



Pensions Committee

Date:	Monday, 17 July 2017
Time:	6.00 pm
Venue:	Council Chamber - Birkenhead Town Hall

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AGENDA

1. 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.

2. MINUTES (Pages 1 - 6)

To approve the accuracy of the minutes of the meeting held 21 March, 2017.

3. AUDIT FINDINGS REPORT (Pages 7 - 32)

4. STATEMENT OF ACCOUNTS 2016/17 AND LETTER OF REPRESENTATION (Pages 33 - 40)

5. DRAFT ANNUAL REPORT AND ACCOUNTS (Pages 41 - 124)

6. BUDGET OUTTURN 16/17, FINAL BUDGET 17/18 (Pages 125 - 132)

7. LGPS UPDATE (Pages 133 - 142)

8. POOLING UPDATE (Pages 143 - 146)

9. TRANSPARENCY CODE (Pages 147 - 150)

10. PENSION BOARD ANNUAL REPORT (Pages 151 - 158)

11. ISS GUIDANCE UPDATE (Pages 159 - 162)

12. **PENSIONS ADMINISTRATION STRATEGY (Pages 163 - 192)**
13. **TREASURY MANAGEMENT ANNUAL REPORT (Pages 193 - 196)**
14. **PLSA CONFERENCE (Pages 197 - 200)**
15. **FUNDAMENTALS TRAINING (Pages 201 - 204)**
16. **LGC INVESTMENT SUMMIT (Pages 205 - 214)**
17. **MTAA UPDATE REPORT (Pages 215 - 218)**
18. **MONITORING OF INVESTMENT MANDATES (Pages 219 - 222)**
19. **TPR COMPLIANCE REPORT (Pages 223 - 228)**
20. **IMWP MINUTES 06/04/17 & 16/06/17 (Pages 229 - 232)**
21. **EXEMPT INFORMATION - EXCLUSION OF MEMBERS OF THE PUBLIC**

The following items contain exempt information.

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.

22. **POOLING UPDATE EXEMPT APPENDICES (Pages 233 - 244)**
23. **TPR COMPLIANCE EXEMPT REPORT (Pages 245 - 256)**
24. **IMWP EXEMPT MINUTES 06/04/17 & 16/06/17 (Pages 257 - 270)**
25. **ANY OTHER URGENT BUSINESS APPROVED BY THE CHAIR**

PENSIONS COMMITTEE

Tuesday, 21 March 2017

Present: Councillor P Doughty (Chair)

Councillors AR McLachlan G Watt
G Davies C Povall
T Jones P Cleary
B Kenny
D Elderton (for Cllr T Anderson)
W Ward (for Cllr AER Jones)

Apologies Councillors J Fulham St Helens Council
T Byron, Knowsley Council

Mr P Cleary, Unison

156 COUNCILLOR ANN MCLACHLAN

The Chair informed the Committee that this would be the last meeting attended by Councillor Ann McLachlan as she would be taking up her role as Mayor of Wirral. On behalf of the Pensions Committee Councillor Doughty thanked her for her dedicated service. Councillor Ann McLachlan responded to Members' good wishes and wished the Committee well for the future.

157 MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

Members were asked if they had any pecuniary or non-pecuniary interests in connection with any application on the agenda and, if so, to declare them and state the nature of the interest.

Councillor George Davies declared a pecuniary interest by virtue of his wife being a member of Merseyside Pension Fund.

Councillor Paul Doughty declared a pecuniary interest by virtue of his wife being a member of Merseyside Pension Fund.

Councillor Tony Jones declared a pecuniary interest by virtue of being a member of Merseyside Pension Fund.

Councillor Warrant Ward declared a pecuniary interest by virtue of his employment with the Department of Work and Pensions.

Councillor Geoffrey Watt declared a pecuniary interest by virtue of a relative being a member of Merseyside Pension Fund.

158 MINUTES

Resolved – That the accuracy of the Minutes of the Pensions Committee held on 23 January, 2017 be approved as a correct record.

159 **AUDIT PLAN 2016-17**

Heather Green, Engagement Manager, Grant Thornton UK, attended the meeting and presented the Audit Plan for Merseyside Local Government Pension Scheme Year ended 31 March 2017.

Resolved – That;

1. Heather Green be thanked for her presentation on the Audit Report.

2. the Audit Plan be noted.

160 **LGPS UPDATE**

A report of the Managing Director Delivery, informed Members of the Fund's response to the recent separate consultations on Pension Scams and the Indexation/Equalisation of Guaranteed Minimum Pensions (GMPs) in Public Service pension schemes.

Fund Officers sought comments and approval from the Chairs of both the Pension Committee and Pension Board on the policy perspective within each response, before submission to HM Treasury on the appointed deadline dates for each consultation. The responses were attached as Appendices to the report.

The report also provided an update on the draft LGPS (Amendment) Regulations and the Enterprise Act 2016 Commencement Order.

Resolved – That the report be noted.

161 **POOLING UPDATE**

A report of the Managing Director Delivery provided Members with an update on pooling arrangements relating to MPF and the Northern Pool.

At Pensions Committee on 23 January, Members had been advised that, following the meeting of Pool representatives with the Minister for Local Government on 19 December, the Minister's formal response had just been received.

The Pool had considered the Minister's letter at a shadow joint committee of the Northern Pool. Copies of this correspondence were attached at appendix 1 to the report.

Peter Wallach, Director of Pensions informed the Committee that a workshop on the implications of Financial Conduct Authority authorisation would to be held on 28 March 2017. Advisors to each Fund, the Chairs and one other member of each pensions committee were also invited and Councillor Paul Doughty and Councillor Geoffrey Watt would be attending.

Resolved – That the report be noted.

162 **ACTUARIAL VALUATION**

Members gave consideration to a report of the Managing Director Delivery that informed Members of the triennial actuarial valuation results for the Fund as at 31 March 2016. The position presented followed in-depth discussions between the Fund Actuary (Mercer), officers and constituent employers in relation to the core financial and demographic assumptions.

The statutory purpose of the valuation had been to set a funding plan that struck a balance between Fund solvency, long-term cost efficiency of the scheme and affordable employer contributions for the financial period 1 April 2017 to 31 March 2020.

It was reported that in order to undertake the valuation, the Actuary must have regard to the draft funding assumptions and policies adopted by the Fund. These included the deficit repair plan and investment strategy.

All contributory policies and statutory statements to support the valuation process were covered under separate reports at the Pensions Committee meeting.

Resolved – That;

1. the officers be congratulated for all their hard work.

2. the valuation basis be approved and the Fund Actuary be authorised to certify the final valuation report containing employers' contributions payable for the period 1 April 2017 – 31 March 2020.

163 **FUNDING STRATEGY STATEMENT**

A report of the Managing Director Delivery presented Members with the final version of the Funding Strategy Statement (FSS) following Committee's previous consideration of the draft assumptions and policy document at its meeting of 15 November 2016 (minute 131 refers).

As members had been informed, the refinement and finalisation of the FSS had been delegated to officers subsequent to the completion of an open consultation process with constituent employers. The aim of the consultation had been to encourage employer engagement to the process, with a view to implementing a funding plan which balanced the Fund's solvency and long term cost efficiency against affordable employer contributions.

An updated draft FSS was attached as Appendix 1 to the report, which following due consideration of the comments received, incorporated measures to permit alternative phasing patterns for specific financial periods; to align with employer budget constraints and provide an easement from the upward pressure on cash contributions.

The 2013 FSS had been updated to incorporate the full suite of discretionary policies that impacted on funding and risk management. This action had improved the

transparency of funding by presenting the individual synergistic policies in one document.

Members were advised that subject to member approval of the FSS, the Fund Actuary (Mercer) would produce the Rates and Adjustment Certificate confirming the individual employer contributions for the financial period 1 April 2017 to 31 March 2020.

Resolved – That;

1. Yvonne Caddock, Principal Pension Officer and the staff be thanked for their work.

2. the Funding Strategy Statement along with the implementation of the alternative investment strategies and internal ill health captive insurance arrangement be approved.

164 **INVESTMENT STRATEGY STATEMENT**

A report of the Managing Director Delivery sought approval from Members for the draft Investment Strategy Statement (ISS) which was attached as an appendix to the report.

Approval was also sought for the revised Asset Allocation Strategy included on page two of the Investment Strategy Statement.

At Committee in November 2016, Members had considered the implications of the new Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the “Regulations”) issued by The Department for Local Government and Communities (DCLG) and the accompanying guidance in relation to the requirement for administering authorities to prepare and maintain an Investment Strategy Statement which must be in place no later than 1 April 2017.

The Investment Strategy Statement would replace the Fund’s Statement of Investment Principles.

In relation to paragraph 2.2 e) of the report “e) the authority’s policy on how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments” Councillor Pat Cleary asked when the Committee would receive an update and Peter Wallach advised that he was hopeful that a report could be brought to the April meeting of the IMWP. Councillor Pat Cleary indicated that Members had not had sight of the letter and response relating to fossil fuels and Peter Wallach agreed to make this available to Members. The Chair commented that the Fund was proactive in investing in areas such as windfarms and anaerobic digestion and indicated that it would be appropriate for Members to receive a brief presentation on what the Fund did invest in at a future meeting.

Resolved – That the Investment Strategy Statement and the revised investment strategy be approved.

165 **LGPC CONFERENCE**

A report of the Managing Director Delivery requested nominations to attend the thirteenth Annual LGPS Trustees' conference organised by the Local Government Pensions Committee from 29 to 30 June 2017 in Bournemouth. Members were informed that this would be made available to all members of the Pensions Committee and they would be contacted by the Head of the Pension Fund's PA.

Resolved – That;

- 1. the Annual LGPS Trustees' conference be made available to all members of the Pensions Committee.**
- 2. Members be contacted by Peter Wallach's PA and indicate their intention to attend to her.**

166 **PLSA LA CONFERENCE**

Members gave consideration to a report of the Managing Director Delivery that requested nominations for members to attend the Pensions & Lifetime Savings (PLSA (formerly NAPF)) Local Authority Conference 2016 to be held in Gloucester from 15 May to 17 May 2017. It was noted that this conference clashed with Wirral Council's Annual Council.

Resolved – That the report be noted.

167 **GIFTS & HOSPITALITY DECLARATIONS**

Members gave consideration to a report of the Managing Director, Delivery that provided Members with a summary of monitoring/training events attended by officers of the Fund and details of gifts and hospitality received over the 12 months to September 2016. The appendix to the report provided a schedule of declarations from October 2015 to December 2016.

Resolved – That the report be noted.

168 **COMPLIANCE MANUAL**

Members of the Committee gave consideration to a report of the Managing Director Delivery that sought approval of a revised Compliance Manual.

The appendix to the report contained exempt information. This was by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of Local Government Act 1972 i.e. information relating to the financial or business affairs of any particular person (including the authority holding that information).

The Compliance Manual set out the powers, duties and responsibilities of officers in respect of the financial services legislative and regulatory regimes relevant to MPF. Although the Pension Fund is not regulated by the Financial Conduct Authority (FCA) the manual incorporated, where appropriate, best practice as set out by the FCA and the codes of other professional bodies.

The manual was due for review every three years. The existing Compliance Manual had been approved at Pensions Committee 24 March 2014.

Resolved – That the revised Compliance Manual be approved.

169 **IMWP MINUTES 09/02/17**

A report of the Managing Director Delivery provided Members with the minutes of the Investment Monitoring Working Party held on 9 February 2017.

The appendix to this report contained exempt information. This was by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of Local Government Act 1972 i.e. information relating to the financial or business affairs of any particular person (including the authority holding that information).

Resolved – That the report be noted.

170 **GRWP MINUTES 07/02/17**

A report of the Managing Director Delivery provided members with the minutes of the Governance & Risk Working Party (GRWP) held 7 February 2017.

An exempt report on the agenda, the minutes of the GRWP, contained exempt information. This was by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972, i.e. Information relating to the financial or business affairs of any particular person (including the authority holding that information).

Resolved – That the report be noted.

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

Resolved – That in accordance with section 100 (A) 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 it involved the likely disclosure of exempt information as defined by relevant paragraphs of Part 1 of Schedule 12A (as amended) to that Act. The public interest test had been applied and favoured exclusion.

172 **IMWP MINUTES 09/02/17 EXEMPT MINUTES**

The appendix to the report on IMWP Minutes 09/02/2017 was exempt by virtue of paragraph 3.

173 **GRWP MINUTES 07/02/17 EXEMPT MINUTES**

The appendix to the report on GRWP Minutes 07/02/2017 was exempt by virtue of paragraph 3.

174 **COMPLIANCE MANUAL - APPENDIX**

The appendix to the report on Compliance Manual was exempt by virtue of paragraph 3.

The Audit Findings for Merseyside Pension Fund

Year ended 31 March 2017

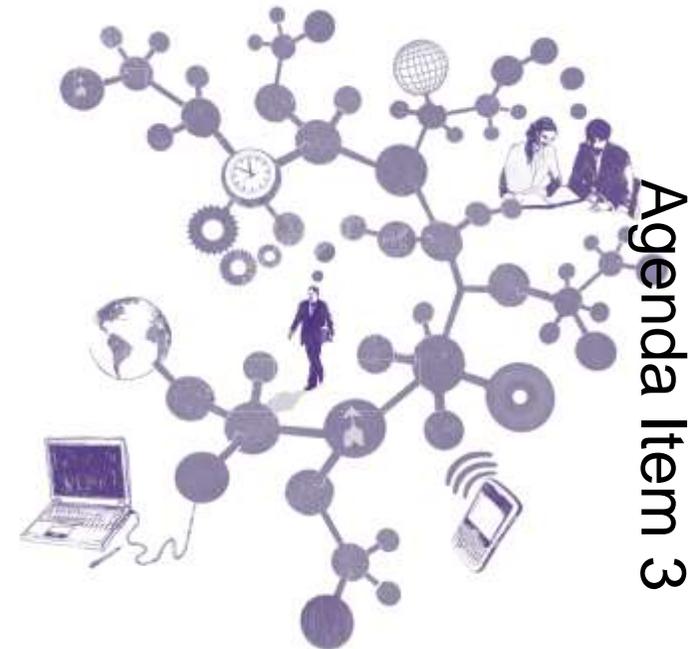
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6 July 2017

Dear Members

Audit Findings for Merseyside Pension Fund for the year ending 31 March 2017

This Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance (in the case of Merseyside Pension Fund the Audit and Risk Management Committee), as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. Its contents have been discussed with management of the Pension Fund and the Pensions Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland) ('ISA (UK&I)'), 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.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. 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.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours sincerely

Grant Patterson
Engagement Lead

Chartered Accountants

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Appendices

A Audit opinion

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Section 1: Executive summary

01. Executive summary

02. Audit findings

03. Fees, non audit services and independence

04. Communication of audit matters

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Purpose of this report

This report highlights the key issues affecting the results of Merseyside Pension Fund ('the Fund') and the preparation of the Fund's financial statements for the year ended 31 March 2017. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of ISA (UK&I) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Fund's financial statements give a true and fair view of the financial position of the Fund.

Introduction

In the conduct of our audit we have not had to significantly alter or change our audit approach, which we communicated to you in our Audit Plan dated February 2017.

Our audit plan assumed that investments categorised as Level 2 (based upon accounting standards and taking into account the *PRAG Practical Guidance: Investment Disclosures May 2016*) would not be material. Your review and restatement based upon the PRAG guidance resulted in Level 2 investments becoming material and we have undertaken enhanced procedures on these investments as a result of this change.

Our audit is substantially complete although we are finalising our procedures in the following areas:

- Clearance of outstanding queries on investments and benefits payable
- review of the final version of the financial statements
- obtaining and reviewing the management letter of representation, and
- updating our post balance sheet events review, to the date of signing the opinion

Key audit and financial reporting issues

Financial statements opinion

We received draft financial statements and accompanying working papers at the commencement of our work, in accordance with the agreed timetable.

We have not identified any adjustments affecting the Fund's reported financial position for the year ended 31 March 2017 of net assets of £8,178,485k. We have agreed a small number of disclosure adjustments to improve the presentation of the financial statements and annual report.

The key messages arising from our audit of the Fund's financial statements are:

- Draft accounts were prepared and available for audit by 31 May 2017, one month ahead of the statutory deadline, and meeting the revised timetable that comes into effect in 2018.
- The accounts were prepared to a good standard with good supporting working papers. Our audit has not identified any significant amendments to the financial statements or annual report.
- We have agreed a small number of amendments to ensure disclosures are fully compliant with the requirements of the accounting standards.

Further details are set out in section two of this report.

We anticipate providing a unqualified audit opinion in respect of the financial statements (see Appendix B).

Controls

Roles and responsibilities

The Fund's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Fund.

Findings

We draw your attention in particular to control issues identified through the work of Internal Audit in respect of pension payments, which identified some errors in the calculation of lump sum and pension payments. We considered the nature of these errors and concluded that there is no risk of material misstatement in the financial statements, and no indication of fraud.

We note that the fund has obtained and reviewed internal controls reports from the main mandate investment managers. This review identified some minor controls weaknesses, but review my management has concluded that non of the weaknesses have any significant implications for the fund. We have reviewed management's assessment and concluded this is reasonable.

Further details are provided within section two of this report.

The way forward

Matters arising from the financial statements audit of the Fund have been discussed with the Director of Pensions and Group Accountant.

Acknowledgement

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Grant Thornton UK LLP
6 July 2017

Section 2: Audit findings

01. Executive summary

02. Audit findings

03. Fees, non audit services and independence

04. Communication of audit matters

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Materiality

In performing our audit, we apply the concept of materiality, following the requirements of ISA (UK&I) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our audit plan, we determined overall materiality to be £78,000k (being 1% of net assets at 31 December 2016). We have considered whether this level remained appropriate during the course of the audit. Whilst net assets at 31 March 2017 were higher than at 31 December 2016, we determined that no change was required to our overall materiality.

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £3,550k. This remains the same as reported in our audit plan.

As we reported in our audit plan, we identified the following items where we decided that separate materiality levels were appropriate. These remain the same as reported in our audit plan.

Balance/transaction/disclosure	Explanation	Materiality level
Management expenses	We will consider the completeness of disclosures to within 15% of the reported amounts	Due to public and political interest in these disclosures.
Related party transactions	We will consider the completeness and accuracy of disclosures, taking account of materiality from the perspective of the fund and the related party	Due to public interest in these disclosures and the statutory requirement for them to be made.
Key Management Personnel	We will consider the completeness and accuracy of disclosures to within 15% of the reported amounts or £15,000 (whichever is lower)	Due to public interest in these disclosures and the statutory requirement for them to be made.

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK&I) 320)

Audit findings against significant risks

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
<p>The revenue cycle includes fraudulent transactions Under ISA 240 there is a 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.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Merseyside Pension Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> ▪ 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 as the administering authority, mean that all forms of fraud are seen as unacceptable. 	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
<p>Management over-ride of controls Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<ul style="list-style-type: none"> ▪ Review entity level controls. ▪ Review of accounting estimates, judgments and decisions made by management. ▪ Testing of journal entries. ▪ Review of unusual significant transactions. 	<p>Our audit work has not identified any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgements.</p>

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty." (ISA (UK&I) 315) . In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK&I) 550)

Audit findings against significant risks continued

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to address these risks.

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
<p>Level 3 Investments (Valuation is incorrect) 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.</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 16</p>	<ul style="list-style-type: none"> • We have updated our understanding of your process for valuing Level 3 investments through discussions with relevant personnel from the Pension Fund during the interim audit. • We have performed walkthrough tests of the controls identified in the process. • On a sample basis we have tested valuations by obtaining and reviewing the audited accounts at latest date for individual investments and agree these to the fund manager reports at that date. In addition reconciling those values to the values at 31st march with reference to known movements in the intervening period. • 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. • For direct property investments agreed values in total to valuer's report and undertaken steps to gain reliance on the valuer as an expert. 	<p>Subject to clearance of the outstanding queries, our work has not identified any issues in respect of this risk.</p>

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses are attached at appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p>Investment Income</p>	<p>Investment activity not valid. Investment income not accurate. (Accuracy)</p>	<ul style="list-style-type: none"> For those investments managed by external fund managers and custodied with Northern Trust, we have reviewed the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and sought explanations for variances For those assets not held by the custodian, we have reviewed the reconciliation of information provided by the fund managers and the Pension Fund's own records and sought explanations for variances <p>For all assets:</p> <ul style="list-style-type: none"> Tested a sample of investment income to ensure it was appropriate Completed a predictive analytical review for different types of investments For direct property investments rationalised income against a list of properties for expected rental income. 	<p>Subject to the clearance of outstanding queries, our work has not identified any significant issues in respect of this risk.</p>
<p>Investment purchases and sales</p>	<p>Investment activity not valid. Investment valuation not correct</p>	<ul style="list-style-type: none"> For those investments managed by external fund managers and custodied with Northern Trust, we have reviewed the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and sought explanations for variances For those assets not held by the custodian, we have reviewed the reconciliation of information provided by the fund managers and the Pension Fund's own records and sought explanations for variances <p>For all assets:</p> <ul style="list-style-type: none"> Tested a sample of purchases and sales to verify the occurrence and value of the transaction 	<p>Subject to the clearance of outstanding queries, our work has not identified any significant issues in respect of this risk.</p>

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"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK&I) 315)

Audit findings against other risks continued

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Investment values – Level 2 investments	<p>Valuation is incorrect. (Valuation net)</p> <p>We did not identify this risk in our audit plan due to Level 2 Investments not being material in prior years. In 2016/17 you have classified a material value of investments in Level 2.</p>	<ul style="list-style-type: none"> For those investments managed by external fund managers and custodied with Northern Trust, we have reviewed the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and sought explanations for variances For those assets not held by the custodian, tested a sample of Level 2 investments to independent information from custodian/manager on units and on unit prices. 	<p>Our work has not identified any significant issues in respect of this risk.</p>
Contributions	<p>Recorded contributions not correct. (Occurrence)</p>	<ul style="list-style-type: none"> Controls testing over occurrence, completeness and accuracy of contributions Tested a sample of contributions to source data to gain assurance over their accuracy and occurrence. Rationalised contributions received with reference to changes in member body payrolls and numbers of contributing pensioners to ensure that any unexpected trends are satisfactorily explained. 	<p>Our work has not identified any significant issues in respect of this risk</p>
Benefits payable	<p>Benefits improperly computed/claims liability understated. (Completeness, accuracy and occurrence)</p>	<ul style="list-style-type: none"> Controls testing over, completeness, accuracy and occurrence of benefit payments. Tested a sample new starter pensions in payment by reference to member files. Rationalised pensions paid with reference to changes in pensioner numbers and increases applied in the year to ensure that any unusual trends are satisfactorily explained. Confirmed the annual pension increase has been updated in the Altair system correctly 	<p>Subject to the clearance of outstanding queries, our work has not identified any significant issues in respect of this risk.</p>
Member Data	<p>Member data not correct. (Rights and Obligations)</p>	<ul style="list-style-type: none"> Controls testing over annual/monthly reconciliations and verifications with individual members. Tested a sample of changes to member data made during the year to source documentation. 	<p>Our work has not identified any significant issues in respect of this risk.</p>

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Audit findings against other risks continued

Going concern

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&I) 570).

We reviewed the management's assessment of the going concern assumption and the disclosures in the financial statements and concluded that the going concern assumption is appropriate.

Fair Value Measurement Disclosures

The 2016/17 Accounting Code of Practice removes the scope exclusion on the disclosures for investments measured at fair value and introduces some new disclosure requirements in respect of Level 3 investments. We identified a small number of disclosures that did not appear to be fully compliant with the requirements of the Code.

Management considered the new disclosure requirements, specifically in respect of the requirements of paragraph 2.10.4.1 of the Code, as part of the accounts preparation and concluded that these new disclosures were not required because they were either already covered by existing disclosure in the accounts, or, in the case of quantifiable sensitivity disclosures, because consultation with industry experts indicated that the required sensitivity information was not readily available.

We have noted that paragraph 2.10.4.1 3(d) states that an authority is not required to create quantitative information to comply with this disclosure requirement if quantitative unobservable inputs are not developed by the authority when measuring fair value but that (i) requires a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs. As noted above the Fund's current view is that it does not develop the unobservable inputs and the information is not readily available from its advisers and therefore it is not possible to fully comply with the Code at this time. We are satisfied that the omission of these disclosures is not significant to the overall presentation of the financial statements.

Fair Value Hierarchy

Note 14 to the financial statements provides the Fair Value Hierarchy, which classifies asset valuations into three levels, according to the quality and reliability of information used to determine fair values. Following updated Pensions Research Accountants Group (PRAG) guidance (*PRAG Practical Guidance: Investment Disclosures May 2016*), the fund undertook a review of its fair value hierarchy classifications during 2016/17. Based upon this new information the fund has restated the disclosures for 2015/16.

Our testing of investment valuations has included consideration of the appropriateness of the classification in the fair value hierarchy and we are satisfied that the judgements made by management are reasonable.

Accounting policies, estimates and judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Fund's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<ul style="list-style-type: none"> Normal contributions are accounted for on an accruals basis, and employer deficit funding is accounted for on the due date set by the scheme actuary or on receipt if earlier than the due date. Income from equities is accounted for when the related investment is quoted ex dividend. Income from pooled investment vehicles and on short term deposits is accounted for on an accruals basis. Distributions from private equity are treated as a return of capital until the book value is nil and then treated as income on an accruals basis. 	<ul style="list-style-type: none"> The revenue recognition policies are appropriate to the accounting framework and are adequately disclosed in the accounting policies. 	<p>● (Green)</p>
Judgements and estimates	<p>Key estimates and judgements include:</p> <ul style="list-style-type: none"> Valuation of unquoted investments within private equity, infrastructure property and other alternative investments. 	<ul style="list-style-type: none"> We have undertaken testing on a sample of unquoted investments to assess the appropriateness of the valuation. The key estimates and judgements relating to the valuation of unquoted investments are appropriate to the accounting framework and are disclosed within the accounting policies. The potential financial statement impact of different assumptions is adequately disclosed in Note 15 to the accounts. 	<p>● (Green)</p>
Going concern	Officers have a reasonable expectation that the services provided by the Fund will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.	We are satisfied with management's assessment that the going concern basis is appropriate for the 2016/17 financial statements.	<p>● (Green)</p>
Other accounting policies	We have reviewed the Fund's policies against the requirements of the CIPFA Code and accounting standards.	Our review of accounting policies has not highlighted any issues which we wish to bring to your attention. The Fund's accounting policies are appropriate and consistent with previous years.	<p>● (Green)</p>

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Assessment

- Marginal accounting policy which could potentially attract attention from regulators
- Accounting policy appropriate but scope for improved disclosure
- Accounting policy appropriate and disclosures sufficient

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
1.	Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Audit and Risk Management Committee and 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.
2.	Matters in relation to related parties	<ul style="list-style-type: none"> From the work we carried out, we have not identified any related party transactions which have not been disclosed.
3.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> 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.
4.	Written representations	<ul style="list-style-type: none"> We have requested a standard letter of representation from the Fund.
5.	Confirmation requests from third parties	<ul style="list-style-type: none"> We requested direct confirmations from the custodian and all main mandate fund managers, plus a sample of managers for alternative investments, for investment balances, income and purchases and sales. We have received confirmations from most managers and management are assisting us to chase those confirmations that remain outstanding.
6.	Disclosures	<ul style="list-style-type: none"> Our review found no material omissions in the financial statements.
7.	Matters on which we report by exception	<ul style="list-style-type: none"> We are required to report by exception where the Pension Fund Annual Report is inconsistent with the financial statements. We have not identified any issues we wish to report.

