Public Document Pack

Pensions Committee

Date:	**Wednesday, 28 September 2022**
Time:	**6.00 p.m.**
Venue:	Birkenhead Town Hall

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AGENDA

1. WELCOME AND INTRODUCTION

2. APOLOGIES

3. MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

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

4. MINUTES (Pages 1 - 4)

To approve the accuracy of the minutes of the meeting held on 22 June 2022.

5. PUBLIC QUESTIONS

5.1 Public Questions

Notice of question to be given in writing or by email by 12 noon Friday 23 September 2022 to the Council's Monitoring Officer (committeeservices@wirral.gov.uk) and to be dealt with in accordance with Standing Order 10 of the Council's Constitution.

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

5.2 Statements and Petitions

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

5.3 Questions by Members

6. PENSION BOARD REVIEW 2021-22 AND WORK PLAN 2022-23 (Pages 5 - 24)

7. GRANT THORNTON – THE AUDIT FINDINGS REPORT FOR MERSEYSIDE PENSION FUND (Pages 25 - 58)

8. MERSEYSIDE PENSION FUND ANNUAL REPORT & ACCOUNTS 2021/22 AND LETTER OF REPRESENTATION (Pages 59 - 162)

9. LOCAL GOVERNMENT PENSION SCHEME (LGPS) UPDATE (Pages 163 - 168)

10. CONSULTATION ON GOVERNANCE AND REPORTING OF CLIMATE CHANGE RISKS IN THE LOCAL GOVERNMENT PENSION SCHEME (Pages 169 - 176)

11. WIRRAL LOCAL PENSION BOARD MINUTES (Pages 177 - 186)

12. NORTHERN LGPS UPDATE (Pages 187 - 196)

13. MINUTES OF WORKING PARTY MEETINGS (Pages 197 - 212)

14. EXEMPT INFORMATION - EXCLUSION OF MEMBERS OF THE PUBLIC

The following items contain exempt information.

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

15. CEM: BENCHMARKING OF INVESTMENT MANAGEMENT AND PENSIONS ADMINISTRATION (Pages 213 - 252)

Terms of Reference

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

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PENSIONS COMMITTEE

Wednesday, 22 June 2022

Present:	Councillor	P Cleary (Chair)	
	Councillors	C Povall	A Gardner
		G Davies	C Carubia
		H Collinson	Jason Walsh
		B Kenny	C Jones

1 **WELCOME AND INTRODUCTION**

The Chair welcomed everyone and read out the webcasting notice.

2 **APOLOGIES**

Apologies were received from:
Councillor Jayne Aston, Knowsley Council
Roger Bannister, Co-opted
Councillor Michael Bond, St Helens Council
Councillor Paul Connolly
Councillor Karl Greaney
Councillor Pauline Lappin, Sefton Council
Councillor Joe Walsh

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

The Chair asked Members to declare any interests they had in connection to any items on the agenda. The following interests were declared:

Councillor Helen Collinson	Pecuniary interest by virtue of her being a Deferred Member of Merseyside Pension Fund.
Councillor George Davies	Personal interest as his wife was member of Merseyside Pension Fund.
Councillor Chris Jones	Personal interest as her daughter was a member of Merseyside Pension Fund.
Councillor Andrew Gardener	Pecuniary interest by virtue of being a Member of Merseyside Pension Fund.
Councillor Cherry Povall	Personal interest as daughter a member of the Merseyside Pension Fund.

4 **MINUTES**

Resolved:
That the minutes of the meeting of Pensions Committee on 29 November and 23 February 2022 be agreed as a correct record.

5 **PUBLIC QUESTIONS**

There were no questions, petitions or statements received.

6 **EXTERNAL AUDIT PLAN MERSEYSIDE PENSION FUND 2021-22**

The External Audit Manager from Grant Thornton presented the annual audit plan. The purpose of the report was to inform Committee Members of the plan for the external audit of the Fund's Statutory financial statements for 2021/22. During the summer Grant Thornton would undertake their audit of the relevant financial activities and provide verification of the Pension Fund's financial statements. The results of this audit will be reported back to the Committee.

Members noted that there was a higher focus on some areas where there was heightened potential for fraud or complexity.

Resolved –
That the external audit plan for 2021/22 as prepared by Grant Thornton be noted.

7 **STATEMENT OF ACCOUNTS 2021/22 – MANAGEMENT QUESTIONS**

The Director of Pensions presented his report which was to request that Members review and endorse the management responses to questions posed by the Fund's external auditors, Grant Thornton.

Members were pleased to see detail on management controls and oversight of the matters identified in the risk assessment.

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

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

The Head of Pension Administration for the Merseyside Pension Fund presented the report of the Director of Pensions which provided an overview of proposed changes affecting the future administration and governance of the Local Government Pension Scheme (LGPS). The McCloud judgment was detailed, where the Govt extended protection to all Members who had membership of the final salary scheme prior to 31 March 2012 with the aim to remove discrimination from the reformed schemes. High level analysis identified that 34,000 members of the Merseyside Pension Fund met the criteria to qualify for protection and informed by the actuarial estimate of a 1% cost of total liabilities this equates to around 340 members who would likely receive an additional underpin amount. This is because the Care scheme had a higher accrual rate than the final salary scheme. The potential administration cost of identifying the affected persons was significant and was dependent of the complexity of the final regulations and the system supplier's capacity to deliver bulk calculations.

Members confirmed that new rules allowing members to opt out for a year did break the continuity of their service so that they began as a new member once the opt out

ended, though their deferred benefit would continue to qualify for any protections afforded under the McCloud remedy.

Resolved –
That the upcoming administration and governance changes to the LGPS be noted.

9 **MERSEYSIDE PENSION FUND BUDGET OUT-TURN 2021/22 AND FINAL BUDGET 2022/23**

The Director of Pensions presented his report which provided the Pension Fund budget report with proposed budget for 22/23 and confirms the outturn for 21/22.

In answer to Members' questions, it was clarified that investment management fees were the principal difference between the budget and outturn as they were percentage based and so increased as assets increased.

Resolved –
That the out-turn for 2021/22 and the finalised budget for 2022/23 be noted.

10 **LOCAL PENSION BOARD MINUTES**

The Chair presented the minutes of the Local Pension Board and expressed his thanks to the Board for their work supporting the Fund and Committee.

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

11 **NORTHERN LGPS UPDATE**

The Chair presented the report of the Director of Pensions which provided Members with an update on pooling arrangements in respect of Merseyside Pension Fund (MPF) and the Northern LGPS. Minutes of the previous Northern LGPS Joint Committee meeting were also included for noting.

Members noted that the recent additional GLIL investments were around the climate aspirations and investing in the green economy.

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

12 **MINUTES OF WORKING PARTY MEETINGS**

The Director of Pensions presented his report which provided Members with the minutes of meetings of Working Parties held since the previous Committee meeting. He drew their attention to two items which were the impact of the covid pandemic on high streets and a short presentation on human rights and responsible investment. The Fund was signing up to the initiative to support aspirations on social issues.

Resolved –
That the Working Party minutes be approved.

