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WIRRAL

Local Pensions Board

Date:	**Tuesday, 16 October 2018**
Time:	**1.00 p.m.**
Venue:	Room GA - 25 Merseytravel, Mann Island

Contact Officer: Pat Phillips
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AGENDA

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

   Members of the Board 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 - 8)**

   To approve the accuracy of the minutes of the meeting held on 13 June, 2018.

3. **AUDIT FINDINGS REPORT (Pages 9 - 26)**

4. **STATEMENT OF ACCOUNTS/LETTER OF REPRESENTATION/REPORT & ACCOUNTS (Pages 27 - 106)**

5. **BUDGET OUTTURN 17/18, FINAL BUDGET 18/19 (Pages 107 - 116)**

6. **LGPS UPDATE (Pages 117 - 124)**

7. **TREASURY MANAGEMENT ANNUAL REPORT (Pages 125 - 130)**

8. **PENSION BOARD REVISED TERMS OF REFERENCE (Pages 131 - 148)**

9. **DRAFT FUNDING STRATEGY STATEMENT (Pages 149 - 200)**

10. **POOLING UPDATE (Pages 201 - 202)**

11. **MANAGEMENT OF CARBON RISK (Pages 203 - 204)**

12. **WORKING PARTY MINUTES (Pages 205 - 206)**

13. **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 1 of Schedule 12A (as amended) to that Act. The Public Interest test has been applied and favours exclusion.

14. **POOLING UPDATE (Pages 207 - 230)**

15. **MANAGEMENT OF CARBON RISK (Pages 231 - 236)**

16. **INTERIM ACTUARIAL VALUATION (Pages 237 - 262)**

17. **ADMINISTRATION KPI REPORT (Pages 263 - 286)**

18. **WORKING PARTY MINUTES (Pages 287 - 292)**

LOCAL PENSIONS BOARD

Wednesday, 13 June 2018

Present: J Raisin (Chair)

G Broadhead	P Wiggins
M Hornby	R Irvine
K Beirne	L Robinson
D Ridland	P Maloney

1 MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

Members were 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.

No such declarations were made.

2 MINUTES

Resolved – That the accuracy of the Minutes of the Local Pension Board held on 20 March, 2018 be approved as a correct record.

3 ORDER OF BUSINESS

The Chair sought and received approval from the Committee to alter the order of the consideration of the agenda.

4 LGPS UPDATE

A report of the Director of Pensions provided Board members with copies of recent LGPS update reports taken to Pensions Committee. Yvonne Caddock, Head of Pensions Administration, outlined the report and responded to members questions.

Resolved – That the report be noted.

5 DRAFT COMMUNICATIONS STRATEGY

Members gave consideration to a report of Guy Hayton, Operations & Information Governance Manager, which reported that in accordance with regulations the Fund was required to publish a statement of policy concerning how it communicated with members and scheme employers. It was reported that the Communications Policy had last been changed in January 2012. The revised draft policy attached as Appendix 1 to the report took into consideration the Fund's move to more electronic communications and the increasing use of technology by members and employers. Guy Hayton outlined the report, responded to members questions and invited any further comments from members to be returned to him by 21 June, 2018. The Chair commented that he was glad to see that the public enquiry counter would be maintained.

Resolved - That;

1. **the report be noted.**

2. **any suggested amendments to the proposed Communications Policy be submitted to Guy Hayton by 21 June, 2018 before the final draft is presented to the Pension Committee in July 2018.**

6 AUDIT PLAN

Members gave consideration to the External Audit Plan prepared by Grant Thornton for the year ending 31 March 2018 and had been submitted to the Audit and Risk Management Committee and the Pensions Committee. Donna Smith, Head of Finance and Risk, Merseyside Pension Fund outlined the report and responded to members questions.

Resolved – That the report be noted.

7 DRAFT DATA PROTECTION POLICY & GDPR UPDATE

The Pension Board gave consideration to the Draft Data Protection Policy prior to its submission to the Pension Committee. Guy Hayton, Operations & Information Manager, Merseyside Pension Fund outlined the report and responded to members questions.

Members noted some minor typographical errors and made suggestions regarding the inclusion of additional narrative to Section 9 of the Policy. Guy Hayton indicated that if members had any further comments/corrections they should get in touch with him before 21 June, 2018.

Resolved – That;

1. **the actions undertaken by the Fund in regard its ongoing compliance to new Data Protection legislation be noted.**

2. **any suggested amendments to the proposed Data Protection policy be submitted by 21 June, 2018 before the final draft is presented to the Pension Committee in July 2018.**

8 **ENGAGEMENT WITH THE PENSION REGULATOR**

Members gave consideration to a report of the Head of Pensions Administration that provided Board members with an update on The Pensions Regulator's plans for engagement with LGPS Funds. The report also recommended an early proactive engagement plan with the Regulator, as proposed by the Metropolitan Pension Fund Group.

Yvonne Caddock, Head of Pensions Administration, informed members that the Pensions Regulator (TPR) had started to become more heavily involved in the work of LGPS funds; particularly in the area of data and Funds were expected to face further scrutiny in regard the quality of their data. The white paper entitled "Protecting Defined Benefit Pension Schemes" published on 19 March 2018 stated that the Government intended to support TPR to become a clearer, quicker and tougher organisation by giving it new and improved powers to gather information and require employer co-operation.

Inherent within the regulator's 2018-2021 Corporate Plan was a collective project to engage with particular cohorts of pension administrators with a clear line of sight on the LGPS. The Metropolitan Pension Fund Group (Mets) which is made up of the largest LGPS Funds in England and Wales had approached TPR in an attempt to proactively engage at a high-level to explore ideas and, where possible to receive direction and guidance from TPR to shape actions and develop best practice amongst the group.

Members discussed the possibility of arranging an additional meeting of the Local Pension Board as the frequency of Board meetings had been highlighted by TPR. The Chair noted that Board members were good attendees and engaged proactively with the TPR. The Director of Pensions indicated that an additional meeting would enable timings to be more easily aligned with meetings of the Pensions Committee

Resolved - That;

1. **MPF's intent to work collectively with the Metropolitan Pension Fund Group, specifically to establish a programme of proactive engagement with the Pension Regulator, be agreed. The objective being to demonstrate compliance against Code of Practice 14 through the process of peer reviews.**

2. **Local Pension Board meetings increase to 4 meetings per year and that the arrangements to enable this be delegated to the Director of Pensions.**

9 **GIFTS & HOSPITALITY**

A report of the Director of Pensions provided Board members with a copy of the recent report taken to Pensions Committee on the monitoring of gifts and hospitality received by officers and attendance at subsidised business events. The appendices to the report provided schedules of declarations from January 2017 to December 2017.

Resolved – That the report be noted.

10 **DRAFT ANNUAL BOARD REPORT**

A report of the Independent Chair of the Pension Board, which has been prepared in accordance with the Terms of Reference of the Pension Board, was considered by the Board. The report reviewed the performance of the Board and its members during its third year. The third year of the Board had been taken as from 1 April 2017 to 31 March 2018. This report also included a proposed Work Plan for 2018-19.

Under Section 11.3 of its Terms of Reference the Board was required to produce, on an annual basis, a report for consideration by the Scheme Manager which is the Wirral MBC Pensions Committee. Following consideration by the Board, an approved version of this review would be presented by the Independent Chair to the Pensions Committee. On behalf of the Board the Director of Pensions thanked the Independent Chair for the report and it was;

Resolved – That;

1. **the Pension Board Review 2017-18 be received and approved.**

2. **the proposed Work Plan 2018-19 be approved.**

11 **POOLING UPDATE**

A report of the Director of Pensions provided Board members with copies of recent Pooling update reports taken to Pensions Committee. The Director of Pensions outlined the report and responded to members' questions. Members raised the question of how the Pension Board could contribute to Pooling and requested that the Director of Pensions raise this with the Chair of the Northern Pool on behalf of the Board. The Director highlighted that a meeting of the Northern Pool Shadow Joint Committee had taken place on 26 February, 2018 and Mr Ian Greenwood had been agreed as Chair. The report also set out the principal ongoing work streams for the Northern Pool and these were reported as making satisfactory progress.

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.

12 MONITORING OF INVESTMENT MANDATES & GOVERNANCE

A report of the Director of Pensions provided Board members with a copy of the report to Pensions Committee that had sought approval for a revised policy for the monitoring of investment mandates for Merseyside Pension Fund.

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).

Resolved – That the report be noted.

13 PROPERTY ARREARS

Members gave consideration to a report of the Director of Pensions that provided Board members with a copy of the report to Pensions Committee that sought approval for the write-off of irrecoverable rent arrears arising from the Fund's property portfolio.

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).

Resolved – That the report be noted.

14 WORKING PARTY MINUTES 16/11/17 & 30/01/18

A report of the Director of Pensions provided Board members with copies of working party minutes since the previous Board meeting.

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).

Resolved – That the report be noted.

15 MR GEOFF BROADHEAD

The Director of Pensions informed members that this Board meeting could be the last one attended by Geoff Broadhead as he would be retiring from his post in September 2018. The Director offered his thanks to Mr Broadhead for his invaluable contribution to the Local Pension Board.

16 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.

17 AUDIT PROGRAMME & SUMMARY EXEMPT REPORT

Mark Niblock, Chief Internal Auditor and Tony Dennis, Programme Auditor attended the meeting to present the Merseyside Pension Fund Internal Audit Annual Report to the Board and responded to members questions. The report was exempt by virtue of paragraph 3.

Resolved: -That;

1. **the representatives from Audit be thanked for the report.**

2. **the Pension Board notes that Internal Audit has, during 2017-18, undertaken a number of reviews of aspects of the operations of the Merseyside Pension Fund and on the basis of this work has provided a view that significant assurance can be placed on the adequacy and effectiveness of the Merseyside Pension Fund internal control environment.**

3. **the Pension Board commends the decision mutually agreed between the Merseyside Pension Fund and Internal Audit to increase the number of Audit days going forward by 50 to 150 to reflect the challenges, complexity and to further demonstrate and facilitate good governance at the Fund.**

18 POOLING UPDATE EXEMPT REPORTS

The appendices to the report on Pooling Update were exempt by virtue of paragraph 3.

19 MONITORING OF INVESTMENT MANDATES EXEMPT REPORT

The report on Monitoring of Investment Mandates was exempt by virtue of paragraph 3.

20 **PROPERTY ARREARS EXEMPT REPORTS**

The appendices to the report on Property Arrears were exempt by virtue of paragraph 3.

21 **ADMINISTRATION KPI EXEMPT REPORT**

The report on Administration KPI was exempt by virtue of paragraph 3.

22 **WORKING PARTY EXEMPT MINUTES**

The appendices to the report on Working Party Exempt Minutes were exempt by virtue of paragraph 3.

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This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report. This draft has been created from the template dated DD MMM YYYY

Audit Findings

Year ending 31 March 2018

Merseyside Pension Fund

30 July 2018

Contents

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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 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 control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Headlines

Introduction

This table summarises the key issues arising from the statutory audit of Merseyside Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2018 for those charged with governance.

Financial Statements	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion: • the Pension Fund's financial statements give a true and fair view of the financial position of the Pension Fund and its income and expenditure for the year, and have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting;	Our audit work is now complete and was undertaken on site in June and July 2018. Our findings are summarised on the following pages. We have not identified any adjustments affecting the Fund's reported financial position for the year ended 31 March 2018 of net assets of £8,563,441k. The key messages arising from our audit of the Fund's financial statements are: • We received draft financial statements and working papers in accordance with the agreed timetable. • The draft accounts were again prepared to a good standard and took into account areas for improvement identified in last year's audit. • Our audit did not identify any significant issues in terms of the financial statements or the Annual Report. We plan to issue an unqualified audit opinion following the Wirral Council Audit and Risk Management Committee meeting on 23 July 2018, as detailed in Appendix C . We have now cleared the small number of outstanding queries, including third party confirmations, that remained outstanding as at the date of the Committee meeting and identified one additional issue that we bring to your attention on page 6.

Acknowledgements

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.

Summary

Overview of the scope of our audit

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

Audit approach

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

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

Conclusion

We plan to issue an unqualified audit opinion following the Wirral Council Audit and Risk Management Committee meeting on 23 July 2018, as detailed in Appendix C .

We have now cleared the small number of outstanding queries, including third party confirmations, that remained outstanding as at the date of the Committee meeting and identified one additional issue that we bring to your attention on page 6.

Our approach to materiality

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

Materiality benchmarks and calculations remain the same as reported in our audit plan. We detail in the table below our assessment of materiality for Merseyside Pension Fund.

	Amount (£)	Qualitative factors considered
Materiality for the financial statements	87.334m	Considered to be the level above which users of the accounts would wish to be aware of misstatements, in the context of overall expenditure – calculated at the planning stage as 1% of the fund valuation as at January 2018.
Performance materiality	65.498m	Assessed to be 60% of financial statement materiality.
Trivial matters	4.4m	ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

Significant audit risks

	Risks identified in our Audit Plan	Commentary
1	**Improper revenue recognition** Under ISA 240 (UK) 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.	**Auditor commentary** Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Pension Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited, and • 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 Therefore we do not consider this to be a significant risk for Merseyside Pension Fund.
2	**Management override of controls** Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. We identified management override of controls as a risk requiring special audit consideration.	**Auditor commentary** We have undertaken the following work in relation to this risk: – review of accounting estimates, judgements and decisions made by management – testing of journal entries – review of unusual significant transactions. 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 entries has not identified any significant issues.

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Significant audit risks

	Risks identified in our Audit Plan	Commentary
3	**The valuation of Level 3 investments 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. We identified the valuation of level 3 investments as a risk requiring special audit consideration.	**Auditor commentary** We have undertaken the following work in relation to this risk: • gained an understanding of the Fund's process for valuing level 3 investments and evaluated the design of the associated controls • 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 • consideration of the competence, expertise and objectivity of any management experts used • for a sample of investments, tested the valuation by obtaining and reviewing the audited accounts (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconcile those values to the values at 31 March 2018 with reference to known movements in the intervening period. **Assurance gained and Issues arising** Our work has not identified any significant issues in respect of this risk. Our sample testing included the investment balance relating to Capital Dynamics and we confirmed that the draft Financial Statements reflected an investment valuation of £209.716m as at 30 September 2017 based on the best information available to the Fund at the time. Toward the end of July 2018 we obtained Capital Dynamics audited financial statements as at 31 December 2017 that included an investment valuation of £203.186m. Furthermore, our review of transactions between 31 December 2017 and 31 March 2018 identified a £10m sale relating to this investment. Consequently, in the absence of information confirming the value of the investment as at 31 March 2018, there is uncertainty over the correct valuation of this investment where our work suggests a valuation closer to £193.186m is appropriate.

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Reasonably possible audit risks

Risks identified in our Audit Plan	Commentary
4 **Contributions** Contributions from employers and employees' represents a significant percentage of the Fund's revenue. We therefore identified occurrence and accuracy of contributions as a risk requiring particular audit attention.	**Auditor commentary** We have undertaken the following work in relation to this risk: • evaluated the Fund's accounting policy for recognition of contributions for appropriateness • gained an understanding of the Fund's system for accounting for contribution income and evaluated the design of the associated controls • 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 the number of contributing pensioners to ensure that any unusual trends are satisfactorily explained. Our work has not identified any significant issues in respect of this risk.
5 **Pension Benefits Payable** Pension benefits payable represents a significant percentage of the Fund's expenditure. We identified occurrence, accuracy and completeness of pension benefits payable as a risk requiring particular audit attention.	**Auditor commentary** We have undertaken the following work in relation to this risk: • evaluated the Fund's accounting policy for recognition of pension benefits expenditure for appropriateness • gained an understanding of the Fund's system for accounting for pension benefits expenditure and evaluated the design of the associated controls • tested a sample of individual lump sum payments by reference to supporting evidence contained in member files • placed reliance on controls testing over occurrence and accuracy of certain benefit payments • rationalised pensions paid with reference to changes in pensioner numbers and increases applied in year to ensure that any unusual trends are satisfactorily explained • ensured that the annual pension increase has been updated in the Altair system correctly. Our work has not identified any significant issues in respect of this risk.

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Reasonably possible audit risks

Risks identified in our Audit Plan	Commentary
6 **The valuation of Level 2 investments is incorrect** While level 2 investments do not carry the same level of inherent risks associated with level 3 investments, there is still an element of judgement involved in their valuation as their very nature is such that they cannot be valued directly. We identified valuation of level 2 investments as a risk requiring particular audit attention.	**Auditor commentary** We have undertaken the following work in relation to this risk: • gained an understanding of the Fund's process for valuing Level 2 investments and evaluate the design of the associated controls • evaluated the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments • reviewed the reconciliation of information provided by the pension fund's/individual fund manager's custodian and the Pension Scheme's own records and sought explanations for variances • considered the competence, expertise and objectivity of any management experts used • evaluated the qualifications of the expert to value the level 2 investments at year end and gained an understanding of how the valuation of these investment has been reached • for a sample of investments, tested the valuation by obtaining independent information from custodian/manager on units and unit prices • for direct property investments agreed values in total to a valuer's report and undertaken steps to gain reliance on the valuer as an expert. Our work has not identified any significant issues in respect of this risk.

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Accounting policies

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	Main elements of policy are: – 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 return of capital until the book value is nil and then treated as income on an accruals basis.	The revenue recognition policies are appropriate to the accounting framework and are adequately disclosed in the accounting policies.	Green
Judgements and estimates	Due to the nature of the Fund no critical judgements have been applied. The key estimate disclosed is as follows: • Valuation of unquoted investments with private equity, infrastructure property and other alternative investments.	We have undertaken testing on a sample of unquoted investments to assess the appropriateness of the valuation. The key estimates 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 16 to the accounts.	Green
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 that management's assessment that the going concern basis is appropriate for the 2017/18 financial statements.	Green
Other critical policies	We have reviewed the Fund's policies against the requirements of the CIPFA Code and accounting standards.	Our review of the accounting policies has not highlighted any issues that we need to bring to your attention. The Pension Fund's accounting policies are appropriate and consistent with previous years.	Green

Assessment

- Red — Marginal accounting policy which could potentially be open to challenge by regulators
- Amber — Accounting policy appropriate but scope for improved disclosure
- Green — 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**	We have previously discussed the risk of fraud with the Audit and Risk Management Committee and the Pensions Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
2	**Matters in relation to related parties**	From the work we have completed, we have not identified any related parties or related party transactions which have not been disclosed.
3	**Matters in relation to laws and regulations**	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4	**Written representations**	A standard letter of representation has been requested from the Pension Fund.
5	**Confirmation requests from third parties**	We requested direct confirmations from the custodian and all main mandate fund managers, plus a sample of managers for alternative investments for investment balances. At the time of preparing this report we have received confirmations from most managers and management assisted us to chase those confirmations that were outstanding. One response was not received and we completed alternative audit procedures to gain our required assurance.
6	**Disclosures**	Our review found no material omissions in the financial statements.
7	**Matters on which we report by exception**	We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. We propose to issue our 'consistency' opinion on the Pension Fund Annual Report following the Wirral Council Audit and Risk Management Committee meeting on 23 July 2018 and confirm that we have not identified any issues that we wish to report.

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Independence and ethics

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 Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

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

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix B

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund and confirm that no non-audit services were identified.

In line with *ISA (UK) 600 Special Considerations - Audits of Group Financial Statements (Including the Work of Component Auditors)* we have received requests from other auditors to provide assurance to them in respect of information provided by the pension fund to the actuary to support IAS19 calculations. Details of possible fees to be charged to the pension fund are reported in Appendix B.

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Audit Adjustments

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

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year. There are no unadjusted misstatements identified to bring to your attention.

Misclassification 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.

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Adjustment Type	Value	Account Balance	Impact on Financial Statements
Misclassification	£8.505m & £0.597m	Note 12 – Investment Income	We identified a misclassification of investment income of £8,505k in respect of Schroder's investment income which was incorrectly classified as "Dividend from Equities" rather than "Income from Pooled Investment Vehicles". As a consequence of this finding Pension Fund Officers conducted a full review of investment income classification and identified that one further amendment was required within the same note where a balance of £597k initially classified as "interest on Short term Cash deposits" should be re-classified as "Income from Pooled Investment Vehicles". These corrections are limited to classification and the total investment income disclosed has not changed.
Disclosure	Various	Various	The draft Financial statements have been amended to correct a small number of disclosure and presentational changes identified during the audit.

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Fees

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

Audit Fees

	Proposed fee	Final fee
Pension Fund Audit	£36,882	£36,882
Total audit fees (excluding VAT)	**£36,882**	**£36,882**

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA

Non Audit Fees

Fees for other services	Fees £'000
Audit related services:	TBC
• IAS 19 Assurance to other auditors	
	£TBC

The proposed fee for provision of IAS19 assurance to other auditors in line with ISA (UK) 600 Special Considerations - Audits of Group Financial Statements (Including the Work of Component Auditors). will be determined and agreed later in the year. At the time of writing this report 14 requests had been received.

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Audit opinion

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

Independent auditor's report to the members of Wirral Council on the pension fund financial statements

Opinion

We have audited the pension fund (entitled "Merseyside Pension Fund Accounts") financial statements of Wirral Council (the 'Authority') for the year ended 31 March 2018 set out on pages *** to ***) of the Authority's Statement of Accounts which comprise which comprise the Fund Account, the Net Assets Statement and Notes to the Accounts, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2018 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund year;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

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Basis for opinion

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

Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 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 Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance and Investment (S151)'s use of the going concern basis of accounting in the preparation of the pension fund financial statements is not appropriate; or
- the Director of Finance and Investment (S151) has not disclosed in the pension fund financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the pension fund financial statements are authorised for issue.

Other information

The Director of Finance and Investment (S151) is responsible for the other information. The other information comprises the information included in the Authority's Statement of Accounts set out on pages **[**xx to xx]** other than the pension fund financial statements, our auditor's report thereon and our auditor's report on the Authority's financial statements. Our opinion on the pension fund financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

In our opinion, based on the work undertaken in the course of the audit of the pension fund financial statements the other information published together with the pension fund financial statements in the Authority's Statement of Accounts set out on pages xx to xx, for the financial year for which the pension fund financial statements are prepared is consistent with the pension fund financial statements.

Matters on which we are required to report by exception

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

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

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

Responsibilities of the Authority, the Director of Finance and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities [set out on page(s) x to x], the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance and Investment (S151). The Director of Finance and Investment (S15) is responsible for the preparation of the 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 2017/18, which give a true and fair view, and for such internal control as the Director of Finance and Investment (S151) determines is necessary to enable the preparation of pension fund financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the pension fund financial statements, the Director of Finance and Investment (S151) is responsible for assessing the pension fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the pension fund lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the pension fund.

The Audit and Risk Management Committee is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the pension fund financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these pension fund financial statements.

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

[Signature]

GRANT PATTERSON
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Royal Liver Building
Liverpool
L3 1PS

Date - TBC

Independent auditor's report to the members of Merseyside Pension Fund on the consistency of the pension fund financial statements included in the Pension Fund Annual Report

Opinion

The Merseyside Pension Fund financial statements of Wirral Council (the "Authority") for the year ended 31 March 2018 which comprise the Fund Account, the Net Assets Statement and the Notes to the Accounts, including a summary of significant accounting policies, of Merseyside Pension Fund are derived from the audited pension fund financial statements for the year ended 31 March 2018 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 2017/18 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 reports thereon.

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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 **[Actual Date of opinion to be** inserted**]**.

Director of Finance and Investment (S151) Officer 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 [in this authority, that officer is the Director of Finance and Investment (S151)] 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 2017/18

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.

Signature

GRANT PATTERSON
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Liver Buildings
Liverpool
L3 1PS

[Date:] - TBC

Grant Thornton

grantthornton.co.uk

WIRRAL COUNCIL

PENSION BOARD

DATE 16 OCTOBER 2018

SUBJECT:	**STATEMENT OF ACCOUNTS, LETTER OF REPRESENTATION & REPORT & ACCOUNTS**
REPORT OF:	**HEAD OF FINANCE & RISK**

1.0 EXECUTIVE SUMMARY

1.1 This report provides Board members with copies of the Fund's Statement of Accounts report, Letter of Representation and Report and Accounts reported to Pensions Committee in July 2018.

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 Fund at financial year and is contained in the Fund's annual report (appendix 3). Once considered by Pensions Committee, the Statement of Accounts is referred to Wirral's Audit & Risk Management Committee. The Letter of Representation gives assurances to the Auditor in respect of various Pension Fund matters (appendix 2). The Fund's approved report & accounts are attached at appendix 3.

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

3.1 There are none arising from this report

4.0 RECOMMENDATION

4.1 That Board Members note the report.

5.0 REASON/S FOR RECOMMENDATION/S

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

REPORT AUTHOR	Peter Wallach	Director of Pensions
	Telephone	(0151) 242 1309
	Email	peterwallach@wirral.gov.uk

SUBJECT HISTORY

Reports/notes	**Date**
Reported annually	

APPENDICES

1. **Statement of Accounts Report**
2. **Letter of Representation**
3. **Report & Accounts**

WIRRAL COUNCIL

PENSIONS COMMITTEE

16 JULY 2018

SUBJECT:	**STATEMENT OF ACCOUNTS 2017/18 – MERSEYSIDE PENSION FUND AND LETTER OF REPRESENTATION**
WARD/S AFFECTED:	**ALL**
REPORT OF:	**DIRECTOR OF FINANCE & INVESTMENT (S151)**
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 2017/18 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 2018 of net assets of £8.6bn 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 again prepared to a good standard with supporting working papers provided to the agreed timetable..

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 2018 in accordance with prescribed guidance.

2.2 The Statement of Accounts, including notes were prepared and available for audit by 31 May 2018, in compliance with statutory deadline that has 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 2018 of net assets of £8.6bn. Two misclassifications of investment income included within note 12 and a small number of disclosure adjustments to improve the presentation of the financial statements and annual report have been agreed.

2.5 The two misclassifications of investment income have been corrected and controls strengthened to prevent reoccurrence.

2.6 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.

2.7 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 2018. Subject to this, the accounts as now shown will form the basis of the Annual Report for the year ended 31 March 2018.

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 2017/18, 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 As required by International Standard on Auditing (UK) 260 and the Code of Audit Practice, the Auditor reports its findings on the audit of the Pension Fund Financial Statements to those charged with governance.

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
Head of Finance & Risk
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.
2. Letter of Representation.

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	25 SEPTEMBER 2017
AUDIT AND RISK MANAGEMENT COMMITTEE	17 JULY 2017
PENSIONS COMMITTEE	26 SEPTEMBER 2016
AUDIT AND RISK MANAGEMENT COMMITTEE	19 SEPTEMBER 2016
PENSIONS COMMITTEE	28 SEPTEMBER 2015
AUDIT AND RISK MANAGEMENT COMMITTEE	28 SEPTEMBER 2015

WIRRAL

Business Management

Shaer Halewood
Director of Finance and Investment
PO Box 290,
Brighton Street,
Wallasey,
Wirral,
CH27 9FQ.

to Grant Thornton UK LLP
Liver Buildings
Liverpool
L3 1PS

date 23 July 2018

my ref

Dear Sirs

MERSEYSIDE PENSION FUND
Financial Statements for the year ended 31 March 2018

This representation letter is provided in connection with the audit of the financial statements of Merseyside Pension Fund ('the Fund) for the year ended 31 March 2018 for the purpose of expressing an opinion as to whether the Fund financial statements are presented fairly, other than liabilities to pay pensions and benefits after the end of the Fund year, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and applicable law.

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

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the Fund's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

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

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

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

v. We acknowledge our responsibilities for making the accounting estimates included in the financial statements. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. 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.

vi. 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.

vii. Except as disclosed in the financial statements:

- a there are no unrecorded liabilities, actual or contingent
- b none of the assets of the Council has been assigned, pledged or mortgaged
- c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

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

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

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

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

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

xiii. 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.

Information Provided

xiv. We have provided you with:

- a. access to all information of which we are aware that is relevant to the preparation of the Fund 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 within the Fund from whom you determined it necessary to obtain audit evidence.

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

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

xvii. 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.

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

- a. management;
- b. employees who have significant roles in internal control; or
- c. others where the fraud could have a material effect on the financial statements.

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

xx. 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.

xxi. 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.

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

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

xxiv. 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 **Pension Committee** at its meeting on 16 July 2018 and by the Audit and Risk Management Committee at its meeting on 23 July 2018.

Yours faithfully

Name: Shaer Halewood

Position: Director of Finance & Investment (S151)

Date: 23 July 2018

Name……………………………

Position: Chair of Audit & Risk Committee

Date: 23 July 2018

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

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Merseyside
PENSION FUND

Merseyside Pension Fund
Report & Accounts 2017/18

Contents

Management Structure At 31 March 2018

Pension Fund Management Committee

Chair:

Cllr P Doughty	**Wirral**

Vice Chair:

Cllr G Davies	**Wirral**

Cllr P Cleary	**Wirral**
Cllr K Hodson	**Wirral**
Cllr A Jones	**Wirral**
Cllr T Jones	**Wirral**
Cllr B Kenny	**Wirral**
Cllr B Mooney	**Wirral**
Cllr C Povall	**Wirral**
Cllr GCJ Watt	**Wirral**
Cllr T Byron	**Knowsley**
Cllr N Crofts	**Liverpool**
Cllr P Lappin	**Sefton**
Cllr J Fulham	**St Helens**

Employee Representatives (Non-voting)

Mr P Cleary	**UNISON**
Mr R Bannister	**UNISON**
Mr D Walsh	**Unite**

Officers of the Fund

Joe Blott	**Managing Director, Delivery**
Peter Wallach	**Director of Pensions**
Yvonne Caddock	**Head of Pensions Administration**
Colin Hughes	**Group Solicitor**

Advisors to Investment Monitoring Working Party

Managing Director, Delivery
Director of Pensions
Senior Portfolio Manager
Aon Hewitt
Mr N Mills
Mr R Worrall

Local Pension Board

Independent Chair:
John Raisin

Employer Representatives:

Geoff Broadhead	**Merseyside Police**
Mike Hornby	**Wirral Council**
Kerry Beirne	**One Vision Housing**

Member Representatives:

Roger Irvine	**Active Members**
Donna Ridland	**Active Members**
Patrick Moloney	**Deferred Members**
Paul Wiggins	**Pensioner Members**

Advisors to Governance and Risk Working Party

Director of Pensions
Managing Director, Delivery
Head of Pensions Administration
Head of Finance and Risk

Others

Auditor
Grant Thornton

Bankers
Lloyds Banking Group

Consultant Actuary
Mercer HR Consulting

Strategic Investment Consultant
Aon Hewitt

Custodian of Assets
Northern Trust

Responsible Investment Advisors
Pensions and Investment Research Consultants Ltd

Property Advisors
C B Richard Ellis

Property Managers
C B Richard Ellis

Property Valuers
Savills

Performance Measurement
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 2018. 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 Local Government Pension Scheme is a public sector, contributory, defined benefit scheme regulated by statute through the Ministry of Housing, Communities and Local Government (MHCLG).