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Internal controls

As noted on page 6, we draw your attention in particular to control issues identified through the work of Internal Audit in respect of pension payments. Internal Audit tested a sample of 20 new pension payments and lump sum payments during 2016/17. In 2 of the cases tested, errors were identified in either the calculation of the lump sum payment or the first pension payment. We have considered the nature of these errors and concluded that there is no risk of material misstatement in the financial statements, and no indication of fraud.

	Assessment	Issue and risk	Management Response
1.		Errors in the calculation of lump sum payments and pension payments could result in losses to the fund, and under or overpayment to pensioners.	Management have identified planned actions to address the issues identified. The detailed Internal Audit Report and management response was considered by the Governance and Risk Working Party on 6 th July 2017

Page 22

Assessment

-  Significant deficiency – risk of significant misstatement
-  Deficiency – risk of inconsequential misstatement

The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

"The purpose of an audit is for the auditor to express an opinion on the financial statements. Our audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters being reported are limited to those deficiencies that the auditor has identified during the audit and that the auditor has concluded are of sufficient importance to merit being reported to those charged with governance." (ISA (UK&I) 265)

Misclassifications and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Adjustment type	Account balance	Impact on the financial statements
1 Disclosure	Note 5 - Estimation	The prior year figures for unquoted assets referenced in note 5 was incorrect in the draft accounts. This reference has been corrected to include the value of Direct Property investments.
2 Disclosure	Note 14 – Fair Value Hierarchy	The narrative note to explain the restatement of the 2015/16 Fair Value Hierarchy has been amended to quantify the impact of the restatement.
3 Disclosure	Various	A small number of minor amendments have been agreed to improve the overall presentation of the financial statements

Section 3: Fees, non-audit services and independence

- Page 24
- 01. Executive summary
 - 02. Audit findings
 - 03. Fees, non audit services and independence**
 - 04. Communication of audit matters

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Fees

	Proposed fee per Audit Plan £	Actual fees £
Pension fund scale fee	36,882	36,882
Agreed fee variation – IAS 19 (TBC)	2,180	2,180
Total audit fees (excluding VAT)	39,062	39,062

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA). The fee variation for IAS 19 has yet to be agreed with PSAA, and has not been billed.

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. We have complied with the Auditing Practices Board's Ethical Standards and confirm that we 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 Auditing Practices Board's Ethical Standards.
- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Fund. No non-audit or audit related services have been undertaken for the fund.

Section 4: Communication of audit matters

- Page 26
- 01. Executive summary
 - 02. Audit findings
 - 03. Fees, non audit services and independence
 - 04. Communication of audit matters**

Communication to those charged with governance

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

This document, The Audit Findings, outlines those key issues 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

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

We have been appointed as the Fund's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Fund's key risks when reaching our conclusions under the Code.

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	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
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		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to auditor's report, or emphasis of matter		✓
Unadjusted misstatements and material disclosure omissions		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern	✓	✓

Appendices

A. Audit Opinion

A: Audit opinion

We anticipate we will provide the Fund with an unmodified audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WIRRAL COUNCIL

We have audited the pension fund financial statements of Wirral Council (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. 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 2016/17.

This report is made solely to the members of the Authority, as a body, in accordance with Part 2 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the 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.

Respective responsibilities of the Head of Financial Services and auditor

As explained more fully in the Statement of Responsibilities, the Head of Financial Services is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund 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 2016/17, which give a true and fair view. Our responsibility is to audit and express an opinion on the pension fund financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the pension fund financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Financial Services; and the overall presentation of the pension fund financial statements. In addition, we read all the financial and non-financial information in the Authority's Statement of Accounts to identify material inconsistencies with the audited pension fund financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the pension fund financial statements

In our opinion: the pension fund financial statements present a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2017 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay pensions and benefits after the end of the fund year; and the pension fund financial statements have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited pension fund financial statements in the Authority's Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the audited pension fund financial statements.

Grant Patterson

for and on behalf of Grant Thornton UK LLP, Appointed Auditor
Royal Liver Building, Liverpool L3 1PS

[Date]

Independent auditor’s report to the members of Merseyside Pension Fund on the consistency of the pension fund financial statements included in the Merseyside Pension Fund annual report

Opinion

The Merseyside Pension Fund financial statements of Wirral Council (the "Authority") for the year ended 31 March 2017 which comprise the fund account, the net assets statement and the related notes of Merseyside Pension Fund are derived from the audited pension fund financial statements for the year ended 31 March 2017 included in the Authority's Statement of Accounts (the "Statement of Accounts").

In our opinion, the accompanying Merseyside Pension Fund financial statements are consistent, in all material respects, with the audited financial statements in accordance with proper practices as defined in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

Pension fund annual report - Pension fund financial statements

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

Who we are reporting to

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

The audited financial statements and our Report thereon

We expressed an unmodified audit opinion on the pension fund financial statements in the Statement of Accounts in our report dated [**insert date of opinion on the financial statements in the Statement of Accounts**].

Head of Financial Services’s responsibilities for the pension fund financial statements in the pension fund annual report

Under the Local Government Pension Scheme Regulations 2013 the Chief Financial Officer of the Authority is responsible for the preparation of the pension fund financial statements, which must include the fund account, the net asset statement and supporting notes and disclosures prepared in accordance with proper practices. Proper practices for the pension fund financial statements in both the Statement of Accounts and the pension fund annual report are set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Auditor's responsibility

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

Grant Patterson
for and on behalf of Grant Thornton UK LLP, Appointed Auditor
Royal Liver Building
Liverpool
L3 1PS

[Date of the auditor’s report]



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WIRRAL COUNCIL

PENSIONS COMMITTEE

17 JULY 2017

SUBJECT:	STATEMENT OF ACCOUNTS 2016/17 – MERSEYSIDE PENSION FUND
WARD/S AFFECTED:	ALL
REPORT OF:	SECTION 151 OFFICER
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to present Members with the audited statement of accounts of Merseyside Pension Fund for 2016/17 and to respond to the Audit Findings Report from Grant Thornton.
- 1.2 Subject to outstanding work, Grant Thornton has indicated there will be an unqualified opinion and there are no adjustments affecting the Fund's reported financial position for the year ended 31 March 2017 of net assets of £8.2bn and no recommendations.
- 1.3 Grant Thornton's report expresses a positive outcome from their audit of the accounts and refers to the accounts being prepared to a good standard with good supporting working papers.

2.0 BACKGROUND AND KEY ISSUES

- 2.1 The purpose of the Statement of Audited Accounts is to present the overall financial position of the Pension Fund as at 31 March 2017 in accordance with prescribed guidance.
- 2.2 The Statement of Accounts, including notes were prepared and available for audit by 31 May 2017, a month ahead of the statutory deadline, the audit has also been undertaken to a revised timetable, in preparation for revised statutory deadlines that come into force for 2017/18 reporting.
- 2.3 Grant Thornton is close to completion of its audit of the accounts 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.
- 2.4 There are no adjustments affecting the Fund's reported financial position for the year ended 31 March 2017 of net assets of £8.2bn. A small number of disclosure adjustments to improve the presentation of the financial statements and annual report have been agreed.

- 2.5 Within the audit findings report against controls, two issues have been brought to your attention by the auditor:
- a) the lump sums and pension payment calculations work undertaken by internal audit has been reviewed by management with the conclusion that compensatory controls did exist, but there was a timing inefficiency. The issue has now been resolved with changes in working practices. The change to immediate payments during 2016/17 has further strengthened the control environment.
 - b) The Fund reviews internal control reports from main mandate investment managers on an annual basis; the review by the Fund did result in identifying control weaknesses, however, further assurances were obtained by the Fund on the issues identified. Future reviews will be reported to Governance and Risk Working Party.
- 2.6 The audit findings report also reports of a small number of fair value measurements disclosures that did not appear to be fully compliant with the requirements of the Code, the Fund's view is in some instances the information is already contained within other notes to the accounts, were it is not, the information was not readily available from its advisors, the Fund will continue to work with its advisors and Fund Managers.
- 2.7 I have prepared a Letter of Representation on behalf of the Committee which gives assurances to the Auditor on various aspects relating to the Pension Fund.
- 2.8 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. Once approved, Grant Thornton has indicated that they will again issue an unqualified opinion, and state that the accounts present fairly the financial position of Merseyside Pension Fund as at 31 March 2017. Subject to this, the accounts as now shown will form the basis of the Annual Report for the year ended 31 March 2017.

3.0 RELEVANT RISKS

- 3.1 Not relevant for this report.

4.0 OTHER OPTIONS CONSIDERED

- 4.1 Not relevant for this report.

5.0 CONSULTATION

- 5.1 Not relevant for this report

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

- 6.1 There are no previously approved actions outstanding.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 7.1 There are no implications arising directly from this report.

8.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

8.1 There are none arising directly from this report.

9.0 LEGAL IMPLICATIONS

9.1 There are no implications arising directly from this report.

10.0 EQUALITIES IMPLICATIONS

10.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

(b) No because there is no relevance to equality.

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

11.1 There are no carbon usage implications, nor any other relevant environmental issues arising from this report.

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are no planning or community safety implications arising from this report.

13.0 RECOMMENDATION/S

13.1 That Pensions Committee approves the audited Statement of Accounts for 2016/17, considers the amendments to the accounts, the Audit Findings Report and the Letter of Representation.

13.2 That Pensions Committee refers the recommendations to the Audit and Risk Management Committee.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 Under the Audit Commission Act 1998 and the Audit Commission Code of Audit Practice for Local Government, the Auditor reports its findings on the audit of the Pension Fund Financial Statements to those charged with governance.

14.2 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.

REPORT AUTHOR: Donna Smith
Group Accountant
telephone (0151) 2421312
email donnasmith@wirral.gov.uk

APPENDICES

1. The statement of accounts forms part of the draft annual report which is a separate item on the agenda at this Committee meeting.

BACKGROUND PAPERS/REFERENCE MATERIAL

The Statement of Accounts plus relevant working papers and the Audit Findings Report from Grant Thornton were used in the production of this report.

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
PENSIONS COMMITTEE	
AUDIT AND RISK MANAGEMENT COMMITTEE	26 SEPTEMBER 2016
PENSIONS COMMITTEE	19 SEPTEMBER 2016
AUDIT AND RISK MANAGEMENT COMMITTEE	28 SEPTEMBER 2015
PENSIONS COMMITTEE	28 SEPTEMBER 2015
AUDIT AND RISK MANAGEMENT COMMITTEE	15 SEPTEMBER 2014
PENSIONS COMMITTEE	17 SEPTEMBER 2014

to Grant Thornton UK LLP
Royal Liver Building
Liverpool
L3 1PS

date 25 September 2017

Dear Sirs

**Merseyside Pension Fund
Financial Statements for the year ended 31 March 2017**

This representation letter is provided in connection with your audit of the financial statements of Merseyside Pension Fund ('the Fund') for the year ended 31 March 2017 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2017, and of the amount and disposition at that date of its assets and liabilities other than liabilities to pay pensions and benefits after the end of the Fund year, in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 ('the Code') 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

- 1 We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the Code; which give a true and fair view in accordance therewith, and for keeping records in respect of contributions received in respect of active members.
- 2 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.
- 3 The Council 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 regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

- 4 We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect error and fraud.
- 5 Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- 6 We acknowledge our responsibilities for making the accounting estimates included in the financial statements. Where it was necessary to choose between estimation techniques that comply with the Code, we selected the estimation technique considered to be the most appropriate to the Fund's particular circumstances for the purpose of giving a true and fair view. Those estimates reflect our judgement based on our knowledge and experience about past and current events and are also based on our assumptions about conditions we expect to exist and courses of action we expect to take.
- 7 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. There are no other material judgements that need to be disclosed.
- 8 Except as disclosed in the financial statements:
 - a there are no unrecorded liabilities, actual or contingent
 - b none of the assets of the Fund have been assigned, pledged or mortgaged
 - c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- 9 Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.
- 10 Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.
- 11 All events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.
- 12 We have considered the disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these disclosure changes and are free of material misstatements, including omissions.
- 13 We believe that the Fund's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Fund's needs. 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.
- 14 We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

Information Provided

- 15 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 unrestricted access to persons from whom you determined it necessary to obtain audit evidence.
- 16 We have communicated to you all deficiencies in internal control of which management is aware.
- 17 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.
- 18 All transactions have been recorded in the accounting records and are reflected in the financial statements.
- 19 We have disclosed to you all our knowledge of fraud or suspected fraud affecting the Fund involving:
- 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.
- 20 We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the Fund's financial statements communicated by employees, former employees, analysts, regulators or others.
- 21 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.
- 22 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.
- 23 We are not aware of any reports having been made to The Pensions Regulator by any of our advisors.
- 24 We have disclosed to you the identity of all the Fund's related parties and all the related party relationships and transactions of which we are aware.
- 25 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 Pensions Committee at its meeting on 17 July 2017 and by the Audit and Risk Management Committee at its meeting on 25 September 2017.

Yours faithfully

Signed
 Name...Tom Sault.....
 Position.....Section 151 Officer.....
 Date.....25 September 2017.....

Signed
Name.....
Position.....Chair of Audit and Risk Management Committee.....
Date.....25 September 2017

Signed on behalf of **Wirral Metropolitan Borough Council** as administering body of
the **Merseyside Pension Fund**.

WIRRAL COUNCIL

PENSIONS COMMITTEE

17 JULY 2017

SUBJECT:	DRAFT ANNUAL REPORT
WARD/S AFFECTED:	NONE
REPORT OF:	MANAGING DIRECTOR, DELIVERY
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to provide Members with the draft Annual Report of Merseyside Pension Fund for 2016/17.

2.0 BACKGROUND AND KEY ISSUES

- 2.1 The LGPS regulations require the Pension Fund Annual Report to contain the Fund Accounts and Net Asset Statement with supporting notes and disclosures, prepared in accordance with proper practices.
- 2.2 International Standards on Auditing (UK&I) 810 (revised) requires that auditors read any information published with the accounts. It also states that the auditor should not issue an opinion until that other information is published.
- 2.3 The Fund's Statement of Accounts and the auditor's Audit Findings Report are separate items on this agenda and provide additional assurance that the annual report has been subject to independent scrutiny.

3.0 RELEVANT RISKS

- 3.1 There are none arising from this report.

4.0 OTHER OPTIONS CONSIDERED

- 4.1 No other options have been considered.

5.0 CONSULTATION

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

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

- 6.1 There are no previously approved actions outstanding.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are none arising from this report.

8.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

8.1 There are none arising directly from this report.

9.0 LEGAL IMPLICATIONS

9.1 There are none arising from this report.

10.0 EQUALITIES IMPLICATIONS

10.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

(b) No because there is no relevance to equality.

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

11.1 There are no carbon usage implications, nor any other relevant environmental issues arising from this report.

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report.

13.0 RECOMMENDATION/S

13.1 That Members approve the draft Annual Report of Merseyside Pension Fund for publication.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 Regulation 34 of the Local Government Pension Scheme (LGPS) Administration Regulations requires local authorities to produce an Annual Report for the year to 31 March by 1 December of that year.

REPORT AUTHOR: **DONNA SMITH**
Group Accountant
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email donnasmith@wirral.gov.uk

APPENDICES

Draft Annual report

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
The Fund's draft annual report is brought annually to this Committee.	

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Merseyside Pension Fund **Report & Accounts 2016/17**

DRAFT 17 JULY 2017

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Management Structure

Pension Fund Management Committee

Chair:

CLlr P Doughty

Vice Chair:

CLlr A McLachlan

CLlr T Anderson

CLlr P Cleary

CLlr G Davies

CLlr A Jones

CLlr T Jones

CLlr B Kenny

CLlr C Povall

CLlr G C J Watt

CLlr T Byron

CLlr N Crofts

CLlr P Lappin

CLlr J Fulham

Employee Representatives (Non-voting)

Mr P Cleary

Mr B Ellis

Mr D Walsh

Officers of the Fund

Joe Blott

Peter Wallach

Yvonne Caddock

Surjit Tour

Colin Hughes

Managing Director, Delivery

Director of Pensions

Principal Pension Officer

Head, Legal & Democratic Services

Group Solicitor

Advisors to Investment Monitoring Working Party

Managing Director, Delivery

Director of Pensions

Senior Investment Manager

Aon Hewitt

Noel Mills

Rohan Worrall

Advisors to Governance & Risk Working Party

Managing Director, Delivery

Wirral Director of Pensions

Principal Pension Officer

Wirral **Others**

Wirral **Auditor**

Wirral Grant Thornton

Wirral

Wirral **Bankers**

Wirral Lloyds Banking Group

Wirral

Wirral **Consultant Actuary**

Wirral Mercer HR Consulting

Knowsley

Liverpool **Strategic Investment Consultant**

Sefton Aon Hewitt

St Helens

Custodian of Assets

Northern Trust

UNISON

UNISON

Unite

Responsible Investment Advisors

Pensions and Investment Research

Property Advisors

C B Richard Ellis

Property Managers

C B Richard Ellis

Property Valuers

Savills

Performance Measurement

Northern Trust

Solicitor

Wirral Council

AVC Providers

Equitable Life Assurance Society

Standard Life

Prudential

Chair's Introduction

As Chair of Pensions Committee, I am pleased to present Merseyside Pension Fund's Annual Report for the year ended 31 March 2017. The aim of the report is to highlight the important issues affecting the Fund over the last twelve months, as well as providing general information regarding the pension scheme.

The Overall Aim of the Fund

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

Investment Performance

Looking back over the twelve months up to 31 March 2017, a great deal of change has occurred politically and in financial markets. Against this backdrop, and despite our expectations this time last year that returns would be lower, the Fund returned 21.5% compared to its bespoke benchmark return of 17.8%, increasing in value to over £8.1bn.

The period under review started calmly, but the United Kingdom's referendum on membership of the European Union was the main event of the quarter. The results announced on 24 June 2016, revealed that the UK had voted by a majority to leave the EU. The outcome shocked investment markets, despite polls before the referendum suggesting that the vote could go either way and UK Prime Minister David Cameron announced that he would step down. The initial reactions in markets were pronounced: sterling fell dramatically, safe haven assets like government bonds rallied and equity markets were marked lower. Equity markets generally staged a recovery in the final days of the quarter, supported by expectations that interest rates would stay lower for longer.

The initial shock passed quickly enough and equity markets rebounded. Equity investors were bolstered by accommodative central banks; the Bank of England (BOE) followed through on its commitment to cut interest rates to cushion the impact of Brexit, while the European Central Bank (ECB) and US Federal Reserve (Fed) kept interest rates unchanged.

The final quarter of 2016 was dominated by the US presidential election and the surprise victory for Donald Trump, a result which confounded polls, commentators and markets alike. Volatility ensued as investors tried to glean policy cues and implications from a distinctly non-traditional campaign. On the whole, equity markets were net winners and bond markets were net losers. As markets moved to price 'reflation', the US dollar strengthened, inflation expectations were revised up and additional US federal borrowing was factored in to fund more expansionary fiscal policy.

More detail is provided in the Investment Report.

Volatility in financial markets is showing signs of increasing and we are positioning the Fund cautiously. Nonetheless, it is helpful to bear in mind that local authority pension funds invest over the long-term to pay benefits in forty to fifty years' time and it is imperative that we maintain this long-term perspective in our investment strategy.

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

Actuarial Valuation

The triennial valuation was undertaken at 31 March 2016. At the last triennial valuation, assets stood at £5.8bn with liabilities calculated to be nearly £7.7bn, giving a whole fund funding position of 76%. The final position at 31 March 2016 showed an increase in assets to £6.85bn with liabilities calculated to be £8.08bn and our funding level improved to 84.8%.

Communication with Fund Employers and Members

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

With numbers of members affected by early retirement and redundancy programmes, we have offered a variety of courses to members and employers during the year in addition to regular newsletters for employers, employees, pensioners and deferred members. The Fund's websites continue to be updated regularly and we are encouraging greater use of electronic media to enhance efficiency.

The Annual Employers' Conference was held at Aintree Racecourse in November 2016. The event was well attended and featured speakers from the Fund's actuary, the Chair of the Pension Board and officers of the Fund.

Past Changes and the Future

The Pension Board introduced in 2014, has now completed its second full year of operation. Further information is contained in the Pension Board Report.

New LGPS Investment Regulations came into effect in November 2016. They have moved the regulatory framework from a prescriptive to a prudential regime; more akin to that pertaining to private sector schemes. A further significant change is the replacement of the Fund's Statement of Investment Principles with an Investment Strategy Statement.

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

The Fund maintains its work with Greater Manchester Pension Fund and West Yorkshire Pension Fund (known as the Northern Pool), in response to the Government's investment reform agenda, to deliver cost savings and efficiencies whilst maintaining investment performance.

Savings will arise predominately from the increased resources of the Pool, enabling alternative asset classes to be accessed in a more cost-effective way. We have already made steps in this direction. In December 2016, MPF formally joined with four other local government funds to create a £1.3bn asset pool to invest collectively in infrastructure projects. I expect that I will be able to report on other initiatives of this type as we work towards the government's April 2018 deadline for full pooling. Pooling is a significant undertaking, and the resources and costs required to deliver the required changes, should not be underestimated. It will also result in fundamental changes to the oversight of LGPS assets and it is essential that appropriate governance arrangements are in place.

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

Preparation of Report

This Annual Report has been produced in accordance with Regulation 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 Paul Doughty
Chair, Pensions Committee

Management Report

Management of the Fund

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

In 2016/17, the Committee comprised Councillors from the Wirral Labour group (6), Conservatives (3), Green Party (1), representatives of the four other District Authorities (Liverpool, St. Helens, Knowsley and Sefton), an independent representative from the other employers and employee representatives (3). The Managing Director, Delivery and other officers of the Fund also attend Committee, which meets around five times a year to review the administrative and investment issues affecting the Fund.

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

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

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

With regard to its investment management activities, the Fund uses a combination of internal and external management and active and passive strategies across the various asset classes in which it invests. More comprehensive details of the Fund's investment managers, mandates and advisors are set out in its ISS.

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

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

Risk Management

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

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

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

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

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

In addition, the Fund maintains a risk register and a compliance manual for its employees. These documents are all subject to regular scrutiny by Pensions Committee and officers, and provide details of the key risks and explanations of the policies and controls adopted to mitigate them. These arrangements are assessed at least annually by the Fund's external and internal auditors.

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

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

Knowledge and Skills

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

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

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

Activity in Year

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

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

This year, the Fund's actuarial valuation process was identified as an area of development. Members received various presentations and briefings on the topic. Similar arrangements were made in relation to investment pooling which remained an area of focus for officers and Members.

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

The Fund is a member of the Local Authority Pension Fund Forum and the Chair of the Pensions Committee is a member of the executive board, attending regular meetings dealing with all aspects of responsible investment.

The following training opportunities have been provided during the year.

Month	Event
April	IMWP
May	PLSA LA Conference
June	IMWP
June	Pensions Committee
June	GRWP
September	IMWP
September	Pensions Committee
September	LGC Investment Summit
October	IMWP
October	LGE Fundamentals
October	PLSA Annual Conference
November	IMWP
November	Pensions Committee
November	LGE Fundamentals
November	MPF Annual Employers' Conference
December	Annual LAPFF Conference
December	LGE Fundamentals
January	Pensions Committee
February	GRWP
February	IMWP
March	LGC Investment Conference
March	Pensions Committee

As the officer nominated by the Pensions Committee responsible for ensuring that the Fund's training policies and strategies are implemented, the Managing Director, Delivery 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 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 Wirral Local Pension Board

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

- secure compliance with the Regulations , any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator (TPR) 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 TPR. 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 twice in any year. There is also the provision for special meetings to be convened at notice.

Constitution/Management arrangements

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

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

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

mpfmembers.org.uk

Executive Summary

The Board held three meetings during the period (see below). In addition, a rigorous training programme was undertaken involving internal and external training as set out in the table entitled, 'Attendance & Training Record 2016-17'. A number of Board members have attended Working Parties to gain greater familiarity with the activities and procedures of Pensions Committee in managing the governance and structural arrangements of the Fund to support sound decision-making.

Board changes

I regret to inform you that Mr Philip Goodwin passed away unexpectedly in September 2016. We are grateful for his valuable contribution to the Board during his tenure as an active scheme member representative. In April 2017, Mr Roger Irvine joined the Board as the new active member representative and we look forward to working with Roger in the future.

Work Plan 28 June 2016 meeting

1. LGPS update
2. CIPFA Knowledge & Skills Framework
3. The Pensions Regulator Survey
4. Pension Board Review & Work Plan 16/17
5. Compliance Statement – TPR Code of Practice
6. Pooling Update
7. IMWP minutes

Work Plan 11 October 2016 meeting

1. Audit Findings Report & Draft Annual Report & Accounts
2. Investment Performance
3. LGPS update
4. Treasury Management Annual Report
5. GAD Section 13 Dry run
6. CIPFA Training event
7. Annual Employers' Conference
8. Final Pooling Submission
9. Non-recovery of Pension Overpayments
10. IMWP/GRWP minutes
11. Administration KPI report

Work Plan 16 March 2017 meeting

1. LGPS update
2. Member Development Programme
3. Pooling update
4. Treasury Management Strategy
5. Business Planning
6. Investment Strategy Statement guidance
7. Draft Funding Strategy
8. MIFID consultation
9. IMWP minutes
10. Administration KPI report

A work plan for 2017/18 has identified a number of key areas where the Board will provide assurance to the Administering Authority as to compliance with regulations and policies. Not all board meeting dates have yet been set.

Pension Board Work Plan 2017-18

Agenda item	27/6/16	10/10/16	2018
LGPS update	●	●	●
Administration KPI report	●	●	●
Pooling update	●	●	●
Audit Plan	●		
Pensions Administration Strategy		●	
Member Development Programme			●
Pension Board Development Programme			●
IMWP/GRWP minutes	●	●	●
Pension Board Annual Report		●	
Investment Performance		●	
Audit Findings Report		●	
Annual Report & Accounts		●	
Review of Actuarial Valuation	●		

Attendance & Training Record 2016-17

	PENSION REGULATOR PUBLIC SECTOR	FUNDAMENTAL TRAINING DAY 1	FUNDAMENTAL TRAINING DAY 2	FUNDAMENTAL TRAINING DAY 3	LGPS TRUSTEES CONFERENCE	PLSA ANNUAL CONFERENCE	MPF ANNUAL CONFERENCE	PENSION BOARD MEETING			
		Oct	Nov	Dec	23-24 Jun	19-21 Oct	29 Nov	14 Apr	28 Jun	11 Oct	16 Mar
John Raisin (Chair)	•							•	•	•	•
Geoff Broadhead	•	•	•	•			•	•	•		•
Kerry Beirne	•						•	•		•	•
Robin Dawson	•	•	•	•	•	•	•	•	•	•	•
Phil Goodwin						•		•	•		
Mike Hornby	•					•		•	•	•	•
Pat Moloney	•					•	•	•	•	•	•
Donna Ridland	•	•	•	•		•	•		•	•	•
Paul Wiggins	•							•		•	•

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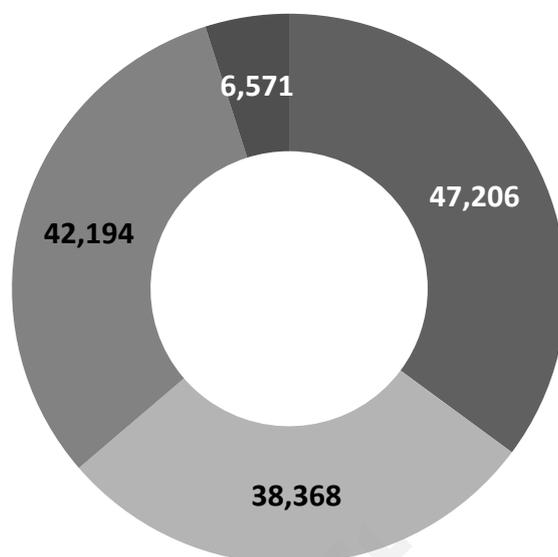
Costs of Operation

Training	£3,044
Transport	£2,676
Allowances	£11,880
Other	£460
Total	£18,060

There have been no matters of concern to raise with Wirral, the Administering Authority. A detailed review of the activities of the Pension Board will be undertaken by the Independent Chair and reported to Pensions Committee on 19 September 2017.

