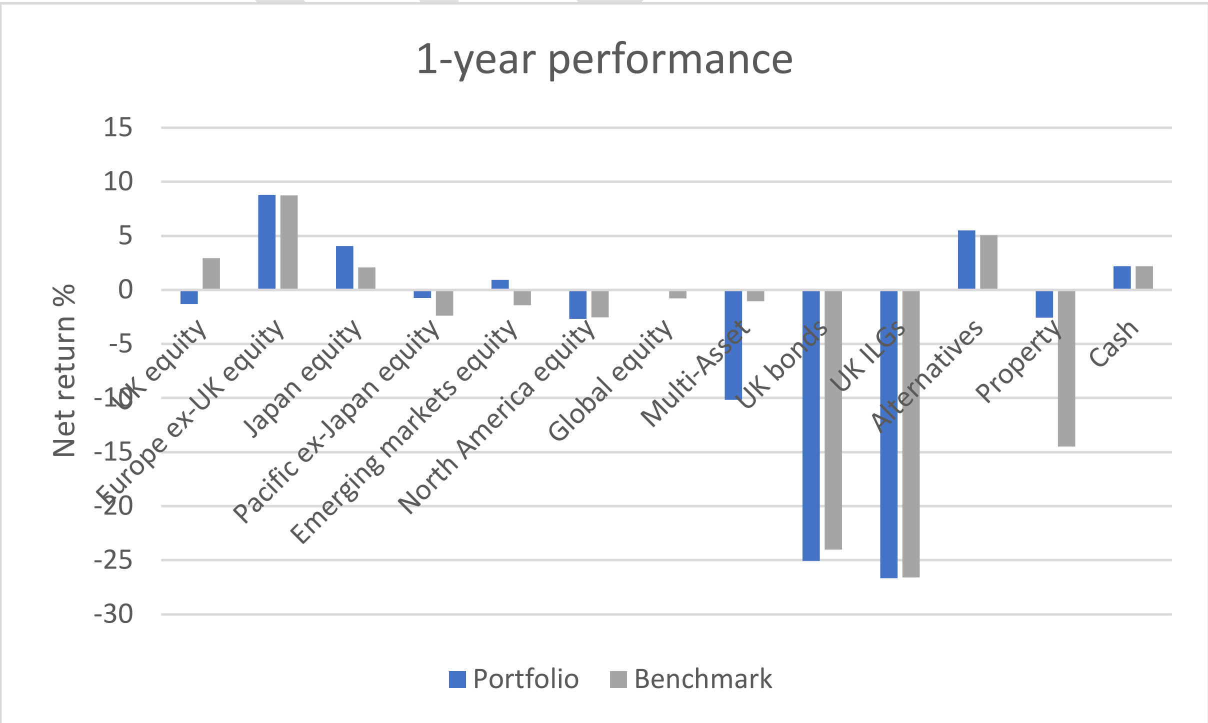
Table 1

	1 year	3 year (annualised)	5 year (annualised)
MPF	-3.69%	7.02%	4.85%
Benchmark	-5.01%	4.80%	2.67%
Relative	1.38%	2.13%	2.13%

Source: Northern Trust; returns are net of fees and expenses; GBP-adjusted

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

Figure 1

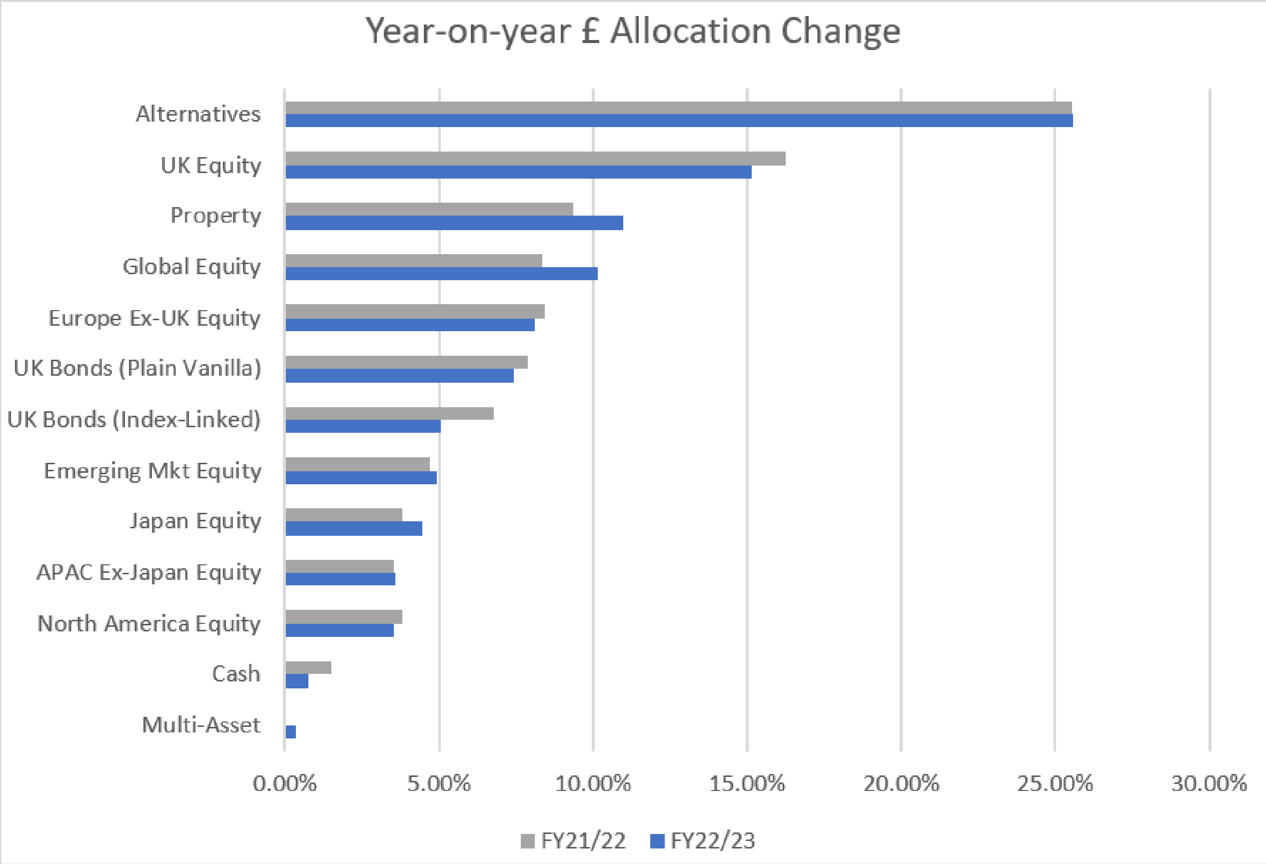


Source: Northern Trust; returns are net of fees and expenses; GBP-adjusted

In aggregate, Alternatives outperformed its weighted average benchmark by 0.44% in FY22/23. On a look through basis, Private Equity, Private Credit and Hedge Funds outperformed their individual benchmarks.

Figure 2 illustrates the asset allocation of the Fund on 31 March 2023 compared to 31 March 2022:

Figure 2



Source: Northern Trust; GBP-adjusted

Top five largest UK Direct Property Holdings as of 31 March 2023:

Asset	Sector/Focus	Value	% of Direct Property Portfolio
Fort Halstead	Commercial (Other)	£80.50m	17.12%
Shepherds Spring Lane	Data Centre	£38.70m	8.23%
Lever Building	Office	£36.80m	7.82%
Mitre Bridge	Industrial	£35.90m	7.63%
Tesco Store	Retail	£28.30m	6.02%
Total		£220.20m	46.82%

Source: CBRE

Top five largest Infrastructure holdings on committed capital basis as of 31 March 2023:

Asset	Sector/Focus	Value	% of Infrastructure Portfolio
GLIL Infrastructure LLP	Wind, transportation, bioenergy	£450.00m	38.87%
Iona Environmental	Biogas power plants	£60.00m	5.18%
NextPower UK	Solar power	£50.00m	4.32%
MEF4 Monet Co-invest	Hydropower plant	£48.33m	4.17%
InfraBridge GIF LP	Transportation, healthcare	£40.43m	3.49%
Total		£648.76m	56.03%

Source: Burgiss

Merseyside Pension Fund is a member of GLIL, an infrastructure investment vehicle set up as a joint venture between the Northern LGPS and Local Pensions Partnership Investments. GLIL targets core infrastructure assets predominantly in the United Kingdom. MPF has committed a total of £450m to GLIL platform including a co-investment into a rolling stock asset. Total committed capital to GLIL from its existing investors currently stands at £3.6bn.

The Northern LGPS's collective Private Equity investment vehicle (NPEP) is continuing to successfully make capital commitments to Private Equity funds. The initial close of NPEP occurred upon its creation in July 2018 with £1.02bn of funding capacity and currently stands at £2.75bn as at March 2023.

Merseyside Pension Fund's net value of Private Equity assets currently stands at £995m of which 25% is deployed within NPEP. Merseyside Pension Fund's Private Equity portfolio has a total return of (1.13%) over the past 12 months. However, the benchmark FTSE Global Small Cap has returned (4.01%) in that period showing a relative excess return of 2.88% for the year. It is important to highlight that the three-year relative excess return for Private Equity is 20.46% when benchmarked against the FTSE Global Small Cap.

As evident in the performance results above, Private Equity has remained comparatively resilient in a time of geopolitical unrest, rising interest rates, high inflation, and general economic uncertainty. However, it is likely the global Private Equity market is in an adjustment period with deal flow, valuations and fundraising expected to weaken over the next several years. Nevertheless, Merseyside Pension Fund's Private Equity portfolio is well diversified by vintage, geography, sector and type to weather any global financial environment and remain an attractive asset class for the fund.

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

Asset class	31 March 2022		31 March 2023	
	Management Fee £'000	Performance Related Fee £'000	Management Fee £'000	Performance Related Fee £'000
Private Equity	8,198	7,677	10,919	9,533
Infrastructure	5,314	7,546	3,787	5,522
Property	7,876	1,040	5,597	2,881
Private Credit	3,054	2,188	4,231	625
Hedge Funds	2,835	340	2,427	339
Total	**27,277**	**18,791**	**26,961**	**18,900**

Management fees and performance fees for March 2023 are comparable when comparing to March 2022. Alternative investment management fees fell 1.16% while performance fees remained relatively stable, increasing by 0.6%. Although fees fluctuate year on year, when taking a long-term view Merseyside Pension Fund has pivoted towards a more fee efficient investment programme which includes co-investment mandates, direct infrastructure ownership and fewer fund of funds type structures. Investment Management Fee and Expenses figures of £23.3m for March 2023 and £19.4m for March 2022 (in Note 11b to the Reports and Accounts) are included in the Management Fee figures, above, of £26.9m and £27.2m respectively.

Responsible Investment

Merseyside Pension Fund's Responsible Investment Policy seeks to integrate environmental, social and corporate governance (ESG) considerations into all investment decisions. MPF is committed to the belief that practising responsible ownership of assets is fundamental to investing responsibly over the long-term. The Fund maintains its signatory status of the Principles of Responsible Investment (PRI) through its submission to the PRI Reporting & Assessment framework. Through this the Fund reports on its Responsible Investment activity across all asset classes held. Our latest submission includes details on how the Fund implements responsible investment policy across internal and external investment portfolios. Merseyside Pension Fund's most recent available PRI Transparency report can be viewed at: **https://www.unpri.org/signatories**

Through the Fund's involvement with the NLGPS, proxy voting is coordinated across listed equity holdings. The securities lending programme during the proxy voting season is restricted as part of the Northern LGPS's RI Policy to ensure vote maximisation. Through this, Funds also must disclose their voting intentions. Public reporting on voting can be accessed via the Northern LGPS website.

In line with MPF's Responsible Investment Policy votes on all eligible listed shareholdings are cast through corporate governance specialists PIRC. Votes are cast aligned with PIRC's recommendations covered by their Shareholder Voting Guidelines. Through the implementation of MPF's RI Policy votes are cast in support of the Say on Climate initiative and Climate Action 100+, of which MPF is a member.

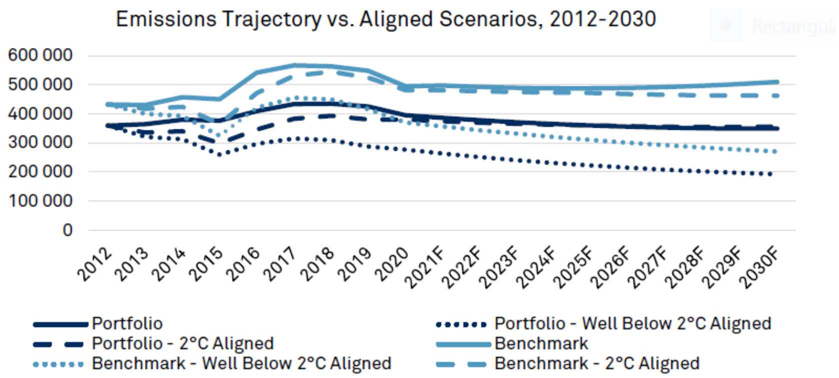
The Fund remains an active long-standing member of the Local Authority Pension Fund Forum (LAPFF), which conducts various engagements on behalf of the Fund, with support from officers. LAPFF are well placed to apply collective pressure on companies and shape market behaviours and regulations. Their 2022 annual report outlines that LAPFF have engaged with 159 companies across 30 countries with operations spread across the globe. A major piece of work undertaken over the year at LAPFF included a focus on mining and human rights. LAPFF representatives visited mining sites to raise awareness of the importance of safety following tailings dam collapses in Brazil that had led to hundreds of casualties and devastated communities. Community representatives presented at the 2019 LAPFF Annual Conference and work was undertaken by the forum to support them. The site visit concluded with the objective that companies must improve engagement with affected communities, both to make appropriate reparations and compensation and to detect issues early so similar disasters do not happen in future. Further to this a call for independent environmental impact assessments to determine whether the water and soil in the local communities affected is contaminated, not only by the tailings dam collapses, but also due to mining operations more broadly. The impact of the visit led to rigorous engagement plans in place with mining companies such as Anglo American, BHP, and Vale. Further information can be found in the LAPFF Annual Report.

MPF internally continues its work in Climate Stewardship as an active member of Climate 100+ and in partnership with Share Action. The Fund's work in decarbonisation in the banking sector is noteworthy and continues following successful engagements with Barclays and HSBC throughout the reporting period. Officers participated in engagements directly at HSBC as they presented their oil & gas policy to investors. The meeting came as a result of a series of actions on climate policy and the shareholder resolution co-filed by MPF. These engagements contributed to HSBC committing not to finance new oil and gas fields and new metallurgical coal mines, to introduce strict requirements for new clients relating to oil and gas exploration, and to set an absolute thermal coal on balance sheet financed emissions target of 70% reduction by 2030.

MPF in co-ordination with the NLGPS has committed to Net Zero by 2050 using the Paris Aligned Asset Owners Framework developed by the Institutional Investors Group on Climate Change. The commitment states that by 2030, the weighted average carbon intensity of funds to be 50% below the carbon intensity of the respective 2019 benchmark. This will be achieved by adopting scenarios used by some of the main external Asset Managers to the Northern LGPS, which are the P2 emission pathway of the IPCC special report on global warming of 1.5 degrees Celsius, and the IPCC

RCP 2.6 and IEA SDS (aggressive mitigation) pathways. This can be seen through investments that are also within the illiquid segment of the portfolio as well as listed assets. The Fund continues to allocate to the low carbon economy and climate change risk mitigators. The Fund achieves this, in part, through the infrastructure allocation, which has a considerable proportion invested in renewable energy and climate solutions.

MPF increased environmental data disclosures in 2022 in line with The Taskforce on Climate-Related Financial Disclosures (TCFD) guidance, which provides a global framework to translate non-financial information into financial metrics. As regulation within the industry and LGPS progresses, MPF is committed to increasing disclosure standards with developments ongoing. A portfolio carbon assessment as of 31st December 2021 (and for the preceding 3 calendar years) has been commissioned from S&P Global Trucost (reporting as at 31st December 2022 is in production)The carbon metrics reported are broadly in line with the regulations on TCFD reporting now proposed for the LGPS and with a baseline aligned with the NLGPS commitments. The Fund is working with its strategic advisor and other stakeholders to further develop its Net Zero plan and Paris-aligned pathways.

Governance	As the Fund's governing body, the Pensions Committee had mandated that MPF's investment strategy be brought into line with the goals of the 2015 Paris Climate Accord. It has delegated authority to the Director of Pensions to develop and implement the climate risk strategy (as informed by relevant guidance especially from partner organisations such as IIGCC, PRI and the LAPFF) and continues to receive regular reports on progress. Additional oversight of the pool commitment is provided by the Joint Committee of NLPGS.
Strategy	MPF's strategy encompasses the view that climate change is a systemic risk and thus, a material long-term financial risk for any investor that must meet long-term obligations. The Fund has completed work that involved reviewing its investment beliefs and strategic framework to ensure that climate risk considerations are appropriately integrated at each stage of investment management. This work involved a Paris Alignment assessment of the Fund covering public markets. The pathway assessment enables the Fund to track the portfolio against the goal of limiting global warming to 2°C above the pre-industrial level. The assessment examines the adequacy of emissions reductions made over time, in meeting targets. It incorporates both historical performance as well as forward-looking indicators (over a medium-term time horizon). This avoids the uncertainties of using only forward-looking data and is of a sufficient time horizon to make the effect of any year-on-year volatility less significant. The chart shows the portfolio and benchmark's 2012-2030 trajectory and compares that to its own aligned trajectory. 

<table>
<tr>
<td>Risk Management</td>
<td>MPF acknowledges the description of climate risk provided by TCFD, as comprising transition and physical risks. The focus of risk management activity has been primarily on the mitigation of transition risk via ongoing decarbonisation efforts. Further analysis of physical climate risks is being undertaken to assess the sensitivities across asset classes, in particular long-term, illiquid real assets.</td>
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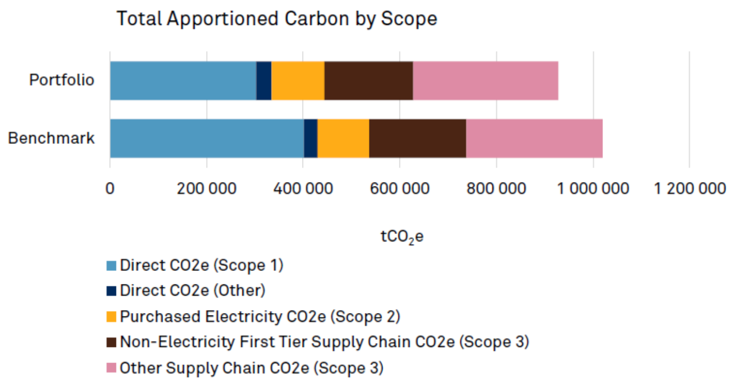
<tr>
<td>Targets and Metrics</td>
<td>

The metrics included below can be considered the first step towards understanding the climate-related risks and opportunities in a portfolio and are therefore used for target setting, as well as for company engagement. They are consistent with the metrics set out in the consultative guidance published by DLUHC.

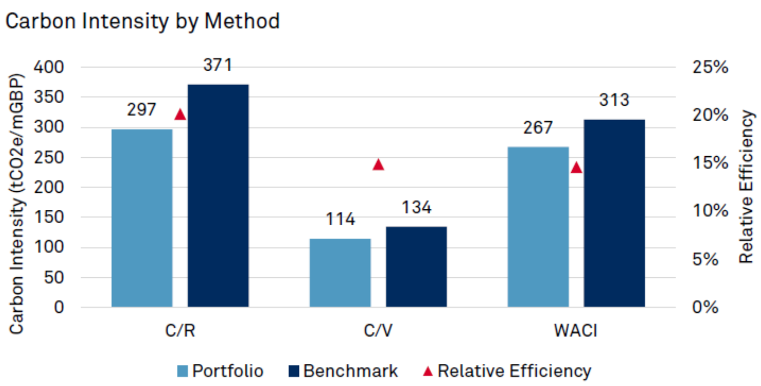
S&P Global (Trucost) carried out a carbon assessment of the Fund's listed equities and UK corporate bonds portfolios, comprising 53% of Fund assets. It is not currently possible to include other asset classes within the scope of this assessment.

Carbon Assessment



The Fund's Absolute Emissions as at 31st December 2021 in total tonnes of carbon dioxide equivalents (tCO2e), broken down by scope and apportioned to the portfolio and benchmark.

This metric measures a portfolio's overall contribution to global greenhouse gas levels. It is consistent with the GHG Protocol's standard for accounting for emissions.



This chart shows the Fund's Carbon to Revenue and value as well as the weighted average carbon intensity of the Fund (WACI). WACI shows the portfolio exposure to carbon intensive companies. This metric takes the carbon intensity (total carbon emissions divided by total revenue) of each investee and multiplies it by its weight in the portfolio. The Carbon to Revenue Intensity metric normalises the Total Carbon Emissions to enable comparison across portfolios of varied sizes. The

</td>
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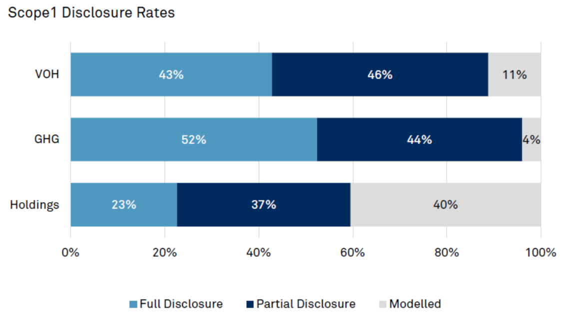
</table>

revenues approach gives us a better indication of output efficiency as revenues are a good proxy for production. The methods reported are consistent with the GHG Protocol and comparable across portfolios of all sizes.

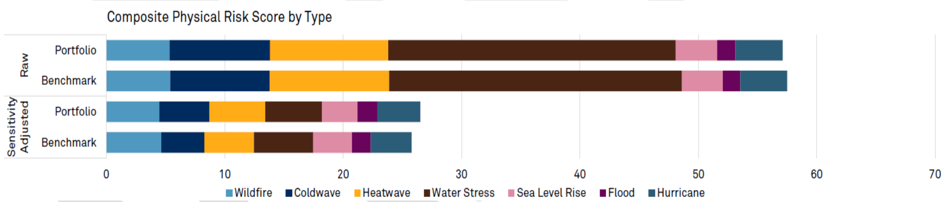
Across each carbon intensity metric, the Fund's portfolio is relatively more carbon-efficient than its benchmark. This is attributable to sector and company selection effects in the portfolio, which has lower exposure than its benchmark to highly carbon intensive issuers in the Energy, Materials and Utilities sectors.

Coverage



The reporting of disclosure rates and coverage is to align with the latest TCFD consultation guidance on coverage. The Fund aims to increase the coverage of assets included with all carbon foot printing exercises in order to increase the accuracy of reporting in this area while expanding our target setting for emissions reduction.

Physical Risk Analysis



The Fund assesses Physical risks arising from climate change, as they can be acute (driven by an event such as a flood or storm) or chronic (arising from longer term shifts in climate patterns) and may have financial implications such as damage to assets, interruption of operations and disruption to supply chains. The chart above shows the overall portfolio and benchmark-level physical risk score, broken down by the contribution of each risk type. The Fund considers the degree of impact of the risks in asset management. The sensitivity adjusted view demonstrated the same physical risks applied to the Fund's portfolio but from a potential materiality of the events view.

Financial Performance

Key Financials

	£000	£000	£000
Fund value at 31 March 2022			**11,000,898**
Contributions & Benefits			**(179,338)**
Employer Contributions	135,485		
Employee Contributions	69,539		
		205,024	
Pensions Paid	(313,088)		
Lump Sums Paid	(72,654)		
		(385,742)	
Net Transfers		1,380	
Management Expenses			**(45,917)**
Administration	(3,225)		
Investment Management	(40,280)		
Oversight & Governance	(2,757)		
		(46,262)	
Other Income		345	
Investments			**(362,955)**
Income	251,711		
Change in Market Value	(614,666)		
Fund Value at 31 March 2023			**10,412,688**

The table below describes the Fund's performance for key financial variables against forecasts (forecast February and July 2022) for the twelve months to 31 March 2023.

	2022/23 or at 31 March 2023	
	Predicted	**Actual**
	£000	**£000**
Fund Size 2022	**11,000,898**	**11,000,898**
Fund Size 2023	**11,303,438**	**10,412,688**
Pensions Paid	(383,473)	(385,742)
Contributions Received	186,315	205,024
Net Transfers	0	1,380
Net cash flow from members	**(197,158)**	**(179,338)**
Net management expenses	**(50,347)**	**(45,917)**
Investment Income	347,085	251,711
Change in valuation of assets	202,960	(614,666)
Return from Investments	**+550,045**	**-362,955**
Net change overall	**+302,540**	**-588,210**

The key variance between the forecast and the actual performance was the return on investments, the change in the valuation of assets; this is largely out of the control of the Fund and as explained throughout the report, market conditions deteriorated over the 12-month period.

The contributions received in 2022/23 and 2021/22 are lower than reported in 2020/21, due to several employers paying additional and upfront contributions in 2020/21, covering the three-year period, until the next actuarial valuation in 2022, consequently the following two years are reduced accordingly.

The Fund seeks to minimise and recover, where appropriate, any overpayments made to members and the Fund has a formal 'Overpayment of Pensions Policy' which outlines the procedure for pension overpayments and recovery actions. Where it is not possible to offset an overpayment from an ongoing pension or that of a surviving dependant, an invoice will be raised to recover any gross amount exceeding £250.

As at 1 April 2022, there were £75,888 overpaid pension invoices outstanding. During 2022/23, invoices amounting to £248,660 were raised and £147,542 were paid in the period. Invoices amounting to £19,525 were written off following instruction from the corporate legal department on the basis that the debts were not economically viable to recover. An amount of £157,481 remains outstanding at 31 March 2023.

The Fund has in place a mortality screening contract to limit the amount overpayment to pensioners in the event of death and participates in the National Fraud initiative which is conducted every two years.

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 2023	
	Budget	**Actual**
	£000	**£000**
Employees (based on 84 FTE)	4,084	3,554
Premises	207	207
Transport	36	15
Investment fees – operating budget	16,466	10,886
Supplies and Services	2,640	1,781
Third Party	1,303	1,752
Recharges	311	311
Total	**25,047**	**18,506**

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 2022/23 was £18.5 million, lower than the original budget of £25.0 million approved by Pensions Committee February/July 2022, this is largely due to lower investment fees due to a deterioration in market conditions and disappointing performance from some external managers which obviates the payment of performance fees, planned projects and areas of work being deferred to 2023/24 and the assumptions used for staffing.

The 2023/24 Fund budget as approved by Pensions Committee in February and July 2023 is detailed in the table below.

	2023/24
	£000
Employees (based on 84 FTE)	4,731
Premises	212
Transport	39
Investment fees – operating budget	11,999
Supplies and Services	2,618
Third Party	1,444
Recharges	283
Total	**21,326**

The assumptions that underpin this budget are that investment performance follows long-term trends and that the Fund follows the long-term trends in mortality and other factors assumed within the actuarial valuation. Investment fees shown above are for invoiced investment management costs only and do not include any fees for private market assets, any property related expenditure, nor any investment changes associated with pooling. The budget for 2023/24 at £21.3m reflects lower investment management fees being forecast.

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

	2023/24	2024/25	2025/26
	£000	£000	£000
Fund Size Start of Year	**10,412,688**	**10,688,220**	**10,953,458**
Fund Size End of Year	**10,688,220**	**10,953,458**	**11,224,051**
Contributions Received	229,081	235,953	243,032
Pensions Paid	(424,702)	(452,308)	(463,163)
Net Transfers	0	0	0
Net Inflow from members	**(195,621)**	**(216,355)**	**(220,131)**
Net management expenses	**(49,481)**	**(52,819)**	**(56,948)**
Investment Income	269,079	287,646	307,493
Change in valuation of assets	251,555	246,765	240,180
Return from Investments	**520,634**	**534,411**	**547,673**
Net change overall	**275,532**	**265,238**	**270,593**

The results of the 2022 triennial valuation have determined the employer contribution requirements from 2023/24 onwards, no upfront payments have been assumed in the above table.

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

Financial Statements

2021/22 £000	FUND ACCOUNT - For the year ended 31 March 2023	Note	2022/23 £000
	Dealing with members, employers and others directly involved in the fund:		
201,160	Contributions Receivable	7	205,024
225,296	Transfers In	8	18,489
426,456			223,513
(371,943)	Benefits Payable	9	(385,742)
(14,246)	Payments to and on account of Leavers	10	(17,109)
(386,189)			(402,851)
40,267	**Net additions/(withdrawals) from dealing with members**		**(179,338)**
(47,128)	Management Expenses	11	(45,917)
(6,861)	**Net additions/(withdrawals) including Fund Management Expenses**		**(225,255)**
	Return on Investments:		
329,589	Investment Income	12	257,547
603,329	Profit and Losses on Disposal of Investments and Change in Market Value of Investments	13	(614,666)
(4,907)	Taxes on Income	12	(5,836)
928,011	**Net Return on Investments**		**(362,955)**
921,150	Net Increase/(Decrease) in the Fund during the year		(588,210)
10,079,748	Net Assets of the Fund at the start of the year		11,000,898
11,000,898	**Net Assets of the Fund at the end of the year**		**10,412,688**

2021/22 £000	NET ASSETS STATEMENT - For the year ended 31 March 2023	Note	2022/23 £000
	Investment Assets	13	
3,360,827	Equities		3,172,527
731,666	Bonds		501,716
5,817,473	Pooled Investment Vehicles		5,922,231
382,521	Derivative Contracts		187,180
568,275	Direct Property		470,300
35,751	Loans		155,482
169,149	Short Term Cash Deposits		80,732
106,941	Other Investment Balances		130,507
11,172,603			**10,620,675**
(400,793)	**Investment Liabilities**	14	**(239,184)**
10,771,810	**Total Net Investment Assets**		**10,381,491**
6,394	Long Term Assets	19	3,423
245,138	Current Assets	20	45,076
(22,444)	Current Liabilities	20	(17,302)
11,000,898	**Net Assets of the Fund as at 31 March**		**10,412,688**

Notes to the Merseyside Pension Fund Accounts

Note 1 Description of the Fund

Merseyside Pension Fund (MPF/the Fund) is part of the Local Government Pension Scheme (LGPS), and Wirral Council is the Administering Authority.

The overall responsibility for the management of the Fund rests with the Pensions Committee, which for 2022/23 included eleven Councillors from Wirral Council, the Administering Authority and one Councillor from each of the four other Merseyside Borough Councils. Representatives of trade unions also attend. The more detailed consideration of investment strategy and asset allocation of the Fund’s portfolios is considered by the Investment Monitoring Working Party, which includes two external advisers and a consultant. The more detailed consideration of governance and risk issues is considered by the Governance and Risk Working Party.

In 2015/16, a local Pension Board was 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.

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 2016.

The Fund is a contributory defined benefit pension scheme administered by Wirral Council to provide pensions and other benefits for pensionable employees of the Merseyside Local Authorities and a range of other scheduled and admitted bodies.

B) Membership

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

Organisations participating in Merseyside Pension Fund include:

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

There are 223 employer organisations within Merseyside Pension Fund including Wirral Council itself. The Fund has 149,140 members as detailed below:

31 March 2022		31 March 2023
214	**Number of Employers with Active Members**	**223**
46,740	Number of Employees in Scheme	48,998
48,609	Number of Pensioners	50,111
6,645	Number of Dependants	6,602
42,553	Number of Deferred Pensioners	43,429
144,547	**Total Number of Members in the Scheme**	**149,140**

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, with employer contributions set to achieve the funding target for each individual employer as detailed within the Valuation Rates and Adjustment Certificate.

D) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. 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 adjusted 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: **mpfmembers.org.uk**

Note 2 Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2022/23 financial year and its position at year-end as at 31 March 2023. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 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.

The accounts have been prepared on a going concern basis.

The Code (paragraph 3.3.1.2) requires the disclosure of any accounting standards issued but not yet adopted. IFRS 16, introduced on 1 January 2019, was due to be adopted by the Code for accounting periods commencing on or after 1 April 2022, however, a decision by CIPFA is to defer the implementation of IFRS until 1 April 2024. This new accounting standard largely removes the distinction between operating and finance leases by introducing an accounting model that requires lessees to recognise assets and liabilities for all assets with a term of more than twelve months unless the underlying asset is of low value. Implementation of IFRS 16 is not expected to have a material impact on the Fund because it does not hold any assets as a lessee.

Note 3 Summary of Significant Accounting Policies

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

Contributions and Benefits

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

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

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

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

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

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

Transfers to and from Other Schemes

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

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

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

Management Expenses

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

<u>Administration Costs</u>

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

Investment Management Costs

All investment expenses are accounted for on an accrual 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 Pension Scheme Management Expenses (2016)" guidance, transaction costs are shown under investment expenses.

Oversight and Governance Costs

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

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

Investment Income

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

Rental income from operating leases on properties owned by the Fund is recognised on a straight-line basis over the term of the lease. Any lease incentives granted are recognised as an integral part of the total rental income and recognised over the term of the lease. Property expenditure is deducted from rental income to report net income from properties.

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

Taxation

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

Valuation of Investments

All financial assets apart from loans are included in the Net Asset Statement on a fair value basis as at the reporting date. Loans are included in the Net Asset Statement on an amortised cost basis. The values of investments as shown in the net asset statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see note 15). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016). The values of investments as shown in the Net Asset Statement are determined as follows:

- Listed securities are valued at quoted bid market prices on the final day of the accounting period. The bid price is the price which the Fund would have obtained had the securities been sold at that date.
- For unlisted investments, wherever possible, valuations are obtained via the Independent Administrator. Valuations that are obtained direct from the Manager are verified against the latest available audited accounts adjusted for any cash flows up to the reporting date.
- Hedge Funds and Infrastructure are recorded at fair value based on net asset values provided by Fund Administrators, or using latest financial statements published by respective Fund Managers, adjusted for any cash flows.
- Private Equity valuations are in accordance with the guidelines and conventions of the British Venture Capital Association/International Private Equity guidelines, or equivalent.
- Indirect Property is valued at net asset value or capital fair value basis provided by the Fund Manager. For listed Funds, the net asset value per unit is obtained through data vendors.
- The freehold and leasehold interests in the properties held within the Fund were independently valued as at 31 March 2023 by Savills (UK) Limited, acting in the capacity of External Valuers as defined in the RICS Red Book (but not for the avoidance of doubt as an External Valuer of the Fund as defined by the Alternative Investment Fund Managers Regulations 2013). This valuation accords with the requirements of IFRS13 and the RICS Valuation – Global Standards (incorporating the IVSC International Valuation Standards) effective from 31 January 2022 together with the UK National Supplement effective 14 January 2019, together the "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 Contribution

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

The Scheme providers are Utmost Life, 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.

Note 4 Critical Judgements in Applying Accounting Policies

The Fund has not applied any critical judgements.

Note 5 Estimation & Uncertainty

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 procedures in place to ensure valuations applied by Managers comply with these standards and any other relevant best practice. The value of unquoted assets as at 31 March 2023 was £5,423 million (£5,391 million at 31 March 2022).

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

Infrastructure and other alternative assets are valued in accordance with Accounting Standards; however, the valuation basis includes a degree of estimation.

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

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

For 2022/23 there remains additional uncertainty regarding the valuations of illiquid assets, due to the uncertainties in the financial markets and the time it will take to fully realise the impact on such assets and the impact of the conflict in Ukraine. There is an increased level of risk that the estimated valuations may be misstated. The valuations have been updated based upon the available information as at 31 March 2023 and maybe subject to variations as further information becomes available. Note 15 sets out a sensitivity analysis of such assets valued at level 3 (the remaining unquoted assets are classified as level 2 assets).

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

Note 6 Events after the Reporting Date

Non-Adjusting Post Balance Sheet Event

There have been no events since 31 March 2023, and up to the date when these accounts were authorised, that require any adjustments to these accounts.

Note 7 Contributions Receivable

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 2023. Employee contributions are matched by employers' contributions which are based on triennial actuarial valuations. The 2022/23 contributions above were calculated at the valuation dated 31 March 2019. The 2019 actuarial valuation calculated the average primary employer contribution rate of 17.2% (2016 15.4%). The Fund received no additional or upfront payments covering the three-year period, until the next actuarial valuation (2021/22 £18.8 million).

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

"Deficit Funding" includes payments by employers for past service deficit and additional payments by employers to reduce a deficit.

The Fund does reserve the right to levy interest charges on late receipt of contributions from employers. In 2022/23 no such charges were levied.

2021/22 £000	Contributions Receivable	2022/23 £000
	Employers	
122,986	Normal	118,429
6,721	Pension Strain	4,640
8,063	Deficit Funding	12,416
137,770	**Total Employers**	**135,485**
	Employees	
63,390	Normal	69,539
201,160		**205,024**
	Relating to:	
29,048	Administering Authority	31,872
144,178	Statutory Bodies	142,510
27,934	Admission Bodies	30,642
201,160		**205,024**

Note 8 Transfers In

There were no bulk transfers into the Fund during 2022/23. In 2021/22, an employer sought permission from the Secretary of State to transfer the administration of its pension obligations under the LGPS from one LGPS Fund to MPF, this resulted in a transfer of assets, liabilities and members (actives, deferreds and pensioners) to MPF.

2021/22 £'000	Transfers In	2022/23 £'000
205,761	Group Transfers	-
19,535	Individual Transfers	18,489
225,296		**18,489**

Note 9 Benefits Payable

2021/22 £000	Benefits payable	2022/23 £000
299,729	Pensions	313,088
63,287	Lump Sum Retiring Allowances	63,582
8,927	Lump Sum Death Benefits	9,072
371,943		**385,742**
	Relating to:	
50,115	Administering Authority	51,958
258,258	Statutory Bodies	267,269
63,570	Admission Bodies	66,515
371,943		**385,742**

Note 10 Payments to and on account of Leavers

2021/22 £000	Payments to and on account of Leavers	2022/23 £000
421	Refunds to Members Leaving Service	527
-	Payment for Members Joining State Scheme	-
(3)	Income for Members from State Scheme	(8)
-	Group Transfers to Other Schemes	-
13,828	Individual Transfers to Other Schemes	16,590
14,246		**17,109**

Note 11 Management Expenses

2021/22 £000	Management Expenses	2022/23 £000
3,267	Administration Costs	3,225
41,829	Investment Management Costs	40,280
2,204	Oversight and Governance Costs	2,757
(172)	Other Income	(345)
47,128		**45,917**

Note 11a Administration Costs

2021/22 £000	Administration Costs	2022/23 £000
2,245	Employee Costs	2,344
785	IT Costs	635
192	General Costs	224
45	Other Costs	22
3,267		**3,225**

Note 11b Investment Management Costs

2022/23

	Total	External Investment Management Fees	External Investment Management Performance Fees	External Private Market Fees	External Private Market Expenses	Transaction Costs
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Equities	11,291	6,921				4,370
Bonds	100	100				
Pooled Investment Vehicles	26,239	3,225	135	9,820	13,059	
Derivative Contracts	650	650				
Loans	430			430		
Short Term Cash Deposits	-					
Other Investment Balances	-					
		10,896	135	10,250	13,059	4,370
External Services	536					
Internal Investment Management Fees	1,034					
	40,280					

2021/22

	Total	External Investment Management Fees	External Investment Management Performance Fees	External Private Market Fees	External Private Market Expenses	Transaction Costs
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Equities	15,729	7,398	4,574			3,757
Bonds	100	100				
Pooled Investment Vehicles	23,321	3,515	1,181	6,661	11,964	
Derivative Contracts	227	774				(547)
Loans	785			785		
Short Term Cash	-					
Other Investment Balances	-					
		11,787	5,755	7,446	11,964	3,210
External Services	665					
Internal Investment Management Fees	1,002					
	41,829					

Note 11c Oversight & Governance Costs

Actuarial fees included within External Services below (note 11c) are shown gross of any fees that have been recharged to employers. Included within Other Income for 2022/23 is £266,438 relating to recharged Actuarial fees (2021/22 £122,060).