13 **PROPERTY PORTFOLIO RENT ARREARS AND WRITE OFFS**

The Director of Pensions presented his report which requested that Members agree to the write off of £844,480.25 of irrecoverable rent arrears from the Fund's property portfolio. The annual property rental income for 2021/22 was £32.1 million.

In answer to Members' questions, it was clarified that even though the Fund would be a creditor where a company goes into liquidation, any amount recovered was likely to be a small proportion of the total so a write off would still be required for the remainder. It was noted that efforts are made to relet a property to limit any losses.

Resolved –
That the write-off of uncollectable property rental income of £844,480.25 be approved.

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

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

15 **PROPERTY PORTFOLIO RENT ARREARS AND WRITE OFFS - EXEMPT APPENDIX**

Resolved –
That the exempt appendix for the Property Portfolio Rent Arrears and Write Offs be noted.

16 **NON-RECOVERY OF DEFICIT ON CLOSURE OF ADMISSION BODY**

Resolved –
That the write-off of the sum of £230,279.01 be approved as recovery is not viable due to the charity ceasing to operate with effect from 30th June 2020 with no realisable assets.

WIRRAL COUNCIL

PENSIONS COMMITTEE

28 SEPTEMBER 2022

SUBJECT:	**PENSION BOARD REVIEW 2021-22 AND WORK PLAN 2022-23**
REPORT OF:	**INDEPENDENT CHAIR OF PENSION BOARD**

REPORT SUMMARY

This report which has been prepared in accordance with the Terms of Reference of the Pension Board reviews the work and performance of the Board and its Members during its seventh year (1 April 2021 to 31 March 2022). This report also includes a proposed Work Plan for 2022-2023.

RECOMMENDATIONS

That the Pensions Committee be recommended to consider and note the Pension Board Review 2021-2022 and proposed Work Plan for 2022-2023.

SUPPORTING INFORMATION

1.0 REASON FOR RECOMMENDATIONS

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

2.0 OTHER OPTIONS CONSIDERED

Not relevant for this report.

3.0 BACKGROUND INFORMATION

Under its present Terms of Reference the Board is required to produce, on an annual basis, a report for consideration by the Scheme Manager which is the Wirral MBC Pensions Committee. This review has been prepared by the Independent Chair of the Board for consideration by the Board at its meeting on 8 July 2022. Following consideration by the Board an approved version of this review will be presented by the Independent Chair to the Pensions Committee at its meeting on 28 September 2022.

Purpose and Constitution of the Merseyside Local Pension Board

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

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

Summary of issues considered at Board Meetings 2021-22

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

	23/06/21	**20/09/21**	**01/12/21**	**24/02/22**
LGPS Update	YES	YES	YES	YES
Risk Register	YES	YES	YES	YES
Working Party (IMWP/GRWP) Minutes	YES	YES	YES	YES
Pensions Administration Report	YES	YES	YES	YES
Investment Pooling/Northern LGPS Update	YES	YES	YES	YES
Pension Board Review 2020-21 & Plan 2021-22	YES			
External Audit Plan 2020-21	YES			
External Audit Questionnaire & Responses 2020-21	YES			
Pension Fund Outturn 2020-21 & Budget 2021-22	YES			
Employer Covenants & Bond Review	YES			
Internal Audit Report 2020-21		YES		
(External) Audit Findings Report 2020-21			YES	
Fund Annual Report & Accounts 2020-21			YES	
Updated Investment Strategy Statement			YES	
Office Working Arrangements			YES	
Pension Fund Budget 2022-23				YES
Treasury Management Policy & Report				YES
Complaints Policy				YES
Member Learning & Development Programme				YES
Update on Catalyst Fund				YES

Commentary in relation to a number of the reports detailed above is included below, in this Review. Firstly, however, I would wish to comment specifically on the contribution of the individual Members of the Board during 2021-22.

Members of the Pensions Board

Since its establishment in 2015 the Merseyside (Wirral) Local Pensions Board has been extremely fortunate with regard to the genuinely active role played by the Members of the Board. 2021-22 was no exception to this.

During the year 2021-22 overall attendance at Board meetings was 77% with four of the nine members achieving 100% attendance. The actual value and impact of the Members is demonstrated however more by the active and constructive participation of each and every Member at Board meetings than by simple reference to attendance statistics.

At each meeting during 2021-22, in addition to both quality reports and presentations from the Director of Pensions and his Senior Management Team, there were constructive questions, observations and debate involving all Board Members. A clear example of positive and active Board Member participation was the discussion and concerns raised by Board Members in relation to the decline in service provided by Prudential in its role as an Additional Voluntary Contribution (AVC) provider arising from consideration of the Pensions Administration report presented to the 23 June 2021 meeting of the Board. This resulted in formulation at the meeting and unanimous acceptance of a resolution that “the Local Pension Board notes with concern the ongoing failure of Prudential to provide an effective service to LGPS members using their AVC facility and that a letter be sent to Prudential, signed by the Head of Pensions Administration on behalf of the Local Pension Board, reflecting their dissatisfaction that a multinational financial organisation should find itself in this operational position with adverse consequences for members.” This resulted in the issuing to Prudential of a strongly worded letter from the Head of Pensions Administration (who consulted with me on its content) which included reference to the extreme concern and dissatisfaction of the Board regarding the actions and level of service that had been provided by Prudential to individual members of the Merseyside Pension Fund who had utilised Prudential to make AVCs to enhance their retirement savings.

A further example of the active and positive engagement of Board Members was their constructive scrutiny of working arrangements put in place by the Fund in response to COVID-19. This was demonstrated by both Members responses to the Pensions Administration Monitoring Report of September 2021 and the report on Office Working Arrangements presented (at its specific request) to the Board on 1 December 2021.

Board Members in 2021-22 as in previous years actively and positively considered and supported the development, as proposed by the three relevant Administering Authorities/ Funds (Wirral/Merseyside, Bradford/West Yorkshire,

and Tameside/Greater Manchester) of the Northern LGPS Investment Pool. This included passing two positive and important resolutions at the 1 December 2021 meeting of the Board to seek to facilitate the timely appointment of Employee representatives to the nine person Joint Committee (which is the ultimate decision making body of the Pool). As stated in both my Reviews of 2019-20 and 2020-21 the whole Pension Board has been particularly supportive of the governance and operational arrangements for the Northern LGPS Investment Pool and in particular that one third of the members of the nine person Joint Committee be Employee representatives. This level of Employee involvement and influence, which also enhances diversity of perspective, is far in excess of that in any other of the eight LGPS Investment Pools and in the view of the Board (as discussed over the years in Board meetings, and indicated in Minutes, my Annual Reviews and presentations to the Pensions Committee) is extremely positive and an excellent example to all the other LGPS Investment (Asset) Pools across England and Wales.

The issue of the actual appointment of the three Employee Members to the Joint Committee of the Northern LGPS Pool was again discussed at the meeting of the Board held on 23 June 2021 with the Minutes recording that "The Independent Chair indicated that he hoped that the three Employee representatives would soon be actively participating in the Northern LGPS Joint Committee." However, by November 2021 no appointment of Employee representatives had been made to the Pool Joint Committee.