Membership Statistics

Membership as at 31 March 2017



■ Active ■ Deferred ■ Pensioner ■ Dependant

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				406	1,901	3,244	3,818	4,663	5,271	7,503	8,844
Deferred				2	256	1,874	3,479	3,992	4,627	6,685	8,775
Pensioner							5	9	51	236	607
Dependant	2	18	51	126	64	11	12	18	29	78	176

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	7,157	3,577	679	143							47,206
Deferred	7,242	1,249	145	40	2						38,368
Pensioner	2,776	9,043	10,442	7,953	5,168	3,422	1,741	612	115	14	42,194
Dependant	306	454	683	898	1,023	1,112	891	471	134	14	6,571
Total											134,339

Key Membership Statistics 2013 - 2017

Year	Active	Deferred	Pensioner	Dependant	Total
31 March 2017	47,206	38,368	42,194	6,571	134,339
31 March 2016	46,221	37,136	41,136	6,588	131,081
31 March 2015	45,420	36,237	39,915	6,682	128,254
31 March 2014	45,583	35,786	39,094	6,725	127,188
31 March 2013	44,707	34,481	37,992	6,761	123,941

Scheme Administration Report

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

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

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

A list of the participating employers is shown at **Appendix A**.

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

The Scheme was formerly contracted out of the additional State Pension until the introduction of the new single-tier State Pension on 6 April 2016, which as a matter of course, resulted in the ending of the Scheme's contracted out status and an increase in National Insurance costs for both employers and members.

Outcome of Hutton Review of Public Service Pension Schemes

As a result of Hutton's 'grass roots review' of public service pensions, the government's position was that public service pension schemes should be of value to employees and fair to employers, along with the taxpayer. This would be delivered by retaining a defined benefit pension entitlement for all employees, subject to an affordable cost envelope being agreed amongst all stakeholders. Following in depth consultation with the trade unions and the Local Government Association (LGA), a new overarching benefit structure was delivered across the public sector.

LGPS2014 - New Scheme Design

On 1 April 2014, the new Local Government Pension Scheme (LGPS) came into effect in the form of a career average revalued earnings (CARE) scheme and replaced the final salary scheme in respect of future accrual of pension benefits.

The LGPS now:

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

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

- Preserve member benefits accrued under the former LGPS regulations.
- Retain the final salary benefits and normal pension age of 65 in respect of pre-2014 membership.
- Provide an 'underpin' for people born before 1 April 1957 to ensure that they do not suffer any detrimental loss from the introduction of the new Scheme.
- Carry forward the member protections under the '85 Year Rule' for voluntary retirement from age 60
- The ability for employers to switch on the '85 Year Rule' in regard a members benefits if they voluntary retire between age 55-60.

Future-Proofing the Scheme

National policy direction is to ensure that the benefit design is fair to taxpayers, caters for the make-up and needs of the disparate workforce, and is flexible in responding to the changes in the financing of the public purse and the broader fiscal environment. As such, a collaborative agenda has emerged between the Government, Scheme Advisory Board, Employer and Employee representatives to control and manage investment and administration costs; safeguarding the future sustainability of the Scheme.

Governance of the Administration Function & Cost Management

The Public Service Pensions Act 2013 and the LGPS Governance Regulations 2015 provide a robust framework to support sound decision-making and increase the transparency of the Administering Authority's accountability for the management and administration of the Scheme. This is carried out through the following provisions:

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

The Local Pension Board

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

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

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

Details on the representation of both Pension Committee and the Pension Board can be accessed from the Fund's website at: mpfund.uk/fund-gov

The Scheme Advisory Board

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

A crucial target of the SAB is to produce Key Performance Indicators (KPIs) to benchmark funds in ensuring effective governance, consistent funding parameters and cost-effective administration across the LGPS.

Cost of the Scheme to Employers and Employees

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

A ‘two pronged’ cost management process, governed by the Scheme Advisory Board and HM Treasury is embedded within the regulations to control the future costs of the Scheme.

If an evaluation under the cost control mechanism shows that the costs of the Scheme have moved from the target cost, changes must be made to bring the cost back to the target.

To support the process, the Government Actuary’s Department (GAD) is scheduled to undertake a comprehensive assessment of financial transactions relating to pre and post-2014 pension entitlements, along with cash flows to measure the costs; with the outcome on Scheme design effective following the 2019 triennial valuation.

The Fund took part in the system supplier’s ‘Testing Working Party’ to gain early insight into the required system and operational changes to generate the split transactional data with effect from April 2017, for submission to GAD as part of the 2019 valuation exercise.

Past service deficits are outside of the cost management process, but the Scheme Advisory Board’s ‘Deficit Working Group’ is committed to the attainment of an ‘innovative approach to deficit management’ at both Fund and employer level in the LGPS.

Earnings Bands for Employee Contributions

The earnings bands on which employee contributions are calculated were changed for the financial year 2017/18. The bands increased in line with CPI inflation as at September 2016 which was 1%. This is not a contribution increase, but reflects the usual indexation of the earning bands

The Fund has notified employers of the correct employee rates to apply from April 2017 as follows:

Pay Bands	Contribution Rates (per employment)
Up to £13,700	5.5%
£13,701 to £21,400	5.8%
£21,401 to £34,700	6.5%
£34,701 to £43,900	6.8%
£43,901 to £61,300	8.5%
£61,301 to £86,800	9.9%
£86,801 to £102,200	10.5%
£102,201 to £153,300	11.4%
£153,301 or more	12.5%

Unless the process for allocating the appropriate contribution rate from the above bands has been automated on the payroll system, employers must determine the appropriate employee contribution rate for each employee from 1 April 2017 and notify this to payroll. Any reductions in pensionable pay

at that time due to sickness, child related leave, reserve forces service leave or other absence from work are to be disregarded when determining the appropriate contribution rate.

Legislative Change

There has been no regulatory change to the LGPS over the reporting period, although the following consultations have been published, all of which will have a direct impact on the core benefits, scheme design and policies.

Local Government Pension Scheme (Amendment) Regulations

The regulations which constitute the new LGPS contain provisions which require clarification or revision in order to streamline administration and remove complexity.

The proposed amendments address the technical anomalies and introduce "New Fair Deal" principles where local authority staff are compulsorily transferred to a private sector employer.

The Fund responded to the proposed policy developments to highlight the necessity of simple administration and provisions which are financially balanced between the membership and the employer.

Indexation and equalisation of GMP in Public Service Pension Schemes

The ending of the additional state pension has led to the need to consider how public service pension benefits will be affected for those who were employed between 6 April 1978 and 5 April 1997, accrued a Guaranteed Minimum Pension (GMP) and will attain state pension age after 5 December 2018.

The consultation addressed whether public service pension schemes should provide full indexation on any GMP the public service pension scheme pays and put forward a number of possible solutions.

The Fund response focused on the necessity to retain levels of promissory retirement income to maintain confidence in pension savings and seeks provisions which are understandable to assist in informing retirement financial planning.

Pension Scams

The Department for Work and Pensions and HM Treasury published a joint consultation seeking views on a package of measures to tackle three different areas of pension scams, namely; a ban on cold calling, limiting the statutory right to transfer and making it harder to open fraudulent schemes.

The Fund is supportive of the suggested actions and responded to the consultation - calling for robust statutory controls to provide ceding schemes with the assurance that demonstrable due diligence checks will permit administrators to refuse to pay unauthorised transfers; protecting both members and pension funds from penal tax charges.

Key Projects & Developments

Annual Return Process and Data Quality

During the scheme year the focus of administrative activity was to ensure the timely receipt of employer annual contribution returns. As a result of the Fund's earlier engagement with employers and proactive intervention in resolving any employer issues, there has been a significant increase in the number of employers submitting timely 2016 annual return files.

The administration team has continued to work with employers on outstanding data items and has maintained its programme of active engagement. Overall there has been a continued reduction in the number of outstanding data items, particularly in terms of outstanding leavers, joiners and casual employment returns.

Action plans have been agreed with large employers with voluminous data gaps and Fund Officers have committed to support employers in aligning their systems to electronically interface with the Fund's pension administration system.

Triennial Actuarial Valuation

The Fund completed and submitted its membership data and cash flow information to the actuary by the prescribed deadline, enabling the 2016 valuation to be undertaken. The concentration of effort was to ensure all records were processed to reflect the correct member status in readiness to submit the valuation extracts to the actuary. This resulted in the processing of large numbers of new starters, leavers, transfers and aggregation of records over the period.

A number of employer forums were arranged, during November, in conjunction with the actuary to discuss individual funding results, explain the valuation approach and open the consultation about the Funding Strategy Statement. The purpose of the forums was to assist employers in presenting an informed opinion on the valuation assumptions and funding strategy, in order to explore variants to the provisional employer contribution schedules.

In tandem with the valuation work as part of the Fund's wider risk management strategy, an exercise has been undertaken to identify and monitor the covenants of employers that potentially pose a high risk of default. The results of the covenant analysis will feed into the project of developing different investment strategies for employers referred to as 'investment buckets'.

Guaranteed Minimum Pension (GMP) Reconciliation

As a result of the ending of contracting out in April 2016, HM Revenue & Customs (HMRC) will be sending members a statement of the amount of Contracted Out Pension Equivalent (COPE) they will receive and who is responsible for paying this pension.

Ahead of issuing this statement, HMRC is advising that schemes should reconcile the GMP values held for members, with those calculated by HMRC, or risk making overpayments to existing members, and even for individuals for whom they have no liability.

The Fund has undertaken an analysis of its data which illustrates that we have 90% recognition of the HMRC records, although there is further analysis required on a granular level to verify the GMP value and to determine whether the amounts are within nationally agreed tolerance levels. The initial priority is to investigate the 10% of records notified by HMRC that are not recognised on the Fund's system as LGPS members.

Procurement of Pension Administration System

The Fund has completed the procurement of a pension administration system, entering into a new contract with the current supplier, Aquila Heywood until December 2021.

As part of the new contractual arrangements, the Fund has made the strategic decision to take on the additional provision of document management and workflow functionality.

A project has now been initiated to manage the migration of eight million documents from the current document management system into an integrated system provided by Aquila Heywood. This project will also involve the creation of new operational workflow processes to support the day-to-day work of the administration team.

Operational Improvements

Immediate Payments

The Fund has implemented a change in the payment processing of lump sum retiring allowances, death grants and first payment of pension by utilising the pension administration system's 'immediate payment' facility, as opposed to manual interventions outside of the computer network.

Migration to a single system process using BACS payments through the internal pension payroll has led to significant efficiencies and resource savings across the Fund.

'Straight Through Processing' of New Member data

Work is being undertaken to introduce a process to digitally import new member data, as supplied from the largest employers, into the pension administration system. The work is focusing on the alignment of data fields, the quality of the supplied data and the associated impacts to the supporting document management system and workflow processes.

It is expected that this will result in a significant reduction of manual data inputting and resource efficiencies which can be channelled into supporting employers to address data quality deficiencies.

Administration Arrangements

The Administration Team

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

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

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

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

The review of the team's capacity demonstrates a positive response to the Scheme Advisory Board's authoritative directive that all 'LGPS Administering Authorities should comply with their statutory obligation to ensure sufficient resources are maintained to administer the Fund and improve data quality'.

The Fund plans to seek approval from the Pensions Committee during 2017 for a revised administration structure.

Pensions Administration Strategy

The Pensions Administration Strategy (PAS) sets out the policy for administering the Fund, the standard of service to be delivered and the roles and responsibilities of employers.

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

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

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

The Fund is revisiting its charging policy in those circumstances where an employer fails to meet prescribed deadlines and is evaluating the impact of the provision of non-statutory information on the cost of administering the service.

Collaborative Working

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

Service Planning

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

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

Operational Costs

The Fund's operational 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 Accounts.

The Department for Communities and Local Government 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 2015-16 'SF3' statistical return was £15.95 per member. In 2014-15 the administration cost was £16.37 per member.

Equality & Diversity

The Fund aims to deliver accessible, high-quality, 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.

Communications Policy

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

In all of our communications we aim to:

- provide clear, relevant, accurate, accessible and timely information;
- carefully listen to, consider, and respond to, communications that we receive;
- use plain English where possible and avoid unnecessary jargon;
- use the communication method that best suits the audience.

The Fund is reviewing the Policy in view of its migration to a digital operating model, the current policy can be found on our website at: mpfund.uk/commspol

Member Communications

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

The Fund has previously communicated to members that statements will only be available electronically from 2016 - although paper copies are available on request and alternative versions are produced for members with additional needs.

Fund officers worked with employers in promoting the 'MyPension' service, to further encourage active members to register in advance of the Annual Benefit Statement production deadline. 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.

In August 2016, the Fund wrote to all deferred members who had not registered for the 'MyPension' service, informing them that statements would no longer be posted to their home address but will only be available digitally.

The Communications team continued to deliver presentations to active members upon employer request. As many organisations are facing restructure, the team produced tailored presentations to support staff and provide information on how their pension benefits may be affected.

Presentations for Scheme Members

	Events	Approx. Attendees
Retirement Planning Course Hosted at employer premises	8	139
Mid-Life Planning Course Hosted at employer premises	1	16
Presentations about the LGPS Hosted at employer premises	15	378
Total	24	533

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. Practitioner training sessions are provided by Fund Officers, to provide guidance on employer duties, operational practice and direction in completing Fund forms.

Over the reporting period the Fund experienced an increase in requests for regulatory and funding advice from local authorities. This is required by authorities to inform their due diligence and option appraisals in selecting appropriate delivery models, in order to enhance the quality of future services and to increase value for money.

Given the importance of the objectives behind these alternative delivery models, turning them into a success is paramount. Therefore, to ensure project sponsors at the district councils were fully aware of related pension scheme matters, the Fund arranged a workshop with the actuary in December 2016. The workshop was well received by attendees and Fund officers were grateful for the positive feedback in regards this event.

Events for Employers

	Events	Approx. Attendees
Practitioner Training	5	28
Topic-Specific Seminar/Workshop		
Funding Strategy Statement and Valuation Form for Employers (November 2016)	2	73
Workshop on Alternative Delivery Models in Local Government and Pensions (December 2016)	1	28
Annual Employers' Conference	1	107

Data Security

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

The following arrangements are in place to safeguard this data:

- All staff are regularly made aware of the corporate policies in respect of Confidentiality, Data Protection & Information Security, and are required to undertake Information Governance training.
- New staff as part of their induction, have the responsibilities and policies explained, and their understanding verified, by the successful undertaking of an online test.
- All administration data is stored electronically and any paper records are securely destroyed.
- Staff who work away from the office as part of their role, can only access data by secure means (two-factor authentication).
- Where person identifiable data has to be transferred off-site, the Fund uses secure means; using either the 'Government Connect' network or via secure email/websites.

Risk Management

The Fund maintains Risk Register and Business Continuity Plans which are regularly monitored and reviewed;

- The Fund's Management team regularly reviews and update the Risk Register.
- All risks are considered and monitored in light of their likelihood and impact, with any mitigating action taken as necessary.
- The Risk Register is reviewed twice a year by the Governance and Risk Working Party.
- An on-going framework of inspection and review by Wirral Council's Audit Team and external auditors supports and assist with the management of risks.

Performance Standards

Results of performance against targets are shown below:

Performance Targets	Target	Within Target %
1 Payment of retirement benefits	7 days	98
2 Payment of monthly pensions	100%	100
3 Payment of Transfer Values	7 days	99
4 Provision of inward transfer quotes	10 days	100
5 Notification of deferred benefits	22 days	99
6 Provide valuation in divorce cases	10 days	100
7 Respond to members' enquiries	10 days	80

(Details given in respect of 12 month period to 31 March 2017)

Internal Dispute Resolution Cases

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

Breakdown of IDRP Cases 2016-2017

Total IDRP Cases (Against Fund and Employer Decisions)

Appeal against reason for termination of employment	1
Employer refusal of Flexible Retirement	1
Employer to reconsider Stage 1 process	1
Appeal against reason for leaving as capability	1
Incorrect Benefit Estimate	1
Appeal against Tier 3 ill health award	2
Added Years incorrectly calculated	1
Appeal against payment of death grant	1
Ombudsman referral to reconsider IDRP process	1
Total	10

Appeals against Employer Decisions

Employer	Number	Decision
Magenta	1	Upheld
Liverpool	2	1 Upheld / 1 Granted
Helena	1	Upheld
Wirral	2	1 Upheld / 1 Granted
Chesterfield High Academy	1	Not yet determined
Trafford/GMPF	2	Upheld on technicality
Total	8	

Appeals against Fund Decisions

Reason for Appeal	Number	Fund Decision
Incorrect calculation of added years used in Retirement Benefit calculation	1	Upheld
Appeal against award of Death Grant	1	Upheld
Total	2	

Appeals to the Pensions Ombudsman

Reason for Appeal	Number	Fund Decision
Award of Death Grant	1	Upheld

The decision upheld by the Pensions Ombudsman related to the award of the death grant and the Fund's decision making process in compliance with the LGPS regulations.

Investment Report

Year ended 31 March 2017

Global geopolitical developments provided the most significant headwinds to investment markets over the financial year to the end of March 2017.

On June 23 2016, the United Kingdom voted to leave the European Union, leading to a sharp correction in UK-focused equity prices and a depreciation of sterling of around 7% on a trade-weighted basis.

However, once the markets had digested the ramifications of the unanticipated referendum outcome, asset prices recovered over a short period and were given a further impetus by the Bank of England's Monetary Policy Committee on 4 August 2016 when it announced a package of measures to support the economy, including a cut in Bank Rate and expanded asset purchases.

Markets were caught off guard for the second time over the period, with the surprise result of the US election. On 8 November 2016, the US S&P 500 futures plunged as much as 6%, 10-year Treasury yields declined by almost 20 basis points, and the dollar weakened by 2% against a basket of currencies.

Once again, markets recovered quickly, and in the first few days after the election, equity prices and bond yields rose on expectations of faster growth and higher corporate profits in the United States, and on an anticipated shift towards a more expansionary fiscal policy, lower taxes, and a relaxation of regulation. In particular, campaign pledges to launch a \$1trillion fiscal stimulus package equivalent to around 5% of US GDP, and to cut personal and corporate taxes, added further momentum to an upward shift in market sentiment.

Notwithstanding the uncertainties of the general market environment, investment returns were positive across all major asset classes over the period with risk assets (equities) outperforming traditional safe haven assets (bonds) and real assets such as property. Stock markets throughout the developed world generated double-digit returns with the United States and Japan returning over 30%, Europe 25% and the UK over 18% in sterling terms. The UK market benefited from the depreciation in sterling following Brexit given that around two-thirds of revenues from the largest listed companies are generated overseas.

Bond markets, with higher inflation expectations and a rise in US interest rates priced in also generated positive returns with index-linked bonds benefiting from heightened inflation expectations.

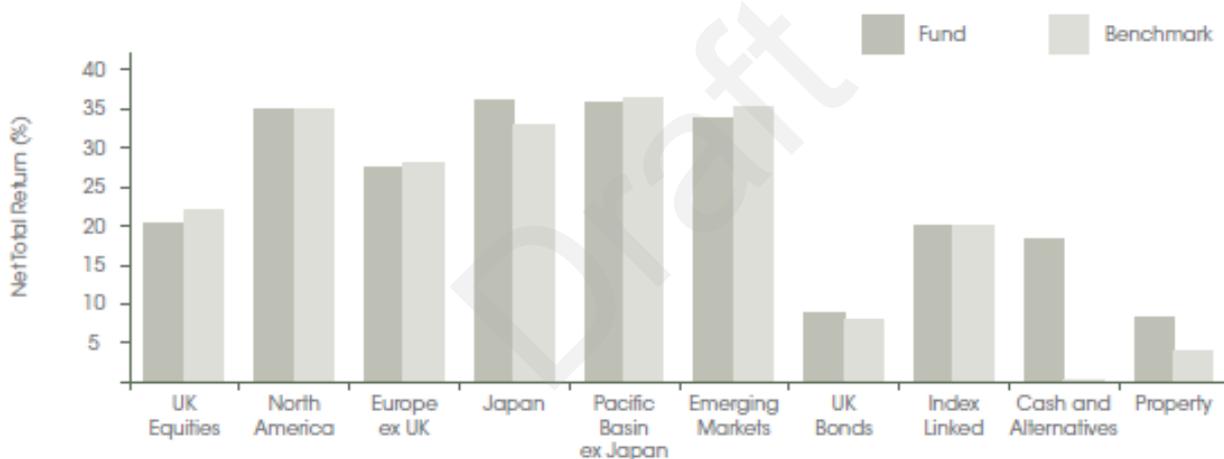
The annualised performance of the Fund against its benchmark and against CPI and UK average weekly earnings indices for 1, 3, and 5 year periods is tabulated below.

	1 Year	3 Year	5 Year
Merseyside Pension Fund	21.45%	11.44%	10.72%
Benchmark	17.79%	9.19%	8.63%
Relative Return	3.11%	2.06%	1.92%

The Merseyside Pension Fund returned 21.45% in the financial year to the end of March 2017 compared to its bespoke benchmark return of 17.79%, an outperformance of 3.11% and was comfortably ahead of the Consumer Price and Average Earnings indices over one, three, and five years.

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

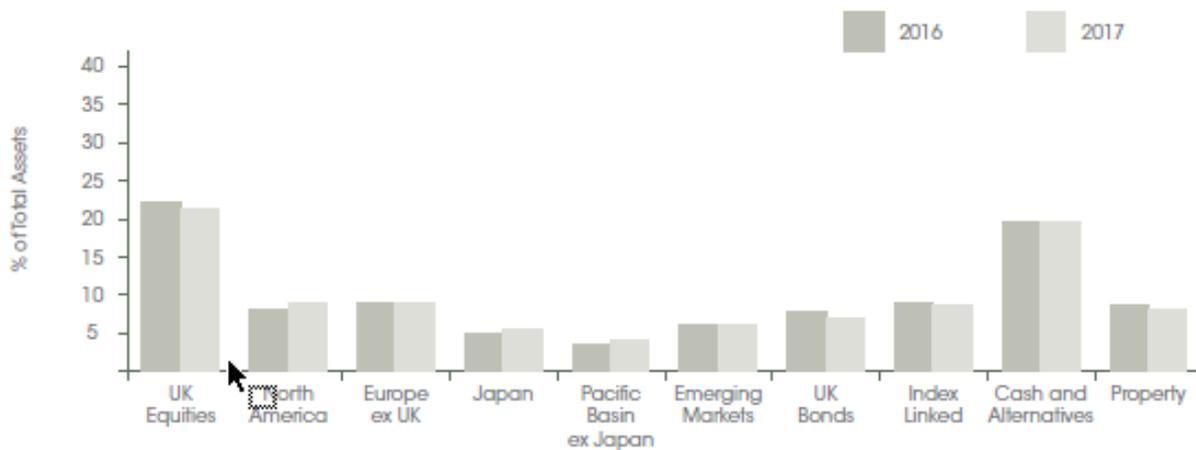
Figure 1
Net Total return by Asset Class for Year Ending 31 March 2017



The Fund performed largely in line with its individual benchmarks over the period with an outperformance in Japan, UK bonds and property.

Figure 2 shows how the Fund's investments were allocated across its constituent asset classes at the start and the end of the financial year to the end of March 2017.

Figure 2
Asset Allocation Change 2016 vs 2017



Largest Property Holdings as at 31 March 2017

Property	Market Value £'000
Fort Halstead, Sevenoaks	51,500
Tunsgate Shopping Centre, Guildford	30,000
Tesco Supermarket, Heswall	30,000
The Fort, Birmingham	24,750
Premier Park, Winsford	21,500
Middlemarch Business Park Coventry	20,500
Farnham Retail Park	19,625
Mitre Bridge Industrial Estate, North Kensington	19,450
Gateway 28, Sutton-in-Ashfield	17,825
132-134 North Street, Brighton	17,250

Strategic Asset Structure

Asset Class	Strategic Benchmark %	Detail %
UK Equities	23	
Overseas Equities	30	
US		8
European (ex UK)		8
Japan		4
Asia Pacific		4
Emerging Markets		6
Fixed Interest	18	
UK Gilts		4
UK Index-Linked Gilts		10
Corporate Bonds		4
Property	8	
Alternatives	21	
Private Equity		5
Hedge Funds		4
Opportunities		5
Infrastructure		7
Cash		0
Total	100	

Financial Performance

The table below describes the Fund's performance for key financial variables against forecasts (forecast January and July 2016) for the 12 months to 31 March 2017.

2016/17 or at 31 March 2017	Predicted £000	Actual £000
Fund Size 2016	6,849,756	6,849,756
Fund Size 2017	7,209,003	8,178,485
Pensions Paid	(307,828)	(306,902)
Contributions Received	229,025	208,513
Net Transfers	-	(7,724)
Net Cash Flow from members	(78,803)	(106,113)
Net management expenses	(34,584)	(38,315)
Investment Income	149,556	166,729
Change in valuation of assets	323,078	1,306,428
Return from Investments	+472,634	+1,473,157
Net Change overall	+359,247	1,328,729

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

The contributions received in 2016/17 are lower than in previous years, due to a number of employers opting to pay their three year deficits calculated by the actuary in year 1 (2014/15), therefore the following 2 years are reduced accordingly.

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

12 months to 31 March 2017	Budget £000	Actual £000
Employees	3,326	2,791
Premises	284	284
Transport	53	31
Investment fees – operating budget	12,611	14,075
Other Supplies and Services	1,784	1,379
Third Party	658	688
Recharges	530	530
Total	19,246	19,778

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 2016/17 was £19.8 million, higher than the original budget of £19.2 million approved by Pensions Committee in July 2016.

The Fund's major expenditure is on investment management fees. These are mostly charged on ad-valorem basis, with on some occasions, a performance fee. This means that when the Fund's investments rise in value and/or outperform benchmarks, the fees can rise substantially. Therefore, when this expenditure rises there is a benefit to the Fund in terms of capital appreciation that far exceeds the increase in fees paid. For 2016/17 the out-turn is higher than the estimate made last year due to changes in valuations and improved performance relative to benchmark.

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

	2017/18 £000	2018/19 £000	2019/20 £000
Employees	3,388	3,422	3,456
Premises	280	288	295
Transport	51	52	54
Investment fees	14,131	15,106	16,148
Other Supplies and Services	1,955	2,008	2,062
Third Party	710	729	749
Recharges	350	350	350
Total	20,865	21,955	23,114

The assumptions that underpin this budget are that, over the next 3 years, investment performance follows long-term trends and that the Fund follows the long-term trends, in mortality and other factors assumed within the actuarial valuation. The budget also allows for some growth in staffing and IT costs for the changes in the Scheme administration. Investment fees shown above are for invoiced investment management costs only and do not include any fees for private market assets, any property related expenditure nor any investment changes associated with pooling.

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

	2017/18 £000	2018/19 £000	2019/20 £000
Fund Size Start of Year	8,178,485	8,815,511	9,287,607
Fund Size End of Year	8,815,511	9,287,607	9,787,180
Pensions Paid	(315,188)	(323,698)	(332,438)
Contributions Received	428,513	230,575	236,800
Net Transfers	-	-	-
Net Inflow from members	113,325	(93,123)	(95,638)
Net management expenses	(40,614)	(43,051)	(45,634)
Investment Income	178,233	190,531	203,678
Change in valuation of assets	386,082	417,739	437,167
Return from Investments	564,315	608,270	640,845
Net Change overall	637,026	472,096	499,573

The contributions received in 2017/18 are higher due to a number of employers opting to pay their three year deficits calculated by the actuary in year 1 (2017/18), 2018/19 and 2019/20 have been reduced accordingly.