The 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 2018, markets have made little headway. In the second quarter of 2017, politics arguably dominated the narrative but, from an investment perspective, they did not interrupt the positive tone for risk assets, and global equity markets were largely supported by strong first-quarter corporate earnings and receding geopolitical risks.

The subsequent quarter was a broadly positive period for the world's financial markets, with a narrative of healthy economic data and strong corporate profitability underpinning equity gains. Against this backdrop, the prospects for tighter monetary policy increased amid hawkish central bank signals, ensuring government bond gains were largely vanquished by the end of September.

From both an economic and financial perspective, 2017 finished on a relatively high note. Solid economic data enabled some of the major central banks to tighten monetary policy and taper asset purchases. Central banks played a key role during this quarter: in October, the European Central Bank (ECB) announced that it would taper its asset purchases from January 2018, halving monthly purchase to €30bn and extending them until at least September this year. In November, the Bank of England hiked rates to 0.50% and US President Donald Trump appointed Jerome Powell to replace Janet Yellen as Fed Chair. In December, as expected by markets, the Fed hiked rates by 0.25%.

The first quarter of 2018 saw investors react to tighter monetary policy and fears of rising inflation with financial markets giving back most of the progress made in 2017. Nonetheless, economic growth globally, is proving robust and continues to be supportive of markets.

More detail is provided in the Investment Report on page 21 including information on the distribution of assets and performance.

Actuarial Valuation

The most recent triennial valuation was undertaken at 31 March 2016 and the position showed a funding level of 84.8% with assets of £6.85bn and liabilities calculated to be £8.08bn. Subsequent interim valuations indicate a further improvement in funding levels to around 100%, which is pleasing. Ways to 'lock in' some of the gains achieved are being assessed.

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 news items 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 2017. The event was well attended and featured speakers from the Pensions Regulator, the Chair of the Pension Board and officers of the Fund.

Past Changes and the Future

Investment Pooling remains a primary focus for the Fund. Good progress has been made in the development of the Northern Pool. The Joint Committee which provides oversight of the Pool is, at the time of writing, still in shadow form, but the three administering authorities are close to formalising governance arrangements.

In parallel with this, a custodian for the assets of the Pool was appointed by the April 2018 deadline. Arrangements for collective investment in private equity are well advanced and GLIL, the collective infrastructure investment vehicle, of which MPF is a founder member, now has more than £600m invested in UK infrastructure projects.

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.

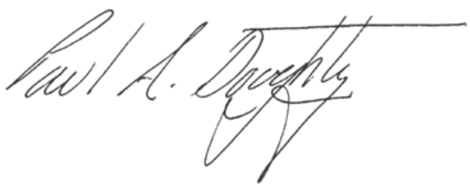
A review and restructuring of the Fund's staffing arrangements was completed to reflect future requirements, system changes and to deliver further efficiencies.

The Fund has ensured it is suitably prepared for the General Data Protection Regulations coming into effect in May of this year.

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
June 2018

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 2017/18, 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) 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 Ministry of Housing, Communities and Local Government (MHCLG). 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:

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

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.

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 Director of Pensions to be responsible for ensuring that policies and strategies are implemented.

Activity in Year

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

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

This year, the potential for the Fund to implement equity protection strategies 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.

Training opportunities provided during the year and attendances are set out on page 65.

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.

Bespoke training includes the LGE Trustee Fundamentals training and other conferences and seminars as follows:

Month	Event
April	IMWP
May	PLSA LA Conference
June	IMWP
June	GRWP
July	Pensions Committee
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
January	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 Director of Pensions can confirm that the officers and members charged with the financial management of, and decision making for, the pension scheme, collectively possessed the requisite knowledge and skills necessary to discharge those duties and make the decisions required during the reporting period.

Pension Board Report

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

Statement of Purpose for the Merseyside Local Pension Board

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

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

The Board will ensure it effectively and efficiently complies with the code of practice on the governance and administration of public service pension schemes issued by the Pensions Regulator. There is also the necessity to provide information to the Scheme Manager to demonstrate that board representatives do not have a conflict of interest.

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

Constitution/Management Arrangements

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

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

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

Executive Summary

The Board has worked with officers to provide Wirral Council with additional assurance regarding the operation of the Fund. As evidenced by the issues considered by the Board during 2017-18, the Board has undertaken a rigorous assessment of pooling developments and its implications for the Administering Authority. It continues to remain abreast of regulatory developments, the activities of the Pensions Regulator and to scrutinise the performance of the Fund, particularly in relation to its administrative functions.

The Chair made presentations on the Board's activities to Pensions Committee and the Annual Employers' Conference.

Three meetings were held during the year. In addition, a detailed training programme was undertaken involving internal and external training, which notably included a tour of the Fund's offices, during which Board members were introduced to staff members and heard a presentation by the Director of Pensions. 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. Details are set out in the tables below.

Board Changes

Mr Robin Dawson stepped down from the Board following his retirement in April 2017. We appreciate his contribution to the Board during his tenure as an employer representative. Ms Lyn Robinson will be replacing him on the Board and we look forward to working with her.

Issues considered by the Pension Board 2017 - 2018

Agenda Item	27/6/17	10/10/17	20/3/18
LGPS Update	•	•	•
LGPS Investment Performance			•
Administration KPI Report	•	•	•
Pooling Update	•	•	•
Review of Acturial Valuation	•		
Draft Pensions Administration Strategy	•	•	
Member/Pension Board Development Programme			•
Pension Fund Budget			•
Compliance Manual	•		
Investment Strategy Statement	•		
ISS Guidance Update		•	
Transparency Code	•		
Treasury Management Strategy		•	•
Treasury Management Annual Report		•	
IMWP/GRWP minutes	•	•	•
Pension Board Annual Report	•		•
LGPS Investment Performance			•
tPR Self-assessment	•		
GDPR Briefing		•	
Audit Findings Report, Annual Report & Accounts		•	
Management of Carbon Risk			•
Contracts Timetable			•
Bond Review			•
MIFID II Opt Up		•	
Annual Employers' Conference		•	
Records Management Policy		•	

A work plan for 2018/19 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 2018 - 2019

Agenda Item	13/6/18	16/10/18	2019
LGPS Update	•	•	•
Administration KPI Report	•	•	•
Pooling Update	•	•	•
Audit Plan	•		
Member Development Programme			•
Pension Board Development Programme			•
Working Party Minutes	•	•	•
Monitoring of Investment Mandates	•		
Pension Board Annual Report		•	
Investment Performance		•	
Audit Findings Report		•	
Annual Report and Accounts		•	
Management of Carbon Risk		•	
Briefing on 2019 Actuarial Valuation			•
Cost Transparency and Savings			•

Attendance & Training Record

ATTENDANCE RECORD 2017-18	Pension Regulator Public Sector	Fundamentals Training	PLSA Conference	LGPS Trustees Conference	CIPFA Local Pension Boards 2 Years On	LGPS Pension Board Seminar	Introduction to the LGPS	PLSA	LGPS Investment Forum	LGPS Local Pension Board Autumn Seminar	Cross Pool Open Seminar	MPF Annual Conference	IMWP/GRWP Attendance	Pension Board Meeting		
		OCT/ NOV/ DEC 2017	16 MAY 2017	29 JUN 2017	6-7 JUN 2017	19 SEP 2017	27 SEP 2017	18-20 OCT 2017	11 OCT 2017	NOV 2017/ FEB 2018	MAR 2018	30 NOV	2017/18	27 JUN	10 OCT	20 MAR
John Raisin (Chair)	•		•		•				•	•		•	•	•	•	•
Geoff Broadhead	•											•				
Kerry Beirne	•	•						•					•	•	•	
Roger Irvine	•	•				•	•							•	•	•
Mike Hornby	•											•	•	•	•	•
Pat Moloney	•			•				•		•		•	•	•	•	•
Donna Ridland	•			•						•	•	•		•	•	•
Paul Wiggins	•									•					•	
Robin Dawson*	•			•									•			

* Retired

Costs of Operation

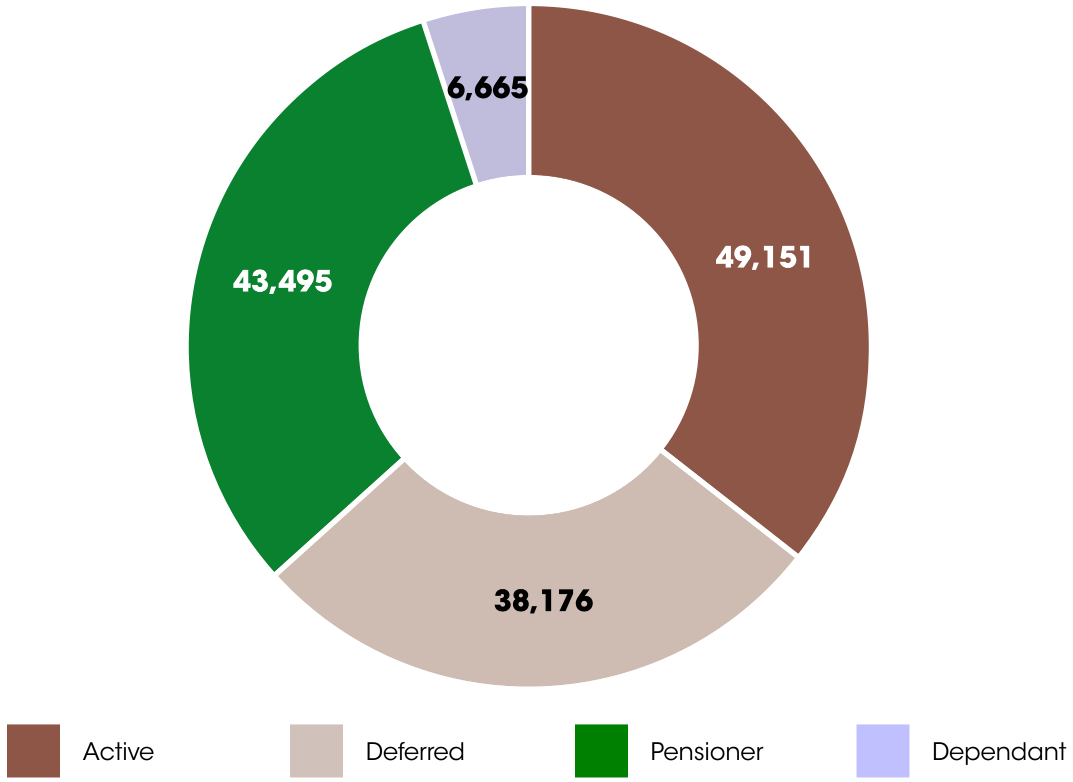
	2017/18 £
Training	6,729
Transport	2,652
Allowances	11,264
Other	290
Total	**20,935**

There have been no matters of formal 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 16 July 2018.

Membership Statistics

Membership as at 31 March 2018



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				382	1,834	3,455	4,126	4,938	5,240	7,632	8,984
Deferred				2	191	1,564	3,370	4,160	4,320	6,557	8,576
Pensioner							6	8	38	220	498
Dependant	2	18	56	104	69	15	15	15	31	74	154

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	7,539	4,050	785	186							**49,151**
Deferred	7,663	1,551	178	42	2						**38,176**
Pensioner	2,635	9,211	10,331	8,807	5,408	3,610	1,918	654	140	11	**43,495**
Dependant	312	465	634	940	1,028	1,139	915	514	147	18	**6,665**
										Total	**137,487**

Key Membership Statistics 2014 - 2018

Year	Active	Deferred	Pensioner	Dependant	Total
31 March 2018	49,151	38,176	43,495	6,665	**137,487**
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**

Scheme Administration Report

The Administration Team

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

Over the reporting period the Fund has experienced an increase to its employer base, as many employers continue to undergo organisational change and restructure their workforces in response to financial pressures and changes to service delivery models. 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 processing 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 Ministry of Housing, Communities and Local Government (MHCLG). 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 heath, 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.

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 in that year
- provides increased flexibility for members wishing to retire early
- allows members to pay reduced contributions as an alternative to opting out (although benefits build up at a slower rate)
- provides for previous years' CARE benefits to be adjusted according to changes in 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' protections in regard to members' benefits if they voluntarily retire between age 55-60.

Legislative Change

During the reporting period, there has been no material regulatory change affecting administration of the Fund, although the Government has published responses to the consultations which were reported in last year's administration report, relating to Pension Scams and Indexation of Guaranteed Minimum Pensions (GMPs).

Pension Scams Consultation

The response confirms that the following measures will be introduced to:

- ban cold calling, including electronic communications, as well as traditional telephone contact
- limit the statutory right to transfer where a genuine employment link to the receiving occupational scheme can be evidenced
- restrict registration of Pension Schemes with HMRC for active companies.

The Financial Guidance and Claims Bill, included provisions to legislate for the implementation of the cold calling ban.

Indexation of GMP Consultation

There were 62 responses to the consultation, all of which were broadly in favour of the government's objective to price protect the GMP and to provide a simple solution to assist with members' financial planning.

The outcome of the consultation was to extend the current interim solution for public sector employers, to inflation-proof GMP values for members reaching State Pension Age from 6 April 2016 to 5 April 2021.

A revised Ministerial Direction under Section 59A (2) of the Social Security Act 1975 will be published by HMT to permit the public service pension schemes to assume the additional liability.

Thereafter, the government will investigate the possibility of converting the GMP values into ordinary Scheme benefits.

Key Projects and Developments

This Scheme year has seen a number of key initiatives delivered to support the cost effective administration of the Fund. We have worked closely with our employers to enhance membership data and provide greater information and support to our members in compliance with the Pension Regulator's Code of Practice requirements for public sector pension schemes.

During the year we have continued to respond to LGPS-wide changes and updates to calculation specifications, evolving systems to optimise the use of technology to deliver an efficient pension administration service.

The Pension Regulator Compliance Programme and Internal Audit Assurance

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 influenced, regulated and monitored respectively by the:

- Local Pension Board who assist the Administering Authority to manage the effective governance and administration of the Fund
- The extension of the work of the Pensions Regulator (tPR) to the LGPS
- Administering Authority's Internal and external auditors.

Assessment against Monitoring Framework

In response to the Regulator's new remit to ensure the effective administration of public service pension schemes, the Code of Practice No 14 was introduced in April 2015 setting out the legal requirements and standards of conduct in exercising functions in relation to Scheme administration and governance.

The Regulator subsequently issued a monitoring programme against the code, and in order to stress test compliance, the Fund has undertaken a number of assessments of its administrative and operational processes using a traffic light based model.

The outcome of a prior assessment indicated there were no areas of significant concern but an amber rating in relation to record keeping and communicating with members, indicated room for improvement.

In conducting a further review this year it emerged that there have been significant advances over the last twelve months in these areas. To demonstrate assurances to stakeholders of the Fund's commitment to continually improve member engagement and record keeping, a Record Management and Data Quality policy was drafted by officers, critiqued by the Pension Board and formally approved by Pensions Committee in November 2017.

Internal Audit of Fund's Retirement Benefit Payments, Monitoring of Employer Covenants and Governance Framework

The Administering Authority's Internal Audit team has undertaken a number of in-depth reviews during the year of systems and controls in relation to the calculation and payment of retirement benefits, the Fund's governance arrangements and the effectiveness of employer covenant assessments.

The audit opinion was extremely positive for each exercise, providing clear assurances to the Fund's external auditor and stakeholders that robust controls exist in respect of:

- accurate financial transactions in processing retirement calculations
- diligent management of an integrated risk management framework covering investments, funding and employer covenant
- effective compliance with the principles of good governance as defined by CIPFA 'Delivering Good Governance' (2016) guidance.

Pension 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 PAS has been updated during the year, following a widely publicised consultation exercise with employers. The revisions to the strategy were informed by the findings from tPR's 2016 Public Service Governance and Administration survey, which confirmed a heightened focus on record keeping, along with a clearer, quicker and tougher policy on poor administration practices.

The revisions to the PAS also align with the Fund's strategic business plan to conduct more operational processes and stakeholder communications using online systems and secure portals for the exchange of electronic data.

In harmony with the national LGPS agenda to streamline operational functions to reduce costs, the schedule of charges contained within the PAS has been extended. The charges now incorporate non-statutory administrative services and permit recovery of costs incurred by the Fund as a consequence of an employer's unsatisfactory performance.

The Pension Board assisted officers in formulating the PAS and recommended it for approval by Pensions Committee in November 2017, in preparation for its implementation in April 2018.

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 annual return files.

The administration team has continued to work with employers on outstanding data items and has maintained its programme of active engagement by scoping two data reconciliation exercises during the year. All employers were provided with a snapshot of active memberships, together with an overview of outstanding queries, along with a summary of documents in progress within the Fund's systems. Work has been carried out to improve the identification of inaccurate records, the documentation of queries and the streamlining of procedures to request outstanding data from employers within defined timescales and a transparent auditable process.

Feedback from employers has been positive and 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 in regard any material data gaps, and Fund Officers have committed to support employers in aligning their systems to electronically interface with the Fund's pension administration system.

Statutory Annual Benefit Statements

Annual Benefit statements were produced and posted on members online accounts in advance of the 31 August statutory deadline, with members potentially impacted by additional pension tax charges receiving pension saving statements by 5 October.

Auto Enrolment and Ending of Transitional Delay

Despite Auto Enrolment duties being outside of the Pension Fund's administrative responsibility; where necessary, staff will offer guidance and support to employers in relation to compliance with their statutory duties.

Over the year, the Fund has provided direction to employers with regard to the ending of transitional delay which has been complicated by the exception clauses contained within the Automatic Enrolment Amendment Regulations 2015.

Procurement of Actuarial Contract

In conjunction with Wirral Council's Corporate Procurement and Legal departments, a review of the Actuarial and Benefits Consultancy Services contract was undertaken this year, utilising the National LGPS Framework administered by Norfolk County Council.

The services were procured as two separate lots and were individually assessed, but given the inter-relationship of the service requirements it would be impractical to appoint different suppliers; therefore the provider with the highest score was awarded both contracts.

Following robust evaluation of the tenders, Mercer Limited was the successful bidder as they demonstrated the right expertise, in depth knowledge of the Fund's publically available policies and capacity to provide the services at the best price.

The new contract took effect from 1 March 2018 for a seven year period ending on 28 February 2025.

Staffing Restructure

The Fund's management team has expended significant resource over the year, supported by the administering authority's HR department, to progress the staffing restructure across administration, accounts and the investment team.

The fundamental objective of the restructure was to recruit, train, nurture and retain highly motivated staff with the necessary professionalism and skills to deliver the ever-increasing complexities of the LGPS.

All job descriptions have been updated to reflect tasks and responsibilities in administering the new benefit structure, governance procedures and reporting requirements as a consequence of legislative change.

A number of roles have been re-designated with additional new roles created across the administration service areas demonstrating the Administering Authority's positive response to the Scheme Advisory Board's directive to ensure the LGPS is sufficiently resourced to meet its statutory obligations.

Pension Administration System Migration

As part of its new contractual arrangements for an IT system to support pensions' administration, the Fund has been preparing a migration plan to migrate over eight million documents from the current document management system into an integrated system provided by Aquila Heywood.

The specification for the migration has been agreed between both current suppliers, and the process to transfer the documents will be started in the summer of 2018. In parallel, Fund IT Officers are working with business area managers to create new operational workflow processes following the in-year review of existing processes.

Operational Improvements

Immediate Payment Processing

A project has been scoped to extend the processing of immediate payments to include the work activity of transfers; to reduce the use of supplementary systems and to realise the efficiencies currently being achieved through the immediate payment facility for payment of retirement benefits.

There have been a number of meetings with the IT system supplier to assess the changes required to the software to allow the independent processing of the respective payments outside of the main pensioner payroll system.

'Straight Through Processing' of New Member data

Work is being undertaken to introduce a process to digitally import amendments to active member records as supplied from the largest employers directly into the pension administration system. The work is focusing on the alignment of data fields and the quality of the supplied data.

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.

Strategic Focus, Planning and Operational Costs

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.

Staff Training and Development

The Fund provides a comprehensive training programme for its staff and a number have made good progress with their Chartered Institute of Payroll Professional qualification during the year. Training opportunities have also been provided to expand technical knowledge within the team.

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

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 Ministry for Housing, Communities and Local Government (MHCLG) 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 2016-17 'SF3' statistical return was £18.24 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.

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/comms18**

Member Communications

Our Membership base remains stable and the team have been agile in responding to changes in volumes of work throughout the year continuing to adapt to change and meet the expectations of our members. Our member services programme and events continue to provide increasing face-to-face help and support across the employer base, presenting courses/surgeries as requested at employer workplaces.

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

Presentations for Scheme Members

	Events	Approx. Attendees
Retirement Planning Course Hosted at Employer Premises	5	101
Mid-Life Planning Course Hosted at Employer Premises	1	21
Presentations about the LGPS Hosted at Employer Premises	11	383
Total	**17**	**505**

Employer Communications

We continue to deliver and develop our Practitioner workshops to support new employers, those with staff changes or a need for refresher training. These workshops help to increase the understanding of employer responsibilities and how the Fund and employers work together to deliver benefits to members.

The Pension Liaison Officer group has provided valuable feedback during the year and assisted in the development of the Fund's processes taking account of operational constraints facing employers.

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.

Data Security

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

The following arrangements are in place to safeguard this data:

- All staff are regularly made aware of the corporate policies in respect of Confidentiality, Data Protection & Information Security, and are required to undertake Information Governance training.
- New staff, as part of their induction, have the responsibilities and policies explained, and their understanding verified by the successful undertaking of an online test.
- All administration data is stored electronically and any paper records are securely destroyed.
- Staff who work away from the office as part of their role, can only access data by secure means (two-factor authentication).
- 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.

In preparation for the introduction of the General Data Protection Regulations in May 2018, the Fund worked in collaboration with the Local Government Association and West Midlands Pension Fund in the development of an LGPS specific Privacy Notice for members; detailing the legal basis for Funds to collect, store and process personal data, including the rights of individuals in requesting access, correction and erasure of their data. The final Privacy Notice was prepared by legal counsel (Squire Patton Boggs) to ensure it met the necessary compliance with the regulations.

In addition, the Fund worked with the LGA and legal counsel in preparing a 'Memorandum of Understanding' between LGPS Funds and their constituent Scheme employers. The aim is to set out that participating employers in the LGPS are able to share data with the LGPS administering authority without a data sharing agreement being in place (i.e. that there is no legal requirement for employers to have a data sharing agreement with LGPS administering authorities as they are both data controllers).

Performance Standards

Results of performance against targets are shown below:

Performance Targets	Target	Within Target %
1. Payment of Retirement Benefits	7 days	94
2. Payment of Monthly Pensions	100%	100
3. Payment of Transfer Values	7 days	100
4. Provision of Inward Transfer Quotes	10 days	99
5. Notification of Deferred Benefits	22 days	98
6. Provide Valuation in Divorce Cases	10 days	100
7. Respond to Members' Enquiries	10 days	86

(Details given in respect of 12 month period to 31 March 2018)

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.

Appeals Against Employer Decisions

Employer	Number	Employer Decision
Liverpool		
Refusal to Release Deferred Benefits on Ill Health		Granted
Award of Ill Health Tier	3	Granted
Provision of Incorrect Estimate		Dismissed
Wirral		
Refusal to Release Deferred Benefits on Ill Health	1	Dismissed
Arvato		
Refusal to Release Deferred Benefits on Ill Health	1	Dismissed
Total	**5**	

Appeals Against Fund Decisions

Reason for Appeal	Number	Fund Decision
Provision of Incorrect Estimate	1	Dismissed
Total	**1**	

Appeals to the Pensions Ombudsman

Reason for Appeal	Number	Fund Decision
Refusal to Compound Pension	1	Dismissed

The decision upheld by the Pensions Ombudsman agreed the Fund's compliance with the LGPS regulations as the member had no entitlement to compound the pension under the deminimis provisions.

Investment Report Year ended 31 March 2018

The global economy provided a broadly positive backdrop for financial markets over the 12 months ending March 2018. In the US, investors were cheered by strong job creation which was partnered with subdued inflationary pressures and a large cut to taxation. Other regions of the world also delivered healthy economic data with improving corporate profitability levels and an acceleration of global trade. In the 1st quarter of 2018 there was some evidence of softening in the pace of economic activity in Europe, although the data remains supportive of steady growth. The developed world's central banks continued on their path of gradual monetary policy normalisation, but as their tightening moves were well flagged, markets generally took them in their stride. The US Federal Reserve hiked interest rates three times, with the Bank of England and the Bank of Canada also raising rates. The European Central Bank and the Bank of Japan kept their quantitative easing programmes (QE) going, but both managed to taper their purchases of bonds during the period.

Markets were generally unperturbed by the ongoing political noise which hit the headlines over the year. In the UK, the snap election in June 2017 saw the ruling Conservative Party lose its majority, resulting in the formation of a coalition government with Northern Ireland's Democratic Unionist Party. In the US there were initially doubts over the ability of the US government to push through its fiscally expansive policies, although investors were later cheered as it became evident that President Trump's tax reform bill would be enacted in Q1 of 2018. Elsewhere, in Europe, markets responded positively to the outcome of the French presidential election while German and Italian elections (held in September 2017 and March 2018 respectively) yielded inconclusive results. Germany has since formed a new government with Angela Merkel as Chancellor.

Market volatility was remarkably low for most of the period, but in the first quarter of 2018 we finally saw an interruption to what was a prolonged rally as worries about global trade and potentially higher US interest rates unnerved investors. Looking across the major asset classes, equities on the whole delivered a positive performance with a notable dispersion of returns across the regions. Bonds however delivered below trend returns, which is reflective of where we are in the market cycle and that inflationary pressures are on the rise.

The standout performer amongst equities was Emerging Markets which delivered returns to UK based investors of 10.6%, with China and South Korea contributing the most to returns. This was followed by Japan, which delivered +5.9% and Europe ex UK at +5.0%. The returns from the UK and North America were more subdued at +1.3%. The Pacific ex Japan region delivered a negative 3.2% to UK investors. The MSCI Pacific ex Japan Index has a high exposure to Australia which was an unusually large laggard over the period in part due to weakness in the Australian dollar.

The property market sector continued to deliver strong returns rising over 10% during the year with capital value growth contributing 5.0% and income 4.8%.

The Fund's benchmark for UK bonds is a 50:50 combination of UK Gilts and Sterling denominated investment grade corporate bonds. This benchmark advanced by 0.9% over the period. UK government bond yields followed their counterparts in the US higher when growth and inflation expectations in the US moved higher (prices fall when yields move higher), but corporate bonds returned around 1.6% as investors remained confident that default rates would remain low for large corporates.

The annualised performance of the Fund against its benchmark for 1, 3, and 5 year periods is shown below.

	1 Year	3 Year (Annualised)	5 Year (Annualised)
Merseyside Pension Fund	3.70%	8.43%	8.79%
Benchmark	2.68%	6.41%	6.84%
Relative Return	0.99%	1.90%	1.82%

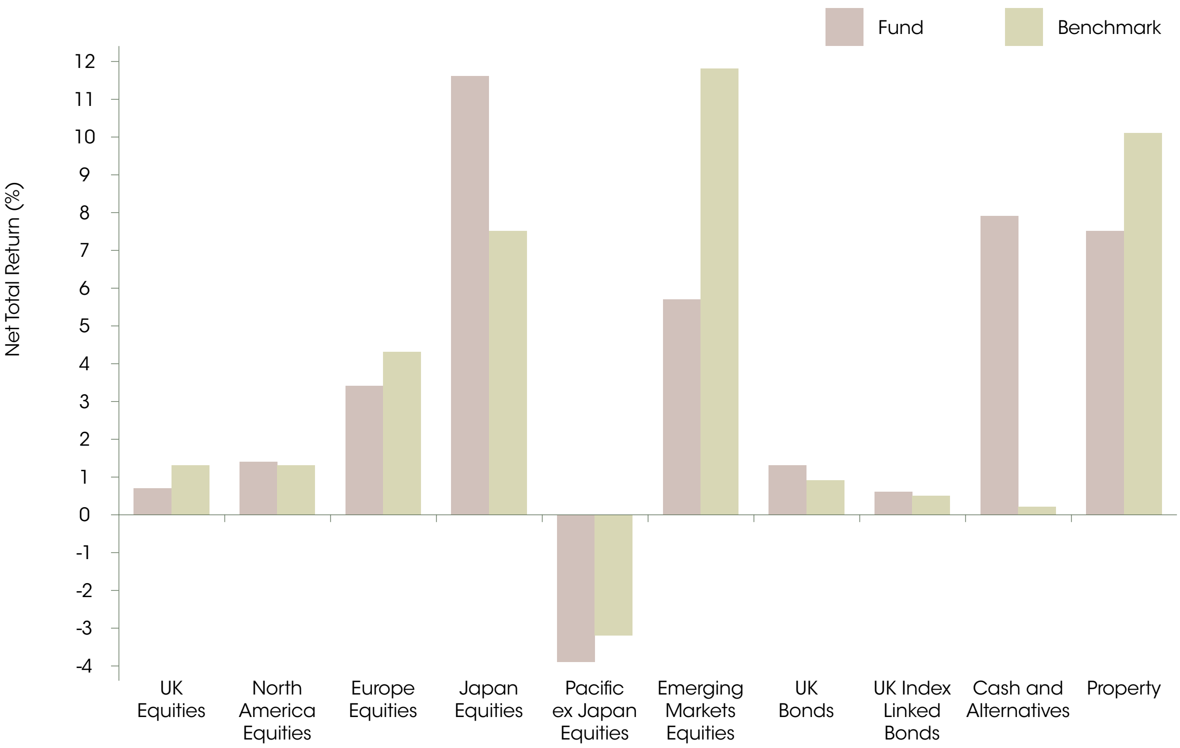
(Source - Northern Trust)

Merseyside Pension Fund returned 3.70% in the financial year to the end of March 2018 compared to its bespoke benchmark return of 2.68%; an outperformance of 0.99%. This was ahead of the Consumer Price Index and the increase in Average Earnings, which advanced by 2.30% and 2.90% respectively.