Therefore, in November 2021 the Independent Chair of the Pension Board had a (positive and helpful) discussion with the Chair of the Pensions Committee in which I raised concerns, on behalf of the Board, regarding the fact that the three Employee Members had not yet been appointed to the Northern LGPS Joint Committee. At the Pension Board held on 1 December 2021, which the Chair of the Pensions Committee also and helpfully attended, this matter was discussed by Board Members in some detail. After discussion the voting Members of the Board, on a resolution proposed by an Employee representative and seconded by an Employer representative unanimously Resolved "(1) That the governance arrangements of the Northern LGPS Pool be considered and concern raised that the employee representative positions had not been filled (2) That the Independent Chair write to the Chair of the Pensions Committee in respect of this matter." As requested by the Board, I subsequently wrote a detailed letter to the Chair of the Pensions Committee setting out the Board's clear support for the approach of the three Administering Authorities/Funds to investment pooling but also urging the urgent appointment of Employee Members to the three vacant Employee representative positions on the Northern LGPS Pool Joint Committee. Subsequently, it was pleasing that at the meeting of the Pensions Board held on 24 February 2022 the Director of Pensions was able to report that the Host Authority of the Northern LGPS Pool (Tameside/Greater Manchester) was in correspondence with the Trades Union Congress (TUC) regarding the appointment of the three Employee Representatives to the Northern LGPS Pool Joint Committee. In this respect I would wish to thank the Chair of the Pensions Committee for raising, in a timely manner, the concerns

of the Board with the other Administering Authorities who, along with Wirral, constitute the Northern LGPS Pool.

Unfortunately, however, I understand that as of late June 2022 (when this Review was written) the three Employee Representatives had still not been appointed to the Joint Committee. Therefore, on behalf of all the Members of the Merseyside Pension Board I would urge all parties involved, in any way, in these appointments to finalise them as a matter of the upmost urgency.

I would wish to place on record my personal thanks to each Member who served throughout 2021-22: Donna Ridland, Pat Maloney, Geoff Broadhead, Roger Irvine, Lyn Robinson, Peter Fieldsend, and Stephan Van Arendsen. Also, I would also wish to record my thanks to Robin Dawson who re-joined the Board from July 2021 as an Employee representative having previously served as an Employer representative from 2015 to 2017. As I have already indicated, I believe that the Merseyside Fund has a clearly knowledgeable and positively engaged group of Pension Board Members seeking to actively and genuinely interact with the Fund on behalf of both Employees and Employers and to assist the Pensions Committee to achieve not only compliance with relevant legislation, regulations and guidance but also to achieve effective and efficient governance and administration of the Merseyside Pension Fund.

When there are vacancies at Pension Boards the Administering Authority may, in some cases, have significant difficulties in making a suitable appointment. This has never been the case with the Merseyside Board and indeed it was extremely pleasing that when a vacancy for an Employee (Pensioner) representative was advertised in 2021 the Fund received eight applications a number of whom had clear experience relevant to the appointment.

Areas of particular focus during 2021-22

Continuing and developing the practice of earlier years, the Table on page 2 of this report indicates that the primary focus of the Board in 2021-22 was on major Fund governance issues including the Risk Register and Working Party Minutes, the operation and performance of the Fund with a particular focus on the Pension Administration function, and also updates on national developments relevant to the LGPS (the quarterly LGPS Update report).

LGPS Update reports

As I have indicated in previous Pension Board Reviews the quarterly LGPS Updates received at each Board meeting are in my view both a source of valuable information on a broad range of national issues with a particular focus on latest developments, and also very useful to Board Members in helping to fulfil their knowledge and understanding obligations under the Public Service Pensions Act 2013 which refers to Board Members been “conversant” with the “rules” and documents relating to the “scheme.” The word “conversant” includes, in my view, within its general meaning, to keep up to date and this is exactly what the quarterly LGPS Updates enable the Board both individually

and collectively to achieve in terms of their knowledge and understanding of the LGPS at a national as well as local (Merseyside Fund) level. During the year 2021-22 the Board received further updates on the “McCloud” judgement (Age Discrimination in the LGPS) including the Ministerial Statement of 13 May 2021 confirming the key changes that the Government will make (after necessary changes to primary legislation) to the LGPS Regulations to remove the unlawful age discrimination; Cost Management of Public Sector Pension Schemes including Government proposals to revise the mechanism; Exit Payments (the “Exit Cap”); Consultation on increasing the minimum pension age; the Pension Schemes Act 2021 with specific reference to the “Pensions Dashboard”; the Government Actuary’s Department (GAD) Section 13 Report on the 2019 Actuarial Valuations including specific information relating to the Merseyside Pension Fund. I would wish to place on record my thanks to the Head of Pensions Administration for the quality of both her reports and presentations. A very clear example of this was both the report and presentation on the GAD report on the 2019 Actuarial Valuation received at the Board meeting held on 24 February 2022.

The Risk Register

Risk Management is fundamental to effective Pension Fund governance and operations across the Pensions Administration, Finance, and Investment functions. Both CIPFA and the Pensions Regulator have made absolutely clear the critical role and importance of effective risk management in the context of the LGPS.

Therefore, as is normal practice, it was appropriate that the Risk Register together with a covering report which includes clear details of changes to the Risk Register since the previous report was presented to and actively considered by the Board at each meeting during 2021-22. It appears clear from the Board’s examination of the Risk Register that this is, as it should be, a living and developing document which therefore gives (some) assurance to the Board regarding the emphasis on risk management by the Merseyside Pension Fund. I would particularly wish to thank the Director of Pensions for his presentation of the Risk Register to meetings of the Board.

Working Party (IMWP/GRWP) Minutes

The consideration of and focus on overall Fund governance was, as in previous years, facilitated by consideration at each Board meeting of the Minutes of the two standing Elected Member led working groups – the Investment Management Working Party (IMWP) and the Governance and Risk Working Party (GRWP) which are also attended by a broad range of both Officers/Advisors. As in previous years Pension Board Members attended some Working Group meetings as Observers but with the facility to ask questions and engage in the discussions. Examination of Working Group Minutes supplemented by the attendance at some Working Group meetings provided evidence and (some) assurance in relation to both positive governance and operation of the Fund.