The estimated External Audit fee for 2022/23 is £51,225, an additional £22,500 relates to services in respect of IAS19 assurances for admitted body auditors, which are recharged to those admitted bodies. An audit fee rebate was received during 2022/23 for £14,229.

2021/22 £000	Oversight & Governance Costs	2022/23 £000
586	Employee Costs	628
1,277	External Services	1,759
49	Internal Audit	49
48	External Audit	59
244	Other Costs	262
2,204		**2,757**

Note 12 Investment Income

Interest on loans has been accrued up to 31 March 2023.

Investment income figures are shown gross of tax. Included in these figures is recoverable taxation of £15.4 million (2021/22 £11.1 million).

The Fund is seeking to recover tax withheld by UK and overseas tax regimes under the EU principle of free movement of capital within its borders, repayments received in 2022/23 £4.6 million (2021/22 £3.5 million).

2021/22 £000	Investment Income	2022/23 £000
108,655	Dividends from Equities	106,747
3,301	Income from Bonds	3,603
73,089	Income from Pooled Investment Vehicles	65,320
27,024	Net Rents from Properties (Note 12A)	26,676
76	Interest on Short Term Cash Deposits	2,963
101,489	Income from Private Equity	46,501
14,784	Interest from Loans	5,132
1,171	Other	605
329,589		**257,547**
(4,907)	Irrecoverable Withholding Tax	(5,836)
324,682		**251,711**

Note 12a Property Income

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

2021/22 £000	Property Income	2022/23 £000
32,405	Rental Income	31,736
(5,382)	Direct Operating Expenses	(5,060)
27,023	**Net Rent from properties**	**26,676**

Note 13 Investments

2022/23	Market Value @ 31.3.22 £'000	Purchases at Cost and Derivative Payments £'000	Sale Proceeds and Derivative Receipts £'000	Change in Market Value* £'000	Market Value @ 31.3.23 £'000
Equities	3,360,827	897,965	(1,080,762)	(5,503)	**3,172,527**
Bonds	731,666	63,838	(90,236)	(203,552)	**501,716**
Pooled Investment Vehicles	5,817,473	1,228,412	(903,998)	(219,656)	**5,922,231**
Direct Property	568,275	5,464	(32,998)	(70,441)	**470,300**
Loans	35,751	136,874	(17,143)	-	**155,482**
	10,513,992	**2,332,553**	**(2,125,137)**	**(499,152)**	**10,222,256**
Derivative Contracts					
FX	(356)	333,556	(332,781)	(422)	**(3)**
Options	(8,395)	269,390	(197,002)	(115,378)	**(51,385)**
Swaps	-	15,429	(11,319)	(1,329)	**2,781**
	10,505,241	**2,950,928**	**(2,666,239)**	**(616,281)**	**10,173,649**
Short Term Cash Deposits	169,149				80,732
Other Investment Balances	106,941			1,615	130,507
Amounts due to stockbrokers	(9,521)				(3,397)
	10,771,810			**(614,666)**	**10,381,491**

2021/22	Market Value @ 31.3.21 £'000	Purchases at Cost and Derivative Payments £'000	Sale Proceeds and Derivative Receipts £'000	Change in Market Value* £'000	Market Value @ 31.3.22 £'000
Equities	3,213,642	1,222,238	(1,202,126)	127,073	3,360,827
Bonds	696,000	26,786	(23,670)	32,550	731,666
Pooled Investment Vehicles	5,393,027	599,023	(528,332)	353,755	5,817,473
Direct Property	463,725	42,872	(37,435)	99,113	568,275
Loans	78,110	32,643	(75,002)	-	35,751
	9,844,504	**1,923,562**	**(1,866,565)**	**612,491**	**10,513,992**
Derivative Contracts					
FX	-	593,193	(596,435)	2,886	(356)
Options	(32,471)	610,390	(584,592)	(1,722)	(8,395)
Swaps	(6,201)	37,904	(20,699)	(11,004)	-
	9,805,832	**3,165,049**	**(3,068,291)**	**602,651**	**10,505,241**
Short Term Cash Deposits	125,018				169,149
Other Investment Balances	144,548			678	106,941
Amounts due to stockbrokers	(22,868)				(9,521)
	10,052,530			**603,329**	**10,771,810**

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

Note 13a Analysis of Investments

2021/22 £000	Investment Assets	2022/23 £'000
3,360,827	**Equities**	**3,172,527**
731,666	**Bonds**	**501,716**
	Pooled Investment Vehicles	
757,386	Equities	734,444
462,700	Bonds	344,168
953,461	Private Equity	957,631
312,784	Hedge Funds	295,738
763,610	Infrastructure	865,323
393,495	Unit Trusts - Property	459,067
1,733,759	Other Unitised Funds	1,817,271
440,278	Other	448,589
5,817,473		**5,922,231**
	Derivative Contracts	
895	FX	2
381,626	Options	184,397
-	Swaps	2,781
382,521		**187,180**
568,275	**Property**	**470,300**
35,751	**Loans**	**155,482**
	Short Term Cash Deposits	
169,149	Sterling	80,732
-	Foreign Currency	-
169,149		**80,732**
	Other Investment Balances	
-	Amounts Due from Brokers	-
3,524	Outstanding Trades	27,481
26,159	Outstanding Dividend Entitlements and Recoverable Withholding Tax	28,947
77,258	Cash Deposits	74,079
106,941		**130,507**
11,172,603	**Total Investments**	**10,620,675**

Note 13b Analysis of Derivatives

Forward Currency Contracts

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

Settlement Date	Currency bought '000	Currency sold '000	Asset £'000	Liability £'000
Up to one month	GBP 494	KRW 795	1	-
Up to one month	GBP 9,355	EUR 10,642	-	(4)
Up to one month	GBP 611	AUD 1,130	-	(1)
Up to one month	AUD 1,172	GBP 634	1	-
			2	(5)
Net Forward Currency Contracts at 31 March 2023				**(3)**
Prior Year Comparative				
Open Forward Currency Contracts at 31 March 2022			895	(1,251)
Net Forward Currency Contracts at 31 March 2022				**(356)**

Purchased/Written Options

Options are contracts between two parties that gives the purchaser the right, but not the obligation to either buy (call) or sell (put) at a price at a specific date. The purchaser immediately pays a non-returnable premium (price) to secure the option. To minimise the risk of loss of value through adverse equity price movements, during 2022/23, the Fund bought a number of equity option contracts that protect it from falls in value in its main investment markets.

Underlying Option Contract	Expires	Put/Call	Notional Holding £'000	Market Value 31 March 2023 £'000
Assets				
Overseas equity purchased	Over three months	Put	458	**42,543**
Overseas equity purchased	Over three months	Call	443	**141,854**
Total Assets				**184,397**
Liabilities				
Overseas equity written	Over three months	Put	(477)	**(29,556)**
Overseas equity written	Over three months	Call	(399)	**(206,226)**
Total Liabilities				**(235,782)**
Net Purchased/Written Options				**(51,385)**

Underlying Option Contract	Expires	Put/Call	Notional Holding £'000	Market Value 31 March 2022 £'000
Assets				
Overseas equity purchased	Over three months	Put	361	**106,568**
Overseas equity purchased	Over three months	Call	706	**275,058**
Total Assets				**381,626**
Liabilities				
Overseas equity written	Over three months	Put	(440)	**(56,121)**
Overseas equity written	Over three months	Call	(361)	**(333,899)**
Total Liabilities				**(390,020)**
Net Purchased/Written Options				**(8,394)**

Swaps

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

Type	Expires	Notional Holding £'000	Market Value 31/3/23 £'000
Assets			
Total Return Swaps	Up to one year	4	**2,781**
Total Assets			**2,781**
Liabilities			
Total Return Swaps	Up to one year	-	**-**
Total Liabilities			**-**
Net Swaps			**2,781**

There were no swaps as at 31 March 2022.

As at 31 March 2023, the Fund held cash and non-cash collateral of £4.7 million to mitigate the risk of loss and credit risk. As the Fund has an obligation to return the collateral, it is excluded from the Fund valuation.

Note 13c Property Holdings

The Fund's investment portfolio includes a number of directly owned properties that are leased commercially to various tenants. Details of these properties are as follows:

2021/22 £'000	Property	2022/23 £'000
463,725	Balance at the Start of the Year	568,275
42,872	Additions	5,464
(37,435)	Disposals	(32,998)
(14,912)	Net Gain/Loss on Fair Value	5,234
-	Transfers In/Out	-
114,025	Other Changes in Fair Value	(75,675)
568,275	Balance at the End of the Year	**470,300**

As at 31 March 2023 there were no restrictions on the realisability of investment property or of the remittance of income or proceeds of disposal and the Fund is not under any contractual obligations to purchase, construct or develop any of these properties.

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 twenty-five years.

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

2021/22* £000	**Age Profile of Lease Income**	**2022/23 £000**
657	No later than one year	3,496
36,968	Between one and five years	24,435
338,080	Later than five years	152,128
375,705	**Total**	**180,059**

*For 2021/22 reporting, the above note was presented differently, therefore 2021/22 above has been updated to reflect the change in presentation. The requirements of The Code were previously met and there was no impact upon the Fund Account or Net Asset Statement.

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.

Note 13d Summary of Manager's Portfolio Values at 31 March 2023

2021/22 £million	2021/22 %		2022/23 £million	2022/23 %
		Externally Managed		
318	*2.9*	JP Morgan (European equities)	341	*3.3*
409	*3.8*	Nomura (Japan)	415	*4.0*
380	*3.5*	Schroders (fixed income)	281	*2.7*
473	*4.4*	Legal & General (fixed income)	492	*4.7*
248	*2.3*	Unigestion (European equities)	135	*1.3*
220	*2.0*	M&G (global emerging markets)	232	*2.2*
315	*2.9*	TT International (UK equities)	318	*3.1*
320	*3.0*	Blackrock (UK equities)	336	*3.2*
311	*2.9*	Newton (UK equities)	216	*2.1*
226	*2.1*	Amundi (global emerging markets)	224	*2.2*
201	*1.9*	Maple-Brown Abbot (Pacific Rim equities)	198	*1.9*
1,271	*11.8*	State Street Global Advisor (Passive Manager)	1,331	*12.7*
727	*6.7*	State Street Global Advisor (Bonds Manager)	454	*4.4*
5,419	**50.2**	**Total Externally Managed**	**4,973**	**47.8**
		Internally Managed		
628	*5.8*	UK equities	585	*5.6*
333	*3.1*	European equities	357	*3.4*
180	*1.7*	Asia pacific ex Japan	174	*1.7*
568	*5.3*	Property (direct)	470	*4.5*
439	*4.1*	Property (indirect)	674	*6.5*
956	*8.9*	Private equity	996	*9.6*
427	*4.0*	Hedge funds	338	*3.3*
791	*7.3*	Infrastructure	890	*8.6*
577	*5.4*	Private Credit	528	*5.1*
273	*2.5*	Global Equities Internal Factor	265	*2.6*
181	*1.7*	Short term deposits & other investments	131	*1.3*
5,353	**49.8**	**Total Internally Managed**	**5,408**	**52.2**
10,772	**100.0**	**Total**	**10,381**	**100.0**

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

2021/22 £000	%		2022/23 £000	%
628	5.8	State Street Pooled UK Index Linked Gilts	791	7.6
628		**Total**	**791**	

Note 13e Stock Lending

As at 31 March 2023, £220.3 million of stock was on loan to market makers, which was covered by cash and non-cash collateral, totaling £237.5 million. Collateral is marked to market and adjusted daily. Income from Stock Lending amounted to £603,572 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.

Note 14 Investment Liabilities

2021/22 £000	**Investment Liabilities**	**2022/23 £000**
391,272	Derivative Contracts	235,787
9,521	Amounts due to Stockbrokers	3,397
400,793	**Total**	**239,184**

Note 15 Fair Value – Basis of Valuation

The basis of the valuation of each class of investment asset is set out below.

There has been no change in the valuation techniques used during the year.

All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Note 15 Fair Value – Basis of Valuation (continued)

Description of asset	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Level 1			
Quoted Equities and Pooled Investment Vehicles	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Quoted Fixed Income Bonds and Unit Trusts	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Derivatives - Futures and Options	Published exchange prices at the year-end	Not required	Not required
Loans	Carrying Value is deemed to be fair value because expected future interest rates are not significantly different from contractual interest rates for the loan.	Not required	Not required
Cash and Cash Equivalents	Carrying Value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
Other Investment Balances	Carrying Value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required

Note 15 Fair Value – Basis of Valuation (continued)

Description of asset	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Level 1			
Investment Debtors and Creditors	Carrying Value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
Level 2			
Unquoted Equities Investments	Average of broker prices	Evaluated price feeds	Not required
Unquoted Fixed Income Bonds and Unit Trusts	Average of broker prices	Evaluated price feeds	Not required
Unquoted Pooled Fund Investments	Average of broker prices	Evaluated price feeds	Not required
Derivatives - Forward Currency Contracts	Market forward exchange rates at the year end	Exchange rate risk	Not required
Derivatives - OTC Options and OTC Swaps	Option pricing models and Swaps pricing models	Not required	Not required
Pooled Property Funds and Hedge Funds where regular trading takes place	NAV - based pricing set on a forward pricing basis. Closing bid price where bid and offer prices are published - closing single price where single price is published.	NAV - based pricing set on a forward pricing basis	Not required

Note 15 Fair Value – Basis of Valuation (continued)

Description of asset	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Level 3			
Pooled Property Funds where regular trading does not takes place	NAV - based pricing set on a forward pricing basis.Valued by investment managers on a fair value basis each year using clear accounting guidnce and industry best practice guidance.	NAV - based pricing set on a forward pricing basis.	Material events occurring between the date of the financial statements provided and MPF's own reporting date, changes to expected cashflows, differences between audited and unaudited accounts.
Hedge Funds where regular trading does not takes place	NAV - based pricing set on a forward pricing basis.Valued by investment managers on a fair value basis each year using clear accounting guidnce and industry best practice guidance.	NAV - based pricing set on a forward pricing basis.	Valuations are affected by any changes to the value of the financial instrument being hedged against.
Direct Property	Valued at fair value at the year-end using independent external Valuers in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation - Global Standards (the "RICS Red Book").	Existing lease terms and rentals, independent market research, nature of tenancies, covenant strength of existing tenants, assumed vacancy levels, estimated rental growth, discount rate.	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices.
Other Unquoted, including Infrastructure and Private Equities	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines or equivalent	EBITDA multiple, revenue multiple, discount for lack of marketability, control premium	Material events occurring between the date of the financial statements provided and MPF's own reporting date, changes to expected cashflows, differences between audited and unaudited accounts.

Note 15 Fair Value – Basis of Valuation (continued)

Sensitivity of assets valued at level 3

The table below sets out the assets classified as level 3 assets. The Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges (as provided by the Fund's investment consultants) and has set out below the consequent potential impact on the closing value of investments held at 31 March 2023 and 31 March 2022. There are various factors that affect the complexity of valuation and the realisable value of assets and certain asset specific issues may lead to realisable valuations falling outside the stated range.

Level 3 Assets	Value at 31 March 2023 £000	Potential variance %	Value on increase £000	Value on decrease £000
Property	934,311	10.0	1,027,742	840,880
Unquoted UK equity	105,575	15.0	121,411	89,739
Unquoted overseas equity	15,827	15.0	18,201	13,453
Hedge funds	200,375	10.0	220,413	180,338
Infrastructure	865,323	15.0	995,121	735,525
Private equity	1,347,142	15.0	1,549,213	1,145,071
Total	**3,468,553**			

Level 3 Assets	Value at 31 March 2022 £000	Potential variance %	Value on increase £000	Value on decrease £000
Property	746,341	10.0	820,975	671,707
Unquoted UK equity	93,680	15.0	107,732	79,628
Unquoted overseas equity	12,292	15.0	14,136	10,448
Hedge funds	207,896	10.0	228,686	187,106
Infrastructure	775,522	15.0	891,850	659,194
Private equity	1,615,762	15.0	1,858,126	1,373,398
Total	**3,451,493**			

Note 15a Fair Value Hierarchy

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

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

Level 1

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

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

Loans, cash and other investment balances are valued at amortised cost rather than fair value, however, are included within the table for reconciliation purposes.

Level 2

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

Level 3

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

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

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

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

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

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

Values at 31 March 2023	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Investment assets				
Equities	3,119,873		52,654	3,172,527
Bonds	501,316	400		501,716
Pooled Investment Vehicles	974,002	2,002,630	2,945,599	5,922,231
Derivative Contracts		187,180		187,180
Direct Property			470,300	470,300
Loans	155,482			155,482
Short Term Cash Deposits	80,732			80,732
Other Investment Balances	130,507			130,507
Total Investment Assets	4,961,912	2,190,210	3,468,553	10,620,675
Investment liabilities				
Amounts due to stockbrokers	(3,397)			(3,397)
Derivative Contracts		(235,787)		(235,787)
Total Investment Liabilities	(3,397)	(235,787)	-	(239,184)
Net Investment Assets	**4,958,515**	**1,954,423**	**3,468,553**	**10,381,491**

Values at 31 March 2022	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Investment assets				
Equities	3,298,587	214	62,026	3,360,827
Bonds	731,266	400		731,666
Pooled Investment Vehicles	1,048,861	1,947,420	2,821,192	5,817,473
Derivative Contracts		382,521		382,521
Direct Property			568,275	568,275
Loans	35,751			35,751
Short Term Cash Deposits	169,149			169,149
Other Investment Balances	106,941			106,941
Total Investment Assets	5,390,555	2,330,555	3,451,493	11,172,603
Investment liabilities				
Amounts due to stockbrokers	(9,521)			(9,521)
Derivative Contracts		(391,272)		(391,272)
Total Investment Liabilities	(9,521)	(391,272)	-	(400,793)
Net Investment Assets	**5,381,034**	**1,939,283**	**3,451,493**	**10,771,810**

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

2021/22 £000		2022/23 £000
2,998,801	**Opening balance**	**3,451,493**
467,662	Acquisitions	361,936
(353,783)	Disposal proceeds	(347,339)
(3,075)	Transfer into/(out) Level 3	-
	Total gain/(losses) included in the fund account:	
108,690	On assets sold	79,909
233,198	On assets held at year end	(77,446)
3,451,493	**Closing balance**	**3,468,553**

Note 16 Financial Instruments

Note 16a Classification of Financial Instruments

Financial Assets & Liabilities at 31 March 2023	Assets at amortised cost £000	Liabilities at amortised cost £000	Fair value through profit and loss £000	Total £000
Financial Assets				
Equities			3,172,527	3,172,527
Bonds			501,716	501,716
Pooled Investment Vehicles			5,922,231	5,922,231
Derivatives			187,180	187,180
Loans	155,482			155,482
Cash Deposits	80,732			80,732
Other Investment Balances	130,507			130,507
Long Term and Current Assets	48,499			48,499
Total Financial Assets	**415,220**	**-**	**9,783,654**	**10,198,874**
Financial Liabilities				
Derivatives			(235,787)	(235,787)
Other Investment Balances		(3,397)		(3,397)
Current Liabilities		(17,302)		(17,302)
Total Financial Liabilities	**-**	**(20,699)**	**(235,787)**	**(256,486)**
Total Net Assets	**415,220**	**(20,699)**	**9,547,867**	**9,942,388**

Financial Assets & Liabilities at 31 March 2022	Assets at amortised cost £000	Liabilities at amortised cost £000	Fair value through profit and loss £000	Total £000
Financial Assets				
Equities			3,360,827	3,360,827
Bonds			731,666	731,666
Pooled Investment Vehicles			5,817,473	5,817,473
Derivatives			382,521	382,521
Loans	35,751			35,751
Cash Deposits	169,149			169,149
Other Investment Balances	106,941			106,941
Long Term and Current Assets	251,532			251,532
Total Financial Assets	**563,373**	**-**	**10,292,487**	**10,855,860**
Financial Liabilities				
Derivatives			(391,272)	(391,272)
Other Investment Balances		(9,521)		(9,521)
Current Liabilities		(22,444)		(22,444)
Total Financial Liabilities	**-**	**(31,965)**	**(391,272)**	**(423,237)**
Total Net Assets	**563,373**	**(31,965)**	**9,901,215**	**10,432,623**

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 table above analyses the carrying amounts of financial assets and liabilities by category and net asset statement heading.To allow reconciliation to the Net Asset

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

Note 16b Net Gains & Losses on Financial Instruments

2021/22 £000	Net Gains and Losses on Financial Instruments	2022/23 £000
	Financial Assets	
516,264	Fair Value through Profit and Loss	-
678	Amortised Cost - realised gains on derecognition of assets	1,615
516,942	**Total Financial Assets**	**1,615**
	Financial Liabilities	
(12,726)	Fair Value through Profit and Loss	(545,840)
	Amortised Cost - realised losses on derecognition of assets	
(12,726)	**Total Financial Liabilities**	**(545,840)**
504,216	**Net gains and losses on Financial Instruments**	**(544,225)**

Note 16c 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 are not, their amortised cost is considered to be equivalent to an approximation of fair value.

Note 17 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.

Note 17 Nature and Extent of Risks Arising from Financial Instruments (continued)

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

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

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

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

Note 17a 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.

Investment Consultant's volatility estimates are calculated using the Redington's Capital Market Assumptions (asset class return, volatility, and correlation assumptions). The assumptions represent the long-term capital market outlook (i.e. ten years) based on data at 31 March 2023. The long-term assumptions are based on historical results, current market characteristics, professional judgement, and forward-looking expectations, with any long-term assumption, there is still a degree of uncertainty.

2022/23	Value at 31 March 2023 £million	Potential Variance %	Value on increase £million	Value on decrease £million
UK Equities (all equities including pooled vehicles)	1,468	*18.8*	1,745	1,192
US Equities	571	*15.6*	660	482
Canadian Equities	43	*20.8*	51	34
European Equities	962	*19.9*	1,154	771
Japanese Equities	421	*23.7*	521	322
Emerging Markets Equities inc Pac Rim	889	*20.6*	1,073	706
Global Equities (all equities including pooled vehicles)	885	*17.2*	1,037	733
UK Fixed Income Pooled Vehicles	829	*8.1*	896	762
UK Index Linked Gilts	501	*14.0*	572	431
Pooled Property	459	*11.9*	514	404
Private Equity	958	*31.3*	1,257	658
Hedge Funds	296	*7.6*	318	273
Infrastructure	865	*17.1*	1,013	717
Other Alternative Assets	449	*9.6*	492	406
Loans, Short Term Deposits & Other Investment Balances	346	-	346	346
Total	**9,942**			

2021/22	Value at 31 March 2022 £million	Potential Variance %	Value on increase £million	Value on decrease £million
UK Equities (all equities including pooled vehicles)	1,660	*19.0*	1,976	1,345
US Equities	605	*19.6*	724	486
Canadian Equities	11	*24.1*	13	8
European Equities	986	*22.6*	1,209	764
Japanese Equities	420	*20.4*	505	334
Emerging Markets Equities inc Pac Rim	898	*25.1*	1,124	673
Global Equities (all equities including pooled vehicles)	810	*19.0*	964	656
UK Fixed Income Pooled Vehicles	926	*8.6*	1,005	846
UK Index Linked Gilts	731	*7.1*	783	679
Pooled Property	393	*12.5*	443	344
Private Equity	953	*28.3*	1,223	684
Hedge Funds	313	*9.3*	342	284
Infrastructure	764	*18.7*	906	621
Other Alternative Assets	440	*8.1*	476	405
Loans, Short Term Deposits & Other Investment Balances	523	-	523	523
Total	**10,433**			

Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent that the fair value on future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk is considered in relation to liabilities as well as assets and therefore through the funding level. This is documented in reports to the IMWP and in the accounts through the Actuary’s report. MPF 's foreign currency exposure is principally through equities and other long-term assets. This risk is considered as being part of overall market risk and complicated by the effects of correlations and possible offset through diversification and consequently, has not been disaggregated or reported as a discrete figure.

Currency Risk

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

Note 17b Credit Risk

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

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

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

The Fund's cash holding, under its treasury management arrangements as at 31 March 2023, was £80.7 million (31 March 2021 £169.4 million). This was held on instant access accounts with the following institutions:

2021/22 £000		Rating (S & P)	2022/23 £000
40,996	Lloyds Bank	Long A+ Short A-1	32,014
73,153	Northern Trust	AAAm	28,718
15,000	Invesco	AAAm	-
20,000	Federated	AAAm	20,000
20,000	Santander	Long A Short A-1	-
169,149	**Total**		**80,732**

Cash held by Investment Managers, shown in other investment balances, is excluded from the above table, this cash is held for reinvestment in the asset class they are mandated to manage.

Note 17c Liquidity Risk

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

The Fund always ensures it has adequate cash resources to meet its commitments. The Fund has a cash balance at 31 March of £81 million. The Fund has £6,572 million in assets which could be realised in under seven days' notice, £834 million in assets which could be realised in under ninety days' notice and £2,536 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. The Fund has a net withdrawal for 2022/23 in its dealing with members of £179 million and management expenses of £46 million, this net withdrawal overall, is offset by investment income of £258 million.

Refinancing Risk

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

Note 17d Outlook for Real Investment Returns

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

Note 18 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 at 31 March 2022. The next valuation will take place as at 31 March 2025.

The most recent Triennial Valuation by the actuary was at 31 March 2022, when the funding level was 106% of projected actuarial liabilities (2019 101%). 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 sets out the process for determining the recovery in respect of each employer. At the 2022 valuation, the average recovery period adopted for employers in deficit is eleven years, and for the employers in surplus is fourteen years.

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

The key elements of the funding policy are to:

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

Summary of key whole Fund assumptions used for calculating funding target

	31 March 2022
Long Term Yields	
Market implied RPI inflation	3.90% p.a.
Solvency Funding Target Financial Assumptions	
Investment Return/Discount Rate:	
Higher Risk Investment Bucket	4.60% p.a.
Medium Risk Investment Bucket	4.35% p.a.
Lower Risk Investment Bucket	2.70% p.a.
CPI Price Inflation:	
Higher Risk Investment Bucket	3.10% p.a.
Medium Risk Investment Bucket	3.10% p.a.
Lower Risk Investment Bucket	3.60% p.a.
Short Term Salary Increases	Varies by employer
Long Term Salary Increases:	
Higher Risk Investment Bucket	4.60% p.a.
Medium Risk Investment Bucket	4.60% p.a.
Lower Risk Investment Bucket	5.10% p.a.
Pension Increases in Payment:	
Higher Risk Investment Bucket	3.10% p.a.
Medium Risk Investment Bucket	3.10% p.a.
Lower Risk Investment Bucket	3.60% p.a.
Future Service Accrual Financial Assumptions (Higher Risk Bucket)	
Investment Return/Discount Rate	5.1% p.a.
CPI Price Inflation	3.10% p.a.
Short Term Salary Increases	Varies by employer
Long Term Salary Increases	4.60% p.a.
Pension Increases/Indexation of CARE Benefits	Assumed to be in line with CPI assumptions above
McCloud	Reasonable estimate in line with national guidance

For further and full details please refer to the Fund's website: **mpfmembers.org.uk**

Note 19 Long Term Assets

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

2021/22 £000	**Long Term Assets**	**2022/23 £000**
6,394	Assets due in more than one year	3,423
6,394	**Total**	**3,423**

Note 20 Current Assets & Liabilities

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

"Provision for Credit Losses" relates to general debtors and property rental income and is based on an assessment of all individual debts at 31 March 2023.

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

2021/22 £000	Current Assets & Liabilities	2022/23 £000
	Assets	
16,772	Contributions due	22,779
710	Amounts due from external managers	-
1,776	Accrued and outstanding investment income	5,675
205,761	Transfer Values Receivable	-
22,039	Sundry Debtors	16,839
(1,920)	Provision for credit losses	(217)
-	Cash at bank	-
245,138	**Current Assets**	**45,076**
	Liabilities	
-	Amounts due to external managers	995
6,011	Retirement grants due	3,116
16,433	Sundry Creditors	13,191
22,444	**Current Liabilities**	**17,302**
222,694	**Net Current Assets**	**27,774**

Note 21 Contractual Commitments

Commitments for investments amounted to £1,201 million at 31 March 2023. (2021/22 £923 million). These commitments relate to Private Equity £537.21 million, Infrastructure £183.62 million, Private Credit £129.64 million, Indirect Property £348.47 million and Other Alternatives £2.36 million. As some of these funds are denominated in foreign currencies, the commitment in sterling is subject to change due to currency fluctuations.

Note 22 Contingent Assets

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

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

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

Note 23 Related Party Transactions

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

Management expenses include charges by Wirral Council in providing services in its role as Administering Authority to the Fund, which amount to £4.9 million. (2021/22 £4.0 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 £4.2 million (2021/22 £7.5 million) and a creditor of £1.1 million as at 31 March 2023 (2021/22 £0.9 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 2023 payroll are included within the debtors figure in note 20.

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

Liverpool City Council, Knowsley Council, Sefton Council and St Helens Borough Council, Wirral Council and Merseyside Fire and Rescue Authority. 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.

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

Note 23a Key Management Personnel

The Fund's senior management during 2022/23 was comprised of seven individuals: the Director of Pensions, the Head of Pensions Administration, Senior Portfolio Managers (x3), Head of Finance & Risk and the Senior Manager Operations & Information Governance, the remuneration paid to the senior management during 2022/23 was £511,376 (2021/22 £495,615). In addition, employer contributions of £86,696 (2021/22 £83,899) were also met from the Fund and charged to the Fund Account.

Note 23b Officer Board Roles

A number of officers at MPF act in an un-remunerated board capacity on investment bodies in which the Fund has an interest:

Officer Name	Position at MPF	Company	MPF Value as at 31/3/23
Peter Wallach	Director of Pensions	GLIL	£380.3m
MPF committed an additional £125m to GLIL during 2022/23, the contingent liability as at 31 March 2023 is £90.7m.			
		Northern Pool GP (NO.1) Ltd	£245.2m
MPF committed an additional £90m to NPEP during 2022/23, the contingent liability as at 31 March 2023 is £398.0m.			
		Tellsons Investors LLP	£37.1m.
There were no new commitments to Tellsons during 2022/23, there is no contingent liability as at 31 March 2023.			
Adil Manzoor	Senior Portfolio Manager	Virtus (Kothar Group)	£19.3m
There were no new commitments to Virtus during 2022/23, there is no contingent liability as at 31 March 2023.			
Owen Thorne	Portfolio Manager	Technology Enhanced Operations Ltd (TEO)	£16.2m

Note 24 Additional Voluntary Contribution Investments

2021/22 £000	Additional Voluntary Contribution (AVC) Investments	2022/23 £000
	The aggregate amount of AVC investments is as follows :	
1,819	Utmost Life	1,590
5,165	Standard Life	5,108
11,546	Prudential	12,352
18,530		**19,050**
	Changes during the year were as follows:	
2,699	Contributions	2,779
3,078	Repayments	2,105
422	Change in market values	(154)

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 ensure 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 2023.

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

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

The Section 151 Officer has also:

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

The Section 151 Officer's Certificate

I certify that the Statement of Accounts presents fairly the financial position of the Fund at 31 March 2023, and its income and expenditure for the year then ended.

Matthew Bennett

Section 151 Officer September 2023

Audit Report

To follow

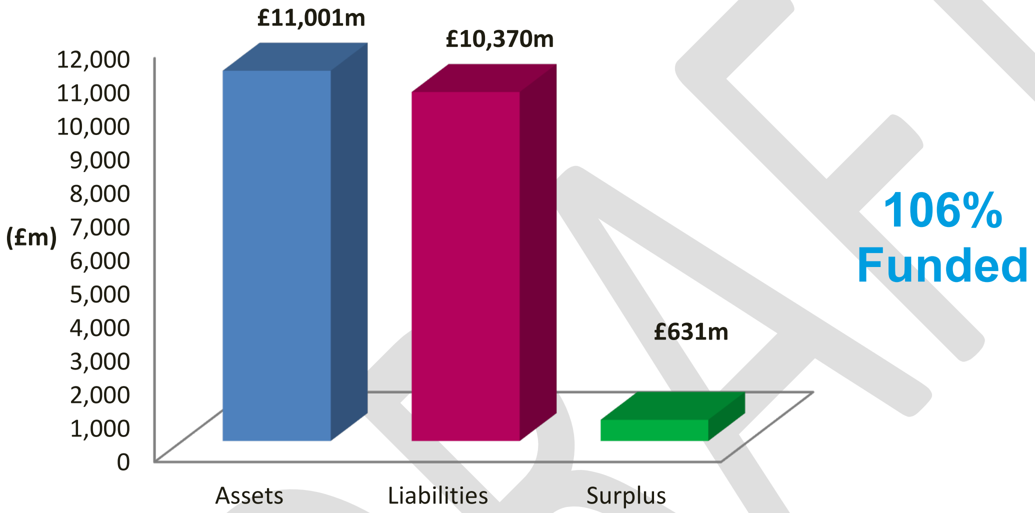
Consulting Actuary's Statement

Accounts for the Year Ended 31 March 2023 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 2022 to determine the contribution rates with effect from 1 April 2023 to 31 March 2026.

On the basis of the assumptions adopted, the Fund's assets of £11,001 million represented 106% of the Fund's past service liabilities of £10,370 million (the "Solvency Funding Target") at the valuation date. The surplus at the valuation was therefore £631 million.



The valuation also showed that a Primary contribution rate of 18.7% of pensionable pay per annum was required from employers. The Primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

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

The FSS sets out the process for determining the recovery plan in respect of each employer. At the 2022 actuarial valuation the average recovery period adopted was 11 years for employers in deficit and 14 years for the employers in surplus, and the total initial recovery payment (the "Secondary rate" for 2023/26) was a surplus offset of approximately £37m per annum in £ terms (which allows for the contribution plans which have been set for individual employers under the provisions of the FSS), although this varies year on year.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated March 2023.

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

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

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

	For past service liabilities (Solvency Funding Target)	For future service liabilities (Primary rate of contribution)
Rate of return on investments (discount rate):		
Higher Risk Investment Bucket	4.60% per annum	5.10% per annum
Medium Risk Investment Bucket	4.35% per annum	4.85% per annum
Lower Risk Investment Bucket	2.70% per annum	2.70% per annum
Rate of pay increases (long-term)*:		
Higher Risk Investment Bucket	4.60% per annum	4.60% per annum
Medium Risk Investment Bucket	4.60% per annum	4.60% per annum
Lower Risk Investment Bucket	5.10% per annum	5.10% per annum
Rate of increases in pensions in payment (in excess of GMP):		
Higher Risk Investment Bucket	3.10% per annum	3.10% per annum
Medium Risk Investment Bucket	3.10% per annum	3.10% per annum
Lower Risk Investment Bucket	3.60% per annum	3.60% per annum

*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 2025. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2026.

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 2023 (the 31 March 2022 assumptions are included for comparison):

	31 March 2022	31 March 2023
Rate of return on investments (discount rate)	2.8% per annum	4.8% per annum
Rate of CPI Inflation / CARE benefit revaluation	3.3% per annum	2.7% per annum
Rate of pay increases	4.8% per annum*	4.2% per annum*
Increases on pensions (in excess of GMP) / Deferred revaluation	3.4% per annum	2.8% per annum

*An adjustment has been made for the short-term pay restraint in line with the 2022 actuarial valuation

The demographic assumptions are the same as those used for funding purposes with the exception of the mortality assumption, which uses the same base table but a long-term rate of life expectancy improvement of 1.5% pa.

Full details of the demographic assumptions are set out in the formal reports to the respective valuations.

The movement in the value of the Fund's promised retirement benefits for IAS 26 is as follows:

	Liabilities
Start of period liabilities	£14,138m
Interest on liabilities	£391m
Net benefits accrued/paid over the period*	£87m
Actuarial gains (see below)	-£4,604m
End of period liabilities	£10,012m

**this includes any increase in liabilities arising as a result of early retirements*

Key factors leading to actuarial gains above are:

- **Change in financial assumptions:** Corporate bond yields increased significantly over the year, with a corresponding increase in discount rate to 4.8% p.a. from 2.8% p.a. In addition, there has been a reduction in long-term assumed CPI to 2.7% p.a. from 3.3%. In combination, these factors lead to a significant reduction in liabilities
- **Pension increases / high short-term inflation:** The figures allow for the impact of the April 2023 pension increase of 10.1%, along with the high levels of CPI since September 2022 (which will feed into the 2024 pension increase). As current inflation is higher than the long-term assumption, this increases the liabilities

Paul Middleman
Fellow of the Institute and Faculty of Actuaries

Mark Wilson
Fellow of the Institute and Faculty of Actuaries

Mercer Limited
August 2023

Appendix - additional considerations

The “McCloud judgment”: The figures above allow for the impact of the judgment based on the proposed remedy.

GMP indexation: The above figures allow for the provision of full CPI pension increases on GMP benefits for members who reach State Pension Age after 6 April 2016.

Covid-19 / Ukraine: The financial assumptions allow for these factors to the degree that they are reflected in the market values on which the assumptions are based. The impact of Covid-19 deaths over the period 2019/22 will be included in the actuarial gains / losses item above. The mortality assumption includes no specific adjustment for Covid-19 as our view is that it is not possible at this point to draw any meaningful conclusions on the long-term impact.

Current high inflation: The period-end figures above allow for the impact of actual known CPI at the accounting date as noted above. The period-end assumptions then allow for expected (market implied) CPI from that point.

Northern LGPS Report

(supplied by the NLGPS 'Pool')

To follow

Fund Policies

Communications Policy 2022

Funding Strategy Statement 2023

Governance Policy 2022

Investment Strategy Statement 2021

Pensions Administration Strategy 2020

Merseyside Pension Fund

- Communications Policy

Wirral Metropolitan Borough Council

As approved by Pensions Committee on **16 July 2018** following consultation with the Local Pension Board and last reviewed **25 April 2022**

Introduction

Merseyside Pension Fund (the Fund) is one of the largest Local Government Pension Schemes in the UK and manages the pension records of over 144,000 members.

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

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

Communications to members, representatives of members, prospective members and Scheme employers;

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

be revised and republished following any material change in policy.

General Communications

For general communications, the Fund can be contacted at: Merseyside

Pension Fund
Castle Chambers 43
Castle Street
Liverpool
L2 9SH

Telephone: 0151 242 1390

Fax: 0151 236 3520

Email: mpfadmin@wirral.gov.uk

Telephone

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

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

Internet

The Fund has two main websites:

mpfmembers.org.uk
mpfemployers.org.uk

These can also be accessed at: **merseysidepensionfund.org.uk**

Social Media

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

facebook.com/mpfmembers
twitter.com/mpfmembers

Public Enquiry Counter

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

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

Access to Communications

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

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

Communicating with Scheme Members

Members' Website – mpfmembers.org.uk

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

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

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

Annual Benefit Statement

An annual benefit statement is made available online for active and deferred members. These statements with supporting guidance notes are made available through the Fund's secure online portal. Annual benefit statements can be issued in paper form on written request to the Fund.

The distribution of statements to active & deferred members is also an opportunity to summarise any changes to the Scheme regulations or other changes in regard pensions.

Scheme Literature

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

Newsletters

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

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

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

Presentations & Courses

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

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

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

Communicating with Members' Representatives

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

Communicating with Prospective Members

Scheme booklet & Website

Upon appointment with their employer, all prospective scheme members will be provided with a link to the Fund's website where they can access scheme booklets and the key forms for membership.

The website also provides information to help members make an informed decision about contributing to the LGPS and how to opt out of the scheme should they so wish.

The Fund's first contact to a new member, also reinforces the value of pension saving and provides once again the link to the Fund's website where they can access the scheme booklets.