The material variable in these assumptions is investment returns. If returns over the next few years are different from the predicted long-term average (7% per annum), then the out-turn will be significantly different. The other key variable is the pattern of membership of the Scheme. If employers make significant changes which affect the number of active members or deferred members and pensioners, then the cash-flows of the Scheme can change materially. Both of these factors are largely outside the influence of Merseyside Pension Fund.

Draft

Financial Statements

Fund Account - for year ended 31 March 2017

	Note	2016/17 £'000	2015/16 £'000
Dealing with members, employers and others directly involved in the Fund			
Contributions Receivable	7	208,513	223,439
Transfers In	8	11,568	7,162
		220,081	230,601
Benefits Payable	9	(306,902)	(300,320)
Payments to and on Account of Leavers	10	(19,292)	(14,446)
		(326,194)	(314,766)
Net Additions/(Withdrawals) from Dealing with Members		(106,113)	(84,165)
Management Expenses	11	(38,315)	(32,626)
Net Additions/(Withdrawals) Including Fund Management Expenses		(144,428)	(116,791)
Return on Investments			
Investment Income	12	167,672	140,290
Profit and Losses on Disposal of Investments and Changes in Market Value of Investments	13	1,306,428	(36,061)
Taxes on Income	12	(943)	(387)
Net Return on Investments		1,473,157	103,842
Net Increase/(Decrease) in the Fund during the Year		1,328,729	(12,949)
Net Assets of the Fund at the Start of the Year		6,849,756	6,862,705
Net Assets of the Fund at the End of Year		8,178,485	6,849,756

Net Assets Statement – for the year ended 31 March 2017

	Note	2016/17 £'000	2015/16 £'000
Investment Assets			
Equities	13	2,728,658	2,020,418
Pooled Investment Vehicles		4,804,297	4,264,626
Derivative Contracts		224	254
Direct Property		431,150	377,000
Short Term Cash Deposits		75,222	40,031
Other Investment Balances		117,550	114,660
		8,157,101	6,816,989
Investment Liabilities	18	(4,490)	(4,527)
Total Net Assets		8,152,611	6,812,462
Long Term Assets	19	7,110	9,236
Current Assets	20	34,358	39,270
Current Liabilities	20	(15,594)	(11,212)
Net Assets of the Fund as at 31 March 2017		8,178,485	6,849,756

Notes to the Accounts

1. Description of the Fund

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

The overall responsibility for the management of the Fund rests with the Pensions Committee, which for 2016/17 included 10 councillors from Wirral Council, the Administering authority, plus one councillor from each of the 4 other Borough Councils, and one member representing the other employers in the Scheme. Representatives of trade unions also attend. The more detailed consideration of investment strategy and asset allocation of the Fund's portfolios is considered by the Investment Monitoring Working Party, which includes two external advisors 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.

The following description of the Fund is a summary only. For more detail, reference should be made to Merseyside Pension Fund Annual Report 2016/17 and the underlying statutory powers underpinning the Scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

a. General

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

- The Local Government Pension Scheme Regulations 2013 (as amended).
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended).
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 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's local authorities and a range of other scheduled and admitted bodies. Teachers, Police Officers and Fire Fighters are not included as they come within other national pension schemes.

b. Membership

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

Organisations participating in Merseyside Pension Fund include:

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

There are 182 employer organisations within Merseyside Pension Fund, including Wirral Council itself as detailed below:

	31/3/17	31/3/16
Number of employers with Active Members	182	170
Number of Employees in Scheme	47,206	46,221
Number of Pensioners	42,194	41,136
Number of Dependents	6,571	6,588
Number of Deferred Pensioners	38,368	37,136
Total	134,339	131,081

c. Funding

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

d. Benefits

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

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

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

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

2. Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2016/17 financial year and its position at year end as at 31 March 2017. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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

3. Summary of Significant Accounting Policies

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

Contributions and Benefits

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

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

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

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

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

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

Transfers to and from other Schemes

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

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

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

Management Expenses

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

Administration Costs

All administration expenses are accounted for on an accruals basis. All staff costs of the pension 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 appointment. Broadly, these are based on the market values of the investments under their management and therefore increase or reduce as the value of these investments change.

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

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

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

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

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 Pooled Investment Vehicles and interest on Short-Term Deposits has been accounted for on an accruals basis. Distributions from Private Equity are treated as return of capital until the book value is nil, then treated as income on an accruals basis.

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

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

Taxation

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

Valuation of investments

Financial assets are included in the Net Asset Statement on a fair value basis as at the reporting date. The values of investments as shown in the Net Asset Statement are determined as follows:

- Listed securities are valued at quoted bid market prices on the final day of the accounting period. The bid price is the price which the Fund would have obtained should the securities have been sold at that date.
- For unlisted investments, wherever possible, valuations are obtained via the Independent Administrator. Valuations that are obtained direct from the Manager are verified against the latest available audited accounts adjusted for any cash flows up to the reporting date.
- Hedge Funds and Infrastructure are recorded at fair value based on net asset values provided by Fund Administrators, or using latest financial statements published by respective Fund Managers adjusted for any cash flows.
- Private Equity valuations are in accordance with the guidelines and conventions of the British Venture Capital Association/International Private Equity guidelines or equivalent.
- Indirect Property is valued at net asset value or capital fair value basis provided by the Fund Manager. For listed 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 2017 by Savills (UK) Limited, acting in the capacity of External Valuers as defined in the RICS Red Book (but not for the avoidance of doubt as an External Valuer of the Fund as defined by the Alternative Investment Fund Managers Regulations 2013). The valuations accord with the requirements of IFRS 13, SSAP 19 and the 9th Edition of the RICS Valuation – Professional Standards (incorporating the International Valuation Standards) (“the RICS Red Book”).
- Pooled Investment Vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of Pooled Investment Vehicles that are Accumulation Funds, change in market value also includes income which is reinvested by the Manager of the vehicle in the underlying investment, net of applicable withholding tax.

Translation of Foreign Currencies

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

Derivatives

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

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

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

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

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

Short-Term Deposits

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

Financial Liabilities

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

Additional Voluntary Contributions

The Committee holds assets invested separately from the main Fund. In accordance with regulation 4 (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 Equitable Life, Standard Life and Prudential. Individual members participating in this arrangement each receive an annual statement confirming the amounts held on their account and the movements in the year.

4. Critical judgements in applying accounting policies

The Fund has not applied any critical judgements.

5. Estimation

Unquoted Investments

The Fund has significant unquoted investments within Private Equity, Infrastructure, Property and other Alternative investments. These are valued within the financial statements using valuations from the Managers of the respective assets. There are clear accounting standards for these valuations and the Fund has in place procedures for ensuring that valuations applied by Managers comply with these standards and any other relevant best practice. The value of unquoted assets as at 31 March 2017 was £4,246 million (£3,805 million at 31 March 2016).

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

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

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.

6. Events after the Reporting Date

There have been no events since 31 March 2017, and up to the date when these accounts were authorised that require any adjustments to these accounts.

7. Contributions Receivable

	2016/17 £'000	2015/16 £'000
Employers		
Normal	111,926	110,735
Pension Strain	11,808	13,492
Deficit Funding	31,541	45,843
Total Employers	155,275	170,070
Employees		
Normal	53,238	53,369
	208,513	223,439
Relating to:		
Administering Authority	35,305	36,338
Statutory Bodies	145,159	139,618
Admission Bodies	28,049	47,483
	208,513	223,439

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 2017. Employee contributions are matched by employers' contributions which are based on triennial actuarial valuations. The 2016/17 contributions were calculated at the valuation dated 31 March 2013. The 2013 actuarial valuation calculated the average employer contribution of 22.5% (2010 18%).

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

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

The Fund does reserve the right to levy interest charges on late receipt of contributions from employers. In 2016/17 no such charges were levied.

8. Transfers In

	2016/17 £'000	2015/16 £'000
Group Transfers	-	-
Individual Transfers	11,568	7,162
	11,568	7,162

There were no group transfers to the Fund during 2016/17.

9. Benefits Payable

	2016/17 £'000	2015/16 £'000
Pensions	247,865	243,390
Lump Sum Retiring Allowances	52,632	51,958
Lump Sum Death Benefits	6,405	4,972
	306,902	300,320
Relating to:		
Administering Authority	41,873	42,817
Statutory Bodies	217,741	210,017
Admission Bodies	47,288	47,486
	306,902	300,320

10. Payments to and on Account of Leavers

	2016/17 £'000	2015/16 £'000
Refunds to Members leaving Service	465	429
Payment for Members joining State Scheme	289	222
Income for Members from State Scheme	(32)	(14)
Group Transfers to other Schemes	1,226	1,411
Individual Transfers to other Schemes	17,344	12,398
	19,292	14,446

There was one group transfer out of the Fund during 2016/17.

11. Management Expenses

	2016/17 £'000	2015/16 £'000
Administration Costs	2,673	2,421
Investment Management Costs	33,887	28,697
Oversight and Governance Costs	1,978	1,838
Other Income	(223)	(330)
	38,315	32,626

11a. Administration Costs

	2016/17 £'000	2015/16 £'000
Employee Costs	1,686	1,643
IT Costs	639	404
General Costs	329	320
Other Costs	19	54
	2,673	2,421

11b. Investment Management Costs

	2016/17 £'000	2015/16 £'000
External Investment Management Fees	20,607	15,850
External Investment Management Performance Fees	3,076	3,111
External Services	545	640
Internal Investment Management Fees	609	483
Property Related Expenses	4,889	5,093
Transaction Costs	4,161	3,520
	33,887	28,697

11c. Oversight and Governance Costs

	2016/17 £'000	2015/16 £'000
Employee Costs	468	449
External Services	838	733
Internal Audit	32	30
External Audit	37	40
Other Costs	603	586
	1,978	1,838

Actuarial fees included within External Services above (note 11c.) are shown gross of any fees that have been recharged to employers. Included within Other Income for 2016/17 is £173,224 relating to recharged Actuarial fees (2015/16 £317,434).

External Audit fees for 2015/16 also include £2,180 relating to additional services in respect of IAS19 assurances for admitted body auditors, which are recharged to those admitted bodies.

12. Investment Income

	2016/17 £'000	2015/16 £'000
Dividends from Equities	69,880	58,649
Income from Pooled Investment Vehicles	49,885	37,075
Rents from Properties	23,498	23,502
Interest on Short Term Cash Deposits	306	421
Income from Private Equity	22,856	19,385
Income from Derivatives	-	171
Other	1,247	1,087
	167,672	140,290
Irrecoverable Withholding Tax	(943)	(387)
	166,729	139,903

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

Investment income figures are shown gross of tax. Included in these figures is recoverable taxation of £4.1 million (2015/16 £4.1 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, but is not accruing for future receipt of such income within these accounts. There were no repayments received in 2016/17 (2015/16 £75,522).

12a. Property Income

	2016/17	2015/16
	£'000	£'000
Rental Income	23,498	23,502
Direct Operating Expenses	(4,889)	(5,093)
Net Rent from Properties	18,609	18,409

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

12b. Property Operating Leases

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

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

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

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

Age Profile of Lease Income	2016/17	2015/16
	£'000	£'000
No later than one year	1,277	1,152
Between one and five years	6,774	8,335
Later than five years	13,834	10,187
Total	21,885	19,674

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

13. Investments

2016/17	Market Value @ 31/3/16	Purchases at Cost and Derivative Payments	Sale Proceeds and Derivative Receipts	Change in Market Value*	Market Value @ 31/3/17
	£'000	£'000	£'000	£'000	£'000
Equities	2,020,418	1,232,039	(1,016,978)	493,179	2,728,658
Pooled Investment Vehicles	4,264,626	323,279	(608,771)	825,163	4,804,297
Derivative Contracts	254	279,162	(272,286)	(6,906)	224
Direct Property	377,000	79,885	(18,638)	(7,097)	431,150
	6,662,298	1,914,365	(1,916,673)	1,304,339	7,964,329
Short-Term Cash Deposits	40,031				75,222
Other Investment Balances	114,660			2,089	117,550
	6,816,989			1,306,428	8,157,101

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

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

Transaction costs had previously been added to purchases and netted against sales proceeds; however, they are no longer shown in the above tables and instead are shown under investment management costs in note 11b in accordance with CIPFA guidance.

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

13a. Analysis of Investments

	2016/17 £'000	2015/16 £'000
Equities (Segregated Holdings)		
UK Quoted	1,193,697	865,482
Overseas Quoted	1,534,961	1,154,936
	2,728,658	2,020,418
Pooled Investment Vehicles		
UK Managed Funds:		
Property	17,569	8,180
Equities	107,630	249,694
Private Equity	294,048	246,283
Hedge Funds	53,491	51,440
Corporate Bonds	267,082	242,219
Infrastructure	159,687	118,184
Opportunities	301,012	269,768
Overseas Managed Funds:		
Equities	456,946	365,890
Private Equity	251,013	209,515
Hedge Funds	218,664	180,803
Corporate Bonds	-	
Infrastructure	163,601	136,449
Opportunities	131,052	104,647
UK Unit Trusts:		
Property	99,026	96,506
Overseas Unit Trusts:		
Property	87,157	94,901
Other Unitised Funds	2,196,319	1,890,147
	4,804,297	4,264,626
Derivative Contracts	224	254
UK Properties		
Freehold	322,800	338,200
Leasehold	108,350	38,800
	431,150	377,000
Balance at 1 April	377,000	382,210
Additions	79,885	30,332
Disposals	(18,638)	(42,916)
Net Gain/Loss on Fair Value	(11,945)	10,629
Transfers In/Out	-	-
Other Changes in Fair Value	4,848	(3,355)
Balance at 31 March	431,150	377,000

As at 31 March 2017 there were no amounts of restrictions on the realisability of investment property, or of income and proceeds of disposal. There were no obligations to purchase new properties.

As at 31 March 2017 the Fund had committed to a redevelopment project of an existing retail centre at Guildford, approved expenditure for the redevelopment is £20 million.

Short-Term Cash Deposits	2016/17	2015/16
	£'000	£'000
Sterling	75,222	38,946
Foreign Currency	-	1,085
	75,222	40,031

During 2016/17 the foreign currency deposit (an ISK deposit held in an escrow account following the distribution by the Glitnir Winding Up Board) was sold at a Central Bank of Iceland auction. The ISK deposit was sold at auction, as under the applicable currency controls operating in Iceland, the permission of the Central Bank of Iceland is required to release Icelandic Krona payments held within the Icelandic banking system.

Other Investment Balances	2016/17	2015/16
	£'000	£'000
Outstanding Trades	4,509	22,765
Outstanding Dividend Entitlements and Recoverable Withholding Tax	17,304	13,373
Cash Deposits	95,737	78,522
	117,550	114,660

13b. Analysis of Derivatives

A Futures contract is the obligation under a legal agreement to make or take delivery of a specified instrument at a fixed future date, at a price determined at the time of dealing. Merseyside Pension Fund's Index Futures Contracts are externally managed and their objective is to hedge overseas investment positions against adverse index movements. Futures dealing requires the posting of margin. Initial margin which must be posted before you can trade and variation margin, the mark-to-market value of the futures contracts you hold. Variation margin is exchanged daily and exists to reduce counterparty credit exposure. Collateral held is EUR 155,397. DJ Euro STOXX 50 have a contract multiplier of x10 therefore the notional value underlying the futures contracts is £0.50 million.

Futures

Type	Expires	Economic Exposure £'000	Market Value 31/3/17 £'000	Economic Exposure £'000	Market Value 31/3/16 £'000
Assets					
EURO STOXX 50 Index Futures	Jun-17	500	50		
EURO STOXX 50 Index Futures	Jun-16			(810)	(81)
Total Assets			50		-
Liabilities					
Total Liabilities					(81)
Net Futures			50		(81)

Forward Currency Contracts

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

Settlement Date	Currency Bought '000	Currency Sold '000	Asset £'000	Liability £'000
Up to 1 month	GBP 7,124	EUR 8,248	63	
Up to 1 month	GBP 145,603	EUR 170,112		(13)
Up to 3 months	GBP 227	AUD 370	2	
Up to 6 months	GBP 54,716	JPY 7,600,000	109	
Net Forward Currency Contracts at 31 March 2017			174	(13)
Net Forward Currency Contracts at 31 March 2017				
Prior Year Comparative				
Open Forward Currency Contracts at 31 March 2016			254	(23)
Net Forward Currency Contracts at 31 March 2016				231

13c. Summary of Managers' Portfolio Values at 31 March 2017

	2016/17		2015/16	
	£'m	%	£'m	%
Externally Managed				
JP Morgan (European Equities)	258	3.2	213	3.1
Nomura (Japan)	433	5.3	311	4.6
Schroders (fixed Income)	267	3.3	242	3.6
Legal & General (Fixed Income)	298	3.7	277	4.1
Ingestion (European Equities and Pooled Emerging Markets)	318	3.9	266	3.9
M&G (UK Equities)	-	-	150	2.2
M&G (Global Emerging Markets)	177	2.2	127	1.9
TT International (UK Equities)	237	2.9	204	3.0
Blackrock (UK Equities)	249	3.1	212	3.1
Blackrock (Pacific Rim)	157	1.9	118	1.7
Blackrock (QIF)	70	0.9	71	1.0
Newton (UK Equities)	260	3.2	235	3.4
Amundi (Global Emerging Markets)	168	2.1	125	1.8
Maple-Brown Abbot (Pacific Rim Equities)	173	2.1	122	1.8
State Street Global Advisor (Passive Manager)	1,900	23.0	1,614	23.8
State Street (Transition Manager)	194	2.4	-	-
	5,159	63.2	4,287	63.0
Internally Managed				
UK Equities	404	4.9	322	4.7
European Equities	238	2.9	179	2.6
Property (Direct)	431	5.3	377	5.5
Property (Indirect)	226	2.8	214	3.1
Private Equity	545	6.7	456	6.7
Hedge Funds	272	3.3	232	3.4
Infrastructure	323	4.0	255	3.7
Opportunities	462	5.7	394	5.8
Global Emerging Markets	-	-	25	0.4
Short-Term Deposits & Other Investments	97	1.2	76	1.1
	2,998	36.8	2,530	37.0
	8,157	100.0	6,817	100.0

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

	2016/17		2015/16	
	£'m	%	£'m	%
SSGA Pooled UK Index-Linked Gilts	708	8.7	603	8.8
SSGA USA Equity Tracker	729	8.9	548	8.0
SSGA Pooled UK Equities	391	4.8	381	5.6

13d. Stock Lending

As at 31 March 2017, £258.7 million of stock was on loan to market makers, which was covered by cash and non-cash collateral, totalling £280.0 million. Collateral is marked to market, and adjusted daily. Income from Stock Lending amounted to £871,204 and is included within "Other" Investment Income. As the Fund retains its economic interest in stock on loan, their value remains within the Fund valuation. As the Fund has an obligation to return collateral to the borrowers, collateral is excluded from the Fund valuation. The Fund used its Custodian as agent lender, lending only to an agreed list of approved borrowers. An indemnity is in place which gives the Fund further protection against losses.

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

14. Fair Value Hierarchy

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

Level 1

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

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

Level 2

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

Level 3

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

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

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

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

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

The following tables 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 2017	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial Assets				
Financial Assets at Fair Value through Profit and Loss	3,718,069	2,344,073	1,471,037	7,533,179
Non-Financial Assets at Fair Value through Profit and Loss			431,150	431,150
Total Financial Assets	3,718,069	2,344,073	1,902,187	7,964,329

Values at 31 March 2016*	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial Assets				
Financial Assets at Fair Value through Profit and Loss	2,857,484	2,177,208	1,250,606	6,285,298
Non-Financial Assets at Fair Value through Profit and Loss			377,000	377,000
Total Financial Assets	2,857,484	2,177,208	1,627,606	6,662,298

*Following a management review of levels 1, 2 and 3 against PRAG guidance the values at 31 March 2016 have been restated, £2,135,272 has moved from level 1 to level 2 and £22,023 has moved from level 3 to level 2.

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

	2016/17 £'000	2015/16* £'000
Opening Balance	1,627,606	1,100,238
Acquisitions	260,038	249,637
Disposal Proceeds	(133,498)	(181,301)
Transfer into Level 3		377,000
Total Gains/(Losses) included in the Fund Account:		
On Assets Sold	(11,071)	14,069
On Assets Held at Year End	159,112	67,963
Closing Balance	1,902,187	1,627,606

*The information for 2015/16 has been restated from the audited 2015/16 accounts to include investments in directly held property as a result of changes to the Code.

15. Financial Instruments

15a. Classification of Financial Instruments

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

31 March 2017	Loans and Receivables £'000	Financial Liabilities at Amortised Cost £'000	Fair Value through Profit and Loss £'000
Financial Assets			
Equities			2,728,658
Pooled Investment Vehicles			4,804,297
Derivatives			224
Cash Deposits	75,222		
Other Investment Balances	117,550		
Long Term & Current Assets	41,468		
Total Financial Assets	234,240	-	7,533,179
Financial Liabilities			
Other Investment Balances		4,490	
Current Liabilities		15,594	
Total Financial Liabilities	-	20,084	-
Net	234,240	20,084	7,533,179

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

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

15b. Net Gains and Losses of Financial Instruments

	2016/17 £'000	2015/16 £'000
Financial Assets		
Fair Value through Profit and Loss	1,311,436	(43,802)
Loans and Receivables	-	(326)
Financial Liabilities		
Financial Liabilities at Amortised Cost	2,089	693
Loans and Receivables		
Total	1,313,525	(43,435)

15c. Fair Value of Financial Instruments

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

16. Nature and Extent of Risks arising from Financial Instruments

Risk and Risk Management

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

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

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

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

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

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

The Fund manages investment risks through the following measures:

- Broad diversification of types of investment and Investment Managers.
- Explicit mandates governing the activity of Investment Managers.
- The use of a specific benchmark, related to liabilities of the Fund for investment asset allocation.
- The 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.

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16a. Market Risk

The Fund is aware that its key risk is market risk i.e. the unpredictability of market performance in the future. The general practice to quantify these risks is to measure the volatility of historical performance.

The tables below show the Fund's exposure to asset classes and their reasonable predicted variance (as provided by the Fund's investment consultants) and the resulting potential changes in net assets available to pay pensions. The figures provided are a forward-looking assumption of future volatility based on analysis of previous performance and probability.

31 March 2017

	Value £'m	Potential Variance %	Value on Increase £'m	Value on Decrease £'m
UK Equities (all Equities including Pooled Vehicles)	1,692	19.0%	2,013	1,370
US Equities	787	21.0%	952	622
European Equities	790	22.5%	968	612
Japan Equities	438	20.5%	527	348
Emerging Markets Equities including Pacific Rim	812	31.0%	1,064	561
UK Fixed Income Pooled Vehicles	566	11.0%	628	503
UK Index-Linked Pooled Vehicles	708	9.0%	772	644
Pooled Property	204	12.5%	229	178
Private Equity	545	27.5%	695	395
Hedge Funds	272	9.0%	297	248
Infrastructure	323	18.5%	383	263
Other Alternative Assets	396	14.2%	452	340
Short-Term Deposits & Other Investment Balances	214	0.0%	214	214
Total	7,747			

31 March 2016

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

16b. Credit Risk

The Fund does not hold any Fixed Interest Securities directly and the Managers of the Pooled Fixed Income Vehicles are responsible for managing credit risk, section 16a of this note covers the market risks of these holdings.

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

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

The Fund's cash holding under its treasury management arrangements as at 31 March 2017 was £75.2 million (31 March 2016 £40.0 million). This was held in instant access accounts with the following institutions:

	Rating (S&P)	Balances as at 31 March 2017 £'000	Balances as at 31 March 2016 £'000
Lloyds Bank	Long A Short A-1	40,222	38,945
Invesco	AAAm	20,000	-
Svenska Handelsbanken	Long AA- Short A-1+	15,000	-
Northern Trust	Long AA- Short A-1+	-	1
Iceland escrow account			1,085
Total		75,222	40,031

16c. Liquidity Risk

The Fund's key priority is to pay pensions in the long term and in the short term, and the asset allocation is the key strategy in ensuring this. The earlier sections have dealt with the longer term risks associated with market volatility.

The Fund has a cash balance at 31 March of £75.2 million. The Fund also has £6,091 million in assets which could be realised in under 7 days' notice, £822 million in assets which could be realised in under 90 days' notice and £791 million in assets which could not be realised within a 90 day period.

The Fund has no borrowing or borrowing facilities.

The management of the Fund also prepares periodic cash flow forecasts to understand and manage the timing of the Fund's cash flows. Whilst the Fund has a net withdrawal for 2016/17 in its dealing with members of £106 million and management expenses of £38 million, this is offset by investment income of £167 million.

16d. Outlook for Real Investment Returns

The expectation of future real investment returns can affect the Fund's liabilities as they may impact on the discount rate used by the actuary to discount the liabilities; the Fund's actuary has calculated that the Fund has sensitivity to this discount rate of 20% per 1% change in real investment returns. The Fund considers both the liabilities and assets together, and assesses the funding ratio and the implications for investment strategy on a quarterly basis at the IMWP.

17. Funding Arrangements

In line with The Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2016. The next valuation will take place as at 31 March 2019.

The most recent Triennial Valuation by the actuary was as at 31 March 2016, when the funding level was 85% of projected actuarial liabilities (2013 76%). The funding objective is to achieve and then maintain, assets equal to the funding target. The funding target is the present value of 100% of projected accrued liabilities, including allowance for projected final pay. The FSS specifies a maximum period for achieving full funding of 19 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 2016

Long Term Yields	
Market implied RPI inflation	3.20% p.a.
Solvency Funding Target Financial Assumptions	
Investment Return	4.20% p.a.
CPI Price Inflation	2.20% p.a.
Salary Increases	3.70% p.a.
Pension Increases	2.20% p.a.
Future Service Accrual Financial Assumptions	
Investment Return/Discount Rate	4.95% p.a.
CPI Price Inflation	2.20% p.a.
Salary Increases	3.70% p.a.
CARE	2.20% p.a.

18. Investment Liabilities

	2016/17 £'000	2015/16 £000
Derivative Contracts	13	104
Amounts Due to Stockbrokers	4,477	4,423
	4,490	4,527

19. Long-Term Assets

	2016/17 £'000	2015/16 £'000
Assets due in more than one year	7,110	9,236
	7,110	9,236
Relating to:		
Central Government Bodies	1,845	2,767
Other Local Authorities	4,717	5,548
Public Corporations and Trading Funds	280	441
Bodies External to General Government	268	480
	7,110	9,236

Payments are being received in respect of pensioner and deferred members of the Magistrates Courts, which was previously an active employer in the Fund. Year 1 is shown as a current asset, but years 2 onwards are included above. Also included are future payments of pension strain to be paid by employers in 2018/19 onwards.

20. Current Assets and Liabilities

	2016/17 £'000	2015/16 £'000
Assets		
Contributions Due	19,273	20,636
Amounts Due from External Managers	144	921
Accrued and Outstanding Investment Income	664	367
Sundries	12,749	15,889
Provision for Bad Debts	(167)	(166)
Cash at Bank	1,695	1,623
	34,358	39,270
Relating to:		
Central Government Bodies	1,863	1,856
Other Local Authorities	13,828	14,761
NHS	1	2
Public Corporations and Trading Funds	73	170
Bodies External to General Government	18,593	22,481
	34,358	39,270
Liabilities		
Transfer Values Payable	1,226	-
Retirement Grants Due	1,944	2,372
Provisions	294	247
Miscellaneous	12,130	8,593
	15,594	11,212
Relating to:		
Central Government Bodies	3,895	2,570
Other Local Authorities	1,881	1,920
Public Corporations and Trading Funds	2	171
Bodies External to General Government	9,816	6,551
	15,594	11,212
Total Current Assets and Liabilities	18,764	28,058

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

'Provision for Bad Debt' relates to property rental income, and is based on an assessment of all individual property debts as at 31 March 2017.