Internal Audit Report 2020-21

At its September 2021 meeting the Board received, as it does annually, a presentation and the most recent Merseyside Pension Fund Internal Audit Annual Report which on this occasion covered 2020-21. The reviews undertaken by Internal Audit provide an important source of assurance, or otherwise, regarding both the overall governance of the Fund and the governance/operation of specific areas of Fund activity. Firstly, it was pleasing to be informed that despite the extreme difficulties posed by COVID-19 Internal Audit was able to deliver the 150 days of planned input during 2020-21 which is the annual level that Internal Audit and the Fund have previously agreed. This was achieved through a refocused plan agreed between Internal Audit and the Fund's Senior Management Team (Fund Operating Group). It is pleasing and reassuring to note that the Chief Internal Auditor's report included the statement that "The assessment found that in all of the systems audited in 2020/21 there is a sound system of control in place, those controls are consistently applied and fully effective and no significant weaknesses were identified. The MPF Management Team continues to ensure identified risks are effectively managed and the recommendations emanating from the audit work are consistently and effectively implemented within the agreed timescales." The provisional four-year Internal Audit Plan for 2021-22 to 2024-25 which was included in the Internal Audit Annual Report provided assurance that a wide range of reviews across all of Pensions Administration; Investments, Accounting and Compliance; Cross Cutting issues; and Emerging Risks are planned. Finally, I would wish to record, on behalf of the Board, our appreciation for the work of Internal Audit in relation to the Fund in the exceptional circumstances of COVID-19.

Office Working Arrangements

The COVID-19 pandemic which began in March 2020 continued throughout the financial years 2020-21 and (most of) 2021-22. This resulted in huge challenges for the Merseyside Pension Fund in terms of operational activity. Having considered information from Officers and particularly in the context of the report, Officer presentation, Members' questions and observations arising from the Pensions Administration Report presented to the Board on 20 September 2021 the Board formally Resolved to request that a report be brought back to the Board on working from home arrangements in the particular context of consequences for performance. At the meeting of the Board held on 1 December 2021 a report was received entitled "Office Working Arrangements." This acknowledged that "As a consequence of remote working practices, experience indicates there has been a decline in performance levels." The report also stated, in the context of the progressive mitigation of the pandemic "The option for the majority of staff to continue working from home was not sustainable from a customer service perspective and there has been a gradual return of staff to the office in line with guidance from Public Health." The report included a detailed timeline, description and explanation/justification of actions and approaches. The report was clear that approaches to working arrangements had taken clear cognisance of and had been revised in the

context of both national requirements/guidance and requirements/guidance issued by Wirral MBC. The Board discussed the report with Officers and determined to Resolve that "…Officers be thanked for their work during the pandemic to maintain the service of the Pension Fund." I would also wish to record thanks to the Senior Manager for Operations and Information Governance for his work in relation to preparing and presenting this particular report.

Financial related reporting

During 2021-22 the Board received a broad range of reports and documents which have a significant financial emphasis, but which are also clearly relevant to the overall governance and wider operation of the Fund. These included the Pension Fund Outturn 2020-21 and Budget 2021-22; External Audit Plan 2020-21; External Audit Questionnaire and (Fund) Responses 2020-21; (External) Audit Findings Report 2020-21; Fund Annual Report and Accounts 2020-21; Pension Fund Budget 2022-23; Treasury Management and Policy Report. As in previous years these reports and documents and the presentations made at the actual meetings, gave the Board clear opportunity to understand, review and ask questions regarding the overall planning and operation of the Funds activities, as well as its financial processes and controls. A clear example is the dialogue between Board Members and the Head of Finance and Risk in relation to the report on the Pension Fund Budget on 24 February 2022. It should be noted that having considered the Pension Fund Budget 2022-23 the Pension Board expressed (as recorded in the Minutes a view (rather than a formal Resolution) that it would be supportive of increasing the Fund's staffing budget. This of course is in the context of the increasing burdens and need to ensure continuing robust risk mitigation and operational effectiveness in an increasingly complex environment.

Additionally, the Board received detail of the evaluation of the Fund by the External Auditor. Given the extent and detail of the Pension Fund Accounts (see Merseyside Pension Fund Report & Accounts 2020/21 pages 43 to 73 in particular) together with the examination and scrutiny to which Pension Fund Accounts are (now) subjected to by External Auditors it was pleasing for the Board to see that the External Auditors "The Audit Findings for Merseyside Pension Fund Year ended 31 March 2021" (page 3) which the Board received at its meeting on 1 December 2021 included the statements "We have not raised any recommendations for management as a result of our audit work…or material changes to the financial statements." The preparation of the finance related reports and statements presented to the Board requires much detailed work. In this respect I would wish to thank the Head of Finance and Risk both for these and her presentations at Board meetings.

Pension Administration Reports

Pensions Administration was, as in previous years an area of particular interest and focus for the Board as it is the most immediate interface between the Merseyside Pension Fund and both Employers and Employees who are the two

groups equally represented on the Board. The presentation to each meeting during 2021-22 of a detailed Pensions Administration Monitoring Report facilitated detailed examination and constructive challenge by the Board in relation to a broad range of pensions administration issues. These reports were, as in previous years, closely examined by individual Board Members and the Head of Pensions Administration received (as also in earlier years) a broad range of constructive questioning and challenge. As already referred to examination by Board Members of (in particular) the Pensions Administration Monitoring Report to the September 2021 meeting resulted in the request for the report on Office Working Arrangements which was received and considered by the Board at its meeting on 1 December 2021.

Fund Approach to Employers and Employees

As in 2020-21 the Board received in 2021-22 (at the meeting held on 23 June 2021) a report in respect of the measures and approach the Fund is taking to seek to ensure that the possibility of default by any one Employer, which would ultimately need to be covered by other Employers is mitigated. The report entitled “Bond Review and Interaction with Covenant” provided details of the work with and approach to Employers who, because they do not benefit from local or national taxpayer support, could potentially default in respect of their financial obligations as Employers within the Fund. The Employers in question are in particular Further Education Colleges/Higher Education Corporations, and also Community Admission Bodies. The report demonstrated that the Fund is taking a robust but targeted and pragmatic approach to seeking to ensure that the risks of any default by an Employer (which would be detrimental to both the Employer in question and all other Employers in the Fund and would result in much work for Fund Officers) are mitigated so far as is practical. The report detailed the differing approaches taking account of nature and circumstances that the Fund is developing/utilising to mitigate the potential for Employer default including for example placing some Employers into a lower risk investment strategy, reviewing bond levels, considering other forms of security. The Board is, however, aware that Employer default risk though it can, must and is mitigated, cannot be eliminated.

Positive relations between the Fund its Employers, individual scheme members (Employees) and other stakeholders is clearly desirable for a number of reasons including achieving effectiveness for all. Therefore, it was pleasing that at the meeting held on 24 February 2022 that the Board received the “Merseyside Pension Fund Complaints Policy” which had been approved by the Pensions Committee on 23 February 2022. This policy is intended to enhance the operational practice adopted by the Merseyside Pension Fund in responding to complaints. The policy outlines the methods and timeframes for recording, investigating, and implementing corrective actions in relation to complaints. In relation to the Complaints Policy the Fund Officers, as is normal practice, consulted me clearly ahead of finalisation of the policy and took due account of my observations. In addition, the Officers consulted with the other eight Members of the Board in respect of this Consultation and received some further observations which were taken due account of. Given the Complaints

Policy is particularly and directly relevant to both Employers and Employees this approach by the Fund Officers was particularly appropriate and I would wish on behalf of the Board, to thank the Officers for consulting with not only myself but the whole Board, on this occasion.