Alternatives contributed significantly to the outperformance driven by strong performance in Private Equity and Infrastructure assets.

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

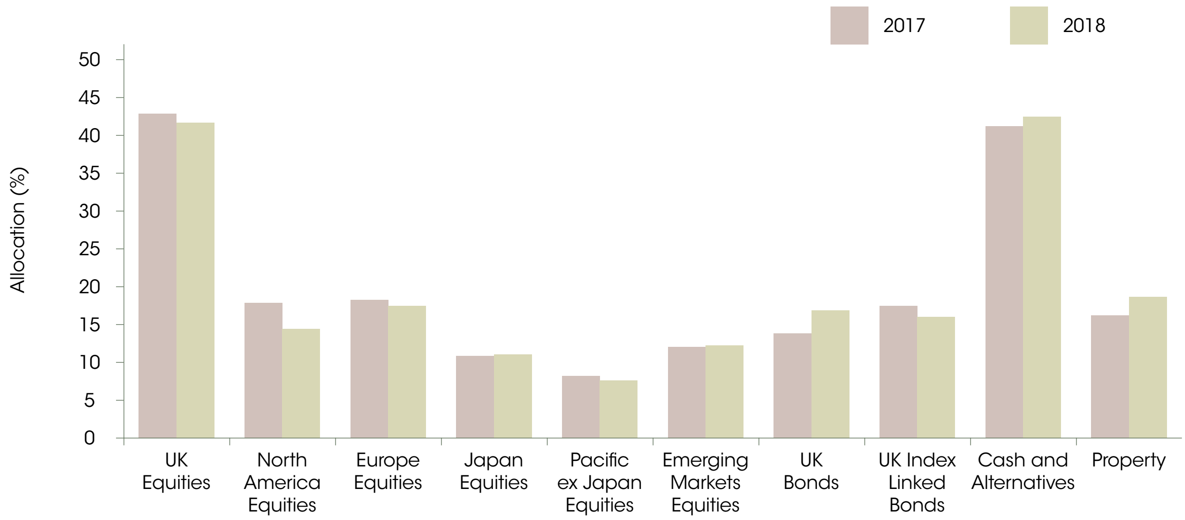
Figure 1.
Net Total Return by Asset Class for Year Ending 31 March 2018



	UK Equities	North America Equities	Europe Equities	Japan Equities	Pacific ex Japan Equities	Emerging Markets Equities	UK Bonds	UK Index Linked Bonds	Cash and Alternatives	Property
Fund	0.7	1.4	3.4	11.6	-3.9	5.7	1.3	0.6	7.9	7.5
Benchmark	1.3	1.3	4.3	7.5	-3.2	11.8	0.9	0.5	0.2	10.1

Figure 2 illustrates the asset allocation of the Fund on 31 March 2018 compared to 31 March 2017.

Figure 2.
Asset Allocation Change 2017 vs 2018



	UK Equities	North America Equities	Europe Equities	Japan Equities	Pacific ex Japan Equities	Emerging Markets Equities	UK Bonds	UK Index Linked Bonds	Cash and Alternatives	Property
2017	21.4	8.9	9.1	5.4	4.1	6.0	6.9	8.7	20.6	8.1
2018	20.8	7.2	8.7	5.5	3.8	6.1	8.4	8.0	21.2	9.3

Largest UK Property Holdings as at 31 March 2018

Holding	Market Value £'000
Fort Halstead	51,500
Tunsgate Square Shopping Centre, Guildford	47,850
129-132 North Street, Brighton	31,700
Telegraph Road, Heswall	30,500
Premier Park, Winsford Road Industrial Estate, Winsford	23,750

Largest Infrastructure Holdings as at 31 March 2018

Holding	Market Value £'000
Iona Capital - bio energy	75,000
P3P - energy from waste	30,000
Anglian Water Group	29,000
Clyde Wind Farm	27,000
Rolling Stock (East Anglia, South Western, Moorgate)	10,500

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 Income	**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**	

In response to the government's pooling initiative, the 'Northern Pool' was established by the local government pension funds for Greater Manchester, West Yorkshire and Merseyside. It is expected that the 'Northern Pool' will achieve significant cost savings and economies of scale through the pooling of assets. Progress has been made towards this goal in the areas of Infrastructure and Private Equity and the pooled approach will be expanded to cover more asset classes in the years ahead.

In December 2016, Merseyside Pension Fund joined the GMPF & LPFA Infrastructure LLP (GLIL), an infrastructure investment vehicle which was initially a joint venture between the Greater Manchester Pension Fund and the London Pensions Fund Authority. The Fund, on joining, made a commitment to invest £125m and as at the end of March 2018, around half of this amount had been invested, predominantly into UK assets.

Merseyside Pension Fund, Greater Manchester Pension Fund and West Yorkshire Pension Fund, have established a collective private equity investment vehicle (NPEP), which will make commitments of around £720m to private equity funds in 2018 and 2019, £160m of which will likely be from Merseyside Pension Fund.

The Markets in Financial Instruments Directive II (MiFID II) became effective in January of this year. Its potentially serious implications for the Fund, in removing its automatic status as a 'per se' professional investor, have been addressed. It also introduced the unbundling of research and dealing costs which has helped to improve transparency.

Merseyside Pension Fund is acting with the Local Government Pension Scheme Advisory Board to promote the 'Code of Cost Transparency'. The Fund is committed to obtaining more detailed investment cost and fee data, ensuring transparency and consistency of reporting from our external asset managers. The Code is currently being applied to listed assets and it is anticipated that data collection templates for unlisted asset classes, such as private equity, will be developed in due course.

Private market assets generally have costs that are met within the vehicle rather than through an explicit charge paid directly by Merseyside Pension Fund. These costs are not charged directly to the Fund Account, but are included in the fair value adjustments applied to the assets concerned within the Fund Account, with performance reported on a net basis. The Fund aims to be both transparent and value-led in its investment approach, and the table below shows costs associated with both management fees and performance fees during the current and previous financial year. The performance related fees relate to monies that have been paid out and do not include any accrued performance fee estimates. Industry standard fees have been used in the small number of cases where the actual amount charged is not available. Investment Management figures of £11.6m for March 2018 and £9.6m for March 2017 (in Note 11b to the Report and Accounts) are included in the Management Fee figures of £22.2m and £16.4m respectively.

Asset Class	31 March 2017 Management Fee £'000	31 March 2017 Performance Related Fee £'000	31 March 2018 Management Fee £'000	31 March 2018 Performance Related Fee £'000
Private Equity	4,068	1,483	7,780	5,599
Infrastructure	4,605	404	5,354	44
Property	3,239	3,544	4,012	664
Opportunities and Hedge Funds	4,560	1,783	5,043	2,414
Total	**16,471**	**7,214**	**22,190**	**8,721**

Private Market Assets, along with Japanese equities were the strongest performing asset classes over the 12 months to the end of March 2018. The total private market costs of £30.9m for 2017/2018 can be compared with around £182m of net value add that these assets delivered to the Fund over that period.

Merseyside Pension Fund has a Responsible Investment strategy that has continued to be developed in partnership with like-minded investors committed to integrating sustainability into investment decision-making and acting as stewards of the assets we own. The Fund is a member of the Principles for Responsible Investment (PRI) and has submitted reporting on its activities over the 2017 calendar year. The Fund works with corporate governance specialists PIRC to vote on its shares in public listed companies, in line with PIRC's Shareholder Voting Guidelines.

Further information about the Fund's responsible investment activity can be found on our website **mpfund.uk/respinv**, including details of voting activity and reporting on climate risk.

Climate Risk

Addressing the challenges of climate risk has been at the forefront of the Fund's responsible investment work over the year. The Financial Stability Board's Taskforce on Climate-Related Financial Disclosures (TCFD) provide a global framework to translate non-financial information into financial metrics. The TCFD has been endorsed by over 238 companies, including 150 financial institutions representing a combined market capitalisation of over US$6 trillion and US$81.7 trillion assets under management. The Fund has committed to reporting on its approach to climate risk using the TCFD framework (as recommended for asset owners) and, over the course of the year, has partnered with other asset owners to promote TCFD reporting in the entities in and through which we invest.

Merseyside Pension Find TCFD Report as at 31 March 2018

Governance	The Pensions Committee (as the governing body) has mandated that MPF's investment strategy be brought into line with the goals of the 2015 Paris Agreement. It has delegated authority to the Director of Pensions to develop and implement the climate risk strategy and receives quarterly reports on progress.
Strategy	MPF's strategy is based on the view that climate change is a systemic risk and thus, a material long-term financial risk for any investor that must meet long-term obligations. The Fund has initiated work on reviewing its investment beliefs and strategic framework (including asset allocation policy) to ensure that climate risk considerations are appropriately integrated.
Risk Management	MPF acknowledges the description of climate risk provided by TCFD, as comprising transition and physical risks. Presently, the focus of risk management has been on the mitigation of transition risk.
Targets and Metrics	Carbon foot-print analysis of the Fund's listed equities has been obtained from Northern Trust (the Fund's global custodian and asset servicing provider). The analysis shows that the Fund's portfolio of equities has a carbon intensity of **198.24** (tonnes of scope 1 & 2 carbon emissions generated per year per US$ million of sales) versus **201.68** equivalent figure for the benchmark. The analysis further indicates that the Fund has significant concentrations of climate risk (emissions intensity and ownership share of fossil fuel reserves) within the UK and North American segments of its equity portfolio. A decarbonisation target of switching one-third of the Fund's passive equities into a low carbon benchmark tracking strategy has been set and further progress will be made over 2018 on the completion of this target. The decarbonisation goals will be to mitigate transition risk in UK and North American passive equities by reducing emissions intensity (by 1/3 approx), reducing exposure to fossil fuel reserves (by 1/2 approx) and by introducing a positive tilt to earnings from the burgeoning low carbon economy. The Fund will continue to allocate to the low carbon economy through the unlisted, illiquid segment of its strategic benchmark: primarily, via the 7% allocation to infrastructure where renewable energy and other low carbon aligned areas offer significant opportunity. The Fund expects to have invested over £250 million in renewables by 2020.

Financial Performance

Key Financials

	£'000	£'000	£'000
Fund Value at 31 March 2017			**8,178,485**
Contributions and Benefits			**89,882**
Employer Contributions	352,930		
Employee Contributions	54,138		
		407,068	
Pensions Paid	(252,874)		
Lump Sums Paid	(61,682)		
		(314,556)	
Net Transfers		(2,630)	
Management Expenses			**(40,027)**
Administration	(2,579)		
Investment Management	(35,922)		
Oversight and Governance	(1,526)		
Investments			**335,101**
Income	193,430		
Change in Market Value	141,671		
Fund Value at 31 March 2018			**8,563,441**

The table below describes the Fund's performance for key financial variables against forecasts (forecast January and July 2017) for the 12 months to 31 March 2018.

2017/2018 or at 31 March 2018	**Predicted £'000**	**Actual £'000**
Fund Size 2017	**8,178,485**	**8,178,485**
Fund Size 2018	**8,815,511**	**8,563,441**
Pensions Paid	(315,188)	(314,556)
Contributions Received	428,513	407,068
Net Transfers	-	(2,630)
Net Cash Flow From Members	**113,325**	**89,882**
Net Management Expenses	**(40,614)**	**(40,027)**
Investment Income	178,233	193,430
Change in Valuation of Assets	386,082	141,671
Return from Investments	**+564,315**	**+335,101**
Net Change Overall	**+637,026**	**+384,956**

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 2017/18 are higher than in previous years, due to a number of employers opting to pay their three year deficits calculated by the actuary in year 1 (2017/18), therefore the following 2 years will be 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 2018	Budget £'000	Actual £'000
Employees	3,388	2,718
Premises	280	280
Transport	51	35
Investment Fees - operating budget	14,131	12,609
Supplies and Services	1,955	1,464
Third Party	710	576
Recharges	350	336
Total	**20,865**	**18,018**

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 2017/18 was £18.0 million, lower than the original budget of £20.9 million approved by Pensions Committee in July 2017.

The 2018/19 Fund budget as approved by Pensions Committee in January 2018 is detailed in the table below:

2018/19 Budget	£'000
Employees	3,640
Premises	247
Transport	55
Investment Fees	14,236
Supplies and Services	2,677
Third Party	840
Recharges	350
Total	**22,045**

The assumptions that underpin this budget are that investment performance follows long-term trends and that the Fund follows the long-term trends in mortality and other factors assumed within the actuarial valuation. The budget also allows for some growth in staffing and IT costs for the changes in 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:

	2018/19 £'000	2019/20 £'000	2020/21 £'000
Fund Size Start of Year	**8,563,441**	**9,080,766**	**9,633,822**
Fund Size End of Year	**9,080,766**	**9,633,822**	**10,225,178**
Pensions Paid	(323,049)	(331,771)	(340,729)
Contributions Received	207,068	213,280	219,678
Net Transfers	-	-	-
Net Inflow From Members	**(115,981)**	**(118,490)**	**(121,051)**
Net Management Expenses	**(42,429)**	**(44,974)**	**(47,673)**
Investment Income	206,777	221,044	236,296
Change in Valuation of Assets	384,101	405,529	428,437
Return from Investments	**590,877**	**626,573**	**664,734**
Net Change Overall	**517,325**	**553,056**	**591,356**

As stated earlier, the contributions received in 2017/18 were higher due to a number of employers opting to pay their three year deficits calculated by the actuary in year 1 (2017/18), consequently, year 2 (2018/19) and year 3 (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 the employers make significant changes which affect the number of active members or deferred members and pensioners, then the cash-flows of the Scheme can change materially. Both of these factors are largely outside the influence of Merseyside Pension Fund.

Financial Statements

Fund Account - for year ended 31 March 2018

	Note	2017/18 £'000	2016/17 £'000
Dealing with Members, Employers and Others Directly Involved in the Fund			
Contributions Receivable	7	407,068	208,513
Transfers In	8	12,174	11,568
		419,242	**220,081**
Benefits Payable	9	(314,556)	(306,902)
Payments to and on Account of Leavers	10	(14,804)	(19,292)
		(329,360)	**(326,194)**
Net Additions/(Withdrawals) from Dealing with Members		**89,882**	**(106,113)**
Management Expenses	11	(40,027)	(38,315)
Net Additions/(Withdrawals) including Fund Management Expenses		**49,855**	**(144,428)**
Return on Investments:			
Investment Income	12	197,008	167,672
Profit and Losses on Disposal of Investments and Change in Market Value of Investments	13	141,671	1,306,428
Taxes on Income	12	(3,578)	(943)
Net Return on Investments		**335,101**	**1,473,157**
Net Increase/(Decrease) in the Fund During the Year		384,956	1,328,729
Net Assets of the Fund at the Start of the Year		8,178,485	6,849,756
Net Assets of the Fund at the End of the Year		**8,563,441**	**8,178,485**

Net Assets Statement - for year ended 31 March 2018

	Note	2017/18 £'000	2016/17 £'000
Investment Assets	13		
Equities		2,768,408	2,728,658
Pooled Investment Vehicles		5,074,479	4,804,297
Derivative Contracts		218	224
Direct Property		519,750	431,150
Short Term Cash Deposits		53,226	75,222
Other Investment Balances		99,613	117,550
		8,515,694	**8,157,101**
Investment Liabilities	18	(13,736)	(4,490)
Total Net Assets		**8,501,958**	**8,152,611**
Long Term Assets	19	5,013	7,110
Current Assets	20	79,909	34,358
Current Liabilities	20	(23,439)	(15,594)
Net Assets of the Fund as at 31 March 2018		**8,563,441**	**8,178,485**

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 Wirral Council is the Administering Authority. 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 2017/18 included 10 councillors from Wirral Council, the Administering Authority, and one councillor from each of the 4 other Borough Councils. Representatives of trade unions also attend. The more detailed consideration of investment strategy and asset allocation of the Fund's portfolios is considered by the Investment Monitoring Working Party, which includes two external advisers and a consultant. The more detailed consideration of governance and risk issues is considered by the Governance and Risk Working Party.

In 2015/16 a local Pension Board was introduced in accordance with the Public Service Pensions legislation and regulations. The Board's aim is to assist the Administrating 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 2017/18 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 Service 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 administrated by Wirral Council to provide pensions and other benefits for pensionable employees of the Merseyside Local Authorities and a range of other scheduled and admitted bodies. Teachers, Police Officers and Fire Fighters are not included as they come within other national pension schemes.

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

Organisations participating in Merseyside Pension Fund include:

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

There are 194 employer organisations within Merseyside Pension Fund including Wirral Council itself. The Fund also has 137,487 members, as detailed below:

	31/3/18	31/3/17
Number of Employers with Active Members	**194**	**182**
Number of Employees in Scheme	49,151	47,206
Number of Pensioners	43,495	42,194
Number of Dependants	6,665	6,571
Number of Deferred Pensioners	38,176	38,368
Total	**137,487**	**134,339**

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 3x 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.

2. Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2017/18 financial year and its position at year end as at 31 March 2018. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 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 pensions administration team are charged direct to the Fund. Associated management and other overheads are apportioned to the Fund in accordance with Council Policy.

Investment Management Costs
All investment expenses are accounted for on an accrual basis.

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

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

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

In accordance with CIPFA 'Accounting for Local Government 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 2018 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 Royal Institution of Chartered Surveyors (RICS) Valuation - Global Standards 2017 incorporating the IVSC International Valuation Standards issued June 2017 and effective from 1 July 2017 (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 2018 was £4,603 million (£4,350 million at 31 March 2017).

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 Reporting Sheet Date

There have been no events since 31 March 2018, and up to the date when these accounts were authorised, that require any adjustments to these accounts.

7. Contributions Receivable

	2017/18 £'000	2016/17 £'000
Employers		
Normal	119,408	111,926
Pension Strain	10,426	11,808
Deficit Funding	223,096	31,541
Total Employers	**352,930**	**155,275**
Employees		
Normal	54,138	53,238
	407,068	**208,513**
Relating to:		
Administering Authority	57,357	35,305
Statutory Bodies	319,948	145,159
Admission Bodies	29,763	28,049
	407,068	**208,513**

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 2018. Employee contributions are matched by employers' contributions which are based on triennial actuarial valuations. The 2017/18 contributions above were calculated at the valuation dated 31 March 2016. The 2016 actuarial valuation calculated the average primary employer contribution rate of 15.4% (2013 13.3%).

'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 2017/18 the Fund has received additional and upfront payments covering a three year period until the next actuarial valuation in 2019, totalling £141.2 million, (2016/17 £1.6 million).

The Fund does reserve the right to levy interest charges on late receipt of contributions from employers. In 2017/18 no such charges were levied.

8. Transfers In

	2017/18 £'000	2016/17 £'000
Group Transfers	-	-
Individual Transfers	12,174	11,568
	12,174	**11,568**

There were no group transfers to the Fund during 2017/18.

9. Benefits Payable

	2017/18 £'000	2016/17 £'000
Pensions	252,874	247,865
Lump Sum Retiring Allowances	56,141	52,632
Lump Sum Death Benefits	5,541	6,405
	314,556	**306,902**
Relating to:		
Administering Authority	43,387	41,873
Statutory Bodies	222,117	217,741
Admission Bodies	49,052	47,288
	314,556	**306,902**

10. Payments to and on Account of Leavers

	2017/18 £'000	2016/17 £'000
Refunds to Members Leaving Service	447	465
Payment for Members Joining State Scheme	37	289
Income for Members From State Scheme	1	(32)
Group Transfers to Other Schemes	-	1,226
Individual Transfers to Other Schemes	14,319	17,344
	14,804	**19,292**

There were no group transfers out of the Fund during 2017/18.

11. Management Expenses

	2017/18 £'000	2016/17 £'000
Administration Costs	2,587	2,673
Investment Management Costs	35,922	33,887
Oversight and Governance Costs	1,727	1,978
Other Income	(209)	(223)
	40,027	**38,315**

11a. Administration Costs

	2017/18 £'000	2016/17 £'000
Employee Costs	1,665	1,686
IT Costs	611	639
General Costs	276	329
Other Costs	35	19
	2,587	**2,673**

11b. Investment Management Costs

	2017/18 £'000	2016/17 £'000
External Investment Management Fees	22,707	20,607
External Investment Management Performance Fees	1,546	3,076
External Services	565	545
Internal Investment Management Fees	614	609
Property Related Expenses	6,377	4,889
Transaction Costs	4,113	4,161
	35,922	**33,887**

11c. Oversight and Governance Costs

	2017/18 £'000	2016/17 £'000
Employee Costs	475	468
External Services	767	838
Internal Audit	34	32
External Audit	39	37
Other Costs	412	603
	1,727	**1,978**

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 2017/18 is £195,994 relating to recharged Actuarial fees (2016/17 £173,224).

External Audit fees for 2017/18 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

	2017/18 £'000	2016/17 £'000
Dividends from Equities	84,247	69,880
Income from Pooled Investment Vehicles	52,333	49,885
Rents from Properties	26,754	23,498
Interest on Short Term Cash Deposits	267	306
Income from Private Equity	32,422	22,856
Other	985	1,247
	197,008	**167,672**
Irrecoverable Withholding Tax	(3,578)	(943)
	193,430	**166,729**

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 £4.8 million (2016/17 £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, there were no repayments received in 2017/18 (2016/17 £nil).

12a. Property Income

	2017/18 £'000	2016/17 £'000
Rental Income	26,754	23,498
Direct Operating Expenses	(6,377)	(4,889)
Net Rent from Properties	**20,377**	**18,609**

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	2017/18 £'000	2016/17 £'000
No later than one year	1,302	1,277
Between one and five years	8,114	6,774
Later than five years	17,540	13,834
Total	**26,956**	**21,885**

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

2017/18	Market Value 31/3/17 £'000	Purchases at Cost and Derivative Payments £'000	Sale Proceeds and Derivative Receipts £'000	Change in Market Value* £'000	Market Value 31/3/18 £'000
Equities	2,728,658	1,272,950	(1,225,858)	(7,342)	2,768,408
Pooled Investment Vehicles	4,804,297	550,657	(414,391)	133,916	5,074,479
Derivative Contracts	224	979,418	(982,541)	3,117	218
Direct Property	431,150	71,899	-	16,701	519,750
	7,964,329	**2,874,924**	**(2,622,790)**	**146,392**	**8,362,855**
Short-Term Cash Deposits	75,222				53,226
Other Investment Balances	117,550			(4,721)	99,613
	8,157,101			**141,671**	**8,515,694**

2016/17	Market Value 31/3/16 £'000	Purchases at Cost and Derivative Payments £'000	Sale Proceeds and Derivative Receipts £'000	Change in Market Value* £'000	Market Value 31/3/17 £'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**

** 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

	2017/18 £'000	2016/17 £'000
Equities (Segregated Holdings)		
UK Quoted	1,261,630	1,193,697
Overseas Quoted	1,506,778	1,534,961
	2,768,408	**2,728,658**
Pooled Investment Vehicles		
UK Managed Funds:		
Property	43,961	17,569
Equities	130,528	107,630
Private Equity	311,657	294,048
Hedge Funds	44,079	53,491
Corporate Bonds	343,277	267,082
Infrastructure	252,983	159,687
Opportunities	324,309	301,012
Overseas Managed Funds:		
Equities	486,772	456,946
Private Equity	251,754	251,013
Hedge Funds	226,624	218,664
Infrastructure	175,233	163,601
Opportunities	136,854	131,052
UK Unit Trusts:		
Property	107,949	99,026
Overseas Unit Trusts:		
Property	96,448	87,157
Other Unitised Funds	2,142,051	2,196,319
	5,074,479	**4,804,297**
Derivative Contracts	**218**	**224**
UK Properties		
Freehold	394,100	322,800
Leasehold	125,650	108,350
	519,750	**431,150**
Balance at 1 April	431,150	377,000
Additions	71,899	79,885
Disposals	-	(18,638)
Net Gain/Loss on Fair Value	-	(11,945)
Other Changes in Fair Value	16,701	4,848
Balance at 31 March	**519,750**	**431,150**

As at 31 March 2018 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.

Short-Term Cash Deposits	2017/18 £'000	2016/17 £'000
Sterling	53,226	75,222
Foreign Currency	-	-
	53,226	**75,222**

Other Investment Balances	2017/18 £'000	2016/17 £'000
Outstanding Trades	9,486	4,509
Outstanding Dividend Entitlements and Recoverable Withholding Tax	17,566	17,304
Cash Deposits	72,561	95,737
	99,613	**117,550**

13b. Analysis of Derivatives

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

Settlement Date	Currency Bought '000	Currency Sold '000	Asset £'000	Liability £'000
Up to 1 month	GBP 19,363	EUR 21,282	218	-
			218	**-**
Net Forward Currency Contracts at 31 March 2018				**218**
Prior Year Comparative				
Open Forward Currency Contracts at 31 March 2017			174	(13)
Net Forward Currency Contracts at 31 March 2017				**161**

Futures

Type of Contract	Expires	Economic Exposure £'000	Market Value 31/3/18 £'000	Economic Exposure £'000	Market Value 31/3/17 £'000
Assets					
EURO STOXX 50 Index Futures	Jun-17	-	-	500	50
Total Assets			**-**		**50**
Liabilities			-		-
Total Liabilities			-		**-**
Net Futures			**-**		**50**

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.

13c. Summary of Managers' Portfolio Values at 31 March 2018

	2017/18 £'m	2017/18 %	2016/17 £'m	2016/17 %
Externally Managed				
JP Morgan (European Equities)	252	3.0	258	3.2
Nomura (Japan)	461	5.4	433	5.3
Schroders (Fixed Income)	343	4.0	267	3.3
Legal & General (Fixed Income)	369	4.3	298	3.7
Unigestion (European Equities and Pooled Emerging Markets)	319	3.8	318	3.9
M&G (Global Emerging Markets)	183	2.1	177	2.2
TT International (UK Equities)	249	2.9	237	2.9
Blackrock (UK Equities)	252	3.0	249	3.1
Blackrock (Pacific Rim)	152	1.8	157	1.9
Blackrock (QIF)	87	1.0	70	0.9
Newton (UK Equities)	263	3.1	260	3.2
Amundi (Global Emerging Markets)	186	2.2	168	2.1
Maple-Brown Abbot (Pacific Rim Equities)	166	1.9	173	2.1
State Street Global Advisor (Passive Manager)	1,773	20.9	1,900	23.0
State Street (Transition Manager)	-	-	194	2.4
Blackrock (Transition Manager)	195	2.3	-	-
	5,250	**61.7**	**5,159**	**63.2**
Internally Managed				
UK Equities	401	4.7	404	4.9
European Equities	246	2.9	238	2.9
Property (Direct)	520	6.1	431	5.3
Property (Indirect)	270	3.2	226	2.8
Private Equity	563	6.6	545	6.7
Hedge Funds	271	3.2	272	3.3
Infrastructure	428	5.0	323	4.0
Opportunities	486	5.7	462	5.7
Short-Term Deposits and Other Investments	80	0.9	97	1.2
	3,265	**38.3**	**2,998**	**36.8**
	8,515	**100.0**	**8,157**	**100.0**

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

	2017/18 £'m	2017/18 %	2016/17 £'m	2016/17 %
SSGA Pooled UK Index-Linked Gilts	682	8.0	708	8.7
SSGA USA Equity Tracker	613	7.2	729	8.9

13d. Stock Lending

As at 31 March 2018, £352.4 million of stock was on loan to market makers, which was covered by cash and non-cash collateral, totalling £381.1 million. Collateral is marked to market, and adjusted daily. Income from Stock Lending amounted to £978,508 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.

14. Fair Value - Basis of Valuation

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Description of Asset	Valuation Hierarchy	Basis of Valuation	Observable and Unobservable Inputs	Key Sensitivities Affecting the Valuations Provided
Market Quoted Investments	Level 1	Published bid market price ruling on the final day of the accounting period.	Not Required	Not Required
Quoted Bonds	Level 1	Fixed interest securities are valued at a market value based on current yields.	Not Required	Not Required
Derivatives - Futures and Options	Level 1	Published exchange prices at year end.	Not Required	Not Required
Exchange Traded Pooled Investments	Level 1	Closing bid value on published exchanges.	Not Required	Not Required
Unquoted Bonds	Level 2	Average of broker prices.	Evaluated Price Feeds	Not Required
Derivatives - Forward Currency Contracts	Level 2	Market forward exchange rates at the year end.	Not Required	Not Required
Pooled Investments - Overseas Unit Trusts and Property Funds	Level 2	Closed bid price where bid and offer prices are published - closing single price where single price is published. Valuation for property funds are provided by fund managers and where available closing bid prices are used.	NAV - based pricing set on a forward pricing basis.	Not Required
Direct Property	Level 3	Valued at fair value at the year end using independent external Valuers in accordance with FRS 13, SSAP 19 and the Royal Institution of Chartered Surveyors (RICS) Valuation - Global Standards (the 'RICS Red Book').	Existing lease terms and rentals, independent market research, nature of tenancies, covenant strength of existing tenants, assumed vacancy levels, estimated rental growth, discount rate.	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices.
Unquoted Equity	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines or equivalent.	EBITDA multiple, revenue multiple, discount for lack of marketability, control premium.	Material events occurring between the date of the financial statements provided and MPF's own reporting date, changes to expected cashflows, differences between audited and unaudited accounts.
Pooled Investments - Hedge Funds and Infrastructure	Level 3	The funds are valued in accordance with International Financial Reporting Standards (IFRS). The valuation basis, determined by the relevant Fund Manager, may be any of quoted market prices, broker or dealer quotations, transaction price, third party transaction price, industry multiples and public comparables, transitions in similar techniques, third party independent appraisals or pricing models.	NAV - based pricing set on a forward pricing basis.	Material events occurring between the date of the financial statements provided and MPF's own reporting date, changes to expected cashflows, differences between audited and unaudited accounts.

Sensitivity of assets valued at level 3
The table below sets out the assets classified as level 3 assets. The Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges (as provided by the Fund's investment consultants), and has set out below the consequent potential impact on the closing value of investments held at 31 March 2018. There are various factors that affect the complexity of valuation and the realisable value of assets and certain asset specific issues may lead to realisable valuations falling outside the stated range.