Trade Unions

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

Communicating with Scheme Employers

Employers' Website – mpfemployers.org.uk

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

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

Pension Liaison Officer

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

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

Employer News Alerts

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

Annual Report & Accounts

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

Annual Employers' Conference

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

General Employer & Fund Officer Liaison

The Fund will meet with employers as required via the Microsoft Teams virtual meeting software, or any preferred alternative. If an in-person meeting would be beneficial then these can be hosted at Castle Chambers.

Pension Liaison Officers Group

At times of significant legislative or operational change, the Fund meets with larger Scheme employers as a group to discuss the topic of administration and other issues raised by the employers or the Fund. This dialogue proves useful in developing administrative processes and communications for the benefit of all Scheme employers and members.

Practitioner Training

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

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

Telephone: 0151 242 1390

Fax: Web: 0151 236 3520
Email: mpfmembers.org.uk
mpfadmin@wirral.gov.uk

ADMINISTERING AUTHORITY
WIRRAL

- Funding Strategy Statement

MERSEYSIDE PENSION FUND

MARCH 2023

WIRRAL COUNCIL

AS APPROVED BY PENSIONS COMMITTEE, 14 DECEMBER 2022

WITH DELEGATION TO THE DIRECTOR OF FINANCE AND THE FUND ACTUARY FOR FINAL CHANGES AND PUBLICATION BY 31 MARCH 2023

The information enclosed in this statement and the accompanying policies have a financial and operational impact on all participating employers in the Merseyside Pension Fund. It is imperative that all existing and potential employers are aware of the details set out herein.

A glossary of the key terms used throughout is available at the end of this document here

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

1 GUIDE TO THE FSS AND POLICIES

The information required by overarching guidance and Regulations is included in Sections 2 and 3 of the Funding Strategy Statement. This document also sets out the Fund's policies in the following key areas:

1. Actuarial Method and Assumptions (Appendix A)

The actuarial assumptions used for assessing the funding position of the Fund, individual employers and the contribution schedules, known as the primary rate, together with any contribution variations due to underlying surpluses or deficits, known as the "Secondary" rate, are set out **here**.

2. Deficit Recovery and Surplus Offset Plans (Appendix B)

The key principles when considering deficit recovery and surplus offset plans as part of the valuation are set out **here**.

3. Termination Policy, Flexibility for Exit Payments and Deferred Debt Agreements (Appendix C)

When an employer ceases to participate within the Fund, it becomes an exiting employer under the Regulations. The Fund is then required to obtain an actuarial valuation of that employer's liabilities in respect of the benefits of the exiting employer's former employees along with a termination contribution certificate showing any exit debt or exit credit, due from or to the exiting employer. In some circumstances an employer and the Fund can enter a Deferred Debt Agreement. The termination policy can be found **here**.

4. Review of Employer Contributions between Valuations (Appendix D)

In line with the Regulations, the Administering Authority has the discretion to review employer contributions between valuations in prescribed circumstances. The Fund's policy on how the Administering Authority will exercise its discretion is set out **here**.

5. Covenant Assessment and Monitoring Policy (Appendix E)

An employer's financial covenant is its legal obligation and crucially the ability to meet its financial responsibilities to the Fund now and in the future. This is a critical consideration in an employer's funding and investment strategy as it is the employers who underwrite the risks to which the Fund is exposed, including underfunding, longevity, investment and market forces. Further details on how employer covenant is assessed and monitored by the Fund is set out **here**.

6. Notifiable Events Framework (Appendix F)

Whilst in most cases regular covenant updates will identify some of the key employer changes, in some circumstances, employers are required to proactively notify the Administering Authority of any material changes. This policy sets out when this may happen and the notifiable events process. More details are set out **here**.

7. Ill Health Insurance Arrangements (Appendix G)

The Fund has implemented a captive insurance arrangement which pools the risks associated with ill health retirement costs for employers whose financial position could be materially affected by the ill health retirement of one of their members. The captive arrangement is reflected in the employer contribution rates (including on termination) for the eligible employers. More details are set out **here**.

2
BACKGROUND

It is the fiduciary responsibility of the Administering Authority (Wirral Council) to ensure that Merseyside Pension Fund (the "Fund") achieves its overarching objective to secure and maintain sufficient assets to cover all pension liabilities over the long-term.

The purpose of this Funding Strategy Statement ("FSS") is to set out a clear and transparent funding strategy to achieve this objective outlining how each fund employer's pension liabilities are to be met.

The Administering Authority has taken advice from the Actuary in preparing this Statement.

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

INTEGRATED RISK MANAGED STRATEGY

The funding strategy set out in this document has been developed alongside the Fund's investment strategy on an integrated basis taking into account the overall financial and demographic risks inherent in the Fund to meet the objective for all employers over different periods. The funding strategy includes appropriate margins to allow for the possibility of adverse events (e.g. material reduction in investment returns, economic downturn and higher inflation outlook) leading to a worsening of the funding position which would result in greater volatility of contribution rates at future valuations if these margins were not included. This prudence is required by the Regulations and guidance issued by professional bodies and Government agencies to assist the Fund in meeting its primary solvency and long-term cost efficiency objectives. Individual employer results will also have regard to their covenant strength and the investment strategy applied to the asset shares of those employers.

THE REGULATIONS

The Local Government Pension Scheme Regulations 2013 ("the 2013 Regulations"), the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 ("the 2014 Transitional Regulations") and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (all as amended) (collectively: "the Regulations") provide the statutory framework from which the Administering Authority is required to prepare a FSS.

THE SOLVENCY OBJECTIVE

The Administering Authority's long-term objective is for the Fund to achieve a 100% solvency level over a reasonable time period. Solvency is defined as a level where the Fund's liabilities i.e. benefit payments can be reasonably met as they arise. Contributions are set in relation to this objective which means that once 100% solvency is achieved, if assumptions are borne out in practice, there would be sufficient assets to pay all benefits earned up to the valuation date as they fall due.

However, because financial and market conditions/outlook change between valuations, the assumptions used at one valuation may need to be amended at the next in order to meet the Fund's objective. This in turn means that contributions will be subject to change from one valuation to another. This objective translates to an employer specific level when setting individual contribution rates.

LONG-TERM COST EFFICIENCY

Employer contributions are also set in order to achieve long-term cost efficiency. Long-term cost efficiency requires that any funding plan must provide equity between different generations of taxpayers. This means that the contributions must not be set at a level that is likely to give rise to additional costs in the future which fall on later generations of taxpayers or put too high a burden on current taxpayers. The funding parameters and assumptions (e.g. deficit recovery period) must have regard to this requirement which will underpin the decision-making process. Furthermore, the FSS must have regard to the desirability of maintaining as nearly constant a primary rate of contribution as possible.

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

EMPLOYER CONTRIBUTIONS

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

3
KEY FUNDING PRINCIPLES

PURPOSE OF THE FSS

Funding is making advance provision to meet the cost of pension and other benefit promises. Decisions taken on the funding approach therefore determine the pace at which this advance provision is made. Although the Regulations specify the fundamental principles on which funding contributions should be assessed, implementation of the funding strategy is the responsibility of the Administering Authority, acting on the professional advice provided by the Actuary. The purpose of this FSS is therefore:

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

The intention is for this strategy to be both cohesive and comprehensive for the Fund as a whole, recognising that there will be conflicting objectives which need to be balanced and reconciled.

THE AIMS OF THE FUND ARE TO:	THE PURPOSE OF THE FUND IS TO:
• manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due • enable employer contribution rates to be kept at a reasonable and affordable cost to the taxpayers, mandatory, resolution and admitted bodies, while achieving and maintaining fund solvency and long-term cost efficiency, which should be assessed in light of the profile of the Fund now and in the future due to sector changes • maximise the returns from investments within reasonable risk parameters taking into account the above aims.	• receive monies in respect of contributions, transfer values and investment income, and • pay out monies in respect of scheme benefits, transfer values, exit credits, costs, charges and expenses as defined in the Regulations.

RESPONSIBILITIES OF THE KEY PARTIES

The efficient and effective management of the Fund can only be achieved if all parties (including pensions committee, investment managers, auditors and legal advisors, investment advisors, pension board etc.) exercise their statutory duties and responsibilities conscientiously and diligently. The key parties and their roles for the purposes of the FSS are set out below:

KEY PARTIES TO THE FSS

The Administering Authority should:	The Individual Employer should:
• operate the pension fund • collect employer and employee contributions, investment income and other amounts due to the Fund as stipulated in the Regulations • pay from the Fund the relevant entitlements as stipulated in the Regulations • invest surplus monies in accordance the Regulations • ensure that cash is available to meet liabilities as and when they fall due • take measures as set out in the Regulations to safeguard the Fund against the consequences of employer default • manage the valuation process in consultation with the Fund's actuary • prepare and maintain an FSS and an Investment Strategy Statement ("ISS), both after proper consultation with interested parties • monitor all aspects of the Fund's performance and funding, amending the FSS/ISS as necessary • effectively manage any potential conflicts of interest arising from its dual role as both Fund administrator and a scheme employer, and • support and monitor a Local Pension Board (LPB) as required by the Public Service Pensions Act 2013, the Regulations and the Pensions Regulator's relevant Code of Practice. • prepare and maintain a Pension Administration strategy outlining procedures and timelines for the exchange of information	• deduct contributions from employees' pay correctly after determining the appropriate employee contribution rate (in accordance with the Regulations), unless they are a Deferred Employer • pay all contributions, including their own, as determined by the Actuary, promptly by the due date (including any exit payments upon ceasing participation where applicable) • develop a policy on certain discretions and exercise those discretions as permitted within the regulatory framework • make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits and early retirement strain • have regard to the Pensions Regulator's focus on data quality and comply with any requirement set by the Administering Authority in this context • notify the Administering Authority promptly of any changes to membership or their financial covenant to the Fund, which may affect future funding, and comply with any particular notifiable events specified by the Fund • understand the pensions impacts of any changes to their organisational structure and service delivery model • understand that the quality of the data provided to the Fund will directly impact on the assessment of the liabilities and contributions. In particular, any deficiencies in the data may result in the employer paying higher contributions than otherwise would be the case if the data was of high quality • comply with Regulations in the case of a bulk transfer of staff. • Comply with the information exchange procedures and timelines as set out in the Pension Administration strategy

The Fund Actuary should:	A Guarantor should:
• prepare valuations including the setting of employers' contribution rates at a level to ensure fund solvency after agreeing assumptions with the Administering Authority and having regard to its FSS and the Regulations • prepare advice and calculations in connection with bulk transfers and individual benefit- related matters such as early retirement strain costs, ill health retirement costs, etc. • provide advice and valuations on the termination of admission agreements • provide advice to the Administering Authority on the use of bonds and other forms of security against the financial effect on the Fund of employer default • assist the Administering Authority in assessing whether employer contributions need to be revised between valuations as required by the Regulations • advise on funding strategy, the preparation of the FSS and the inter-relationship between the FSS and the ISS, and • ensure the Administering Authority is aware of any professional guidance or other professional requirements which may be of relevance to the Fund Actuary's role in advising the Fund.	• notify the Administering Authority promptly of any changes to its status as guarantor, as this may impact on the treatment of the employer in the valuation process or upon termination • where necessary, provide details of the agreement, and any changes to the agreement, between the employer and the guarantor to ensure appropriate treatment is applied to any calculations • be aware of all guarantees that are currently in place • work with the Fund and the employer in the context of the guarantee • receive relevant information on the employer and their funding position in order to fulfil its obligations as a guarantor.

SOLVENCY FUNDING TARGET

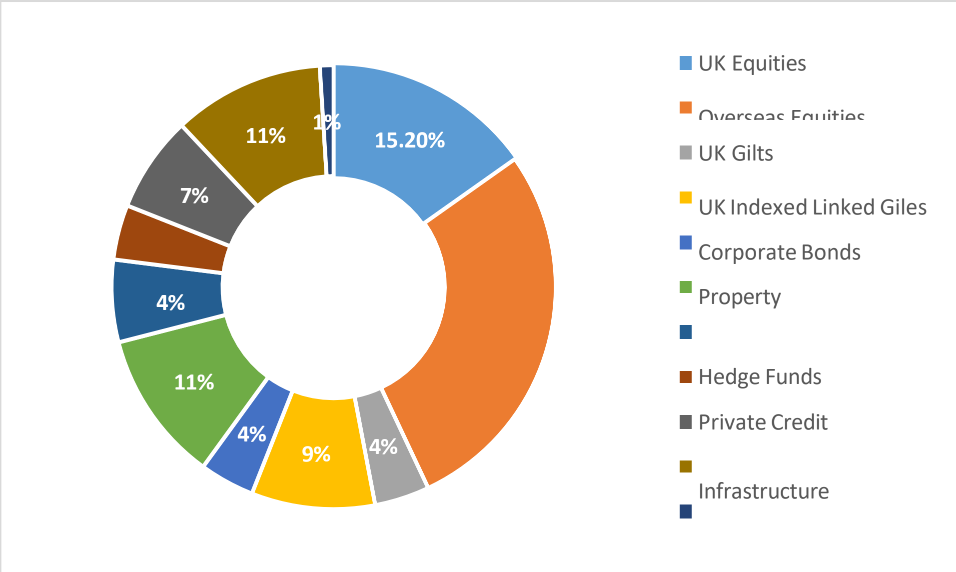
Securing the "solvency" and "long-term cost efficiency" is a regulatory requirement. To meet these requirements, the Administering Authority's long term funding objective is for the Fund to achieve and then maintain sufficient assets to cover 100% of projected accrued pension liabilities (the "funding target") assessed on an ongoing past service basis including allowance for projected final pay where appropriate.

Each employer's contributions are set at such a level to achieve long-term cost efficiency and full solvency in a reasonable timeframe.

LINK TO INVESTMENT POLICY AND THE INVESTMENT STRATEGY STATEMENT (ISS)

In assessing the value of the Fund's liabilities in the valuation, allowance has been made for growth asset out-performance taking into account the investment strategy adopted by the Fund, as set out in the ISS, which can be found on the Fund's website.

The overall strategic asset allocation is set out in the ISS. The current strategy is included below



RISK MANAGEMENT STRATEGY

In the context of managing various aspects of the Fund's financial risks, the Administering Authority has implemented a number of investment risk management techniques that cover the total Fund and/or specific employers and these have been allowed for in the actuarial valuation calculations. In outline these are set out below (further information can be found in the ISS).

Equity Protection	The Fund has implemented protection against potential falls in the equity markets via the use of derivatives. The aim of the protection is to provide further stability (or even a reduction) in employer deficit contributions (all other things equal) in the event of a significant equity market fall (although it is recognised that it will not protect the Fund in totality).
Liability Driven Investments (LDI)	The Fund has implemented an LDI strategy in order to hedge part of the Fund's assets against changes in certain employer or orphan liabilities.
Lower risk investment bucket	This strategy predominately uses lower risk income generating assets (including corporate bonds, property, illiquid credit and infrastructure) and liability driven investments (LDI) (which fully hedges interest and inflation exposure) and is expected to mitigate (but not eliminate) funding volatility for employers within it. In these circumstances, the discount rate used will be derived to be consistent with the lower risk investment strategy. The implementation of a strategy constructed on this basis will better match the overall changes in the liabilities (solely due to discount rate and inflation changes) of those employers included in the strategy. All other things equal, this in turn would result in greater stability of the funding position for these employers. Once an employer is closer to reaching full funding then this will also give

	greater stability to deficit contributions. It should be noted that an assessment of an employer's termination liabilities are linked to this strategy also so for employers considering termination, the lower risk strategy could be used to provide more certainty over an employer's termination position also.

The principal aim of these risk management techniques is to provide more certainty of real investment returns versus CPI inflation and/or protect against volatility in the termination position. In other words they are designed to reduce risk and provide more stability/certainty of outcome for funding and ultimately employer contribution rates. The effect of these techniques has been allowed for in the actuarial valuation calculations and could have implications on future actuarial valuations and the assumptions adopted. Further details of the framework have been included in the ISS.

CLIMATE CHANGE

An important part of the risk analysis underpinning the funding strategy will be for the Actuary to identify the impact of climate change transition risk (shorter term) and physical risks (longer term) on the potential funding outcomes. In terms of the current valuation, an analysis of different climate change scenarios at the Whole Fund level has been undertaken relative to the baseline position assuming that the funding assumptions are played out on a best estimate basis. The projections are meant to illustrate the different elements of risk under three climate change scenarios based on the current strategic allocation and also allowing for the planned transition to a higher allocation to sustainable asset classes by 2025. The scenarios are not meant to be predictors of what may happen and are only a small subset of a very wide range of scenarios that could arise depending on the global actions taken in relation to climate change. The actions taken (both historically and in future) by the Fund in relation to making its asset portfolio more sustainable are set out in the separate Taskforce for Climate Change (TCFD) reports and analysis of the asset portfolio adopting the same (or similar) scenarios although this can be over a different time period.

The analysis considers a projection of the funding levels under the scenarios considered which are designed to illustrate the transition and physical risks over different periods depending on what actions are taken globally on climate change.

The key metrics are the relative impact on the funding level over the different time periods as this illustrates the impact of climate related market shocks on the funding plan. Whilst these scenarios are only three out of a considerable range of potential outcomes, it shows that climate change can have far reaching effects on the Fund.

The Actuary applies a nuanced approach to understand what is/is not priced into the markets in terms of transition and physical risks. They include assumptions about what is currently priced into markets, and later price in shocks when the markets account for future impacts (both physical and transition impacts). The three climate shock scenarios considered are:

1. **Rapid Transition** - there is a sudden divestment across multiple securities in 2025 to align portfolios to the Paris Agreement goals, this will have disruptive effects on financial markets with sudden repricing followed by stranded assets and a sentiment shock. Average temperature increase stabilises at 1.5°C around 2050. In relative terms to the best estimate basis at the valuation date, this could have a slightly detrimental impact on the funding level of around 3% after 5 years as the larger transition risks manifest. However, whilst the rapid transition sees a world that has a major shock in the early years there is then a

period of recovery in the following years, with reduced physical damages in the long term. Given the Fund's allocation to sustainable assets after 2025, the full impact of the initial shock is mitigated to some extent and then the Fund almost fully recovers from it, with the projection then following the baseline as the time period spans out towards 20 years and beyond.

2. **Orderly Transition** - political and social organisations act quickly and predictably to implement the recommendations of the Paris Agreement to limit global warming to below 2°C. This scenario includes additional economic damage consistent with 1.8°C of average temperature rise – peaking in 2070. In relative terms this could have a marginally detrimental impact on the funding level of 2% after 5 years as the transition risks are less impactful, and 1% after 20 years. The impact after 40 years is 7% which is much greater than the Rapid Transition scenario as the higher temperature rises begin to have a greater impact.

3. **Failed Transition** - The world fails to meet the Paris Agreement goals and global warming reaches 4.3°C above pre-industrial levels by 2100. Physical climate impacts cause large reductions in economic productivity and increasing impacts from extreme weather events. In relative terms this could lead to a marginal increase in the funding level of 1% after 5 years which reflects the lower impact from transition risks (versus the market pricing) and a hugely detrimental impact of 17% after 20 years and 33% after 40 years which shows the material consequences of the physical risks from the significant temperature increases as time progresses.

The actuarial assumptions (versus the best estimate) include a level of prudence which implicitly allows for the climate risk and other risks to support future contribution stability and the Actuary has concluded that the level of prudence is currently sufficient. However, any climate related impacts will potentially put significant stress on the funding plan, especially when taken into account with other risk factors so needs to be monitored over time. Other risks (e.g. longevity) will also be considered in future analysis but are expected to have a much lower impact than the financial market impacts. The expected impact on asset returns under different scenarios and timeframes will be shown in more detail in the separate TCFD reports.

IDENTIFICATION OF RISKS AND COUNTER-MEASURES

The funding of defined benefits is by its nature uncertain. When actual experience is not in line with the assumptions adopted, a surplus or shortfall will emerge at the next actuarial assessment and will require a subsequent contribution adjustment to bring the funding back into line with the target.

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

FINANCIAL	DEMOGRAPHIC
The financial risks are as follows:- • Investment markets fail to perform in line with expectations • Protection and risk management policies fail to perform in line with expectations • Market outlook moves at variance with assumptions • Investment Fund Managers fail to achieve performance targets over the longer term • Asset re-allocations in volatile markets may lock in past losses • Pay and price inflation significantly more than anticipated • Future underperformance arising as a result of participating in the larger asset pooling vehicle therefore restricting investment decisions • An employer ceasing to exist without prior notification, resulting in a large exit credit requirement from the Fund impacting on cashflow requirements. Any increase in employer contribution rates (as a result of these risks) may in turn impact on the service delivery of that employer and their financial position. In practice the extent to which these risks can be reduced is limited. However, the Fund's asset allocation (including each separate investment bucket) is kept under regular review and the performance of the investment managers is regularly monitored. In addition, the risk management framework will help to reduce the key financial risks over time.	The demographic risks are as follows:- • Future changes in life expectancy (longevity) cannot be predicted with any certainty. Increasing longevity is something which government policies, both national and local, are designed to promote. It does, however, potentially result in a greater liability for pension funds. • Potential strains from ill health retirements, over and above what is allowed for in the valuation assumptions for employers not in the captive arrangement • Unanticipated acceleration of the maturing of the Fund (e.g. due to further cuts in workforce and/or restrictions on new employees accessing the Fund) resulting in materially negative cashflows and shortening of liability durations. The Administering Authority regularly monitors the position in terms of cashflow requirements and considers the impact on the investment strategy. Early retirements for reasons of redundancy and efficiency do not immediately affect the solvency of the Fund because they are the subject of a direct charge

GOVERNANCE	REGULATORY
Governance risks are as follows:- • The quality of membership data deteriorates materially due to breakdown in processes for updating the information resulting in liabilities being under or overstated • Administering Authority unaware of structural changes in employer's membership (e.g. large fall in employee numbers, large number of retirements) with the result that contribution rates are set at too low a level • Administering Authority not advised of an employer closing to new entrants, something which would normally require an increase in contribution rates • An employer ceasing to exist with insufficient funding or a bond which is not adequate. • An employer ceasing to exist without prior notification, resulting in a large exit credit requirement from the Fund impacting on cashflow requirements For these risks to be minimised much depends on information being supplied to the Administering Authority by the employing bodies. Arrangements are strictly controlled and monitored (e.g. iConnect for transferring data from employers), but in most cases the employer, rather than the Fund as a whole, bears the risk.	The key regulatory risks are as follows:- • Changes to Regulations, e.g. changes to the benefits package, retirement age, potential new entrants to scheme, • Changes to national pension requirements and/or HMRC Rules • Political risk that the guarantee from the Department for Education for academies is removed or modified along with the operational risks as a consequence of the potential for a large increase in the number of academies in the Fund due to Government policy. • Membership of the Local Government Pension Scheme is open to all local government staff and should be encouraged as a valuable part of the contract of employment. However, increasing membership does result in higher employer monetary costs.

PENSIONS COMMITTEE

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

The Pensions Committee is made up of sixteen voting representatives and Wirral Council, as the Administering Authority, nominates eleven members, each of the other four local councils nominate a member and a representative of the remaining employers is elected by ballot. There are three non-voting members drawn from trade unions representing all actives, deferred members and pensioners. Aside from the trade union and non-council representatives, Member changes to Committee are subject to the political leadership of the Councils, although efforts are made to limit rotation where possible.

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

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

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

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

LOCAL PENSION BOARD

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

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

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

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

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

- comply with the scheme regulations and other legislation relating to the governance and administration of the scheme; and
- any requirements imposed by the regulator.

A member of the Pension Board must be conversant with:

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

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

Full details of the operational procedures are set out in the Pension Board's Terms of Reference which can be accessed from the following link:

http://mpfund.uk/pensionboard

MONITORING AND REVIEW

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

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

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

When monitoring the funding strategy, if the Administering Authority considers that any action is required, the relevant employers will be contacted.

APPENDIX A – ACTUARIAL METHOD AND ASSUMPTIONS

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The key whole Fund assumptions used for calculating the funding target and the cost of future accrual for the 2022 actuarial valuation are set out below.

<table>
<tr><th colspan="4">FINANCIAL ASSUMPTIONS</th></tr>
<tr><th></th><th colspan="2">2022 valuation assumption</th><th>Description</th></tr>
<tr><td rowspan="3">Investment return / discount rate</td><td>Higher Risk Investment Strategy Bucket</td><td>4.6% p.a. (past) and 5.1% p.a. (future)</td><td>Derived from the expected return on the Fund assets based on the long-term strategy set out in the ISS, including appropriate margins for prudence. For the 2022 valuation this is based on an assumed return of 1.5% p.a. above CPI inflation (past service) and 2.0% p.a. above CPI inflation (future service). This real return will be reviewed from time to time based on the investment strategy, market outlook and the Fund's overall risk metrics.</td></tr>
<tr><td>Medium Risk Investment Strategy Bucket</td><td>4.35% p.a. (past) and 4.85% p.a. (future)</td><td>Derived from the expected return on the Fund assets based on the long term strategy set out in the ISS and the asset strategy of the medium risk investment bucket, including appropriate margins for prudence. For the 2022 valuation this is based on an assumed return of 1.25% p.a. above CPI inflation (past service) and 1.75% p.a. above CPI inflation (future service).
This real return will be reviewed from time to time based on the investment strategy, market outlook and the Fund's overall risk metrics.</td></tr>
<tr><td>Lower Risk Investment Strategy Bucket</td><td>2.7% p.a. (past and future for a very mature employer)</td><td>Linked directly to the yields available for the assets within the lower risk investment strategy. The typical discount rate is equivalent to a return of 1% p.a. above gilt yields as at 31 March 2022. This assumption will be regularly reviewed and updated to allow for changes in market conditions at the relevant employing body's cessation date, along with any other structural or legislative changes. The assumption used will be linked to the duration of the employer's liabilities as appropriate.</td></tr>
</table>

Inflation (Retail Prices Index)	3.90% p.a.		The investment market's expectation as indicated by the difference between yields derived from market instruments, principally conventional and index-linked UK Government gilts as at the valuation date (reflecting the profile and duration of the whole Fund's accrued liabilities).
Inflation (Consumer Prices Index)	Higher Risk Investment Strategy Bucket	3.10% p.a. (includes an adjustment of 0.80% p.a.)	RPI inflation (above) reduced to reflect the expected long-term difference between RPI and CPI measures of inflation (reflecting the profile and duration of the whole Fund's accrued liabilities and 2030 RPI reform) and adjusted to remove the estimated impact of supply/demand distortions as well as Bank of England forecasts. This varies for the higher, medium and lower risk strategies, reflecting the degree of inflation hedging inherent in each strategy and will reflect the duration of an employer's liabilities. The adjustment to the RPI inflation assumption will be reviewed from time to time to take into account any market factors which affect the estimate of CPI inflation.
	Medium Risk Investment Strategy Bucket	3.10% p.a. (includes an adjustment of 0.80% p.a.)	
	Lower Risk Investment Strategy Bucket	3.60% p.a. (includes an adjustment of 0.30% p.a. for a very mature employer)	
Salary increases (long-term)	4.60% p.a. for the higher and medium risk investment buckets. 5.1% p.a. for the lower risk investment bucket.		Pre 1 April 2014 benefits (and 2014 to 2022 McCloud underpin) plus each year's CARE pot - the assumption for real salary increases (salary increases in excess of price inflation) will be determined by an allowance of 1.50% p.a. over the appropriate CPI inflation assumption as described above. This includes allowance for promotional increases.
Salary increases (short-term)	Where applicable this is 3% or 4% p.a. until 31 March 2026. As set out on individual employer results schedule.		Allowance has been made for expected short term pay restraint for some employers. To the extent that experience differs to the assumption adopted, the effects will emerge at the next actuarial valuation.
Pension Increases and Deferred Revaluation	Assumed to be in line with the CPI inflation assumption above (noting that pension increases cannot be negative as pensions cannot be reduced). At the 2022 valuation, an adjustment has been made to the liabilities to allow for the known inflation for the period 30 September 2021 to 31 March 2022, and where material, allowance will continue to be made for inflation as it emerges when assessing funding positions between valuations.		

Indexation of CARE benefits	Assumed to be in line with the CPI inflation assumption above. For members in pensionable employment, indexation of CARE benefits can be less than zero (i.e. a reduction in benefits).
McCloud	A reasonable estimate for the potential cost of McCloud has been included within the 2022 valuation results for each employer. This has been calculated based on

DEMOGRAPHIC ASSUMPTIONS

Mortality/Life Expectancy

The derivation of the mortality assumption is set out in separate advice as supplied by the Actuary. The mortality in retirement assumptions will be based on the most up-to-date information in relation to self-administered pension schemes published by the Continuous Mortality Investigation (CMI) including a loading reflecting Fund specific experience and will make allowance for future improvements in longevity and the experience of the scheme. A specific mortality assumption has also been adopted for current members who retire on the grounds of ill health.

For all members, it is assumed that the trend in longevity seen over recent time periods (as evidenced in the 2021 CMI analysis) will continue in the longer term and as such, the assumptions build in a level of longevity 'improvement' year on year in the future in line with the CMI 2021 projections and a long term improvement trend of 1.75% per annum.

As an indication of impact, we have set out the life expectancies at age 65 based on the 2019 and 2022 assumptions:

	Male Life Expectancy at 65		Female Life Expectancy at 65	
	2019	**2022**	**2019**	**2022**
Pensioners	20.8	21.3	23.9	23.8
Actives aged 45 now	22.4	23.0	25.8	25.9
Deferreds aged 45 now	21.0	22.5	24.7	25.3

For example, a male pensioner, currently aged 65, would be expected to live to age 86.3. Whereas a male active member aged 45 would be expected to live until age 88.0. The difference reflects the expected increase in life expectancy over the next 20 years in the assumptions above.

The mortality before retirement has also been reviewed and updated based on LGPS wide experience.

Life expectancy assumptions

The post retirement mortality tables adopted for this valuation are set out below:

Current Status	Retirement Type	Mortality Table
Annuitant	Normal Health	117% S3PMA_CMI_2021 [1.75%] 107% S3PFA_M_CMI_2021 [1.75%]
	Dependants	140% S3PMA_CMI_2021 [1.75%] 126% S3DFA_CMI_2021 [1.75%]
	Ill Health	142% S3IMA_CMI_2021 [1.75%] 165% S3IFA_CMI_2021 [1.75%]
Active	Normal Health	121% S3PMA_CMI_2021 [1.75%] 107% S3PFA_M_CMI_2021 [1.75%]
	Ill Health	257% S3IMA_CMI_2021 [1.75%] 338% S3IFA_CMI_2021 [1.75%]
Deferred	All	129% S3PMA_CMI_2021 [1.75%] 116% S3PFA_M_CMI_2021 [1.75%]
Future Dependant (from current non pensioners)	Dependant	137% S3PMA_CMI_2021 [1.75%] 125% S3DFA_CMI_2021 [1.75%]

** The life expectancy assumptions use a smoothing parameter of 7.5 and no short term improvements are allowed for.*

OTHER DEMOGRAPHIC ASSUMPTIONS	
Commutation	It has been assumed that all retiring members will take 75% of the maximum tax-free cash available at retirement. The option which members have to commute part of their pension at retirement in return for a lump sum is a rate of £12 cash for each £1 p.a. of pension given up.
Proportions Married / civil partnerships assumption	This has been reviewed and updated based on LGPS wide experience.
Other Demographics	Following an analysis of Fund experience carried out by the Actuary, the incidence of ill health retirements and withdrawal rates remain in line with the assumptions adopted for the last valuation. In addition, no allowance will be made for the future take-up of the 50:50 option. Where any member has actually opted for the 50:50 scheme, this will be allowed for in the assessment of the rate for the next 3 years.
Expenses	Expenses are met out of the Fund, in accordance with the Regulations. This is allowed for by adding 0.5% of pensionable pay to the contributions from participating employers. This is reassessed at each valuation. Investment expenses have been allowed for implicitly in determining the discount rates. An allowance for reasonable expenses will also be included on the termination of an employer's participation in the Fund and will be taken into account as part of the termination valuation.

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

Further details on the demographic assumptions are set out in the Actuary's formal report.

METHOD

The actuarial method to be used in the calculation of the solvency funding target is the Projected Unit method, under which the salary increases assumed for each member are projected until that member is assumed to leave active service by death, retirement or withdrawal from service. This method implicitly allows for new entrants to the scheme on the basis that the overall age profile of the active membership will remain stable. As a result, for those employers which are closed to new entrants, an alternative method is adopted, which makes advance allowance for the anticipated future ageing and decline of the current closed membership group potentially over the period of the rates and adjustments certificate. Employers who move from open to closed may see an increase in contributions as a result of this change.

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

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

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

There will be a funding plan for each employer. In determining contribution requirements, the Administering Authority, based on the advice of the Actuary, will consider whether the funding plan adopted for an employer is reasonably likely to be successful having regard to the particular circumstances of that employer (potentially taking into account any material changes after the valuation date up to 31 March 2023).

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

METHOD AND ASSUMPTIONS USED IN CALCULATING THE COST OF FUTURE ACC RUAL (OR PRIMARY RATE)

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

As future service contributions are paid in respect of benefits built up in the future, the Primary rate should take account of the market conditions applying at future dates, not just the date of the valuation. In addition, the associated benefits being built up are paid out over a longer time horizon than benefits already accrued; thus it is justifiable to use a slightly higher expected return from the investment strategy.

EMPLOYER ASSET SHARES

The Fund is a multi-employer pension scheme that is not formally unitised and so individual employer asset shares are calculated at each actuarial valuation. This means it is necessary to make some approximations in the timing of cashflows and allocation of investment returns (in line with the appropriate investment strategy) as calculated by the Actuary based on relevant financial information, when deriving the employer asset share.

In attributing the overall investment performance obtained on the assets of the Fund to each employer in either the higher risk, medium risk or lower risk investment buckets, a pro-rata principle is adopted. This involves applying the appropriate individual employer investment strategy to each employer unless this is varied by agreement between the employer and the Fund at the sole discretion of the Administering Authority.

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

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

The policy on the approach to assessing an employer's asset share is available on request.

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APPENDIX B – DEFICIT RECOVERYAND SURPLUS OFFSET PLANS

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If the funding level of an employer is above or below 100% at the valuation date (i.e. the assets of the employer are more or less than the liabilities), an adjustment plan needs to be implemented such that the secondary contributions for each employer can be calculated. This adjustment plan requires a period over which to recover the deficit or run off any surplus i.e. the recovery period.

It is the Fund's objective that any funding deficit is eliminated as quickly as the participating employers can reasonably afford given other competing cost pressures, based on the Administering Authority's view of the employer's covenant and risk to the Fund.

EMPLOYER RECOVERY PLANS – KEY PRINCIPLES

The average recovery period for the Fund as a whole is 14 years at this valuation which is one year longer than the average recovery period from the previous valuation. Subject to affordability and other considerations individual employer recovery periods would also be expected to reduce at this valuation.

Recovery periods will be set by the Fund on a consistent basis across employer categories where possible. This will determine the minimum contribution requirement and employers will be free to select any shorter deficit recovery period and higher contributions if they wish.

Employers may also elect to make lump sum prepayments of deficit contributions (either on an annual basis or a one-off payment) which could result in a cash saving over the valuation certificate period.

Deficit contributions paid to the Fund by each employer will be expressed as cash amounts (flat or increasing year on year).

The Administering Authority retains ultimate discretion in applying these principles for individual employers on grounds of affordability and covenant strength and it may be deemed necessary to deviate under exceptional circumstances. Employers will be notified of their individual deficit recovery period as part of the provision of their individual valuation results.

In determining the actual recovery period to apply for any particular employer or employer grouping, the Administering Authority may take into account; the size of the funding shortfall; the business plans of the employer; the assessment of the financial covenant of the Employer, the security of future income streams; and any contingent security available to the Fund or offered by the Employer such as guarantor or bond arrangements, charge over assets, etc.

The key principles when considering deficit recovery and surplus offsets are as follows:

1. Subject to consideration of affordability, as a general rule, the deficit recovery period will reduce by at least 3 years for employers at this valuation when compared to the preceding valuation. This is to target full solvency over a similar (or shorter) time horizon. This is to maintain (as far as possible) equity between different generations of taxpayers and to protect the Fund against the potential for an unrecoverable deficit.

The deficit recovery period for closed admission bodies is 6 years (or the future working lifetime of the membership if lower). For employers with a limited participation in the Fund then the recovery period will be based on their length of expected participation in the Fund.

2. The deficit payment schedule will be set to at least cover the expected interest costs (actual interest costs will vary in line with investment performance) on the deficit.

   Employers have the freedom to adopt a recovery plan on the basis of a shorter period if they so wish. Subject to affordability considerations and other factors, a bespoke period may be applied in respect of particular employers where the Administering Authority considers this to be warranted.

3. For admitted bodies with a guarantee from the outsourcing scheme employer, the Administering Authority will discuss the appropriate deficit recovery period, where applicable, with the outsourcing scheme employer. Generally the deficit recovery period will be the length of the commercial contract left to expiry (or the average remaining working lifetime of the membership if this is shorter). If the scheme employer is retaining the financial risk, the deficit recovery period applied can be the same as the scheme employer's. The terms of the scheme employer's contract with the admission body may be a factor in these cases where this is made known to the Fund.

4. For any employers assessed to be in surplus, the recovery period will initially be determined in line with the recovery period from the preceding valuation although this will depend on covenant and basis of participation (subject to a total employer contribution minimum of zero). Where an employer is deemed to have a weaker covenant an alternative recovery period may be agreed at the discretion of the Administering Authority. This will also consider maintaining stability of contribution requirements at future valuations.

5. The applicable investment strategy for each employer will be reflected in the relevant employer's notional asset share, funding basis and contribution requirements. Certain employers will follow a bespoke investment and funding strategy pertaining to their own circumstances determined by their risk and maturity characteristics. This will be documented separately.

6. The Fund's policy is not to allow the prepayment of employee contributions. The prepayment of primary contributions may be allowed at the Fund's discretion, however this applies to a limited number of employers in the Fund, with each employer notified separately. A copy of the primary contribution prepayment policy can be provided by the Fund upon request.

7. Where increases in total employer contributions are required from 1 April 2023, following completion of the 2022 actuarial valuation, any increase in the primary contribution rate (from the rates of contribution payable in the year 2023/24) may be implemented in steps over a period of 3 years, depending on affordability of contributions as determined by the Administering Authority. The minimum step will be 0.5% of pay per annum (i.e. the increase in primary contribution rate must be at least 1.5% for this facility to apply). However, where total contributions (primary plus secondary) have reduced, the Fund would not consider it appropriate for any increase in contributions paid in respect of future accrual of benefits to be implemented in steps.

The secondary contributions may be set with reference to a different funding target, subject to the discretion of the Fund.

8. As part of the process of agreeing funding plans with individual employers, the Administering Authority will consider the use of contingent assets and other tools such as bonds or guarantees that could assist employing bodies in managing the cost of their liabilities or could provide the Fund with greater security against outstanding liabilities. All other things being equal this could result in a longer recovery period being acceptable to the Administering Authority, although employers will still be expected to at least cover expected interest costs on the deficit and we would not expect the recovery period to exceed the average recovery period of the Fund.

9. It is acknowledged by the Administering Authority that, whilst posing a relatively low risk to the Fund as a whole, a number of smaller employers may be faced with significant contribution increases that could seriously affect their ability to function in the future. The Administering Authority therefore would be willing to use its discretion to accept an evidence-based affordable level of contributions for the organisation for the three years 2023/2026. Any application of this option is at the ultimate discretion of the Fund officers in order to effectively manage risk across the Fund. It will only be considered after the provision of the appropriate evidence as part of the covenant assessment and also the appropriate professional advice.