Investment Issues

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

As already discussed in detail in the section of this Review above entitled "Members of the Pensions Board" the Board actively considered the development, as proposed by the three relevant Administering Authorities, of the Northern LGPS Investment Pool. This included passing two positive and important resolutions at the 1 December 2021 meeting of the Board. In addition, at each Meeting of the Board during 2021-22 the Board received a "Northern LGPS Update" including the Minutes of the recent meeting of the Northern LGPS Joint Committee. I would wish to record, on behalf of the Board, thanks to the Director of Pensions for his commentaries at meetings and responses to questions and observations from Board Members relating to the Northern LGPS.

The Fund is under Regulation 7 of the LGPS (Management and Investment of Funds) Regulations 2016 required to "formulate an investment strategy…" This Investment Strategy Statement (ISS) sets out the Fund's overall approach to investment strategy. While the preparation and approval of this most important document is a matter for the Pensions Committee taking appropriate account of the views of the Fund Officers and the Fund's Investment Advisor the Fund must under Regulation 7(5) "consult such persons as it considers appropriate…" The Fund has since the creation of the Board in 2015 consulted me as Independent Chair of the Pension Board on draft documents required under the LGPS Regulations and subsequently formally added involvement in Consultations to my role under the Board's Terms of Reference. Therefore, when in 2021 the Fund was revising its ISS the Fund Officers consulted me and took due account of my observations in the final version. Furthermore, the Fund also formally consulted with the other eight Board Members in respect of updating the ISS which I very much welcome and is another example of the ongoing positive approach of the Pension Fund/Administering Authority to the Pensions Board. As a part of this process, Members of the Board were able to participate in a workshop organised by the Fund in relation to its Responsible Investment policy which comprises an important element of the ISS. The final

version of the “Updated Investment Strategy Statement,” as approved by the Pensions Committee, was presented to the Board at its meeting held on 1 December 2021. As in 2019-20 the Board received a report (at the 24 February 2022 meeting) on the Catalyst Fund. This “Update on the Catalyst Fund” report updated the Board on the Catalyst Fund which seeks to support development and refurbishment projects in Merseyside while (crucially) providing a commercial return for the Merseyside Pension Fund.

Chair of the Pensions Committee

The Board was, again, pleased to welcome Councillor Pat Cleary Chair of the Wirral MBC Pensions Committee who attended the Board meeting held on 1 December 2021. The Board greatly appreciates the ongoing interest in and contribution of Councillor Cleary to our proceedings.

During the year I also had discussions with the Chair on issues including the Northern LGPS Pool and the involvement of the Board in Consultations. As in the past these discussions were positive and constructive. I would wish to place on record that Councillor Cleary was particularly encouraging in terms of consulting, as practical, not only myself as Independent Chair but also the other eight Board Members in respect of Fund policies and strategies. This is a further demonstration of the positive approach of the Administering Authority to the Pensions Board.

Training and Development

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

As stated in the section on “LGPS Update reports” these reports are very useful to Board Members in helping to fulfil their knowledge and understanding obligations. Those who attended Fund Working Party’s during 2021-22 also obtained knowledge and understanding in respect of both investment and governance issues with a particular focus on the Merseyside Fund. During 2021-22 Board Members also attended external training events which included events facilitated by CIPFA, the PLSA, LAPFF. I would urge all Pension Board Members to seek to attend at least one meeting of the Merseyside Pension Fund Working Groups (IMWP/GRWP) during 2022-23 together with attendance at least one external training event or alternatively to attend at least two external training events during the period 1 April 2022 to 31 March 2023.

At the meeting held on 24 February 2022 the Board received a report “Members Learning and Development Programme” which reminded Board Members of their individual responsibility in relation to knowledge and understanding both under legislation and the requirements of the Merseyside Pension Fund.

Furthermore, however this report confirmed that the Fund has also made available to all Board Members the LGPS Online Learning Academy (LOLA) developed by Hymans Robertson. All Members of the Board should complete LOLA as soon as practical and no later than 31 March 2023. I would however stress that completion of LOLA is additional to and not an alternative to attendance at a Working Party/external training events.

Reporting Breaches of the Law to the Pensions Regulator

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

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

Support for the Board by the Administering Authority during 2021-22

Notwithstanding the ongoing difficulties and extra burdens upon the Fund Officers resulting from the COVID-19 pandemic the Board received the same exemplary and positive support, advice, and guidance from the Fund Officers as in previous years. Meetings of the Board were supported and attended by the Director of Pensions and the senior members of his team responsible for Pensions Administration/IT and the Finance/Risk Management of the Fund. This Officer support at meetings is the same as that provided to the Pensions Committee and reflects the importance and value the Fund has continuously placed on the Board since its creation in 2015. On behalf of the Board, I would like to place on record my appreciation of the work of the Officers in relation to both the Fund itself and the Board.

The genuine interest of the Administering Authority in the Board was further demonstrated by the positive approach of the Councillor Pat Cleary as described earlier in the section headed "Chair of the Pensions Committee."

Despite the pandemic there continued to be frequent discussions between Board meetings, involving myself and the Director of Pensions/ Head of Pensions Administration. These covered a range of issues and were initiated by both the Officers and myself.

Recommendations made to the Scheme Manager (Pensions Committee)

There were no formal recommendations made by the Board to the Pensions Committee during 2021-22. The Minutes of each Pension Board are however included on the Agenda of the Pensions Committee and these, of course, include coverage of notable Board discussions and Resolutions passed by the Board.

Pension Board Review 2020-21 and presentation to the Pensions Committee

The Pension Board Review 2020-21 and Work Plan 2021-22 was considered and approved by the Board on 23 June 2021. This was then considered by the Pensions Committee at its meeting held on 20 September 2021. Unlike in 2020 when COVID-19 restrictions had meant that the Pensions Committee had to meet remotely I was very pleased to attend the Pensions Committee in person to present my 2020-21 review.

The Chair of the Pensions Committee referred to a number of issues relating to the Board including the range of issues considered by the Board and the active participation of Board Members at Meetings (which he had himself witnessed). Councillor Cleary thanked me for a positive and comprehensive report to the Committee.

Pension Board Costs of Operation 1 April 2021 to 31 March 2022

Conferences	**£ 3,895**
Travel & Subsistence	**£ 696**
Allowances	**£ 23,869**
Total	**£ 28,550**

Proposed Pension Board Work Plan 2022-23

The proposed Work Plan for 2022-23 is detailed below and has been prepared jointly by the Director of Pensions and Independent Chair. This maintains an overall emphasis on Fund Governance. Pensions Administration will remain a particular area of focus given that this is an area of direct relevance to both Employers and individual Employees. Investment Pooling will also be an area of focus given this represents a fundamental change to and development of the Governance of the LGPS and a Consultation on this issue is promised from Central Government in Autumn 2022. The Work Plan will be updated as necessary during 2022-23.