31 March 2018	Value £'000	Potential Variance %	Value on Increase £'000	Value on Decrease £'000
Property	773,163	10.0	850,479	695,847
Unquoted UK Equity	74,171	15.0	85,297	63,045
Unquoted Overseas Equity	58,599	15.0	67,389	49,809
Hedge Funds	223,240	10.0	245,564	200,916
Infrastructure	353,266	15.0	406,256	300,276
Private Equity	645,474	15.0	742, 295	548,653
Total	**2,127,913**			

14a. 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 table provides an analysis of the financial assets of the pension fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

Values at 31 March 2018	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Financial Assets				
Financial Assets at Fair Value through Profit and Loss	3,760,289	2,474,653	1,608,163	7,843,105
Non-Financial Assets at Fair Value through Profit and Loss			519,750	519,750
Total Financial Assets	**3,760,289**	**2,474,653**	**2,127,913**	**8,362,855**

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	3,614,529	2,465,771	1,452,879	7,533,179
Non-Financial Assets at Fair Value through Profit and Loss			431,150	431,150
Total Financial Assets	**3,614,529**	**2,465,771**	**1,884,029**	**7,964,329**

** Following a further review of levels 1, 2 and 3 categories against PRAG guidance, the values at 31 March 2017 have been restated, £121.7 million has moved from level 1 to level 2, £2.1 million from level 1 to 3 and £20.3 million has moved from level 3 to level 1.*

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

	2017/18 £'000	2016/17* £'000
Opening Balance	1,884,029	1,627,606
Acquisitions	340,755	240,240
Disposal Proceeds	(179,809)	(123,699)
Transfer into Level 3	2,574	-
Total Gains/(Losses) Included in the Fund Account:		
On Assets Sold	2,487	(11,071)
On Assets Held at Year End	77,877	150,953
Closing Balance	**2,127,913**	**1,884,029**

** The information for 2016/17 has been restated.*

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 2018	Loans and Receivables £'000	Financial Liabilities at Amortised Cost £'000	Fair Value Through Profit and Loss £'000
Financial Assets			
Equities			2,768,408
Pooled Investment Vehicles			5,074,479
Derivatives			218
Cash Deposits	53,226		
Other Investment Balances	99,613		
Long-Term and Current Assets	84,922		
Total Financial Assets	**237,761**	**-**	**7,843,105**
Grand Total	**8,080,866**		
Financial Liabilities			
Other Investment Balances		(13,736)	
Current Liabilities		(23,439)	
Total Financial Liabilities	**-**	**(37,175)**	**-**
Grand Total	**(37,175)**		
Grand Net Total	**8,043,691**		

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 and Current Assets	41,468		
Total Financial Assets	**234,240**	**-**	**7,533,179**
Grand Total	**7,767,419**		
Financial Liabilities			
Other Investment Balances		(4,490)	
Current Liabilities		(15,594)	
Total Financial Liabilities	**-**	**(20,084)**	**-**
Grand Total	**(20,084)**		
Grand Net Total	**7,747,335**		

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

15b. Net Gains and Losses on Financial Instruments

	2017/18 £'000	2016/17 £'000
Financial Assets		
Fair Value Through Profit and Loss	129,691	1,311,436
Total Financial Assets	**129,691**	**1,311,436**
Financial Liabilities		
Financial Liabilities at Amortised Cost	(4,721)	2,089
Total Financial Liabilities	**(4,721)**	**2,089**
Net	**124,970**	**1,313,525**

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.

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 2018	Value £'m	Potential Variance %	Value on Increase £'m	Value on Decrease £'m
UK Equities (all Equities including Pooled Vehicles)	1,801	19.0	2,143	1,459
US Equities	652	21.0	789	515
European Equities	777	22.5	952	603
Japanese Equities	461	20.5	556	367
Emerging Markets Equities including Pacific Rim	819	28.0	1,049	590
UK Fixed Income Pooled Vehicles	712	11.0	790	634
UK Index-Linked Pooled Vehicles	682	9.0	743	620
Pooled Property	248	12.5	279	217
Private Equity	563	27.5	718	408
Hedge Funds	271	9.5	296	245
Infrastructure	428	18.5	507	349
Other Alternative Assets	429	14.0	489	369
Short-Term Deposits and Other Investment Balances	201	0.0	201	201
Total	**8,044**			

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
Japanese 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 and Other Investment Balances	214	0.0	214	214
Total	**7,747**			

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 2018 was £53.2 million (31 March 2017 £75.2 million). This was held in instant access accounts with the following institutions:

	Rating S&P	Balances as at 31 March 2018 £'000	Balances as at 31 March 2017 £'000
Lloyds Bank	Long A Short A-1	33,226	40,222
Invesco	AAAm	10,000	20,000
Santander	Long A Short A-1	10,000	-
Svenska Handelsbanken	Long AA- Short A-1+	-	15,000
Total		**53,226**	**75,222**

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 £53.2 million. The Fund has £6,157 million in assets which could be realised in under 7 days' notice, £913 million in assets which could be realised in under 90 days' notice and £974 million in assets which could not be realised within a 90 day period.

The Fund has no borrowing or borrowing facilities.

The management of the Fund also prepares periodic cash flow forecasts to understand and manage the timing of the Fund's cash flows. The Fund has a net addition for 2017/18 in its dealing with members of £89 million, management expenses of £40 million, and investment income of £197 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 % p.a.
Long-Term Yields	
Market Implied RPI Inflation	3.20
Solvency Funding Target Financial Assumptions	
Investment Return	4.20
CPI Price Inflation	2.20
Salary Increases	3.70
Pension Increases	2.20
Future Service Accrual Financial Assumptions	
Investment Return/Discount Rate	4.95
CPI Price Inflation	2.20
Salary Increases	3.70
CARE	2.20

18. Investment Liabilities

	2017/18 £'000	2016/17 £'000
Derivative Contracts	-	13
Amounts Due to Stockbrokers	13,736	4,477
	13,736	**4,490**

19. Long-Term Assets

	2017/18 £'000	2016/17 £'000
Assets due in more than one year	5,013	7,110
	5,013	**7,110**
Relating to: Central Government Bodies	922	1,845
Other Local Authorities	3,777	4,717
Public Corporations and Trading Funds	142	280
Bodies External to General Government	172	268
	5,013	**7,110**

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 2019/20 onwards.

20. Current Assets and Liabilities

	2017/18 £'000	2016/17 £'000
Assets		
Contributions Due	17,431	19,273
Amounts Due from External Managers	41, 296	144
Accrued and Outstanding Investment Income	1,152	664
Sundries	14,889	12,749
Provision for Bad Debts	(118)	(167)
Cash at Bank	5,259	1,695
	79,909	**34,358**
Relating To: Central Government Bodies	1,868	1,863
Other Local Authorities	11,988	13,828
NHS	1	1
Public Corporations and Trading Funds	140	73
Bodies External to General Government	65,912	18,593
	79,909	**34,358**
Liabilities		
Amounts Due to External Managers	966	-
Transfer Values Payable	-	1,226
Retirement Grants Due	3,467	1,944
Provisions	432	294
Miscellaneous	18,574	12,130
	23,439	**15,594**
Relating To: Central Government Bodies	2,795	3,895
Other Local Authorities	3,016	1,881
Public Corporations and Trading Funds	26	2
Bodies External to General Government	17,602	9,816
	23,439	**15,594**
Total Current Assets and Liabilities	**56,470**	**18,764**

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

'Provision for Bad Debt' relates to general debtors and property rental income, and is based on an assessment of all individual debts as at 31 March 2018.

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

21. Contractual Commitments

Commitments for investments amounted to £534.86 million as at 31 March 2018 (2016/17 £606.12 million). These commitments relate to Private Equity £209.46 million, Infrastructure £128.37 million, Opportunities £31.07 million, Indirect Property £165.96 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 £3.3 million. (2016/17 £3.6 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 £9.1 million (2016/17 £11.9 million) and a creditor of £254,502 as at 31 March 2018 (2016/17 £293,110).

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 2018, payroll are included within the debtors figure in note 20.

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

Liverpool City Council, Knowsley Council, Sefton Council and St Helens Borough Council, Wirral Council, Knowsley Youth Mutual, Helena Housing, Whiston Town Council, Rainhill Parish Council, Knowsley Housing Trust, One Vision Housing, 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 (£13.8 million), Standard Life (£15.8 million), F&C (£21.5 million) and GLIL (£65.9 million).

Linda Desforges, Senior Portfolio Manager acts in an un-remunerated board advisory capacity on five investment bodies in which the Fund has an interest, Standard Life (£15.8 million), BBH Capital (£9.1 million), TEO Plc (£14.3 million), GCM Grosvenor Co-Investment Fund (£6.9 million) and F&C (£21.5 million).

Susannah Friar, Property Manager acts in an un-remunerated board advisory capacity on six investment bodies in which the Fund has an interest, Partners Group Real Estate Asia Pacific 2011 (£7.3 million), Bridges Property Alternatives IV (£1.1 million), Century Bridge China Real Estate Fund II (£5.5 million), Phoenix Asia Secured Debt Fund (£3.5 million), Alma Property Partners (£6.6 million) and Barwood Property.

Adil Manzoor, Portfolio Manager acts in an un-remunerated board advisory capacity on four investment bodies in which the Fund has an interest, Standard Life Infrastructure Fund I (£7.9 million), Blackrock GRP Fund I (£25.8 million) and AMP GIF II (£35.3 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 Fund's senior management during 2017/18 was comprised of 7 individuals: the Director of Pensions, the Head of Pensions Administration, Senior Portfolio Managers (x3), Head of Finance & Risk and Senior Investment Manager, the remuneration paid to the senior management during 2017/18 was £421,487 (2016/17 £416,301). In addition, employer contributions of £56,995 (2016/17 £56,042) was also met from the Fund and charged to the Fund Account. The post of Senior Investment Manager was deleted during the year.

24. Additional Voluntary Contribution Investments

	2017/18 £'000	2016/17 £'000
The Aggregate Amount of AVC Investments is as follows:		
Equitable Life	2,015	2,089
Standard Life	5,988	6,139
Prudential	7,930	6,331
	15,933	**14,559**
Changes During the Year were as follows:		
Contributions	3,432	2,473
Repayments	2,441	2,964
Change in Market Values	383	1,303

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 Director of Finance & Investment (S151);

- to manage the affairs of the Fund to secure economic, efficient use of resources and safeguard its assets.

Director of Finance & Investment (S151) Responsibilities

The Director of Finance & Investment (S151) 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 2018.

In preparing this statement of accounts, the Director of Finance & Investment (S151) has:

- selected suitable accounting policies and then applied them consistently;

- made judgments and estimates that were reasonable and prudent;

- complied with the Code.

The Director of Finance & Investment (S151) 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 Director of Finance & Investment's Certificate

I certify that the Statement of Accounts presents fairly the financial position of the Fund at 31 March 2018, and its income and expenditure for the year then ended.

Shaer Halewood
Director of Finance & Investment (S151)
July 2018

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Audit Report

Independent auditor's report to the members of Merseyside Pension Fund on the consistency of the pension fund financial statements included in the Pension Fund Annual Report.

Opinion

The Merseyside Pension Fund financial statements of Wirral Council (the 'Authority') for the year ended 31 March 2018 which comprise the Fund Account, the Net Assets Statement and the Notes to the Accounts, including a summary of significant accounting policies, of Merseyside Pension Fund are derived from the audited pension fund financial statements for the year ended 31 March 2018 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 2017/18 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 reports 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 31 July 2018.

Director of Finance and Investment (S151) Officer 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 [in this authority, that officer is the Director of Finance and Investment (S151)] 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 2017/18.

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

31 July 2018

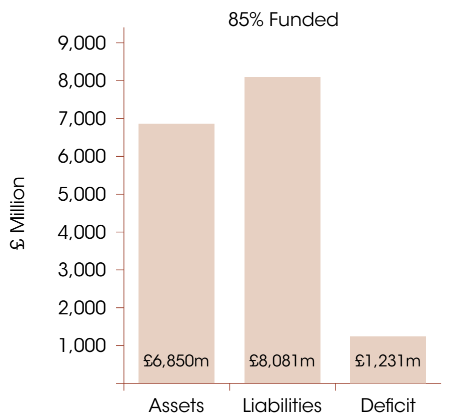
Consulting Actuary's Statement

Accounts for the Year Ended 31 March 2018 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 2018/19 is approximately £49 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 Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

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

	For past Service Liabilities (Funding target) per annum	For future Service Liabilities (Primary rate of contribution) per annum
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 2018 (the 31 March 2017 assumptions are included for comparison):

	31 March 2017 per annum	31March 2018 per annum
Rate of return on investments (discount rate)	2.5%	2.6%
Rate of CPI Inflation / CARE Benefit revaluation	2.3%	2.1%
Rate of pay increases*	3.8%	3.6%
Rate of increases in pensions in payment (in excess of GMP) / Deferred revaluation	2.3%	2.2%

** includes a corresponding allowance to that made in the latest formal acturial 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 rose slightly, resulting in a higher discount rate being used for IAS 26 purposes at the year end than at the beginning of the year (2.6% p.a. versus 2.5% p.a.). The expected long-term rate of CPI inflation decreased during the year, from 2.3% p.a. to 2.1%. Both of these factors served to decrease the liabilities over the year.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2017 was estimated as £11,418 million. Interest over the year increased the liabilities by c£286 million, and allowing for net benefits accrued/paid over the period also increased the liabilities by c£27 million (after allowing for any increase in liabilities arising as a result of early retirements/augmentations). There was then a decrease in liabilities of £446 million due to 'actuarial gains' (i.e. the effect of the changes in the acturial assumptions used, 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 2018 is therefore £11,285 million.

Paul Middleman
Fellow of the Institute and Faculty of Actuaries
Mercer Limited
May 2018

Clive Lewis
Fellow of the Institute and Faculty of Actuaries
Mercer Limited
May 2018

Appendix A

Scheme employers with active members as at 31 March 2018

Scheduled Bodies (34)

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

Scheduled Bodies (Academies) (82)

Academy of St Francis of Assisi
Bellerive FCJ Catholic College
Birkdale High School
Birkenhead 6th Form College (Academy)
Birkenhead High School Academy
Blacklow Brow School (Academy)
Blue Coat School (Academy)
Calday Grange Grammar School
Chesterfield High School
Childwall Sports & Science Academy
Cronton CE Primary (Academy)
De La Salle Academy
Deyes High School
Egremont Primary School (Academy)
Emslie Morgan Academy
Everton Free School
Finch Woods Academy
Formby High School
Garston CE Primary School (Academy)
Great Meols Primary School (Academy)
Greenbank High School
Halewood Academy Centre for Learning
Halewood CE Primary (Academy)
Halsnead Primary School (Academy)
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)
Liverpool Diocesan Schools Trust (LDST) (Academy)
Litherland High School (Academy)
Liverpool College (Academy)
Liverpool Life Science UTC
Lord Derby Academy
Maghull High School
New Park Primary (Academy)
North Liverpool Academy
Oldershaw Academy
Our Lady of Pity (Academy)
Park View Academy
Poulton Lancelyn Primary School (Academy)
Prenton High School for Girls
Rainford High School (Academy)
Rainhill Learning Village Multi Academy Trust
Rainhill St Anns CE Primary School (Academy)
Range High School
Roscoe Primary (Academy)
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 Mary's Catholic College
St Michael's CE High School (Academy)
St Silas CE Primary School (Academy)
St Thomas CE Primary (Academy)
Stanley High School (Academy)
Stanton Road Primary School (Academy)
Studio @ Deyes Academy

Sylvester Primary Academy
The Academy of St Nicholas
The Beacon CE Primary School (Academy)
The Belvedere Academy
The Birkenhead Park School
The Kingsway Academy
The Prescot School (Academy)
The Studio (Academy)
The Sutton Academy
Town Lane Infant School (Academy)
Townfield Primary
Upton Hall School
Weatherhead High School
West Derby School (Academy)
West Kirby Grammar School
Wirral Grammar Boys (Academy)
Wirral Grammar School for Girls
Woodchurch High School

Admission Bodies (Community) (29)

Age Concern - Liverpool
Arriva North West
Association of Police and Crime Commissioners
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
North Huyton Communities Future
One Vision Housing Ltd
Partners Credit Union
Port Sunlight Village Trust
Sefton Education Business Partnership
South Liverpool Housing Ltd
Vauxhall Neighbourhood Council
Welsh Local Government Association
Wirral Autistic Society
Wirral Partnership Homes Ltd

Admission Bodies (Transfer) (49)

Addaction (Sefton)
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 (CRG)
Caterlink 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
Hochtief Liverpool Schools
Hochtief Wirral Schools
Interserve (Facilities Management) Ltd
Kingswood Colomendy Ltd
Knowsley Youth Mutual Ltd
Liverpool Vision Limited
Mack Trading
Mellors Catering - Birkdale
Mellors Catering - St Anns
Mellors Catering - St Mary & St Thomas
Mellors Catering - St Paul & St Timothy
Mosscroft Childcare Ltd
Orian Solutions
Sanctuary Home Care Ltd
Sefton New Directions Ltd
Shap Ltd
SSE Contracting Ltd
Tarmac Trading Ltd
Taylor Shaw - Grange
Taylor Shaw - Great Meols
Taylor Shaw - Raeburn
Taylor Shaw - Range
Taylor Shaw - St Andrews
Veolia ES Merseyside & Halton
Volair Ltd
WCFT (NHS)
WIRED Ltd
Wirral Chamber of Commerce

Appendix B

Pensions Committee Items

17 July 2017

Audit Findings Report

Statement of Accounts 2016/17 and Letter of Representation

Draft Annual Report and Accounts

Budget Outturn 16/17, Final Budget 17/18

LGPS Update

Pooling Update

Transparency Code

Pension Board Annual Report

ISS Guidance Update

Pensions Administration Strategy

Treasury Management Annual Report

PLSA Conference

Fundamentals Training

LGC Investment Summit

MTAA Update Report

Monitoring of Investment Mandates

TPR Compliance Report

IMWP Minutes 6/4 and 16/6/17

18 September 2017

LGPS Update

Pooling Update and Joint Committee Representation

Investment Performance 16/17

MIFID II Opt Up

General Data Protection Regulations

Training Policy

LAPFF Conference

Annual Employers' Conference

Pension Board Minutes 27/6/2017

Systematic Investment

GRWP Minutes 6/7/2017

13 November 2017

LGPS Update

Pensions Administration Strategy

Records Management and Data Improvement Policy

Pension Board Minutes 10/10/2017

LGPS Performance 2016/17

Pooling Update

IMWP Minutes 12/10/2017

22 January 2018

LGPS Update

Pension Fund Budget

Authorised Signatory List

Member Development Programme 2018

Treasury Management Strategy

LGC Investment Seminar

Management of Carbon Risk

Update to Compliance Manual

Pooling Update

Systematic Investment Strategies

Bond Review

Contracts Timetable

IMWP Minutes 16/11/2017

26 March 2018

Audit Plan

LGPS Update

Management of Carbon Risk

PLSA Local Authority Conference

Trustee Knowledge Seminar

Trustee Training

Trustee Steps Training

Gifts & Hospitality Declarations

Pooling Update

Monitoring Policy

Property Arrears

Working Party Minutes

Attendance Record 2017 - 2018

	PENSIONS COMMITTEE					GRWP		IMWP					
	17 JUL	18 SEP	13 NOV	22 JAN	26 MAR	6 JUL	30 JAN	6 APR	16 JUN	21 SEP	12 OCT	16 NOV	8 MAR
Cllr Paul Doughty (Chair)	•	•	•	•	•	•		•	•	•	•	•	
Cllr Ann McLachlan (retired May 2017)								•					
Cllr George Davies	•	•	•	•	•		•				•		
Cllr Adrian Jones	•	•		•	#			•					
Cllr Brian Kenny	•		•	•	•	•	•	•	•			•	
Cllr Geoffrey Watt (Spokesperson)	•	•	•	•	•		•	•	•	•	•	•	
Cllr Cherry Povall, JP	•	•	•	•	•								
Cllr Pat Cleary	•	•	•	•				•		•		•	•
Cllr Tony Jones	•	•	•	•	•	•	•						•
Cllr Bernie Mooney	•			•	•								
Cllr Kathy Hodson	•	•	•	#	•								
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)*													
Roger Bannister (UNISON)*		•	•	•			•			•	•	•	

Deputy Attended * Co-Optee

Conferences

	LGC Investment Seminar	# PLSA Edinburgh	PLSA	# 3rd Annual UK Wide Infrastructure	# LGPC Bournemouth
	1 - 2 MAR	8 - 10 MAR	15 - 17 MAY	6 - 7 JUN	29 JUN
Cllr Paul Doughty (Chair)	•	•	•	•	•
Cllr Adrian Jones					
Cllr Brian Kenny	•		•		
Cllr Geoffrey Watt (Spokesperson)	•				
Cllr Cherry Povall, JP	•				
Cllr Paulette Lappin (Sefton Council)*					
Roger Bannister (UNISON)*	•				

Chair attendence only * Co-Optee

	LGC Newport	PLSA	MPF Annual Conference	LAPFF Annual Conference	Fundamental Training Days
	6 - 8 SEP	18 - 20 OCT	30 NOV	6 - 7 DEC	OCT/NOV/DEC
Cllr Paul Doughty (Chair)	•	•	•	•	
Cllr Adrian Jones	•	•			
Cllr Brian Kenny		•			
Cllr Geoffrey Watt (Spokesperson)	•	•		•	
Cllr Cherry Povall, JP	•	•			
Cllr Paulette Lappin (Sefton Council)*					•
Roger Bannister (UNISON)*					•

* Co-Optee

Appendix C

Information Contacts

Position	Name	Telephone number
Director of Pensions	Peter Wallach	0151 242 1390
Head of Pensions Administration	Yvonne Caddock	0151 242 1390

Area	Name	Telephone number
Accounts (Compliance, Financial Control and Management)	Donna Smith	0151 242 1390
Investments (Fund Assets' Management)	Linda Desforges	0151 242 1390
Employer Compliance and Membership (Transfers, Divorce, Admissions, Data quality assurance)	Sue Roberts/Paula Heaton	0151 242 1390
Benefits/Payroll (Retirement Calculations and Payments)	Barbara King/Keith Higgins	0151 242 1390
Operations (IT/Communications) (Systems Support, MyPension, Website, Events)	Guy Hayton	0151 242 1390

Resolution of Disputes		
Employer Decisions	Head of Pensions Administration	0151 242 1390
Fund Decisions	Director of Finance & Investments (S151)	0151 691 8688

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	Sarah Myers	0174 467 6627
Wirral Council	Helen Watkins	0151 691 8529

Report & Accounts 2017/18

Merseyside Pension Fund
Castle Chambers
43 Castle Street
Liverpool
L2 9SH

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Email: mpfadmin@wirral.gov.uk
www.merseysidepensionfund.org.uk

Administering Authority Wirral Council

134APR18GB

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WIRRAL COUNCIL

PENSION BOARD

DATE 16 OCTOBER 2018

SUBJECT:	**BUDGET OUTTURN 17/18, FINAL BUDGET 18/19**
REPORT OF:	**HEAD OF FINANCE & RISK**

1.0 EXECUTIVE SUMMARY

1.1 This report provides Board members with a copy of the recent Budget report taken to Pensions Committee.

2.0 BACKGROUND AND KEY ISSUES

2.1 On an annual basis, the Fund reports the budget outturn for the previous year and seeks approval from Pensions Committee for a budget for the current financial year.

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

3.1 There are none arising from this report

4.0 RECOMMENDATION

4.1 That Board Members note the report.

5.0 REASON/S FOR RECOMMENDATION/S

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

REPORT AUTHOR Peter Wallach Director of Pensions
Telephone (0151) 242 1309
Email peterwallach@wirral.gov.uk

SUBJECT HISTORY

Reports/notes	Date

Annual report to Board.	

APPENDIX

BUDGET OUTTURN 17/18, BUDGET 18/19.

WIRRAL COUNCIL

PENSIONS COMMITTEE

16 JULY 2018

SUBJECT:	**BUDGET OUT-TURN 2017/18 AND BUDGET FINANCIAL YEAR 2018/19**
WARD/S AFFECTED:	**ALL**
REPORT OF:	**DIRECTOR OF PENSIONS**
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 2017/18.
- The finalised budget for the financial year 2018/19.

1.2 The actual out-turn for 2017/18 is £18.0m, lower than the original budget approved 17 July 2017 of £20.9m and lower than the projected out-turn of £18.7m as reported at Pensions Committee on 22 January 2018.

1.3 The 2018/19 budget reported in January has been updated to reflect agreed pay rise of 2%, along with revised salary overheads, premises and departmental & central support charges; the finalised 2018/19 budget is £22.0m as reported in January 2018.

2.0 BACKGROUND AND KEY ISSUES

2.1 Pensions Committee, at its meeting on 22 January 2018, received an estimate of the out-turn for 2017/18 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 2017/18 is lower than the projected out-turn reported in January 2018, due to the number of estimates required for the January report.

2.2 Pensions Committee at its meeting on 22 January 2018 agreed the budget for 2018/19 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 premises budget following office relocations.
- Updated Custodian budget to reflect additional services take up.
- Updated estimate for central establishment charges.

2.4 Previously, Pensions Committee has approved a 3 year budget for inclusion in the Fund's annual report to follow a best practice document produced by Cipfa. Due to the onset of pooling anticipated during the next three years, a three year budget will not be included within this year's annual report, this will be subject to review when there is more visibility on future arrangements.

2.5 At the Investment Monitoring Working Party on 14 June 2018, CEM presented the most recent benchmarking report on MPF's investment costs to Members which analysed the Fund's investment costs in the context of risk and return, and relative to other LGPS funds and private pension funds internationally. The information is used by the Fund and the Northern Pool to ensure the effectiveness of the Fund's expenditure in this key area.

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 were reviewed during 2017/18.

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 £22.0m including £14.2m of investment management charges to external managers represent a cost of £160.26 per member of the scheme. Taken separately the investment management costs of £14.2m are £103.54 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 2017/18.

12.2 Members approve the finalised budget for 2018/19.

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**
Head of Finance & Risk
telephone: 0151 242 1312
donnasmith@wirral.gov.uk

APPENDICES

The budget for 2018/19 including the out-turn for 2017/18 is attached as appendix 1 to this report.
The original appendix as reported to Members on 22 January 2018 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	**22 January 2018**
Pension Fund Budget	**16 July 2017**

Pension Fund Budget	**23 January 2017**
Pension Fund Budget	**4 July 2016**
Pension Fund Budget	**25 January 2016**
Pension Fund Budget	**22 June 2015**

Appendix 1

Value of the Fund	£8.6bn	*31/03/2018*
Investment income Received	£206m	*Projected 2018/19*
Pensions Paid	£323m	*Projected 2018/19*
Contributions Received (see note 1)	£207m	*Projected 2018/19*
Active Contributing members	49,151	*31 March 2018*
Deferred members	38,176	*31 March 2018*
Pensioners	50,160	*31 March 2018*
Total Members	137,487	*31 March 2018*

		Budget 2017/18 (£)	Actual Out-Turn 2017/18	Budget 2018/19 (£)
Employees				
	Pay, NI and Pension	3,102,337	2,499,504	3,339,555
	Training	20,000	8,535	20,000
	Other Staffing Costs	265,896	210,320	270,758
		3,388,233	**2,718,359**	**3,630,313**
Premises				
	Rents	279,886	279,886	190,608
		279,886	**279,886**	**190,608**
Transport				
	Public Transport Expenses	49,534	33,898	53,733
	Car Allowances	1,360	893	1,630
		50,894	**34,791**	**55,363**
Supplies				
	Furniture and Office Equipment	14,000	1,835	14,000

Printing and Stationery	47,000	12,625	32,000
Computer Development and Hardware	507,500	443,870	643,000
Postages and Telephones	106,250	52,037	97,250
External Audit	41,000	39,062	41,000
Services and Consultants Fees	998,767	716,495	1,588,350
Conferences and Subsistence	36,499	23,557	47,893
Subscriptions	143,139	129,744	147,360
Other	61,000	44,746	65,835
	1,955,155	**1,463,971**	**2,676,688**
Third Party			
Medical Fees	5,500	2,603	3,500
Bank Charges	20,000	14,926	20,000
Investment Management Fees	14,130,828	12,608,820	14,235,600
Custodian Fees	260,000	166,383	300,000
Actuarial Fees (net)	280,000	204,055	280,000
Other Hired and Contracted Services	144,755	188,380	277,033
	14,841,083	**13,185,167**	**15,116,133**
Departmental & Central Support Charges	349,757	335,653	363,879
	349,757	**335,653**	**363,879**
Total Expenditure	**20,865,008**	**18,017,827**	**22,032,984**

Note 1 The estimated contributions for 2018/19 are lower than reported in previous years due to a number of employers of the Fund opting to pay their 3 year deficit calculated by the actuary as part of the 31 March 2016 triennial valuation as a one off payment. This has resulted in the Fund receiving additional contributions during 2017/18, with the subsequent 2 years contributions being lower to account for the upfront payments.

Appendix 2

Value of the Fund	£8.5bn	*30/09/2017*
Investment income Received	£190m	*Projected 2018/19*
Pensions Paid	£294m	*Projected 2018/19*
Contributions Received (see note 1)	£230m	*Projected 2018/19*
Active Contributing members	47,206	*31 March 2017*
Deferred members	38,368	*31 March 2017*
Pensioners	48,765	*31 March 2017*
Total Members	134,339	*31 March 2017*

		Budget 2017/18 (£)	**Probable Out-Turn 2017/18**	**Budget 2018/19 (£)**
Employees				
	Pay, NI and Pension	3,102,337	2,525,355	3,331,558
	Training	20,000	11,950	20,000
	Other Staffing Costs	265,896	316,280	288,126
		3,388,233	**2,853,585**	**3,639,684**
Premises				
	Rents	279,886	279,886	247,056
		279,886	**279,886**	**247,056**
Transport				
	Public Transport Expenses	49,534	35,131	53,733
	Car Allowances	1,360	1,007	1,630
		50,894	**36,138**	**55,363**
Supplies				
	Furniture and Office Equipment	14,000	12,550	14,000

Printing and Stationery	47,000	17,229	32,000
Computer Development and Hardware	507,500	517,351	643,000
Postages and Telephones	106,250	73,016	97,250
External Audit	41,000	41,000	41,000
Services and Consultants Fees	998,767	742,910	1,588,350
Conferences and Subsistence	36,499	25,830	47,893
Subscriptions	143,139	136,220	147,360
Other	61,000	53,084	65,835
	1,955,155	**1,619,190**	**2,676,688**
Third Party			
Medical Fees	5,500	2,356	3,500
Bank Charges	20,000	13,352	20,000
Investment Management Fees	14,130,828	13,034,169	14,235,600
Custodian Fees	260,000	154,803	260,000
Actuarial Fees	280,000	280,000	280,000
Other Hired and Contracted Services	144,755	120,112	277,033
	14,841,083	**13,604,792**	**15,076,133**
Departmental & Central Support Charges	349,757	349,757	349,757
	349,757	**349,757**	**349,757**
Total Expenditure	**20,865,008**	**18,743,348**	**22,044,681**

Note 1 The estimated contributions for 2018/19 are lower than reported in previous years due to a number of employers of the Fund opting to pay their 3 year deficit calculated by the actuary as part of the 31 March 2016 triennial valuation as a one off payment. This has resulted in the Fund receiving additional contributions during 2017/18, with the subsequent 2 years contributions being lower to account for the upfront payments.