   For those bodies identified as having a relatively weak covenant, the Administering Authority will need to balance the level of risk plus the solvency requirements of the Fund with the sustainability of the organisation when agreeing funding plans. As a minimum, the annual deficit payment must meet the on-going interest costs to ensure, everything else being equal, that the deficit does not increase in monetary terms.

10. The contributions for any employer may be varied as agreed by the Actuary and Administering Authority to reflect any changes as a result of any benefit costs being insured with a third party or internally within the Fund.

11. Notwithstanding the above principles, the Administering Authority, in consultation with the Actuary, has the discretion to consider whether any exceptional arrangements should apply in particular cases.

12. LEA schools and certain other employers within the Fund have been grouped with the respective Council.

13. Academies are treated as separate employers but at inception any past service deficit / surplus is allocated on an equitable basis consistent with the relevant LEA schools.

14. Any stabilisation methods requested by a contractor will need to be agreed with the original Scheme Employer before being implemented.

15. For admission bodies participating from 1 April 2017 who do not have a guarantor of sufficient financial standing e.g. a public authority based on the assessment of the Administering Authority, the basis of assessment for the contribution schedule, termination calculations and bond requirements will be on a lower risk investment strategy. The employer's assets will then

be deemed to be invested in these lower risk assets and be credited with the returns derived from such assets based on the advice of the Actuary. Where a guarantor is available the assessment will be on the normal valuation basis if the guarantor agrees to underwrite the obligations of the employer in the long term.

16. For employers that do not have a financial year end of 31 March 2023 (e.g. if they instead have a 31 July 2023 year-end), the Fund can, at the employer's request allow the employer to continue to pay their current contribution plan until their financial year end date. The new contribution plan would then be implemented after this date (i.e. 1 August 2023 in this example).

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APPENDIX C - TERMINATION POLICY, FLEXIBILITY FOR EXIT PAYMENTS AND DEFERRED DEBT AGREEMENTS (DDAS)

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EXITING THE FUND

TERMINATION ASSESSMENT OF AN EMPLOYER'S RESIDUAL PENSION OBLIGATIONS AND METHOD TO CALCULATE BONDS / FINANCIAL GUARANTEES

Unless entering a DDA, an employer ceases to participate in the Fund when the last active member leaves the Fund or when a suspension notice ends and the employer then becomes an "exiting employer" under the Regulations. In this situation the Fund is required to obtain an actuarial valuation of that employer's liabilities in respect of the benefits of the exiting employer's current and former employees, along with a termination contribution certificate setting out whether an exit payment is due to the Fund or a credit is payable to the employer.

The Fund's default termination policy is for exit payments and exit credits to be paid immediately in full once the cessation assessment has been completed by the Actuary (and any determination notice issued by the Fund where applicable). Further detail is set out below.

Depending on the circumstances and characteristics of the terminating employer, the termination assessment may incorporate a more cautious basis of assessment of the final liabilities for the employer. Typically, this will be where the employer does not have a guarantor in the Fund who has agreed to subsume the orphaned liabilities from the exiting employer. The Fund will also consider the risk in the context of the potential impact on other employers' contributions. This is because where liabilities are "orphaned" all employers have to cover any deficits (or surpluses) that arise in relation to these liabilities via their contribution rates at each valuation. The policy will always be subject to change in the light of changing economic circumstances and legislation.

In summary, depending on the employer type and covenant there are three alternative approaches to value liabilities on termination and to assess bond requirements for certain admitted bodies or designating bodies:-

1. **Employers with a guarantor** - Assessing the final termination liabilities using assumptions consistent with the most recent valuation basis adjusted as necessary to reflect the expected return outlook in relation to the investment strategy which supports the exiting employer's liabilities. See further details in the table below.

2. **Employers with no guarantor in the Fund / only a guarantee of last resort (Lower Risk)** - Assessing the final liabilities using the lower risk funding basis and using a discount rate which is linked to the lower risk investment "bucket" but with adjustments as detailed in the table below. The residual liabilities would be "orphaned" within the Fund, although it is possible that a bond would be in place.

3. **Employers with no guarantor in the Fund / only a guarantee of last resort (Minimum Risk)** - Assessing the final liabilities using a discount rate which is based on a "minimum risk" approach as detailed in the table below. The residual liabilities would be "orphaned" within the Fund, although it is possible that a bond would be in place. Typically, this will be applied to an employer who would have a material effect on the Fund on exit by leaving significant residual orphan liabilities and would be highlighted to an employer if applicable using a consistent set of principles.

If a guarantor refuses to take responsibility for the exiting employer, then the residual deferred pensioner and pensioner liabilities should be assessed on the more cautious basis (point 2 or 3 above). In this situation the size of the termination payment would also depend on what happened to the active members and if they all transferred back to the original Scheme Employer (or elsewhere) and aggregated their previous benefits. As the transfer would normally be effected on a "fully funded" valuation basis the termination payment required would vary depending on the circumstances of the case. Where this occurs, the exiting employer would then be treated as if it had no guarantor as per the policy above and the termination assessment will assume that the liabilities are orphaned and the assets will be invested in the lower risk investment strategy bucket.

The assumptions and approach used to assess the amount of a payment/credit payable upon termination will be consistent with the previous valuation assumptions, updated for market yields and inflation applying at the cessation date. With the following exceptions:

	Employers with a guarantor	Employers with no guarantor in the Fund / only a guarantee of last resort (Lower Risk)	Employers with no guarantor in the Fund / only a guarantee of last resort (Minimum Risk)

Financial assumptions	If the employing body has a guarantor within the Fund or a successor body exists either of which would take over the employing body's liabilities, the Fund's policy is that the guarantor's ongoing funding basis will be used for the termination assessment unless the guarantor informs the Fund otherwise.	The lower risk basis based on the make-up of the lower risk investment "bucket" at the time of assessment. However, an adjustment will be made to the discount rate to reflect a reasonable estimate of any investment expenses, the potential asset default and reinvestment risk associated with the asset strategy, the associated costs of termination and any other reasonable prudential margins that are appropriate based on the advice of the Actuary.	A "minimum risk" approach where the discount rate will be based on government gilt yields of appropriate duration to the liabilities. In addition, the deduction from RPI to arrive at the CPI assumption will be derived as per the lower risk strategy, unless deemed appropriate to vary this by the Actuary and Administering Authority.

	Employers with a guarantor	Employers with no guarantor in the Fund / only a guarantee of last resort (Lower Risk)	Employers with no guarantor in the Fund / only a guarantee of last resort (Minimum Risk)
		The assumptions will be based on a full yield curve and will take into account the duration of the employer's projected cashflows/liabilities. This basis provides some mitigation against financial market risks and protection for the Fund. In the event that the termination basis produces a higher discount rate than the employer's ongoing valuation funding basis, the ongoing valuation funding basis will be used.	
Demographic Assumptions	In line with the assumptions adopted for the 2022 valuation for ongoing funding and contribution purposes. This will be reviewed from time to time to allow for any material changes in life expectancy trends and will be formally reassessed at the next valuation.	In line with the assumptions adopted for the 2022 valuation with the exception of a higher level of prudence in the mortality assumptions to further protect the remaining employers. The rate of improvement in the mortality rates will therefore be increased to 2.25% p.a. This will be reviewed from time to time to allow for any material changes in life expectancy trends and will be formally reassessed at the next valuation.	
McCloud	A reasonable estimate for the potential cost of McCloud will be included. This will be calculated for all scheme members of the outgoing employer (reflecting the data made available). For the avoidance of doubt, there will be no recourse for an employer with regard to McCloud, once the final termination has been settled and payments have been made.		
Additional Costs	The exit valuation costs and any additional costs incurred will be identified and included within the exit valuation. These costs will be paid by the exiting employer unless the outsourcing scheme employer or guarantor directs otherwise. In the case of employers without a guarantor, there may also be costs associated with a transition of assets into the lower risk strategy. The Administering Authority reserves the right to pass these costs on to the employer usually via a deduction in the notional asset share. Furthermore, if appropriate, a reasonable allowance for expenses will also be made in relation administration and other expenses. This will be allowed for in the final termination assessment.		

	Employers with a guarantor	Employers with no guarantor in the Fund / only a guarantee of last resort (Lower Risk)	Employers with no guarantor in the Fund / only a guarantee of last resort (Minimum Risk)
Default policy once the termination certificate has been provided	The guarantor or successor body will subsume the assets and liabilities of the employing body within the Fund under the default policy, subject to any deficit being made good by the exiting employer or any surplus being paid to the exiting employer where this is a requirement under the terms of any relevant contract. See further information below for cases where risk sharing applies and / or there is a dispute between the interested parties.	• In the case of a surplus - the Fund pays the exit credit to the exiting employer following completion of the termination process (within 6 months of the exit date, or within 6 months of the completion of the cessation assessment by the Actuary (if later), providing no appeals have been raised with the Fund during this time). This is subject to the exiting employer providing sufficient notice to the Fund of their intent to exit; any delays in notification will impact on the payment date. • In the case of a deficit -the Fund would require the exiting employer to pay the termination deficit to the Fund as a lump sum cash payment (unless agreed otherwise by the Administering Authority at their sole discretion) following completion of the termination process. • The Administering Authority also reserves the right to modify this approach on a case by case basis at its sole discretion if circumstances warrant it based on the advice of the Actuary. Where the approach is modified, a separate schedule will be provided to that employer setting out the approach to adopt and this will be done using consistent principles.	

The above funding principles will also impact on the bond requirements for certain admitted bodies. The purpose of the bond is that it should cover any unfunded liabilities arising on termination that cannot be reclaimed from the outgoing body.

The Administering Authority can vary the treatment on a case-by-case basis (based on the size and risk of a particular employer) at its sole discretion if circumstances warrant it based on the advice of the Actuary and any representations from the interested parties (where applicable). The employer will be notified of this accordingly.

The actuarial valuation and the revision of any Rates and Adjustments Certificate in respect of the exiting employer must be produced by the Actuary at the time when participation in the Fund ends.

REVIEW OF THE TERMINATION POLICY

As set out in the table above, for employers without a guarantor or with a guarantee of last resort, the financial assumptions are currently based on the lower risk basis in the majority of cases. The principle of the termination policy and the assumptions used is to ensure (as far as possible) there is sufficient monies to pay all the benefits due in relation to the "orphan" members of the outgoing employer as otherwise the remaining employers would potentially have to fund this via their contributions at subsequent valuations. This is why the Fund takes a more cautious view as set out in this policy.

For other employers, the policy is to use the appropriate ongoing funding assumptions if the orphaned liabilities are to be wholly subsumed by a guarantor in the Fund (once any exit payment is paid to/from the employer depending on the circumstances).

The policy will be reviewed as a matter of course at each actuarial valuation but will also be reviewed in times of extreme events, such as a material shift in market conditions or shift in economic/fiscal policy, which will affect the assets or liabilities of the exiting employer. This is to ensure that the approach remains appropriate, given the risk associated with funding the orphaned liabilities left behind by an exiting employer is being passed to other Fund employers, and ultimately the tax payer. This means that the assumptions (both financial and demographic) can be changed if circumstances warrant it. Employers would be notified of any change (and the rationale for the change) and the policy would be updated.

The Fund also has the discretion to apply a different approach on a case by case basis taking into account all factors (financial and non-financial) pertaining to the exiting employer.

DETERMINATION NOTICES (EMPLOYERS WITH A GUARANTOR WHO WILL ACCEPT RESPO NSIBILITY FOR RESIDUAL LIABILITIES)

For employers that are guaranteed by a guarantor (usually the original employer or letting authority), the Fund's default policy at the point of cessation is for the guarantor to subsume the residual assets, liabilities and any surplus or deficit. The interested parties involved (i.e. the Fund, the exiting employer and the guarantor) will need to consider any separate contractual agreements that have been put in place between the exiting employer and the guarantor (in particular, whether any deficit or surplus on termination will be the responsibility of the exiting employer or the guarantor). In some instances an exit debt may be payable by an employer before the assets and liabilities are subsumed by the guarantor, this will be considered on a case-by-case basis. No payment of an exit credit will be payable unless representation is made as set out below.

The Fund will make a determination in all cases whatever the circumstances. Generally, where there is insufficient clarity or ambiguity exists within the contract the Fund's default in these cases is that any surplus would be retained by the Fund in favour of the outsourcing employer/guarantor. This is because the Fund would assume that, had there been a deficit, this would have been the responsibility of the outsourcing scheme employer. Any determination made by the Fund with regard to the allocation of a surplus can be challenged by one or other of the interested parties who can make representations in accordance with the procedure set out in the Regulations (see below). In addition, where the outgoing employer is responsible for only part of the residual deficit or surplus as per a separate risk sharing agreement, the Fund's default will also be that any surplus would be retained by the Fund in favour of the outsourcing employer/guarantor unless representation is made by the relevant parties in line with the Regulations.

For the avoidance of doubt, where the outgoing employer is not responsible for any termination liability under a risk sharing arrangement, then the default position is that no exit credit will be paid, unless the Fund is aware of the provisions of the risk sharing agreement in any representation made and determines an exit credit should be paid.

If there is any dispute, then the following arrangements will apply:

- In the case of a surplus, in line with the amending Regulations (The Local Government Pension Scheme (Amendment) Regulations 2020) the parties will need to make representations to the Administering Authority if they believe an Exit Credit should be paid outside the policy set out above, or if they dispute the determination of the Administering Authority. The Fund will notify the parties of the information required to make the determination on request.

- If the Fund determines an Exit Credit is payable then they will pay this directly to the exiting employer within 6 months of the exit date, or within 6 months of the completion of the cessation assessment by the Actuary (if later)
- In the case of a deficit, in order to maintain a consistent approach, the Fund will seek to recover this from the exiting employer in the first instance although if this is not possible then the deficit will be recovered from the guarantor either as a further contribution collection or it will be taken into account at the next valuation depending on the circumstances.

If requested, the Administering Authority will provide details of the information considered as part of their determination. A determination notice will be provided alongside the termination assessment from the Actuary. The notice will cover the following information and process steps:

1. Details of the employers involved in the process (e.g. the exiting employer and guarantor).
2. Details of the admission agreement, commercial contracts and any amendments to the terms that have been made available to the Administering Authority and considered as part of the decision-making process. The underlying principle will be that if an employer is responsible for a deficit, they will be eligible for any surplus. This is subject to the information provided and any risk sharing arrangements in place.
3. The final termination certification of the exit credit by the Actuary.
4. The Administering Authority's determination based on the information provided.
5. Details of the appeals process in the event that a party disagrees with the determination and wishes to make representations to the Administering Authority.

POLICY IN RELATION TO THE FLEXIBILITY FOR DEBT SPREADING AGREEMENTS (DSA) AND DEFERRED DEBT AGREEMENTS (DDA)

The Fund's policy for termination payment plans is as follows:

1. The default position is for exit payments to be paid immediately in full unless there is a risk sharing arrangement in place with a guaranteeing Scheme employer in the Fund whereby the exiting employer is not responsible for any exit payment. In the case of an exit credit the determination process set out above will be followed.
2. At the discretion of the administering authority, instalment plans over an agreed period or a Deferred Debt Agreement will only be agreed subject to the policy in relation to any flexibility in recovering exit payments.

As set out above, the default position for exit payments is that they are paid in full at the point of exit (adjusted for interest where appropriate). Under the Regulations the Fund has complete discretion as to whether it agrees to put a DDA in place provided that it follows the procedure set out in the Regulations.

If an employer requests that an exit debt payment is recovered over a fixed period of time (e.g. via a Debt Spreading Agreement ("DSA")) or that they wish to enter into a Deferred Debt Arrangement (DDA) with the Fund, they must make a request in writing covering the reasons for such a request.

Any deviation from the default position will be based on the Administering Authority's assessment of whether the full exit debt is affordable and whether it is in the interests of the Fund (and therefore ultimately taxpayers) to adopt either of the approaches. In making this assessment the Administering Authority will consider the covenant of the employer, future business plans and also whether any security is required and available to back the arrangements. Further details regarding covenant monitoring is set out within Appendix E.

Any costs (including necessary actuarial, legal and covenant advice) associated with assessing this will be borne by the employer and will be charged as an upfront payment to the Fund.

The following policy and processes will be followed in line with the principles set out in the statutory guidance

POLICY FOR SPREADING EXIT PAYMENTS

The following process will determine whether an employer is eligible to spread their exit payment over a defined period via a DSA.

1. The Administering Authority will request updated financial information from the employer including management accounts showing expected financial progression of the organisation and any other relevant information to use as part of their covenant review. If this information is not provided then the default policy of immediate payment will be adopted.

2. Once this information has been provided, the Administering Authority (in conjunction with the Fund Actuary, covenant and legal advisors where necessary) will review the covenant of the employer to determine whether it is in the interests of the Fund to allow them to spread the exit debt over a period of time, taking into consideration the social impact on the employer's future service demands. Depending on the length of the period and also the size of the outstanding debt, the Fund may request security to support the payment plan before entering into an agreement to spread the exit payments.

3. The payment plan could include non-uniform payments e.g. a lump sum up front followed by a series of payments over the agreed period. The payments required will include allowance for interest on late payment.

4. The initial process to determine whether an exit debt should be spread may take up to 3 months from receipt of data so it is important that employers who request to spread exit debt payments notify the Fund in good time

5. If it is agreed that the exit payments can be spread then the Administering Authority will engage with the employer regarding the following:
    a. The spreading period that will be adopted (this will be subject to a maximum of 5 years except in exceptional circumstances).
    b. The initial and annual payments due and how these will change over the period
    c. The interest rates applicable and the costs associated with the payment plan devised
    d. The level of security required to support the payment plan (if any) and the form of that security e.g. bond, escrow account etc.
    e. The responsibilities of the employer during the exit spreading period including the supply of updated information and events which would trigger a review of the situation
    f. The views of the Actuary, covenant, legal and any other specialists necessary

g. The covenant information that will be required on a regular basis to allow the payment plan to continue.
h. Under what circumstances the payment plan may be reviewed or immediate payment requested (e.g. where there has been a significant change in covenant or circumstances)

6. Once the Administering Authority has reached its decision, the arrangement will be documented and any supporting agreements will be included.

EMPLOYERS PARTICIPATING WITH NO CONTRIBUTING MEMBERS (DDA)

As opposed to paying the exit debt upfront or via a DSA, an employer may participate in the Fund with no contributing members and utilise the “Deferred Debt Agreements” (DDA) at the sole discretion of the Administering Authority. This will only be considered when there are issues of affordability that risk the financial viability of the employer organisation and the ability of the Fund to recover the debt. Typically this will be relevant to small ‘not for profit’ organisations that constitute a potential risk to the Fund because they may cease operations with insufficient residual assets to meet their pension liabilities. A DDA would be at the request of the employer in writing to the Administering Authority.

The following process will determine whether the Fund will agree to allow the employer to enter into such an arrangement:

1. The Administering Authority will request updated covenant data from the employer including management accounts, budgets, cashflow forecasts and any other relevant information showing the expected financial progression of the organisation. If this information is not provided then a DDA will not be entered into by the Administering Authority

2. Once this information has been provided, the Administering Authority will firstly consider whether it would be in the best interests of the Fund and employers to enter into such an arrangement with the employer. This decision will be based on a covenant review of the employer to determine whether the employer could afford the exit debt (either immediately or via a debt spreading agreement) at that time (based on advice from the Actuary, covenant and legal advisor where necessary). If the exit debt is deemed to be affordable then a Deferred Debt Agreement will not apply to the employer.

3. The initial process to determine whether a DDA should apply may take up to 3 months from receipt of the required information so an employer who wishes to request that the Administering Authority enters into such an arrangement needs to make the request in advance of the potential exit date.

4. If the Administering Authority’s assessment confirms that the potential exit debt is not affordable, the Administering Authority will engage in discussions with the employer about the potential format of a DDA which will be based on the principles set out in the Scheme Advisory Board’s separate guide. As part of this, the following will be considered and agreed:

    a. What security the employer can offer whilst the employer remains in the Fund. In general the Administering Authority will not enter into such an arrangement unless they are confident that the employer can support the arrangement in future. Provision of security may also result in a review of the recovery period and other funding arrangements.

b. The investment strategy that would be applied to the employer e.g. the higher, medium or lower risk bucket which could support the arrangement.
c. Whether an upfront cash payment should be made to the Fund initially to reduce the potential debt.
d. What the updated secondary rate of contributions would be required up to the next valuation.
e. The financial information that will be required on a regular basis to allow the employer to remain in the Fund and any other monitoring that will be required.
f. The advice of the Actuary, covenant, legal and any other specialists necessary.
g. The responsibilities that would apply to the employer while they remain in the Fund.
h. What conditions would trigger the implementation of a revised deficit recovery plan and subsequent revision to the secondary contributions (e.g. provision of security).
i. The circumstances that would trigger a variation in the length of the DDA (if appropriate), including a cessation of the arrangement (e.g. where the ability to pay contributions has weakened materially or is likely to weaken in the next 12 months). Where an agreement ceases an exit payment (or credit) could become payable. Potential triggers may be the removal of any security or a significant change in covenant assessed as part of the regular monitoring.
j. Under what circumstances the employer may be able to vary the arrangement e.g. a further cash payment or change in security underpinning the agreement.

The Administering Authority will then make a final decision on whether it is in the best interests of the Fund to enter into a DDA with the employer, and confirm the terms that are required.

5. For employers that are successful in entering into a DDA, contribution requirements will continue to be reviewed as part of each actuarial valuation or in line with the DDA in the interim if any of the triggers are met.

6. The costs associated with the advice sought and drafting of the DDA will be passed onto the employer and will be charged as an upfront payment to the Fund.

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APPENDIX D - REVIEW OF EMPLOYER CONTRIBUTIONS BETWEEN VALUATIONS

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The Administering Authority has the ability to review employer contributions between valuations. The Administering Authority and employers have the following flexibilities:

1. The Administering Authority may review the contributions of an employer where there has been a significant change to the liabilities of an employer.
2. The Administering Authority may review the contributions of an employer where there has been a significant change in the employer's covenant.
3. An employer may request a review of contributions from the Administering Authority if they feel that either point 1 or point 2 applies to them. The employer would be required to pay the costs of any review following completion of the calculations and is only permitted to make a maximum of two requests between actuarial valuation dates (except in exceptional circumstances and at the sole discretion of the Administering Authority).

Where the funding position for an employer significantly changes solely due to a change in assets (and changes in actuarial assumptions), the overarching policy intent is that contribution reviews are not permitted outside of a full valuation cycle. However, changes in assets would be taken into account when considering if an employer can support its obligations to the Fund after a significant covenant change (see 2. above).

The Administering Authority will consult with the employer prior to undertaking a review of their contributions including setting out the reason for triggering the review.

For the avoidance of doubt any review of contributions may result in no change and a continuation of contributions as per the latest actuarial valuation assessment. In the normal course of events, a rate review would not be undertaken close to the next actuarial valuation date, unless in exceptional circumstances. For example:

- A contribution review due to a change in membership profile would not be undertaken in the 6 months leading up to the valuation Rates and Adjustments Certificate.
- However, where there has been a material change in covenant, a review will be considered on a case by case basis which will determine if it should take place and when any contribution change would be implemented. This will take into account the proximity of the actuarial valuation and the implementation of the contributions from that valuation.

SITUATIONS WHERE CONTRIBUTIONS MAY BE REVIEWED

Contributions may be reviewed if the Administering Authority becomes aware of any of the following scenarios. Employers will be notified if this is the case.

Consideration will also be given to the impact that any employer changes may have on the other employers and on the Fund as a whole, when deciding whether to proceed with a contribution review.

1. Significant changes in the employer's liabilities

This includes but is not limited to the following scenarios:

a) Significant changes to the employer's membership which will have a material impact on their liabilities, such as:
   i. Restructuring of an employer
   ii. A significant outsourcing or transfer of staff to another employer (not necessarily within the Fund)
   iii. A bulk transfer into or out of the employer
   iv. Other significant changes to the membership for example due to redundancies, significant salary awards, ill health retirements (for employers not included in the captive arrangement) or large number of withdrawals
   v. Where the aggregation of member movements materially shortens the expected time horizon for continued participation in the Fund

b) Two or more employers merging including insourcing and transferring of services

c) The separation of an employer into two or more individual employers

In terms of assessing the triggers under 1 above, the Administering Authority will only consider a review if the change in liabilities is expected to be more than 5% of the total liabilities. In some cases this may mean there is also a change in the covenant of the employer.

Any review of the rate will only take into account the impact of the change in liabilities (including, if relevant, any underfunding in relation to pension strain costs) both in terms of the Primary and Secondary rate of contributions.

2. Significant changes in the employer's covenant

This includes but is not limited to the following scenarios:

a) Provision of, or removal of, or impairment of, security, bond, guarantee or some other form of indemnity by an employer against their obligations in the Fund. For the avoidance of doubt, this includes provision of security to any other pension arrangement or creditor (e.g. banks), which may impair the security provided to the Fund.

b) Material change in an employer's immediate financial strength or longer-term financial outlook (evidence should be available to justify this) including where an employer ceases to operate or becomes insolvent.

c) Where an employer exhibits behaviour that suggests a change in their ability and/or willingness to pay contributions to the Fund.

In some instances, a change in the liabilities will also result in a change in an employer's ability to meet its obligations.

Whilst in most cases the regular covenant updates requested by the Administering Authority will identify some of these changes, employers must notify the Administering Authority of any material changes. The Administering Authority has set out the events to be reported and requirements in the Notifiable Events Framework which is set out in Appendix F of this FSS.

Additional information will be sought from the employer in order to determine whether a contribution review is necessary. This may include annual accounts, budgets, forecasts and any specific details of restructure plans. As part of this, the Administering Authority will take advice from the Fund Actuary, covenant, legal and any other specialist adviser.

Where a contribution review is triggered by a significant change in employer covenant, any review of the contribution rate would include consideration of the updated funding position (both on an ongoing and termination basis) and would usually allow for changes in asset values when considering if the employer can meet its obligations on both an ongoing and termination basis (if applicable). This could then lead to the following actions:

- The contributions changing or staying the same depending on the conclusion, and/or;
- Security to improve the covenant to the Fund, and/or;
- If appropriate, a change in the investment strategy via the employer investment buckets.

In the case of an employer who may exit the Fund, there is statutory provision for rates to be amended between valuations but it is unlikely that this power will be invoked other than in exceptional circumstances.

PROCESS AND POTENTIAL OUTCOMES OF A CONTRIBUTION REVIEW

Where one of the listed events occurs, the Administering Authority will enter into discussion with the employer to clarify details of the event and any intent of the Administering Authority to review contributions if a contribution review is deemed necessary. Ultimately, the decision to review contributions as a result of the above events rests with the Administering Authority after, if necessary, taking advice from their Actuary, legal or a covenant specialist advisor.

This also applies where an employer notifies the Administering Authority of the event and requests a review of the contributions. The employer will be required to agree to meet any professional and administration costs associated with the review. The employer will be required to outline the rationale and case for the review through a suitable exchange of information prior to consideration by the Administering Authority.

The Administering Authority will consider whether it is appropriate to use updated membership data within the review (e.g. where the change in data is expected to have a material effect on the employer's liabilities in the Fund) and whether any supporting information is required from the employer.

As well as revisiting the employer's funding plan, as part of the review it is possible that other parts of the funding strategy will also be reviewed where the covenant of the employer has changed, for example the Fund will consider:

- Whether the employer's investment strategy remains appropriate or whether they should move to an alternative strategy (e.g. the higher risk, medium risk or lower risk bucket) in line with this FSS.
- Whether the Primary contribution rate should be adjusted to allow for any profile change and/or investment strategy change
- Whether the secondary contributions should be adjusted including whether the length of the recovery period adopted at the previous valuation remains appropriate. At the absolute discretion of the Administering Authority this may result in an increase to the recovery period where the evidence gathered demonstrates that the existing time horizon is no

longer achievable and the extension is in the best interests of the tax payer, taking into account any security that may be available.

The review of contributions may take up to 3 months from the date of confirmation to the employer that the review is taking place, in order to collate the necessary data.

Any change to an employer's contributions will be implemented at a date determined by the Fund after consultation with the employer. The Schedule to the Rates and Adjustment Certificate at the last valuation will be updated for any contribution changes. As part of the process the Administering Authority will consider whether it is appropriate to consult any other Fund employers prior to implementing the revised contributions. Circumstances where the Administering Authority may consider it appropriate to do so include where there is another employer acting as guarantor in the Fund, then the guarantor would be consulted on as part of the contribution review process.

The Administering Authority will agree a proportionate process for periodical ongoing monitoring and review following the implementation of the revised contribution plan. The Employer will be required to provide information to the Fund to support this, which will depend in part of the reasons for triggering the contribution review.

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APPENDIX E – COVENANT ASSESSMENT AND MONITORING POLICY

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Covenant is the employer's legal obligation and financial ability to meet their defined benefit obligations in the Fund now and in the future. Regular assessment and monitoring of employer covenant is undertaken to understand the current strength of the employer's covenant and how they could change in the future. This is important to assist the Fund in deciding the appropriate level of risk when setting the investment strategy, employer funding targets and, where necessary, employer recovery plans. Therefore, a sound understanding of the covenant of employers is an essential part of the integrated approach to risk management of the Fund.

Employer's covenant can change quickly and therefore assessing the covenant of employers from a legal and financial perspective is an ongoing activity. The Fund has a well-developed and proportionate framework to monitor employer covenant and identify changes in covenant. The Fund can also draw on the expertise of external covenant advisers when necessary.

RISK CRITERIA

The assessment criteria upon which the affordability and recovery of employer contributions should be reviewed could include:

- Nature and prospects of the employer's industry
- Employer's competitive position and relative size
- Management ability and track record
- Financial policy of the employer
- Profitability, cashflow and financial ability to meet contributions (both ongoing and on exit)
- Employer's credit rating
- Position of the economy as a whole
- Legal aspects

Not all of the above would be applicable to assessing employer risk within the Fund; rather a proportionate approach to the consideration of the above criteria would be made, with further focus given to the following:

- The scale of obligations to the pension scheme relative to the size of the employer's operating cashflow
- The relative priority placed on the pension scheme compared to corporate finances
- An estimate of the amount which might be available to the scheme on insolvency of the employer as well as the likelihood of that eventuality.

ASSESSING EMPLOYER COVENANT

The strength of employer covenant can be subject to substantial variation over relatively short periods of time and, as such, regular monitoring and assessment is may be undertaken. The employers' covenants will be assessed and monitored objectively in a proportionate manner and their ability to meet their obligations in the short and long term will be considered when determining an individual employer's funding strategy. An assessment of employer covenant includes determining the following:

- Type of employer body and its origins
- Nature and enforceability of legal agreements
- Whether there is a bond in place and the level of the bond
- Whether a more accelerated recovery plan should be enforced
- Whether there is an option to call in contingent assets
- Whether there is a need for monitoring of ongoing and termination funding ahead of the next actuarial valuation

The employer covenant will be assessed based on publicly available information and/or information provided by the employer. The monitoring of covenant strength along with the funding position (including on the termination basis) enables the Fund to anticipate and pre-empt employer funding issues and thus adopt a proactive approach. In order to objectively monitor the strength of an employer's covenant, adjacent to the risk posed to the Fund, a number of fundamental financial metrics will be reviewed to develop an overview of the employer's stability and a rating score will be applied using a Red/Amber/Green (RAG) rating structure. In addition, employers may be contacted to gather further information. The covenant assessment will be combined with the funding position to derive an overall risk score. Action will be taken if these metrics meet certain triggers based on funding level, covenant rating and the overall risk score.

FREQUENCY OF MONITORING

It is important that the relative financial strength of employers is reviewed regularly to allow for a thorough assessment of the financial metrics. The funding position and contribution rate for each employer participating in the Fund will be reviewed in detail at each triennial actuarial valuation as a matter of course. The Funding position will continue to be monitored between valuations (including on the termination basis) using an online system provided to officers by the Fund Actuary.

Employers subject to a more detailed review, where a risk criterion is triggered, will be reviewed at least every six months.

All employers are required to notify the Administering Authority of any material changes in covenant. The notifiable event requirements are set out in Appendix F.

COVENANT RISK MANAGEMENT

The focus of the Fund's risk management is the identification and treatment of the risks and it will be a continuous and evolving process which runs throughout the Fund's strategy. Mechanisms that will be explored with certain employers, as necessary, will include but are not limited to the following:

1. Parental Guarantee and/or Indemnifying Bond
2. Transfer to a more prudent funding/investment approach (e.g. the lower risk basis)
3. A higher funding target, shortened recovery periods and increased cash contributions
4. Managed exit strategies
5. Contingent assets and/or other security such as escrow accounts.

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APPENDIX F – NOTIFIABLE EVENTS FRAMEWORK

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The Fund regularly monitors the covenant of its employers. Whilst in most cases the regular covenant updates will identify some of the key employer changes, employers are required to notify the Administering Authority of any material changes. This is in keeping with the guide that The Scheme Advisory Board recently published ('A Guide for Administering Authorities') in which is recommended that Administering Authorities should include a notifiable events process within its policies.

It is considered to be in the best interests of the employer to inform the Fund of any notifiable events that occur. This will enable the Fund to work with the employer to find an effective solution, particularly in times of change or financial distress and keep the interests of the employer, the Fund, the members and a guarantor (if one exists) in mind. Early engagement is always more effective and efficient for all parties than retrospective steps.

By not informing the Fund of a notifiable event, it may be seen as a deliberate act to hide the information or delay the Fund from taking action. If the Fund becomes aware of an event that has not been openly communicated as part of this policy, they reserve the right to implement one or more of the actions set out below without the consent of the employer.

In the case of guaranteed employers this policy applies to both the employer and the guarantor.

A notifiable event is any event or circumstance that, in the judgement of the Fund, could materially affect one or more of the following:

- the employer's basis for continued participation in the Fund
- the employer's ability to pay its ongoing contributions to the Fund*
- the employer's ability to pay its termination debt to the Fund in the event of ceasing to participate in the Fund*

* These conditions would also apply where an employer and the Fund has entered into a Deferred Debt Agreement allowing continued participation as a Deferred Employer with no contributing members.

This policy sets out a list of typical events that, if they apply, must be notified to the Fund within a reasonable time period. The list is not exhaustive and may be modified from time to time. The Fund would deem 10 working days to be reasonable in the majority of cases. In some cases, notification prior to the event occurring may be required and this is detailed within the relevant sections below. The Fund will ensure that all information is treated as confidential.

EVENTS THAT MUST BE NOTIFIED TO THE FUND

The Fund considers any change that would be detrimental to either the employer's ability to finance their pension obligations or the ongoing viability of the employer to be 'material' and 'significant'.

Typical events that must be notified to the Fund include the following:

1) Significant changes in the employer's <u>membership / liabilities</u>

This includes but is not limited to the following scenarios, where applicable:

a) Significant changes to the employer's membership which will have a material impact on their liabilities, such as:
   i. Restructuring of the employer involving significant changes in staffing
   ii. A significant outsourcing or transfer of staff to another employer (not necessarily within the Fund)*
   iii. A bulk transfer of staff into the employer, or out of the employer to another pension scheme*
   iv. Other significant changes to the membership for example due to redundancies, significant salary awards, ill health retirements or large a number of member withdrawals*
   v. A decision which will restrict the employer's active membership in the future*

b) Two or more employers merging including insourcing and transferring of services*

c) The separation of an employer into two or more individual employers*

d) Concerns of fraudulent activity that may include pensions aspects

*In these examples, the Fund requires prior notification of events at least 14 days before commencement of staff consultation regarding proposed changes to members' pensions. The Fund will ensure that all information is treated as confidential.

2) Significant changes to the employer covenant

i. Significant changes in the employer's <u>financial strength / security</u>

A material change in an employer's immediate financial strength or longer-term financial outlook. This includes but is not limited to the following scenarios (where applicable):

a. An employer's forecasts indicate reduced affordability of contributions.
b. A significant reduction in funding (e.g. reduction in grants, central government funding or other income stream)
c. Provision of security to any other party including lenders and alternative pension arrangements
d. Impairment of security, bond or guarantee provided by an employer to the Fund against their obligations
e. The sale or transfer of significant assets, where the net book value or sale value exceeds 10% of the employer's net assets
f. A material increase in gearing (i.e. taking on additional debt in order to finance its operations)
g. The employer has defaulted on payments
h. There has been a breach of banking (or other) covenant or the employer has agreed a waiver with the lender
i. The employer's officers are seeking legal advice in the context of continuing to trade and/or potential wrongful trading
j. An employer becomes insolvent

ii. A change in the employer's circumstances

This includes but is not limited to the following scenarios, where applicable:

a. A merger of the employer with another organisation
b. An acquisition by the employer of another organisation or relinquishing control
c. An employer commences the wind down of its operations or ceases to trade
d. A material change in the employer's business model
e. A change in the employer's legal status (to include matters which might change qualification as a scheme employer under the LGPS Regulations)
f. The employer becoming aware of material suspected / actual fraud or financial irregularity
g. The employer becoming aware of material legal or court action against them
h. There has been suspension or conviction of senior personnel
i. Regulatory investigation and/or sanction by other regulators
j. Loss of accreditation by a professional, statutory or regulatory body

In the examples set out above, the Fund requires prior notification of these events (e.g. at the time that there has been a decision in principle rather than once the event has happened). The Fund will ensure that all information is treated as confidential.

WHAT INFORMATION SHOULD BE PROVIDED TO THE FUND?

The information required will vary depending on the situation that has arisen. The first step will be to email or call the Fund to notify them of the event that has occurred.

WHAT ACTION WILL THE FUND TAKE ONCE NOTIFIED?

Where one of the listed events occurs, the Fund will enter into discussion with the employer to clarify details of the event. If necessary, advice will be taken from the Fund Actuary, legal or a covenant specialist advisors. Depending on the outcome of the Fund's review of the situation, potential actions that may be taken as a result are as follows:

a. No further action required
b. More detailed request for further information and ongoing monitoring
c. The Fund will review the documentation provided and respond on next steps
d. A review of employer contributions
e. A review of the recovery period used to calculate secondary contributions
f. A review of the employer's investment bucket
g. A review of the termination position and discussions with the employer as to how this may be addressed
h. A review of any deferred debt agreements if applicable

Employers will kept informed of all steps throughout the process.

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APPENDIX G – INSURANCE ARRANGEMENTS

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OVERVIEW OF ARRANGEMENT

Ill health retirements can be expensive for employers, particularly small employers where one or two costly ill health retirements can take them well above the "average" implied by the valuation assumptions.

For certain employers in the Fund (following discussions with the Fund Actuary and after considering potential alternative insurance arrangements) a captive insurance arrangement was established by the Administering Authority to cover ill-health retirement costs. This has applied to all ill-health retirements since 1 April 2017. It applies only to ill-health retirements involving the early payment of pension and to the associated benefit costs.

The captive arrangement operates as follows:

- "Premiums" are paid by the eligible employers into the captive arrangement which is tracked separately by the Fund Actuary in the valuation calculations. The premiums are included in the employer's primary rate. The premium for 2023/26 is 0.3% of pensionable pay per annum

- The captive arrangement is then used to meet strain costs (over and above the premium paid) emerging from ill-health retirements in respect of both active and deferred members i.e. so there is no initial impact on the deficit position for employers within the captive.

- The premiums are set with the expectation that they will be sufficient to cover the costs in the 3 years following the valuation date. If any excess premiums over costs are built up in the Captive, these will be used to offset future adverse experience and/or result in lower premiums at the discretion of the Administering Authority based on the advice of the Actuary.

- In the event of poor experience over a valuation period any shortfall in the captive fund is effectively underwritten by the other employers within the Fund. However, the future premiums will be adjusted to recover any shortfall over a reasonable period with a view to keeping premiums as stable as possible for employers. Over time the captive arrangement should therefore be self-funding and smooth out fluctuations in the contribution requirements for those employers in the captive arrangement.

- Premiums payable are subject to review from valuation to valuation depending on experience and the expected ill health trends. They will also be adjusted for any changes in the LGPS benefits. They will be included in employer rates at each valuation or on commencement of participation for new employers.