Agenda item	8/07/22	28/09/22	16/12/22	22/02/23
LGPS update	YES	YES	YES	YES
Risk Register	YES	YES	YES	YES
Working Party (IMWP/GRWP) Minutes	YES	YES	YES	YES
Pension Administration Report	YES	YES	YES	YES
Investment Pooling/Northern LGPS Update	YES	YES	YES	YES
External Audit Plan 2021-22	YES			
External Audit Questionnaire & Responses 2021-22	YES			
Pension Fund Outturn 2021-22 & Budget 2022-23	YES			
Pension Board Review 2021-22 & Plan 2022-23	YES			
Non-Recovery of Admission Body deficit	YES			
Write off/overpayment report	YES			YES
(External) Audit Findings Report 2021-22		YES		
Fund Annual Report & Accounts 2021-22		YES		
Internal Audit Report 2021-22		YES		
CEM Benchmarking Report		YES		
LGPS Consultation Report			YES	YES
Good Governance project				
Updated Funding Strategy Statement				YES
Actuarial Valuation 2022 outcome				YES

Updated Investment Strategy Statement				YES
Pension Fund Budget 2023-24				YES
Compliance Manual Update				YES
Treasury Management Policy & Report				YES
Update on Catalyst Fund				YES
Member Learning & Development Programme				YES

Conclusion and Going Forward – the Merseyside Pension Fund and the development of the LGPS in 2022-2023 and beyond

The Merseyside Pension Fund operates within the overall regulatory/governance framework as defined in the LGPS Regulations, associated Statutory Guidance and other overriding legislation and recommended principles of best practice. Reports and presentations made to the Pension Board in 2021-2022 very clearly indicate, as they did in previous years, that the Merseyside Pension Fund (MPF) understands and takes very seriously its present obligations. This is pleasing to report.

However, as I also stated in my Review last year, to fulfil its obligations and deliver an effective service to Employers and in particular the 140,000 plus individual members the MPF will need to prepare very carefully for the future. It is therefore extremely disappointing that during 2021-22 (and to the time this review was written) to note that the Government (the Ministry for Housing Communities and Local Government (MHCLG) until September 2021 and from September 2021 the Department for Levelling Up, Housing and Communities (DLUHC)) has failed to issue the (long) awaited Consultations on Investment Pooling, Climate (TCFD) reporting, and in particular to require the implementation of the Scheme Advisory Board (SAB) Good Governance in the LGPS proposals which were referred by SAB to the then MHCLG in February 2021.

However, notwithstanding the lack of Government initiative the Merseyside Pension Fund has sought, as evidenced to the Board, to seek to further develop investment pooling (in a manner appropriate to and cognisant of the best interests of this Fund) and to further enhance its own governance and operations so as to provide a positive service and support to all Employers and individual Scheme Members. The Fund has also made further positive progress in terms of Responsible Investment including Climate related issues.

I am, as I stated last year, aware that the Merseyside Fund has already, and continues to, positively implement to some clear degree the proposals of the Good Governance in the LGPS project. I would urge the Fund to continue with this approach. Furthermore as indicated earlier in this report the Board (specifically expressed at its meeting on 24 February 2022) is clearly supportive of increasing the Fund's staffing budget in the context of additional burdens and the need to ensure continuing robust risk mitigation and operational effectiveness in a progressively complex environment.

Finally I wish to refer to the Northern LGPS and in particular the pending appointment of the three Employee Representatives to the Joint Committee of the Northern LGPS Investment (Asset) Pool. This was an area of particular interest to the Board in 2021-22 as it had been in previous years. The Northern LGPS provides, in the view of the Board, a shining example of how a LGPS investment pool should be constituted and governed. This is both in terms of the fact that the Joint Committee (whose membership rightly has a clear majority of Councillors) is the actual overall decision making forum of the Pool and also in that the three Fund Directors have a clear remit, within the governance arrangements of the Pool, to ensure that operationally it both genuinely and effectively meets the investment needs of the three constituent Funds.

A further exemplary characteristic of the Northern LGPS Pool is the intention to appoint three Employee representatives to the nine person Joint Committee responsible for the overall decision making and governance of the Pool. This level of Employee involvement and influence, which the Board is totally supportive of, will not only enhance diversity of perspective but give Employees significant genuine representation and significant influence in/on the Pool governing body. This is not only extremely positive but an example to the other Investment Pools across the LGPS.

As stated in this review the Board is aware that the Host Authority of the Northern LGPS (Tameside MBC) and the Trades Union Congress have been in correspondence regarding the appointment of the three Employee Representatives to the Northern LGPS Pool Joint Committee. As at the date this review was finalised I am not however aware that these appointments have been made. Therefore, on behalf of the Board I would urge the Wirral MBC to do all in its power to facilitate the actual appointment and participation of these three Employee Representatives as a matter of upmost urgency.

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

4.0 FINANCIAL IMPLICATIONS

4.1 There are none directly arising from this report.

5.0 LEGAL IMPLICATIONS

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

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

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

7.0 RELEVANT RISKS

7.1 A failure to provide the Committee with information on legislative and statutory changes in the LGPS could hinder the Committee in the discharge of its activities.

8.0 ENGAGEMENT/CONSULTATION

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

9.0 EQUALITY IMPLICATIONS

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

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 There are none directly arising from this report.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 There are none directly arising from this report.

REPORT AUTHOR: **JOHN RAISIN**
Independent Chair
Merseyside Local Pension Board

27 June 2022

APPENDICES

None

BACKGROUND PAPERS/REFERENCE MATERIAL

The Public Service Pensions Act 2013

LGPS Regulations 2013 (As amended)

LGPS (Management and Investment of Funds) Regulations 2016

Guidance on the Creation and Operation of Local Pension Boards in England and Wales, (LGPS) Scheme Advisory Board, 2015

SUBJECT HISTORY (last 3 years)

Council Meeting	**Date**
Pension Committee **Pension Committee**	**20 September 2021** **14 September 2020**

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WIRRAL COUNCIL

PENSIONS COMMITTEE

28 SEPTEMBER 2022

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

REPORT SUMMARY

This report highlights the key findings and other matters arising from Grant Thornton's external audit of the financial statements of Merseyside Pension Fund for the year ended 31 March 2022.

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

RECOMMENDATION/S

The Pensions Committee is recommended to note the report provided by the external auditor, Grant Thornton.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION

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

2.0 OTHER OPTIONS CONSIDERED

2.1 No other suitable options as there is a statutory requirement to audit the financial statements of Merseyside Pension Fund and to report to those charged with governance.

3.0 BACKGROUND INFORMATION

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

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

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

4.0 FINANCIAL IMPLICATIONS

4.1 Merseyside Pension Fund is charged a fee for the external audit of the Fund's financial statements, the proposed fee is £48,000 and the final fee is to be confirmed as detailed within the Grant Thornton report.

5.0 LEGAL IMPLICATIONS

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

6.0 RESOURCE IMPLICATIONS: STAFFING; ICT AND ASSETS

6.1 There are none arising directly from this report.

7.0 RELEVANT RISKS

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

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

8.0 ENGAGEMENT/CONSULTATION

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

9.0 EQUALITY IMPLICATIONS

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

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

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

11.0 COMMUNITY WEALTH IMPLICATIONS

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

REPORT AUTHOR: **Donna Smith**
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APPENDICES

Merseyside Pension Fund Audit Findings Report 2021/22

BACKGROUND PAPERS

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

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
The Fund's Audit Findings Report is brought annually to this Committee.	**20 September 2021** **2 November 2020** **16 July 2019**

Grant Thornton

The Audit Findings for Merseyside Pension Fund

Year ended 31 March 2022

20 September 2022

Contents

Your key Grant Thornton team members are:

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

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Merseyside Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2022 for those charged with governance.