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

21. Contractual Commitments

Commitments for investments amounted to £606.12 million as at 31 March 2017 (2015/16 £325.41 million). These commitments relate to Private Equity £190.40 million, Infrastructure £212.59 million, Opportunities £38.27 million, Indirect Property £164.87 million. As some of these funds are denominated in foreign currencies, the commitment in sterling is subject to change due to currency fluctuations.

22. Contingent Assets

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

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

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

23. Related Party Transactions

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

Management expenses include charges by Wirral Council in providing services in its role as Administering Authority to the Fund, which amount to £3.6 million. (2015/16 £3.3 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 £11.9 million (2015/16 £16.0 million) and a creditor of £293,110 as at 31 March 2017 (2015/16 £259,834).

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 2017 payroll are included within the debtors figure in note 20.

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

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

Peter Wallach, Director of Pensions acts in an un-remunerated board advisory capacity on four investment bodies in which the Fund has an interest, Eclipse (£10.6 million), Standard Life (£18.1 million), F&C (£25.7 million) and GLIL (£24.5 million).

Linda Desforges, Investment Manager acts in an un-remunerated board advisory capacity on three investment bodies in which the Fund has an interest, Standard Life (£18.1 million), BBH Capital (£8.7 million) and F&C (£25.7 million).

Susannah Friar, Property Manager acts in an un-remunerated board advisory capacity on one investment body in which the Fund has an interest, Partners Group Real Estate Asia Pacific 2011 (£8.7 million), by whom travel expenses and accommodation were paid. Susannah Friar during 2016/17 has also been appointed on a further three bodies in an unremunerated board advisory capacity, although has not attended any meetings (Century Bridge China Real Estate 2, Phoenix Asia Secured Debt Fund LP and Bridges Property Alternatives Fund IV Unit Trust)

Adil Manzoor Investment Officer acts in an un-remunerated board advisory capacity on two investment bodies in which the Fund has an interest, Standard Life Infrastructure Fund I (£4.5 million) and Impax New Energy Investors III LP.

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

Key Management Personnel

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

Financial Year 2016/17	Employment Period	Salary £	Allowances £	Pension Contributions £	Total including Pension Contributions £
Director of Pensions	01/04/16 - 31/03/17	104,479	-	13,992	118,471
Senior Investment Manager	01/04/16 - 31/03/17	57,440	-	7,705	65,145

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

24. Additional Voluntary Contribution investments

	2016/17 £000	2015/16 £000
The Aggregate Amount of AVC Investments is as follows :		
Equitable Life	2,089	2,158
Standard Life	6,139	6,064
Prudential	6,331	5,525
	14,559	13,747
Changes During the Year were as follows:		
Contributions	2,473	2,026
Repayments	2,964	2,241
Change in Market Values	1,303	44

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Statement of Responsibilities

The Authority's Responsibilities

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

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

Section 151 Officer Responsibilities

The Section 151 Officer is responsible for the preparation of the Fund's Statement of Accounts which, in terms of the Chartered Institute of Public Finance and Accountancy Code of Practice on Local Authority Accounting in Great Britain (the Code), is required to present fairly the financial position of the Fund at the accounting date and its income and expenditure for the year ended 31 March 2017.

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 2017, and its income and expenditure for the year then ended.

Section 151 Officer

Audit Report

To be confirmed

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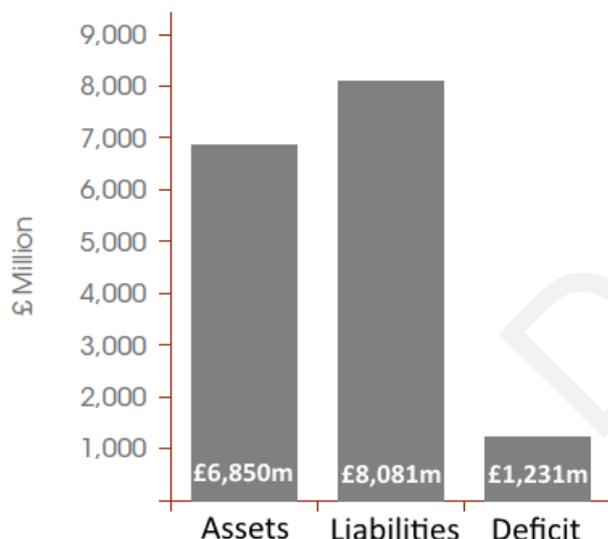
Consulting Actuary's Statement

Accounts for the Year Ended 31 March 2017 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 2016 to determine the contribution rates with effect from 1 April 2017 to 31 March 2020.

On the basis of the assumptions adopted, the Fund's assets of £6,850 million represented 85% of the Fund's past service liabilities of £8,081 million (the "Funding Target") at the valuation date. The deficit at the valuation was therefore £1,231 million.



The valuation also showed that a Primary contribution rate of 15.4% 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 Funding Strategy Statement (FSS) is to achieve and then 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 (or contribution reductions to refund any surplus).

The FSS sets out the process for determining the recovery plan in respect of each employer. At this actuarial valuation, the average deficit recovery period is 19 years, and the total initial recovery payment (the “Secondary rate”) for 2017/18 is approximately £129 million (this allows for some employers to phase in any increases or to make a prepayment in April 2017). For all employers, the Secondary rate will increase at 3.7% per annum, except where phasing has been applied. With the agreement of the Administering Authority, employers may also opt to pay some of their deficit contributions early (after suitably agreed reductions), with either all three years being paid in April 2017, or payment being made in the April of the year in question.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated 31 March 2017.

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 FSS. Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

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

	For past service liabilities (Funding Target) per annum	For future service liabilities (Primary rate of contribution)
Rate of return on investments (discount rate)	4.2%	4.95%
Rate of pay increases (long term)*	3.7%	3.7%
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.2%	2.2%

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

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2019. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2020.

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 2017 (the 31 March 2016 assumptions are included for comparison):

	31 March 2016 per annum	31 March 2017 per annum
Rate of return on investments (discount rate)	3.6%	2.5%
Rate of pay increases*	3.5%	3.8%
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.0%	2.3%

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

The demographic assumptions are the same as those used for funding purposes. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2017.

During the year, corporate bond yields fell, resulting in a lower discount rate being used for IAS 26 purposes at the year end than at the beginning of the year (2.5% p.a. versus 3.6% p.a.). The expected long-term rate of CPI inflation increased during the year, from 2.0% p.a. to 2.3%. Both of these factors combined served to significantly increase the liabilities over the year. The pay increase assumption at the year end has also changed to allow for short-term public sector pay restraint which serves to reduce the liabilities.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2016 was estimated as £9,292 million. Interest over the year increased the liabilities by c£333 million, though allowing for net benefits accrued/paid over the period then decreased them by c£65 million (after allowing for any increase in liabilities arising as a result of early retirements/augmentations). There was then a further increase in liabilities of £1,858 million made up of "actuarial losses" (mostly changes in the actuarial assumptions used, primarily the discount rate and assumed rate of future CPI as referred to above).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2017 is therefore £11,418 million.

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

Appendix A

Scheme employers with active members as at 31 March 2017

Scheduled Bodies (37)

Billinge Chapel End Parish Council
Birkenhead 6th Form College
Carmel College
Chief Constable
Cronton Parish Council
Eccleston Parish Council
Edsential SLE
Halewood Town Council
Hugh Baird College
King George V College
Knowsley Community College
Knowsley M.B.C
Knowsley Town Council
Liverpool City Council
Liverpool City Region Combined Authority (LCRCA)
Liverpool John Moores University
Liverpool Streetscene Services Ltd
Maghull Town Council
Merseyside Fire & Rescue Authority
Merseyside Passenger Transport Executive
Merseyside Waste Disposal Authority
Office of the Police and Crime Commissioner
Prescot Town Council
Rainford Parish Council
Rainhill Parish Council
School Improvement Liverpool Ltd
Sefton M.B.C.
Shared Education Services Ltd
Southport College
St. Helens College
St. Helens M.B.C.
The ACC Liverpool Group Ltd
The City of Liverpool College
Whiston Town Council
Wirral Council
Wirral Evolutions Ltd
Wirral Metropolitan College

Scheduled Bodies (Academies) (64)

Academy of St Francis of Assisi
Bellerive FCJ Catholic College
Birkdale High School
Birkenhead High School Academy
Blue Coat School (Academy)
Calday Grange Grammar School
Chesterfield High School
Childwall Sports & Science Academy
De La Salle Academy
Deyes High School
Emslie Morgan Academy
Enterprise South Liverpool Academy
Everton Free School
Finch Woods Academy
Formby High School
Greenbank High School
Halewood Academy Centre for Learning
Harmonize Academy
Hawthornes Free School
Heygreen Community Primary (Academy)
Hilbre High School (Academy)
Hillside High School (Academy)
Hope Academy
Kings Leadership Academy (Liverpool)
Kirkby High School
Knowsley Lane Primary School (Academy)
Litherland High School (Academy)
Liverpool College (Academy)
Liverpool Life Science UTC
Lord Derby Academy
Maghull High School
North Liverpool Academy
Oldershaw Academy
Our Lady of Pity (Academy)
Park View Academy
Prenton High School for Girls
Rainhill Learning Village Multi Academy Trust
Rainhill St Anns CE Primary School (Academy)
Range High School

St Anselm's College
St Edward's College
St Francis Xavier's College (Academy)
St John Plessington Catholic College
St Margaret's Church of England Academy
St Mary & St Thomas CE Primary School (Academy)
St Marys Catholic College
St Michaels C of E High School (Academy)
St Silas C of E Primary School (Academy)
Studio @ Deyes Academy
Sylvester Primary Academy
The Belvedere Academy
The Birkenhead Park School
The Kingsway Academy
The Prescott School (Academy)
The Studio (Academy)
The Sutton Academy
Townfield Primary
Upton Hall School
Weatherhead High School
West Derby School (Academy)
West Kirby Grammar School
Wirral Grammar School for Girls
Wirral Grammar Boys (Academy)
Woodchurch High School

Admission Bodies (Community) (33)

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

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

Admission Bodies (Transfer) (48)

Agilisys Limited
Amey Services Ltd - Highways
arvato Public Sector Services Ltd
Balfour Beatty PFI SEN School
Balfour Beatty Workplace Ltd
BAM Nuttall Limited
Birkenhead Market Services Ltd
Bouygues E & S Fm Uk Ltd
Castlerock Recruitment Group Ltd
Change Grow Live
City Healthcare Partnership CIC
Compass (Scolarest) Liverpool Schools
Compass (Scolarest) Wirral Schools
Compass Contract Services (UK) Ltd
Elite Cleaning and Environmental Services Ltd
Friends of Birkenhead Council Kennels
Geraud Markets Liverpool Ltd
Glendale (Liverpool Parks Services) Ltd
Graysons Education Limited
Hall Cleaning Services
Hochtief Liverpool Schools
Hochtief Wirral Schools
Interserve (Facilities Management) Ltd
KGB Cleaning & Support Services Ltd
Kingswood Colomendy Ltd
Knowsley Youth Mutual Ltd
Liverpool Vision Ltd

Mack Trading
Mellors – St Paul & St Timothy
Mellors Catering - Birkdale
Mellors Catering - St Anns
Mellors Catering - St Mary & St Thomas
Mosscroft Childcare Ltd
Sanctuary Home Care Ltd
Sefton New Directions Ltd
Shap Ltd
Southern Electric Contracting Ltd
Tarmac Trading Ltd
Taylor Shaw (Grange)
Taylor Shaw (Great Meols)
Taylor Shaw (Raeburn)
Taylor Shaw (Range)
Taylor Shaw (St Andrews)
Taylor Shaw (St Paul's)
The Riverside Group - Geneva Rd Centre
Veolia ES Merseyside & Halton
Volair Ltd
WIRED

Draft

Appendix B

Pensions Committee Items

4 July 2016 (Special)

LGPS Update
Pension Fund Budget 2016/17
Budget Out-turn 2015/16
Annual Report 2015/16
Treasury Management Annual Report 2015/16
Investment Performance
LGC Investment Summit
PLSA Annual Conference
LAPFF Conference
Pension Board Minutes 14/04/2016
Local Investment Update
Pooling Update
IMWP Minutes 19/4 and 9/6/16

19 September 2016

Audit Findings Report
Pension Fund Statement of Accounts
Draft Annual Pension Fund Report 2015/16
Pension Board Review
LGPS Update
GAD - Section 13 Dry Run
Pooling Consultation
LGE Fundamentals Training
Annual Employers Conference
Pension Board Minutes 28/06/2016
Infrastructure
Non-Recovery of Pension Overpayments
GRWP Minutes 30/06/2016

15 November 2016 (Special)

LGPS Update
Pooling Update
Investment Strategy Statement Guidance
Draft Funding Strategy Statement
Authorised Signatories
Infrastructure
Pension Board Minutes 11/10/16
Property Portfolio Rent Arrears and Write-offs
Property Insurance Tender
IMWP Minutes 22/09/16 and 18/10/16

23 January 2017

LGPS Update
 Pooling Update
 Pension Fund Budget
 MIFID Consultation
 Procurement of Pensions Administration System
 Member Development Programme
 Treasury Management Strategy
 LGC Investment Seminar
 IMWP Minutes 24/11/2016

21 March 2017

Audit Plan 2016-17
 LGPS Update
 Pooling Update
 Actuarial Valuation
 Funding Strategy Statement
 Investment Strategy Statement
 LGPC Conference
 PLSA LA Conference
 Gifts and Hospitality Declarations
 Compliance Manual
 IMWP Minutes 09/02/17
 GRWP Minutes 07/02/17

Attendance Record 2016 - 2017

	Pensions Committee					GRWP		IMWP					
	4 Jul	19 Sep	15 Nov	23 Jan	21 Mar	30 Jun	7 Feb	19 Apr	9 Jun	22 Sep	18 Oct	24 Nov	9 Feb
ClIr Paul Doughty (Chair)	•	•	•	•			•	•	•	•		•	•
ClIr Ann McLachlan (Vice-Chair)	#	•	•	•			•		•	•			
ClIr George Davies	•	•	•	•			•		•	•		•	
ClIr Adrian Jones	•	•	•	•			•		•	•		•	•
ClIr Brian Kenny	#	•	#	•		•	•		•	•	•	•	•
ClIr Geoffrey Watt (Spokesperson)	•	•	•	•			•		•	•	•	•	•
ClIr Cherry Povall, JP	#	•	•	•					•		•		
ClIr Pat Cleary	•	•	•	•					•	•		•	•
ClIr Tom Anderson	•	•	•	•								•	
ClIr Tony Jones	•	•	•	•									•
ClIr Terry Byron (Knowsley Council)*		•		•									•
ClIr Nick Crofts (Liverpool City Council)*			•	•									
ClIr John Fulham (St. Helens Council)*			•	•									
ClIr Paulette Lappin (Sefton Council)*			•	•		•	•	•	•	•			
Patrick Cleary (Unison)*	•			•		•	•	•			•		
Brian Ellis (Unison)*	•		•	•							•		

#Deputy Attended

*Co-Optee

Conferences

	NAPF Gloucester	LGC Newport	PLSA Annual Conference Liverpool	Annual Employers Conference	Annual LAPFF Bournemouth	LGC Carden Park	Fundamental Training Days
	16-17 May	7-9 Sep	19-21 Oct	29 Nov	7-9 Dec	Mar	Oct/Nov/Dec
Cllr Paul Doughty (Chair)+	•	•	•		•	•	•
Cllr Ann McLachlan (Vice-Chair)							
Cllr George Davies							
Cllr Adrian Jones						•	
Cllr Brian Kenny			•			•	•
Cllr Geoffrey Watt (Spokesperson)		•	•		•		
Cllr Cherry Povall, JP		•	•				
Cllr Pat Cleary							
Cllr Tom Anderson		•					
Cllr Tony Jones						•	•
Cllr Terry Byron (Knowsley Council)*							
Cllr Nick Crofts (Liverpool City Council)*							
Cllr John Fulham (St. Helens Council)*			•				
Cllr Paulette Lappin (Sefton Council)*							
Patrick Cleary (UNISON)*							
Brian Ellis (UNISON)*							

+In addition, the Chair attended LAPFF executive board meetings

*Co-Optee

Appendix C

Information Contacts

Position	Name	Telephone number
Director of Pensions	Peter Wallach	0151 242 1390
Principal Pension Officer	Yvonne Caddock	0151 242 1390

Area	Name	Telephone number
Accounts	Donna Smith	0151 242 1390
Investments	Leyland Otter	0151 242 1390
Member Services	Sue Roberts	0151 242 1390
Benefits/Payroll	Barbara King/Keith Higgins	0151 242 1390
Operations (IT/Communications)	Guy Hayton	0151 242 1390

Resolution of Disputes		
Employer Decisions	Principal Pension Officer	0151 242 1390
Fund Decisions	Section 151 Officer	0151 666 3407

Scheme Employers Contacts		
Arriva North West	Tina Edwards	0151 522 2807
Knowsley MBC	Jaci Dick	0151 443 5161
Liverpool City Council	Richard Arnold	0151 233 0375
Liverpool John Moores University	Jayne Brown	0151 231 8756
Merseyside Fire & Rescue Service	Julie Murdoch	0151 296 4245
Merseytravel (MPTE)	Lynne Gogerty	0151 330 1213
Merseyside Waste Disposal Authority	Paula Pocock	0151 255 2539
Office of the Police and Crime Commissioner for Merseyside (OPCCM)	Karen Blake	0151 777 8189
Sefton MBC	Lynn Abbott	0151 934 4126
St. Helens MBC	Cathy O'Connor	0174 467 6627
Wirral Council	Jann Lindoe	0151 691 8529

WIRRAL COUNCIL

PENSIONS COMMITTEE

17 JULY 2017

SUBJECT:	BUDGET FINANCIAL YEAR 2017/18 BUDGET OUT-TURN 2016/17
WARD/S AFFECTED:	ALL
REPORT OF:	MANAGING DIRECTOR, DELIVERY
KEY DECISION	NO

1.0 EXECUTIVE SUMMARY

1.1 The purpose of this report is to request that Members note and approve:

- The out-turn for the financial year 2016/17.
- The finalised budget for the financial year 2017/18.
- The 3 year budget for MPF as required for the annual report.

1.2 The actual out-turn for 2016/17 is £19.8m, higher than the original budget approved 4 July 2016 of £19.2m and in line with the projected out-turn of £19.7m as reported at Pensions Committee on 23 January 2017.

1.3 The 2017/18 budget reported in January has been updated to reflect proposed staffing changes at the Fund, along with revised salary overheads and departmental & central support charges; the finalised 2017/18 budget is £20.9m.

2.0 BACKGROUND AND KEY ISSUES

2.1 Pensions Committee, at its meeting on 23 January 2017, received an estimate of the out-turn for 2016/17 and it was also agreed that I would report back on the final out-turn. The finalised out-turn is included in appendix 1. The actual out-turn for 2016/17 is higher than the projected out-turn reported in January 2016, due to the number of estimates required for the January report.

2.2 Pensions Committee at its meeting on 25 January 2016 agreed the budget for 2017/18 subject to confirmation of departmental & central support charges. It was agreed to report back to Committee with the finalised budget.

2.3 The finalised budget is included in this report in appendix 1, the variances from that reported in January are:

- Staffing now reflects updated salary and salary related recharges.
- Updated estimate for central establishment charges.

2.4 CIPFA have published a document outlining best practice for the contents of the annual reports of LGPS Funds, this includes financial performance including 3 year budgets.

2.5 The projected 3 year budget for MPF is detailed in the table below:

	2017/18	2018/19	2019/20
Employees	£3,388,233	£3,422,115	£3,456,336
Premises	£279,886	£287,443	£295,204
Transport	£50,894	£52,268	£53,679
Investment fees	£14,130,828	£15,105,855	£16,148,159
Other Supplies and Services	£1,955,155	£2,007,944	£2,062,159
Third Party	£710,255	£729,432	£749,127
Recharges	£349,757	£349,575	£349,757
Total	£20,865,008	£21,954,815	£23,114,421

2.6 The assumptions used in the preparation of these 3 years budgets are as follows:

Staffing	Proposed Structure to be fully staffed throughout year 1% pay rises in subsequent years plus growth.
Investment management Fees	Estimate based on normal market conditions and 50% of investment mandates achieving performance targets.
Rent	Agreed as a notional charge based on market rates (MPF owns building).
Transport, Conferences and Subsistence	Estimated requirements for current year.
Services and Supplies	Contracts where usage and cost is fixed, plus estimate for variable elements.
Inflation adjustments	CPI 2.7% as at April 2017.
Investment Performance	This has been derived from the long-term return assumptions for MPF by the Actuary.

3.0 RELEVANT RISKS

3.1 This has not changed since the report in January as below.

The Fund has recently reviewed its Risk Register and identified key risks and mitigating controls for these risks. A key feature of the controls is having appropriate resources available to administer the fund adequately and to manage investments. This budget provides adequate resources for these two core functions.

4.0 OTHER OPTIONS CONSIDERED

4.1 This has not changed since the report in January as below.

The majority of the Pension Fund budget is taken up by investment management costs and staffing. The investment management arrangements have recently been subject to review and the Fund is part of the “Northern Pool” working on proposals for pooling LGPS investments to deliver reduced costs. Staffing arrangements remain under review.

5.0 CONSULTATION

5.1 Not relevant for this report.

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

6.1 There are no implications arising directly from this report.

7.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

7.1 The costs of the Pension Fund are charged directly to the Pension Fund and are then ultimately covered by investment income and employee and employer contributions. The proposed costs of £20.7m including £14.1m of investment management charges to external managers represent a cost of £155.32 per member of the scheme. Taken separately the investment management costs of £14.1m are £105.19 per member of the scheme and 0.17% of total assets under management.

8.0 LEGAL IMPLICATIONS

8.1 There are no implications arising directly from this report.

9.0 EQUALITIES 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 CARBON REDUCTION IMPLICATIONS

10.1 There are no carbon usage implications, nor any other relevant environmental issues arising from this report.

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 There are no planning or community safety implications arising from this report.

12.0 RECOMMENDATION/S

12.1 Members note the out turn for 2016/17.

12.2 Members approve the finalised budget for 2017/18.

12.3 Members approve other issues for inclusion in the 2016/17 Annual Report including 3 year financial estimates.

13.0 REASON FOR RECOMMENDATIONS

13.1 The approval of the budget and annual report for Merseyside Pension Fund by Pensions Committee forms part of the governance arrangements of Merseyside Pension Fund.

REPORT AUTHOR: Donna Smith
Group Accountant
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donnasmith@wirral.gov.uk

APPENDICES

The budget for 2017/18 including the out-turn for 2016/17 is attached as appendix 1 to this report.
The original appendix as reported to Members on 23 January 2017 is attached as appendix 2 to this report for information.

REFERENCE MATERIAL

Internal working papers were used in the production of this report.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee :	
Pension Fund Budget	23 January 2017
Pension Fund Budget	4 July 2016
Pension Fund Budget	25 January 2016
Pension Fund Budget	22 June 2015
Pension Fund Budget	19 January 2015
Pension Fund Budget	1 July 2014

Appendix 1

Value of the Fund	£8.2bn	31/03/2017
Investment income Received	£178m	Projected 2017/18
Pensions Paid	£315m	Projected 2017/18
Contributions Received	£428m	Projected 2017/18
Active Contributing members	47,206	31 st March 2017
Deferred members	38,368	31 st March 2017
Pensioners	48,765	31 st March 2017
Total Members	134,339	31 st March 2017

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	Budget 2016/17 £	Actual Out-Turn 2016/17	Budget 2017/18 £
Employees			
Pay, NI and Pension	3,007,867	2,523,044	3,102,337
Training	20,000	14,138	20,000
Other Staffing Costs	298,166	253,907	265,896
	3,326,033	2,791,089	3,388,233
Premises			
Rents	284,042	284,042	279,886
	284,042	284,042	279,886
Transport			
Public Transport Expenses	51,614	29,673	49,534
Car Allowances	1,300	1,257	1,360
	52,914	30,930	50,894
Supplies			
Furniture and Office Equipment	18,000	7,630	14,000
Printing and Stationery	67,000	25,855	47,000
Computer Development and Hardware	532,500	432,084	507,500

Postages and Telephones	109,250	94,670	106,250
External Audit	41,000	36,882	41,000
Services and Consultants			
Fees	742,564	621,666	998,767
Conferences and Subsistence	41,165	24,073	36,499
Subscriptions	153,993	115,801	143,139
Other	78,500	20,284	61,000
	1,783,972	1,378,945	1,955,155
Third Party			
Medical Fees	5,500	2,557	5,500
Bank Charges	15,000	14,507	20,000
Investment Management Fees	12,611,442	14,074,575	14,130,828
Custodian Fees	250,000	147,520	260,000
Actuarial Fees	260,000	404,089	280,000
Other Hired and Contracted Services	127,755	119,358	144,755
	13,269,697	14,762,606	14,841,083
Departmental & Central Support Charges	529,700	529,700	349,757
	529,700	529,700	349,757
Total Expenditure	19,246,358	19,777,312	20,865,008

Appendix 2 As reported on 23 January 2017

Value of the Fund	£7.7bn	30/09/2016
Investment income Received	£160m	Projected 2017/18
Pensions Paid	£283m	Projected 2017/18
Contributions Received	£286m	Projected 2017/18
Active Contributing members	46,221	31 st March 2016
Deferred members	37,136	31 st March 2016
Pensioners	47,724	31 st March 2016
Total Members	131,081	31 st March 2016

	Budget 2016/17 £	Probable Out-Turn 2016/17 £	Budget 2017/18 £
Employees			
Pay, NI and Pension	3,007,867	2,559,056	3,043,672
Training	20,000	7,500	20,000
Other Staffing Costs	298,166	329,678	290,396
	3,326,033	2,896,234	3,354,068
Premises			
Rents	284,042	284,042	279,886
	284,042	284,042	279,886
Transport			
Public Transport Expenses	51,614	21,966	49,534
Car Allowances	1,300	1,102	1,360
	52,914	23,068	50,894
Supplies			
Furniture and Office Equipment	18,000	5,935	14,000

Printing and Stationery	67,000	20,921	47,000
Computer Development and Hardware	532,500	420,500	507,500
Postages and Telephones	109,250	100,521	106,250
External Audit	41,000	41,000	41,000
Services and Consultants			
Fees	742,564	716,856	998,767
Conferences and Subsistence	41,165	21,845	36,499
Subscriptions	153,993	127,396	143,139
Other	78,500	24,231	61,000
	1,783,972	1,479,205	1,955,155
Third Party			
Medical Fees	5,500	1,540	5,500
Bank Charges	15,000	14,598	20,000
Investment Management Fees	12,611,442	13,862,741	14,130,828
Custodian Fees	250,000	250,000	260,000
Actuarial Fees	260,000	260,000	280,000
Other Hired and Contracted Services	127,755	86,034	144,755
	13,269,697	14,474,913	14,841,083
Departmental & Central Support Charges	529,700	529,700	529,700
	529,700	529,700	529,700
Total Expenditure	19,246,358	19,687,162	21,010,786

WIRRAL COUNCIL

PENSION COMMITTEE

17 JULY 2017

SUBJECT:	LGPS UPDATE
WARD/S AFFECTED:	ALL
REPORT OF:	MANAGING DIRECTOR, DELIVERY
RESPONSIBLE PORTFOLIO HOLDER:	
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

- 1.1 This report updates Members on the current position concerning potential amendments to the Local Government Pension Scheme and overriding pension policy that could affect scheme administration.