EMPLOYERS COVERED BY THE ARRANGEMENT

Those employers (both existing and new) that will generally be included in the captive are:

- Academies
- Community related Admitted Bodies
- Contract related Admitted Bodies (where the guarantor is also in the captive arrangement)
- Designating/Resolution Bodies.

These employers have been notified of their participation. New employers entering the Fund who fall into the categories above will also be included. At the discretion of the Administering Authority and where is it felt to be beneficial to the long term covenant and financial health of an employer, specific employers (outside of the categories listed above) may be included within the captive arrangement. In addition, the Administering Authority has the ability to exclude any employer in order to manage employer risk within the Fund.

For all other employers who do not form part of the captive arrangement, the current treatment of ill-health retirements will still apply. The Fund therefore continues to monitor ill-health retirement strain costs incurred in line with the allowance made in the actuarial assumptions. Once the allowance is exceeded, any excess costs are recovered from the employer, either at the next valuation or at an earlier review of the contributions due, including on termination of participation.

EMPLOYER RESPONSIBILITIES

Apart from the regulatory procedures in place to ensure that ill-health retirements are properly controlled, **employing bodies should be doing everything in their power to ensure robust processes are in place to determine eligibility for ill health retirements.**

The Fund and the Actuary will monitor the number of retirements that each captive employer is granting over time. If any employer has an unusually high incidence of ill health retirements, consideration will be given to the governance around the eligibility criteria applied by the employer and it is possible that some or all of the costs would fall on that employer if the governance was not deemed strong enough. Where an employer provides notice to exit the Fund, an automatic review will take place of any ill health retirements that have been awarded to ensure that employers within the captive arrangement are not disadvantaged. This may mean that the expected future premiums will be deducted as part of the termination assessment.

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APPENDIX H – GLOSSARY OF TERMS

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ACTUARIAL VALUATION: an investigation by an actuary into the ability of the Fund to meet its liabilities. For the LGPS the Fund Actuary will assess the funding level of each participating employer and agree contribution rates with the Administering Authority to fund the cost of new benefits and make good any existing deficits as set out in the FSS. The asset value is based on market values at the valuation date.

ADMINISTERING AUTHORITY: the council with a statutory responsibility for running the Fund and that is responsible for all aspects of its management and operation.

BENCHMARK: a measure against which fund performance is to be judged.

BENEFITS: The benefits provided by the Fund are specified in the governing legislation contained in the Regulations referred to within the FSS. Benefits payable under the Fund are guaranteed by statute and thereby the pensions promise is secure for members.

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

BEST ESTIMATE ASSUMPTION: an assumption where the outcome has a 50/50 chance of being achieved.

BONDS: loans made to an issuer (often a government or a company) which undertakes to repay the loan at an agreed later date. The term refers generically to corporate bonds or government bonds (gilts).

CAREER AVERAGE REVALUED EARNINGS SCHEME (CARE): with effect from 1 April 2014, benefits accrued by members in the LGPS take the form of CARE benefits. Every year members will accrue a pension benefit equivalent to 1/49th of their pensionable pay in that year. Each annual pension accrued receives inflationary increases (traditionally, in line with the annual change in the Consumer Prices Index) over the period to retirement.

CMI: The 'Continuous Mortality Investigation' carries out research in relation to mortality and morbidity experience which can then be used by actuaries to assess the funding required by pension funds and other bodies.

CPI: acronym standing for "Consumer Prices Index". CPI is a measure of inflation with a basket of goods that is assessed on an annual basis. The reference goods and services differ from those of RPI and the method of calculation is different. The CPI is expected to provide lower, less volatile inflation increases. Pension increases in the LGPS are traditionally linked to the annual change in CPI.

CPIH: An alternative measure of CPI which includes owner occupiers' housing costs and Council Tax (which are excluded from CPI).

CONTINGENT ASSETS: assets held by employers in the Fund that can be called upon by the Fund in the event of the employer not being able to cover the debt due upon termination. The terms will be set out in a separate agreement between the Fund and employer.

COVENANT: the assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term or affordability constraints in the short term.

DEFERRED DEBT AGREEMENT (DDA): A written agreement between the Administering Authority and an exiting Fund employer for that employer to defer their obligation to make an exit payment and continue to make contributions at the assessed Secondary rate until the termination of the DDA.

DEFERRED EMPLOYER: An employer that has entered into a DDA with the Fund.

DEFICIT: the extent to which the value of the Fund's past service liabilities exceeds the value of the Fund's assets. This relates to assets and liabilities built up to date and ignores the future build- up of pension (which in effect is assumed to be met by future contributions).

DEFICIT RECOVERY PERIOD: the target length of time over which the current deficit is intended to be paid off. A shorter period will give rise to a higher annual contribution, and vice versa.

DERIVATIVES: Financial instruments linked to the performance of specific assets which can be used to magnify or reduce exposure to those assets

DISCOUNT RATE: the rate of interest used to convert a cash amount e.g. future benefit payments occurring in the future to a present value i.e. the liabilities. A higher discount rate means lower liabilities and vice versa.

EARLY RETIREMENT STRAIN: the additional cost incurred by a scheme employer as a result of allowing a Scheme Member aged 55 or over to retire before Normal Retirement Age and to receive a full pension based on accrued service at the date of retirement without full actuarial reduction.

EMPLOYER'S FUTURE SERVICE CONTRIBUTION RATE ("PRIMARY RATE"): the contribution rate payable by an employer, expressed as a % of pensionable pay, as being sufficient to meet the cost of new benefits being accrued by active members in the future. The cost will be net of employee contributions and will include an allowance for the expected level of administrative expenses. It is normally the same as an employer's Primary Contribution Rate under the Regulations.

EQUITIES: shares in a company which are bought and sold on a stock exchange.

EQUITY PROTECTION: an insurance contract which provides protection against falls in equity markets. Depending on the pricing structure, this may be financed by giving up some of the upside potential in equity market gains.

EXIT CREDIT: the amount payable from the Fund to an exiting employer where the exiting employer is determined to be in surplus at the point of cessation based on a termination assessment by the Fund Actuary.

FUNDING OR SOLVENCY LEVEL: the ratio of the value of the Fund's assets and the value of the Fund's liabilities expressed as a percentage.

FUNDING STRATEGY STATEMENT: this is a key governance document which the Administering Authority is obliged to prepare and publish that outlines how the Administering Authority will manage employer's contributions and risks to the Fund.

GOVERNMENT ACTUARY'S DEPARTMENT (GAD): the GAD is responsible for providing actuarial advice to public sector clients. GAD is a non-ministerial department of HM Treasury.

GUARANTEE / GUARANTOR: a formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer's covenant to be as strong as its guarantor's.

GUARANTEE OF LAST RESORT: for the purposes of the FSS, a guarantee of last resort refers to the situation where an employer has exhausted all alternative options for payment of an exit debt and so the debt is recovered from another employer in the Fund, however the liabilities are not subsumed in this case.

HEDGING: a strategy that aims to reduce funding volatility using Liability Driven Investment (LDI) or other techniques. This is achieved by investing in assets that capture levels of yields based on agreed trigger levels so the assets mimic the change in liabilities.

HEDGE RATIO: The level of hedging in place as a percentage of the liabilities and can be 0% to 100%. This can be in relation to interest rates, inflation rates or real rates of return.

ILL HEALTH CAPTIVE: this is a notional fund designed to protect certain employers against excessive ill health costs in return for an agreed insurance premium.

INVESTMENT BUCKET: this describes a bespoke investment strategy which applies to one or more employers and is dependent on the liability and risk profile. The strategy dictates the financial assumptions used to determine the employer's contribution requirements. The relevant discount rate used for valuing the present value of liabilities is determined based on the investment strategy for the relevant investment bucket. For the higher and medium risk investment bucket, this is expressed as an expected return over CPI.

INVESTMENT STRATEGY: the long-term distribution of assets among various asset classes that takes into account the Funds objectives and attitude to risk.

INVESTMENT STRATEGY STATEMENT (ISS): a statement describing the high-level principles governing the investment decision-making (including the long term strategic allocation) and management of the Fund and the policy that has been developed to ensure their implementation.

LETTING EMPLOYER: an employer that outsources part of its services/workforce to another employer, usually a contractor. The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay these benefits will revert to the letting employer.

LGPS: the Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These Regulations also dictate those employing bodies which are eligible to participate, members' contribution rates, benefit calculations and certain governance requirements.

LIABILITIES: the actuarially calculated present value of all benefit entitlements i.e. scheme cashflows of all members of the Fund, accumulated to date or in the future. The liabilities in relation to the benefit entitlements earned up to the valuation date are compared with the present market value of Fund assets to derive the deficit and funding/solvency level. Liabilities can be assessed on different sets of actuarial assumptions depending on the purpose of the valuation.

LIABILITY DRIVEN INVESTMENTS (LDI): A way of investing which gives multiple exposure to gilts, meaning that the Fund can hedge part of its assets against changes in liabilities in order to provide protection against changes in interest rate and / or market RPI inflation expectations.

LONG TERM COST EFFICIENCY: this is a measure of the extent to which the Fund's policies properly address the need to balance immediate budgetary pressures with the undesirability of imposing an excessive debt burden on future generations.

LOWER RISK FUNDING BASIS: an approach where the discount rate used to assess the liabilities is determined based on the expected long term return achieved on the Fund's lower risk investment strategy. This is usually adopted for employers who are deemed to have a weaker covenant than others in the Fund, are planning to exit the Fund or would like to target a lower risk strategy. This basis is adopted for ongoing contribution rate purposes as the employers' asset share is invested in the lower risk investment bucket.

MATURITY: a general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.

MCCLOUD JUDGMENT: This refers to the linked legal cases of Sargeant and McCloud, and which found that the transitional protections (which were afforded to older members when the public service pension schemes were reformed in 2014/15) constituted unlawful age discrimination.

MEMBERS: The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired and dependants of deceased ex-employees).

MINIMUM RISK FUNDING BASIS: an approach where the discount rate used to assess the liabilities is determined based on the market yields of Government bond investments based on the appropriate duration of the liabilities being assessed. This can be used as a benchmark to assess the level of reliance on future investment returns in the funding strategy and therefore the level of risk appetite in a Funds choice of investment strategy.

ORPHAN LIABILITIES: liabilities in the Fund for which there is no sponsoring employer within the Fund. Ultimately orphan liabilities must be underwritten by all other employers in the Fund.

PAST SERVICE LIABILITIES: this is the present value of all the benefits accrued by members up to the valuation date. It is assessed based on a set of assumptions agreed between the Administering Authority and the Actuary.

PERCENTILES: a method of ranking a series of outcomes. For example, a 10th percentile outcome means that only 10% of results would be expected to be as good as or better than the 10th percentile and 90% of results would be expected to be worse.

PREPAYMENT: the payment by employers of contributions to the Fund earlier than that certified by the Actuary. The amount paid will be reduced in monetary terms compared to the certified amount to reflect the early payment.

PRESENT VALUE: the value of projected benefit payments, discounted back to the valuation date.

PRIMARY RATE OF THE EMPLOYERS' CONTRIBUTION: see definition of Employer's Primary Contribution Rate.

PROFILE: the profile of an employer's membership or liability reflects various measurements of that employer's members, i.e. current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members compared to their salary levels, etc.

PRUDENT ASSUMPTION: an assumption where the outcome has a greater than 50/50 chance of being achieved i.e. the outcome is more likely to be overstated than understated. Legislation and Guidance requires the assumptions adopted for an actuarial valuation to be sufficiently prudent.

RATES AND ADJUSTMENTS CERTIFICATE: a formal document required by the LGPS Regulations, which must be updated at least every three years at the conclusion of the formal valuation. This is completed by the Actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the three-year period until the next valuation is completed (unless there is a review of the contribution rate before the next formal valuation).

REAL RETURN OR REAL DISCOUNT RATE: a rate of return or discount rate net of (CPI) inflation.

RECOVERY PLAN: if the funding level of an employer is above or below 100% at the valuation date (i.e. the assets of the employer are more or less than the liabilities), a recovery plan needs to be implemented such that the secondary contributions for each employer can be calculated. This recovery plan requires a period over which to recover the deficit or run off any surplus i.e. the recovery period ("the recovery period", as defined in the FSS).

SAB FUNDING BASIS OR SAB BASIS: a set of actuarial assumptions determined by the LGPS Scheme Advisory Board (SAB). Its purposes are to set out the funding position on a standardised approach so that comparisons can be made with other LGPS Funds, and to assist with the "Section 13 review" as carried out by the Government Actuary's Department. As an example, the real discount rate over and above CPI used in the SAB Basis as at 31 March 2022 was 2.4% p.a., so it can be substantially different from the actuarial assumptions used to calculated the Fund's solvency funding position and contribution outcomes for employers.

SCHEME EMPLOYERS: organisations that participate in the Merseyside Pension Fund.

SECTION 13 VALUATION: in accordance with Section 13 of the Public Service Pensions Act 2014, the Government Actuary's Department (GAD) have been commissioned to advise the Department for Levelling Up, Housing and Communities (DLUHC) in connection with reviewing the 2022 LGPS actuarial valuations. All LGPS Funds therefore will be assessed on a standardised set of assumptions as part of this process.

SECONDARY RATE OF THE EMPLOYERS' CONTRIBUTION: an adjustment to the Primary Rate to reflect any past service deficit or surplus, to arrive at the rate each employer is required to pay. The Secondary Rate may be expressed as a percentage adjustment to the Primary Rate, and/or a cash adjustment in each of the three years beginning 1 April in the year following that in which the valuation date falls. The Secondary Rate is specified in the Rates and Adjustments Certificate. For any employer, the rate they are actually required to pay is the sum of the Primary and Secondary Rates. Secondary Rates for the whole fund in each of the three years shall also be disclosed.
These will be calculated as the weighted average based on the whole fund payroll in respect of percentage rates and as a total amount in respect of cash adjustments.

SOLVENCY/FUNDING LEVEL: the ratio of the value of the Fund's assets and the value of the Fund's liabilities expressed as a percentage.

SOLVENCY FUNDING TARGET: an assessment of the present value of benefits to be paid in the future. The desired funding target is to achieve a solvency level of a 100% i.e. assets equal to the accrued liabilities at the valuation date assessed on the ongoing concern basis.

STRAIN COSTS: the costs arising when members retire before their normal retirement date and receive their pensions immediately without actuarial reduction. So far as the Fund is concerned, where the retirements are not caused by ill-health, these costs are invoiced directly to the retiring member's employer at the retirement date and treated by the Fund as additional contributions. The costs are calculated by the Actuary.

SWAPS: a generic term for contracts put in place with financial institutions such as banks to limit the Fund's investment and other financial risks where financial obligations on one basis are "swapped" for financial obligations on another basis.

50/50 SCHEME: in the LGPS, active members are given the option of accruing a lower personal benefit in the 50/50 Scheme, in return for paying a lower level of contribution.

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Merseyside Pension Fund

- Governance Policy

Wirral Metropolitan Borough Council

As approved by Pensions Committee on **23 November 2020** following consultation with the Local Pension Board and last reviewed **February 2022**

Contents

Introduction

This statement sets out the scheme of delegation, the terms of reference, structure and operational procedures of the delegation.

Relationship of Merseyside Pension Fund and Wirral Council

Wirral Council is the administering authority of the Merseyside Pension Fund under the Local Government Pension Scheme Regulations 2013 and is the Scheme Manager as defined by Section 4 of the Public Service Pension Act 2013. In its capacity as Scheme Manager the council is authorised to manage the Pension Fund's assets and liabilities and carry out any other specified activities associated with the operation of the Scheme. The authority is not authorised to give investment advice.

Due to this status, the Fund is not required to be regulated by the Financial Conduct Authority (FCA) in order to operate its business. It is regulated by the Ministry of Housing, Communities and Local Government (MHCLG).

As an administering authority, Wirral Council is required to act as if the Fund were set up under trust with the authority itself as the sole trustee, although the assets are not trust assets in the legal sense.

Scheme of Delegation of (Non-Executive) Functions to Committees

Under its Constitution, the council delegates, under Section 101 of the Local Government Act 1972 to Pensions Committee all those non-Executive functions vested in it, identified in the terms of reference for the Committee (see page 5).

The scheme delegates powers and duties within broad functional descriptions and includes powers and duties under all legislation present and future within those descriptions and all powers and duties including any statutory re-enactment or moderation of the legislation referred to in this scheme.

Any exercise or responsibility for functions or delegated powers shall comply with:

- any statutory requirements;
- the Council's Constitution;
- the Council's Budget and Policy Framework and approved budget;
- the Members' Code of Conduct;
- the Code of Recommended Practice on local authority publicity;
- the agreed arrangements for recording decisions;

This scheme does not delegate any matters reserved by law to the full Council or assigned to the Executive.

Pensions Committee

Membership

The Committee is comprised of around fifteen voting members; ten of whom are members of Wirral Council, four members from the other local authorities and one member representing the other employing organisations in the Fund. Three trade union representatives, with observer status, are invited and represent active, deferred and pensioner members.

Terms of Reference

1. To exercise on behalf of the Council all of the powers and duties of the Council in relation to its functions as administering authority of Merseyside Pension Fund, and in particular the following:
2. To be responsible for the overall investment policy, strategy and principles of the Fund and its overall performance.
3. To appoint and terminate professional advisors to, and external managers of, the Fund and agree the basis for their commission and remuneration.
4. To receive actuarial valuations of the Fund and determine the level of employers' contributions necessary to balance the Fund.
5. To monitor the Local Government Pension Scheme Regulations and overriding pension law, overseeing the governance of the Fund including the day to day administration and policy decisions relating to the management of the Scheme.
6. To consider any views expressed by employing organisations, staff representatives and other stakeholders relating to the Fund.
7. To appoint members of the Investment Monitoring Working Party, which shall have responsibility for reviewing the performance of the Fund's investments, and its asset allocation and regularly reporting their findings to the Pensions Committee.
8. To appoint members of the Governance and Risk Working Party, which shall have responsibility for reviewing governance and risk issues, and regularly reporting their findings to the Pensions Committee.
9. To award contracts for goods and services relating to the Fund in accordance with the Contract Procedure Rules after taking into account the recommendations of officers and external professional advisors (where appropriate).

Local Pension Board

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

Membership

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

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

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

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

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

- comply with the Scheme regulations and other legislation relating to the governance and administration of the Scheme; and
- any requirements imposed by the regulator.

A member of the Pension Board must be conversant with:

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

The Council considers that the Pension Board is providing oversight of these matters and, accordingly, the Pension Board is not a decision-making body in relation to the management of the Pension Fund but makes recommendations to assist in such management.

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

Joint Governance Committee

Membership

In compliance with 2015 Government guidance requiring administering authorities to collaborate to establish and invest through asset pools, each with at least £25bn of Scheme assets, the Fund is a member of Northern LGPS.

Northern LGPS is a partnership between the Greater Manchester (GMPF), Merseyside (MPF) and West Yorkshire (WYPF) Local Government Pension Scheme (LGPS) funds. The partner funds of the Northern LGPS Investment Pool have formed a Joint Committee to oversee the activities of the Pool.

The membership of the Joint Governance Committee shall consist of the chair and deputy-chair of each of the Pooling Partners' Pensions Committees or such alternative persons nominated by the Pooling Partners.

In addition, up to three trade union representatives may be appointed after being nominated by the Trades Union Council and subject to the agreement of the Pooling Partners.

Terms of Reference

The primary purposes of the Joint Committee are to:

1. exercise oversight over the investment performance of the Pooling Partners' Funds
2. deliver the Shared Objectives
3. agree on any recommended changes to the Shared Objectives
4. report to the Pool

Scheme of Delegation of Functions to Officers

Director of Pensions

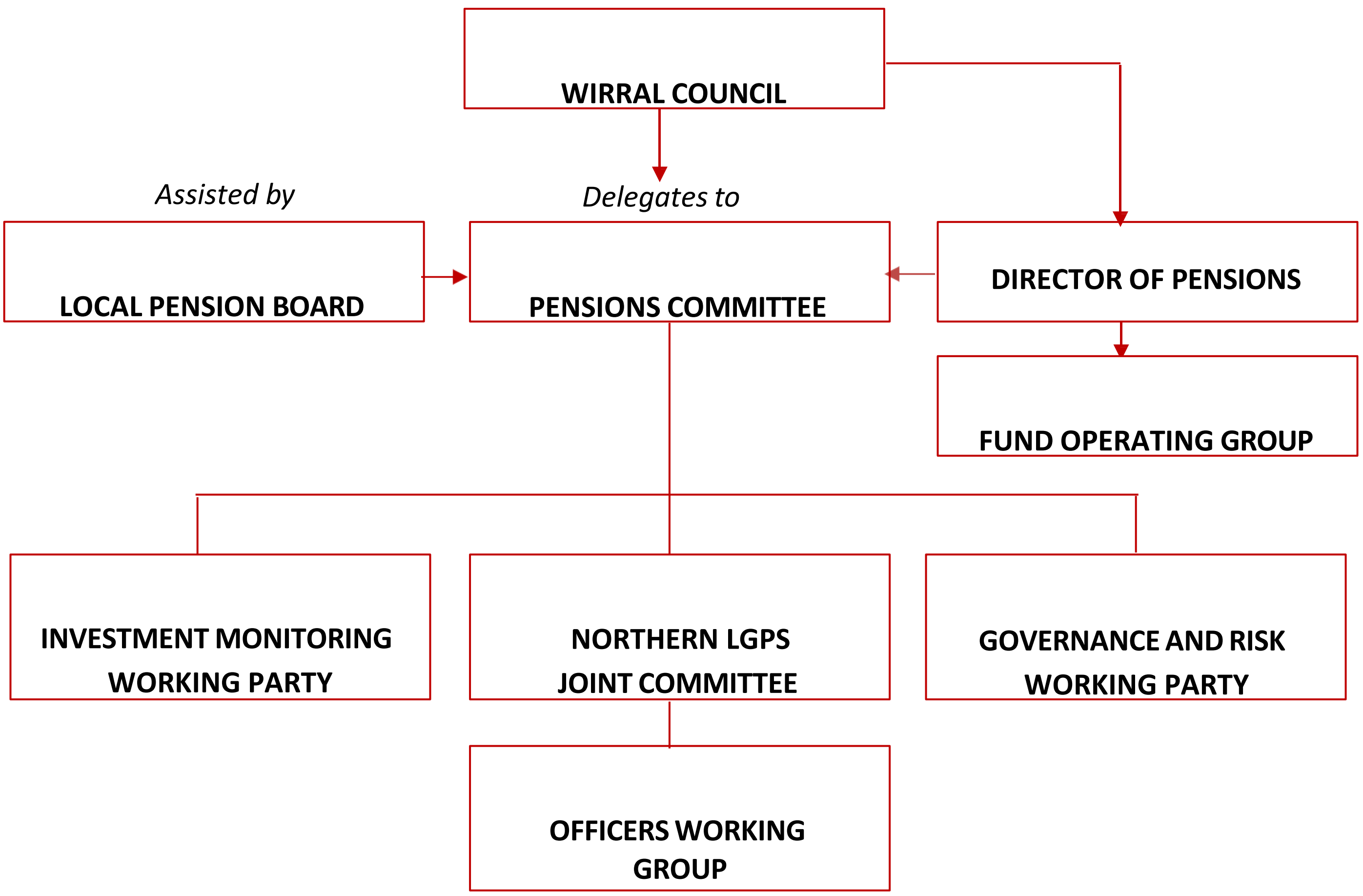
The following functions, particular to the Pension Fund, are delegated to the Director of Pensions pursuant to Section 101 of the Local Government Act 1972 and by the Executive under Section 15 of the Local Government Act 2000.

Undertake all day to day administration of, and investment decisions for, the Merseyside Pension Fund within the policy laid down by the Pensions Committee including the authorisation of admission agreements with contractor admission bodies pursuant to Best Value arrangements, as required by the Local Government Pensions Scheme Regulations.

Terminate a contract of an external investment manager and enter into any consequential arrangements for the transitional management of the Fund's investments pending the decision of the Pensions Committee on the award of a new contract.

The Director of Pensions may authorise officers in his department to exercise on his behalf, functions delegated to him. Any decisions taken under this authority shall remain the responsibility of the Head of Pension Fund and must be taken in his name, and he shall remain accountable and responsible for such decisions.

Governance Structure



Functions

The functions for the various elements are as follows:

Pensions Committee

To exercise on behalf of the Council all of the powers and duties of the Council in relation to its functions as administering authority of the County of Merseyside Pension Fund.

Local Pension Board (LPB)

To assist the Scheme Manager in complying with the Scheme Regulations and other regulations relating to the governance and administration of the Scheme.

Investment Monitoring Working Party (IMWP)

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

Governance and Risk Working Party (GRWP)

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

Fund Operating Group (FOG)

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

Director of Pensions

Responsible to the Strategic Director of Finance & Investment and has delegated authority to make investments or to delegate to other employees investment decisions in accordance with the Fund's strategic benchmark and delegated dealing limits.

Northern LGPS Joint Committee

The partner funds of the Northern LGPS Investment Pool (Greater Manchester Pension Fund, Merseyside Pension Fund and West Yorkshire Pension Fund) have formed a Joint Committee to oversee the activities of the Pool.

Officer Working Group (OWG)

The OWG consists of the Directors of the Pooling Partners supported by officers of the Pooling Partners as required. This role is to provide a central resource for advice, guidance and support for the Joint Governance Committee.

Accountability and Publication of Information

Details of Pensions Committee and Pension Board meetings are published on the Wirral Council website together with agendas, reports to be considered by the Committee and Board and minutes of proceedings. Details of Northern LGPS Joint Committee meetings are published on the Tameside Council website together with agendas, reports to be considered by the Committee and minutes of proceedings.

Meetings of both the Pensions Committee and Local Pension Board are open to the public.

An Annual Pension Fund Report & Accounts is published and circulated to all employing bodies reporting on the activities and investment performance of the Fund during the year. Details of matters considered during the year and meetings held are reported and a copy of the annual report is available on the Fund website.

Meetings with Stakeholders

An Annual Employer Conference is held to which all Fund employers and members of the Pensions Committee and Pension Board are invited to attend. The annual conference is an opportunity for employers to question and challenge officers and elected members on matters of interest to their authorities and organisations.

The Fund also holds other meetings as required with Employers to discuss important issues such as the Funding Strategy which underpins the actuarial valuation of the Fund and determines both employers' liabilities and contribution schedules.

Compliance Statement

The Fund fully complies with the best practice guidelines on governance issued by the Ministry of Housing, Communities and Local Government (MHCLG) and details can be found at **Annex 2** attached.

Annex 1

Training and Expenses Policy for Members of Pensions Committee and Local Pension Board

Introduction

1.1 Myners' first principle recommends that "decisions should be taken only by persons or organisations with the skills, information and resources necessary to take them effectively". Where trustees elect to take investment decisions, they must have sufficient expertise and appropriate training to be able to evaluate critically any advice they take.

1.2 Trustees should ensure that they have sufficient in-house staff to support them in their investment responsibilities and should assess whether they have the right set of skills, both individually and collectively, and the right structures and processes to carry out their role effectively.

Legal Considerations

2.1 Elected members have a fiduciary responsibility to the Fund, Scheme members and local council tax payers in relation to the Local Government Pension Scheme. They can delegate functions to officers but they retain overall responsibility for the management of the Fund and its investment strategy.

2.2 Administering authorities are required to take proper advice to enable them to fulfil their obligations under the above regulations. 'Proper advice' is defined in the regulations as 'the advice of a person who is reasonably believed…to be qualified by his ability in and practical experience of financial matters….'

2.3 The Local Pension Board (LPB) has a statutory duty under the Public Service Pension Act 2013 to be conversant with the rules of the Scheme and to discharge their responsibilities as set out in the Pension Regulator's Code of Practice No 14 and to comply with the Knowledge and Understanding Policy specific to Wirral Pension Board.

Training Policy and Plan

3.1 The Fund has had regard to the legal requirements set out in the Local Government Pension Scheme Regulations, other relevant legislation and best practice guidance published by CIPFA and other professional and regulatory bodies in drawing up this policy to ensure that all those involved in the decision-making and oversight process receive all relevant training required to properly discharge their responsibilities

3.2 The Fund arranges an annual programme of external and internal training events throughout the year designed to meet the requirements of new members of the Committee and the LPB along with the ongoing needs of existing members.

3.3 These events are reported, formally, to Members of Pensions Committee and the LPB on an annual basis. Individual reports, to authorise attendance at these events are put to Committee on an event-by-event basis. Attendance of training events for the LPB is as agreed by the Independent Chair and the Director of Pensions.

Policy for Payment of Expenses

4.1 The Fund will reimburse all reasonable costs and expenses incurred in undertaking approved training for all members of the Pensions Committee and LPB.

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

4.3 Members serving on the Committee from other local authorities or organisations may choose to continue to claim any such expenses from these bodies instead if they prefer.

Annex 2

Merseyside Pension Fund Governance Compliance Statement

Part	Governance Requirement	Fully Compliant
II/A	**Structure**	
a.	The management of the administration of benefits and strategic management of Fund assets clearly rests with the main committee established by the appointing council.	Yes
b.	That representatives of participating LGPS employers, admitted bodies and Scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Yes
c.	That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Yes
d.	That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	Yes
II/B	**Representation**	
a.	That all key stakeholders are afforded the opportunity to be represented, within the main or secondary committee structure. These include:- i) employing authorities (including non-Scheme employers, e.g. admitted bodies); ii) Scheme members (including deferred and pensioner Scheme members), iii) independent professional observers, and iv) expert advisors (on an ad-hoc basis).	Yes

b.	That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.	Yes
II/C	**Selection and role of lay members**	
a.	That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	Yes
II/D	**Voting**	
a.	The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees. Following consultation undertaken with all stakeholders groups during 2008 the Fund confirmed that it believes its current representation and voting arrangements are appropriate to ensure good governance. Although they do not have voting rights the three trade union members representing the interests of active, pensioner and deferred members are able to play a full role in all aspects of the Governance of the Fund, including attendance at the Pensions Committee and Investment Monitoring Working Party. They receive copies of all reports and are included in all training and briefings.	Yes
II/E	**Training/Facility time/Expenses**	
a.	That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	Yes
b.	That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Yes

II/F	**Meetings (frequency/quorum)**		
a.	That an administering authority's main committee or committees meet at least quarterly.	Yes	
b.	That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	Yes	
c.	That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	Yes	
II/G	**Access**		
a.	That subject to any rules in the Council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	Yes	
II/H	**Scope**		
a.	That administering authorities have taken steps to bring wider Scheme issues within the scope of their governance arrangements.	Yes	
II/I	**Publicity**		
a.	That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the Scheme is governed, can express an interest in wanting to be part of those arrangements.	Yes	

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Email:	mpfadmin@wirral.gov.uk
Members’ Website	mpfmembers.org.uk
Employers’ Website	mpfemployers.org.uk
Opening Times:	Mon. to Fri. 9am - 5pm

ADMINISTERING AUTHORITY
WIRRAL

Merseyside Pension Fund

- Investment Strategy Statement

Wirral Metropolitan Borough Council

As approved by Pensions Committee on 29 November 2021

Introduction

This Investment Strategy Statement has been prepared in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and with regard to relevant guidance. It is reviewed regularly and not less than every three years.

Investment of money in a wide variety of Investments

The Fund invests in a highly diversified portfolio of assets across multiple asset classes on a global basis. Moreover, the Fund seeks to invest in a broad range of uncorrelated asset classes in order to further reduce overall portfolio risk and limit the potential "downside" effects of financial market volatility.

Investment Strategies

The Fund has implemented a choice of investment strategies ("investment buckets") for employers. These are:

- Higher risk
- Medium risk
- Lower risk

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

The medium risk bucket's initial investment strategy is 65% allocation to growth assets and a 35% allocation to defensive assets. The growth and defensive assets in this bucket are the same as the main Fund investment strategy but in the different proportions.

The lower risk bucket is made up of an investment strategy linked to income generating assets which targets a minimum yield above CPI inflation allowing for default, re-investment risk and any other reasonable margins of prudence deemed appropriate.

The maximum percentage of the total value of all investments of fund money that it will invest in particular investments or classes of investments is set out in the Fund's strategic asset allocation in the table below.

Strategic Asset Structure

Asset Class	Strategic Benchmark %	Detail %[1]	Control Range
Equities	**43**		**33.0-58.0**
UK Equities		**15.2**	
Overseas Equities		**27.8**	
US		4.3	
European (ex UK)		6.5	
Japan		3.2	
Asia Pacific		3.2	
Emerging Markets		4.9	
Global		5.7	
Fixed Income	**17**		**13.0-23.0**
UK Gilts		4	
UK Indexed Linked Gilts		9	
Corporate Bonds		4	
Property	**11**		**8.0-14.0**
Alternatives	**28**		**23.0-33.0**
Private Equity		6	
Hedge Funds		4	
Private Credit		7	
Infrastructure		11	
Cash	**1**		**0.0-6.0**
Total	**100**		

The Fund's portfolio asset diversification policy is reviewed triennially with its Actuarial advisor and on a quarterly basis with its Strategic Advisor and Independent Advisors under the auspices of its Medium-Term Asset Allocation Strategy (MTAA).

The Fund's strategic asset allocation is reviewed and authorised at least every three years by the Administering Authority's Pensions Committee.

The Fund's investment strategy is underpinned by certain core beliefs pertaining to individual asset classes *inter alia:*

- The existence of an equity or volatility *risk premium*, namely that investors are rewarded over the longer term for making investments in equities or other assets that have a return profile that is more volatile than liability matching assets
- There is a liquidity risk premium i.e. investors are rewarded over the longer term for making illiquid investments

[1] The % weights shown reflect the current target implementation in equities and fixed income. The Fund's implementation approach to these asset classes is the subject of ongoing review of the investment strategy and these weights may subsequently be revised.

- Active management of asset allocation can enhance returns by taking active positions against the strategic benchmark within tolerance parameters to control risk
- Active management within asset classes is possible by internal and external managers in order to outperform specific benchmark indices. There are persistent anomalies within asset pricing that can be exploited
- Active management requires the taking of calibrated risk i.e. volatility from the specific benchmark index returns in the short and medium term
- That environmental, social and corporate governance (ESG) factors will materially affect investment performance over the long term (the Fund's Responsible Investment Beliefs are expanded in the Fund's RI policy)
- Integration of ESG factors improves investment decisions in the long-term
- The risks arising from climate change are significant and must be managed proactively

Under the triennial review, the Fund's Scheme Actuary provides a dynamic analysis of assets and liabilities within the context of the overall objectives of the Fund *inter alia* to:

- Achieve a 100% solvency level in a reasonable timeframe;
- Maintain sufficient assets to pay all benefits as they arise;
- Implement a sufficiently prudent funding plan to protect against any potential "downside" outcomes reflecting the demographic characteristics of the Fund;
- Provide a linkage to the Fund's investment strategy and economic outlook based on its actuarial assumptions.

The Fund's Strategic Advisor provides professional advice on the global strategic asset allocation of portfolio investments with the greatest probability of meeting its overall objectives.

In addition to providing a review of the Fund's investment strategy, the Strategic Advisor also provides ongoing monitoring and reporting of both the Fund's assets and liabilities and the resulting progression of the Fund's funding level over time.

Within the shorter-term strategic time horizon, the Strategic Advisor also advises on medium term tactical asset allocation adjustments in order to exploit opportunities arising from a dynamic financial market environment within the tolerance bands set within the triennial strategic asset allocation.

This is undertaken within the Fund's Medium-Term Tactical Asset Allocation framework in which the Strategic Advisor advises and makes recommendations on the magnitude of medium- term tactical positions to be taken around the strategic benchmark in conjunction with officers of the Fund and its Independent Investment Advisors.

The suitability of particular investments and types of investments

The suitability of particular investments and types of investments to reside within the Fund's investment portfolio are analysed within the context of the overall strategic asset allocation. The Fund may also make use of derivatives, either directly or in pooled investments, for the purposes of efficient portfolio management or to hedge specific risks, in order to protect the value of the Fund's assets.

Explicit investment mandates have been established for external and internal investment managers across all asset classes with clear instructions as to how these mandates are to be managed within a range of defined investment parameters and performance targets.

All investment mandates are reviewed regularly by the Fund's Investment Management Working Party (IMWP) and its Independent Advisors to ensure that returns, risk and volatility are all appropriately managed and remain consistent with the overall strategy of the Fund and the individual portfolio strategies of the Fund's investment managers.

In order to determine that the Fund's policy on asset allocation is compatible with achieving its locally determined solvency target the Strategic Advisor undertakes ongoing monitoring of both the Fund's assets and liabilities in order to ascertain the Fund's direction of travel towards meeting its funding and solvency targets.

A report is produced by the Strategic Advisor and presented to the IMWP on a quarterly basis for discussion.

The approach to risk, including the ways in which risks are to be measured and managed

The Fund recognises that there are various investment and operational risks to which any pension scheme is subject and gives qualitative and quantitative consideration to such risks through the Pensions Committee, Local Pension Board and the Governance & Risk Working Party.

The Fund has a clearly determined approach to its risk tolerance with the objective of optimising the returns from its global investment activities within reasonable risk parameters.

Accordingly, as documented in the Fund's Funding Strategy Statement, the Actuary has identified key risks in the following areas:

- Financial
- Demographic
- Regulatory
- Governance
- Climate change

With regard to its global investment portfolio activities, the principal risks undertaken by the Fund are related to strategic asset allocation, tactical asset allocation and the active management of investment portfolios.

In order to mitigate these risks, the Fund works closely with its appointed Strategic Advisor to establish a highly diversified portfolio of investments across different asset classes and geographies with the greatest probability of meeting its funding and solvency targets. In addition to its core investments in global equities and bonds, the Fund invests in other alternative assets such as property, private equity, private credit, venture capital and infrastructure where it is possible to identify assets with lower correlations to the mainstream.

Through its Medium Term Asset Allocation framework, the fund seeks to actively control risk by reducing unintended variances from benchmark by periodically correcting positions created by market movements in accordance with the advice of its Strategic Advisor and consultation with its Independent Advisors.

The Fund's approach to pooling investments including the use of collective investment vehicles and shared services

The Council has signed a memorandum of understanding with the administering authorities of the Greater Manchester Pension Fund and the West Yorkshire Pension Fund to create the Northern LGPS ('the Pool') in order to meet the criteria for pooling investments released by Government on 25 November 2015.

The three funds submitted their pooling proposal to Government in July 2016 and the Department for Communities and Local Government (now DLUHC) provided confirmation in January 2017 that it is content for the funds to proceed with the formation of the Pool as set out in the July 2016 proposal. The proposal is available on MPF's website.

The principal benefits of pooling for the funds in the Northern LGPS are in respect of alternative assets where there is greatest scope to generate further economies of scale and to combine resources to make increasingly direct investments. Following detailed discussions and consideration of professional advice, it was agreed in March 2017 by each of the participating funds that in order to meet the Reduced Costs and Excellent Value for Money criterion set by Government most effectively, the Northern LGPS should focus on collective investment in private market assets such as private equity and direct infrastructure. Subject to value for money requirements being fulfilled, private equity and direct infrastructure investments are made via joint ventures and partnerships to enable material cost savings from an early stage. Such structures are in all cases compliant with relevant financial services law. Legacy private market assets (i.e. those entered into prior to the formation of the Pool) are being run-off on a segregated basis.

The Scale and Strong Governance and Decision-Making criteria are met by:

i) a Joint Committee providing monitoring and oversight of the operations of the Northern LGPS with the Joint Committee constituted so as to separate elected members from any manager selection decisions and;
ii) appointing an FCA regulated common custodian for the Pool, which has custody of all the pool's actively managed listed assets (i.e. internally and externally managed equities and bonds) and acts as master record-keeper for all pool assets.