WIRRAL COUNCIL

PENSION BOARD

DATE 16 OCTOBER 2018

SUBJECT:	**LGPS UPDATE**
REPORT OF:	**HEAD OF PENSIONS ADMINISTRATION**

1.0 EXECUTIVE SUMMARY

1.1 This report provides Board members with copies of recent LGPS update report taken to Pensions Committee

2.0 BACKGROUND AND KEY ISSUES

2.1 The LGPS update is a standing item on the Pensions Committee agenda

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

3.1 There are none arising from this report

4.0 RECOMMENDATION

4.1 That Board Members note the report.

5.0 REASON/S FOR RECOMMENDATION/S

5.1 There is a requirement for Members of the Pension Board to be kept up to date with legislative developments as part of their role in supporting the administering authority.

REPORT AUTHOR Yvonne Caddock Head of Pensions Administration
Telephone (0151) 242 1333
Email yvonnecaddock@wirral.gov.uk

SUBJECT HISTORY

Reports/notes	Date
Standing item on agenda	

APPENDIX

LGPS Update Report July 2018

WIRRAL COUNCIL

PENSION COMMITTEE

16 JULY 2018

SUBJECT:	**LGPS UPDATE** **THE LOCAL GOVERNMENT PENSION SCHEME (AMENDMENT) REGULATIONS 2018**
WARD/S AFFECTED:	**NONE**
REPORT OF:	**DIRECTOR OF PENSIONS**
KEY DECISION?	**NO**

1.0 EXECUTIVE SUMMARY

1.1 The purpose of this report is to inform Members that the Local Government Pension Scheme (Amendment) Regulations were laid before Parliament on 19 April 2018, becoming operational on 14 May 2018.

1.2 The report outlines the key changes that affect the administration of the Fund.

2.0 BACKGROUND AND KEY ISSUES

2.1 The Local Government Pension Scheme (Amendment) Regulations came into force on 14 May 2018. They contain various corrections and clarifications to the Local Government Pension Scheme (LGPS) Regulations 2013 that have been identified following the introduction of those regulations on 1 April 2014. A consultation on the Amendment regulations took place during Summer 2016.

2.2 **The main changes in relation to the administration of members' benefits are as follows:**

a) The alignment of entitlement to early payment of deferred benefits for a member who left the scheme between 01 April 1998 and 1 April 2014 and councillor members who retain a deferred benefit with those who left the Scheme on or after the 1 April 2014.

These members can now elect for payment of their deferred benefits at any time between their 55th birthday and the eve of their 75th birthday.

An unintentional consequence, arising from an oversight in drafting the regulations, has occurred for deferred members who left prior to 1 April 1998 who are over age 55 at 14 May 2018, as they will not be able to elect for early payment of their deferred benefits prior to their normal retirement date.

The Ministry of Housing, Communities & Local Government (MHCLG) have committed to the issuing of an intention statement for Funds to determine how to administer these problematic cases whilst awaiting formal rectification by means of a subsequent set of amendment regulations.

b) The alignment of the LGPS with other Public Service Schemes in their approach to transitional protection under section 18 (5) of the Public Service Pensions Act 2013.

   This change provides for a member who received a transfer value in the 2014 LGPS from another public service scheme, and where all or part of the transfer purchases final salary benefits in the LGPS and the member has not had a continuous break in active membership of more than 5 years since ceasing active membership from the transferring scheme. The membership the transfer relates to will be treated as it if were membership of the 2008 scheme. Where such a transfer is received, the ‘underpin’ will apply as detailed in the LGPS Regulations 2013.

c) The alignment of AVC provisions entered into before 1 April 2014 with those entered into on or after the 1 April 2014.

   This has enabled all AVC contracts to be harmonised except for AVC provisions where the member left the scheme prior to 1 April 2014. In addition, these amendments do not apply to Councillor Members, as Councillor Members who pay AVCs are doing so under the 1997 Regulations.

2.3 **The main changes in relation to the administration of Fund employers are as follows:**

a) A change to the regulations provides for admission agreements established on or after 14 May 2018, where an administering authority makes an admission agreement, the administering authority no longer has to keep a copy available for public inspection at its offices or inform MHCLG.

The administering authority must publish a list of admission agreements to which it is party and keep the published list up to date. The Local Government Association (LGA) have confirmed that in their view the publication of the pension fund annual report will meet this requirement as the report must include a full list of employers split between admitted and scheduled bodies.

b) A new provision provides for the payment of an exit credit by the administering authority to an exiting employer.

An exit credit is an amount the administering authority is required to pay an employer that is exiting the fund if there is an excess of assets relating to that employer. The exit credit must be paid within 3 months of the date on which the employer ceases to be a scheme employer (or such longer time as agreed between the administering authority and the exiting employer).

An 'exiting employer' is an employer that ceases to be a scheme employer (including ceasing to be an admission body participating in the scheme.)

Once an exit credit is paid, no further payments are due from the administering authority in respect of any surplus assets relating to the benefits of any current or former employees of the exiting employer.

Consequently, there will need to be greater engagement with employers as to how liabilities on exit will be determined and whether the contractual provisions cater for treatment of a potential surplus at the end of the contract.

As such the Fund has arranged a number of meetings with the Finance Directors of the Merseyside Authorities to discuss the impact of the regulatory change on future and historic outsourced commercial arrangements.

Exclusion of Former Draft Provisions

2.4 Provisions that were included in the draft regulations that have not been brought forward are as follows:

New Fair Deal: a further consultation is expected later this year as a number of issues highlighted in consultation responses require consideration to ensure the policy is fair and administratively cost effective.

AVC Drawdown: the proposals allowing flexibility to take uncrystallised funds pension lump sums from AVC is administratively too complex mainly due to difficulties standardising procedures amongst AVC providers. Members who wish to consider this option will have to transfer their AVC provision to another arrangement.

Aggregation: the proposal to revert to pre-2014 aggregation requirements to end automatic aggregation has not been made as this would be inconsistent with Schedule 7 of the Public Service Pension Act.

2.5 **Disclosure - Communication of Material Change**

The Regulations have been checked for material changes that relate to members and targeted communications will be issued to the relevant membership cohorts in accordance with The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013.

Therefore It has been agreed by the Director of Pensions that all deferred members will be individually notified of the option to access benefits from age 55 without the former employing body's consent.

The letter will also be used as an opportunity to promote the "My Pension" member portal registration process to support the Fund's business model of a digital communication strategy. In addition it will contain information on how the Fund complies with Data Protection requirements, specifically the legal basis for holding personal data and how we share that data.

All members who have an AVC arrangement will receive notification of the changes to align the provisions of pre/post 2014 AVC plans.

Employers have received an email alert with specific emphasis on operational changes relating to exiting credits, revisions to Assumed Pensionable pay calculations, and the requirement to review discretionary policies in regard to granting early release of deferred and impact on waiving of actuarial reductions.

3.0 RELEVANT RISKS

3.1 Failure to understand the potential consequences of the changes to the regulations is a key risk for MPF. It could lead to non-compliance with statutory duties, unforeseen costs being incurred and reputational damage

4.0 OTHER OPTIONS CONSIDERED

4.1 Not relevant for this report.

5.0 CONSULTATION

5.1 The Fund will shortly commence a consultation with its constituent employers on revisions to the Funding Strategy Statement to incorporate the change of the statutory position regarding exit credits

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 The return of surplus may present further cash flow challenges for Funds and possibly unforeseen interactions with contractual provisions - which in most circumstances the Fund is not privy to as they are under separate schedule to the admission agreement.

The introduction of exit credits will require the Fund to review and consult on the Funding Strategy Statement in order to align the termination policy to ensure consistency with the regulations and various commercial arrangements to deliver local government services.

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 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.

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Agenda Item 7

WIRRAL COUNCIL

PENSION BOARD

DATE 16 OCTOBER 2018

SUBJECT:	**TREASURY MANAGEMENT ANNUAL REPORT**
REPORT OF:	**HEAD OF FINANCE & RISK**

1.0 EXECUTIVE SUMMARY

1.1 This report provides Board members with a copy of the Treasury Management Annual report recently taken to Pensions Committee

2.0 BACKGROUND AND KEY ISSUES

2.1 The Fund provides Pensions Committee with an annual report of its treasury activities.

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

3.1 There are none arising from this report

4.0 RECOMMENDATION

4.1 That Board Members note the report.

5.0 REASON/S FOR RECOMMENDATION/S

5.1 There is a requirement for Members of the Pension Board to be kept up to date with legislative developments as part of their role in supporting the administering authority.

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SUBJECT HISTORY

Reports/notes	Date

Standing item on agenda	

APPENDIX

Treasury Management Annual Report July 2018

WIRRAL COUNCIL

PENSIONS COMMITTEE

16 JULY 2018

SUBJECT:	**TREASURY MANAGEMENT ANNUAL REPORT 2017/18**
WARD/S AFFECTED:	**ALL**
REPORT OF:	**DIRECTOR OF PENSIONS**
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 2017/18 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 23 January 2017 Pensions Committee approved the Treasury Management Policy and Strategy 2017/18.

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 2018, MPF had a cash balance of £53.2 million as against £75.2 million at 31 March 2017. All of these funds were held on call (instant access) accounts with Lloyds, Santander 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; the Bank of England base rate was increased from 0.25% to 0.50% in November 2017.

2.7 Over the twelve month period, Northern Trust calculated the cash performance to be 0.23% 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 2017/18, apart from the limit with our current bankers Lloyds detailed within section 2.10 below.

2.10 There were two incidences where the Fund was non-compliant with the treasury management policy throughout 2017/18. The Fund breached the deposit limit held with its current bankers, Lloyds, due to the receipt of significant funds that the treasury team was not notified of; the anomaly was rectified the next working day, with no financial disadvantage to the Fund. The Fund during 2017/18 was also put in an overdrawn position overnight. This was due to significant transactions taking place on a given date and cash proceeds from the redemption of investments not being received when expected; this resulted in a financial loss to the Fund of £7,582.41. Working procedures have been reviewed and updated to further strengthen the control environment to prevent reoccurrence.

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 2017/18 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

Treasury Management Policy and Strategy 2017/18
Code of Practice for Treasury Management in Public Services – CIPFA

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
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**
Pensions Committee	**17 July 2017**

WIRRAL COUNCIL

PENSION BOARD

DATE 16 OCTOBER 2018

SUBJECT:	**PENSION BOARD REVISED TERMS OF REFERENCE**
REPORT OF:	**DIRECTOR OF PENSIONS**

1.0 EXECUTIVE SUMMARY

1.1 This report provides Board members with a copy of a report recently taken to Pensions Committee recommending a revision to the Board's terms of reference.

2.0 BACKGROUND AND KEY ISSUES

2.1 It is proposed that the Board's Terms of Reference are revised to increase the number of meetings and to allow the Scheme Manager greater discretion in the appointment and term of Board membership.

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

3.1 There are none arising from this report

4.0 RECOMMENDATION

4.1 That Board Members note the report.

5.0 REASON/S FOR RECOMMENDATION/S

5.1 There is a requirement for Members of the Pension Board to be kept up to date with legislative developments as part of their role in supporting the administering authority.

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SUBJECT HISTORY

Reports/notes	Date
Standing item on agenda	

APPENDIX

1. **Committee Report**
2. **Revised Terms of Reference**

WIRRAL COUNCIL

PENSIONS COMMITTEE

16 JULY 2018

SUBJECT:	**REVISED WIRRAL PENSION BOARD TERMS OF REFERENCE**
WARD/S AFFECTED:	**NONE**
REPORT OF:	**DIRECTOR OF PENSIONS**
KEY DECISION	**NO**

1.0 EXECUTIVE SUMMARY

1.1 This report informs members of a proposed revision to the Terms of Reference for Wirral Council's Local Pension Board and requests that these are recommended to full Council for adoption.

1.2 The revised Terms of Reference are attached as appendix to this report.

2.0 BACKGROUND AND KEY ISSUES

2.1 In early 2015, Wirral Council's Pension Board was established in accordance with statutory requirements prescribed within the Public Service Pension Act 2013 and the Local Government Pension Scheme (Governance) Regulations 2015.

The intent was to provide assurance that all public service pension schemes and individual LGPS Funds are managed effectively with a properly constituted, trained and competent Pension Board monitoring compliance with legislation and best practice standards.

2.2 The Board has operated effectively since July 2015 when it was implemented fully. The annual review of its activities is a separate item on this agenda. Although its terms of reference stipulated a minimum of two meetings per annum, the Board soon moved to three meetings in order to manage its work plan more effectively.

2.3 The Pension Regulator has intimated recently that its expectations are that Local Pension Boards should meet at least quarterly. This situation was discussed at the June Wirral Pension Board meeting and the consensus was that the number of meetings should increase to a minimum of four to reflect best practice.

2.4 The Terms of Reference have been revised to reflect this change (section 2). Additionally, changes to sections 4 and 5 have also been made to allow the Scheme Manager greater discretion in the appointment and term of membership of the Board to achieve necessary representation and balance.

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 change to the frequency of meetings was discussed at the Local Pension Board meeting in June 2018.

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 arrangements and preparation for an additional meeting will require additional officer resource and time to be committed.

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 recommends the revisions to the Pension Board's terms of reference to full Council for adoption into the Council's constitution.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 The revised terms of reference reflect the regulator's expectations of best practice and will allow the Scheme Manager greater discretion in constituting the Board.

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APPENDICES

Revised Pension Board Terms of Reference

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee	**June 2015**

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Appendix 1

Local Pension Board of Wirral Borough Council

Terms of Reference

1. Introduction

1.1 This document sets out the terms of reference of the Local Pension Board of Wirral Borough Council (the 'Administering Authority') a scheme manager as defined under Section 4 of the Public Service Pensions Act 2013. The Local Pension Board (hereafter referred to as 'the Board') is established in accordance with Section 5 of that Act and under regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended).

1.2 The Board is established by the Administering Authority and operates independently of the Pension Committee. Relevant information about its creation and operation are contained in these Terms of Reference.

1.3 The Board is not a committee constituted under Section 101 of the Local Government Act 1972 and therefore no general duties, responsibilities or powers assigned to such committees or to any sub-committees or officers under the constitution, standing orders or scheme of delegation of the Administering Authority apply to the Board unless expressly included in this document.

1.4 The Board shall be constituted separately from any committee or sub-committee constituted under Section 101 of the Local Government Act 1972 with delegated authority to execute the function of the Administering Authority.

2. Statement of Purpose

2.1 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:

a. to secure compliance with the Regulations , any other legislation relating to the governance and administration of the Scheme., and requirements imposed by the Pension Regulator in relation to the Scheme and;

b. to ensure the effective and efficient governance and administration of Merseyside Pension Fund.

c. To provide the Scheme Manager with such information as it requires ensuring that any member of the Pension Board or person to be appointed to the Board does not have a conflict of interest.

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

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

3. Scheme Manager Consents

3.1 The Board shall not:

- Overturn investments decisions that have been made by the Pension Committee but may consider whether due process has been followed to validate the decision taken.

- Amend the strategies prepared in compliance with section 57 to 61 of the LGPS regulations subsequent to prior consultation with it on the draft strategies and consequent approval by the Pension Committee

- Consider or become involved in any specific internal dispute resolution appeal

- Enter into contracts on behalf of the Administering Authority

- Dismiss any members of the Pension Committee

- Compromise the Pension Committee's ability to comply with its fiduciary duty to the Pension Fund and its members.

4. Membership and Appointment Process

4.1 The Board shall consist of eight voting members to be constituted as follows:

Four employer representatives, of whom;

a. Two shall be nominated from Local Authorities, Police/ Fire/ Transport Authorities, Parish Councils

b. One from the Academies / Further/Higher Education Bodies

c. One from Admitted Bodies excluding employers admitted by virtue of undertaking a commercial contract connected to a function of a scheme employer.

4.2 Employer representatives shall be office holders or senior employees of employers of the Fund or have experience of representing scheme employers in a similar capacity. No officer or elected member of the Administering Authority who is responsible for the discharge of any function of the Administering Authority under the Regulations may serve as a member of the Board.

4.3 Employer representatives should be able to demonstrate their capacity to attend and complete the necessary preparation for meetings and participate in training as required:

Four scheme member representatives of whom;

a. Two shall represent and be drawn from active members of the Merseyside Pension Fund;

b. Two shall represent and be drawn from pensioner and deferred members of the Merseyside Pension Fund.

4.4 The constitution of employer or employee representatives may be varied at the discretion of the Scheme Manager in order to achieve necessary representation or balance on the Board. Member representatives shall either be scheme members or have capacity to represent scheme members of the Fund

4.5 Member representatives should be able to demonstrate their capacity to attend and complete the necessary preparation for meetings and participate in training as required.

4.6 In addition one other non-voting independent member selected by the Scheme Manager, shall be appointed as Chair of the Board, with independence defined as follows:

a. Not a current elected member or employee of a participating scheme employer or an individual with a financial or other material interest in either the Administering Authority or any of its constituent employers.

b. Has not been an elected member or employee of a participating scheme employer in the past 5 years.

c. Is not an active, pensioner or deferred member of Merseyside Pension Fund

4.7 It will be the role of the Chair to:

a. Ensure that all members of the Board show due respect for process, that all views are fully heard and considered and to determine when consensus has been met, instances of a failure to reach a consensus position will be recorded and published.

b. To uphold and promote the purpose of the Board and to interpret its constitution and Terms of Reference when necessary.

c. Ensure that the Board members have the knowledge and skills as determined in the Fund's Training Policy and other guidance or legislation and maintain a training record.

d. Agree the agenda and minutes for each Board meeting with the Board Secretary (Director of Pension Fund)

e. Ensure an attendance record is maintained along with advising the Scheme Manager on expenses to be paid.

f. Advise the Scheme Manager on any required budget for the Board. The Chair shall not incur any expenditure on behalf of the Board without seeking the prior written consent of the Scheme Manager.

g. Write reports required by Scheme Manager on the performance of the Board.

h. Liaise with the Scheme Manager on the requirements of the Board, including advanced notice for Officers to attend and arranging dates and times of Board meetings.

i. To annually review and report on the performance of the Board.

4.8 The Chair's decision on all points of order, procedure and protocol shall be final.

4.9 The appointment of the Chair by the Scheme Manager will only be made following an openly advertised competitive process for the role which shall also be subject to the passing of a motion by the Board to approve the successful candidate.

4.10 Members of the Board shall only be appointed after all employers or members from the respective employer section or membership cohort have been invited to put forward nominations or expressions of interest.

4.11 Successful employer and employee representatives will be selected by the Scheme Manager having taken account of their capacity to represent other scheme employers and members, attend meetings and undertake extensive training.

4.12 Members in all categories will only be appointed by the Scheme Manager if they commit to acquire the knowledge and skill requirement set out in the relevant regulations and guidance, as defined in section 8 of this document.

5. Length of term

5.1 Members of the Board will serve for a minimum term of four years which can be extended for a further term subject to the agreement of the Scheme Manager; thereafter the formal appointment process will apply.

5.2 In recognition of the complexity of pension legislation and to assist with knowledge development and retention, the initial term of office for one of the two active member representatives shall be six years and one of the two employer representatives of the local authorities, Police/Fire Transport authorities and Parish Council shall be six years.

5.3 Other than as a result of retirement at the expiry of this period the term of office will come to an end ;

a. For employer representatives who are councillors if they cease to hold office as a councillor and can no longer demonstrate the capacity to represent the specific employer category or there is disagreement from within the section;

b. For employer representatives who are not councillors, when they cease to be employed by the employing body where they were employed on appointment and can no longer demonstrate the capacity to represent the specific employer category or there is disagreement from within the section

c. For scheme member representatives if they cease to be a member of the relevant member group and can no longer demonstrate capacity to represent scheme members.

5.4 Each Board member should endeavour to attend all Board meetings during the year. Substitute members are not permitted due to the nature of the Board as a supervisory body and the need for appropriate knowledge and skills and the management of conflicts of interest.

5.5 Members of the Board shall cease to be a member of the Board if they do not attend two consecutive meetings and fail to tender apologies which are accepted by the Board.

5.6 In event of the independent member not being available for a Board meeting, a Vice Chair for that meeting will be determined by the Board members.

5.7 The removal of the independent member requires the consent of the Scheme Manager.

6. Quorum

6.1 A meeting is only quorate when at least 2 employer representatives and 2 scheme member representatives are present.

6.2 A meeting that becomes inquorate may continue but any decisions will be non-binding

7. Code of Conduct and Conflicts of Interest

7.1 The principles included in the Council's Code of Conduct for members apply to all members of the Board set out in the Constitution of the Council. Conflicts of interest shall be managed taking account of the requirements set out in the Council's constitution, best practice defined in the Scheme Advisory Board's statutory guidance and the Pension Regulator's Code of Practice 14: Governance and Administration of public service pension schemes.

8. Board Review Process

8.1 The Board will undertake each year a formal review process to assess how well it and its members are performing with a view to seeking continuous improvement in the Board's performance.

9. Advisers to the Board

9.1 The Board may be supported in its role and responsibilities through the appointment of advisers as agreed with the Scheme Manager. In addition the Board will have access to the officers of Merseyside Pension Fund and where considered appropriate access to the advisers to the Pension Fund.

10. Knowledge and Skills

10.1 A member of the Board must be conversant with –

a. The legislation and associated guidance of the Local Government Pension Scheme (LGPS).

b. Any document recording policy about the administration of the LGPS which is for the time being adopted by the Merseyside Pension Fund.

10.2 A member of the Board must have knowledge and understanding of -

a. The law relating to pensions, and

b. Any other matters which are prescribed in regulations.

10.3 It is for individual Board members to be satisfied that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the Board.

10.4 In line with this requirement Board members are required to be able to demonstrate their knowledge and understanding and to refresh and keep their knowledge up to date. Board members are therefore required to maintain a written record of relevant training and development.

10.5 Board members will undertake a personal training needs analysis and regularly review their skills, competencies and knowledge to identify gaps or weaknesses.

10.6 Board members will comply with the Scheme Manager's training policy.

11. Board Meetings – Notice Minutes and Reporting

11.1 The Scheme Manager shall give notice to all Board members of every meeting of the Board, and shall ensure that all papers are published on Wirral Borough Council's Website at least 5 working days prior to each meeting. These may at the discretion of the Scheme Manager be edited to exclude items on the grounds that they would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act and/or they represent data covered by the Data Protection Act 1998.

11.2 The Scheme Manager shall ensure that a formal record of Board proceedings is maintained.

11.3 The Board shall on an annual basis produce a report on both the nature and effect of its activities for consideration by the Scheme Manager. The contents of this annual report will be subject to consideration and agreement at a meeting of the Board, but should include as a minimum:

a. Details of the attendance of members of the Board at meetings,

b. Details of the training and development activities provided for members of the board and attendance at such activities;

c. Details of any recommendations made by the Board to the Scheme Manager and the Scheme Manager's response to those recommendations;

d. Details of the costs incurred in the operation of the Board

11.4 The Board in considering items of business at its ordinary meetings shall in relation to each item consider whether it wishes to make a recommendation to the Scheme Manager, to which the Scheme Manager shall respond at the subsequent meeting.

12. Remit of the Board

12.1 The Board must assist the Scheme Manager with the primary core function in securing compliance with the regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator.

12.2 This involves but is not limited to oversight and comment on :

a. Review regular compliance monitoring reports which shall include reports to and decisions made under the Regulations by the Committee.

b. Review management, administrative and governance processes and procedures in order to ensure they remain compliant with the Regulations, relevant legislation and in particular the Code.

c. Review the compliance of scheme employers with their duties under the Regulations and relevant legislation.

d. Assist with the development of and continually review such documentation as is required by the Regulations including Governance Compliance Statement, Funding Strategy Statement and Investment Strategy Statement.

e. Assist with the development of and continually review scheme member and employer communications as required by the Regulations and relevant legislation.

f. Monitor complaints and performance on the administration and governance of the scheme.

g. Assist with the application of the Internal Dispute Resolution Process.

h. Review the complete and proper exercise of Pensions Ombudsman cases.

i. Review the implementation of revised policies and procedures following changes to the Scheme.

j. Review the arrangements for the training of Board members and those elected members and officers with delegated responsibilities for the management and administration of the Scheme.

k. Review the complete and proper exercise of employer and administering authority discretions.

l. Review the outcome of internal and external audit reports.

m. Review draft accounts and Fund annual report.

n. Review the compliance of particular cases, projects or process on request of the Committee.

o. Any other area within the statement of purpose (i.e. assisting the Administering Authority) the Board deems appropriate

12.3 The secondary core function of the Board is to ensure the effective and efficient governance and administration of the Scheme and may determine the areas it wishes to consider including but not restricted to :

a. Assist with the development of improved customer services.

b. Monitor performance of administration, governance and investments against key performance targets and indicators.

c. Review the effectiveness of processes for the appointment of advisors and suppliers to the Administering Authority.

d. Monitor investment costs including custodian and transaction costs.

e. Monitor internal and external audit reports.

f. Review the risk register as it relates to the scheme manager function of the authority.

g. Assist with the development of improved management, administration and governance structures and policies.

h. Review the outcome of actuarial reporting and valuations.

i. Assist in the development and monitoring of process improvements on request of Committee.

j. Assist in the development of asset voting and engagement processes and compliance with the UK Stewardship Code

13. Standards of Conduct

13.1 The role of the Board members requires the highest standards of conduct and therefore the "seven principles of public life" as defined within the Council Constitution will be applied to all Pension Board members and embodied in their code of conduct.

13.2 These principles are –

- Selflessness
- Integrity
- Objectivity
- Accountability
- Openness
- Honesty
- Leadership

14. Decision making

14.1 Each employer and member representative of the Board will have an individual voting right but the Independent Chair is explicitly excluded from having the right to vote in accordance with regulation 106 (7) of the LGPS Regulations 2013. It is expected the Board will as far as possible reach a consensus.

15. Publication of Pension Board information

15.1 Stakeholders of the Scheme will want to know that the Merseyside Pension Fund is being efficiently and effectively managed. They will also want to be confident that the Board is properly constituted, trained and competent in order to comply with scheme regulations, the governance and administration of the scheme and requirements of the Pension Regulator.

15.2 Up to date information will be posted on the Merseyside Pension Fund website showing:

a. The names, contact details and other relevant information about the Board members

b. How the scheme members are represented on the Board

c. The responsibilities of the Board as a whole

d. The full terms of reference and policies of the Board and how they operate

e. Details of the Pension Board appointment process

f. Any specific roles and responsibilities of individual Board members.

15.3 The Scheme Manager will also consider requests for additional information to be published or made available to individual scheme members to encourage scheme member engagement and promote a culture of openness and transparency.

16. Accountability

16.1 The Board will be collectively and individually accountable to the Scheme Manager.

17. Expense Reimbursement and Remuneration

17.1 All members of the Board shall, on the production of relevant receipts be reimbursed for travel and subsistence expenses they have incurred in the conduct of their duties as a member of the Board, including attendance at relevant training and development activities.

17.2 Members of the Board shall be reimbursed a mileage allowance for use of their own car at the rate proscribed by the Inland Revenue from time to time as adopted by Wirral Borough Council.

17.3 Employer and Employee representatives will receive an annual fee of half the special responsibility allowance paid to the Chair of Pension Committee.

17.4 The Chair should receive the full rate of the annual special responsibility allowance paid to the Chair of Pension Committee.

18. Reporting Breaches

18.1 Where any breach of legislation or duties is committed or is alleged to have been committed by the Pension Committee, the Board shall:

a. As soon as reasonably possible of the potential breach meet with the Committee

b. Ask the Committee Chair to explain the actions taken and provide evidence of the legitimacy of the action taken

c. Consider the matter on the facts available and evidence provided by the Committee Chair and refer it back to Committee to reconsider and correct any areas of concern or breaches of duty or

d. Determine that no breach of duty has taken place

18.2 If it is decided that a breach has occurred, the Board shall (as required by the Code of Practice and the Pensions Act 2004)

a. Report the breach to the Monitoring Officer and Section 151 Officer and take prompt and effective action to investigate and correct the breach and its causes and, where appropriate, notify any affected members:

b. The Board may report concerns to the LGPS Scheme Advisory Board for consideration subsequent to, but not instead of, using the appropriate internal route for escalation.

c. Where prompt and effective action to remedy the breach has not been taken report the breach as a breach of material significance to the Pension Regulator and the whistleblowing provisions set out in the Administering Authority's whistle blowing policy..

18.3 As per Regulation 106(6) and subject to the terms within this document, the Pension Board shall have the power to do anything to facilitate or is conducive to the discharge of any of its functions.

19. Interpretation

19.1 Any uncertainty or ambiguity or interpretation required relating to any matters contained in this document shall be resolved by reference to the Scheme Manager.

20. Definitions

20.1 The undernoted terms shall have the following meaning when used in this document:

"Pension Board" or "Board"	Means the local Pension Board for Wirral Borough Council as administering authority for the Merseyside Pension Fund required under the Public Service Pensions Act 2013
"Scheme Manager"	Means Wirral Borough Council as administering authority of the Merseyside Pension Fund.
"Chair"	The individual responsible for chairing meetings of the Board and guiding its debates
"LGPS"	The Local Government Pension Scheme as constituted by the Local Government Pension Scheme Regulations 2013, the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014, the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 and The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009
"Scheme"	Means the Local Government Pension Scheme as defined under "LGPS"

These Terms of Reference shall be reviewed on each material change to that part of the Regulations covering local pension boards.

These Terms of Reference were adopted following approval by Council on 16 March 2015.

………………………………………………………….
Signed on behalf of the Administering Authority

…………………………………………..
Signed on behalf of the Board.

WIRRAL COUNCIL

PENSIONS BOARD

16 OCTOBER 2018

SUBJECT:	**DRAFT FUNDING STRATEGY STATEMENT**
REPORT OF:	**HEAD OF PENSION ADMINISTRATION**

1.0 EXECUTIVE SUMMARY

1.1 As required under regulation 58 (3) of the Local Government Pension Scheme 2013 Regulations, the administering authority must keep its Funding Strategy Statement (FSS) under review between triennial actuarial valuations. This ensures it remains appropriate in the event of changes to the Investment Strategy Statement or overarching legislation.