A synopsis of the prospective changes to the legislation is attached as Appendix One.

- 1.2 It also raises awareness of the publication of the 2016 LGPS Annual Report, detailing scheme trends at a national level and a number of issues relating to governance of the Scheme; including difficulties faced by Academies in fulfilling their employer responsibilities as a consequence of non-standardised administrative and funding policies across the LGPS.

2.0 BACKGROUND AND KEY ISSUES

LGPS Annual Report 2016

- 2.1 The Scheme Advisory Board has published the fourth Annual Report for the LGPS in England and Wales. It is based on information collated from the Annual Reports and audited Financial Statements of LGPS funds in England and Wales to 31st March 2016.

2.2 The key highlights are as follows:

- Total membership of the LGPS grew by 134,000 (2.5%) to 5.3m members in 2016 from 5.2m in 2015 and number of LGPS employers increased by 2,635 (22%) to 14,435.
- Total assets of the LGPS held at £217bn (a change of 0.0%). These assets were invested in pooled investment vehicles (43.6%), public equities (34.6%), fixed interest/index linked (7.5%), property (7.8%), as well as other asset classes (1.0%).
- The Local Authority net return on investment over 2015/2016 was 0.1%. This was reflective of the difficult market conditions during the year and set against the FTSE All Share Total Return of -3.9%.
- Overall the scheme maintained a positive cash-flow position although income was lower than total scheme outgoings by £279m; excluding investment income.
- The funds all received unqualified external financial audit certificates from the Scheme's external statutory auditors.
- Over 1.5m pensioners received income from the scheme over the year.
- Fewer than 91 formal complaints about scheme benefit administration were determined and less than 15% were upheld by the Pensions Ombudsman.

2.3 As at the 31st March 2016, the LGPS liabilities were estimated at £254bn indicating an overall funding level of 85%. During 2016, the Board has been actively developing proposals to further tackle the estimated funding deficit of £37bn (£47bn in 2013) to improve the sustainability of the LGPS and its future funding levels. The next triennial valuation of the LGPS will be as at 31st March 2019.

2.4 During 2014 the Board developed a suite of LGPS pension fund 'health' indicators. These were piloted in 2015 with the aim of rolling them out to coincide with the LGPS 2016 triennial valuation. This will enable the assessment and benchmarking of the overall health of the scheme relative to other large public or private pension schemes, as well as between individual LGPS funds. The results of the pilot form part of the annual report. The full report can be accessed at:

<http://www.lgpsboard.org/index.php/schemedata/scheme-annual-report>

Academies

- 2.5 During 2016 the Scheme Advisory Board commissioned PwC to undertake work to identify issues connected to academy participation in the LGPS and the implications of future increases in academy schools and Multi-Academy Trusts (MATs) - as perceived by a range of stakeholders (e.g. schools, MATs, relevant government departments, relevant unions, academy payroll service providers and pension funds). The issues relate to:
- Administration
 - Actuarial and funding
 - Investment and legal (including member representation)
- 2.6 PwC's report "**Options for Academies in the LGPS**" has been published and will enable the Scheme Advisory Board to engage with key stakeholders including pension funds, actuarial firms and academy trusts as appropriate on the issues raised by those interviewed by PwC.
- 2.7 Following discussion with Ministers (to be re-affirmed with any new ministers) it has been decided to look for solutions to academy issues within the LGPS structure.

Solutions are targeting the following objectives:

- Greater consistency in contributions and a lower administrative burden on academy staff (Department for Education)
 - Ensure that no debts are transferred from the academy sector (Department for Education) to other areas of the LGPS (DCLG / SAB)
- 2.8 The Board will continue to gather relevant evidence and then develop specific proposals for change before submitting its recommendations to Ministers for their consideration. The full report can be accessed here:

http://www.lgpsboard.org/images/PDF/LGPS_Advisory_Board_Options_for_Academies_20170525.pdf

Survey of New Governance Arrangements

- 2.9 The Scheme Advisory Board recently requested that Chairs of Pensions Committees and Local Pension Boards participate in a survey to assess the effectiveness and operational efficiency of the new governance arrangements with particular emphasis on the role and function of the local pension board.

The survey has now also been extended to scheme stakeholders, in particular the main local government trade unions.

The web based survey can be found here: <http://lgpsboard.org/survey.php>

The Public Service Governance and Administration Survey

- 2.10 The Pensions Regulator undertakes an annual Public Service Governance Survey. The regulator expects all public service schemes to participate in the research to help understand what schemes are doing to improve their standards of governance and administration - so it can focus on the areas which need more support and education.
- 2.11 The results of the 2016 Governance and Administration survey were recently published in their 2017 report. The survey generally shows an ongoing improvement in governance but the most commonly identified barrier to improvements in governance and administration for the LGPS was resource constraints.
- 2.12 Top priorities for this year are scheme governance, record keeping, internal controls and member communication. The Regulator has confirmed that tolerance for scheme shortcomings in these areas is reducing and that they are more likely to use their enforcement powers for recalcitrant scheme managers.

The full report can be accessed at:

<http://www.thepensionsregulator.gov.uk/docs/public-service-research-summary-2017.pdf>

3.0 RELEVANT RISKS

- 3.1 Failure to allocate necessary resource to support employers in addressing data quality deficiencies, would increase the risk on non-compliance with Pension Regulators expected standards of administration leading to censure and reputational damage.

4.0 OTHER OPTIONS CONSIDERED

- 4.1 Not relevant for this report.

5.0 CONSULTATION

- 5.1 Not relevant for this report.

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

- 6.1 None associated with the subject matter.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 None associated with the subject matter.

8.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

8.1 The proposed reform of exit payments (referenced in Appendix One) are intended to reduce compensation awards, limiting costs for employers and taxpayers, resulting from the early release of pension benefits on the grounds of redundancy or voluntary severance.

9.0 LEGAL IMPLICATIONS

9.1 There are none arising from this report

10 EQUALITIES IMPLICATIONS

10.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

No, because Department of Communities and Local Government undertake equality impact assessments with regard to the statutory reform of the LGPS.

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

11.1 There are none arising from this report

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report

13.0 RECOMMENDATION

13.1 That members note the report.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 There is a requirement for Members of the Pension Committee to be kept up to date with legislative developments as part of their decision making role.

REPORT AUTHOR

Yvonne Caddock
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Email yvonnecaddock@wirral.gov.uk

APPENDICES

Appendix 1- LGPS Update Synopsis

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date
The LGPS update is a standing item on the Pensions Committee agenda.	

Synopsis of Prospective Changes to LGPS & Overriding Pension Legislation June 2017

Organisation	Subject	Link	Comments
HM Treasury	Pensions scams: consultation	https://www.gov.uk/government/consultations/pension-scams/pensions-scams-consultation	<p>Published 5 December and closing on 13 February 2017 – MPF submitted a response.</p> <p>This consultation sets out a package of measures aimed at tackling three different areas of pensions scams, a cold calling ban; consulting on clarifying the law so that Funds can block pension transfers and making it harder to open fraudulent schemes.</p> <p>The Fund response supported the suggested actions within the consultation</p>
HM Treasury	Indexation and equalisation of GMP in public service pension schemes	https://www.gov.uk/government/consultations/indexation-and-equalisation-of-gmp-in-public-service-pension-schemes	<p>Published on 28 November 2016, and a response sent from MPF.</p> <p>This consultation gave three options for increasing Guaranteed Minimum Pensions (GMP) within the public sector for those people reaching State Pension age from 6 December 2018.</p> <p>The Fund's preferred approach of converting the GMP into scheme benefits, was presented as the simpler, longer term solution</p>

HM Treasury	Reforms to Public Sector exit payments: response to the consultation	https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/555304/reforms_to_public_sector_exit_payments_consultation_response.pdf http://www.legislation.gov.uk/ukxi/2017/70/pdfs/ukxi_20170070_en.pdf	<p>Introduction of new regulations for exit payments appear to have been further delayed as a result of the recent General Election.</p> <p>Summary of proposed changes:</p> <ol style="list-style-type: none">1. recovery of exit payments for high earners who are reemployed - actual regulations expected any time2. the £95k cap for exit. Employment Enterprise Regulations have commencement regulations effective from 1 February 2017 short consultation possible awaiting further information3. third tranche on exit payments Government responded to the consultation on reforming exit payments across the Public Sector. <p>Government departments asked to submit details of their proposals; including limits on employer funded early access to pension benefits (e.g. redundancy and business efficiency retirements in the LGPS)</p>
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<p>DCLG</p>	<p>LGPS Regulations: Draft Amendment Regulations with Best Value & Fair Deal consultation and freedom and Choice options</p>	<p>https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/526538/Consultation_on_Local_Government_Pension_Scheme_Regulations.pdf</p>	<p>This consultation reviews the approach for Best Value and Fair Deal for the transfer of staff. Closed 20 August 2016.</p> <p>Responses led to DCLG deciding to split these away from the amendment regulations as a rethink was required.</p> <p>Nothing expected before June 2017</p> <p>The other amendments will be processed earlier but need changes to the Freedom and Choice section so short consultation may be required.</p> <p>Expected implementation delayed because of General Election</p>
<p>Government Actuaries Department (GAD)</p>	<p>Managing risks in the public service pension schemes</p>	<p>https://www.gov.uk/government/publications/managing-risks-in-public-service-pension-schemes-thoughts-on-measures-and-control-mechanisms</p>	<p>GAD has published a document outlining its thoughts on a report published in June, from the National Audit Office on the Government's Public Sector pension liability.</p> <p>The document sets out some ideas on appraising long-term risks for public sector pension schemes.</p>

<p>Scheme Advisory Board (SAB)</p>	<p>Academies' review</p>	<p>http://www.lgpsboard.org/index.php/structure-reform/review-of-academies</p>	<p>Ministers agreed that DfE, DCLG, GAD and the SAB should continue to work closely together to pursue solutions, engaging key stakeholders; including pension funds, actuarial firms and academy trusts as appropriate.</p> <p>The next stage will be to gather relevant evidence and develop specific proposals for change that the SAB will consider before submitting its recommendations to Ministers for their consideration</p>
<p>Scheme Advisory Board (SAB)</p> <p>Page 142</p>	<p>Committees – membership & remit</p>	<p>http://www.lgpsboard.org/index.php/sub-comms/membership-remit</p>	<p>The Scheme Advisory Board have requested that a further review of ill-health retirement benefits be carried out; taking on-board the recommendation previously made by the Shadow sub-committee. A Working Group has been set-up.</p>

WIRRAL COUNCIL

PENSIONS COMMITTEE

17 JULY 2017

SUBJECT:	POOLING UPDATE
WARD/S AFFECTED:	NONE
REPORT OF:	MANAGING DIRECTOR DELIVERY
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

- 1.1 This report provides Members with an update on pooling arrangements relating to MPF and the Northern Pool.
- 1.2 The appendix to this report contains exempt information. This is by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of Local Government Act 1972 i.e. information relating to the financial or business affairs of any particular person (including the authority holding that information).

2.0 BACKGROUND AND KEY ISSUES

- 2.1 DCLG requested that, by 21 April, all Pools provide a report on progress. A copy of the Northern Pool's report is attached in the accompanying appendix.

3.0 RELEVANT RISKS

- 3.1 Pooling will result in fundamental changes to oversight and management of LGPS assets. It is essential that appropriate governance arrangements are put in place to ensure that Pensions Committee can exercise its responsibilities in accordance with the Council's constitution.

4.0 OTHER OPTIONS CONSIDERED

- 4.1 No other options have been considered.

5.0 CONSULTATION

- 5.1 The Pooling consultation has been discussed with the Merseyside Directors of Finance and stakeholders have been kept informed of the pooling consultation and its implications.

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

- 6.1 There are no previously approved actions outstanding.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are none arising from this report.

8.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

8.1 There are none arising directly from this report. The anticipated financial costs of establishing pooling arrangements and the projected savings over the long-term are set out in the Fund's pooling submission of 15 July 2016.

9.0 LEGAL IMPLICATIONS

9.1 There are none arising from this report.

10.0 EQUALITIES IMPLICATIONS

10.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

(b) No because there is no relevance to equality.

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

11.1 There are no carbon usage implications, nor any other relevant environmental issues arising from this report.

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report.

13.0 RECOMMENDATION/S

13.1 That Members note the report.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 Pooling will result in fundamental changes to oversight and management of LGPS assets.

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APPENDICES

Submission to DCLG

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
An update report is brought to each Pensions Committee	

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WIRRAL COUNCIL

PENSIONS BOARD

27 JUNE 2017

SUBJECT:	TRANSPARENCY CODE
WARD/S AFFECTED:	NONE
REPORT OF:	DIRECTOR OF PENSIONS
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

- 1.1 This report provides members with details of the Code of Transparency recently announced by the Scheme Advisory Board.

2.0 BACKGROUND AND KEY ISSUES

- 2.1 It has long been recognised that, in addition to the fees paid for investment management, there are further hidden costs incurred that are difficult to ascertain and so rarely reported in most pension fund accounts. There have been a number of initiatives to provide greater transparency in relation to those hidden costs. Merseyside Pension Fund has been a longstanding supporter of transparency in many areas of corporate governance and investment, and has been a proponent for greater consistency in the disclosure and reporting of all costs.
- 2.2 In November 2015, DCLG set out its criteria and guidance for Investment Reform in the LGPS requiring administering authorities to bring forward ambitious proposals for pooling. One of the four primary criteria is cost savings and pools are required to report investment performance and cost savings. It is important that this is undertaken in a consistent way.
- 2.2 On 18 May 2017, the Scheme Advisory Board announced its proposals for encouraging greater fee transparency by investment managers. The Board views the move toward investment cost transparency and consistency as an important factor in the LGPS being perceived as a value-led and innovative pension scheme. Transparency is also a target for the revised CIPFA accounting standard issued for inclusion in the statutory annual report and accounts and is included in the government's investment reform guidance and criteria for LGPS pooling.

- 2.2 The Code is a voluntary code and covers the provision of transparent and consistent investment cost and fee information between Investment Managers and Administering Authorities.
- 2.3 To assist LGPS administering authorities in obtaining the more detailed investment fee data they require, the Board has worked with key stakeholders including investment managers, CIPFA and LGPS administering authorities to develop the Code.
- 2.4 The current Templates only apply in relation to listed asset classes. Templates for unlisted asset classes such as private equity will be developed in due course. It is envisaged that the Templates will develop over time to encompass other more challenging areas of cost transparency and will remain flexible to enable changes to meet the rapidly developing market for investment products. The listed asset Template may be amended from time to time to keep in line with the Investment Association's Disclosure Code.

3.0 RELEVANT RISKS

- 3.1 There are none arising from this report.

4.0 OTHER OPTIONS CONSIDERED

- 4.1 No other options have been considered.

5.0 CONSULTATION

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

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

- 6.1 There are no previously approved actions outstanding.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 7.1 There are none arising from this report.

8.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

- 8.1 The identification and collation of investment costs is a resource intensive exercise particularly in the area of unquoted investments and the fund is devoting considerable amounts of staff time and other resources to this exercise. .

9.0 LEGAL IMPLICATIONS

- 9.1 There are none arising from this report.

10.0 EQUALITIES IMPLICATIONS

10.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

(b) No because there is no relevance to equality.

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

11.1 There are no carbon usage implications, nor any other relevant environmental issues arising from this report.

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report.

13.0 RECOMMENDATION/S

13.1 That Board Members note the report.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 There is a requirement for Members of the Pension Board to be kept informed of pension fund developments as a part of their role in supporting the administering authority.

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APPENDICES

ISS

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

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WIRRAL COUNCIL

PENSIONS BOARD

17 JULY 2017

SUBJECT:	PENSION BOARD REVIEW 2016-17 AND WORK PLAN 2017-18
WARD/S AFFECTED:	NONE
REPORT OF:	INDEPENDENT CHAIR OF PENSION BOARD
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

This report which has been prepared in accordance with the Terms of Reference of the Pension Board reviews the performance of the Board and its members during its second year. The second year of the Board has been taken as from 1 May 2016 to 31 March 2017. This report also includes a proposed Work Plan for 2017-18.

2.0 BACKGROUND AND KEY ISSUES

Under Section 11.3 of its 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 27 June 2017. Following consideration by the Board an approved version of this review will be presented by the Independent Chair to the Pensions Committee.

As the Board Members were appointed on 15 May 2015 the review of the first year of the Board (2015/16) covered the period 15 May 2015 to 30 April 2016. Therefore, this review of the second year of the Board (2016-17) covers the period 1 May 2016 to 31 March 2017.

Purpose and Constitution of the Merseyside Local Pension Board

Under its Terms of Reference the purpose of the Merseyside 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 Regulations. The Board is required to meet sufficiently regularly to discharge its duties and responsibilities effectively but not less than twice in any year. The Board met three times during its first year (2015-16) and again met three times during its second year (2016-17).

The Pension Board consists of nine members and is constituted of four employer representatives, four scheme member representatives and an independent, non-voting Chair who has responsibility for the co-ordination and operation of the Board.

Board Meetings

Three meetings of the Board were held during the period covered by this review. These were on 28 June 2016, 11 October 2016 and 16 March 2017. Overall attendance by members of the Pension Board at meetings during 2016-17 was 88%.

The Agenda Items Considered at each Board meeting are shown in the Table below:

	28/6/16	11/10/16	16/3/17
Members Code of Conduct – Declarations of Interest	/	/	/
Minutes of the Previous Meeting	/	/	/
LGPS Update	/	/	/
Knowledge, Skills, Training, Member Development	/	/	/
Investment Pooling	/	/	/
Pensions Administration Report		/	/
Pension Fund Treasury Management		/	/
Investment Monitoring Working Party Minutes	/	/	/
Governance and Risk Working Party Minutes		/	
Audit Findings Report and Pension Fund Annual Report and Accounts		/	
Pension Board Review 2015-16 & Work Plan 2016-17	/		
Pensions Regulator Survey	/		
Compliance Statement with Code of Practice No 14	/		
Investment Performance		/	
GAD Section 13 Dry Run		/	
Annual Employers Conference		/	
Non-Recovery of Pension Overpayments		/	
Merseyside Pension Fund Business Planning			/
Investment Strategy Statement Guidance			/
Draft Funding Strategy Statement			/
Markets in Financial Instruments Directive Consultation			/

During 2016-17 the Board, facilitated by reports prepared by the officers of the Merseyside Pension Fund, implemented the Pension Board Work Plan 2016-17. This work plan, which was included in the 2015-16 Pension Board Review was prepared following discussions between the Independent Chair and the Director of the Fund taking into account consultation with all Board Members.

Whilst recognising the need for a broad “LGPS update” report at each Board meeting, similar to that which is presented to the Pensions Committee, the Work Plan included an emphasis on the presentation to the Board of detailed reports on Pensions Administration including Key Performance Indicators. At both the October 2016 and

March 2017 the Principal Pensions Officer prepared and presented a detailed report covering a broad range of Pensions Administration matters and containing extensive statistical reporting. At the June 2016 meeting the Board received a report and detailed appendix in respect of the Fund's compliance against the Pension Regulator's Code of Practice No 14 entitled "*Governance and Administration of Public Service Pension Schemes.*"

The development and implementation of Investment Pooling is presently the highest profile development in the Local Government Pension Scheme (LGPS). This will have a significant effect on both the investment and governance arrangements of the LGPS. A report on Pooling was presented to the Board at all three meetings during 2016-17. These reports were extremely detailed and through the provision of information in the Exempt Agenda, which is necessarily confidential to the Merseyside Pension Fund, the Board was, on behalf of Employers and Employees, able to obtain a clear understanding of why and how the Northern Pool consisting of the Merseyside, Greater Manchester and West Yorkshire LGPS Funds is developing a model for Investment Pooling which should fully meet both Government requirements and the particular circumstances of the three participating Funds. I wish to thank the Director of the Fund for the commentary and information he provided on Pooling at the Board meetings which summarised and encapsulated the information contained in the Board papers.

As the Board's primary role is to assist the Administering Authority and the Board is not in its own right a decision making body it was appropriate that the Board developed a clear focus towards consideration of Governance issues during its first year (2015-16) and this continued during 2016-17. The Board continued to receive the Exempt Minutes of both the Investment Monitoring Working Party (the Fund's principal forum for the consideration of Investment related issues) and the Governance & Risk Working Party (the Fund's principal forum for the consideration of risk management/internal control and Pensions Administration). The Board also received the External Auditors Audit Findings Report together with the Draft Annual Report and Accounts. Prior to considering the Draft Pension Fund Accounts the Board received a very helpful training session, presented by the Group Accountant to the Fund, entitled "*Final Accounts 2015/16 Production and Audit Process.*" The Board also received the Draft Funding Strategy Statement which is one of the primary policy statements the Fund is required to prepare under the LGPS Regulations.

At its meeting held on 28 June 2016 the Board formally considered and approved both the report of the Independent Chair in respect of 2015-16, the first year of the Board, and the proposed Work Plan for 2016-17.

During 2016-17 the Board did not feel it necessary or appropriate to make any formal recommendations to the Scheme Manager, the Pensions Committee of Wirral MBC.

In 2016-17, as in 2015-16, all Members of the Board actively and positively contributed to debates arising from Agenda items. Sadly, one of the Employee Representatives, Phil Goodwin, died suddenly and unexpectedly in October 2016. I would wish to place on record my appreciation and recognition of Phil's positive contribution to the establishment of the Board during the period July 2015 to October 2016.

Training and Development

Mindful of the requirements of the Public Service Pensions Act 2013 and the Pensions Act 2004 (As amended) training and development has been approached in a methodical and serious manner by both the Administering Authority and individual Board members.

Each of the three Board Meetings held during 2016-17 considered Training and Member Development. In particular, at the meeting held on 28 June 2016 the Board formally adopted the CIPFA Knowledge and Skills Framework for Pension Board Members. As previously indicated Training in respect of the preparation and audit of the Pension Fund Accounts was provided at the October 2016 meeting.

During 2016-17 Board Members were afforded and took up opportunities to attend a range of external training and conference events. In particular, three Members attended the three day LGPS Fundamentals Training course organised by the Local Government Association/Local Government Pensions Committee and five attended at conference events organised by the Pensions and Lifetime Savings Association. The Independent Chair also represented the Board at two CIPFA Pension Board seminars.

All Members of the Board were invited to attend the Annual Employers Conference held on 29 November 2016 which received detailed presentations on the Governance, Investment and Administration of the Fund as well as a presentation on the 2016 Actuarial Valuation from Mercer who are Actuary to the Fund. Six of the eight Members of the Board attended (there was at this time one vacancy). The Independent Chair of the Pension Board also made a presentation covering Training and Development, Board Meetings and Work Programme, Investment Pooling, Reporting Breaches of the Law to the Pensions Regulator and Support for the Board by the Administering Authority.

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 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 the Regulator. This is an important role granted to the Board in terms of ensuring the good Governance of the Fund and appropriate interpretation of the Pensions Regulators guidance and the Merseyside Fund's policy on reporting breaches of the law. During the period covered by this report, 2016-17, there were no Breaches of the Law identified by the Fund Officers and upon which the Pension Board was therefore asked to give its view. Neither were there any matters identified by the Board itself as potential or actual Breaches of the Law.

Pension Board Review 2015-16 and presentation to the Pensions Committee

The Pension Board Review 2015-16 and Work Plan 2016-17 was considered and approved by the Board on 28 June 2016. This was then considered by the Pensions Committee at its meeting held on 19 September 2016. The Independent Chair attended this meeting, presented the review and answered questions from Members of the Committee.

Pension Board Costs of Operation 1 April 2016 to 31 March 2017

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

Proposed Pension Board Work Plan 2017-18

The proposed Work Plan for 2017-18 is detailed below. 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 the Government has indicated that investment pools should be operational by 2018. The Work Plan will be updated as necessary during 2017-18.

Agenda item	27/6/17	10/10/17	2018
LGPS update	√	√	√
Administration KPI report	√	√	√
Pooling update	√	√	√
Audit Plan			√
Pensions Administration Strategy		√	
Member Development Programme			√
Pension Board Development Programme			√
IMWP/GRWP minutes	√	√	√
Pension Board Annual Review 2016-17 and Work Plan 2017-18	√		
Investment Performance		√	
Audit Findings Report		√	

Annual Report & Accounts		√	
Review of Actuarial Valuation	√		

Support for the Board by the Administering Authority during 2016-17

The effectiveness of the Board is dependent not only on the approach and contribution of its members but also that of the Administering Authority. Throughout 2016-17 the Board received extremely positive support, advice and guidance from the Officers of the Merseyside Pension Fund. Meetings of the Board were supported and attended not only by the Director of the Fund but also the senior members of his team responsible for Pensions Administration and the Finance/Accounting of the Fund. The commitment of Wirral MBC to the Board's role within the Merseyside Pension Fund was also clearly demonstrated by the involvement of the Council's Managing Director for Delivery.

Between meetings the Director of the Fund provided me with advice whenever requested as did his senior staff responsible for Pensions Administration and Finance/Accounting. The Director's Personal Assistant also positively provided support throughout the year.

On behalf of the Board I would wish to thank the Officers for their positive approach and their reports, guidance and advice which enabled us to continue our task of seeking to genuinely "assist" the Administering Authority in its stewardship of the Merseyside LGPS Fund.

John Raisin
Independent Chair
Merseyside LGPS Local Pension Board

3.0 RELEVANT RISKS

3.1 There are none arising from this report.

4.0 OTHER OPTIONS CONSIDERED

4.1 No other options have been considered.

5.0 CONSULTATION

5.1 The Director of the Merseyside Pension Fund has been consulted in the preparation of this report.

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

6.1 There are no previously approved actions outstanding.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are none arising from this report.

8.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

8.1 There are none arising directly from this report.

9.0 LEGAL IMPLICATIONS

9.1 There are none arising from this report.

10.0 EQUALITIES IMPLICATIONS

10.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

(b) No because there is no relevance to equality.

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

11.1 There are no carbon usage implications, nor any other relevant environmental issues arising from this report.

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report.

13.0 RECOMMENDATION/S

13.1 That the Board receive and approve the Pension Board Review 2016-17.

13.2 That the Board approves the proposed Work Plan 2017-18

14.0 REASON/S FOR RECOMMENDATION/S

14.1 Section 11.3 of the 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.”*

REPORT AUTHOR: JOHN RAISIN
Independent Chair
Merseyside Local Pension Board
16 June 2017

APPENDICES

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

WIRRAL COUNCIL

PENSIONS COMMITTEE

17 JULY 2017

SUBJECT:	UPDATE TO INVESTMENT STRATEGY STATEMENT GUIDANCE
WARD/S AFFECTED:	NONE
REPORT OF:	MANAGING DIRECTOR DELIVERY
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

1.1 This report informs Members of a High Court ruling that impinges on the guidance issued by the Secretary of State in relation to investment strategy statements.

2.0 BACKGROUND AND KEY ISSUES

2.1 In September last year, the DCLG issued statutory guidance on preparing and maintaining an investment strategy statement (ISS).

2.2 Following a case brought by the Palestine Solidarity Campaign, the High Court ruled on judicial review that the section on boycotting foreign nations and the UK defence industry in the DCLG statutory guidance on preparing and maintaining an investment strategy statement published in September last year is unlawful.