Strategic asset allocation continues to be set by each fund's pensions committee with the selection of individual investments and investment managers for external mandates carried out on a pooled basis by appropriately qualified and experienced officers, operating under the legal framework of specialist investment vehicles where appropriate.

All public-market assets and new commitments to private equity and direct infrastructure are monitored and overseen by the Northern LGPS Joint Committee with all assets other than day-to- day cash used for scheme administration purposes being held under the common custody agreement. Day-to-day cash is assumed to be 1% of total assets for each fund.

The Pool will procure the following services, as required, on behalf of the participating funds

- External fund management for public-market mandates
- Common custodian for Pool
- Investment management systems
- Performance analytics
- Responsible Investment advisory services
- Other professional advice

The Northern LGPS Joint Committee is created via the approval of an inter-authority agreement between the administering authorities to the participating funds. The role of the Joint Committee is to:

i) provide monitoring and oversight of the Northern LGPS to ensure that the pool is effectively implementing the participating authorities' strategic asset allocation decisions;
ii) oversee reporting to the participating authorities' pensions committees.
iii) act as a forum for the participating authorities to express the views of their pensions committees;
iv) ensure segregation of duties in investment decision-making between elected members and officers;
v) monitor performance of portfolios;
vi) monitor the appointment of investment managers

Reporting processes of the Northern LGPS include regular written reports on the performance of Northern LGPS investments to the Joint Committee, which are discussed at formal meetings. The Joint Committee will not be undertaking any regulated activities.

The Northern LGPS' governing documentation grants the Joint Committee and each administering authority certain powers regarding the operation of the Northern LGPS, which can be used to ensure the effective performance of Northern LGPS. MPF's approach to pooling, set out above, will be reviewed periodically to ensure this continues to demonstrate value for money, particularly following any changes to funds' strategic asset allocations, pool management arrangements or taxation policy in the UK or internationally. The reviews will take place no less than every 3 years.

A report on the progress of asset transfers will be made to the Scheme Advisory Board on at least an annual basis.

How social environmental or corporate governance considerations are taken into account in the selection non-selection retention and realisation of investments

The Fund's Statement of Beliefs on Responsible Investment is available at:
mpfmembers.org.uk/content/Investment-Strategy-Statement

Merseyside Pension Fund pursues a policy of Responsible Investment (RI), arising from the belief that environmental, social and corporate governance (ESG) factors will materially affect investment performance over the long term. MPF considers that a holistic approach to investing must consider ESG factors from the outset and at all stages of the decision-making process: from investment beliefs and strategy, across all asset classes and in the strategies selected.

Such an approach is consistent with MPF's view of its fiduciary duty to seek optimal investment outcomes that are in the best interests of all its scheme participants, having regard to a prevailing public service ethos and to the long-term stability of the wider financial system. In setting its high- level strategic framework, MPF will take a forward-looking view of the strategy's sustainable characteristics (for example, by using techniques such as climate scenario analysis).

MPF believes that it can select optimal investment strategies across asset classes that integrate ESG information into quantitative and qualitative analysis, which drives the construction and adjustment of investment portfolios. This allows for the flexibility to consider diverse investment approaches and methodologies as appropriate to the objectives and set parameters of particular mandates.

Under the auspices of the Northern LGPS Investment Pool, MPF evaluates and monitors the RI capability of all its investment managers, with reference to industry standards of best practice. MPF is a signatory of the **Principles for Responsible Investment** and is committed to reporting on its implementation of these Principles and promoting them across the investment industry. The Fund intends to become a signatory to the revised FRC UK Stewardship Code.

MPF makes use of a variety of ESG incorporation[2] methodologies, within particular mandates (including those managed by the in-house team) where the investment objective includes the optimisation of ESG-related risk and opportunity, alongside an increasing focus on shaping

[2] The PRI's definition and guidance on ESG incorporation informs this statement: **unpri.org/investment-tools**

sustainable outcomes. These methodologies include primarily (but not exclusively) ESG fundamental integration and active ownership, with ESG tilts and some norms-based screening applied in index-tracking strategies. For investments in private markets, MPF takes steps to ensure that the investment selection and management process is governed by consideration of material ESG factors over the lifecycle of each portfolio investment.

The values and expectations that determine this policy are imparted through MPF's governance arrangements, which incorporate representation of all Scheme members and employers alongside the Administering Authority. Responsible Investment matters are considered throughout the governance processes that set and monitor the Fund's investment strategy and are regularly reviewed by the Fund's Investment Monitoring Working Party.

MPF regards social impact investing as entirely compatible with investing responsibly and considers such opportunities on a prudent basis (or as a **'finance-first' investor**). Social impact or thematic investing may provide access to diverse opportunities, with lower correlations to other assets, and can deliver acceptable risk-adjusted returns. It is recognized that the positive impacts targeted will, in many cases, closely align to the wider objectives (including financial) of many of MPF's participating employers and scheme members.

MPF seeks to implement its RI policy by collaborating with other investors to benefit from the sharing of resources and leveraging of influence. To a considerable extent, this is through its pool partnership with Greater Manchester Pension Fund and West Yorkshire Pension Fund, the two other member funds of the Northern LGPS Pool. The Responsible Investment Policy for the Northern LGPS sets out how any environmental, social and governance policies are handled by the pool and how stewardship responsibilities are determined and enacted. It also encapsulates voting policies as detailed below.

The exercise of rights (including voting rights) attaching to investments

MPF considers that practising responsible ownership of its assets is fundamental to investing responsibly over the long-term; and that, in the case of equity investments, the exercise of voting rights is an intrinsic part of the value of share ownership.

MPF's policy with regard to the voting rights attached to its equity investments is to retain control and to exercise those rights to the fullest reasonable extent. Voting activity is not delegated to investment managers, except in circumstances where the structure of a particular investment vehicle necessitates this (but where MPF is able to determine that the manager has sufficient stewardship capability and that this activity can be monitored by the Fund).

The Fund implements its voting policy in partnership with a specialist advisor (currently **PIRC Ltd**) who provides appropriate research and vote execution services for the pool and the fund that cover the major markets in which shares with voting rights are held.

MPF votes in line with the recommendations of its advisor, having judged that the advisor's voting guidelines promote high standards of corporate governance and responsibility and enable MPF to exert a positive influence as shareholders concerned with value and values.

A quarterly report on voting activity is made to the Investment Monitoring Working Party and to the Joint Committee of the Northern LGPS. A summary of voting activity forms part of the Fund's Annual Report. Detailed voting activity information, including where the voting decision has been contrary to a company's recommendation, is made publicly available through the **Fund's website**.

Alongside its voting policy, MPF considers engagement on ESG matters to be integral to stewardship. The focus of its engagement activity (principally, but not exclusively) is the companies in which it invests across its public equity portfolio with the intention for this to be widened to include fixed income holdings.

As such, MPF carries out engagement on a collaborative basis with suitably aligned investors through several organisations (chief among them, the **Local Authority Pension Fund Forum**, of which MPF is a founder member), to ensure that its engagement benefits from scale and clarity of voice. Where boards of investee companies are resistant to dialogue or change, MPF will escalate issues by, for example, voting against the re-election of the Chair of the board. Ultimately, where asset owners refuse to engage or change, MPF will consider adjusting its investments as appropriate to the risks, in accordance with its Responsible Investment policy and its fiduciary responsibilities.

MPF strongly encourages its investment managers to carry out appropriate stewardship as part of the professional practice of asset management across asset classes and to report on that activity to an appropriate standard. It recognises that stewardship in private markets may be less well developed than for public markets and the Fund seeks to promote best practice with its incumbent and potential asset managers. The Fund is actively pursuing ways in which it can participate in proxy voting decisions in respect of its listed holdings in pooled structures.

In addition to disclosing stewardship activities, MPF also recognises that effective stewardship should focus on achieving 'real world' outcomes and undertakes to report annually on the outcomes of its stewardship activities.

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ADMINISTERING AUTHORITY
WIRRAL

Merseyside Pension Fund

- Pensions Administration Strategy

Wirral Metropolitan Borough Council

This document has been presented, considered and approved by Pensions Committee on **13 November 2017**, following consultation with all employers and the Local Pension Board. Reviewed every three years, the last review took place on **23 July 2020**

Contents

Introduction

This is the Pensions Administration Strategy of Merseyside Pension Fund (the Fund) in relation to the Local Government Pension Scheme (LGPS), which is administered by Wirral Borough Council (the administering authority)

The LGPS Regulations 2013 allow Administering Authorities to prepare a Pensions Administration Strategy ("the Strategy") for the purpose of improving administrative processes in compliance with regulatory provisions and the Code of Practice No.14 as issued by the Pension Regulator (tPR).

The legislative framework outlines the statutory pension benefit information and services which the Fund must provide free of charge and allows funds to recover costs incurred as a result of unsatisfactory employer performance. It is also permissible to levy an administration charge for the provision of additional information not covered by the general maintenance allowance factored into the employer contribution rate.

The Fund has revised the Strategy to ensure adoption of best practice and compliance with standards set by the Pensions Regulator in regard to data quality, completeness and timeliness. Changes since 2013 in regard to the benefit structure, statutory time limits and the requirement for public service pension schemes to deliver efficiencies, necessitates the introduction of a schedule of charges for non- statutory administrative services and to recover costs incurred by the Fund as a consequence of an employer's unsatisfactory performance .

This document has been developed in consultation with employers and the Local Pension Board with the purpose of setting out a framework outlining the policies and performance standards to be achieved to enable provision of a cost-effective and high-quality pension administration service.

A copy of this strategy is issued to each of the relevant employers as well as to the Secretary of State.

Review

The Fund will review this policy document as required to reflect changes in regulations and Fund working practices. Employers will be consulted and informed of the changes and a revised statement will be supplied to the Secretary of State.

Aims

The aim of this Strategy is to continue progress towards an automated pension service, employing appropriate technology to improve the quality of information, the speed of operational processing for employers and a more efficient service to members. The Strategy recognises that significant work will need to be undertaken in achieving the Pension Regulator's compliance requirements and both the Fund and its Employers will need to work in partnership to meet this challenge.

Legislative Framework

LGPS Regulations 2013

The Fund and its Employers must have regard to this Strategy when carrying out their Scheme functions and Regulation 59 sets out a number of requirements to facilitate best practice and efficient customer service in respect of the following;

The establishment of levels of performance which the administering authority and its Employers are expected to achieve in carrying out their Scheme functions

Ensuring the Fund and its Employers comply with statutory requirements in respect of those functions Improving the communication between the administering authority and its employers of information relating to those functions

The Strategy also sets out a schedule of additional administration charges by virtue of Regulation 4(5) of the **LGPS (Management and Investment of Funds) Regulations 2016** which provides scope for Funds to levy charges in circumstances where disproportionate costs are being incurred for additional administration tasks relating to individual members or specific employers.

In addition, the circumstances are outlined where financial penalties will be incurred with written notice provided to employers in accordance with Regulation 70 for recovery of fund costs as a result of unsatisfactory performance in carrying out its function as a scheme employer.

Levels of performance achieved will be reported as part of the Pension Administration Monitoring Report at each Local Pension Board meeting and documented in the Fund's Annual Report & Accounts.

Key Objectives

The key objectives of this Strategy are to ensure that:

- the Fund and employers are aware of and understand their respective roles and responsibilities under the LGPS Regulations and in the delivery of administrative functions;
- the fund operates in accordance with LGPS regulations and the Pension Regulator Code of Practice in demonstrating compliance and scheme governance;
- communication processes are in place to enable both the Fund and Employers to proactively and responsively engage with each other and partners;
- accurate records are maintained for the purpose of calculating pension entitlements and employer liabilities; ensuring all information and data is communicated accurately, on a timely basis and is secure and compliant;
- the Fund and employers have appropriate skills and that training is in place to deliver a high quality service;
- standards are set and monitored for the delivery of specified activities in accordance with the relevant regulations;
- administrative services are developed and delivered digitally in order to streamline processes and minimise service costs.

Achieving the Objectives

The localism agenda to devolve power from central government control to boroughs has resulted in an increase to the Fund's employer base as local authorities transform service delivery together with the increase of maintained schools converting to Academy status.

The differing characteristics, size and required support of individual employers presents a significant logistical challenge to the management of information, processes and services within the Fund. It is clear that because of these differences a "one size fits all approach" would be unlikely to deliver a workable solution; however standard ways of operating applicable to different employer groups would realise benefits and cost efficiencies.

As the number of disparate employers continues to grow there is the need for more accurate and timely information to improve liability management at both the local and national level. In addition, the Pensions Regulator has introduced higher levels of compliance and the Fund will be required to demonstrate heightened governance and administrative efficiency.

There are four key elements necessary to achieving the Fund's administrative objectives:

a) Communications Policy

- ensures members have accessible and timely information on all aspects of their pension benefits and informs decisions in respect of entitlements
- enables employers to make effective decisions in the management of risks and liabilities as well as encouraging engagement in the wider pension debate

b) A training plan that will offer support to employers and continue to enhance staff knowledge and skills to ensure efficient administration compliant with the Pension Regulator requirements

c) An ICT development programme which will deliver high quality, efficient and integrated digital services to employers and members in an increasingly regulated and financially complex environment

d) A performance framework which will support the effective working of the Fund and enable both the Fund and Employers to deliver continuous improvement and move towards a higher standard of service

Use of ICT

As part of its ICT development programme, the Fund has procured a comprehensive benefit and electronic document management system; this investment will enable the Fund to achieve a fully integrated self-service application for both employers and members. The new system creates the foundation to further digitalise the administration activities in the coming years.

At the time of writing, approximately 80% of active scheme membership is covered by electronic data submissions from employers. The Fund plans to achieve a digital step change in service delivery of full electronic data submissions from all employers over the next four-year period. This will be delivered by a number of key work streams alongside the system supplier.

Online access to Fund IT systems

The Fund can provide secure online access for suitably large employers, in order for employing authority staff to produce retirement estimates and enquire on their employee’s record of membership. The system is available during normal office hours with the exception of any necessary scheduled maintenance of the system.

As there are system and resource costs associated with granting online access, the Fund reserves the right to only agree where there is a mutual benefit in managing data quality and overall administration costs.

The Fund reserves the right to revoke access based on licence cost and employer performance.

‘MyPension’ Member Self Service

All active, deferred and pensioner members of the Fund are able to view their membership records online via a self-service website called ‘MyPension’: **mpfund.uk/mypension**

Annual Benefit Statements and Pensioner Payslips are viewable online and the Fund has made significant savings in paper and postage costs. As part of the ICT development programme, the Fund will be working with its supplier to extend the self-service system to cover more administrative tasks, improving service efficiency and reducing administration costs.

Employers are asked to support the Fund in encouraging member registration with the ‘MyPension’ self-service system, by providing information on intranets and within appropriate communications to the workforce.

Performance Standards

A key purpose of the Administration Strategy is to set performance standards and publish both the targets and achievements against those targets to evaluate continuous improvement of the administration function. The performance measures which will be monitored are outlined below, with the outcomes subject to scrutiny by the Pensions Regulator, the Local Pension Board and Pensions Committee; with summary information published in the Fund's Annual Report & Accounts.

Performance Standards - Scheme Employer

Duties and Responsibilities

Function/Task	Performance Target
Governance	
Designate a named individual to act as a Pensions Liaison Officer who is the main contact with regard to any aspect of administering the LGPS via submission of Fund documents “Your LGPS Contacts” and Authorised Signatories	Within 30 days of becoming a scheme employer or within one month of the change in officer role
Confirm designated contact information for officers authorised to perform key policy decisions and administrative roles within the organisation	Within 30 days of becoming a scheme employer or within one month of the change in officer role
Appoint person for stage 1 of the pension dispute process (IDRP) and provide full up to date contact details to the Fund	Within 30 days of becoming a scheme employer or following the resignation of the current adjudicator
Notify the Fund of the receipt of a complaint under the IDRP process	Within 7 working days of receiving the complaint
Notify the Fund that the stage 1 decision has been issued	Within 7 working days of making the determination
Appoint an independent registered medical practitioner qualified in occupational health medicine or arrange contract with third party, in order to consider all ill health retirements applications and agree appointment with Administering Authority	Within 30 days of commencing participation in the scheme or date of resignation of existing medical officer
Formulate, publish and keep under review policies in relation to all areas where the employer may exercise discretion within the LGPS	A copy of the policy document is to be submitted to the Fund within one month of a change in policy
Distribute any information provided by the Fund to scheme members/potential scheme members (e,g financial information or generic news alerts)	In a timely manner as required

Function/Task	Performance Target
Financial Administration	
Ensure correct employee contribution rate is to be determined each scheme year in line with the appropriate contribution banding table	Immediately upon commencing scheme membership, reviewed as per policy on adjusting employee contribution rates
Remit employer and employee contributions and Remittance Advice Slip (LGP41) to the Fund	By 22nd of the month following deduction of payroll if made electronically or 19th if paid by cheque Under the Pensions Act 2004 and the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014, the Pensions Regulator may be notified if the above measurement is not met
Implement changes to employer contribution rates as instructed by the Fund at the date specified by the Fund Actuary	In line with the Rates Adjustment Certificate as per the valuation
Ensure and arrange for the correct deduction of employee contributions from a member's pensionable pay including any period of child related leave, trade dispute or other forms of leave of absence from duty	As required by payroll cycle, monthly or weekly
Manage the deduction of all additional contributions or amend such deductions, as appropriate	As required
Arrange for the deduction of AVCs and payment over of contributions to the AVC provider(s) and inform the Fund as required	As required by payroll cycle, typically monthly
Refund any employee contributions when employees opt out of the pension scheme within 3 months and submit LGP9A	Within 42 days of the opt-out date
Remit additional fund payments in relation to early payment of benefits from flexible retirement, redundancy or business efficiency retirement or where a member retires early with employer's consent and a funding strain cost arises	Within 30 days of receipt of invoice from the Fund

Function/Task	Performance Target
Financial Administration continued…	
Remit Recharge payments in respect of pension members – e.g Compensatory Added Years	To be paid within 30 days of the invoice from the Fund
Payments in respect of FRS102 and IAS19 work carried out on behalf of Employers by the Fund Actuary and Accounts Team	To be paid within 30 days of the invoice from the Fund
Payments in respect of all other work carried out on behalf of the Employer by the Fund's Actuary and connected data quality assurance undertaken by the Fund's Administration Team	To be paid within 30 days of the invoice from the Fund

Function/Task	Performance Target
Alternative Service Delivery Models / TUPE Transfer - New Employers	
Notify the Fund of contracting out services which will involve a TUPE transfer of staff to another organisation so that information can be provided to assist in the decision	At the point of deciding to tender
Notify Fund of lead decision making and operational officers in circumstances where a prospective new employer or admitted body may request to join the Fund as a result of re-organisation or TUPE transfer	At commencement of business review project
Work with Fund Officers to arrange for an admission agreement to be established	A minimum of 90 days in advance of the date of contract
Notify the Fund if the employer ceases to admit new scheme members or is considering terminating membership of the Fund	As soon as decision is agreed

Function/Task	Performance Target
Member Information/Data Quality and general administration	
Provide the Financial Statement (LGP40) as specified by the Fund including granular breakdown per employee of contribution, CARE/FTE pay and service related data (annual year-end return) to feed into valuation/GAD cost sharing exercise and annual benefit/annual allowance statements for members	Completed and validated return to be submitted no later than the end of business on the second Friday within the month of May
To ensure optimum accuracy of year-end information, in line with specified extract	Less than 5% of entries to be queried following digital alignment of members and memberships
To resolve digital alignment and financial discrepancies (sanity queries) resulting from the annual return process	To fully answer all queries from the Fund within 15 working days of receipt of the query In circumstances where an employer submits a late annual return and the Fund can only query within the month of July, the timescales may be shorter than 15 days, as advised by the Fund
To action requests for data reconciliations of member records	To fully answer data reconciliations/member queries from the Fund within three weeks of receipt of data
Notify the Fund of new joiners/additional employment electronically in agreed format and secure data transfer or manual LGP1 form	Within 42 days of member's contractual auto-enrolment or re-enrolment date
Provide new joiner with Membership Form LGP2 -To assist Fund to establish previous pension entitlements	Within 30 days of the member's first day of entry to the scheme
Direct all eligible new employees to the member guide to the pension scheme on the Fund website	At date of employee appointment
Change in employees' circumstances which may impact on pension benefits, (movement in and out 50/50 scheme, marital or civil partnership status, maternity, paternity, absence, name etc) electronically in agreed format and secure data transfer or manual LGP4 Form	Within 42 days of the event or receipt of information

Function/Task	Performance Target
Member Information/Data Quality and general administration continued…	
Notify the Fund of early leaver/opt over three months for member's entitled to a refund or deferred benefit and submit both LGP9 / Termination Form LGP1A in electronic or manual format	Within 42 days of date of leaving/opt out date
On leaving employment, an LGP1C is required for the opted out former member	No later than 30 days of termination of employment
Notify the Fund when a member leaves with immediate entitlement to benefits submit Termination Form LGP1A and issue Retirement Option Form LGP1B in electronic or manual format to the employee	No later than 30 days of retirement
Notify the Fund of the death of an employee and provide next of kin details and submit Termination Form LGP1A. In addition, raise awareness of Fund's Welfare Officer when a member is suffering from a terminal illness	Within 3 working days of knowledge of the death of the employee
To determine based on medical opinion and advice whether an ill health award is to be made and determine where relevant which tier 1,2 or 3 Arrange for the completion of the appropriate LGP12 form and submit along with LGP1A/LGP1B to the Fund	No later than 30 days of date of retirement
To submit request form LGP88 for estimate of benefits	No later than four months, before retirement but the Service Area Manger can modify the target in exceptional circumstances
To Notify the Fund of final salary and pensionable pay figures for divorce valuations	Within 10 working days of request
To Notify the Fund of a workforce planning exercise and the intent to request a bulk estimate retirement calculation to seek both member pension details and employer strain costs	As soon as practicable to allow the Fund to consider resource planning

Performance Standards - Administering Authority

Duties and Responsibilities

Function/Task	Performance Target
Governance	
Regularly review the Fund's pension administration strategy and consult with all scheme employers	To review at least triennially and revise following any material change in policies that relate to the PAS
Review the Fund's Funding Strategy Statement at each triennial valuation, following consultation with scheme employers and the Fund's actuary	Publish by 31 March following the valuation date or as required
Review the Fund's Communication policy statement	Annual review and publish within 30 days of any revision to the policy being agreed by Pensions Committee
Review the Fund's Governance and compliance statement	Annual review and publish within 30 days of any revision being agreed by Pensions Committee
Formulate and publish policies in relation to all areas where the administering authority may exercise a discretion within the scheme	Annual review and publish within 30 days of any revision being agreed by Pensions Committee
Publish the Fund's Annual report and Financial Statement	By 30 September following the year-end or following the issue of the auditors opinion
Notify scheme employer of issues relating to scheme employer's unsatisfactory performance	Within 10 working days of discernible performance issue

Function/Task	Performance Target
Financial Administration	
Consult with employers on the outcomes of the triennial valuation	At least 90 days in advance of the signing of the final Rates and Adjustment Certificate
Notify employers of contribution requirements for 3 years effective from April following the actuarial valuation date	At least 30 days before signing off the Rates and Adjustment Certificate
Notify new scheme employers of their contribution requirements	Within 60 days of receipt of the data profile for onward submission to the Fund Actuary
Carry out termination valuations on admitted bodies or scheme employers ceasing participation in the Fund	Within 60 days of receipt of termination forms from exiting employer
Notify scheme employer of decision to recover additional costs associated with the scheme employer's unsatisfactory performance	Within 10 working days of scheme employer failure to improve performance as agreed

Function/Task	Performance Target
Alternative Service Delivery Models / TUPE Transfer - New Employers	
Arrange for the setting up of separate admission agreement/new scheme employers including the allocation of assets and notification to the Secretary of State	Within 90 days of all necessary information
Arrange for all new prospective admitted bodies/new scheme employers to undertake, to the satisfaction of the Fund, a risk assessment of the level of bond or guarantee required in order to protect other scheme employers participating in the Fund	To be completed prior to the body being admitted timings predicated on timely submission of staff profile for submission to the Fund Actuary
Undertake a review of the level of bond/guarantee to protect other constituent employers	Annual review or upon material change in an employer's structure

Function/Task	Performance Target
Member Information/Data Quality and general administration	
Provide support for employers through a dedicated employer website, technical notes, forums, employer bulletins/alerts and day to day contact	Forums and ongoing support as required
Organise and provide coaching sessions on an employer’s roles and responsibilities	Upon request of scheme employers or as Fund Officers deem necessary
Notify scheme employers and scheme members of changes to the scheme rules	Within 60 days of regulatory change
Produce annual benefit statements to active and deferred members as at 31 March each year	By 31 August following the year-end
Produce and issue pension saving statements each year to members who have exceeded their annual allowance	By 6 October following the end of tax year (subject to receipt of all relevant information from the scheme employer
Publish and keep up to date all forms required for completion by scheme members or employer	30 days from any revision
Issue and keep up to date web based employer guides	Within 30 days from date of change/amendment
Issue and keep up to date scheme guide and all other literature for issue to scheme members	Within 30 days from date of change/amendment
Set up new joiner and provide statutory notification to member	Within 30 days of receipt of correct notification from a scheme employer
Process changes in employees’ circumstances which may impact on pension benefits	Within 30 days of receipt of correct notification from a scheme employer
Process transfer in quotations	Within 10 working days of receipt of all required information
Transfer notification of credited membership/accrued pension account to be notified to the scheme member	Within 10 working days of receipt of payment

Function/Task	Performance Target
Member Information/Data Quality and general administration continued…	
Transfer out quotations processed	Within 10 working days of receipt of all necessary information
Transfer out payments processed	Within 7 working days of receipt of all necessary information*
Determine necessary category in relation Aggregation/Interfund cases and issue notification to member of service credit and accrued pension account	Within 10 working days of receipt of all necessary information
Process Divorce Valuation	Within 10 working days of receipt of all necessary information
Notify the scheme employer of any scheme member's election to pay additional pension contributions ,including all required information to enable deductions to commence	Within 10 working days of receipt of election from a scheme member
Process scheme member requests to pay/amend/cease additional voluntary contributions	Within 7 working days of receipt of request from scheme member
Deferred benefits calculated	Within 20 working days of receipt of all necessary information
Deferred benefits processed for payment	Within 7 working days of receipt of election and all necessary information*
Refund payments	Within 10 working days of receipt of all necessary information*
Provision of estimate of Pension Benefits	Within 10 working days of receipt of all necessary information*
Provision of retirement options to members	Within 10 working days of receipt of all necessary information
New retirement benefits processed for payment following receipt of options	Lump sum payment plus first payment of pension within 7 working days of receipt of all necessary documentation* Thereafter pension payment on monthly payroll run

Function/Task	Performance Target
Member Information/Data Quality and general administration continued…	
Acknowledgement of a death	Within 5 days of receiving the notification
Payment of death lump sum	Within 7 working days of receipt of all necessary information*
Notification of benefits payable to dependents	Within 7 working days of receiving the required information*
Provide an answer or acknowledgement to scheme members/scheme employers/personal representatives/dependents and other authorised persons	Within 10 days from receipt of enquiry
Undertake data reconciliation exercises against Fund and employer payroll system	Periodically throughout year
To produce year end year digital alignment queries and financial discrepancies for employers	Within 30 days of receipt of complete and correct return with less than 5% of entries to be queried after digital alignment of members and memberships
Provision of bulk estimate data including both member pension details and employer strain costs	Within the timescales agreed between the Fund and employer to inform the workforce planning exercise

***All performance targets relating to payments exclude BACS processing period**

Monitoring Performance

It is the responsibility of the Fund and scheme employers to ensure compliance with the LGPS regulations and this associated Pensions Administration Strategy; with all parties required to undertake functions and tasks to the agreed quality standards.

The Fund will measure and report the Funds and scheme employer's compliance with the agreed service standards on a regular basis.

The Fund monitors its own performance against internal key performance indicators on a monthly basis; performance against the PAS by both the Fund and employers is reported to the Pension Board three times a year. The Fund will also report back to employers about their individual performance identifying any areas for improvement including outstanding data items.

Audit

The Fund is subject to an annual audit of its processes and internal controls and the administering authority's auditors may request member data or may ask to attend at employer offices to carry out audits regarding the calculation of final salary pays, career average pays and assumed pays. Employers are requested to co-operate with these activities.

Escalation policy on charging employers for unsatisfactory performance

The Fund's preferred route to resolution in regard of data gaps is to support and work closely with employers via the Pension Liaison Officer; who will receive opportunity to correct the issue before invoking the Escalation Policy.

However, where persistent failure (which is defined as an ongoing failure to positively engage with the Fund) occurs in relation to administration requirements and no improvement is demonstrated by an employer or willingness to resolve the matter the following actions will be taken:

- Write to the scheme employer, setting out area(s) of non – compliance with performance standards offering support and where appropriate request attendance at a training session
    - When no improvement has been demonstrated or where there has been a failure to take agreed action by the scheme employer they will be requested to attend a meeting with representatives of the Fund to agree an action plan.

If no improvement is evident within one month or the employer is unwilling to attend a meeting to resolve the issue a formal notice will be issued setting out;

- the area(s) of non-compliance with performance standards that have been identified
- the steps taken to resolve those area(s) and;
- issue notice that the additional costs will now be reclaimed providing the basis on how the additional cost was calculated.

An invoice will then be issued to the employer clearly setting out the calculations of any loss resulting to the Fund, or additional cost, taking account of time and resources in resolving the specific area(s) of unsatisfactory performance in accordance with the charging schedule outlined overleaf.

A report will be presented to the Local Pension Board detailing charges levied against scheme employers and outstanding payments.

If unsatisfactory performance impacts the Fund's ability to perform statutory functions and measures are not being taken by the employer to address this the Fund will consider reporting the employer to the Pension Regulator.

Schedule of fees for additional administration tasks

Activity		
Implementation of Pension Sharing Order	**Member**	**£500 + VAT**
An additional CETV request made within 12 months of an earlier CETV being provided including circumstances for divorce valuations	**Member**	**£150 + VAT**
A replacement guaranteed CETV where the transfer option forms are not returned within three months of the guarantee date	**Member**	**£150 + VAT**
An employer request for multiple benefit estimates for a member within a 12month period e.g. for a variety of reasons for leaving or potential retirement dates This excludes estimates provided via a bulk exercise **The Fund will provide an estimate for a single date and reason for leaving free of charge**	**Employer**	**£100 + VAT for each individual item requested**
Request for copies of correspondence, documents or duplicate statement	**Member / Employer**	**£10 + VAT**
Correspondence provided to third parties in relation to member pension entitlements and benefit structure	**Member / Employer**	**£100 + VAT ***
Individual Protection 2016 (IP2016) Valuation to calculate an Individual's protected LTA	**Member**	**£150 + VAT**
Production of non-statutory Pension Saving Statements and forecasts of annual allowance usage	**Member**	**£150 + VAT ***
Administration of information in relation to Accounting Standards Exercises ** (Recharge of actuary fee in accordance with contractual arrangement)	**Employer**	**£100 + VAT ***

Activity continued		
Bespoke Pension Administration Work	**Employer**	**At the appropriate hourly officer rate on a cost recovery basis**
Data quality and en-masse calculation/operational processing in connection with on-boarding of new employers including academies (Recharge of actuary fee in accordance with contractual arrangement)	**Employer**	**£2,000 + VAT ***
Data quality and en-masse calculation/operational processing in connection with employer de-participation (Recharge of actuary fee in accordance with contractual arrangement)	**Employer**	**£2,000 + VAT ***
Provision of an indicative funding/termination valuation based on membership and cashflow data assessed to determine the previous triennial results	**Employer**	**£500 + VAT per Valuation**
Setup de-risking framework to monitor an employer funding position to lock down pension liabilities and switch to an alternative investment strategy to reduce volatility of pension costs Annual monitoring of the funding level and engagement with employer on proposed funding trigger	**Employer**	**Actuarial recharge of £3,500 + VAT** **£3,000 + VAT, per annum**

*These are standard fees which may be subject to adjustment based on resource required

**MPF would be willing to bring forward the schedule deadline for issue of accounting disclosure; however it may result in more estimates being needed, in particular the calculation of the investment return, and share of the plan assets achieved over the year. The actuary will need to estimate these using market indices for a longer period than is currently the case. Employers will need to agree that the 'estimation' is acceptable with their auditor and alert the Fund of an earlier response deadline.

Schedule of charges for Employers

Activity	
Failure to remit payment of monthly employee and employer contributions in full by the 22nd of the following month	Interest at base rate plus 1% as per the 2013 regulations
Failure to submit monthly contributions LGP41 forms with or before remittance of payment, except where payment is made early and LGP41 is received on/before the payment method submission date. Note: In order to streamline accountancy procedures the recommended best practice is to submit the LGP41 prior to or with payment of contributions.	£100 per occasion
Failure to comply with one or both of the following requirements: • Submission of completed and validated year-end return in accordance with the prescribed specification by the end of business on the second Friday within the month of May • Submission of the certified year end LGP40 Financial Statement	A fixed penalty of £250 plus a further fixed penalty of £100 for every further week late following that deadline
Quality of the year-end information provided is below the acceptable tolerance level set at 5% of entries to be queried after digital alignment of members and memberships	The Fund will recover costs for the work involved to resolve these errors Typically costs will be based on officer hourly rates but will be determined on the resource required to address errors above the tolerance

Please Note:

If an employer annual return is received by the end of business on the second Friday within the month of May and the return is accepted, no charge will apply

If a completed and validated annual return is received by the end of business on the second Friday within the month of May and the return is rejected following initial conformity checks, but subsequently re-submitted and accepted within 2 weeks of being notified of the rejection, no charge will apply.

In regard the 5% error rate in resolving annual return data, charges will not be applied during the 2018/19 scheme year (1 April 2018 - 31 March 2019). This will provide opportunity for both the Fund and employers to reconcile data and clarify specific requirements for future provision of data.

These charges are reviewed annually by the Fund and in exceptional circumstances can be waived at the discretion of the Service Area Manager.

Payment method

Payments in respect of administration activity directly requested by the member or third party representatives must be agreed with a Fund officer and paid in advance via online banking before the requested information can be provided.

The bank account details for electronic payment are as follows:

Account Name	Merseyside Pension Fund
Bank sort code	30-95-11
Bank account number	01140818

The payment reference is to include the members name and National Insurance number. Charges in respect of administration work commissioned by an employer must also be agreed and paid in advance electronically before provision of the information or depending on the organisations' financial arrangement upon receipt of a purchase order.

Payments must include a reference as provided by the Fund for the purposes of reconciliation by the accounts team with our bank account. In circumstances where financial penalties are incurred the Fund will issue an invoice for payment.

Feedback from employers

Employers who wish to provide feedback on the performance of the Fund against the standards in this administration strategy should complete the online form available on the secure employers' website: **mpfemployers.org.uk**

Employer Guides for Administration

The Fund provides comprehensive guides in regards employer administration under the LGPS regulations from 1 April 2014.

HR Guide for Employers

This guide sets out the requirements for HR sections in respect of the Local Government Pension Scheme regulations, effective from 1st April 2014.

Payroll Guide for Employers

This guide sets out the requirements for payrolls in respect of the Local Government Pension Scheme regulations, effective from 1st April 2014. It is intended to inform payroll providers and employers of the minimum information needed to effectively manage the 2014 Scheme (and its interaction with the 2008 Scheme) and contains illustrative examples.

These employer guides are available on the dedicated employer website:
mpfemployers.org.uk/content/hr-payroll-guides

Automatic Enrolment Guide for LGPS Employers

The Local Government Pension Committee (LGPC) produced two guides which explain how employers' responsibilities under the Local Government Pension Scheme regulations interact with those automatic enrolment responsibilities under the provisions of the Pensions Act 2008.

These are available on the dedicated employer website:
mpfemployers.org.uk/content/automatic-enrolment-guide-lgps-employers

Associated Policy Statements & Discretions

Records & Data Improvement Policy

The Fund collects and holds large amounts of digital and paper based data and is heavily reliant on the timely receipt of quality data from employers, in order to effectively administer the Local Government Pension Scheme (LGPS). This document is supplemental to the Pension Administration Strategy.

The Fund website has the latest copy of this policy which can be found at:

mpfemployers.org.uk/content/records-data-improvement-policy

Communications Policy

This statement outlines the Fund's policy on:

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

The Fund website has the latest copy of this policy which can be found at:

mpfmembers.org.uk/content/riskdocs

Governance Policy

Wirral Metropolitan Borough Council is the Administering Authority for Merseyside Pension Fund. The Council has delegated to the Pensions Committee various powers and duties in respect of its administration of the Fund.

This statement sets out the scheme of delegation and the terms of reference, structure and operational procedures of the delegation and can be found on the Fund website at:

mpfmembers.org.uk/content/riskdocs

Employer Discretions

Since 1997, the LGPS Regulations have required every employing authority to:

- issue a written policy statement on how it will exercise the various discretions provided by the Scheme;
- keep it under review;
- revise it as necessary.