1.2 The LGPS (Amendment) Regulations 2018 introduced the provision to refund a surplus to an employer, defined as an "Exit Credit" with effect from 14 May 2018. As this is a material change in funding arrangements it is necessary to review the impact on the termination policy and consult with employers on any proposed changes to the FSS.

1.3 The Fund opened a consultation with Scheme employers on 9 July 2018 and shared an explanatory letter detailing the background to the consultation, together with a draft copy of the 2018 FSS. The consultation closed on 6 August 2018.

1.4 The revised draft FSS is attached as an appendix to this report, along with the Fund's response to the questions and issues raised by employers, and the Independent Chair of the Pension Board, during the consultation.

2.0 BACKGROUND AND KEY ISSUES

2.1 The current FSS was approved by Pensions Committee on 21 March 2017, following the Fund's 2016 Triennial Actuarial Valuation.

2.2 The FSS governs how employer liabilities are measured, the pace at which those liabilities are funded and how employers pay for their own distinct liabilities; it also takes account of the employer covenant and specific employer characteristics which determine the appropriate investment bucket for individual employers.

Local Government Pension Scheme (Amendment) Regulations 2018

2.3 The above regulations amended the LGPS 2013 Regulations and provide for the prospect of exit credits being made available to an employer when it leaves the LGPS with a funding surplus.

2.4 This change presents a number of unforeseen implications for historic contractual arrangements in respect of outsourced services, and highlights the requirement that negotiations in relation to future commercial arrangements should cover pension risk and be drafted in accordance with the Funding Strategy Statement.

How has the Funding Strategy Statement changed?

2.5 Historically, the Regulations did not allow a surplus of assets over liabilities to be paid out of the Fund when an employer terminated participation of the Fund.

2.6 The current treatment for employers with a guarantee from a Council is to transfer any surplus back into the Council's section of the Fund, and hence improve the general funding position (all things being equal). Given that under the Regulations the default is now for any surplus to be refunded, it is paramount that Fund policies are aligned with the intention of the contract in relation to pensions.

Revised Policy for Employers who have a guarantor participating in the Fund

2.7 The general policy for employers that exit the Fund with a guarantee from a guarantor organisation is for the guarantor to subsume the residual assets, liabilities and deficit.

The Fund therefore does not request an upfront payment of the deficit from the guarantor or the outgoing employer. The impact on the guarantor would therefore emerge as part of the following actuarial valuation within the contribution requirements.

2.8 The Fund does not intend to change the policy position. The FSS has therefore been updated to include cases where the exiting employer is in surplus. In this case, the residual assets and liabilities, and hence the surplus will transfer back to the guarantor.

2.9 This is subject to agreement from all interested parties who will need to consider any separate contractual agreements that have been put in place between the exiting employer and the guarantor. If all parties do not agree, then the surplus will be paid directly to the exiting employer (despite any other agreements that may be in place).

2.10 This policy ensures consistent treatment of a deficit or surplus at termination when there is a separate guarantor.

Revised Policy for Employers who do not have a guarantor participating in the Fund

2.11 The current policy for these employers is that any deficit on termination is collected from the exiting employer but a surplus could not be returned under the Regulations.

The revised policy will be**:**

- In the case of a surplus, the Fund pays the exit credit to the exiting employer following completion of the termination process.

- In the case of a deficit, the Fund would require the exiting employer to pay the termination deficit to the Fund as a lump sum cash payment (unless agreed otherwise by the Administering Authority at their sole discretion)

Consultation with Employers

2.12 The Fund arranged a meeting with the main outsourcing authorities on 3 May 2018 and 12 June 2018, to discuss the implications of "Exit Credits" on historic and new contractual arrangements and the proposed revisions to the FSS.

2.13 A formal consultation was opened with all employers for a four week period commencing 9th July and closed on 6th August, with the aim to achieve consistency between the various commercial arrangements, the termination policy and the new Regulations.

2.14 A number of responses were received to the consultation which generally supported the equitable treatment of the deficit or surplus, but it was highlighted that the FSS should be amended to document the approach in circumstances where all parties do not agree to the surplus being subsumed by the guarantor. The draft FSS has been updated to clarify the position.

3.0 RESOURCE IMPLICATIONS; FINANCIAL; IT; STAFFING; AND ASSETS

3.1 The payment of exit credits out of the Fund presents potential challenges for cash-flow and the treasury management activity.

4.0 RECOMMENDATION

4.1 The Pension Board is requested to note the consultation document and the draft Funding Statement prior to presentation at Pension Committee on 29 October 2018, where it will be recommended for ratification.

5.0 REASON/S FOR RECOMMENDATION/S

5.1 There is a requirement for Members of the Pension Board to be kept up to date with changes to the policies underpinning the governance framework for the triennial valuation process.

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MERSEYSIDE PENSION FUND

FUNDING STATEGY STATEMENT - CONSULTATION

The Funding Strategy Statement (FSS) consultation commenced on 6 July 2018 and closed on 6 August 2018 and in this time the Fund received a number of responses from employers. This document summarises the questions and concerns raised by employers and the Independent Chair of the Pension Board during the consultation period along with a response from the Fund.

For those employers who have responded to the consultation, the responses in general support and welcome the need to revise the FSS in the light of the updated Local Government Pension Scheme (Amendment) Regulations 2018.

The majority of the issues raised related to the treatment of employers who have a guarantor within the Fund at the time of termination. Whilst those employers that responded were largely in agreement that the surplus or deficit on termination should be subsumed by the guarantor where all parties agree, the main area of concern was what would happened in the event that all parties did not agree.

The issues raised and the responses from the Fund are summarised below.

1. Is it correct that in the case where an employer has a guarantor but all parties do not agree to subsume the surplus, the default position in the FSS is for the exiting employer to receive the surplus?

Yes. In the event that an employer exits the Fund with a surplus position on termination, the default position in the FSS is that if all parties do not agree that the guarantor can subsume the surplus, then the Fund will pay out the surplus to the exiting employer.

Ultimately the Fund is required to comply with the Regulations which state that upon termination, the exit credit must be paid to the exiting employer (see Regulation 64(2) LGPS Regulations 2013 as amended by Regulation 13(c) LGPS (Amendment) Regulations 2018). It is this requirement under the Regulations which has meant that the FSS has been drafted in this way.

2. Is it possible to change the FSS to have a default position whereby the guarantor subsumes the surplus? This would avoid a situation whereby the exiting employer picks and chooses based on the funding position at termination, for example:

- **if the exiting employer agrees to subsuming the deficit then they do not have to pay any money**
- **however, if the exiting employer disagrees to subsuming the surplus then they receive the exit credit.**

As stated above because the Fund is required to comply with the Regulations, it is not possible to have a default position whereby the surplus is automatically subsumed by the guarantor.

In the event that an exiting employer disagrees with the guarantor subsuming the surplus, under the Regulations the Fund will have to make a payment to the exiting employer. In this situation the Fund would inform the guarantor of this before making payment of the refund.

It would then be up to the guarantor to contest the surplus payment citing the commercial contract and the desire for equal treatment in the event of a deficit (i.e. if the guarantor would have been responsible for a deficit but does not receive the surplus).

The Fund accepts that the new provision could be inequitable as the guarantor could absorb any irrecoverable debt from the exiting employer, whereas any surplus could ultimately be paid to the contractor if requested.

It is therefore crucial for employers to revisit their historic commercial contracts and adjust their future commercial contracts to ensure that they are explicit around the potential treatment of any surplus at the end of the contract and that all parties are clear what the agreement is and how it works.

3. Please can you update the FSS to confirm what will happen in the event where an employer is exiting the Fund and there is a guarantor but all parties do not agree to the surplus or deficit being subsumed by the guarantor?

It might be useful to also highlight in the FSS the need for employers to consider both the surplus and the deficit position in the contract / partnership discussions in the future.

We agree that it would be helpful to clarify this within the FSS. The Funding Strategy Statement will therefore be updated as follows:

> *If all parties do not agree then the surplus will be paid directly to the exiting employer within 3 months of cessation (despite any other agreements that may be in place). In maintaining a consistent approach, the Fund will seek to recover the deficit from the exiting employer in the first instance. However, if this is not possible, the deficit will be subsumed by the guarantor and all remaining assets and liabilities will then be subsumed by the guarantor.*
>
> *The Fund will inform the guarantor of the exiting employer's request to receive the surplus before making payment of the exit credit. However the Fund will not become embroiled in any disagreement over the refund of any surplus which is contrary to commercial agreements.*
>
> *Ultimately the Fund will have to comply with the Regulations and therefore pay any exit credit. It is then up to the guarantor to contest the surplus payment citing the commercial contract in place and the desire for equal treatment in the event of a deficit.*

4. In the case where an employer has a guarantor and agreement has been reached that any deficit or surplus is to be subsumed at exit, is there anything specific in how the agreement should be communicated and documented to the Fund?

Ultimately it is up to the guarantor and contractor to have in place their own specific legal agreements on how any surplus or deficit should be treated at exit. As a Fund we are unable to give legal advice on how these agreements/contracts should be set up.

In the case of historic arrangements we note that the contracts may not contain any detail around the specific treatment of a refund of surplus. In this case we would suggest that guarantors and employers look to update the contract or where a variation to the contract is not possible, we would suggest that the guarantor should seek a legal letter from the exiting employer setting out the agreed position on the treatment of any surplus at the end of the contract.

For any commercial agreements and contracts drawn up since the new Regulations have been in force (since May 2018), we would expect these to include agreement on how surpluses and deficits are to be treated on exit in view of the new regulations.

We would recommend that future contracts cover the allocation of pension risk and they should be written with the Funding Strategy and new Regulations in mind. Therefore the Fund would expect guarantors to address the issues of exit credits and align future contractual arrangements with the new regulatory provision and the Fund's termination policy.

5. Will these new arrangements be captured within the Admission Agreement for employers with a guarantor? For example, as an addendum to the Admission Agreement which clearly states the potential implications of the employer exiting the fund and acts as a legally binding condition that the employer pays any deficit (if applicable).

Our view is that any agreements on how pension risk should be allocated should be documented via the commercial and contractual agreements not the admission agreements but this is something that guarantors and employers should take their own legal advice on.

It is not appropriate for the Fund to determine aspects of the commercial arrangements and risk transfer with regard to pension costs in isolation as this may be counterintuitive to the guarantor receiving the most economically advantageous contract price. Furthermore it may not provide the contractor with transparency when agreeing costs and transfer of risk.

6. Are the changes to the Funding Strategy policy subject to agreement from all interested parties or is it the application of the new policy on a case by case basis that is subject to agreement from all interested parties

The requirements in respect of preparing and changing the Funding Strategy Statement (FSS) are set out in Regulation 58 of the LGPS Regulations 2013. This requires that the Fund (Administering Authority) consult with relevant parties but that after such consultation *"prepare, maintain and publish a written statement setting out its funding strategy"* Therefore, after due consultation it is the responsibility of the Fund to determine the Funding Strategy Statement (FSS).

Agreement to the FSS - The Fund has a statutory duty to work collaboratively with employers on the proposed methodology of the FSS. As such the Fund met with the chief financial officers of the major employers (those to who the new Regulations would have the biggest impact on) on 12 June 2018 to discuss its proposals to deal with exit credits in accordance with the LGPS (Amendment) Regulations 2018. The aim of the discussion was to ensure that the employers who were likely to be the most affected understood the position in relation to the FSS and also afford them with the opportunity to comment upon the methodologies and raise awareness of the need to align commercial contracts with the new regulatory provisions and fund policy.

The Fund then prepared the draft FSS taking into account the views that were discussed at the meeting. This was then circulated to all participating employers for comment. All responses to the consultation will be fully considered but ultimately responsibility for finalisation and publication of the FSS rests with the administering authority as set out in the LGPS Regulations 2013.

Agreement to the treatment of exit credits – At the point that an employer exits the Fund (with a guarantor), agreement will be needed by all parties (on a case by case basis) as to whether the surplus or deficit should be subsumed by the guarantor or paid to / by the exiting employer. Where there is not agreement by all parties the default position is that any surplus is paid to the employer as set out in Regulation 64(2) LGPS Regulations 2013 as amended by Regulation 13(c) LGPS (Amendment) Regulations 2018.

7. Is it possible to adjust the actuarial assumptions for cases where a surplus is identified at termination so that the calculation is based on a more prudent set of assumptions?

The Fund is required to treat employers consistently and the termination policy must apply to all employers. Applying a more prudent termination basis would therefore reduce the surplus for some employers but could also significantly increase the deficit that the exiting employer would be required to pay. Particularly in cases where the exiting employer is responsible for the surplus/deficit rather than the guarantor, such employers could argue that the initial allocation of assets was insufficient.

In addition, it would not align with the treatment of the employer at the outset of the contract or the contract pricing. This is therefore not an option for the Fund.

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FUNDING STRATEGY STATEMENT

MERSEYSIDE PENSION FUND

OCTOBER 2018

Wirral Metropolitan Borough Council

As approved by Pension Committee, [29 October 2018]

This Funding Strategy Statement has been prepared by Wirral Metropolitan Borough Council (the Administering Authority) to set out the funding strategy for the Merseyside Pension Fund ("the Fund"), in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 (as amended) and guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

1

EXECUTIVE SUMMARY

The Funding Strategy Statement (FSS) has been revised following the enactment of the Local Government Pension Scheme (Amendment) Regulations 2018.

The Regulations introduced the provision to repay exit credits in circumstances where an employer terminates scheme participation and the actuarial assessment results in a surplus position.

The policy has been revised in order to ensure there is consistency between the various letting authorities' commercial arrangements, the termination policy and the new Regulations.

It is the fiduciary responsibility of the Administering Authority (Wirral Metropolitan Borough Council) to ensure that the Merseyside Pension Fund (the "Fund") has sufficient assets to meet its pension liabilities in the long term. The Funding Strategy adopted by the Merseyside Pension Fund will therefore be critical in achieving this statutory duty.

The purpose of this Funding Strategy Statement ("FSS") is to set out a clear and transparent funding strategy that will identify how each Fund employer's pension liabilities are to be met going forward.

> The details contained in this Funding Strategy Statement will have a financial and operational impact on all participating employers in the Merseyside Pension Fund.
>
> It is imperative therefore that each existing or potential employer is aware of the details contained in this statement.

Given this, and in accordance with governing legislation, all interested parties connected with the Merseyside Pension Fund have been consulted and given opportunity to comment prior to this Funding Strategy Statement being finalised and adopted. This statement takes into consideration all comments and feedback received.

THE FUND'S OBJECTIVE

The Administering Authority's long term objective is for the Fund to achieve a 100% solvency level over a reasonable time period and then maintain sufficient assets in order for it to pay all benefits arising as they fall due. This objective will be considered on an employer specific level where appropriate.

The general principle adopted by the Fund is that the overall assumptions used, will be sufficiently prudent for pensions already in payment to continue to be paid, and to reflect the commitments that will arise from members' accrued pension rights.

The funding strategy set out in this document has been developed alongside the Fund's investment strategy on an integrated basis, taking into account the overall financial and demographic risks inherent in the Fund. The funding strategy includes appropriate margins to allow for the possibility of events turning out worse than expected. Individual employer results will also have regard to their covenant strength and the investment strategy applied to the asset shares of those employers.

SOLVENCY AND LONG TERM COST EFFICIENCY

Each employer's contributions are set at such a level to achieve full solvency in a reasonable timeframe. Solvency is defined as a level where the Fund's liabilities i.e. benefit payments can be reasonably met as they arise.

Employer contributions are also set in order to achieve long term cost efficiency. Long term cost-efficiency implies that contributions must not be set at a level that is likely to give rise to additional costs in the future. For example, deferring costs to the future would be likely to result in those costs being greater overall than if they were provided for at the appropriate time. Equally, the FSS must have regard to the desirability of maintaining as nearly constant a primary rate of contribution as possible.

When formulating the funding strategy, the Administering Authority has taken into account these key objectives and also considered the implications of the requirements under Section 13(4)(c) of the Public Service Pensions Act 2013. As part of these requirements the Government Actuary's Department (GAD) must, following an actuarial valuation, report on whether the rate of employer contributions to the Fund is set at an appropriate level to ensure the "solvency" of the pension fund and "long term cost efficiency" of the Scheme so far as relating to the Fund.

DEFICIT RECOVERY PLAN AND CONTRIBUTIONS

As the solvency level of the Fund is 85% at the valuation date i.e. the assets of the Fund are less than the liabilities, a deficit recovery plan needs to be implemented such that additional contributions are paid into the Fund to meet the shortfall.

Deficit contributions paid to the Fund by each employer will be expressed as £s amounts (flat or increasing year on year) and it is the Fund's objective that any funding deficit is eliminated as quickly as the participating employers can reasonably afford given other competing cost pressures. This may result in some flexibility in recovery periods by employer which would be at the sole discretion of the Administering Authority. The recovery periods will be set by the Fund, although employers will be free to select any shorter deficit recovery period if they wish. Employers may also elect to make prepayments of contributions which could result in a cash saving over the valuation certificate period.

The objective is to recover any deficit over a reasonable timeframe, and this will be periodically reviewed. A key principle will be to maintain the deficit contributions at the expected monetary levels from the preceding valuation (including any indexation in these monetary payments over the recovery period) and where appropriate consider affordability of contributions. Full details are set out in this FSS.

The average recovery period for the Fund as a whole is 19 years at this valuation which is 3 years shorter than the average recovery period from the previous valuation. Subject to affordability and other considerations individual employer recovery periods would also be expected to reduce at this valuation.

Where there is an increase in contributions required at this valuation the employer may be able to step-up their contributions over a period of 3 years.

ACTUARIAL ASSUMPTIONS

The actuarial assumptions used for assessing the funding position of the Fund and the individual employers, the "Primary" contribution rate, and any contribution variations due to underlying surpluses or deficits (i.e. the "Secondary" rate) are set out in an Appendix to this FSS.

The discount rate in excess of CPI inflation (the "real discount rate") has been derived based on the expected return on the Fund's assets based on the long term strategy set out in its Investment Strategy Statement (ISS). When assessing the appropriate prudent discount rate, consideration has been given to the level of expected asset returns in excess of CPI inflation (i.e. the rate at which the benefits in the LGPS generally increase each year). It is proposed at this valuation the real return over CPI inflation for determining the past service liabilities is 2.0% per annum and for determining the future service ("Primary") contribution rates is 2.75% per annum.

The Fund has implemented a choice of "investment" buckets to offer to employers with effect from 1 April 2017, which exhibit lower investment risk than the current whole fund strategy. If an employer is deemed to have a weaker covenant than others in the Fund, or it would like to target a lower risk strategy, the Administering Authority has the discretion to move that employer (typically following discussions with the employer) into a different investment strategy to protect the Fund as a whole.

The demographic assumptions are based on the Fund Actuary's bespoke analysis for the Fund, also taking into account the experience of the wider LGPS where relevant.

EMPLOYER ASSET SHARES

The Fund is a multi-employer pension scheme that is not formally unitised and so individual employer asset shares are calculated at each actuarial valuation. This means it is necessary to make some approximations in the timing of cashflows and allocation of investment returns when deriving each employer's asset share.

At each review, cashflows into and out of the Fund relating to each employer, any movement of members between employers within the Fund, along with investment return earned on the asset share, are allowed for when calculating asset shares at each valuation. The investment return credited will depend on which investment bucket the employers' assets are in. In addition the asset share maybe restated for changes in data or other policies.

Other adjustments are also made on account of the funding positions of orphan bodies which fall to be met by all other active employers in the Fund.

FUND POLICIES

In addition to the information/approaches required by overarching guidance and Regulation, this statement also summarises the Fund's practice and policies in a number of key areas:

1. Covenant assessment and monitoring

An employer's financial covenant underpins its legal obligation and crucially the ability to meet its financial responsibilities to the Fund now and in the future. The strength of covenant to the Fund effectively underwrites the risks to which the Fund is exposed. These risks include underfunding, longevity, investment and market forces.

The strength of employer covenant can be subject to substantial variation over relatively short periods of time and, as such, regular monitoring and assessment is vital to the overall risk management and governance of the Fund. The employers' covenants will be assessed and monitored objectively in a proportionate manner, and an employer's ability to meet their obligations in the short and long term will be considered when determining its funding strategy.

After the valuation, the Fund will continue to monitor employers' covenants in conjunction with their funding positions over the inter-valuation period. This will enable the Fund to anticipate and pre-empt any material issues arising and thus adopt a proactive approach in partnership with the employer. More details are provided in the relevant appendix to this statement.

2. Admitting employers to the Fund

Various types of employers are permitted to join the LGPS under certain circumstances and the basis of participation reflects the nature and funding of the service provision. The approach taken is set out in in our separate admissions policy document. This can be found on the Fund's website: *https://mpfmembers.org.uk/pdf/AdmissionsPolicy2015.pdf*

Examples of new employers include:

- Scheme Employers - for example new academies (see later section)
- Designated bodies - those that are permitted to join if they pass a resolution
- Admission bodies - usually arising as a result of an outsourcing or a transfer to an entity that provides some form of public service and their funding primarily derives from local or central government.

Certain employers may be required to provide a guarantee or alternative security before entry will be allowed, in accordance with the Regulations and Fund policies.

3. Termination policy for employers exiting the Fund

When an employer ceases to participate within the Fund, it becomes an exiting employer under the Regulations. The Fund is then required to obtain an actuarial valuation of that employer's liabilities in respect of the benefits of the exiting employer's current and former employees, along with a termination contribution certificate.

Where there is **no guarantor** who would subsume the liabilities of the exiting employer, the Fund's policy is that a discount rate linked to a lower risk investment strategy and a more prudent longevity assumption is used for assessing liabilities on termination. Any exit payments due should be paid immediately although instalment plans will be considered by the Administering Authority on a case by case basis. Any exit credits (surplus assets over liabilities) will be paid from the Fund to the exiting employer within 3 months of cessation by the Actuary. This is subject to the exiting employer providing sufficient notice to the Fund of their intent to exit; any delays in notification will impact on the payment date. The Administering Authority also reserves the right to modify this approach on a case by case basis if circumstances warrant it based on the advice of the Actuary.

Where there is a **guarantor** who would subsume the liabilities, the policy is that any assets, liabilities and deficit or surplus would be subsumed by the guarantor and taken into account at the following valuation. This is subject to agreement from all interested parties who will need to consider any separate contractual agreements that have been put in place between the exiting employer and the guarantor.

If all parties do not agree then the surplus will be paid directly to the exiting employer within 3 months of cessation (despite any other agreements that may be in place). In maintaining a consistent approach, the Fund will seek to recover the deficit from the exiting employer in the first instance. However, if this is not possible, the deficit will be subsumed by the guarantor and all remaining assets and liabilities will then be subsumed by the guarantor.

The Fund will inform the guarantor of the exiting employer's request to receive the surplus before making payment of the exit credit. However the Fund will not become embroiled in any disagreement over the refund of any surplus which is contrary to commercial agreements.

Ultimately the Fund will have to comply with the Regulations and therefore pay any exit credit. It is then up to the guarantor to contest the surplus payment citing the commercial contract in place and the desire for equal treatment in the event of a deficit.

If a guarantor unjustifiably deviates from the policy to subsume the residual assets, liabilities and any surplus or deficit, future termination events with regard to the payment of the surplus or deficit will be treated in line with the approach adopted for employers without a guarantor in the Fund (the ongoing valuation basis will still be adopted in this case).

4. Insurance arrangements

The Fund has implemented an internal captive insurance arrangement in order to pool the risks associated with ill health retirement costs. The captive has been designed for employers that could be materially affected by the ill health retirement of one or more of their members. The captive arrangement has been considered when setting the employer contribution rates for the eligible employers. More details are provided in **Appendix E**.

CONTENTS

APPENDICES

1
INTRODUCTION

The Local Government Pension Scheme Regulations 2013 (as amended) ("the 2013 Regulations"), the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 ("the 2014 Transitional Regulations") and The Local Government Pension Scheme (Amendment) Regulations 2018 ("the 2018 Amendment Regulations") (collectively; "the Regulations") provide the statutory framework from which the Administering Authority is required to prepare a Funding Strategy Statement (FSS). The key requirements for preparing the FSS can be summarised as follows:

- After consultation with all relevant interested parties involved with the Merseyside Pension Fund the Administering Authority will prepare and publish their funding strategy;
- In preparing the FSS, the Administering Authority must have regard to:
    - the guidance issued by CIPFA for this purpose; and
    - the Investment Strategy Statement (ISS) for the Scheme published under Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended);
- The FSS must be revised and published whenever there is a material change in the relevant regulatory provisions, the funding regime or the ISS.

As such the Funding Strategy Statement (FSS) has been revised following the enactment of the Local Government Pension Scheme (Amendment) Regulations 2018. The Regulations introduced the provision to repay exit credits in circumstances where an employer terminates scheme participation and the actuarial assessment results in a surplus position.

The policy has been revised in order to ensure there is consistency between the various letting authorities' commercial arrangements, the termination policy and the new Regulations.

BENEFITS

The benefits provided by the Merseyside Pension Fund are specified in the governing legislation contained in the Regulations referred to above. Benefits payable under the Merseyside Pension Fund are guaranteed by statute and thereby the pensions promise is secure for members. The FSS addresses the issue of managing the need to fund those benefits over the long term, whilst at the same time facilitating scrutiny and accountability through improved transparency and disclosure.

The Fund is a defined benefit arrangement with principally final salary related benefits from contributing members up to 1 April 2014 and Career Averaged Revalued Earnings ("CARE") benefits earned thereafter. There is also a "50:50 Scheme Option", where members can elect to accrue 50% of the full scheme benefits in relation to the member only and pay 50% of the normal member contribution.

EMPLOYER / EMPLOYEE CONTRIBUTIONS

The required levels of employee contributions are specified in the Regulations. Employer contributions are determined in accordance with the Regulations (which require that an actuarial valuation is completed every three years by the actuary, including the provision of a rates and adjustments certificate specifying the “primary” and “secondary” rate of the employer’s contribution).

PRIMARY RATE

The “Primary rate” for an employer is the contribution rate required to meet the cost of the future accrual of benefits including ancillary, death in service and ill health benefits/insurance premium together with administration costs. It is expressed as a percentage of pensionable pay, ignoring any past service surplus or deficit, but allowing for any employer-specific circumstances, such as its membership profile, the funding strategy adopted for that employer, the actuarial method used and/or the employer’s covenant.

The Primary rate for the whole fund is the weighted average (by payroll) of the individual employers’ Primary rates.

SECONDARY RATE

The “Secondary rate” is an adjustment to the Primary rate to reflect any past service deficit or surplus, to arrive at the rate each employer is required to pay. The Secondary rate may be expressed as a percentage adjustment to the Primary rate, and/or a cash adjustment in each of the three years beginning 1 April in the year following that in which the valuation date falls.

The Secondary rate is specified in the rates and adjustments certificate.

The contribution payable is the sum of the Primary and Secondary rates.

Secondary rates for the whole fund in each of the three years shall also be disclosed. These will be calculated as the weighted average based on the whole fund payroll in respect of percentage rates and as a total amount in respect of cash adjustments.

2
PURPOSE OF FSS IN POLICY TERMS

Funding is the making of advance provision to meet the cost of accruing benefit promises. Decisions taken regarding the approach to funding will therefore determine the rate or pace at which this advance provision is made. Although the Regulations specify the fundamental principles on which funding contributions should be assessed, implementation of the funding strategy is the responsibility of the Administering Authority, acting on the professional advice provided by the actuary.

The Administering Authority's long term objective is for the Fund to achieve a 100% solvency level over a reasonable time period and then maintain sufficient assets in order for it to pay all benefits arising as they fall due.

The purpose of this Funding Strategy Statement is therefore:

- to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward by taking a prudent longer-term view of funding those liabilities;
- to establish contributions at a level to "secure the solvency" of the pension fund and the "long term cost efficiency",
- to have regard to the desirability of maintaining as nearly constant a primary rate of contribution as possible.

The intention is for this strategy to be both cohesive and comprehensive for the Fund as a whole, recognising that there will be conflicting objectives which need to be balanced and reconciled. Whilst the position of individual employers must be reflected in the statement, including the disparate investment buckets, it must remain a single strategy for the Administering Authority to implement and maintain.

3
AIMS AND PURPOSE OF THE FUND

THE AIMS OF THE FUND 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.

THE PURPOSE OF THE FUND IS TO:

- receive monies in respect of contributions, transfer values and investment income, and
- pay out monies in respect of scheme benefits, transfer values, exit credits, costs, charges and expenses as defined in the 2013 Regulations, the 2014 Transitional Regulations, the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and the 2018 Amendment Regulations.

4
RESPONSIBILITIES OF THE KEY PARTIES

The efficient and effective management of the pension fund can only be achieved if all parties exercise their statutory duties and responsibilities conscientiously and diligently. The key parties for the purposes of the FSS are the Administering Authority (in particular the Pensions Committee), the individual employers and the Fund Actuary and details of their roles are set out below. Other parties required to play their part in the fund management process are bankers, custodians, investment managers, auditors and legal, investment and governance advisors, along with the Local Pensions Board created under the Public Service Pensions Act 2013.

KEY PARTIES TO THE FSS

The **Administering Authority** should:

- operate the pension fund
- collect employer and employee contributions, investment income and other amounts due to the pension fund as stipulated in the Regulations
- pay from the pension fund the relevant entitlements as stipulated in the Regulations
- invest surplus monies in accordance the Regulations
- ensure that cash is available to meet liabilities as and when they fall due
- take measures as set out in the Regulations to safeguard the fund against the consequences of employer default
- manage the valuation process in consultation with the Fund's actuary
- prepare and maintain a FSS and an ISS, both after proper consultation with interested parties, and
- monitor all aspects of the Fund's performance and funding, amending the FSS/ISS as necessary
- effectively manage any potential conflicts of interest arising from its dual role as both fund administrator and a scheme employer, and
- establish, support and monitor a Local Pension Board (LPB) as required by the Public Service Pensions Act 2013, the Regulations and the Pensions Regulator's relevant Code of Practice.