2.3 The reason given is that the Secretary of State had exceeded his regulation making powers by using the guidance to protect government foreign policy and UK defence policy, which, in the judges view, were not policies for “pension purposes” The Secretary of State was held to have acted for an unauthorised purpose and therefore unlawfully. Although not expressly referred to in the judgment, the inference is that that part of the statutory guidance referred to in paragraph 1 of the judgment is struck out.

2.4 The High Court was also asked to judge whether (a) the guidance lacked clarity and certainty and (b) whether Article 18(4) of the 2003 IORP Directive applied to prevent the Secretary of State from imposing a form of approval before investment decisions are made. On both matters, the judge ruled in favour of the Secretary of State.

2.5 This ruling will not affect the Fund’s ISS which was approved by this Committee in March of this year.

3.0 RELEVANT RISKS

3.1 It is important that the Fund's key documents remain up-to-date and compliant with legislation.

4.0 OTHER OPTIONS CONSIDERED

4.1 No other options have been considered.

5.0 CONSULTATION

5.1 Not relevant to this report.

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

6.1 There are no previously approved actions outstanding.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are none arising from this report.

8.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

8.1 There are none arising directly from this report.

9.0 LEGAL IMPLICATIONS

9.1 There are none arising from this report.

10.0 EQUALITIES IMPLICATIONS

10.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

(b) No because there is no relevance to equality.

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

11.1 There are no carbon usage implications, nor any other relevant environmental issues arising from this report.

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report.

13.0 RECOMMENDATION/S

13.1 That Members note the report.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 It is important that Members are informed of changes to the LGPS.

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APPENDICES

None

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
ISS	March 2017

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WIRRAL COUNCIL

PENSION COMMITTEE

17 JULY 2017

SUBJECT:	PENSION ADMINISTRATION STRATEGY
WARD/S AFFECTED:	NONE
REPORT OF:	MANAGING DIRECTOR, DELIVERY
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to inform Members of the revised Pension Administration Strategy (PAS) and the intent to consult with employers as required by the Regulations subsequent to Pension Committee's approval of the proposed changes to the policy and operational practice.
- 1.2 The draft PAS for consultation is attached as Appendix One.

2.0 BACKGROUND AND KEY ISSUES

- 2.1 The Fund has undertaken a review of the PAS which was last updated in 2013 to accommodate procedural changes resulting from the introduction of both the LGPS Miscellaneous Regulations 2012 and Automatic Enrolment legislation.
- 2.2 The introduction of the new CARE benefit design in April 2014 and associated final salary benefit protections compounded the increasing complexity of administering the LGPS. Consequently, the importance of data quality and the necessity for equitable allocation of Fund resources across employers is greater than ever and has informed the review of the PAS.
- 2.3 The primary purpose of the review is to continue progress towards a seamless pension service, employing appropriate technology and best practice to both significantly improve the quality of information and the speed with which it is processed providing a more efficient service to Fund members.

- 2.4 The PAS covers primary matters as outlined in the Regulations such as administration standards, performance measures and communication with employers. It also sets out the key undertakings and responsibilities of both the Fund and participating employers.
- 2.5 The PAS 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.
- 2.6 The Fund, like all public sector organisations, is under pressure to manage its costs and evaluate current operational functions. Therefore, it is essential to manage resources to ensure compliance with statutory duties and responsibilities as defined within the LGPS regulations and overriding Pension legislation.
- 2.7 The LGPS regulatory framework allows an Administering Authority to recover costs from an employing authority where costs have been incurred because of unsatisfactory performance and also to remove cross-subsidy of costs resulting from any inequitable allocation of resources.

The PAS has been revised to clearly document an extended charging policy in circumstances of persistent failure by an employer to meet administration requirements and for the provision of additional pension entitlement calculations or bespoke administration tasks.

TIMETABLE FOR IMPLEMENTATION

- 2.8 The revised PAS will be applicable from April 2018.
- The draft strategy is scheduled for review by Pension Board at its meeting of 27 June 2017 with comments invited on the content and reasonableness of the charging policy. Upon formal approval by Pension Committee of the draft strategy, the Fund will shortly issue this document to employers for feedback as part of the statutory consultation process.
- 2.9 The consultation period is scheduled to commence from the end of July until the end of September. Work will then be undertaken to review the feedback and revise the strategy as required prior to return to Committee in November 2017 for final approval.
- 2.10 The final version of the strategy will then be published in November 2017 in preparation for its implementation in April 2018.

3.0 RELEVANT RISKS

- 3.1 The Fund has a legal duty to comply with legislation and statutory best practice, failure to do so will result in challenge from scheme members, the Pensions Regulator, and the Scheme Advisory Board.
- 3.2 The measures within the revised PAS reduce the risk of holding inaccurate data as the objective is to deliver operational efficiencies, rationalise resources and to secure improvements in data quality as a core business function.

4.0 OTHER OPTIONS CONSIDERED

- 4.1 Not relevant for this report.

5.0 CONSULTATION

- 5.1 The PAS will be subject to a two month consultation period with the Fund's constituent employers as detailed within the report.

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

- 6.1 None associated with the subject matter.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 7.1 There are none arising from this report

8.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

- 8.1 There are financial implications associated with this report in that the PAS includes the Fund's approach to the application of charges in the event of non-compliance with key performance standards set out for participating employers.
- 8.2 Employers are charged for the cost of administration of the Fund by an allowance of 0.5% included within their pension contribution rate. This is a flat-rate amount and takes no account of the actual allocation of fund resources between each employer or any additional non-statutory casework undertaken by the Administration Team.

The strategy will allow the Fund to make an additional monetary charge to employers to cover its costs where the amount of administrative work carried out is disproportionate to other employers.

9.0 LEGAL IMPLICATIONS

- 9.1 The Council's Section 151 Officer has had the opportunity to comment on the PAS as to whether the charging structure conflicts with the Administering Authority's statutory responsibilities in carrying out its function in accordance with Local Government Act 1989 or any overriding primary legislation.

Following due consideration by the statutory officer it has been authorised for publication.

10.0 EQUALITIES IMPLICATIONS

- 10.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?
No equality impact assessment is required

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

- 11.1 There are none arising from this report

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

- 12.1 There are none arising from this report

13.0 RECOMMENDATION

- 13.1 That Committee approve the draft PAS and proposed charging schedule for consultation with employers.
- 13.2 That Committee delegates to Fund Officers the responsibility to respond to consultation feedback, in order to enable the effective implementation of the Strategy from 1 April 2018.

14.0 REASON/S FOR RECOMMENDATION/S

- 14.1 There is a statutory requirement to update the Pensions Administration Strategy to reflect material change to the operational policy.

**REPORT
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APPENDICES

Appendix 1- Draft PAS

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date

Appendix One



Pensions Administration Strategy

April 2018

Yvonne Caddock

Draft

This document has been presented, considered and approved
by Pension Committee on

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1. Introduction

This is the Pension 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 Pension 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 along with 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 Pension 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 sets out a framework outlining the policies and performance standards to be achieved to enable provision of a cost-effective and high quality pension administration service.

A copy of this strategy is issued to each of the relevant employers as well as to the Secretary of State.

2. Review

The Fund will review this policy document as required to reflect changes in regulations and Fund working practices. Employers will be consulted and informed of the changes and a revised statement will be supplied to the Secretary of State.

3. Aims

The aim of this Strategy is to continue progress towards an automated pension service, employing appropriate technology to improve the quality of information, the speed of operational processing for employers and a more efficient service to members. The Strategy recognises that significant work will need to be undertaken in achieving the Pension Regulator’s compliance requirements and both the Fund and its Employers will need to work in partnership to meet this challenge.

4. Legislative Framework

LGPS Regulations 2013

The Fund and its Employers must have regard to this Strategy when carrying out their Scheme functions and Regulation 59 sets out a number of requirements to facilitate best practices 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) 2016** which provides scope for Funds to levy charges in circumstances where disproportionate costs are being incurred for additional administration tasks relating to individual members or specific employers.

In addition, the circumstances are outlined where financial penalties will be incurred with written notice provided to employers in accordance with Regulation 70 for recovery of fund costs as a result of unsatisfactory performance in carrying out its function as a scheme employer.

Levels of performance achieved will be reported as part of the Pension Administration Monitoring Report at each Local Pension Board meeting and documented in the Fund's Annual Report & Accounts.

5. Key Objectives

The key objectives of this Strategy are to ensure that:

- the fund and employers are aware of and understand their respective roles and responsibilities under the LGPS Regulations and in the delivery of administrative functions;
- the fund operates in accordance with LGPS regulations and the Pension Regulator Code of Practice in demonstrating compliance and scheme governance;
- communication processes are in place to enable both the Fund and Employers to proactively and responsively engage with each other and partners;
- accurate records are maintained for the purpose of calculating pension entitlements and employer liabilities; ensuring all information and data is communicated accurately, on a timely basis and is secure and compliant;

- the fund and employers have appropriate skills and that training is in place to deliver a high quality service;
- standards are set and monitored for the delivery of specified activities in accordance with the relevant regulations;
- administrative services are developed and delivered digitally in order to streamline processes and minimise service costs.

6. Achieving the Objectives

As the LGPS has evolved to meet the localism agenda to devolve power from central government control to boroughs the Fund has experienced an increase to its employer base, as service delivery transformations and outsourced local government contracts are becoming more prevalent for local authorities, along with the number of schools choosing to convert 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 Pension Regulator has introduced higher levels of compliance and the Fund will be required to demonstrate heightened governance and administrative efficiency.

There are four key elements necessary to achieving the Fund’s administrative objectives:

- a) Communications Policy
 - ensures members have accessible and timely information on all aspects of their pension benefits and informs decisions in respect of entitlements
 - enables employers to make effective decisions in the management of risks and liabilities as well as encouraging engagement in the wider pension debate
- b) A training plan that will offer support to employers and continue to enhance staff knowledge and skills to ensure efficient administration compliant with the Pension Regulator requirements
- c) An ICT development programme which will deliver high quality, efficient and integrated digital services to employers and members in an increasingly regulated and financially complex environment
- d) A performance framework which will support the effective working of the Fund and enable both the Fund and Employers to deliver continuous improvement and move towards a higher standard of service

7. Use of ICT

As part of its ICT development programme, the Fund has procured a comprehensive benefit and electronic document management system; this investment will enable the Fund to achieve a fully integrated self-service application for both employers and members. The new system creates the foundation to further digitalise the administration activities in the coming years.

At the time of writing, approximately 80% of active scheme membership is covered by electronic data submissions from employers. The Fund plans to achieve a digital step change in service delivery of full electronic data submissions from all employers over the next four year period. This will be delivered by a number of key work streams alongside the system supplier.

Online access to Fund IT systems

The Fund can provide secure online access for suitably large employers, in order for employing authority staff to produce retirement estimates and enquire on their employee's record of membership. The system is available during normal office hours with the exception of any necessary scheduled maintenance of the system.

As there are system and resource costs associated with granting online access, the Fund reserves the right to only agree where there is a mutual benefit in managing data quality and overall administration costs.

'MyPension' Member Self Service

All active, deferred and pensioner members of the Fund are able to view their membership records online via a self-service website called 'MyPension' <http://mpfund.uk/mypension>

Annual Benefit Statements and Pensioner Payslips are viewable online and the Fund has made significant savings in paper and postage costs. As part of the ICT development programme, the Fund will be working with its supplier to extend the self-service system to cover more administrative tasks, improving service efficiency and reducing administration costs.

Employers are asked to support the Fund in encouraging member registration with the 'MyPension' self-service system, by providing information on intranets and within appropriate communications to the workforce.

8. Performance Standards

A key purpose of the Administration Strategy is to set performance standards and publish both the targets and achievements against those targets to evaluate continuous improvement of the administration function. The performance measures which will be monitored are outlined below, with the outcomes subject to scrutiny by the Pension 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 45 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
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 30 April following year end
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 or where timeframe is less than 15 working days by 15 July
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 45 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 45 days of the event or receipt of information

Function/Task	Performance Target
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 45 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
<p>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.</p> <p>Arrange for the completion of the appropriate LGP12 form and submit along with LGP1A/LGP1B to the Fund.</p>	No later than 30 days of date of retirement.
To submit request form LGP88 estimates for forthcoming retirement.	No later than four months before retirement

Performance Standards - Administering Authority

Duties and Responsibilities

Function/Task	Performance Target
Governance	
Regularly review the Fund's pension administration strategy and consult with all scheme employers	To review at least triennially and revise following any material change in policies that relate to the PAS
Review the Fund's Funding Strategy Statement at each triennial valuation, following consultation with scheme employers and the Fund's actuary.	Publish by 31 March following the valuation date or as required
Review the Fund's Communication policy statement	Annual review and publish within 30 days of any revision to the policy being agreed by Pension Committee
Review the Fund's Governance and compliance statement	Annual review and publish within 30 days of any revision being agreed by Pension Committee
Formulate and publish policies in relation to all areas where the administering authority may exercise a discretion within the scheme	Annual review and publish within 30 days of any revision being agreed by Pension Committee
Publish the Fund's Annual report and Financial Statement	By 30 September following the year-end or following the issue of the auditors opinion
Notify scheme employer of issues relating to scheme employer's unsatisfactory performance	Within 10 working days of discernible performance issue

Function/Task	Performance Target
Financial Administration	
Consult with employers on the outcomes of the triennial valuation	At least 90 days in advance of the signing of the final Rates and Adjustment Certificate
Notify employers of contribution requirements for 3 years effective from April following the actuarial valuation date	At least 30 days before signing off the Rates and Adjustment Certificate
Notify new scheme employers of their contribution requirements	Within 60 days of receipt of the data profile for onward submission to the Fund Actuary
Carry out termination valuations on admitted bodies or scheme employers ceasing participation in the Fund	Within 60 days of receipt of termination forms from exiting employer
Notify scheme employer of decision to recover additional costs associated with the scheme employer's unsatisfactory performance	Within 10 working days of scheme employer failure to improve performance as agreed

Function/Task	Performance Target
Alternative Service Delivery Models / TUPE Transfer - New Employers	
Arrange for the setting up of separate admission agreement/new scheme employers including the allocation of assets and notification to the Secretary of State	Within 90 days of all necessary information
Arrange for all new prospective admitted bodies/new scheme employers to undertake, to the satisfaction of the Fund, a risk assessment of the level of bond or guarantee required in order to protect other scheme employers participating in the Fund	To be completed prior to the body being admitted timings predicated on timely submission of staff profile for submission to the Fund Actuary
Undertake a review of the level of bond/guarantee to protect other constituent employers	Annual review or upon material change in an employer's structure

Function/Task	Performance Target
Member Information/Data Quality and general administration	
Provide support for employers through a dedicated employer website, technical notes, forums, employer bulletins/alerts and day to day contact	Quarterly 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
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 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
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

***All performance targets relating to payments exclude BACS processing period.**

9. Monitoring Performance

It is the responsibility of the Fund and scheme employers to ensure compliance with the LGPS regulations and this associated Pensions Administration Strategy; with all parties required to undertake functions and tasks to the agreed quality standards.

The Fund will measure and report the Funds and scheme employer's compliance with the agreed service standards on a regular basis.

The Fund monitors its own performance against internal key performance indicators on a monthly basis; performance against the PAS by both the Fund and employers is reported to the Pension Board three times a year. The Fund will also report back to employers about their individual performance identifying any areas for improvement including outstanding data items

Audit

The Fund is subject to an annual audit of its processes and internal controls and the administering authority's auditors may request member data or may ask to attend at employer offices to carry out audits regarding the calculation of final salary pays, career average pays and assumed pays. Employers are requested to co-operate with these activities.

Escalation policy on charging employers for unsatisfactory performance

Where persistent and on-going failure 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 in section

A report will be presented to the Local Pension Board detailing charges levied against scheme employers and outstanding payments.

If unsatisfactory performance impacts the Fund's ability to perform statutory functions and measures are not being taken by the employer to address this the Fund will consider reporting the employer to the Pension Regulator.

Schedule of charges for additional administration tasks and financial penalties

Charges	
Implementation of Pension Sharing Order	£500 + VAT
An additional CETV request made within 12 months of an earlier CETV being provided including circumstances for divorce valuations	£150 + VAT
A replacement guaranteed CETV where the transfer option forms are not returned within three months of the guarantee date	£150 + VAT
A request for an estimate of retirement benefits within 12 months of provision of an earlier statement of benefits	£100 + VAT
A multiple request for estimated benefit statements for different retirement reasons	£100 + VAT for each individual item requested
Request for copies of correspondence, documents or duplicate statement	£10 + VAT
Correspondence provided to third parties in relation to member pension entitlements and benefit structure	£100 + VAT *
Individual Protection 2016 (IP2016) Valuation to calculate an Individual's protected LTA	£ 150 + VAT
Production of non-statutory Pension Saving Statements and forecasts of annual allowance usage	£150 + VAT *
Administration of information in relation to Accounting Standards Exercises (Recharge of actuary fee in accordance with contractual arrangement)	£100 + VAT *
Bespoke Pension Administration Work	At the appropriate hourly officer rate on a cost recovery basis

Charges continued

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)	£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)	£2,000 + VAT *
Provision of an indicative funding/termination valuation based on membership and cashflow data assessed to determine the previous triennial results	£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	Actuarial recharge of £3,500 + VAT £3,000 + VAT, per annum

*These are standard charges which may be subject to adjustment based on resource required

Financial Penalties

Failure to remit payment of monthly employee and employer contributions in full by the 22nd of the following month	Interest at base rate plus 1% as per the 2013 regulations
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: <ul style="list-style-type: none"> Submission of completed and validated year-end return in accordance with the prescribed specification by 30th April 	A fixed penalty of £250 plus a further fixed penalty of £100 for every further week late following that deadline

<ul style="list-style-type: none"> • Submission of the certified year end LGP40 Financial Statement 	
<p>Quality of the year-end information provided is below the acceptable tolerance level set at 5% of entries to be queried after digital alignment of members and memberships</p>	<p>The Fund will recover costs for the work involved to resolve these errors</p> <p>Typically costs will be based on officer hourly rates but will be determined on the resource required to address errors above the tolerance</p>

Please note:

- If an employer annual return is received by 30 April and the return is accepted no charge will apply
- If a completed and validated annual return is received by 30 April 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.

These charges are reviewed annually by the Fund and in exceptional circumstances can be waived at the discretion of the Service Area Manager.

Payment method

Payments in respect of administration activity directly requested by the member or third party representatives must be agreed with a Fund officer and paid in advance via online banking before the requested information can be provided.

The bank account details for electronic payment are as follows:

Account Name	Merseyside Pension Fund
Bank sort code	30-95-11
Bank account number	01140818

The payment reference is to include the members name and National Insurance number.

Charges in respect of administration work commissioned by an employer must also be agreed and paid in advance electronically before provision of the information or depending on the organisations financial arrangement upon receipt of a purchase order. Payments must include a reference as provided by the Fund for the purposes of reconciliation by the accounts team with our bank account.

In circumstances where financial penalties are incurred the Fund will issue an invoice for payment.

Feedback from employers

Employers who wish to provide feedback on the performance of the Fund against the standards in this administration strategy should complete the online form available on the secure employers' website:

<http://mpfemployers.org.uk>

DRAFT

10. Employer Guides for Administration

The Fund provides comprehensive guides in regards employer administration under the LGPS regulations from 1 April 2014.

HR Guide for Employers

This guide sets out the requirements for HR sections in respect of the Local Government Pension Scheme, 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, effective from 1st April 2014. It is intended to inform payroll providers and employers of the minimum information needed to effectively manage the 2014 Scheme (and its interaction with the 2008 Scheme) and contains illustrative examples.

These employer guides are available on the dedicated employer website.

<http://mpfemployers.org.uk/content/employer-guides>

Automatic Enrolment Guide for LGPS Employers

The Local Government Pension Committee (LGPC) produced two guides which explain how employers' responsibilities under the Local Government Pension Scheme regulations interact with those automatic enrolment responsibilities under the provisions of the Pensions Act 2008.

These are available on the dedicated employer website.

<http://mpfemployers.org.uk/content/automatic-enrolment-guide-lgps-employers>

11. Associated Policy Statements & Discretions

Communications policy

This statement outlines the Fund's policy on:

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

The Fund website has the latest copy of this policy which can be found at:

<http://mpfemployers.org.uk/content/communicating-employers>

Governance policy

Wirral Metropolitan Borough Council is the Administering Authority for Merseyside Pension Fund. The Council has delegated to the Pensions Committee various powers and duties in respect of its administration of the Fund.

This statement sets out the scheme of delegation and the terms of reference, structure and operational procedures of the delegation and can be found on the Fund website at:

<http://mpfemployers.org.uk/content/governance-fund>

Employer discretions

Since 1997, the LGPS Regulations have required every employing authority to:

- issue a written policy statement on how it will exercise the various discretions provided by the Scheme;
- keep it under review;
- revise it as necessary.

A list of employer discretions can be found on the Employers website at:

<http://mpfemployers.org.uk/content/employer-discretionary-policies>

DRAFT

Approved by: Pensions Committee

November 2017

Merseyside Pension Fund
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WIRRAL COUNCIL

PENSIONS COMMITTEE

17 JULY 2017

SUBJECT:	TREASURY MANAGEMENT ANNUAL REPORT 2016/17
WARD/S AFFECTED:	ALL
REPORT OF:	MANAGING DIRECTOR, DELIVERY
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

1.1 This report presents a review of treasury management activities within Merseyside Pension Fund (MPF) for the 2016/17 financial year and reports any circumstances of non-compliance with the treasury management strategy and treasury management practices. It has been prepared in accordance with the revised CIPFA Treasury Management Code.

2.0 BACKGROUND AND KEY ISSUES

2.1 Treasury Management in Local Government is governed by the CIPFA Code of Practice on Treasury Management in the Public Services and in this context is the “management of the Fund’s investments and cash flows, its banking, money market transactions, the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks”.

2.2 On 25 January 2016 Pensions Committee approved the Treasury Management Policy and Strategy 2016/17.

2.3 This report relates to money managed in-house during the period. It excludes cash balances held by investment managers in respect of the external mandates and the internal UK and European investment managers.

TREASURY MANAGEMENT

2.4 As at 31 March 2017, MPF had a cash balance of £75.2 million as against £40.0 million at 31 March 2016. All of these funds were held on call (instant access) accounts with Lloyds, Svenska Handelsbanken and Invesco.

2.5 Managing counterparty risk continued to be the overarching investment priority. Investments during the year included:

- Call (instant access) accounts and deposits with UK banks
- Investments in AAA rated money market funds with a constant Net Asset Value.

2.6 The rate at which MPF can invest money continues to be low, reflecting the record low Bank of England base rate which was further reduced from 0.50% to 0.25% in August 2016.

- 2.7 Over the twelve month period, Northern Trust calculated the cash performance to be 0.35% against a benchmark performance (7 day LIBID) of 0.21%.
- 2.8 Transactions were undertaken to reflect the day-to-day cash flows of the Fund, matching inflows from receipts to predicted outflows.
- 2.9 The detailed cash flow plans were managed so as to be compliant with the deposit limits agreed for individual financial institutions as reflected in the Treasury Management Policy for 2016/17.
- 2.10 There Fund was compliant with the treasury management policy throughout 2016/17.

3.0 RELEVANT RISKS

- 3.1 All relevant risks have been discussed within section 2 of this report.

4.0 OTHER OPTIONS CONSIDERED

- 4.1 There are no other options considered in this report

5.0 CONSULTATION

- 5.1 There has been no consultation undertaken or proposed for this report. There are no implications for partner organisations arising out of this report.

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

- 6.1 There are no outstanding previously approved actions

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 7.1 There are none arising out of this report.

8.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

- 8.1 The financial implications are stated above.

9.0 LEGAL IMPLICATIONS

- 9.1 The legal implications have been discussed within section 2 of this report.

10.0 EQUALITIES IMPLICATIONS

- 10.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

(b) No because there is no relevance to equality.

11.0 CARBON REDUCTION IMPLICATIONS

- 11.1 There are none arising out of this report.

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising out of this report.

13.0 RECOMMENDATION/S

13.1 That the Treasury Management Annual Report for 2016/17 be agreed.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 The Treasury Management Code requires public sector authorities to determine an annual Treasury Management Strategy and, as a minimum to report formally on their treasury activities and arrangements mid-year and after the year-end. These reports enable those tasked with implementing policies and undertaking transactions to demonstrate that they have properly fulfilled their responsibilities and enable those with responsibility/governance of the treasury management function to scrutinise and assess its effectiveness and compliance with policies and objectives. The requirement to report mid-year is met via regular reports to the Investment Monitoring Working Party (IMWP).

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APPENDICES

None.

REFERENCE MATERIAL

Code of Practice for Treasury Management in Public Services – CIPFA 2009

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee	20 January 2014
Pensions Committee	1 July 2014
Pensions Committee	19 January 2015
Pensions Committee	22 June 2015
Pensions Committee	25 January 2016
Pensions Committee	20 June 2016
Pensions Committee	23 January 2017

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WIRRAL COUNCIL

PENSIONS COMMITTEE

17 JULY 2017

SUBJECT:	PLSA ANNUAL CONFERENCE & EXHIBITION
WARD/S AFFECTED:	NONE
REPORT OF:	MANAGING DIRECTOR DELIVERY
KEY DECISION	NO

1.0 EXECUTIVE SUMMARY

1.1 This report requests nominations for members to attend the Pensions & Lifetime Savings Association (PLSA) formerly National Association of Pension Funds (NAPF) Annual Conference & Exhibition 2017 to be held in Manchester from 18 October to 20 October 2017.

2.0 BACKGROUND AND KEY ISSUES

2.1 The PLSA Annual Conference provides a helpful insight to developments in the broader pensions industry. The Conference venue alternates between Liverpool and Manchester. A link to the programme is included in the report.

2.2 Merseyside Pension Fund MPF is a member of the PLSA and its annual conference provides a forum for topical issues affecting public and private pension funds to be discussed and addressed.

2.3 Attendance would be beneficial to Members in fulfilling the Committee's Knowledge and Skills objectives as set out by CIPFA.

2.4 MPF has been represented at many previous PLSA Annual Conferences. Whilst not all topics and presentations are necessarily relevant to Members, there are a number of useful subjects on the agenda.

2.5 Members must be registered for the event in order to attend. Although the event is complimentary for PLSA members, a charge of £330 is made for cancellation after 29 September or non-attendance.

3.0 RELEVANT RISKS

3.1 There are none arising from this report.

4.0 OTHER OPTIONS CONSIDERED

4.1 No other options have been considered.

5.0 CONSULTATION

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

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

6.1 N/A

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are none arising from this report.

8.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

8.1 As MPF is a member of the PLSA, attendance is free. However, a charge of £330 is levied if registrants do not attend. The costs of travel can be met from the existing Pension Fund budget.

9.0 LEGAL IMPLICATIONS

9.1 There are none arising from this report

10.0 EQUALITIES IMPLICATIONS

10.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

(b) No because there is no relevance to equality.

11.0 CARBON REDUCTION IMPLICATIONS

11.1 There are no carbon usage implications, nor any other relevant environmental issues arising from this report.

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report.

13.0 RECOMMENDATION/S

13.1 That Committee considers if it wishes to send a delegation to attend this conference and, if so, to determine the number and allocation of places.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 Attendance at this conference is a part of the development programme approved by Members in January 2017.

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APPENDICES

http://plsa.co.uk/Conferences_and_Seminars/Annual_Conference_And_Exhibition/Programme.aspx

BACKGROUND PAPERS/REFERENCE MATERIAL

None

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

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WIRRAL COUNCIL

PENSION COMMITTEE

17 JULY 2017

SUBJECT:	LGPS TRUSTEE 'FUNDAMENTALS' TRAINING
WARD/S AFFECTED:	NONE
REPORT OF:	MANAGING DIRECTOR DELIVERY
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

1.1 This report recommends the Committee to approve participation by Members in the LGPS Trustee Training 'Fundamentals XVI' organised by the Local Government Pensions Committee.