A list of employer discretions can be found on the Employers website at:

mpfemployers.org.uk/content/employer-discretions-april-2014

Merseyside Pension Fund Castle Chambers,

43 Castle Street

Liverpool,

L2 9SH

Telephone: 0151 242 1390

Fax: 0151 236 3520

Web: mpfemployers.org.uk

Email: mpfadmin@wirral.gov.uk

Appendix A - Scheme Employers with Active Members as at 31 March 2023

Scheduled Bodies (32)	Contributions Received		
	Employers	Deficit/(Surplus)	Employees
	£'000	£('000)	£'000
Carmel College	436	0	141
Chief Constable (CC)	12,770	0	4,987
Cronton Parish Council	2	0	0
Eccleston Parish Council	5	0	1
Edsential SLE	230	0	64
Halewood Town Council	55	-22	21
Hugh Baird College	889	197	275
Knowsley M.B.C.	4,848	0	6,163
Knowsley Town Council	40	0	11
LCRCA - Liverpool City Region Combined Authority	1,723	0	968
Liverpool City Council	13,042	0	15,320
Liverpool John Moores University	7,222	0	3,075
Liverpool Streetscene Services Ltd	1,000	0	297
Maghull Town Council	48	0	18
Merseyside Fire & Rescue Authority	1,833	-169	707
Merseyside Passenger Transport Executive (MPTE)	4,086	0	1,702
Merseyside Waste Disposal Authority	208	0	85
Office of the Police and Crime Commissioner (OPCCM)	103	33	45
Prescot Town Council	16	0	7
Rainford Parish Council	13	0	4
Rainhill Parish Council	4	0	1
School Improvement Liverpool Ltd	860	0	365
Sefton M.B.C.	6,594	0	8,097
Shared Education Services Ltd	367	-228	108
Southport College	476	-58	150
St. Helens College	1,014	-444	352
St. Helens M.B.C.	4,357	0	5,915
The ACC Liverpool Group Ltd	690	0	353
The City of Liverpool College	1,017	-305	327
Whiston Town Council	40	-9	12
Wirral Council	24,062	-1,897	9,078
Wirral Metropolitan College	1,029	-81	312

Scheduled Bodies (Academies) (122)

Academy of St Francis of Assisi	204	0	75
Alsop High School	298	0	85
Bellerive FCJ Catholic College	142	38	47
Birkdale High School	125	43	41
Birkenhead 6th Form College (Academy)	275	30	116
Birkenhead High School Academy	234	0	77
Bishop Martin CE Primary	34	25	9
Blacklow Brow School (Academy)	51	21	16
Blue Coat School (Academy)	167	59	61
Brackenwood Jr School	48	0	15
Calday Grange Grammar School	241	18	84
Chesterfield High School	152	39	53
Childwall Sports & Science Academy	150	74	56
Christ Church Moreton Primary (Academy)	75	30	25
Church Drive Primary	83	42	26
Churchtown Primary (Academy)	185	88	55
Co-op Academy Bebington	214	0	72
Co-op Academy Portland	40	20	13
Co-op Academy Woodslee	79	16	25
Cronton C of E Primary (Academy)	60	22	19
Croxteth Community Primary School (Academy)	91	26	29
Deyes High School	232	106	81
Dixons Broadgreen Academy	143	13	47
Dixons Croxteth Academy	65	43	21
Dixons Fazakerley Academy	125	12	44
Egremont Primary School (Academy)	73	45	25
Everton Free School	81	10	33
Faith Primary School	30	1	10
Finch Woods Academy	103	24	32
Formby High School	193	80	62
Garston C of E Primary School (Academy)	75	20	22
Gayton Primary School	15	0	4
Greasby Junior School	13	0	4
Great Meols Primary School (Academy)	102	34	32
Greenbank High School	219	57	76
Halewood Academy Centre for Learning	196	176	62
Halewood C of E Primary (Academy)	53	26	17
Halsnead Primary School (Academy)	90	40	28
Harmonize Academy	80	0	28
Hawthornes Free School	119	6	34
Heygreen Community Primary (Academy)	101	26	45
Hilbre High School (Academy)	248	108	86
Hillside High School (Academy)	153	165	48
Holy Spirit Catholic Primary	44	3	13
Holy Trinity CE Primary (Academy)	53	37	16
Hope Academy	251	74	89
Huyton with Roby CE Primary (Academy)	91	44	25
Kew Woods	96	4	28

Scheduled Bodies (Academies) continued

Kings Leadership Academy (Liverpool)	119	24	42
Kirkby High School	232	147	80
Knowsley Lane Primary School (Academy)	56	36	18
LDST - Liverpool Diocesan Schools Trust (Academy)	52	6	38
Litherland High School (Academy)	160	109	56
Litherland Moss Primary (Academy)	54	23	17
Liverpool College (Academy)	180	2	65
Liverpool Institute of Performing Arts (LIPA)	131	0	41
Liverpool Life Science UTC	69	-1	29
Lord Derby Academy	201	100	71
Maghull High School	148	55	49
New Park Primary (Academy)	189	106	73
North Liverpool Academy	400	38	159
Nutgrove Methodist Aided Primary	34	17	11
Oldershaw Academy	304	0	95
Our Lady of Pity (Academy)	101	32	28
Outwood Academy Haydock	190	0	70
Parish CE Primary (Academy)	58	24	20
Park View Academy	96	42	32
Poulton Lancelyn Primary School (Academy)	96	25	29
Prenton High School for Girls	151	0	53
Rainford CE Primary School	53	-5	16
Rainford High School (Academy)	222	78	84
Rainhill High School	219	103	85
Rainhill St Anns CE Primary School (Academy)	92	34	27
Range High School	208	77	70
Roscoe Primary (Academy)	75	43	23
Sacred Heart Catholic Academy	152	5	39
Shoreside Primary School	60	16	16
St Ambrose Catholic Primary	94	1	25
St Andrews CE Primary (Academy)	66	24	18
St Anselm's College	122	10	40
St Augustine of Canterbury	101	0	31
St Edmund Arrowsmith Catholic Academy	140	12	46
St Edward's College	175	45	60
St Francis Xavier's College (Academy)	214	73	68
St Gabriel’s CE Primary	68	0	24
St James’ Primary School (Academy)	32	12	12
St John Plessington Catholic College	273	64	86
St Joseph's Catholic MAT	40	0	15
St Joseph’s Primary (Academy)	77	27	25
St Margaret's Church of England Academy	149	55	51
St Mary & St Thomas CE Primary School (Academy)	94	31	32
St Mary's Catholic College	250	152	73
St Michael's C of E High School (Academy)	159	99	56
St Nicholas Catholic Primary	47	1	15
St Silas C of E Primary School (Academy)	95	29	42
St Thomas C of E Primary (Academy)	49	20	14

Scheduled Bodies (Academies) continued

Stanley High School (Academy)	145	69	44
Stanton Road Primary School (Academy)	80	27	23
Sylvester Primary Academy	62	16	19
The Academy of St Nicholas	165	142	61
The Beacon C E Primary School (Academy)	55	32	20
The Belvedere Academy	166	11	67
The Birkenhead Park School	162	135	55
The Prescot School (Academy)	161	90	52
The Salesian Academy of St John Bosco	34	0	12
The Studio (Academy)	29	-1	12
The Sutton Academy	242	95	94
The Trinity Catholic Primary	145	5	40
Thurstaston Dawpool Primary School	10	0	3
Town Lane Infant School (Academy)	77	28	24
Townfield Primary	142	47	50
Uni of Liverpool Maths School	17	0	6
Upton Hall School	155	33	52
Weatherhead High School	243	72	95
West Derby School (Academy)	179	0	60
West Kirby Grammar School	150	44	48
Whiston Willis Primary (Academy)	81	36	22
Willow Tree Primary	33	12	11
Wirral Grammar Boys (Academy)	131	40	46
Wirral Grammar School for Girls	122	34	35
Woodchurch High School	416	136	143
Yew Tree Primary Academy	73	38	23

Admission Bodies (Community) (17)

Arriva North West	875	8,092	129
Association of Police and Crime Commissioners	187	16	86
Birkenhead School (2002)	26	-15	8
Care Quality Commission	19	-19	6
Catholic Children's Society	20	-5	3
Citizens Advice Liverpool	21	0	4
Commutual (Torus Foundation)	53	0	15
Glenvale Transport Ltd/Stagecoach.	89	-89	25
Liverpool Hope University	124	-124	16
Local Government Association	1,310	0	874
Partners Credit Union	131	14	24
Port Sunlight Village Trust	25	-25	7
South Liverpool Housing Ltd	42	-7	11
Torus 62 Ltd	1,798	0	570
Welsh Local Government Association	619	0	275
Wirral Autistic Society (Autism Together)	664	-611	113
Wirral Partnership Homes Ltd (Magenta Living)	1,716	-1,449	693

Admission Bodies (Transfer) (52)

Absolutely Catering (Holy Family)	10	0	3
Addaction (Sefton)	14	0	4
Agilisys Limited	7	-7	2
Agilisys Ltd (Sefton)	254	25	80
Balfour Beatty PFI SEN School	16	-16	3
Balfour Beatty Workplace Limited	51	-51	15
Bouygues E & S FM UK Ltd	19	0	4
Bulloughs	3	0	1
Bulloughs @Emmaus	3	0	1
Bulloughs @SLT	4	0	1
Carroll Cleaning Company Ltd (Ashurst Primary)	0	0	0
Change Grow Live	14	-3	3
Churchill @ Sutton	9	0	2
City Health Care (St Helens)	119	0	42
Compass (Scolarest) Liverpool Schools	3	9	1
Compass (Scolarest) Wirral Schools	31	-31	7
CWP (NHS)	490	234	155
Dataspire Solutions Ltd (St Edmund Arrowsmith)	9	0	3
Dolce Ltd	2	0	1
Friends of Birkenhead Council Kennels	10	0	3
Fun 4 Kidz	1	0	0
Hochtief Liverpool Schools	7	0	2
Hochtief Wirral Schools	17	0	4
Improvement & Development Agency	2,037	0	1,224
ISS Mediclean Ltd (Outwood Academy)	1	0	0
Interserve (Facilities Mgmt.) Ltd	1	0	0
Kingswood Colomendy Ltd.	8	4	2
Mellors Catering - Birkdale	11	-2	3
Mellors - Rainhill	25	0	6
Mellors Catering - St Anns	2	3	1
Mellors Catering - St Johns	1	0	0
Mellors Catering - St Mary & St Thomas	2	2	0
Mellors @ Sutton Academy	29	0	7
Mitie Care & Custody Ltd	9	0	3
One Day Ltd	13	0	3
Orian Solutions	12	0	3
Sanctuary Home Care Ltd	24	0	7
Sefton New Directions Ltd.	573	-573	159
Sentrex Services Ltd (Our Lady)	0	0	0
SSE Contracting Limited	41	0	13
Tarmac Trading Ltd.	28	0	9
Taylor Shaw - Great Meols	5	-3	1
Taylor Shaw – Hugh Baird	3	1	1
Taylor Shaw - Raeburn	2	0	0
Taylor Shaw - Range	3	-2	1
Taylor Shaw - St Andrews	2	0	1
Taylor Shaw - South Liverpool Learning Trust	87	0	23
Veolia ES Merseyside & Halton	81	-81	24

Admission Bodies (Transfer) continued

Volair Ltd	322	0	111
WCFT (NHS)	853	66	290
WIRED Ltd	12	3	3
Yunex Ltd	22	-7	7

Scheme Employers where contributions have been received during 2022/23 but they had no Active Scheme Members as at 31 March 2023

Absolute Catering Longmoor	2	0	1
Age Concern	2	-53	0
CDS Housing	193	4,960	39
Greater Merseyside Connexions	288	-217	74
Hornby Housing	5	256	1
L&T FM (Chroda)	4	0	1
Lifeline Project	0	11	0
Maxim @ Faith Primary School	1	0	0
Maxim @ Bank View	1	0	0
Maxim @ Redbridge	3	0	1
Mersey Waste Holdings	0	296	0
Merseyside Lieutenancy	0	-79	0
North Huyton New Deal	0	200	0
Wirral Evolutions	215	0	62
Totals	**118,428**	**12,416**	**69,539**
In Accounts	**118,428**	**12,416**	**69,539**
Control	**0**	**0**	**0**

Appendix B - Pensions Committee Items

22 June 2022

External Audit Plan Merseyside Pension Fund 2021-22
Statement of Accounts 2021/22
– Management Questions
Local Government Pension Scheme (LGPS) Update
Merseyside Pension Fund Budget Out-Turn 2021/22 and Final Budget 2022/23
Local Pension Board Minutes
Northern LGPS Update
Minutes of Working Party Meetings
Property Portfolio Rent Arrears and Write Offs
Non-Recovery of Deficit on Closure of Admission Body
External Audit Plan Merseyside Pension Fund 2021-22

28 September 2022

Pension Board Review 2021-22 and Work Plan 2022-23
Grant Thornton – The Audit Findings Report for Merseyside Pension Fund
Merseyside Pension Fund Annual Report & Accounts 2021/22 and Letter of Representation
Local Government Pension Scheme (LGPS) Update
Consultation on Governance and Reporting of Climate Change Risks in the Local Government Pension Scheme
Wirral Local Pension Board Minutes
Northern LGPS Update
Minutes of Working Party Meetings
CEM: Benchmarking of Investment Management and Pensions Administration

14 December 2022

Local Government Pension Scheme (LGPS) Update
Merseyside Pension Fund's Responsible Investment Policy and Human Rights
Wirral Local Pension Board Minutes
Appointment of Redington as Strategic Investment Advisors
Draft Funding Strategy Statement
Update on 2022 Actuarial Valuation
Northern LGPS Update

21 February 2023

Local Government Pension Scheme (LGPS) Update
Treasury Management Policy for 2023/24 and Annual Report for 2021/22
Merseyside Pension Fund Budget Financial Year 2023/24
Merseyside Pension Fund Authorised Signatories
Treasury Management Policy for 2023/24 and Annual Report for 2021/22
Minutes of Working Party Meetings
Property Portfolio Rent Arrears and Write Offs
Local Government Pension Scheme (LGPS) Update
Wirral Local Pension Board Minutes

2022-23	Pensions Committee				IMWP			GRWP	
	22 Jun	28 Sep	14 Dec	21 Feb	9 Jun	15 Nov	2 Mar	12 Jul	9 Mar
Cllr. Pat Cleary (Chair)	•	•	•	•	•	•	•		•
Cllr. George Davies	•	•	•	•	•	•	•	•	•
Cllr. Tom Anderson			#	#					
Cllr. Chris Carubia	•	•		•	•	•			
Cllr. Helen Collinson	•	•	•	•					
Cllr. Karl Greaney						•		•	•
Cllr. Andrew Gardner	•	•	•	•					
Cllr. Brian Kenny	•	•	•	•		•	•	•	
Cllr. Cherry Povall, JP (Vice Chair)	•	•	•	•		•	•	•	
Cllr. Jason Walsh	•	•	#	•					
Cllr. Joe Walsh	#	#	#	#					
Cllr. Paul Connolly									
Cllr. Martin Bond (St Helens MBC Co-optee)									
Cllr. Jayne Aston (Knowsley MBC Co-optee)			•						
Cllr. Paulette Lappin (Sefton MBC Co-optee)				•		•	•	•	
Roger Bannister (UNISON Co-Optee)		•				•	•	•	
Tom Cardwell (Liverpool City Council Co-optee)				•	•		•		

#*Deputy Attended*

Conferences 2022-23	PLSA Local Authority Conference	LGC Investment Seminar	PLSA ESG Conference	LAPFF Annual conference	LGC Investment Seminar
	13-15 Jun 22	8-9 Sep 22	12-13 Oct 22	7-9 Dec 22	30-31 Mar 23
Cllr. Pat Cleary (Chair)			•		
Cllr. George Davies					•
Cllr. Chris Carubia	•	•	•	•	•
Cllr. Karl Greaney			•		
Cllr. Andrew Gardner			•		•
Cllr. Brian Kenny					•
Cllr. Cherry Povall, JP (Vice Chair)	•	•	•		•
Roger Bannister (UNISON Co-optee)				•	

Appendix C - Information Contacts

Position	Name	Telephone number
Director of Pensions	Peter Wallach	0151 242 1391
Head of Pensions Administration	Yvonne Murphy	0151 242 1391

Area	Name	Telephone number
Finance & Risk (Compliance, Financial Control & Management)	Donna Smith	0151 242 1391
Investments (Fund Assets' Management)	Adil Manzoor/ Greg Campbell/ Allister Goulding	0151 242 1391
Employer Compliance and Membership (Transfers, Divorce, Admissions, Data quality assurance)	Sue Roberts/Bridget Pullen/ Paula Heaton	0151 242 1391
Benefits/Payroll (Retirement Calculations & Payments)	Claire Lloyd/Martin O'Boyle	0151 242 1391
Operations (IT/Communications) (Systems Support, MyPension, Website, Events)	Guy Hayton	0151 242 1391

Resolution of Disputes

Employer Decisions	Head of Pensions Administration	0151 242 1391
Fund Decisions	Section 151 Officer	0151 666 3407

Scheme Employers Contacts

Arriva North West	Alison Ashcroft	07855 104975
Knowsley MBC	Jaci Dick	0151 443 5161
Liverpool City Council	Richard Arnold	0151 233 0375
Liverpool John Moore's University	Kevin Morrisey	0151 231 8756
Merseyside Fire & Rescue Service	Steven Welsh	0151 296 4245
Merseytravel (MPTE)	Sue Highton	0151 330 1199
Merseyside Waste Disposal Authority	Jane Nolan	0151 255 2537
Office of the Police and Crime Commissioner for Merseyside (OPCCM)	Lauren Mellor	0151 777 7053
Sefton MBC	Lynn Abbott	0151 934 4126
St. Helens MBC	Steve Rigby	0174 467 6627
Wirral Council	Matthew Slater	0151 691 8529

WIRRAL

Matthew Bennett
Director of Finance and Investment
PO Box 290,
Brighton Street,
Wallasey,
Wirral,
CH27 9FQ.

to Grant Thornton UK LLP
11th Floor
Landmark St Peter's Square
1 Oxford Street
MANCHESTER
M1 4PB

date

my ref

Dear Sirs

Merseyside Pension Fund Financial Statements for the year ended 31 March 2023

This representation letter is provided in connection with the audit of the financial statements of Merseyside Pension Fund for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the Fund's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the Fund and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Fund has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include level 2 investments, level 3 investments and directly held investment property. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

vi. Except as disclosed in the financial statements:

   a. there are no unrecorded liabilities, actual or contingent

   b. none of the assets of the Fund has been assigned, pledged or mortgaged

c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

vii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

viii. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

ix. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

x. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Fund and its financial position at the year-end.

xi. The financial statements are free of material misstatements, including omissions.

xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv. We have updated our going concern assessment. We continue to believe that the Fund’s financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that that :

a. the nature of the Fund means that, notwithstanding any intention to liquidate the Fund or cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and

c. the Fund’s system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Fund's ability to continue as a going concern need to be made in the financial statements.

Information Provided

xv. We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;

b. additional information that you have requested from us for the purpose of your audit; and

c. access to persons within the Fund via remote arrangements from whom you determined it necessary to obtain audit evidence.

xvi. We have communicated to you all deficiencies in internal control of which management is aware.

xvii. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xviii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xix. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Fund, and involves:

a. management;

b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the financial statements.

xx. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xxi. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxii. There have been no communications with The Pensions Regulator or other regulatory bodies during the year or subsequently concerning matters of non-compliance with any legal duty.

xxiii. We are not aware of any reports having been made to The Pensions Regulator by any of our advisors.

xxiv. We have disclosed to you the identity of the Fund's related parties and all the related party relationships and transactions of which we are aware.

xxv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Approval

The approval of this letter of representation was minuted by the Fund’s Pensions Committee at its meeting on 26 September 2023.

Yours faithfully

Name……………………………

Position…………………………..

Date…………………………….

Name……………………………

Position…………………………..

Date…………………………….

Signed on behalf of **Wirral Council** as administering body of **Merseyside Pension Fund.**

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PENSIONS COMMITTEE

26 SEPTEMBER 2023

REPORT TITLE:	**LOCAL GOVERNMENT PENSION SCHEME (LGPS) CONSULTATION: NEXT STEPS ON INVESTMENTS**
REPORT OF:	**DIRECTOR OF PENSIONS**

REPORT SUMMARY

This report provides Pensions Committee with details of a consultation by the Department for Levelling Up, Housing & Communities (DLUHC) seeking views on the Local Government Pension Scheme's (LGPS) "next steps on investments" and seeks comment on and approval for the proposed response which has been prepared by officers.

RECOMMENDATION/S

That the Pensions Committee be recommended to consider and comment on the report and approve a response to the consultation subject to any additional suggestions from the Local Pension Board to which the Director of Pensions may agree.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

1.1 The consultation was issued on 11 July 2023 and closes on 2 October 2023 which only provides time for a report to be prepared for this Committee. As an important area of policy, it is important that Pensions Committee is informed of the consultation and has an opportunity to review and contribute to the Fund's response before it is issued.

2.0 OTHER OPTIONS CONSIDERED

2.1 The option not to respond to the consultation was considered but was dismissed in view of the materiality of the subject matter and the implications of the anticipated requirements on LGPS funds.

3.0 BACKGROUND INFORMATION

3.1 A consultation from DLUHC on LGPS investment matters has been anticipated for some time. The consultation is framed to cover the following areas:

1. Asset Pooling in the LGPS
2. LGPS investments and levelling up
3. Investment opportunities in private equity
4. Provision of investment consultancy services
5. Updating the LGPS definition of investments

Pooling

To revise ISS guidance to include requirements to transfer listed assets to the pool by 31 March 2025, and to set out in the Investment Strategy Statement (ISS):

- assets which are pooled, under pool management and not pooled, and
- to provide a rationale, value for money and date for review for assets which are under pool management or not pooled

To revise pooling guidance so as to set out fully how funds and pools should interact and promote a model of pooling which includes the characteristics described above including on delegation of manager selection, strategy implementation, advice, governance, transition of assets, new investments outside the pool and reporting.

To implement a requirement in guidance for administering authorities to have a training policy for pensions committee members and to report against the policy.

To revise guidance on annual reports to require greater clarity on progress of pooling including a summary asset allocation (including investment in infrastructure and levelling up), a comparison between actual and strategic asset allocation, and a report of the net savings from pooling. We also seek views on whether there should be an additional requirement for funds to report net returns for each asset class against a consistent benchmark and, if so, how this requirement should operate.

For the Scheme Advisory Board to expand their Scheme Annual Report to provide a report on the progress on pooling and on asset allocation across the LGPS.

To make changes to LGPS official statistics to provide greater transparency on asset allocation and the proportion of assets which have been pooled.

Investment in levelling up

To amend regulations to require funds to set a plan to invest up to 5% of assets in levelling up the UK, and to report annually on progress against the plan.

Investment in private equity

To revise ISS guidance to require funds to consider such investments to meet the government's ambition of a 10% allocation to private equity in the LGPS.

Investment consultancy services

To amend regulations to set requirements funds with respect to investment consultants in line with the Competition & Markets Authority (CMA) order.

Definition of investment

To amend investment regulations to correct an inconsistency in the definition.

3.2 Response to the consultation.

MPF's response is attached at appendix 1. In principle, Merseyside Pension Fund (MPF) is supportive of the overall intentions of the consultation. As set out in the consultation, across the LGPS in aggregate, pooling is delivering benefits in the areas of improved net returns, more effective governance of investments, increased savings and access to more asset classes. In general, MPF has responded on those matters of particular relevance to it, rather than matters affecting other LGPS funds.

Good governance is fundamental to the success of any initiative. For effective delivery of investment pooling, it is important that the roles of the investment pools and LGPS funds are clarified and aligned appropriately and we are supportive of revised guidance setting clear standards on how pools and partner funds should interact. We note that opportunity was not taken to include in this consultation proposals to implement the recommendations contained in the action plan relating to the Scheme Advisory Board's Good Governance in the LGPS project. We would encourage the department to address this matter as a priority.

In considering its response, MPF has taken into account the fiduciary duty LGPS funds have to their members and employers to invest in assets with an appropriate risk profile, so they can fulfil the promise of paying pensions when they fall due. The responsibility and risk of investments remains at a Fund level, which means Funds are responsible for all investment decisions made by the pool.

With regard to the proposed 5% ambition for levelling up investments and the 10% ambition for investments in private equity, MPF already has more than 8% at work in levelling up investments and around 10% in private equity. However, these allocations have arisen from MPF's assessment of opportunities in private markets as part of our strategic allocation design, based on our appetite for risk and return. This is typically best practice across private and public sector pension funds. Strategic allocations are reviewed periodically, and for some LGPS Funds investments in these assets will make more sense than for others. Due to this, and the fact that suggesting a specific target allocation will impinge upon pension funds' fiduciary duty, MPF does not agree that 'ambition' targets should be set. Indeed, based on our experience, we suggest the emphasis should be on growth capital in private markets as a whole instead of private equity alone. Having a focus on 'private capital' allows pension funds to build private market portfolios which suit their own circumstances, rather than limiting options to a more narrowly defined and therefore potentially crowded part of the market with greater volatility.

The consultation brings additional reporting requirements and MPF is keen that reporting consistent with other LGPS reporting requirements should be adopted wherever possible to reduce the resourcing burden.

3.3 Levelling Up Definition

Proposed definition of levelling up involves twelve medium-term levelling up missions:

1. Living Standards
2. Research & Development
3. Transport
4. Digital Connectivity
5. Education
6. Skills
7. Health
8. Well-Being
9. Pride in Place
10. Housing
11. Crime
12. Local Leadership

3.7 It is intended that responses will be submitted in respect of the Northern LGPS Investment Pool (NLGPS) and for the Fund. Officers of the Fund have been working with their pooling colleagues to agree a response on behalf of NLGPS which closely mirrors the Fund's response. At the time of writing, the Pool's response was not available.

4.0 FINANCIAL IMPLICATIONS

4.1 As drafted, the consultation has limited immediate financial implications for MPF (although this is not necessarily the case for other LGPS funds). Membership of the Northern LGPS Investment Pool (NLGPS) has enabled MPF to deliver on the original pooling objectives particularly in reducing fees in higher cost areas of investment such as private markets where investments in GLIL and the Northern Private Equity Pool have delivered significant savings, improved governance and resilience.

The Joint Committee structure adopted by NLGPS has obviated the need to establish a Financial Conduct Authority (FCA) regulated Pool company which other LGPS pools require. As drafted, the consultation does not affect this arrangement but should this change in the guidance in relation to the categorisation of assets, then substantial costs would be incurred in establishing an FCA regulated entity.

5.0 LEGAL IMPLICATIONS

5.1 Following the consultation, statutory guidance will be issued. The consultation states that government will expect administering authorities to act in accordance with statutory guidance once issued. Where funds do not comply with guidance, government will consider whether a direction (under regulation 8 the LGPS (Management and Investment of Funds) Regulations 2016) is appropriate. Examples of activities which could result in in this include: withdrawing pool membership, failing to transition assets in line with the timetable or failing to provide adequate justification for non-pooled assets.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 The extensive reporting requirements will place additional demands on the Fund at a fund and pool level. These will be assessed and, where quantifiable, included in the subsequent reports to this Committee.

7.0 RELEVANT RISKS

7.1 A failure to provide Pensions Committee with information on legislative changes and the Fund's activities could hinder the Committee in fulfilling its statutory duties.

7.2 Following the consultation, statutory guidance will be issued. The consultation states that government will expect administering authorities to act in accordance with statutory guidance once issued. Where funds do not comply with guidance, government will consider whether a direction (under regulation 8 the LGPS (Management and Investment of Funds) Regulations 2016) is appropriate. Examples of activities which could result in in this include: withdrawing pool membership, failing to transition assets in line with the timetable or failing to provide adequate justification for non-pooled assets.

8.0 ENGAGEMENT/CONSULTATION

8.1 The Fund is consulting with its pool partner funds and the Pension Board in the preparation of this report.

9.0 EQUALITY IMPLICATIONS

9.1 There are no equality implications arising from this report. DLUHC have made an initial assessment under the duty and do not believe there would be impacts on protected groups from the proposals in this consultation, as they do not affect member contributions or benefits.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 None arising directly from the report. The consultation recognises the potential for pooling to "ensure the LGPS punches its weight on responsible investment, management of climate risks….[by] strengthening existing partnerships". The NLGPS has a Responsible Investment policy which explicitly addresses environment and climate implications as financially material to the long-term performance of investments.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.0 There are none arising directly from this report. The levelling up proposals contained in the consultation may result in greater investment in deprived areas of the UK.

REPORT AUTHOR: **Peter Wallach**
(Peter Wallach, Director of Merseyside Pension Fund)
telephone: 0151 242 1309
email: peterwallach@wirral.gov.uk

APPENDICES

Appendix 1 Draft Response to consultation

BACKGROUND PAPERS

DLUHC Consultation Next Steps on Investment
https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-next-steps-on-investments

TERMS OF REFERENCE

This report is being considered by the Pensions Committee in accordance with Section a of its Terms of Reference:

(a) To be responsible for the overall investment policy, strategy and principles of the Fund and its overall performance.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee	**15.09.22** **22.06.21**

Next steps consultation

I am responding to this consultation on behalf of Merseyside Pension Fund. On 26 September, Pensions Committee considered and discussed the consultation and approved the following response be made.

In responding to this consultation, Merseyside Pension Fund (MPF) confirms its commitment to the principle of asset pooling in the LGPS. Since 2016, the fund has been working successfully with its Northern LGPS pooling partners to deliver the criteria for investment reform set out in the November 2015 guidance. To date, substantial progress has been made and significant cost savings and efficiencies achieved through the pooling of assets and collaboration on investment initiatives. MPF anticipates delivering further efficiencies through pooling as opportunities arise.

Chapter 2: Asset pooling in the LGPS

Question 1: Do you consider that there are alternative approaches, opportunities or barriers within LGPS administering authorities' or investment pools' structures that should be considered to support the delivery of excellent value for money and outstanding net performance?

In establishing the 8 LGPS investment pools, LGPS funds have taken account of the criteria set out by government in the original pooling consultation and developed pool structures that accord with their investment philosophies and beliefs. Very considerable progress has been made since 2015 which is recognised in this consultation. Any material changes to guidance in this area may have the effect of inhibiting further progress in delivering value for money and good net performance.

Good governance is fundamental to the success of any initiative. For effective delivery of investment pooling, it is important that the roles of the investment pools and LGPS funds are clarified and aligned appropriately and we are supportive of revised guidance setting clear standards on how pools and partner funds should interact. We note that opportunity was not taken to include in this consultation proposals to implement the recommendations contained in the action plan relating to the Scheme Advisory Board’s Good Governance in the LGPS project and would encourage the department to address this matter as a priority.

In the case of Northern LGPS, a prescriptive approach could have the effect of increasing costs without a commensurate level of financial benefit. We support the government’s ambition for greater collaboration and joint working between pools and the potential to grow in-house investment management. Indeed, recent research by CEM identifies that cost savings are driven as much by implementation decisions as scale with both having a part to play.

Question 2: Do you agree with the proposal to set a deadline in guidance requiring administering authorities to transition listed assets to their LGPS pool by March 2025?

Progress to date suggests that, in the main, LGPS funds have been transitioning assets to pools as and when pools implement asset mandates that fulfil LGPS funds’ requirements. In this context, a deadline could be a blunt instrument and result in suboptimal investment decisions being implemented. As recognised in the draft guidance (section 19), it is important, therefore, that any deadline should recognise this and the need for pools to provide asset strategies that accord with LGPS funds' investment requirements.

With regard to the transition of assets to the Pool, we welcome the distinction made between pooled assets, assets which are under pool management and un-pooled assets. We believe the Investment Strategy Statement (ISS) reporting requirements are reasonable and additional guidance in relation to the content of the ISS will be helpful.

Question 3: Should government revise guidance so as to set out fully how funds and pools should interact, and promote a model of pooling which includes the characteristics described above?

In principle, we support the various aspects set out in the consultation as key to progress and the efficient implementation of investment strategy. Setting Investment strategy is a very significant decision for LGPS funds. As noted in our response to question one, good governance is fundamental to the success of pooling and it is important that funds engage with their pool (assuming their pool has the necessary expertise) when setting their strategic investment strategy.

Pool companies play an important role in the implementation of investment strategy and it is right that they are a party to discussions, as there is a risk funds could create an investment strategy the pool is unable for fulfil effectively. Funds should engage with their pool when setting their strategic investment strategy, alongside investment consultants and other interested parties.

It is already recognised that there is the potential for conflicts of interest with investment consultants and fiduciary managers and it seems reasonable that guidance should acknowledge that there is scope for this to arise in relation to advice from pool companies. Particularly where strategic advice is concerned, Pools should not usually be the sole source of advice for funds.

Question 4: Should guidance include a requirement for administering authorities to have a training policy for pensions committee members and to report against the policy?

Training and development is an important underpin to good governance in the LGPS. In 2010, MPF adopted the CIPFA Knowledge & Skills framework which sets out some best practice in respect of LGPS training and reporting. More recently, the Good Governance in the LGPS review opines helpfully on this area noting that respondents believed that requirements for Committee should be on a par with Local Pension Boards. We would hope that recommendations from the Scheme Advisory Board in relation to the Good Governance review, which include this important area of training and development, are put in place.

Effective participation in Pension Committee meetings, associated sub-groups and training puts considerable demands on elected Members' time and resources. It would be helpful if this commitment was recognised in guidance and encouraged the provision of enhanced allowances (contingent on fulfilling training/attendance requirements) to reflect this.

Question 5: Do you agree with the proposals regarding reporting? Should there be an additional requirement for funds to report net returns for each asset class against a consistent benchmark, and if so how should this requirement operate?

We support the reporting proposals. MPF has reported its assets on this basis for a number of years in its annual report. The area of greatest challenge is achieving a consensus on the reporting of net returns against a consistent benchmark. There are many hurdles, some of the main ones being:

1. Reporting net returns does not provide context around the risk taken.
2. Globally, there are more benchmarks than assets which makes benchmark selection difficult.
3. There are a range of approaches to the benchmarking of unlisted assets.
4. Benchmark providers charge for the provision of benchmark data so any proposal should not have the effect of LGPS funds incurring additional costs.

That being said, the Northern LGPS Joint Committee receives quarterly reports of the combined performance of the partner funds by asset class. This has involved some compromise in terms of benchmarks but is achievable. Should reporting pension funds feel the standard performance benchmark was inappropriate, this could be addressed in the narrative of their report.

This requirement could be seen as analogous to the current arrangements for the calculation of funding position against standard actuarial assumptions.

Question 6: Do you agree with the proposals for the Scheme Annual Report?

We agree with the reporting requirements. With the variety of reports that LGPS funds are required to make, we would support a new single standard set of data designed in such a way that it can be used by funds to fulfil all their different current obligations.

Chapter 3: LGPS investments and levelling up

Question 7: Do you agree with the proposed definition of levelling up investments?

The definition proposed is clear and broadly based. Over the years, MPF has made and continues to make substantial investments in its local area (Merseyside) as well as across the UK which fall within the definition proposed.

Question 8: Do you agree that funds should be able to invest through their own pool in another pool's investment vehicle?

Collaboration between and within LGPS pools and funds is already common particularly in private markets and delivers fee savings by, for example, collective negotiation with an external investment manager to provide a lower fee LGPS share class which is available to all LGPS investors. Collaboration brings benefits of scale, resource and helps reduce the potential for conflicts of interest in relation to local investments.

We agree that funds should be able to invest in another pool's investment vehicle. The requirement for this to be done through their own pool is almost certain to cause funds to incur an additional layer of fees. This is inimical to the original Pooling intention which was to reduce costs, move away from fund of funds and deliver fee savings. Taking account of proposals in question 3, consideration should be given to ways in which this can be achieved most cost effectively. It is difficult to see why there should be an objection to a pension fund investing directly in another pool's investment vehicle provided it has first consulted with its pool company. The final decision should lie with the pension fund.

Question 9: Do you agree with the proposed requirements for the levelling up plan to be published by funds?

MPF has more than twice the proposed 5% invested in levelling up assets. MPF has invested significant amounts in levelling up investments because it is consistent with our investment strategy and we do not see this changing in the foreseeable future. Notwithstanding this, the recognition, in the consultation, of fiduciary duty as underpinning any investment decision is important and the appropriateness of an allocation to levelling up assets will be a decision for each LGPS fund.

In our experience, most levelling up investments are through private market structures/vehicles. Hence, when calculations are undertaken, undrawn commitments and contingent liabilities as well as capital at work, are important considerations and should be included in the reporting of progress in a levelling up plan.

Question 10: Do you agree with the proposed reporting requirements on levelling up investments?

Yes. Although this will be an additional demand on fund resources, in our opinion, a considerable amount of 'levelling up' investment has occurred within the LGPS which is not necessarily recognised and this could be improved by reporting the extent to which levelling up investment is taking place.

Chapter 4: Investment opportunities in private equity

Question 11: Do you agree that funds should have an ambition to invest 10% of their funds into private equity as part of a diversified but ambitious investment portfolio? Are there barriers to investment in growth equity and venture capital for the LGPS which could be removed?

As a maturing fund with an increasing requirement for income, these two factors, along with our funding position and appetite for risk, will be key determinants of our future exposure to all asset classes including private equity.

Currently, MPF has around 10% of its assets in a broadly diversified portfolio of private equity investments. This allocation has arisen from MPF's assessment of opportunities in private markets as part of our strategic allocation design, based on our appetite for risk and return. This is typically best practice across private and public pension funds. Strategic allocations are reviewed periodically, and for some LGPS funds, investments in these assets will make more sense than for others. Due to this, and the fact that suggesting a specific target allocation will impinge upon pension funds' fiduciary duty, MPF does not agree that an 'ambition' target should be set. Indeed, based on our experience, we suggest the emphasis should be on growth capital in private markets as a whole, instead of private equity alone. Having a focus on 'private capital' allows pension funds to build private market portfolios which suit their own circumstances, rather than limiting options to a more narrowly defined and therefore potentially crowded part of the market with greater volatility.

To stimulate interest in UK-centric venture and growth equity, we would encourage the government to consider ways in which potential opportunities in growth equity can be made more appealing to investors by incentives such as the provision of first-loss capital or grant funding to encourage further investment in this area.

Question 12: Do you agree that LGPS should be supported to collaborate with the British Business Bank and to capitalise on the Bank's expertise?

We have invested alongside the BBB in the past and believe the BBB can play its part in assisting government in providing the types of incentive proposed in our response to question 11.

Chapter 5: Improving the provision of investment consultancy services to the LGPS

Question 13: Do you agree with the proposed implementation of the Order through amendments to the 2016 Regulations and guidance?

We already set strategic objectives for providers of investment consultancy services and would support the proposal not to include high-level commentary by actuaries or the like.

With regard to the consultation's reference to pools providing investment advice to LGPS funds, it is for LGPS funds to determine from whom they receive investment advice. However, from a governance perspective, we would argue that independent advice, scrutiny and oversight of the investment decisions taken by the pool is essential. In view of the proposals in question 3, it would seem appropriate in some circumstances that LGPS pool companies should be accountable against objectives.

Chapter 6: Updating the LGPS definition of investments

Question 14: Do you have any comments on the proposed amendment to the definition of investments?

The proposed amendment will be helpful in eliminating any ambiguity.

Chapter 7: Public sector equality duty

Question 15: Do you consider that there are any particular groups with protected characteristics who would either benefit or be disadvantaged by any of the proposals? If so please provide relevant data or evidence.

None.

PENSIONS COMMITTEE

26 SEPTEMBER 2023

REPORT TITLE:	**WIRRAL LOCAL PENSION BOARD MINUTES**
REPORT OF:	**DIRECTOR OF PENSIONS**

REPORT SUMMARY

This report provides Pensions Committee with the draft minutes of the previous meeting of the Wirral Local Pension Board.

RECOMMENDATION/S

That the Pensions Committee be recommended to note the minutes of the Wirral Local Pension Board.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION

1.1 The Wirral Local Pension Board reports to the Administering Authority on its activities and, as a part of that reporting, it is best practice that minutes of its meetings are shared with Pensions Committee on a regular basis.

2.0 OTHER OPTIONS CONSIDERED

2.1 Not relevant to this report. There is an option not to report these board minutes but it would not be best practice. The Board's terms of reference require it to report to Pensions Committee.

3.0 BACKGROUND INFORMATION

3.1 The Wirral Local Pension Board was established in 2015 in accordance with section 5 of the Public Service Pensions Act 2013 to assist the Administering Authority in its role as a scheme manager of the Scheme.

3.2 The Wirral Local Pension Board reports to the Administering Authority on its activities and, as a part of that reporting, the minutes of its meetings are shared with Pensions Committee.

4.0 FINANCIAL IMPLICATIONS

4.1 There are no implications arising directly from this report. In scrutinising the governance arrangements and service delivery of the Fund, the Board provides assurance to the administering authority on the efficiency and effectiveness of the Fund's activities.

5.0 LEGAL IMPLICATIONS

5.1 It is best practice for the activities of the Pension Board to be reported to the Pensions Committee.

6.0 RESOURCE IMPLICATIONS: STAFFING; ICT AND ASSETS

6.1 There are none arising directly from this report.

7.0 RELEVANT RISKS

7.1 A failure to provide Pensions Committee with information on legislative changes and the Fund's activities could hinder the Committee in fulfilling its statutory requirements.

8.0 ENGAGEMENT/CONSULTATION

8.1 There has been no consultation undertaken or proposed for this report. There are no implications for partner organisations arising from this report.

9.0 EQUALITY IMPLICATIONS

9.1 There are no equality implications arising from this report.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 There are no environmental or climate implications arising from this report.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 None arising from this report.

REPORT AUTHOR: **PETER WALLACH**
Director of Pensions
telephone (0151) 242 1309
email peterwallach@wirral.gov.uk

APPENDICES

Appendix 1 Pension Board minutes

BACKGROUND PAPERS

The Public Service Pensions Act 2013

CIPFA: the guide for local pension boards

TERMS OF REFERENCE

This report is being considered by the Pensions Committee in accordance with Section D of its Terms of Reference:

(d) To monitor the Local Government Pension Scheme including the benefit regulations and payment of pensions and their day to day administration and to be responsible for any policy decisions relating to the administration of the scheme.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Minutes of Local Pension Board meetings are brought to the subsequent Pensions Committee meeting.	

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LOCAL PENSION BOARD

Tuesday, 20 June 2023

Present:	J Raisin (Chair)	
	R Dawson	R Irvine
	P Fieldsend	P Moloney
	D Ridland	S Van Arendsen

1 **WELCOME AND INTRODUCTION**

The Chair welcomed everyone to the meeting and noted that Geoff Broadhead had resigned from the Board. The Chair recorded his thanks to Geoff for his contributions as he was a very supportive member from the commencement of the Board in 2015.