The **Individual Employer** should:

- deduct contributions from employees' pay correctly after determining the appropriate employee contribution rate (in accordance with the Regulations)
- pay all contributions, including their own as determined by the actuary, promptly by the due date
- Undertake administration duties in accordance with the Pension Administration Strategy.
- develop a policy on certain discretions and exercise those discretions as permitted within the regulatory framework
- make additional contributions in accordance with agreed arrangements in respect of, for example, additional pension contracts, early retirement strain,
- have regard to the Pensions Regulator's focus on data quality and comply with any requirement set by the Administering Authority in this context, and

- notify the Administering Authority promptly of any changes to membership which may affect future funding.

The **Fund Actuary** should:

- prepare valuations including the setting of employers' contribution rates at a level to ensure fund solvency and long term cost efficiency after agreeing assumptions with the Administering Authority and having regard to their FSS and the Regulations
- prepare advice and calculations in connection with bulk transfers and individual benefit-related matters such as pension strain costs, ill health retirement costs etc
- provide advice and valuations on the termination of admission agreements including exit credit payments
- provide advice to the Administering Authority on bonds and other forms of security against the financial effect on the Fund of employer default
- assist the Administering Authority in assessing whether employer contributions need to be revised between valuations as required by the Regulations
- advise on funding strategy, the preparation of the FSS and the inter-relationship between the FSS and the ISS, and
- ensure the Administering Authority is aware of any professional guidance or other professional requirements which may be of relevance to the Fund Actuary's role in advising the Fund.

5
SOLVENCY FUNDING TARGET

Securing the "solvency" and "long term cost efficiency" is a regulatory requirement. To meet these requirements the Administering Authority's long term funding objective is for the Fund to achieve and then maintain sufficient assets to cover 100% of projected accrued liabilities (the "funding target") assessed on an ongoing past service basis including allowance for projected final pay where appropriate. In the long term, an employer's total contribution rate would ultimately revert to its Primary rate of contribution.

SOLVENCY AND LONG TERM EFFICIENCY

Each employer's contributions are set at such a level to achieve full solvency in a reasonable timeframe. Solvency is defined as a level where the Fund's liabilities i.e. benefit payments can be reasonably met as they arise.

Employer contributions are also set in order to achieve long term cost efficiency. Long term cost-efficiency implies that contributions must not be set at a level that is likely to give rise to additional costs in the future. For example, deferring costs to the future would be likely to result in those costs being greater overall than if they were provided for at the appropriate time.

When formulating the funding strategy the Administering Authority has taken into account these key objectives and also considered the implications of the requirements under Section 13(4)(c) of the Public Service Pensions Act 2013. As part of these requirements the Government Actuary's Department (GAD) must, following an actuarial valuation, report on whether the rate of employer contributions to the Fund is set at an appropriate level to ensure the "solvency" of the pension fund and "long term cost efficiency" of the Scheme so far as relating to the Fund.

DETERMINATION OF THE SOLVENCY FUNDING TARGET AND DEFICIT RECOVERY PLAN

The principal method and assumptions to be used in the calculation of the funding target are set out in **Appendix A**. The Employer Deficit Recovery Plans are set out in **Appendix B**.

Underlying these assumptions are the following two tenets:

- that the Fund is expected to continue for the foreseeable future; and
- favourable investment performance can play a valuable role in achieving adequate funding over the longer term.

This allows the Fund to take a longer term view when assessing the contribution requirements for certain employers.

In considering this the Administering Authority, based on the advice of the Actuary, will consider if this results in a reasonable likelihood that the funding plan will be successful potentially taking into account any changes in funding after the valuation date up to the finalisation of the valuation by 31 March 2017 at the latest.

As part of each valuation separate employer contribution rates are assessed by the Fund Actuary for each participating employer or group of employers. These rates are assessed taking into account the experience and circumstances of each employer, following a principle of no cross-subsidy between the distinct employers and employer groups in the Fund.

The Administering Authority, following consultation with the participating employers, has adopted the following objectives for setting the individual employer contribution rates arising from the 2016 actuarial valuation:

- The Fund does not believe it appropriate for deficit contribution reductions to apply compared to the existing funding plan (allowing for indexation where applicable) where deficits remain unless there is compelling reason to do so.

- LEA schools and certain other employers within the Fund have been grouped with the respective Council.

- Academies are treated as separate employers but at inception any past service deficit is allocated on an equitable basis consistent with the relevant LEA schools.

- Certain employers will follow a bespoke investment and funding strategy pertaining to their own circumstances determined by their risk and maturity characteristics. This will be documented separately.

- Any stabilisation methods requested by the contractor will need to be agreed with the original Scheme Employer before being implemented.

- Subject to consideration of affordability, as a general rule the deficit recovery period will reduce for employers at this valuation when compared to the preceding valuation. This is to target full solvency over a similar (or shorter) time horizon. Employers will have the freedom to adopt a recovery plan on the basis of a shorter period if they so wish. Subject to affordability considerations and other factors, a bespoke period may be applied in respect of particular employers where the Administering Authority considers this to be warranted (see Deficit Recovery Plan in **Appendix B**). These principles have resulted in an average recovery period of 19 years being adopted across all Fund employers.

- For consistency, the recovery period for employers that have a surplus position at the valuation date will initially also be determined in line with the Deficit Recovery Plan set out in Appendix B. However, an alternative recovery period may be agreed at the discretion of the Administering Authority.

- Individual employer contributions will be expressed and certified as two separate elements:
    - the **Primary rate**: a percentage of pensionable payroll in respect of the cost of the future accrual of benefits and ancillary death in service and ill health benefits / insurance premiums
    - the **Secondary rate**: a schedule of lump sum monetary amounts or % of pay amendments over 2017/20 in respect of an employer’s surplus or deficit (including phasing adjustments)

For any employer, the total contributions they are actually required to pay in any one year is the sum of the Primary and Secondary rates (subject to an overall minimum of zero). Both elements are subject to further review from April 2020 based on the results of the 2019 actuarial valuation.

Where an employer is in a surplus position, the Secondary rate deduction from the Primary rate will be subject to a minimum threshold of £1,000, below which no deduction will be made.

- Where increases in employer contributions are required from 1 April 2017, following completion of the 2016 actuarial valuation, the increase from the rates of contribution payable in the year 2017/18 may be implemented in steps, over a maximum period of 3 years. Any step up in Primary rates will be implemented in steps of at least 0.5% of pensionable pay per annum, although subject to the agreement of the Administering Authority alternative phasing arrangements may be permitted consistent with the assessment of an individual employer's covenant strength and short term financial planning.

- On the cessation of an employer's participation in the Fund, in accordance with the Regulations, the Fund Actuary will be asked to make a termination assessment. In such circumstances:

The policy for employers who have a **guarantor** participating in the Fund:

The residual assets and liabilities and hence any surplus or deficit will transfer back to the guarantor. This is subject to agreement from all interested parties who will need to consider any separate contractual agreements that have been put in place between the exiting employer and the guarantor.

If all parties do not agree then the surplus will be paid directly to the exiting employer within 3 months of cessation (despite any other agreements that may be in place). In maintaining a consistent approach, the Fund will seek to recover the deficit from the exiting employer in the first instance. However, if this is not possible, the deficit will be subsumed by the guarantor and all remaining assets and liabilities will then be subsumed by the guarantor.

The Fund will inform the guarantor of the exiting employer's request to receive the surplus before making payment of the exit credit. However the Fund will not become embroiled in any disagreement over the refund of any surplus which is contrary to commercial agreements.

Ultimately the Fund will have to comply with the Regulations and therefore pay any exit credit. It is then up to the guarantor to contest the surplus payment citing the commercial contract in place and the desire for equal treatment in the event of a deficit.

If a guarantor unjustifiably deviates from the policy to subsume the residual assets, liabilities and any surplus or deficit, future termination events with regard to the payment of the surplus or deficit will be treated in line with the approach adopted for employers without a guarantor in the Fund (the ongoing valuation basis will still be adopted in this case).

The policy for employers who **do not** have a **guarantor** participating in the Fund:

- In the case of a surplus, the Fund pays the exit credit to the exiting employer following completion of the termination process (within 3 months of cessation). This is subject to the exiting employer providing sufficient notice to the Fund of their intent to exit; any delays in notification will impact on the payment date.

- In the case of a deficit, the Fund would require the exiting employer to pay the termination deficit to the Fund as an immediate lump sum cash payment (unless agreed otherwise by the Administering Authority at their sole discretion) following completion of the termination process.

The Administering Authority also reserves the right to modify this approach on a case by case basis at its sole discretion if circumstances warrant it based on the advice of the Actuary. The termination policy is summarised set out in Appendix C

- For admission bodies participating from 1 April 2017 who do not have a guarantor of sufficient financial standing e.g. a public authority based on the assessment of the Administering Authority, the basis of assessment for both the contributions and termination and bond requirements will be on a lower risk investment strategy. The employer's assets will then be deemed to be invested in these lower risk assets and be credited with the returns derived from such assets based on the advice of the Actuary. Where a guarantor is available the assessment will be on the normal valuation basis if the guarantor agrees to underwrite the obligations of the employer in the long term.

- In all cases the Administering Authority reserves the right to apply a different approach at its sole discretion, taking into account the risk associated with an employer in proportion to the Fund as a whole. Any employer affected will be notified separately.

EMPLOYERS WITH NO GUARANTOR OR BOND IN PLACE

For those employers (who are not Scheduled bodies) and who have no guarantor or bond arrangements in place, a higher funding target will be adopted. The contribution rate for these employers will be determined to target a funding position of 120% for the liabilities of the current active membership. The funding target for the non-active liabilities will be as defined earlier. The principles around the recovery period will be as noted earlier after the change in funding target has been applied.

FUNDING FOR NON-ILL HEALTH EARLY RETIREMENT COSTS

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

FUNDING FOR ILL HEALTH RETIREMENT COSTS

Should a member retire on ill health grounds, this will normally result in a funding strain for that employer (i.e. increased liability). The size of any funding strain will depend on how the cost of that ill health retirement compares with the expected cost built in the actuarial assumptions for that employer. The actual cost will also depend on the level of any benefit enhancements awarded (which depend on the circumstances of the ill health retirement) and also how early the benefits are brought into payment. To the extent that a strain does occur, this will serve to increase the deficit at the next actuarial valuation (with the exception of those employers that take part in the captive arrangement who will be immunised against the strain in return for the premiums paid). However, where an employer exits the Fund in the inter-valuation period the outstanding ill health retirement strain costs will be included when the Actuary completes the termination assessment.

FUNDING FOR DEATHS IN SERVICE AND RETIREMENT

The financial impact of the benefits that become payable on the death of a member differ depending on whether the member dies before or after retirement.

The extent of any funding strain/profit which emerges on the death of a pensioner member (typically a profit) will be determined by the age of the pensioner at death and whether or not any dependants' benefits become payable.

In the event of a member dying whilst in active service, it is not certain that a funding profit would emerge. Whilst the Fund would no longer have to pay the accrued benefits at retirement for the deceased member, a lump sum death grant and also dependants' benefits would become payable instead. The dependants' benefits would also be based on the pensionable service that the member could have accrued had they remained in service until retirement.

Typically, the death of a young member with low pensionable service and dependants is likely to result in a large funding strain for the employer. However, the death of an older/long serving member with no dependants could actually result in a funding profit. As for ill health cases, any funding strain or profit will emerge at the next actuarial valuation through increased/reduced deficit, except where the employer exits the scheme and any necessary adjustment will be taken into account when the Actuary determines the termination position.

7

LINK TO INVESTMENT POLICY AND THE INVESTMENT STRATEGY STATEMENT (ISS)

The results of the 2016 valuation show the liabilities to be 85% covered by the current assets, with the funding deficit of 15% being covered by future deficit contributions.

In assessing the value of the Fund's liabilities in the valuation, allowance has been made for growth asset out-performance as described below, taking into account the investment strategy adopted by the Fund, as set out in the ISS.

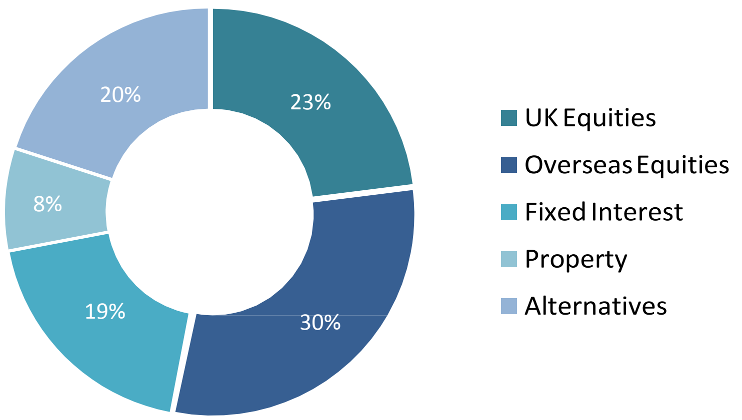
It is not possible to construct a portfolio of investments which produces a stream of income exactly matching the expected liability outgo. However, it is possible to construct a portfolio which represents the "minimum risk" investment position which would deliver a very high certainty of real returns above assumed CPI inflation. Such a portfolio would consist of a mixture of long-term index-linked gilts, fixed interest gilts and possible investment derivative contracts known as "swaps".

Investment of the Fund's assets in line with this portfolio would minimise fluctuations in the Fund's funding position between successive actuarial valuations.

If, at the valuation date, the Fund had been invested in this portfolio, then in carrying out this valuation it would not be appropriate to make any allowance for growth assets out-performance or any adjustment to market implied inflation assumption due to supply/demand distortions in the bond markets. This would result in real return versus CPI inflation of nil per annum at the valuation date. On this basis of assessment, the assessed value of the Fund's liabilities at the valuation would have been significantly higher, resulting in a funding level of 59%.

Departure from a minimum risk investment strategy, in particular to include growth assets such as equities, gives a better prospect that the assets will, over time, deliver returns in excess of CPI inflation and reduce the contribution requirements. The target solvency position of having sufficient assets to meet the Fund's pension obligations might in practice therefore be achieved by a range of combinations of funding plan, investment strategy and investment performance.

The current investment strategy is:



Based on the investment strategy above and the Actuary's assessment of the return expectations for each asset class leads to an overall best estimate average expected return of 3.3% per annum in excess of CPI inflation at the valuation date. For the purposes of setting funding strategy however, the Administering Authority believes that it is appropriate to take a margin for prudence on these return expectations and this is expected under the Regulations and guidance.

RISK MANAGEMENT STRATEGY

In the context of managing various aspects of the Fund's financial risks, the Administering Authority is currently implementing a number of risk management techniques. In particular:

- Equity Protection - Subject to fair market pricing, the Fund is currently looking to implement protection against potential falls in the equity markets via the use of derivatives. The aim of the protection is to provide further stability (or even a reduction) in employer deficit contributions (all other things equal) in the event of a significant equity market fall (although it is recognised that it will not protect the Fund in totality).

- Liability Driven Investments (LDI) – the Fund is looking to implement an LDI strategy in order to hedge part of the Fund's assets against changes in liabilities for one or more employers.

The principal aim of these risk management techniques is to effectively look to provide more certainty of real investment returns vs CPI inflation and/or protect against volatility in the termination position. It is designed to reduce risk and provide more stability/certainty of outcome for funding and ultimately employer contribution rates. This will be done on an opportunistic basis to ensure the most efficient and cost effective approach is taken. This could have implications on future actuarial valuations and the assumptions adopted but did not impact on the 2016 valuation approach. Further details of the framework will be included in further updates of the FSS and ISS.

INVESTMENT BUCKETS

The Fund has implemented a choice of "investment" buckets for employers with effect from 1 April 2017. These will be called:

- Higher risk bucket
- Medium risk bucket
- Lower risk bucket

The current Fund investment strategy will apply to the "higher risk bucket". The "medium risk bucket" and "lower risk bucket" will give employers the option to reduce the level of investment risk that they wish to take, particularly for those employers that are considering leaving the Fund. In addition any orphaned liabilities once an employer exits the Fund will generally be moved into the lower risk bucket.

The medium risk bucket's initial investment strategy at 1 April 2017 was a 65% allocation to growth assets and a 35% allocation to defensive assets. This will vary over time depending on the returns on the different portfolios and may be rebalanced in the future as part of a review of the investment buckets. The growth and defensive assets in this bucket are the same as those in the current Fund investment strategy but in the relevant weightings at each point from 1 April 2017.

The lower risk bucket will be made up of an investment strategy linked to income generating assets which targets a minimum yield above CPI inflation allowing for default, reinvestment risk and any other reasonable margins of prudence deemed appropriate. The strategic allocation is set out in the Investment Strategy Statement.

The choice of bucket will be reflected in the relevant employer's asset share, funding basis and contribution requirements. However, the contribution requirements for employers within the medium risk bucket will not change at this valuation but will be reviewed from 1 April 2020 as part of the 2019 valuation.

If, based on the assessments carried out by the Administering Authority, the employer is deemed to have a weaker covenant than other employers in the Fund or alternatively is expected to exit in the near future, the Administering Authority reserves the right to move the employer (typically following discussions with the employer) into the medium or lower risk investment strategy to protect the Fund as a whole.

8

IDENTIFICATION OF RISKS AND COUNTER-MEASURES

The funding of defined benefits is by its nature uncertain. Funding is based on both financial and demographic assumptions. These assumptions are specified in the actuarial valuation report. When actual experience is not in line with the assumptions adopted, a surplus or shortfall will emerge at the next actuarial assessment and will require a subsequent contribution adjustment to bring the funding back into line with the target.

The Administering Authority has been advised by the actuary that the greatest risk to the funding level is the investment risk inherent in the predominantly equity based strategy, so that actual asset out-performance between successive valuations could diverge significantly from that assumed in the long term. The Actuary's formal valuation report includes a quantification of the key risks in terms of the effect on the funding position.

FINANCIAL

The financial risks are as follows:-

- Investment markets fail to perform in line with expectations
- Market outlook moves at variance with assumptions
- Investment Fund Managers fail to achieve performance targets over the longer term
- Asset re-allocations in volatile markets may lock in past losses
- Pay and price inflation significantly more or less than anticipated
- Future underperformance arising as a result of participating in the larger asset pooling vehicle.

Any increase in employer contribution rates (as a result of these risks), may in turn impact on the service delivery of that employer and their financial position.

In practice the extent to which these risks can be reduced is limited. However, the Fund's asset allocation (including in each separate investment bucket) is kept under regular review and the performance of the investment managers is regularly monitored.

DEMOGRAPHIC

The demographic risks are as follows:-

- Future improvements in life expectancy (longevity) cannot be predicted with any certainty
- Potential strains from ill health retirements, over and above what is allowed for in the valuation assumptions for employers not in the captive arrangement
- Unanticipated acceleration of the maturing of the Fund resulting in materially negative cashflows and shortening of liability durations

Increasing longevity is something which government policies, both national and local, are designed to promote. It does, however, result in a greater liability for pension funds.

Ill health retirements can be costly for employers, particularly small employers where one or two costly ill health retirements can take them well above the “average” implied by the valuation assumptions. Increasingly we are seeing employers mitigate the number of ill health retirements by employing HR / occupational health preventative measures. These, in conjunction with ensuring the regulatory procedures in place to ensure that ill-health retirements are administered properly, can help control exposure to this demographic risk. The Fund’s ill health captive arrangement will also help to ensure that the eligible employers are not exposed to large deficits due to the ill health retirement of one or more of their members (see further information in Appendix E).

Early retirements for reasons of redundancy and efficiency do not immediately affect the solvency of the Fund because they are the subject of a direct charge.

With regards to increasing maturity (e.g. due to further cuts in workforce and/or restrictions on new employees accessing the Fund), the Administering Authority regularly monitors the position in terms of cashflow requirements and considers the impact on the investment strategy.

INSURANCE OF CERTAIN BENEFITS

The contributions for any employer may be varied as agreed by the Actuary and Administering Authority to reflect any changes in contribution requirements as a result of any benefit costs being insured with a third party or internally within the Fund. More detail on how the Fund is implementing the captive insurance for ill health costs is set out in **Appendix E.**

REGULATORY

The key regulatory risks are as follows:-

- Changes to Regulations, e.g. changes to the benefits package, retirement age, potential new entrants to scheme,
- Changes to national pension requirements and/or HMRC Rules

Membership of the Local Government Pension Scheme is open to all local government staff and should be encouraged as a valuable part of the contract of employment. However, increasing membership does result in higher employer monetary costs.

GOVERNANCE

The Fund has done as much as it believes it reasonably can to enable employing bodies and scheme members (via their trades unions) to make their views known to the Fund and to participate in the decision-making process. So far as the revised Funding Strategy Statement is concerned, it circulated copies of the first draft to all employing bodies for their comments. The first draft was reviewed at the Committee’s meeting on 15 November 2016 and finalised following the Committee meeting on 21 March 2017 after the Fund received feedback from the employing bodies. A further consultation took place following the publication of the 2018 Amendment Regulations and the introduction of exit credits. The revisions to the FSS have been incorporated into this draft and the updated draft was finalised following the Committee meeting on 29 October 2019.

Governance risks are as follows:-

- The quality of membership data deteriorates materially due to breakdown in processes for updating the information resulting in liabilities being under or overstated
- Administering Authority unaware of structural changes in employer's membership (e.g. large fall in employee numbers, large number of retirements) with the result that contribution rates are set at too low a level
- Administering Authority not advised of an employer closing to new entrants, something which would normally require an increase in contribution rates
- An employer ceasing to exist with insufficient funding or adequacy of a bond.
- An employer ceasing to exist without prior notification, resulting in a large exit credit requirement from the Fund impacting on cashflow requirements.
- Political risk that the academies guarantee from the Department for Education is removed, especially given the large increase in the number of academies in the Fund.

For these risks to be minimised much depends on information being supplied to the Administering Authority by the employing bodies. Arrangements are strictly controlled and monitored (e.g. with regular data reconciliations with employers), but in most cases the employer, rather than the Fund as a whole, bears the risk.

PENSIONS COMMITTEE

Wirral Metropolitan Borough Council, as the Administering Authority for Merseyside Pension Fund, has delegated responsibility and accountability for overseeing the Fund to the Pensions Committee.

The Pensions Committee is made up of fifteen voting representatives and Wirral Council, as the Administering Authority, nominates ten members, each of the other four local councils nominate a member and a representative of the remaining employers is elected by ballot. There are three non-voting members drawn from trade unions representing all actives, deferred members and pensioners. Aside from the trade union and non-council representatives, Member changes to Committee are subject to the political leadership of the Councils, although efforts are made to limit rotation where possible.

The Committee meets 4 to 5 times a year and has set up an Investment Monitoring Working Party which meets at least 6 times a year to monitor investment performance and developments. A Governance and Risk Working Party has also been established which meets twice a year to discuss current and emerging risks and measures to mitigate and control risk The Committee has delegated powers to the Director of Pensions for the day to day running of the Fund.

There is a clear decision making process for the operations of the Fund, major decisions are taken and minuted at monthly Fund Operating Group meetings attended by the Director of Pensions and senior MPF managers.

There is a significant resource dedicated on an annual basis for Member training which is provided both internally and externally.

The Pensions Administration Strategy (PAS) sets out clear standards of service to members by defining employer and Fund responsibilities in administering the Scheme and sets out the requirements for the two way flow of information.

LOCAL PENSION BOARD

The Pension Board was established in April 2015 in accordance with the Public Service Pensions Act 2013, the national statutory governance framework delivered through the LGPS Regulations and guidance issued by the Scheme Advisory Board.

Membership

The Pension Board is comprised of four voting employer representatives and four voting scheme member representatives selected from the broad range of employers in the Fund and the different categories of the membership base.

The employer representatives are office holders or senior employees of employers of the Fund or have experience of representing scheme employers in a similar capacity.

Member representatives are scheme members of Merseyside Pension Fund and have the capacity to represent scheme members of the Fund

The Pension Board is chaired by an independent non-voting member and all representatives have significant relevant experience either as a Pension Fund trustee or in the running of Pension Funds.

The role of the Pension Board is to assist Wirral Council, as Scheme Manager to:

- comply with the scheme regulations and other legislation relating to the governance and administration of the scheme; and
- any requirements imposed by the regulator.

A member of the Pension Board must be conversant with:

- the rules of the scheme and the law relating to pensions, and
- any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme.

The Council considers that the Pension Board is providing oversight of the administration and governance of the Pension Fund and does not have a decision making role in the management of the Fund but makes recommendations to assist in ensuring compliance with its statutory responsibilities.

Full details of the operational procedures are set out in the Pension Board's Terms of Reference which can be accessed from the following link:

http://mpfund.uk/pensionboard

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MONITORING AND REVIEW

The Administering Authority has taken advice from the actuary in preparing this Statement, and has consulted with the employers participating in the Fund.

A full review of this Statement will occur no less frequently than every three years, to coincide with completion of a full actuarial valuation. Any review will take account of the current economic conditions and will also reflect any legislative changes.

The Administering Authority will monitor the progress of the funding strategy between full actuarial valuations. If considered appropriate, the funding strategy will be reviewed (other than as part of the triennial valuation process), for example, if there:

- has been a significant change in market conditions, and/or deviation in the progress of the funding strategy
- have been significant changes to the Scheme membership, or LGPS benefits
- have been changes to the circumstances of any of the employing authorities to such an extent that they impact on or warrant a change in the funding strategy
- have been any significant special contributions paid into the Fund
- there has been a change in Regulations or Guidance which materially impacts on the policies within the funding strategy

When monitoring the funding strategy, if the Administering Authority considers that any action is required, the relevant employing authorities will be contacted. In the case of an employer who may exit the Fund, there is statutory provision for rates to be amended between valuations and this will be considered in conjunction with the employer affected and any associated guarantor of the employer's liabilities (if relevant).

APPENDIX A - ACTUARIAL METHOD AND ASSUMPTIONS

METHOD

The actuarial method to be used in the calculation of the solvency funding target is the Projected Unit method, under which the salary increases assumed for each member are projected until that member is assumed to leave active service by death, retirement or withdrawal from service. This method implicitly allows for new entrants to the scheme on the basis that the overall age profile of the active membership will remain stable. As a result, for those employers which are closed to new entrants, an alternative method is adopted, which makes advance allowance for the anticipated future ageing and decline of the current closed membership group potentially over the period of the rates and adjustments certificate.

FINANCIAL ASSUMPTIONS – SOLVENCY FUNDING TARGET

Investment return (discount rate)

The discount rate has been derived based on the expected return on the Fund assets based on the long term strategy set out in the Investment Strategy Statement (ISS). It includes appropriate margins for prudence. When assessing the appropriate discount rate, consideration has been given to the returns in excess of CPI inflation (as derived below). The discount rate at the valuation has been derived based on an assumed return of 2.0% per annum above CPI inflation i.e. a real return of 2.0% per annum i.e. a total discount rate of 4.2% per annum. This real return will be reviewed from time-to-time, based on the investment strategy, market outlook and the Fund's overall risk metrics. The discount rate will be reviewed as a matter of course at the time of a formal valuation or employer bond review

For those employers who are funding on a lower risk investment strategy, the discount rate used will be linked to low risk generating assets and this will be notified to the employers separately.

Inflation (Consumer Prices Index)

The inflation assumption will be taken to be the investment market's expectation for RPI inflation as indicated by the difference between yields derived from market instruments, principally conventional and index-linked UK Government gilts as at the valuation date, reflecting the profile and duration of the Scheme's accrued liabilities, but subject to an adjustment due to retirement pensions being increased annually by the change in the Consumer Price Index rather than the Retail Price Index

The overall reduction to RPI inflation at the valuation date is 1.0% per annum.

Salary increases

In relation to benefits earned prior to 1 April 2014, the assumption for real salary increases (salary increases in excess of price inflation) will be determined by an allowance of 1.5% p.a. over the inflation assumption as described above. This includes allowance for promotional increases. In addition to the long term salary increase assumption allowance has been made for expected short term pay restraint for some employers as budgeted in their financial plan. Depending on the circumstances of the employer, the variants on short term pay that have been applied are either no allowance or allowances of 1%, 1.5%, 2% or 2.5% per annum for each year from the valuation date up to 2020. The allowance made has been notified to each employer separately on their individual results schedule.

Pension increases/Indexation of CARE benefits

Increases to pensions are assumed to be in line with the inflation (CPI) assumption described above. This is modified appropriately to reflect any benefits which are not fully indexed in line with the CPI (e.g. Guaranteed Minimum Pensions where the LGPS is not required to provide full indexation).

DEMOGRAPHIC ASSUMPTIONS

Mortality/Life Expectancy

The mortality in retirement assumptions will be based on the most up-to-date information in relation to self-administered pension schemes published by the Continuous Mortality Investigation (CMI), making allowance for future improvements in longevity and the experience of the scheme. The mortality tables used are set out below, with a loading reflecting Fund specific experience. The derivation of the mortality assumption is set out in a separate paper as supplied by the Actuary. Current members who retire on the grounds of ill health are assumed to exhibit average mortality equivalent to that for a good health retiree at an age 4 years older whereas for existing ill health retirees we assume this is at an age 3 years older. For all members, it is assumed that the accelerated trend in longevity seen in recent years will continue in the longer term and as such, the assumptions build in a minimum level of longevity ‘improvement’ year on year in the future in line with the CMI projections and a long term improvement trend of 1.75% per annum for males and 1.5% per annum for females.

The mortality before retirement has also been adjusted based on LGPS wide experience.

Commutation

It has been assumed that, on average, 50% of retiring members will take the maximum tax-free cash available at retirement and 50% will take the standard 3/80ths cash sum. The option which members have to commute part of their pension at retirement in return for a lump sum is a rate of £12 cash for each £1 p.a. of pension given up.

Other Demographics

Following an analysis of Fund experience carried out by the Actuary, the incidence of ill health retirements, withdrawal rates and the proportions married/civil partnership assumption have been modified from the last valuation. In addition, no allowance will be made for the future take-up of the 50:50 option (an allowance of 10% of current and future members (by payroll) for certain employers was made at the last valuation). Where any member has actually opted for the 50:50 scheme, this will be allowed for in the assessment of the rate for the next 3 years. Other assumptions are as per the last valuation.

Expenses

Expenses are met out the Fund, in accordance with the Regulations. This is allowed for by adding 0.5% of pensionable pay to the contributions as required from participating employers. This addition is reassessed at each valuation. Investment expenses have been allowed for implicitly in determining the discount rates.

Discretionary Benefits

The costs of any discretion exercised by an employer in order to enhance benefits for a member through the Fund will be subject to additional contributions from the employer as required by the Regulations as and when the event occurs. As a result, no allowance for such discretionary benefits has been made in the valuation.