Financial Statements

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

- the Pension Fund's financial statements give a true and fair view of the financial position of the Pension Fund and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

Our audit work was completed on remotely during July-September. Our findings are summarised on pages 4 to 17 . There has been a minor adjustment (£5k) to the Fund Account to account for the proposed external audit fees for the year. We have not identified any other adjustments to the financial statements that have resulted in adjustment to the Pension Fund's reported financial position, to date. Audit adjustments, disclosure amendments and misclassification errors are detailed in Appendix B. We have not raised any new recommendation for management as a result of our audit work. Our follow up of recommendations from the prior year's audit are detailed in Appendix A.

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

- Receipt of the outstanding external investment confirmations (including 6 responses for the level 3 investments sample) and completing our testing
- Completion of unit price testing for level 1 and 2 investments
- Completion of the testing of a sample of direct property assets
- Results of the work of our specialist valuations team in valuing the derivatives
- Completion of the testing of large/unusual journals posted by management
- Completion of the audit work/sample testing on several non-significant risk areas of the accounts
- Finalisation of responses to Manager/EL reviews of the accounts
- Finalisation and agreement of the hot review with our technical/quality support team
- Final quality reviews of the audit work by the Engagement Leader and Review Partner
- Receipt of signed management representation letter
- Review of the final set of financial statements

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

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

2. Financial Statements

Overview of the scope of our audit

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

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

Audit approach

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

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

We have not had to alter our audit plan, which was communicated to you at the Pensions Committee meeting on 22 June 2022.

Conclusion

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

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

2. Financial Statements

Our approach to materiality

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

Materiality levels remain the same as reported in our audit plan, which was presented to the Pensions Committee on 22 June 2022.

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

	Pension Fund Amount (£)	Qualitative factors considered
Materiality for the financial statements	96.496m	We have determined materiality for the audit to be £96.496m (equivalent to 0.9% of net assets for the prior year). This is in line with the industry standard and reflects the risks associated with the Fund's financial performance.
Performance materiality	72.372m	Performance materiality drives the extent of our testing and this was set at 75% of financial statement materiality. Our consideration of performance materiality is based upon a number of factors: • We are not aware of a history of deficiencies in the control environment • There has not historically been a large number or significant misstatements arising; and • Senior management and key reporting personnel has remained stable from the prior year audit
Trivial matters	4.825m	This equates to 5% of materiality. This is our reporting threshold to the Pensions Committee and Wirral's Audit & Risk Management Committee for any errors identified.

2. Financial Statements - Significant risks

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

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

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Fund faces external scrutiny of its spending and stewardship of funds, and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. At the time of writing this report we are still completing our testing of journals posted by management during the year. Management has provided us with all the required information at this stage. Our audit work to date has not identified any issues in respect of management override of controls.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
ISA 240 Fraud in Revenue and Expenditure Recognition Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. We have also rebutted the presumption of fraud in expenditure recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Wirral Council mean that all forms of fraud are seen as unacceptable Therefore, we do not consider this to be a significant risk for Merseyside Pension Fund.
Valuation of Level 3 Investments The Fund revalues its investments on a quarterly basis to ensure that the carrying value is not materially different from the fair value at the financial statements date. By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved (£2,883 million) and the sensitivity of this estimate to changes in key assumptions. Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end. Management utilise the services of investment managers as valuation experts to estimate the fair value as at 31 March 2022. We therefore identified valuation of Level 3 investments as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • evaluated management's processes for valuing Level 3 investments • reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met • independently requested year-end confirmations from investment managers • for a sample of investments, tested the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconciled those values to the values at 31 March 2022 with reference to known movements in the intervening period and • in the absence of available audited accounts, we have evaluated the competence, capabilities and objectivity of the valuation expert • tested revaluations made during the year to see if they had been input correctly into the Pension Fund's financial records • where available reviewed investment manager service auditor report on design effectiveness of internal controls. Per the Fund's accounting policies, year end values for hard to value assets frequently contain 31 December values adjusted for cash for inclusion in the draft financial statements. As part of our response to the valuation risk the valuation of the level 3 investments is assessed by the auditor to ensure that the carrying value per the financial statements is not materially different from the fair value as at the 31 March 2022, which we obtain via external confirmation from the external fund managers. We would typically expect to see a number of small variances as a result of this, usually netting out to a relatively small variance. In recent years as a result of Brexit and Covid, these movements have been more volatile. From the work which we have performed to date the difference between the valuation of investments per the Fund's accounts and that per the externally obtained investment confirmations as at 31 March 2022 is £43m. This amount is below performance materiality, however we have asked the Fund to compare the valuations as at 31/3/22 compared to the accounts for all level 3 investments held. Since this is a factual difference it is included in Appendix B of this report as an unadjusted misstatement. We are still finalising our work on this area. We still need to obtain external confirmations, audited accounts and service auditor control reports for 6 investment fund managers. We also still need to complete our testing on the audited accounts and service auditor control reports. Where a service auditor control report is not provided alternative assurance has been gained – see page 21.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of Directly Held Property The Fund revalues its directly held property on a quarterly basis to ensure that the carrying value is not materially different from the fair value at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£568 million) and the sensitivity of this estimate to changes in key assumptions. Management have engaged the services of a valuer to estimate the current value as at 31 March 2022. We therefore identified valuation of directly held property, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluated the competence, capabilities and objectivity of the valuation expert • written out to them and discussed with the valuer the basis on which the valuation was carried out • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding • engaged our own valuer to assess the instructions to the Fund's valuer, the Fund's valuation report and the assumptions that underpin the valuation. We can confirm that the external valuer appointed is independent of ourselves and the Pension Fund • tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Fund's financial records • where available reviewed investment manager service auditor report on design effectiveness of internal controls. Our audit work on the valuation of directly held property is still ongoing at the time of writing this report. We are still finalising our testing of the valuation of a sample of assets and challenge of the Fund's external valuer. Our audit work to date has not identified any significant issues or misstatements.