2.0 BACKGROUND AND KEY ISSUES

2.1 The fundamentals course is run on an annual basis and provides an insight to LGPS 'trusteeship' for newly elected Committee members whilst also serving as an update/refresher course for longer-serving members. The course is of three days duration, spread over a number of months at three locations around the UK. As identical material is delivered at each location, it is possible to attend the course by visiting different locations should delegates' diaries not allow attendance on all three days at a particular location.

2.2 Fundamentals is a bespoke LGPS training course predominately aimed at elected members serving on pension committees/panel, and has been attended by over 1000 delegates since 2002. The 2017 event incorporates all legislative changes made to the LGPS since last year's event and all sections are refreshed to keep them up-to-date, relevant and interesting.

2.3 The aim of the LGPC remains unaltered; that is to deliver a single training course covering all aspects of the Scheme, including both 'Benefits' and 'Fund' administration, as well as 'Investments' so that attendees can demonstrate compliance with the first of the six CIPFA principles and receive educational material in line with CIPFA's Pensions Knowledge and Skills Framework.

2.4 Attendance is likely to be of most benefit to newer members of Committee providing a useful grounding in all aspects of local government pensions.

2.5 Dates and venues:

Cardiff	Day 1	18 October 2016
	Day 2	29 November 2016
	Day 3	20 December 2016
Leeds	Day 1	4 October 2016
	Day 2	1 November 2016
	Day 3	5 December 2016
London	Day 1	10 October 2016
	Day 2	15 November 2016
	Day 3	13 December 2016

2.6 It is believed that attendance at all three days of the course will satisfy at least the minimum of training required to satisfy the first of the six CIPFA principles. Attendees at all three sessions will receive a certificate of attendance.

3.0 RELEVANT RISKS

3.1 There are none arising from this report.

4.0 OTHER OPTIONS CONSIDERED

4.1 No other options have been considered.

5.0 CONSULTATION

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

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

6.1 N/A

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are none arising from this report.

8.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

8.1 The delegate rate for each session, inclusive of lunch, refreshments and all delegate materials is £260 plus VAT. Travelling costs and accommodation, where required, will be an additional expense. These costs can be met from existing budgets.

9.0 LEGAL IMPLICATIONS

9.1 There are none arising from this report

10.0 EQUALITIES IMPLICATIONS

10.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

(b) No because there is no relevance to equality.

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

11.1 There are no carbon usage implications, nor any other relevant environmental issues arising from this report.

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report.

13.0 RECOMMENDATION/S

13.1 That attendance by Members on the 'Fundamentals training' be approved.

13.2 That Members wishing to take advantage of this opportunity notify the Director of Pensions to enable the necessary registration and administration to be undertaken.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 Attendance is likely to be of most benefit to newer members of Committee providing a useful grounding in all aspects of local government pensions.

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APPENDICES

None

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date
SEPTEMBER	2016
SEPTEMBER	2015

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
A report on this training opportunity is brought to this Committee annually	

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WIRRAL COUNCIL

PENSIONS COMMITTEE

17 JULY 2017

SUBJECT:	LGC INVESTMENT SUMMIT
WARD/S AFFECTED:	NONE
REPORT OF:	MANAGING DIRECTOR DELIVERY
KEY DECISION	NO

1.0 EXECUTIVE SUMMARY

1.1 This report requests nominations for members to attend the Local Government Chronicle (LGC) Investment Summit, to be held in Newport from 6 to 8 September 2017.

2.0 BACKGROUND AND KEY ISSUES

2.1 The conference is themed “Navigating the New Landscape” and will provide critical insight to the ongoing debate about the future investment of pension funds in Local Government.

Attendees will benefit from essential keynote presentations and topical breakout sessions on investment themes, as well as valuable networking opportunities to share your concerns with your peers and fund managers.

Learning through shared experiences, expert advice and establishing good practice sets the scene for the 2017 Summit. The whole investment landscape is changing with individual funds re-setting asset allocations under a new regulatory regime through newly structured pooled vehicles. There are tremendous opportunities to collaborate, invest ‘smarter’, achieve more cost efficient implementation, and to open up to investment solutions that meet our needs.

2.2 A draft agenda for the conference is attached.

2.3 MPF has been represented at all previous LGC Investment Summits usually by the Chair of Pensions Committee and party spokespersons.

3.0 RELEVANT RISKS

3.1 There are none arising from this report.

4.0 OTHER OPTIONS CONSIDERED

4.1 No other options have been considered.

5.0 CONSULTATION

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

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

6.1 N/A

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are none arising from this report.

8.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

8.1 Attendance plus two nights' accommodation will be £1099 per delegate plus VAT (excluding travel), which can be met from the existing Pension Fund budget.

9.0 LEGAL IMPLICATIONS

9.1 There are none arising from this report

10.0 EQUALITIES IMPLICATIONS

10.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

(b) No because there is no relevance to equality.

11.0 CARBON REDUCTION IMPLICATIONS

11.1 There are no carbon usage implications, nor any other relevant environmental issues arising from this report.

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report.

13.0 RECOMMENDATION/S

13.1 That Committee considers if it wishes to send a delegation to attend this conference and, if so, to determine the number and allocation of places.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 Attendance at this conference is a part of the development programme approved by Members in January 2017.

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APPENDICES

Appendix 1 - Programme

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

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Celtic Manor Resort: 7-8 September 2017

Navigating the new landscape Draft Programme

Thursday 7 September

Session	Title	Presenters
08:10 – 09:10	Registration and visit the exhibition floor	
09:10 – 09:20	Welcome: Chairman sets the scene:	Rachel Dalton , Features Editor, LGC Hugh Grover , Chief Executive, London CIV
09.20 – 10:00 Session 1	Geo-political and economic update	Kamal Ahmed , Economics Editor
10:00 – 10:40 Session 2	Latest global research on active management <ul style="list-style-type: none"> • Active vs passive vs closet indexing • Identifying which active managers are most likely to outperform • How to select active managers • What are active managers' success factors The approach to future liability management <ul style="list-style-type: none"> • The need to be more active, more diversified, more inventive • The right risk management tools • Improving dynamic risk and return 	Daniel Nicholas , Client Portfolio Manager, Harris Associates L.P. Sorca Kelly-Scholte , Head of EMEA Pensions Solutions & Advisory, J.P. Morgan Asset Management
10:40-11:20	Visit the exhibition floor for refreshments	
11:20-11:40	Investment briefing sessions on the exhibition floor	

11:40 – 12:00 Session 3	Cross-pooling update. A high level snapshot of where the pools are with implementation and application <ul style="list-style-type: none"> • Different models being implemented • Views on AUM and size of Pools • Staffing approaches • Forecasts on costs and savings • Future changes in Asset Allocations • Particular Risks 	Geik Drever , Strategic Director of Pensions, West Midlands Pension Fund (Central pool) Peter Wallach , Head, Merseyside Pension Fund (Northern pool)
12:00 – 12:40 Session 4	Better futures aren't down to chance	John Dickson , Senior Partner, Hymans Robertson Plus Speaker to be confirmed
12:40 – 13:40	Lunch on the exhibition floor	

13:40 – 14:15 Attend Focus session 1 or 2	<p style="text-align: center;">Focus 1</p> <p style="text-align: center;">Challenges faced by pools</p> <p>Discussing our experiences as a multi-manager on the things which pools need to be mindful of when running money</p> <p style="text-align: center;">David Rae, Russell Investments</p>	<p style="text-align: center;">Focus 2</p> <p style="text-align: center;">Forecasting the Future of Investing</p> <ul style="list-style-type: none"> • Utilising information technology • Big data • Human judgement • What the world of investing will look like in the future <p style="text-align: center;">Hania Trollope, Executive Director Quantitative Investment Strategies, Goldman Sachs Asset Management</p>
14:20 – 14:55 Attend Focus session 3 or 4	<p style="text-align: center;">Focus 3</p> <p style="text-align: center;">Business disruption – opportunity or risk?</p> <p>In a world where technological change can disrupt whole industries we look at what drives stock prices and which companies may be profit givers and profit takers.</p> <p style="text-align: center;">Rob Almeida, Institutional Portfolio Manager, MFS Investment Management</p>	<p style="text-align: center;">Focus 4</p> <p style="text-align: center;">How to integrate ESG into your investment strategy</p> <p>Join Stuart Doole as he discusses how ESG indexes can be used to help investors integrate ESG into their investment decision-making processes</p> <p style="text-align: center;">Stuart Doole, Managing Director and Global Head of New Product Development Index Research, MSCI</p>
15:00 – 15:35 Attend the session which	<p style="text-align: center;">Councillors' Discussion</p> <p>The Scheme Advisory Board programme Issues for Councillors</p>	<p style="text-align: center;">Officer Focus Group</p> <p>Vfm responsibilities Governance</p>

relates to your role Both sessions will be interactive with the chance to contribute to the debate	Roger Phillips , Chair, Scheme Advisory Board	Duncan Whitfield , President, ALATS Sean Nolan , Local Authority Adviser, CIPFA
15:35 – 16:20	Visit the exhibition floor for refreshments	
16:20 – 17:00 Session 6	<p>Lower returns ahead Future investment returns from the traditional asset classes of stocks and bonds are forecast to be lower than historical averages. What are the causes of this and what does it mean for the LGPS investor? Which markets are likely to offer the best returns and which should be avoided?</p> <p>Recent performance is as good as useless for forecasting future returns Investors can be too reliant on past and even current performance. Research shows other factors to be much more important and this session outlines a framework for evaluating smart beta / factor investment strategies.</p>	<p>Percival Stanion, Head of International Multi Asset, Pictet Asset Management</p> <p>Joe Steidl, Vice President Research Affiliates</p>
17:00 - 17:40 Session 7	<p>Regulation and the Impact of MiFID 11 FCA Consultation Outcome and how to be a professional investor in the eyes of the law</p> <p>What is a well-regulated pool and key compliance processes</p>	<p>Daniel Measor, Senior Associate, Wholesale Conduct Policy team, FCA</p> <p>Plus Speaker to be confirmed</p>
19:30	Networking reception on the exhibition floor	
20:00	Networking Dinner	

Friday 8 September

08:15 - 08:45	Visit the exhibition floor for refreshments	
08:45 – 08:55	Chairman's welcome	Nicola Mark , Head, Norfolk Pension Fund
08:55 – 09:35 Session 8	<p>Infrastructure part 1</p> <ul style="list-style-type: none"> ▪ GLIL past approach ▪ Future and New Opportunities through Pooling ▪ Cross Collaboration through Pools ▪ Regional vs National vs international ▪ Residential Housing 	<p>Paddy Dowdall, Assistant Executive, Director Greater Manchester Pension Fund</p> <p>Fiona Miller, Head of Pensions and Financial Services, Cumbria County Council</p>

09:35 – 10.15 Session 9	Infrastructure part 2 <ul style="list-style-type: none"> ▪ Larger investment opportunities ▪ Consortia and club arrangements ▪ Role in development of UK Infrastructure ▪ The case for PRS 	Peter Hofbauer , Head of Infrastructure, Hermes Investment Management Simon Redman , Global Head of Product Management Invesco Real Estate
10:15-10:55	Visit the exhibition floor for refreshments	
10:55-11:15	Investment briefing sessions on the exhibition floor	
11:15-12:30 Session 10	Environmental Social and Governance (ESG) Governance, Social and Environmental Issues: A view from the Netherlands The Fund Manager’s Approach Environmentally Focussed Investing : the EAPF approach <ul style="list-style-type: none"> • Embedding ESG • The fiduciary duty • Researching risks and opportunities • Environmental and carbon foot printing • Positive vs negative approach • Diversifying into sustainable alternatives 	Peter Borgdoff , Director, Pensioenfond's Zorg & Welzijn (PFZW) Rob Stewart , Head of Responsible and Charity Investment, Newton Investment Management Dawn Turner , Chief Pensions Officer (substantive), Environment Agency Pension Fund
12:30 – 13:15 Session 11	Where will we be in 2 years’ time? <ul style="list-style-type: none"> • Delivering current policies • Resolving Emerging Issues • Future Government policy • Likely position on AUM • Delivery of benefits • Changes in strategies and Asset Allocation • What will success look like • What will be/will have been the wicked issues 	Jeff Houston , Head of Pensions, LGA Dafydd Edwards , Head of Finance, Gwynedd Council (Wales pool) John Bayliss , Actuary, GAD
13:15	Closing remarks	Nicola Mark
13:25	Lunch	

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WIRRAL COUNCIL

PENSIONS COMMITTEE

17 JULY 2017

SUBJECT:	MTAA UPDATE REPORT
WARD/S AFFECTED:	NONE
REPORT OF:	MANAGING DIRECTOR FOR DELIVERY
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

1.1 This report provides members with an update on progress to date with the Fund's Medium Term Asset Allocation Strategy (MTAA) and an explanation of the delay in retendering the contract.

2.0 BACKGROUND AND KEY ISSUES

2.1 The MTAA Strategy was initiated on 31st January 2014.

2.2 The framework for the implementation of the MTAA Strategy was presented to the Pensions Committee at its meeting on 10th September 2013.

2.3 The objectives of the framework are:

- To reduce the risk of underperformance caused by unintended asset allocation positions from the Fund's strategic benchmark.
- To implement in a timely fashion intended asset allocation positions from the Fund's strategic benchmark with a return target of 0.25% per annum on a rolling 3 year basis.

2.4 Details of the estimated costs for the MTAA strategy were reported to the Pensions Committee in September 2014.

2.5 Members approved additional expenditure to the current advisers Aon Hewitt the Fund's strategic investment consultant until such time as a formal tender exercise could be completed.

2.6 The procurement exercise was included in the MPF Business Plans for 2015/16

and 2016/17.

- 2.7 However, separate advisory services have not as yet been procured as a result of delays to the development of the “Norfolk Framework”, a national consultancy framework. It is currently anticipated that the National Framework will be established by October 2017 and the Fund will be able to re-tender for the advisory work currently carried out by Aon Hewitt under the auspices of this framework.
- 2.8 A review of the MTAA strategy since inception has been undertaken by the Fund’s Independent Adviser Rohan Worrall. The contribution of the MTAA strategy appears (at a top line level) to have been marginally negative. Since inception of the MTAA strategy to end December 2016, the MTAA portfolio has produced a return of -0.15% to December 2016 according to figures produced by Aon Hewitt. To date, the approximate 3 year total costs of the MTAA strategy are running at £1,756,000 approximating to an annual total cost since inception of £585,300.

3.0 RELEVANT RISKS

- 3.1 The primary objective of the MTAA strategy has been to reduce the risk of MPF’s portfolio underperforming due to unplanned deviations from its strategic benchmark.

4.0 OTHER OPTIONS CONSIDERED

- 4.1 No other options are currently under consideration.

5.0 CONSULTATION

- 5.1 The consultation process with regard to the LGPS Norfolk Framework is nearing completion and is expected to commence on October 17th 2017.

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

- 6.1 There are no outstanding previously approved actions.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 7.1 There are no implications arising directly from this report.

8.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

- 8.1 None.

9.0 LEGAL IMPLICATIONS

- 9.1 None.

10.0 EQUALITIES IMPLICATIONS

- 10.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

(b) No because there is no relevance to equality.

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

11.1 There are no carbon usage implications, nor any other relevant environmental issues arising from this report.

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are no planning or community safety implications arising from this report.

13.0 RECOMMENDATION/S

13.1 That members note this update to the Fund's MTAA strategy.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 Members are aware of the delay to the retender of the contract.

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APPENDICES

None.

BACKGROUND PAPERS/REFERENCE MATERIAL

Framework for Implementation of Active Management of Medium Term Asset

Allocation Revised at 30th August 2013 Pensions Committee 16th September 2013.

Review of MTAA Programme by Rohan Worrall

BRIEFING NOTES HISTORY

Briefing Note	Date
Pensions Committee	16th September 2013
Pensions Committee	15th September 2014

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

WIRRAL COUNCIL

PENSIONS COMMITTEE

17 JULY 2017

SUBJECT:	MONITORING OF INVESTMENT MANDATES
WARD/S AFFECTED:	NONE
REPORT OF:	MANAGING DIRECTOR FOR DELIVERY
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

- 1.1 This report is to advise members that officers of the Pension Fund are currently reviewing the existing monitoring regime across all investment mandates.
- 1.2 The original monitoring policy was established and approved by Pensions Committee on 31st March 2008.
- 1.3 The policy was subsequently amended in a framework which was approved by Pensions Committee in March 2012. The key changes made were to reflect the new mandates that the Fund had established since 2008 with the policy on “trigger points” and consequences remaining unchanged.
- 1.4 With the effluxion of time and the increasing importance of “alternative” assets within the Fund’s strategic asset allocation structure, officers of the Fund are currently conducting a review of the existing monitoring policy with a view to making further changes to the overall framework in order to reflect the portfolio developments that have taken place since 2012.
- 1.5 Once this exercise is completed, an amended monitoring framework will be presented to Pensions Committee for approval.

2.0 BACKGROUND AND KEY ISSUES

- 2.1 The objective of the Fund’s monitoring policy is to provide a framework for the scrutiny of the internal and external investment mandates and to ensure that each mandate is performing in accordance with contractual and internal investment performance targets.
- 2.2 The policy provides for a full reporting structure documentation and audit trail of discussions and decisions.

3.0 RELEVANT RISKS

3.1 The policy is designed as a key tool to mitigate the risk of investment mandates underperforming their agreed performance objectives.

4.0 OTHER OPTIONS CONSIDERED

4.1 No other options are currently under consideration.

5.0 CONSULTATION

5.1 Not relevant to this report.

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

6.1 There are no outstanding previously approved actions.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are no implications arising directly from this report.

8.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

8.1 None.

9.0 LEGAL IMPLICATIONS

9.1 None.

10.0 EQUALITIES IMPLICATIONS

10.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

(b) No because there is no relevance to equality.

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

11.1 There are no carbon usage implications, nor any other relevant environmental issues arising from this report.

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are no planning or community safety implications arising from this report.

13.0 RECOMMENDATION/S

13.1 That members note the contents of this report.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 Members are informed of the progress of the review of the monitoring policy.

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APPENDICES

None.

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date
Pensions Committee	Pensions Committee 31 March 2008
Pensions Committee	Pensions Committee 20 March 2012

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

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WIRRAL COUNCIL

PENSIONS COMMITTEE

17 JULY 2017

SUBJECT:	MERSEYSIDE PENSION FUND – COMPLIANCE STATEMENT – TPR CODE OF PRACTICE NO.14
WARD/S AFFECTED:	ALL
REPORT OF:	MANAGING DIRECTOR, DELIVERY
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

- 1.1 This report updates Members on Merseyside Pension Fund’s assessment of compliance against the Pension Regulator (tPR) Code of Practice No.14 in relation to the key areas of governance and administration, identified by the regulator as crucial in demonstrating effective stewardship of the Scheme.
- 1.2 This assessment is intended to provide assurance to committee in their capacity as the statutory body responsible for delivering the effective and efficient governance and administration of Merseyside Pension Fund.
- 1.3 The appendix to the report contains exempt information. This is by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972, i.e. Information relating to the financial or business affairs of any particular person (including the authority holding that information).

2.0 BACKGROUND AND KEY ISSUES

- 2.1 In April 2015, tPR issued a Code of Practice for public service pension schemes. The Code of Practice sets out the legal requirements for public service pension schemes and standards of conduct and practice expected of those who exercise functions in relation to those legal requirements.
- 2.2 To stress test compliance against the code, Officers established a traffic light based model to undertake a self-assessment in adherence to the code – this was presented to the Pension Board for comment at its meeting in June 2016.

The outcome of the assessment indicated that there were no areas of significant concern, but a number of issues emerged with an amber rating which necessitated improvements in the following areas;

- Record Keeping
- Maintaining contributions
- Providing Information to members
- Internal dispute resolution (IDRP)

2.3 Subsequent to completion of the Fund's initial self-assessment against the code, tPR have issued a compliance monitoring programme in September 2016 - breaking down the code into consolidated tasks, thus simplifying the Fund's previous self-assessment model.

Self-Assessment Update

2.4 In conducting an annual review of compliance against the code, utilising the revised tPR's self-assessment guidance it is apparent that the actions implemented over the last twelve months have succeeded in uplifting the rating from amber to green in relation to:

(a) Maintenance of contributions as:

- Information from a number of sources has been consolidated within the accounting systems in order to monitor timely receipt of contributions.
- The Pension Administration Strategy (PAS) is being updated from April 2018 and includes greater detail regarding reporting procedures and penalties for failures to submit financial returns and contributions.
- Procedures have been formalised to record actions undertaken to resolve issues in circumstances of late payment of contributions and support provided to employer to complete accompanying financial returns.

(b) Resolving Internal disputes by:

- Improving the Fund's engagement with employers ensuring adherence to the statutory duty to manage the IDRP framework, the Fund reviewed the process raising awareness of the requirement for employers to notify the Fund's Appeals Officer of all Stage 1 IDRP applications and determination outcomes.
- Creating a bespoke IDRP notification form to assist employers in advising the Fund of any stage 1 appeals detailing the necessary information for statutory recording purposes. The form allows

disclosure of relevant details without identifying the appellant or any particular sensitive case details.

- 2.5 Although there have been significant advances over the last twelve months in relation to record keeping and communicating with members, there remains scope for further improvement as both areas have been assessed as retaining their amber rating.

The proposed developments required to target full compliance are noted within the self-assessment document, attached as exempt Appendix One.

- 2.6 Officers will keep both the Pension Committee and Pension Board apprised of progress achieved against the identified areas of improvement in relation to record keeping and communicating with members.
- 2.7 Feedback on the evaluation of the Fund's self-assessment against the nine pillars of effective administration and governance is welcomed, to demonstrate objectivity of the process to the Fund's stakeholders.

3.0 RELEVANT RISKS

- 3.1 The Fund has a legal duty to comply with legislation and statutory best practice particularly with regard to data quality, failure to do so will result in the risk of failing to pay the right benefits to the right people at the right time and censure from the Pension Regulator.

4.0 OTHER OPTIONS CONSIDERED

- 4.1 Not relevant for this report.

5.0 CONSULTATION

- 5.1 Not relevant for this report

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

- 6.1 None associated with the subject matter.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 7.1 There are none arising from this report

8.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

8.1 In order to strengthen compliance with the tPR Code of Practice, the Fund is increasing the extent to which it uses Information Technology to offer an enhanced service to both members and employers; whilst also delivering operational efficiencies and securing improvements in data quality.

8.2 Fund Officers have a planned activity programme to work with employers to ensure that appropriate systems are in place to provide the requisite assurances around data quality.

9.0 LEGAL IMPLICATIONS

9.1 There are none arising from this report.

10.0 EQUALITIES IMPLICATIONS

10.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

No equality impact assessment is required

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

11.1 There are none arising from this report

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report

13.0 RECOMMENDATION

13.1 That Committee note the Fund's self- assessment against the tPR Code of Practice and the developmental work required to attain full accreditation in relation to record keeping and member communications.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 There is a requirement for Members of the Pension Committee to be kept up to date with legislative developments as part of their stewardship role of the LGPS.

REPORT Yvonne Caddock

AUTHOR Principal Pension Officer

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APPENDICES

Appendix 1- TPR Compliance Report

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date
Pensions Committee	June 2016

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**WIRRAL COUNCIL
PENSIONS COMMITTEE
17 JULY 2017**

SUBJECT:	MINUTES OF INVESTMENT MONITORING WORKING PARTY MEETING
WARD/S AFFECTED:	NONE
REPORT OF:	MANAGING DIRECTOR, DELIVERY
KEY DECISION?	No

1.0 EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to provide Members with the minutes of the Investment Monitoring Working Party held on 6 April and 16 June 2017.
- 1.2 The appendix to this report contains exempt information. This is by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of Local Government Act 1972 i.e. information relating to the financial or business affairs of any particular person (including the authority holding that information).

2.0 BACKGROUND AND KEY ISSUES

- 2.1 The IMWP meets at least six times a year to enable Members and their advisors to consider investment matters relating to Merseyside Pension Fund in greater detail.

3.0 RELEVANT RISKS

- 3.1 There are none arising from this report.

4.0 OTHER OPTIONS CONSIDERED

- 6.1 No other options have been considered.

5.0 CONSULTATION

- 5.1 There has been no consultation planned or undertaken for this report. There are no implications for partner organisations arising from this report.

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 6.1 There are none arising from this report.

7.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

- 7.1 There are none arising from this report.

8.0 LEGAL IMPLICATIONS

- 8.1 There are none arising from this report.

9.0 EQUALITIES 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 CARBON REDUCTION IMPLICATIONS

10.1 There are none arising from this report.

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 There are none arising from this report.

12.0 RECOMMENDATIONS

12.1 That Members approve the Minutes of the IMWP meeting which are attached as an appendix to this report.

13.0 REASONS FOR RECOMMENDATIONS

13.1 The approval of IMWP 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.

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APPENDICES

Exempt appendix

REFERENCE MATERIAL

None.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Minutes of all IMWP meetings are brought to the subsequent Pensions Committee meeting.	

Minutes of Investment Monitoring Working Party,
6 April 2017

In attendance:

Councillor Paul Doughty (Chair) (WBC)	Peter Wallach (Director of MPF)
Councillor Geoffrey Watt (WBC)	Joe Blott (Managing Director for Delivery)
Councillor Adrian Jones (WBC)	Leyland Otter (Senior Investment Manager)
Councillor Ann McLachlan (WBC) (Vice Chair)	Linda Desforges (Investment Manager)
Councillor Brian Kenny (WBC)	Owen Thorne (Investment Officer)
Councillor Pat Cleary (WBC)	Adil Manzoor (Investment Officer)
Councillor Terry Byron (Knowsley Council)	Neil Gill (Investment Assistant)
Robin Dawson (Pension Board)	Joseph Hull (Investment Assistant)
Louis Paul Hall (AON Hewitt)	Noel Mills (Independent Advisor)
Emma Jones (PA to Director of Pension Fund)	Rohan Worrall (Independent Advisor)

Apologies were received from:

Councillor Cherry Povall (WBC)	George Davies (WBC)
Councillor Paulette Lappin (Sefton Council)	Patrick Cleary (Unison)

Declarations of interest.

Councillor Geoffrey Watt, Councillor Paul Doughty, Councillor Terry Byron declared a pecuniary interest by virtue of a relative being a member of Merseyside Pension Fund.

Minutes of Investment Monitoring Working Party,
16 June 2017

In attendance:

Councillor Paul Doughty (Chair) (WBC)	Peter Wallach (Director of MPF)
Councillor Geoffrey Watt (WBC)	Joe Blott (Managing Director for Delivery)
(Vice Chair)	Linda Desforges (Investment Manager)
Noel Mills (Independent Advisor)	Owen Thorne (Investment Officer)
Rohan Worrall (Independent Advisor)	Greg Campbell (Investment Manager)
Louis Paul Hall (AON Hewitt)	Allister Goulding (Investment Manager)
Susannah Friar (Property Manager)	Neil Gill (Investment Assistant)
Emma Jones (PA to Director of Pension Fund)	Joseph Hull (Investment Assistant)
Leyland Otter (Senior Investment Manager)	Daniel Proudfoot (Investment Assistant)

Apologies were received from:

Councillor Cherry Povall (WBC)	Councillor George Davies (WBC)
Councillor Paulette Lappin (Sefton Council)	Patrick Cleary (Unison)
Councillor Bernadette Mooney (WBC)	Councillor Tony Jones (WBC)

Declarations of interest.

Councillor Geoffrey Watt and Councillor Paul Doughty, declared a pecuniary interest by virtue of a relative being a member of Merseyside Pension Fund.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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