METHOD AND ASSUMPTIONS USED IN CALCULATING THE COST OF FUTURE ACCRUAL (OR PRIMARY RATE)

The future service liabilities are calculated using the same assumptions as the funding target except that a different financial assumption for the discount rate is used. A critical aspect here is that the Regulations state the desirability of keeping the “Primary Rate” (which is the future service rate) as stable as possible so this needs to be taken into account when setting the assumptions.

As future service contributions are paid in respect of benefits built up in the future, the Primary Rate should take account of the market conditions applying at future dates, not just the date of the valuation, thus it is justifiable to use a slightly higher expected return from the investment strategy. In addition the future liabilities for which these contributions will be paid have a longer average duration than the past service liabilities as they relate to active members only.

At the valuation date, the financial assumptions in relation to future service (i.e. the normal cost) are based on an overall assumed real discount rate of 2.75% per annum above the long term average assumption for consumer price inflation of 2.2% per annum.

EMPLOYER ASSET SHARES

The Fund is a multi-employer pension scheme that is not formally unitised and so individual employer asset shares are calculated at each actuarial valuation. This means it is necessary to make some approximations in the timing of cashflows and allocation of investment returns when deriving the employer asset share.

In attributing the overall investment performance obtained on the assets of the Fund to each employer a pro-rata principle is adopted. This approach is effectively one of applying a notional individual employer investment strategy identical to that adopted for the Scheme as a whole (taking account of the respective investment buckets) unless agreed otherwise between the employer and the Fund at the sole discretion of the Administering Authority.

At each review, cashflows into and out of the Fund relating to each employer, any movement of members between employers within the Fund, along with investment return earned on the asset share, are allowed for when calculating asset shares at each valuation. The investment return credited will depend on which investment bucket the employers’ assets are in.

Other adjustments are also made on account of the funding positions of orphan bodies which fall to be met by all other active employers in the Fund.

SUMMARY OF KEY WHOLE FUND ASSUMPTIONS USED FOR CALCULATING FUNDING TARGET AND COST OF FUTURE ACCRUAL (THE “PRIMARY RATE”) FOR THE 2016 ACTUARIAL VALUATION

Long-term yields	
Market implied RPI inflation	3.20% p.a.
Solvency Funding Target financial assumptions	
Investment return/Discount Rate	4.20% p.a.
CPI price inflation	2.20% p.a.
Long Term Salary increases*	3.70% p.a.
Pension increases/indexation of CARE benefits	2.20% p.a.
Future service accrual financial assumptions	
Investment return/Discount Rate	4.95% p.a.
CPI price inflation	2.20% p.a.
Long Term Salary increases*	3.70% p.a.
Pension increases/indexation of CARE benefits	2.20% p.a.

*short term salary increases also apply

Life expectancy assumptions

The post retirement mortality tables adopted for this valuation, along with sample life expectancies, are set out below:

-Post retirement mortality tables

Current Status	Retirement Type	2013 Valuation	2016 Valuation
Annuitant	Normal Health	106% S1PMA_CMI_2012[1.5%] / 100% S1PFA_CMI_2012[1.5%]	112% S2PMA_CMI_2015[1.75%] / 99% S2PFA_CMI_2015[1.5%]
	Dependant	173% S1PMA_CMI_2012[1.5%] / 120% S1DFA_CMI_2012[1.5%]	126% S2PMA_CMI_2015[1.75%] / 118% S2DFA_CMI_2015[1.5%]
	Ill Health	106% S1PMA_CMI_2012[1.5%] + 3 yrs / 100% S1PFA_CMI_2012[1.5%] + 3 yrs	112% S2PMA_CMI_2015[1.75%] + 3 yrs / 99% S2PFA_CMI_2015[1.5%] + 3 yrs
Active	Normal Health	104% S1PMA_CMI_2012[1.5%] / 94% S1PFA_CMI_2012[1.5%]	107% S2PMA_CMI_2015[1.75%] / 92% S2PFA_CMI_2015[1.5%]
	Ill Health	104% S1PMA_CMI_2012[1.5%] + 4 yrs / 94% S1PFA_CMI_2012[1.5%] + 4 yrs	107% S2PMA_CMI_2015[1.75%] + 4 yrs / 92% S2PFA_CMI_2015[1.5%] + 4 yrs
Deferred	All	130% S1PMA_CMI_2012[1.5%] / 110% S1PFA_CMI_2012[1.5%]	137% S2PMA_CMI_2015[1.75%] / 105% S2PFA_CMI_2015[1.5%]
Future Dependant	Dependant	111% S1PMA_CMI_2012[1.5%] / 106% S1DFA_CMI_2012[1.5%]	115% S2PMA_CMI_2015[1.75%] / 107% S2DFA_CMI_2015[1.5%]

-Life expectancies at age 65

Membership Category	Male Life Expectancy at 65	Female Life Expectancy at 65
Pensioners	21.8	24.6
Actives aged 45 now	24.8	27.5
Deferreds aged 45 now	22.7	26.4

Other demographic assumptions are set out in the Actuary’s formal report.

APPENDIX B – EMPLOYER DEFICIT RECOVERY PLANS

As the assets of the Fund are less than the liabilities at the effective date, a deficit recovery plan needs to be adopted such that additional contributions are paid into the Fund to meet the shortfall.

Deficit contributions paid to the Fund by each employer will be expressed as £s amounts and it is the Fund's objective that any funding deficit is eliminated as quickly as the participating employers can reasonably afford based on the Administering Authority's view of the employer's covenant and risk to the Fund.

Recovery periods will be set by the Fund on a consistent basis across employer categories where possible and communicated as part of the discussions with employers. This will determine the minimum contribution requirement and employers will be free to select any shorter deficit recovery period and higher contributions if they wish, including the option of prepaying the deficit contributions in one lump sum either on an annual basis or a one-off payment. This will be reflected in the monetary amount requested via a reduction in overall £ deficit contributions payable.

The determination of recovery periods are summarised in the table below, however there are a small number of employers that have different recovery periods to those set out below and these employers have been notified separately:

Category	Average Deficit Recovery Period	Derivation
Fund Employers	19 years	Determined by reducing the period from the preceding valuation to ensure (as far as possible) deficit contributions do not reduce versus those expected from the existing recovery plan.
Open Admitted Bodies	9 years	Determined by reducing the period from the preceding valuation to ensure deficit contributions (as far as possible) do not reduce versus those expected from the existing recovery plan.
Closed Employers	The deficit recovery period for closed admission bodies is a minimum of 9 years or the lower of the future working lifetime of the membership	Determined by reducing the period from the preceding valuation to ensure deficit contributions (as far as possible) do not reduce versus those expected from the existing recovery plan.
Employers with a limited participation in the Fund	Determined on a case by case basis	Length of expected period of participation in the Fund

In determining the actual recovery period to apply for any particular employer or employer grouping, the Administering Authority may take into account some or all of the following factors:

- The size of the funding shortfall;
- The business plans of the employer;

- The assessment of the financial covenant of the Employer, and security of future income streams;
- Any contingent security available to the Fund or offered by the Employer such as guarantor or bond arrangements, charge over assets, etc.

The objective is to recover any deficit over a reasonable timeframe, and this will be periodically reviewed. Subject to affordability considerations a key principle will be to maintain the deficit contributions at the expected monetary levels from the preceding valuation.

Other factors affecting the Employer Deficit Recovery Plans

As part of the process of agreeing funding plans with individual employers, the Administering Authority will consider the use of contingent assets and other tools such as bonds or guarantees that could assist employing bodies in managing the cost of their liabilities or could provide the Fund with greater security against outstanding liabilities. All other things being equal this could result in a longer recovery period being acceptable to the Administering Authority, normally restricted to a maximum period of 19 years, although employers will still be expected to at least cover expected interest costs on the deficit.

It is acknowledged by the Administering Authority that, whilst posing a relatively low risk to the Fund as a whole, a number of smaller employers may be faced with significant contribution increases that could seriously affect their ability to function in the future. The Administering Authority therefore would be willing to use its discretion to accept an evidenced based affordable level of contributions for the organisation for the three years 2017/2020. Any application of this option is at the ultimate discretion of the Fund officers in order to effectively manage risk across the Fund. It will only be considered after the provision of the appropriate evidence as part of the covenant assessment and also the appropriate professional advice.

For those bodies identified as having a weaker covenant, the Administering Authority will need to balance the level of risk plus the solvency requirements of the Fund with the sustainability of the organisation when agreeing funding plans. As a minimum, the annual deficit payment must meet the on-going interest costs to ensure, everything else being equal, that the deficit does not increase in monetary terms.

Notwithstanding the above, the Administering Authority, in consultation with the actuary, has also had to consider whether any exceptional arrangements should apply in particular cases.

APPENDIX C - TERMINATION POLICY

EXITING THE FUND

TERMINATION ASSESSMENT OF AN EMPLOYER'S RESIDUAL PENSION OBLIGATIONS AND METHOD TO CALCULATE BOND/ FINANCIAL GUARANTEES

On the cessation of an employer's participation in the Fund where an employer becomes an exiting employer, the Actuary will be asked to make a termination assessment. Depending on the circumstances of the termination this assessment may incorporate a more cautious basis of assessment of the final liabilities for the employer. Typically this will be where the employer does not have a guarantor in the Fund who has agreed to subsume the orphaned liabilities from the exiting employer.

Where it may be appropriate to use a more cautious basis, the discount rate assumption used will be derived to be consistent with a lower risk investment strategy linked to low risk income generating assets which make up the lower risk investment "bucket". This is subject to the financial assumptions used being no less cautious than the equivalent valuation assumptions updated appropriately based on the advice of the actuary. For the avoidance of doubt this includes any variation to assumptions for those employers whose assets are invested in the medium risk asset bucket. The Administering Authority retains the discretion to adopt a different approach for any particular employer related to the size of the risk and the employer will be notified of this accordingly.

In addition to using a more cautious discount rate, the Actuary will also use a more prudent mortality assumption when assessing the size of the liabilities for termination purposes. In particular, the Actuary will assume a higher improvement rate for future life expectancy than is used for ongoing funding purposes. Where it is appropriate to apply a more cautious assumption, the Actuary will assume that the accelerated trend in longevity seen in recent years will continue in the longer term. The assumption, therefore, will build in a minimum level of longevity 'improvement' year on year in the future in line with the CMI projections subject to a long term improvement trend of 2% per annum for males and females.

The appropriate method adopted depends on the characteristics of the exiting body (and in particular whether there is another employer in the Fund who is prepared to act as sponsor for any residual liabilities) and the risk in the context of the potential impact on other employers' contributions. This is because where liabilities are "orphaned" all employers have to cover any deficits (or surpluses) that arise in relation to these liabilities via their contribution rates at each valuation.

In summary, depending on the employer type, participation basis and covenant there are three alternative approaches to value liabilities on termination and to assess bond requirements for certain admitted bodies or designating bodies:-

1. Assessing the final termination liabilities using assumptions consistent with the most recent valuation basis adjusted as necessary to reflect the expected return outlook in relation to the investment strategy which supports the exiting employer's liabilities.

2. Assessing the final liabilities using a discount rate which is linked to a low risk income generating investment strategy which make up the lower risk investment “bucket”. As part of this assessment the Actuary will use a deduction from the discount rate to reflect a reasonable estimate of the potential asset default and reinvestment risk associated with the asset strategy, the associated costs of termination and any other reasonable prudential margins that are appropriate based on the advice of the Actuary. This will be reviewed from time-to-time dependent on market conditions. In addition, the Actuary will apply the more prudent mortality assumption as described above.

3. Assessing the final liabilities using a discount rate which is based on a “minimum risk” approach where the discount rate will be based on government gilt yields of appropriate duration to the liabilities and a more prudent mortality assumption as above. Typically this will be applied to an employer who would have a material effect on the Fund on exit by leaving significant residual orphan liabilities.

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

(I) ADMISSION BODIES PARTICIPATING BY VIRTUE OF A CONTRACTUAL ARRANGEMENT

For employers that are guaranteed by a guarantor (usually the original employer or letting authority), the Fund’s policy at the point of cessation is for the guarantor to subsume the residual assets, liabilities and any surplus or deficit. This is subject to the agreement of all parties involved (i.e. the Fund, the exiting employer and the guarantor) who will need to consider any separate contractual agreements that have been put in place between the exiting employer and the guarantor.

If all parties do not agree then the surplus will be paid directly to the exiting employer within 3 months of cessation (despite any other agreements that may be in place). In maintaining a consistent approach, the Fund will seek to recover the deficit from the exiting employer in the first instance. However, if this is not possible, the deficit will be subsumed by the guarantor and all remaining assets and liabilities will then be subsumed by the guarantor.

The Fund will inform the guarantor of the exiting employer’s request to receive the surplus before making payment of the exit credit. However the Fund will not become embroiled in any disagreement over the refund of any surplus which is contrary to commercial agreements.

Ultimately the Fund will have to comply with the Regulations and therefore pay any exit credit. It is then up to the guarantor to contest the surplus payment citing the commercial contract in place and the desire for equal treatment in the event of a deficit.

If a guarantor unjustifiably deviates from the policy to subsume the residual assets, liabilities and any surplus or deficit, future termination events with regard to the payment of the surplus or deficit will be treated in line with the approach adopted for employers without a guarantor in the Fund (the ongoing valuation basis will still be adopted in this case).

As the guarantor will absorb the residual assets and liabilities, it is the view of the Actuary that the ongoing valuation basis described above should be adopted for the termination calculations. For the avoidance of doubt this includes any variation to assumptions for those employers whose assets are invested in the medium or low risk asset bucket. This is the way the initial admission agreement would typically be structured i.e. the admission would be fully funded based on liabilities assessed on the valuation basis.

If the guarantor refuses to take responsibility then the residual deferred pensioner and pensioner liabilities should be assessed on the more cautious basis. In this situation the size of the termination payment would also depend on what happened to the active members and if they all transferred back to the original Scheme Employer (or elsewhere) and aggregated their previous benefits. As the transfer would normally be effected on a "fully funded" valuation basis the termination payment required would vary depending on the circumstances of the case. Where this occurs the exiting employer would then be treated as if it had no guarantor as per the policy below.

(II) NON-CONTRACT BASED ADMISSION BODIES WITH A GUARANTOR IN THE FUND

The approach for these will be the same as (i) above and will depend on whether the guarantor is prepared to accept responsibility for residual liabilities.

(III) ADMISSION BODIES WITH NO GUARANTOR IN THE FUND

These are cases where the residual liabilities would be “orphaned” within the Fund, although it is possible that a bond would be in place. The termination calculation would be on the more cautious basis as noted in 2. above although the approach in 3. above could apply at the discretion of the Administering Authority.

The actuarial valuation and the revision of any Rates and Adjustments Certificate in respect of the outgoing admission body must be produced by the Actuary at the time when the admission agreement ends; the policy will always be subject to change in the light of changing economic circumstances and legislation.

The policy for such employers will be:

- In the case of a surplus, the Fund pays the exit credit to the exiting employer following completion of the termination process (within 3 months of cessation). This is subject to the exiting employer providing sufficient notice to the Fund of their intent to exit; any delays in notification will impact on the payment date.

- In the case of a deficit, the Fund would require the exiting employer to pay the termination deficit to the Fund as an immediate lump sum cash payment (unless agreed otherwise by the Administering Authority at their sole discretion) following completion of the termination process.

The Administering Authority also reserves the right to modify this approach on a case by case basis at its sole discretion if circumstances warrant it based on the advice of the Actuary.

The above funding principles will also impact on the **bond requirements** for certain admitted bodies. The purpose of the bond is that it should cover any unfunded liabilities arising on termination that cannot be reclaimed from the outgoing body.

RELEVANT REGULATIONS WITHIN THE LOCAL GOVERNMENT PENSION SCHEME REGULATIONS 2013 (AS AMENDED BY THE LOCAL GOVERNMENT PENSION SCHEME (AMENDMENT) REGULATIONS 2018)

Regulation 64 sets out special circumstances where revised actuarial valuations and certificates must be obtained including Regulation 64 (2) where an admission agreement ceases to have effect, the Administering Authority who made it must obtain –

- an actuarial valuation as at the date it ceases the liabilities in respect of current and former employees of the admission body which is a party to that admission agreement ("the outgoing admission body"),

- a revision of any rates and adjustments certificate for any Pension Fund which is affected, showing the exit payment due from the exiting body or exit credit payable to the exiting body. Where it is not possible for any reason to obtain revised contributions from the exiting body, or from an insurer or any person providing an indemnity or bond on behalf of the body, the Administering Authority may obtain a further revision of any rates and adjustment certificate for the Pension Fund, showing –
  a) in the case where the exiting body falls within paragraph 1(d) of Part 3 of Schedule 2 , the revised contributions due from the body which is the related employer in relation to that admission body, and
  b) in any other case, the revised contributions due from each employing authority who contributes to the fund.

If the Administering Authority becomes aware or is of the opinion of a Scheme employer becoming an exiting employer, Regulation 64 (4) provides that it may obtain from an actuary a certificate specifying, in the case of an admission body, the percentage or amount by which, in the actuary's opinion -

- the contribution at the primary rate should be adjusted, or
- any prior secondary rate adjusted should be increased or reduced, with a view to providing that assets equivalent to the exit payment that will fall due from the Scheme employer are provided to the fund by the likely exit date or, where the Scheme employer is unable to meet the liability by that date, over such period of time thereafter as the administering authority considers reasonable.

APPENDIX D – COVENANT ASSESSMENT AND MONITORING POLICY

An employer's covenant underpins its legal obligation and ability to meet its financial responsibilities now and in the future. The strength of covenant depends upon the robustness of the legal agreements in place and the likelihood that the employer can meet them. The covenant effectively underwrites the risks to which the Fund is exposed, including underfunding, longevity, investment and market forces.

An assessment of employer covenant focuses on determining the following:

> Type of body and its origins
> Nature and enforceability of legal agreements
> Whether there is a bond in place and the level of the bond
> Whether a more accelerated recovery plan should be enforced
> Whether there is an option to call in contingent assets
> Is there a need for monitoring of ongoing and termination funding ahead of the next actuarial valuation?

The strength of employer covenant can be subject to substantial variation over relatively short periods of time and, as such, regular monitoring and assessment is vital.

RISK CRITERIA

The assessment criteria upon which an employer should be reviewed could include:

- Nature and prospects of the employer's industry
- Employer's competitive position and relative size
- Management ability and track record
- Financial policy of the employer
- Profitability, cashflow and financial flexibility
- Employer's credit rating
- Position of the economy as a whole

Not all of the above would be applicable to assessing employer risk within the Fund; rather a proportionate approach to the consideration of the above criteria would be made, with further focus given to the following:

- The scale of obligations to the pension scheme relative to the size of the employer's operating cashflow
- The relative priority placed on the pension scheme compared to corporate finances
- An estimate of the amount which might be available to the scheme on insolvency of the employer as well as the likelihood of that eventuality.

ASSESSING EMPLOYER COVENANT

The employer covenant will be assessed objectively and its ability to meet their obligations will be viewed in the context of the Fund's exposure to risk and volatility based on publically available information and/or information provided by the employer. The monitoring of covenant strength along with the funding position (including on the termination basis) enables the Fund to anticipate and pre-empt employer funding issues and thus adopt a proactive approach. In order to objectively monitor the strength of an employer's covenant, adjacent to the risk posed to the Fund, a number of fundamental financial metrics will be reviewed to develop an overview of the employer's stability and a rating score will be applied using a Red/Amber/Greed (RAG) rating structure.

In order to accurately monitor employer covenant, it will be necessary for research to be carried out into employers' backgrounds and, in addition, for those employers to be contacted to gather as much information as possible. Focus will be placed on the regular monitoring of employers with a proactive rather than reactive view to mitigating risk.

The covenant assessment will be combined with the funding position to derive an overall risk score. Action will be taken if these metrics meet certain triggers based on funding level, covenant rating and the overall risk score.

FREQUENCY OF MONITORING

The funding position and contribution rate for each employer participating in the Fund will be reviewed as a matter of course with each triennial actuarial valuation. However, it is important that the relative financial strength of employers is reviewed regularly to allow for a thorough assessment of the financial metrics. The funding position will be monitored (including on the termination basis) using an online system provided to officers by the Fund Actuary.

Employers subject to a more detailed review, where a risk criterion is triggered, will be reviewed at least every six months, but more realistically with a quarterly focus.

COVENANT RISK MANAGEMENT

The focus of the Fund's risk management is the identification and treatment of the risks and it will be a continuous and evolving process which runs throughout the Fund's strategy. Mechanisms that will be explored with certain employers, as necessary, will include but are not limited to the following:

1. Parental Guarantee and/or Indemnifying Bond
2. Transfer to a more prudent actuarial basis and investment strategy (e.g. the termination basis)
3. A higher funding target, shortened recovery periods and increased cash contributions
4. Managed exit strategies
5. Contingent assets and/or other security such as escrow accounts.

APPENDIX E – INSURANCE ARRANGEMENTS

OVERVIEW OF ARRANGEMENT

For certain employers in the Fund, following discussions with the Fund Actuary and after considering potential alternative insurance arrangements, a captive insurance arrangement is to be established by the Administering Authority to cover ill-health retirement costs. This will apply for all ill-health retirements from 1 April 2017.

The captive arrangement operates as follows:

- "Premiums" are paid by the eligible employers into the captive arrangement which is tracked separately by the Fund Actuary in the valuation calculations. The premiums are included in the employer's primary rate. The premium for 2017/20 is 1% p.a.

- The captive arrangement is then used to meet strain costs (over and above the premium paid) emerging from ill-health retirements in respect of both active and deferred members i.e. so there is no initial impact on the deficit position for employers within the captive.

- The premiums are set with the expectation that they will be sufficient to cover the costs in the 3 years following the valuation date. If any excess premiums over costs are built up in the Captive, these will be used to offset future adverse experience and/or lower premiums at the discretion of the Administering Authority based on the advice of the actuary.

- In the event of poor experience over a valuation period any shortfall in the captive fund is effectively underwritten by the other employers within the Fund. However the future premiums will be adjusted to recover any shortfall over a reasonable period with a view to keeping premiums as stable as possible for employers. Over time the captive arrangement should therefore be self-funding and smooth out fluctuations in the contribution requirements for those employers in the captive arrangement.

- Premiums payable are subject to review from valuation to valuation depending on experience and the expected ill health trends. They will also be adjusted for any changes in the LGPS benefits. They will be included in employer rates at each valuation or on commencement of participation for new employers.

EMPLOYERS COVERED BY THE ARRANGEMENT

Those employers (both existing and new) that will be included in the captive are Academies, Community related Admitted Bodies, Contract related Admitted Bodies (where the guarantor is also in the captive arrangement) and Designating/Resolution Bodies. These employers will be notified of their participation. New employers entering the Fund who fall into this category will also be included.

For all other employers who do not form part of the captive arrangement, the current treatment of ill-health retirements will still apply i.e. the Fund continues to monitor ill-health retirement strain costs incurred against the allowance certified with recovery of any excess costs from the employer once the allowance is exceeded either at the next valuation or at an earlier review of the contributions due including on termination of participation.

APPENDIX F - GLOSSARY

Actuarial Valuation: an investigation by an actuary into the ability of the Fund to meet its liabilities. For the LGPS the Fund Actuary will assess the funding level of each participating employer and agree contribution rates with the administering authority to fund the cost of new benefits and make good any existing deficits as set out in the separate Funding Strategy Statement.

Benchmark: a measure against which fund performance is to be judged.

Best Estimate Assumption: an assumption where the outcome has a 50/50 chance of being achieved.

Bonds: loans made to an issuer (often a government or a company) which undertakes to repay the loan at an agreed later date. The term refers generically to corporate bonds or government bonds (gilts).

Career Average Revalued Earnings Scheme (CARE): with effect from 1 April 2014, benefits accrued by members in the LGPS take the form of CARE benefits. Every year members will accrue a pension benefit equivalent to 1/49th of their pensionable pay in that year. Each annual pension accrued receives inflationary increases (in line with the annual change in the Consumer Prices Index) over the period to retirement.

Corporate Bond Basis: an approach where the discount rate used to assess the liabilities is determined based on the market yields of high quality corporate bond investments (usually at least AA rated) based on the appropriate duration of the liabilities being assessed. This is usually adopted when an employer is exiting the Fund.

CPI: acronym standing for “Consumer Prices Index”. CPI is a measure of inflation with a basket of goods that is assessed on an annual basis. The reference goods and services differs from those of RPI. These goods are expected to provide lower, less volatile inflation increases. Pension increases in the LGPS are linked to the annual change in CPI.

Deficit: the extent to which the value of the Fund’s past service liabilities exceeds the value of the Fund’s assets.

Discount Rate: the rate of interest used to convert a future cash amount e.g. a benefit payment occurring in the future to a present value.

Employer Covenant: the degree to which an employer participating in an occupational pension scheme is willing and able to meet the funding requirements of the scheme.

Employer's Future Service Contribution Rate (Primary Rate): the contribution rate payable by an employer, expressed as a % of pensionable pay, as being sufficient to meet the cost of new benefits being accrued by active members in the future. The cost will be net of employee contributions and will include an allowance for the expected level of administrative expenses.

Equities: shares in a company which are bought and sold on a stock exchange.

Equity Protection: an insurance contract which provides protection against falls in equity markets. Depending on the pricing structure, this may be financed by giving up some of the upside potential in equity market gains.

Exit Credit: the amount payable from the Fund to an exiting employer in the case where the exiting employer is determined to be in surplus at the point of cessation based on a termination assessment by the Fund Actuary.

Hedging: a strategy that aims to reduce funding volatility using Liability Driven Investment (LDI) or other techniques. This is achieved by investing in assets that capture levels of yields based on agreed trigger levels so the assets mimic the change in liabilities.

Hedge ratio: The level of hedging in place as a percentage of the liabilities and can be 0% to 100%. This can be in relation to interest rates, inflation rates or real rates of return.

Investment Bucket: this describes a bespoke investment strategy which applies to one or more employers and is dependent on the liability and risk profile.

Ill Health Captive: this is a notional fund designed to immunise certain employers against excessive ill health costs in return for an agreed insurance premium.

Solvency/Funding Level: the ratio of the value of the Fund's assets and the value of the Fund's liabilities expressed as a percentage.

Funding Strategy Statement: this is a key governance document that outlines how the Administering Authority will manage employer's contributions to the Fund.

Solvency Funding Target: an assessment of the present value of benefits to be paid in the future. The desired funding target is to achieve a solvency level of a 100% i.e. assets equal to the past service liabilities assessed on the ongoing concern basis.

Government Actuary's Department (GAD): the GAD is responsible for providing actuarial advice to public sector clients. GAD is a non-ministerial department of HM Treasury.

Investment Strategy: the long-term distribution of assets among various asset classes that takes into account the Funds objectives and attitude to risk.

Past Service Liabilities: this is the present value of all the benefits accrued by members up to the valuation date. It is assessed based on a set of assumptions agreed between the Administering Authority and the Actuary.

Percentiles: relative ranking (in hundredths) of a particular range. For example, in terms of expected returns a percentile ranking of 75 indicates that in 25% of cases, the return achieved would be greater than the figure, and in 75% cases the return would be lower.

Prepayment: the payment by employers of contributions to the Fund earlier than that certified by the Actuary. The amount paid will be reduced compared to the certified amount to reflect the early payment.

Present Value: the value of projected benefit payments, discounted back to the valuation date.

Prudent Assumption: an assumption where the outcome has a greater than 50/50 chance of being achieved i.e. the outcome is more likely to be overstated than understated. Legislation requires the assumptions adopted for an actuarial valuation to be prudent.

Real Return or Real Discount Rate: a rate of return or discount rate net of CPI inflation.

Recovery Plan: a strategy by which an employer will make up a funding deficit over a specified period of time ("the recovery period", as set out in the Funding Strategy Statement.

Section 13 Valuation: in accordance with Section 13 of the Public Service Pensions Act 2013, the Government Actuary's Department (GAD) have been commissioned to advise the Department for Communities and Local Government (DCLG) in connection with reviewing the 2016 LGPS actuarial valuations. All LGPS Funds therefore will be assessed on a standardised set of assumptions as part of this process.

50/50 Scheme: in the LGPS, active members are given the option of accruing a lower benefit in the 50/50 Scheme, in return for paying a lower level of contribution.

WIRRAL COUNCIL

PENSION BOARD

DATE 16 OCTOBER 2018

SUBJECT:	**POOLING UPDATE**
REPORT OF:	**DIRECTOR OF PENSIONS**

1.0 EXECUTIVE SUMMARY

1.1 This report provides Board members with copies of recent Pooling update reports taken to Pensions Committee.

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 Pooling update is a standing item on the Pensions Committee agenda

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

3.1 There are none arising from this report

4.0 RECOMMENDATION

4.1 That Board Members note the report.

5.0 REASON/S FOR RECOMMENDATION/S

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

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SUBJECT HISTORY

Reports/notes	Date

APPENDICES
REPORT TO PENSIONS COMMITTEE JULY 2018

WIRRAL COUNCIL

PENSION BOARD

DATE 16 OCTOBER 2018

SUBJECT:	**MANAGEMENT OF CLIMATE RISK**
REPORT OF:	**DIRECTOR OF PENSIONS**

1.0 EXECUTIVE SUMMARY

1.1 This report provides Board members with a copy of a recent report to Pensions Committee on this subject.

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 report provides the Board with information on the governance around the intended implementation of this strategy.

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

3.1 There are none arising from this report

4.0 RECOMMENDATION

4.1 That Board Members note the report.

5.0 REASON/S FOR RECOMMENDATION/S

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

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SUBJECT HISTORY

Reports/notes	**Date**

APPENDICES

REPORT TO PENSIONS COMMITTEE JULY 2018

WIRRAL COUNCIL

PENSION BOARD

DATE 16 OCTOBER 2018

SUBJECT:	**WORKING PARTY MINUTES**
REPORT OF:	**DIRECTOR OF PENSIONS**

1.0 EXECUTIVE SUMMARY

1.1 This report provides Board members with copies of working party minutes since the previous Board meeting.

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 Investment Monitoring and Governance & Risk Working Parties convene regularly to enable Pension Committee members to consider pension matters in greater detail. Minutes of the working parties are reported to Pension Committee.

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

3.1 There are none arising from this report.

4.0 RECOMMENDATION

4.1 That Board Members note the report.

5.0 REASON/S FOR RECOMMENDATION/S

5.1 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.

REPORT Peter Wallach Director of Pensions

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SUBJECT HISTORY

Reports/notes	Date
This is a standing item on the agenda	

APPENDIX

EXEMPT appendix 1

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Agenda Item 15

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Agenda Item 17

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Agenda Item 18

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