2 **APOLOGIES**

An apology for absence had been received from Lyn Robinson, Further Education employer representative.

3 **MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST**

There were no declarations of interests.

4 **MINUTES**

Resolved – That the minutes of the Local Pensions Board meeting held on 22 February 2023 be approved as an accurate record.

5 **EXTERNAL AUDIT PLAN - STATEMENT OF ACCOUNTS 2022/23**

The Head of Finance & Risk presented the report of the Director of Pensions which provided a copy of the report to be taken to the next Pensions Committee in relation to Grant Thornton’s external audit plan of the Fund’s Statement of Accounts for 2022/23. Significant risks were included although it was noted that they were generic and there were no changes to them compared to those identified in the previous year. The accounts production and the audit work timescales were explained and were on schedule and any findings would be reported to Pensions Committee in September 2023 and to a future Pensions Board.

Members questioned the additional testing and sampling in the year and it was explained that auditing standards had changed and the population/sample size needed to increase especially with level 3 investments.

Resolved – That the report be noted.

6 STATEMENT OF ACCOUNTS 2022/23 – MANAGEMENT QUESTIONS

The Head of Finance & Risk presented the report of the Director of Pensions which provided a copy of the report to be taken to the next Pensions Committee in relation to Grant Thornton's audit of the Fund's Statement of Accounts for 2022/23. As part of audit the auditors asked management to respond to a number of questions and those responses were to be reviewed and endorsed by Pensions Committee at its next meeting, to support them in their responsibilities in relation to the financial reporting process and to provide assurance that the Fund has adequate processes and oversight in place to minimise the risk of error. The questions and answers were presented in the report.

Resolved – That the report be noted.

7 LOCAL GOVERNMENT PENSION SCHEME (LGPS) UPDATE

The Senior Manager for Operations and Information Governance at Merseyside Pensions Fund (MPF) introduced the report of the Director of Pensions which was to be presented at Pension Committee on 11 July. The report provided an overview of changes affecting the future administration and governance of the Local Government Pension Scheme. Changes included a move of the evaluation date to remove the impact of inflation from the annual allowances' calculations and changes to the taxation of pensions from the recent Government budget.

Resolved – That the administration and governance changes to the Local Government Pension Scheme be noted, to ensure continued compliance with legislation, statutory guidance, and industry codes of practice.

8 MEMBERS' LEARNING & DEVELOPMENT PROGRAMME

The Director of Pensions introduced his report which provided a copy of a report to Pensions Committee on Members' learning and development around the CIPFA (Chartered Institute of Public Finance and Accountancy) framework originally adopted in 2010. It also reminded Board members of their learning and development responsibilities. The programme had been updated to reflect changes in pensions including pooling and need for Pensions Committee members to demonstrate knowledge.

Resolved – That the report be noted.

9 **UPDATE ON INVESTMENT RELATED CONSULTATIONS IN THE LOCAL GOVERNMENT PENSION SCHEME**

The Director of Pensions introduced his report which provided an update on consultations anticipated by Local Government Pension Schemes from the Department of Levelling Up, Housing and Communities. These related to both pensions administration and investment. Guidance was also awaited.

Members noted that it was useful to be informed about forthcoming consultations and guidance as well as what had been received already.

Resolved – That the report be noted.

10 **MINUTES OF WORKING PARTY MEETINGS**

The of Director of Pensions introduced a report which provided the minutes of meetings of Working Parties held since the previous Board meeting. Arrangements for a briefing session for employers on risk factors including inflation, would be put in hand.

Resolved – That the minutes be noted.

11 **NORTHERN LGPS UPDATE**

The Director of Pensions presented his report which provided an update on pooling arrangements in respect of Merseyside Pension Fund and the Northern LGPS together with the minutes of the previous Northern LGPS Joint Committee meeting. It was noted that Member representatives have been appointed following correspondence from the Wirral Local Pension Board.

Resolved – That the report and the minutes of the Joint Committee meeting be noted.

12 **PENSION ADMINISTRATION MONITORING REPORT [PERIOD OF 1 JAN – 31 MAR 2023]**

This item was dealt with in the private part of the meeting.

13 **EXEMPT INFORMATION - EXCLUSION OF MEMBERS OF THE PUBLIC**

Resolved – That under section 100 (A) (4) of the Local Government Act 1972, the public be excluded from the meeting during consideration of the following items of business on the grounds that they involve the likely disclosure of exempt information as defined by the relevant

paragraphs of Part 1 of Schedule 12A (as amended) to that Act. The Public Interest test has been applied and favours exclusion.

14 **PENSION BOARD REVIEW 2022-23 AND WORK PLAN 2023-24**

The Chair presented his report which reviewed the work and performance of the Board and its members between 1 April 2022 to 31 March 2023 and a proposed Work Plan for 2023-2024.

He commended the way that all members of the Board paid an active part in its work, and the support and consistency of officers. It was noted that the Fund had been recently contacted in relation to its Funding Strategy Statement by a member of the Scheme Advisory Board's reporting workstream as an example of best practice in relation to its Funding Strategy Statement which the Chair had also commended in his review.

Resolved –That

(1) the Pension Board Review 2022-2023 be approved;
(2) the proposed Work Plan for 2023-2024 be noted;
(3) this report be referred to the Pensions Committee for its consideration.

15 **RISK REGISTER**

The Director of Pensions presented his report which provided a copy of the Fund's Risk Register. It was noted that there had been two material changes since the previous iteration in relation to the management of cyber security risk.

Resolved – That the risk register report be noted.

16 **PENSION ADMINISTRATION MONITORING REPORT [PERIOD OF 1 JAN – 31 MAR 2023] EXEMPT APPENDIX**

The Senior Manager for Operations and Information Governance at Merseyside Pensions Fund (MPF) introduced the report of the Director of Pensions which provided monitoring information on the key performance indicators in respect of work undertaken by the administration team during the period 1 January 2023 to 31 March 2023.

Members discussed Cyber security and the thousands of attacks received per day attempting to gain access. Training and processes to mitigate the risks were undertaken.

Resolved – That the report be noted.

WIRRAL

LOCAL PENSION BOARD

26 SEPTEMBER 2023

REPORT TITLE:	**MINUTES OF WORKING PARTY MEETINGS**
REPORT OF:	**DIRECTOR OF PENSIONS**

REPORT SUMMARY

The purpose of this report is to provide Board members with the minutes of meetings of Working Parties held since the previous Board meeting.

RECOMMENDATION/S

That the Local Pension Board be recommended to consider and note the minutes.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

1.1 The approval of working party minutes by Pensions Committee forms part of the governance arrangements of Merseyside Pension Fund. These arrangements were approved by Pensions Committee as part of the Fund's Governance Statement at its meeting on 27th June 2011.

2.0 OTHER OPTIONS CONSIDERED

2.1 Not relevant for this report. The Pension Board has requested that minutes of the Working Parties be reported to it.

3.0 BACKGROUND INFORMATION

3.1 The Investment Monitoring and Governance & Risk Working Parties (IMWP & GRWP) enable Committee members and their advisors to consider pension matters relating to Merseyside Pension Fund in greater detail. They are not decision-making bodies but minutes and action points arising are reported to Committee. The minutes provide Board members with assurance that investment matters receive due consideration by Pensions Committee.

4.0 FINANCIAL IMPLICATIONS

4.1 There are none arising directly from this report. The working parties ensure scrutiny by elected members of the performance of the Fund's investments and administration functions.

5.0 LEGAL IMPLICATIONS

5.1 The Board must assist the Scheme Manager with the primary core function in securing compliance with the regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 There are none arising directly from this report. The working parties ensure the oversight of the Fund's activities by elected members.

7.0 RELEVANT RISKS

7.1 A failure to provide the Local Pension Board with information on legislative changes and the Fund's activities could hinder the Board in fulfilling its statutory duties.

8.0 ENGAGEMENT/CONSULTATION

8.1 There has been no consultation planned or undertaken for this report. There are no implications for partner organisations arising from this report.

9.0 EQUALITY IMPLICATIONS

9.1 There are no equality implications arising from this report.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 Environmental, Social and Governance matters are a standing item on the IMWP agenda.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 There are none arising from this report.

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APPENDICES

Appendix 1& 2 Working Party minutes

BACKGROUND PAPERS

CIPFA: Managing Risk in the Local Government Pension Scheme

TERMS OF REFERENCE

This report is being considered by the Pension Board in accordance with Section 13.3 (b) of its Terms of Reference:

(b) Monitor performance of administration, governance and investments against key performance targets and indicators.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Minutes of all IMWP and GRWP meetings are brought to the subsequent Pensions Committee and Local Pension Board.	

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Minutes of IMWP held on 07 June 2023

Attendees

		Organisation
Councillor Pat Cleary	PC	WBC
Councillor Julie McManus (Chair)	JM	WBC
Councillor Chris Carubia	CC	WBC
Councillor George Davies	GD	WBC
Councillor Brenda Hall	BH	WBC
Roger Bannister	RB	Unison Member rep
Ruth Molyneux	RM	WBC
Ann Ainsworth	AA	WBC
Jill Davys	JD	Redington
Tom Pilcher	TP	Redington
Anastasia Guha	AG	Redington
Rohan Worrall	RW	Independent Advisor
Paul Watson	PWa	Independent Advisor
Peter Wallach	PW	MPF
Adil Manzoor	AM	MPF
Owen Thorne	OT	MPF
Alex Abela-Stevenson	AAb	MPF
Dragos Serbanica	DS	MPF
Elizabeth Barlow	EB	MPF
Emma Jones	EJ	MPF
Allister Goulding	AG	MPF
Dan Proudfoot	DP	MPF
Neil Gill	NG	MPF
Joe Hull	JH	MPF
Roksana Klapkowska	RK	MPF

1. Apologies

Councillor Paulette Lappin
Councillor Brian Kenny
Councillor Brenda Hall

2. Minutes of IMWP 02 March 2023

Noted, no amendments.

3. Market Update

RW updated the market review for Q1 2023. A major event was SVB failure and stress in banking environment resulting from it, especially for regional banks. The economic performance last year was weak, but there was a rebound in Q1 2023.

Manufacturing is weak, while services are quite strong. CPI has been gradually, but very slowly coming down and that's expected to continue. Equity markets performance was positive in the last quarter, particularly in Europe and Japan. Negative performance in the US and Emerging Markets can be attributed to their heavy exposure to technology and other growth stocks that underperformed over the last 12 months relatively to value stocks. However, there was a rebound in Q1. MPF has more exposure to value stocks than growth.

Regarding fixed income, yields started going down in Q1 with prices going up. US investment grade credit spreads were steady and slightly narrowing.

Sterling has slightly appreciated against all major currencies in the last 3 months, however, has weakened significantly in the last 12 months, particularly against the Dollar and Euro.

Headline inflation has been going down as the oil price is falling.

Outlook: As the tight monetary policy with interest rates going up takes time to feed through to the economy, we should expect the next 9-12 months to be tough. Equities are expected to remain vulnerable, however with the inflation going down, bonds should perform reasonably well.

4. Overview of the last 12 months – Peter Wallach (PW) – Director of Pensions

PW gave an overview of the last 12 months. Funding position has improved to 106%. Despite negative return of -3.7 the Fund outperformed its benchmark of -5%. UK gilts and index linked gilts fell sharply. The Fund underperformed with respect to UK equities, however outperformed in overseas equity. Alternative assets did well. Property Portfolio declined in value, however significantly less that the average property in that period.

PW highlighted the achievements in the last 12 months: appointing Redington and initiating the Change Programme that is related to reviewing the Fund's investment beliefs, sustainability, and stewardship. Completion of actuarial valuation and continued growth of assets within GLIL (infrastructure) and NPEP (private equity). The fund is significantly invested in renewable energy assets.

With respect to local investments MPF has been investing in Mersey Heat (district heating) and Wirral Waters. Since the year-end there have been two more local projects: a loan to Legacie, a large project of building 650 apartments over the next 2-3 years and revitalisation of the Albert Dock.

The fund keeps looking for efficiencies, hence the costs have not increased as much as they otherwise would. In the future, MPF is implementing its actuarial valuation which is also tied to the revision of the investment strategy. The Fund is working with Redington on delivering further efficiencies, simplifying governance, and improving investment returns. MPF is looking for cost savings through pooling and increasing the proportion of assets managed by the internal team. There are ongoing consultations related to the above objectives as well as managing and mitigating climate risk (TCFD) and 'Levelling up' (Edinburgh Reforms). The Fund has also an important objective of signing up to the Stewardship Code.

Chris (CC) asked what the outlook for equities looks like going forward. PW replied that positive returns from bonds and equities in the last 3 months indicate that the markets are driven by sentiment and not fundamentals. Fundamentally, the economy remains strong, and this should feed through into company valuations. Valuations are more stretched in the US, and the Fund has high level of investment in the UK. Equities should be worth more tomorrow than today. We are not in recession in the UK despite the headwinds.

PC asked why the property portfolio outperformed the benchmark. PW explained that half of the property portfolio is direct property, and its valuation is transaction based and is relatively close to the benchmark. The other half is indirect property valued infrequently, and the lag might be the reason for the higher valuation overall. MPF also holds Fort Halstead and that asset performed very well against a difficult market.

5. **Stewardship and Responsible Investment – Owen Thorne (OT) - Portfolio Manager – Monitoring & Responsible Investment**

Owen (OT) discussed the MPF's stewardship efforts and shareholders' activism. He also mentioned the Fund' engagement with PIRC (Pensions & Investment Research Consultants Ltd) - shareholder advisory consultancy providing stewardship and proxy research services to institutional investors on environmental, social and governance issues. During the ongoing voting season as part of its activism, MPF filed for shareholders resolution at the Starbucks AGM calling for independent assessment of their human rights policies. The resolution was widely supported. OT further discussed shareholder resolutions, proxy voting and climate transition and MPF's plans of improved sustainability reporting and monitoring.

Pat (PC) commented on establishing framework for divestments from companies that do not align with the Fund's philosophy. Other pension funds are divesting from companies such as Walmart or Ryanair. He pointed out that MPF should keep it on its radar as well.

https://lapfforum.org/engagements/q1-quarterly-engagement-report/

https://northernlgps.org/node/114

6. **Presentation: Jill Davys (JD) - Director, Tom Pilcher (TP) - Senior VP from Redington**

Jill (JD) discussed the survey conducted aiming to capture the members' views and the fund's current position needs. Since the last meeting Redington have been working with the officers on measures to achieve strategic objectives. The focus of future meetings will be on actioning and implementing strategic changes. JD discussed the ultimate purpose of the Fund that is to provide secure pensions whilst ensuring the cost of running the scheme is contained to prevent a need for increase in contribution rates and the role of the Committee in ensuring the Fund delivers the required investment returns.

Paul (PWa) asked how Redington balances the objectives of risk and return. JD replied that it is about diversifying the portfolio and understanding where the risks are coming from and added that this will be discussed later by Tom (TP).

JD discussed the current funding level of the Fund and its progress over the years. RW noted that with the interest rates up, the level of the rate of interest that was used to discount the liabilities is very favourable.

JD summarised the survey results, objective of maintaining good funding level, and the preference for generating similar returns to keep contributions stable. Given the increasing maturity of the Fund, Cash Flow constraints, and the impact of the inflation, most officers support increasing the proportion of income yielding assets. Stakeholders are keen to invest in an environmentally positive way if it doesn't negatively impact the returns. They also want to invest locally but are neutral on the Levelling Up agenda. Redington will conduct a more detailed survey to capture specific views of the members.

JD presented the current and the proposed strategic asset allocation, that should enable the fund to achieve its strategic objectives. She discussed the status on achieving the Fund's goals. One area for concern is the level of income from assets that is currently not sufficient to cover the Fund's liabilities.

PWa requested explaining Value at Risk metrics to the new Members. JD explained VaR is the scale of loss in the event of sudden shocks in the investment markets, perhaps more important for private sector pension funds.

CC asked to explain the liquidity and cash flow in relation to assets producing a contractual income. JD explained that for assets, such as fixed income, there is a fixed coupon. Some infrastructure assets can also have a contractual inflation linkage. This helps to ensure the Fund can meet its pension obligation. For equities there is no certainty regarding the income levels.

CC asked what the consequence is of not satisfying the contractual arrangement. JD replied it is in relation to income producing assets, not in relation to the Fund's obligation to pay pensions. PW clarified that MPF paid out £360 million in pensions last year and 50% of it was paid from income. The Fund is aiming to achieve 100%. Equities don't provide contractual income and satisfactory level of certainty. Therefore, the Fund needs to move its asset allocation to achieve that objective.

Anne (AA) asked why circles for some objectives in the presentation are white. JD responded that formal targets on those goals have not been set yet and should be established based on the results of the upcoming survey.

JD discussed the objectives of maintaining or improving the returns on investments, reducing the overall risk in the portfolio, increasing the contractual income flow to meet future Cash Flow needs and improve the Fund's liquidity. With respect to the climate, the goal is to reduce risks in relation to climate change, but also to seek opportunities. Regarding local investments and Levelling Up agenda a future consultation is planned.

AA asked why the Council is transferring some property assets while the Fund is seeking to increase the proportion if income yielding assets. PW explained that the Council assets are different from MPF's assets but added that the possible reason for that is high cost of running the assets.

TP discussed current and proposed strategic asset allocation, adding that the portfolio is already well diversified. As the Fund's liabilities are inflation linked, MPF should seek inflation linkage in its assets. This is currently present in, for example, property. MPF has a reasonable proportion of income yielding assets but that should increase to meet the objectives. Redington's propositions are:

1. Enhancing diversifications by adding new return drivers, improving the geographical diversification (especially within fixed income) to reduce the overall level of risk in the portfolio, while keeping the returns at the current level.
2. Aiming to harvest income from the assets and stabilise the current cash flow.
3. Reducing ESG risk in the portfolio (especially climate related), generate positive impact as well as income and risk adjusted return.

PWa asked how the current bond yields compare to the diversification.TP replied it comes down to the risk adjusted returns. Currently the expected return on fixed income assets is good and that is the function of the current high-yield environment, but from a long-term investor perspective there is still good value in those types of assets.

PC asked about specific ESG factors. JD assured that Redington prepared a detailed survey to capture officers' views and what should be targeted in terms of ESG (for example, human rights, diversity). It is difficult to set out the new objectives before receiving the feedback from the survey. OT added there will be training sessions related to ESG.

AA asked about the Climate Risk Metric (current 16.9% vs proposed 12%) on page 11. TP explained it is a result of stress tests in different climate scenarios and the values indicate the reduction in assets under different scenarios.

AA noted that the carbon footprint increases under the proposed SAA. TP explained that climate risk is a multifactor issue and should be looked at assessing multiple metrics. He agreed that the carbon footprint is expected to increase but in the long-term should decrease at a faster rate than under the current SAA. AG suggested it is worth discussing during the climate training.

TP discussed fixed income assets and suggested increasing their proportion in the portfolio due to their cash flow generation. MPF currently holds mainly Gilts and UK investment grade corporate bonds. Redington considers the Fund's fixed income portfolio not sufficiently diversified and lacking other assets (such as loans and Asset Backed Securities) and other geographies, mainly US corporate bonds. Thanks to the size of the US bond market concentration risk would be mitigated.

CC asked about the Fund's risk appetite. TP replied the goal is to reduce the current VaR at the portfolio level. PW added that as per the survey results, members are keen on maintaining the current level of risk in the portfolio.

RW suggested that reducing the Fund's exposure to Gilts could result in increased risk without affecting returns. TP assured Gilts would be still important in the portfolio and a reduction in exposure is not anticipated.

AA asked what proportion of the risk is hedged. PW replied the about 25% of risk from equities is hedged and explained that the Fund's long-term perspective and diversification provide a degree of risk mitigation in the portfolio. RW added that hedging is expensive and as a long-term fund, MPF can deal with volatility.

TP discussed the role of equities, being a driver of returns. He pointed out they are expected to remain a strong allocation, however they are also the main risk driver in the portfolio and that should be taken into consideration. Redington propose a reduction of 13% from the current allocation to equities. Within the equities portfolio they proposed an optimisation, primarily from the geographical exposure perspective. As MPF is overexposed to the UK equities, the proposal is to reduce the allocation according to the size of the UK market or UK GDP.

RW asked how other Redington's LGPS clients manage diversification as 30% allocation in equities seems to be lower than others LGPSs. TP explained the reduction would be aligned to what is observed elsewhere but confirmed it might be lower than average. JD added that exposure to equities within LGPSs has been changing and is widely spread. In terms of split between UK and global assets majority are much closer to the global benchmark specifically allocated to UK.

TP explained that reducing the exposure to the UK aligns with the net zero target as the UK market is more emissions intensive than other developed economies due to its heavy reliance on the energy sector.

TP discussed alternative assets, highlighting their illiquidity, diversification benefits, and opportunity for integrating ESG factors. Redington is proposing improving ESG with alternative assets portfolio – increasing the proportion of assets generating positive impact environmentally and socially, while still generating satisfactory returns (for example: affordable housing within the property portfolio and nature-based solutions, like sustainable forestry).

PC noted that according to the survey, members are keen on impact investing and asked whether reducing the allocation to equities prevents the Fund from making a positive impact within that asset class and whether this would be counteracted with alternative assets. PC also asked if the environmental and social benefits of investments would be tracked. TP didn't believe any potential for impact would be given up by reducing public equities and agreed that alternative assets universe is the best place to look for impact thanks to its long-term investment periods, especially within renewable energy, infrastructure, and affordable housing. JD added that with respect to carbon footprint form equities Redington was referring to mainly to the UK being much higher carbon intensive and highlighted that it is harder to measure climate impact within alternatives than measuring carbon footprint within public equities.

CC voiced concerns about regionalising impact – making a positive difference locally, but at the same time causing negative implications elsewhere. JD responded the impact would be assessed holistically and referred to Anastasia. AG responded that the impact measurement is difficult but essential. She discussed scopes of emissions (1,2, and 3) as a measure to ensure that the climate issues are not being outsourced.

7. Climate Change & Net Zero Training Anastasia Guha (AG) – Redington

AG discussed global warming and its cause and consequences that we can already observe. AG explained the risks associated with climate change: transition risks, stranded assets risk, and physical risks (the highest for physical assets, like property or infrastructure) that are becoming uninsurable in some parts of the world. She discussed the importance of technology. AG also discussed the scopes of emissions, focusing on the scope 3 emissions and difficulty for measuring them in different sectors. She also introduced the term of 'Scope 4 Emissions'. She explained how greenhouse gas emissions work.

AG then moved on to discussing the 2015 Paris Agreement and how the 1.5C target was agreed upon. She explained what moving to net zero by 2050 means and how this can be reached. AG later discussed GFANZ – Glasgow Financial Alliance for Net Zero.

AG stated that fossil fuels emissions are still rising and explained where they are coming from and what sectors are the largest contributors. She explained carbon budgeting and illustrated the difference between 1.5C and 2C targets. She then discussed the policies supporting the transition and the issue of an 'economic way out'. AG characterised natural capital and carbon sinks in the context of reaching net zero carbon emissions by 2050.

AG stated that to achieve net zero, we need strategic changes, mandate changes, and active engagement. She discussed different approaches to responding to the climate change and the importance of regulations.

JD summarised the next steps:

- Getting back responses from the survey that will feed into future engagements.
- Work to start to develop net zero climate targets and engagement framework.
- Bringing in responsible investment policy review and Stewardship Code.
- Looking at TCFD, further net zero considerations.

AG: summarised net zero targets' considerations.

AA asked how much we can trace with respect to the ESG responsibilities, such as human rights and what we are able to monitor when investing. OT explained there are datasets that provide ratings. There is an element of subjectivity, sometimes making them hard to compare but It's being constantly improved.

AA wanted to confirm that the categories of questions that we are asking companies may help us decide what we want to have in our framework as we know what's measurable. OT replied that a lot of engagement with companies is focused on this issue of disclousure and the dialogue on what issues we think are material. The other dimension is the regulatory environment, whether the companies use the set definitions around sustainable activities and means how they should be measured. That's what we call integrating ESG into decision-making processes.

CC asked how long it's going to take to transition from coal and oil. AG explained that most coal producers are state-owned. China is one of the largest producers and yet they have more incentive policies around renewable energy than all other countries put together. Therefore, the transition might be simpler and quicker than forecasted, as China is known for its under promising and overdelivering. They committed to phasing out coal by 2060.

CC asked if there are sufficient resources / minerals for continued development and what is the future role of nuclear power. AG replied that nuclear is going to be an important, but not the main part of the energy mix. Regarding the rare minerals, this has now become a problem that everyone is incentivised to solve. Technology is looking for ways to build a battery that isn't based on this much of rare metals.

PC stated that with respect to the transition, the targets that were aspirational just a few years ago are achievable today, so the main concern for funds such as MPF is the risk of holding stranded assets issue. He highlighted the urgency of taking actions not only on climate but reducing the risk for the scheme members.

AG: There highlighted the importance of diversification from coal energy adding there are many other and cheaper ways to generate electricity.

OT highlighted the risk that the market suddenly reprices carbon intensive businesses, and it might be impossible to time that. Therefore, the Fund should be getting ahead of that prospect. PC confirmed the Fund needs to stay on top of that as the shifts can be rapid.

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WIRRAL

PENSIONS COMMITTEE

26 SEPTEMBER 2023

REPORT TITLE:	**NORTHERN LGPS UPDATE**
REPORT OF:	**DIRECTOR OF PENSIONS**

REPORT SUMMARY

This report provides Members with an update on pooling arrangements in respect of Merseyside Pension Fund (MPF) and the Northern LGPS Investment Pool. Minutes of the previous Northern LGPS Joint Committee meeting are appended for noting.

RECOMMENDATION/S

That the Pensions Committee be recommended to note the minutes of the Joint Committee meeting.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

1.1 Pooling is resulting in fundamental changes to the oversight and management of Local Government Pension Scheme (LGPS) assets and it is important that Members are informed of all developments affecting the Fund.

2.0 OTHER OPTIONS CONSIDERED

2.1 No other suitable options. It is an audit recommendation that minutes of the Northern LGPS joint committee meetings are reported to Pensions Committee.

3.0 BACKGROUND INFORMATION

3.1 The Northern LGPS Investment Pool was established between Merseyside, Greater Manchester and West Yorkshire Pension Funds in response to the revised LGPS Investment Regulations 2016 which were, in part, designed to facilitate the pooling of assets between LGPS funds and improve access to infrastructure investments.

3.2 Minutes of the previous Northern LGPS joint committee meeting are attached at appendix 1.

4.0 FINANCIAL IMPLICATIONS

4.1 There are none arising directly from this report. The operating costs of the Pool are reported annually and shared equitably between the participating funds.

5.0 LEGAL IMPLICATIONS

5.1 LGPS funds are required to pool their assets in order to comply with Regulation 7(2)(d) of the 2016 Investment Regulations. The regulation requires administering authorities to set out their ‘approach to pooling investments, including the use of collective investment vehicles and shared services’ in their Investment Strategy Statement.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 There are none arising directly from this report. The Joint Committee provides monitoring and oversight of the operations of the Northern LGPS Investment Pool.

7.0 RELEVANT RISKS

7.1 Pooling has resulted in fundamental changes to oversight and management of LGPS assets. It is essential that Pensions Committee exercises its governance responsibilities in accordance with the Council’s constitution.

8.0 ENGAGEMENT/CONSULTATION

8.1 There has been no consultation planned or undertaken for this report. There are no implications for partner organisations arising from this report.

9.0 EQUALITY IMPLICATIONS

9.1 There are no equality implications arising from this report.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 There are no environment and climate implications arising from this report. The NLGPS has a Responsible Investment policy explicitly addresses environment and climate implications as financially material to long-term performance of investments.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 None arising from this report.

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APPENDICES

Appendix 1 Minutes of Joint Committee meetings.

BACKGROUND PAPERS

Local Government Pension Scheme: Investment Reform, Criteria & Guidance

TERMS OF REFERENCE

This report is being considered by the Pension Board in accordance with Section 13.2 (b) of its Terms of Reference:

(b) Review management, administrative and governance processes and procedures in order to ensure they remain compliant with the Regulations, relevant legislation and in particular the Code.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
The Northern LGPS update is a standing agenda item on Pensions Committee	

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NORTHERN LGPS JOINT OVERSIGHT COMMITTEE

6 July 2023

Commenced: 11:00 **Terminated: 12.00pm**

Present:	**Cllr Gerald P Cooney (Chair)**	**Chair, Greater Manchester Pension Fund**
	Councillor Jacqueline North	**Vice Chair (1st Deputy), GMPF**
	Councillor Andrew Thornton	**Chair, West Yorkshire Pension Fund**
	Elizabeth Bailey	**UNISON**
	Ken Drury	**UNITE**
	Alan Flatley	**GMB**
In attendance	**Sandra Stewart**	**Director of Pensions, GMPF**
	Peter Wallach	**Director of Pensions, MPF**
	Euan Miller	**Managing Director, WYPF**
	Tom Harrington	**Assistant Director of Pensions, Investments, GMPF**
	Paddy Dowdall	**Assistant Director, Local Investment and Property, GMPF**
	Steven Taylor	**Assistant Director of Pensions, Special Projects, GMPF**
	Neil Cooper	**Head of Pension Investment, GMPF**
	Michael Ashworth	**Principal Investments Manager, GMPF**
	Alex Jones	**Investment Officer, GMPF**
	Owen Thorne	**Merseyside Pension Fund**
	Adil Manzoor	**Merseyside Pension Fund**
	Greg Campbell	**Merseyside Pension Fund**
	Joanne Wilkinson	**Merseyside Pension Fund**
	Leandros Kalisperas	**Chief Investment Officer, WYPF**
	Simon Edwards	**Assistant Director, Alternative Investments, WYPF**
	Colin Standish	**West Yorkshire Pension Fund**
	Robert Hulme	**West Yorkshire Pension Fund**
	Alan McDougal	**PIRC**
	Janice Hayward	**PIRC**
	Tom Powdrill	**PIRC**
	Conor Constable	**PIRC**

Apologies for Absence: **Councillor Julie McManus – Chair, Merseyside Pension Fund**
Councillor Cherry Povall - Deputy Chair, Merseyside Pension Fund

1. DECLARATIONS OF INTEREST

There were no declarations of interest.

2. MINUTES

The Minutes of the meeting of the Northern LGPS Joint Committee held on 13 April 2023 were agreed as a correct record.

3. COMMON CUSTODIAN UPDATE

The Assistant Director of Pensions Investments, GMPF submitted a report, which provided details of key performance indicators and key milestones and deliverables for the quarter to 31 March 2023 in relation to Northern Trust (NT) in their capacity as the common custodian to the Northern LGPS pool, as attached in an appendix to the report.

RESOLVED
That the report and presentation be noted.

4. POOLING UPDATE

Consideration was given to a report of the Managing Director (WYPF), providing an update on pooling activity since the previous Northern LGPS Joint Committee meeting and summarised relevant national pooling developments.

It was reported that, on 3 January 2019 MHCLG released new draft statutory guidance on LGPS asset pooling for 'informal' consultation. Parties that were consulted include pools, administering authorities and local pension boards. The guidance was intended to replace previous pooling guidance, in particular the LGPS Investment Reform Criteria and Guidance issued in November 2015 ('the 2015 guidance').

As per discussion at previous meetings, the draft statutory guidance appeared to blur the original four criteria in the 2015 guidance. In its place the guidance had 6 sections covering; structure and scale, governance, transition of assets to the pool, making new investments outside the pool, infrastructure investment and reporting. Government was yet to publish a response to the consultation (it appeared that it would be superseded) and therefore the 2015 guidance remained in force.

DLUHC civil servants had been indicating for some time that a consultation on several key policy areas for the LGPS was expected to be issued in the near future. The consultation was expected to cover LGPS pooling as well as other related matters such as the implementation of TCFD ('Task-force on Climate-Related Financial Disclosure') requirements for LGPS funds and investing LGPS assets to support the levelling-up agenda. However, a consultation on implementation of TCFD requirements was released separately on 1 September 2022.

At a speech on 9 December 2022, the Chancellor of the Exchequer announced that Government would also consult on requiring LGPS funds to ensure they were considering investment opportunities in illiquid assets such as venture and growth capital, as part of a diversified investment strategy. It was once again reiterated that Government would be releasing new pooling guidance for consultation.

Members were advised that the Chancellor of Exchequer delivered his Budget on 15 March. It was stated that the Government was challenging the Local Government Pension Scheme in England and Wales to move further and faster on consolidating assets. A forthcoming consultation would propose LGPS funds transfer all listed assets into their pools by March 2025, and set direction for the future. This may include moving towards a smaller number of pools in excess of £50 billion to optimise benefits of scale. While pooling had delivered substantial benefits so far, progress needed to accelerate delivery and the Government was ready to take further action if needed. The Government would also consult on requiring LGPS funds to consider investment opportunities in illiquid assets such as venture and growth capital, thereby seeking to unlock some of the £364 billion of LGPS assets into long-term productive assets. At the time of the report, the consultation had still not been issued.

In respect of LGPS Central, Members were advised that the CEO at LGPS Central, had announced his departure from the pool. His role as CEO had been taken over by his deputy on an interim basis while the board searched for a permanent replacement.

RESOLVED
That the report be noted.

5. SCHEME ADVISORY BOARD UPDATE

Consideration was given to a report of the Director of Pensions, MPF, providing an update on the last meeting of the Investment, Governance & Engagement (IG&E) Sub-Committee that had taken place.

Actions & Agreements from the meeting on 6 February 2023 were appended to the report.

The Director of Pensions, GMPF, attended the meeting on 15 May 2023 and provided a verbal update on the principal items on the agenda as follows:

- Code of Transparency Update;
- Sharia Compliance Report;
- RIAG Report; and
- DLUHC Regulatory Update.

RESOLVED
That the report be noted.

6. UPDATE ON RESPONSIBLE INVESTMENT

Consideration was given to a report and presentation of representatives of PIRC, which set out the Q1 2023 Northern LGPS Stewardship Report (attached at Appendix 1 to the report).

Mr Powdrill and Mr Constable presented the Q1 2023 Northern LGPS Stewardship report, which focused on and explored the following issues:

- NLGPS Support for Decent Work;
- Just Transition;
- Decarbonising the Auto Supply Chain; and
- Company Engagements.

They further advised in respect of the PIRC Workforce Data and Voting Project. It was explained that the project aimed to pull together numerous workforce data points and sources of information into one place. The portal provided a summary for each company alongside access to data compared to both universe and sector and data would inform engagement and NLGPS voting recommendations across All-Share constituents. It was also explained how the data was used to engage and vote.

RESOLVED
That the content of the presentation and the Q1 2023 Northern LGPS Stewardship report, be noted.

7. NORTHERN PRIVATE EQUITY POOL – ANNUAL REVIEW OF STRAEGY AND IMPLEMENTATION

A report was submitted and a presentation delivered, by the Assistant Director of Pensions Investments, GMPF, which gave a review of activity, strategy and implementation approach regarding Northern Private Equity Pool.

It was explained that the NPEP portfolio consisted of commitments to private funds targeting investments, made nationally or internationally, in the private equity or related private securities of companies. Commencing from 1 January 2020, the portfolio also included direct co-investment in such securities.

The report and presentation outlined:

- Current approach to investing in Private Equity;

- Implementation during calendar year 2022;
- Current position against current strategy;
- Review of Strategy; and
- Review of Implementation.

A problem-free year from an administrative perspective was reported. Execution had not been flawless, but the quantum and frequency of errors was not a significant concern currently. Officers continued to monitor the performance of the administrator through monthly assessments of KPIs.

Mazars was re-appointed as external auditor, on a three-year contract following a market tender. Tax, legal and investment advice was procured on an ad hoc basis, as required.

The year end audit of both the GP company and the Limited Partnership entities was completed in a timely fashion, with both entities receiving a clean audit opinion. The requisite Partnership and Corporate tax filings were made, in time, by KPMG.

RESOLVED
That the content of the report and presentation be noted.

8. PERFORMANCE MEASUREMENT

Consideration was given to a report of the Director of Pensions (GMPF), the provided members of the Northern LGPS Pool Joint Committee with an update on performance measurement.

It was explained that, at the Shadow Joint Committee meeting of 10 January 2019, Members endorsed the appointment of Portfolio Evaluation Ltd as the common performance measurement provider for the Pool.

An extract from the Northern LGPS reporting for periods to 31 March 2023 was attached as an appendix to the report. The reporting assisted in fulfilling both reporting requirements to Government, and any oversight obligations of the Joint Committee.

Portfolio Evaluation Ltd recently notified clients of their intention to cease trading on 14 September 2023. Portfolio Evaluation Ltd would produce Northern LGPS reports up to and including the period ending 30 June 2023. Officers had begun the process of reviewing potential alternative common providers with a view to a provider being in place to produce performance numbers for Northern LGPS for the quarter to 30 September 2023.

RESOLVED
That the content of the report be noted.

9. GLIL UPDATE

Consideration was given to a report of the Assistant Director for Local Investment and Property (GMPF) updating members on progress with the Northern Pool's direct infrastructure investment platform (GLIL).

It was reported that GLIL had progressed well and had one external investor, NEST. There had been some engagement with other pools but this had not progressed as well as hoped. Officers had reflected on this and sought to analyse why; and to review the operation of GLIL to ensure that it served the objectives of current owners. An external consultant had been engaged to review the consult with stakeholders and a timetable was agreed with the Joint Committee to review options.

The feedback from stakeholders had been substantive and constructive and required a significant revision of proposals. For these reasons further delays were envisaged before the conclusion of the project. A report from GLIL Executive Committee was with independent advisors of Member Funds for review, before presentation to the Joint Committee.

The GLIL report to investors for the period ending March 2023 was appended to the report. Members were advised that GLIL had entered into an agreement to purchase a significant minority stake in the M6 toll road. Transaction activity in the UK had slowed, however, as both asset owners and potential purchasers digested the meaningful change in the macro-environment and the implications for asset pricing. Officers remained mindful of this change in the macroeconomic environment when evaluating potential investments. Despite this, GLIL maintained a pipeline of exciting investment opportunities at varying stages of due diligence.

The core priorities for GLIL over next quarter and 12 months were reported as follows:

- Management of investors' current allocations in accordance with the mandate;
- Continue to implement ESG strategies in line with investee Fund's objectives;
- Completion of consultation exercise and implement of resulting recommendations; and
- Continued Engagement with other LGPS Fund's and Pools and potential aligned non LGPS investors.

RESOLVED
That the content of the report be noted.

10. DATE OF NEXT MEETING

RESOLVED
It was noted that the next meeting of the Northern LGPS Joint Oversight Committee was scheduled to take place on 5 October 2023.

CHAIR

Pensions Committee – Terms of Reference

The Pensions Committee is responsible for exercise on behalf of the Council all of the powers and duties of the Council in relation to its functions as Administering Authority of the Merseyside Pension Fund.

In particular, the Committee is charged by full Council:

(a) To be responsible for the overall investment policy, strategy and principles of the Fund and its overall performance of the Fund.

(b) To appoint and terminate the appointments of the professional advisers to, and external managers of, the Fund and agree the basis of their commission and remuneration.

(c) To receive actuarial valuations of the Fund and determine the level of employers' contributions necessary to balance the Fund.

(d) To monitor the Local Government Pension Scheme including the benefit regulations and payment of pensions and their day to day administration and to be responsible for any policy decisions relating to the administration of the scheme.

(e) To consider any views expressed by employing organisations and staff representatives relating to the scheme.

(f) To appoint members of the Investment Monitoring Working Party, which shall have responsibility for reviewing the performance of the Fund's investments and its asset allocation and regularly reporting their findings to the Pensions Committee.

(g) To award contracts for goods and services relating to the Fund in accordance with the Contract Procedure Rules after taking into account the recommendations of officers and external professional advisers (where appropriate).

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