2. Financial Statements – new issues and risks

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

Issue	Commentary	Auditor view
IT Control deficiencies Our IT audit specialists have completed a review of the IT General Controls in place in the Oracle EBS and Altair systems at the Council and Pension Fund.	Two significant deficiencies were noted on the review of Oracle EBS which require reporting to TCWG: 1) Inadequate control over privileged/ generic accounts within Oracle EBS Risk - The excessive use of accounts with privileged access increases the risk of end-users being able to - change system configuration settings without authorisation and approval - read and modify sensitive data, - create, modify or delete user accounts without authorisation, - delete or disable system audit logs. Recommendation - Management should undertake a review of all user accounts on the Oracle EBS to identify all generic/ privileged accounts. For each account identified management should confirm the - requirement for the account to be active and be assigned privileged access - which users have access - controls in place to safeguard the account from misuse. Where possible, [privileged - generic] accounts should be removed, and individuals should have their own uniquely identifiable user accounts created to ensure accountability for actions performed. Alternately, management should implement suitable controls to limit access and monitor the usage of these accounts (i.e. through increased use of password vault tools / logging and periodic monitoring of the activities performed). Where monitoring is undertaken this should be formally documented and recorded. Management Response - We note that access to AZN and FND functionality has not been identified on previous audits which have been undertaken. We have checked a number of responsibilities and can confirm that we have a menu exclusion which prevents access to AZN functionality we have also checked and can't find any FND functionality associated with the same responsibilities. We will undertake a review of our responsibilities and any which we identify as having access to AZN or FND functionality where it is not necessary, we will implement similar exclusions to prevent access. We have recently performed an audit on all privileged accounts and either confirmed their access is still required or where appropriate removed unnecessary access or end dated accounts.	We have reviewed the deficiencies and noted that the significant deficiencies relate mostly to generic/privileged user accounts which is not directly related to journal postings but more in relation to system administration/maintenance. We have reviewed the users who have posted journals in the Fund's ledger in year and confirmed that there are none of the users detailed in the IT report. There is no further impact on our audit approach from review of the IT findings.

2. Financial Statements – new issues and risks continued

Issue	Commentary	Auditor view
IT Control deficiencies Our IT audit specialists have completed a review of the IT General Controls in place in the Oracle EBS and Altair systems at the Council and Pension Fund.	2) Inadequate control over privileged/ generic accounts within Oracle EBS Database Risk - Users with administrative privileges at Oracle EBS Database have the ability to bypass system-enforced internal control mechanisms and may compromise the integrity of financial data. The use of generic or shared accounts with high-level privileges increases the risk of unauthorised or inappropriate changes to the application or database. Where unauthorised activities are performed, they will not be traceable to an individual. Recommendation - Management should undertake a review of all user accounts on the Oracle EBS Database to identify all generic/ privileged accounts. For each account identified management should confirm the - requirement for the account to be active and be assigned privileged access - which users have access - controls in place to safeguard the account from misuse. Where possible, privileged/ generic accounts should be removed, and individuals should have their own uniquely identifiable user accounts created to ensure accountability for actions performed. Alternatively, management should implement suitable controls to limit access and monitor the usage of these accounts (i.e. through increased use of password vault tools / logging and periodic monitoring of the activities performed). Where monitoring is undertaken this should be formally documented and recorded. Management response We acknowledge that there are a small number of privileged generic accounts which are used by our IT Team to undertake certain roles. Our DBA team use these administration accounts to perform tasks such as starting and stopping databases, managing memory and storage and creating and managing database user accounts. Accounts have been setup and configured as part of the EBS implementation and the account details are embedded within many of the operating processes within the system which make them extremely difficult and high-risk to attempt to remove. As recommended in last years audit review we have recently enabled additional audit logging by setting:- • audit_sys_operations to TRUE • audit_trail to DB,EXTENDED This will provide additional audit logging which will show changes made to our system by privileged user accounts.	We have reviewed the deficiencies and noted that the significant deficiencies relate mostly to generic/privileged user accounts which is not directly related to journal postings but more in relation to system administration/maintenance. We have reviewed the users who have posted journals in the Fund's ledger in year and confirmed that there are none of the users detailed in the IT report. There is no further impact on our audit approach from review of the IT findings.

2. Financial Statements – new issues and risks continued

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

2. Financial Statements – key judgements and estimates

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

Item	Summary of management's approach	Audit Comments	Assessment
Level 3 Investments – £2,883m	The Pension Fund has investments in unquoted equity and pooled investments that in total are valued on the Net Asset Statement as at 31 March 2022 at £2,883m. These investments are not traded on an open exchange/market and the valuation of the investment is highly subjective due to a lack of observable inputs. In order to determine the value, management rely on the valuations provided by the general partners to the private equity funds which the Fund invests in. The value of the investments has increased by £338m in 2021-22, largely due to significant positive changes in the market value of the investments, primarily as a result of the markets continuing to regain lost growth as a result of the Covid-19 Pandemic in prior years. However, the majority of this growth was attained in the first three quarters of the year with the impact of the Russian invasion of Ukraine impacting markets as at 31 March 2022 and reducing growth.	Management determine the values of level 3 investments through placing reliance on the expertise of investment managers. As such we have sought confirmations of year end valuations from all main mandate managers. We have also tested a sample of level 3 investments to audited accounts to determine if the values estimated are reasonable and within our acceptable tolerances based on our expectation derived from the audited accounts. Management have disclosed, within Note 5 of the accounts, the uncertainty related to level 3 investments (absolute return funds and private equity) as well as providing a supporting sensitivity analysis within Note 15 to allow the reader to understand the potential impact on the accounts should the value of those estimates change. Per the Fund's accounting policies, year end values for hard to value assets frequently contain 31 December values adjusted for cash for inclusion in the draft financial statements. As part of our response to the valuation risk the valuation of the level 3 investments is assessed by the auditor to ensure that the carrying value per the financial statements is not materially different from the fair value as at the 31 March 2022, which we obtain via external confirmation from the external fund managers. We would typically expect to see a number of small variances as a result of this, usually netting out to a relatively small variance. In recent years as a result of Brexit and Covid, these movements have been more volatile. From the work which we have performed to date the difference between the valuation of investments per the Fund's accounts and that per the externally obtained investment confirmations as at 31 March 2022 is £43m. This amount is below performance materiality, however we have asked the Fund to compare the valuations as at 31/3/22 compared to the accounts for all level 3 investments held. Since this is a factual difference it is included in Appendix B of this report as an unadjusted misstatement. We are still finalising our work on this area. We still need to obtain external confirmations, audited accounts and service auditor control reports for 6 investment fund managers. We also still need to complete our testing on the audited accounts and service auditor control reports. Where a service auditor control report is not provided alternative assurance has been gained – see page 21.	Light Purple

Assessment

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

2. Financial Statements - key judgements and estimates

Item	Summary of management's approach	Audit Comments	Assessment
Level 2 Investments – £1,939m	The Pension Fund have investments in unquoted bonds, pooled investments and derivatives that in total are valued on the Net Asset Statement as at 31 March 2022 at £2,2,331m. The Fund also held investment liabilities of £391m as at 31 March 2022. The net position was £1,939m. The investments can not be easily reconciled to valuations recorded on an open exchange / market as the valuation of the investments involves some subjectivity. In order to determine the value, management rely on the information which they are given from the various fund managers. The net value of the investments has increased by £193m in 2021-22, largely due to net additions and an increase in market value.	Management determine the value of Level 2 Investments through placing reliance on the expertise of the various fund managers. As such we have sought confirmations of year end valuations from all main mandate managers and also tested a sample of unit values used to value level 2 investments to externally quoted information sources, or where not quoted, to unit values provided by the investment manager's own independent custodian. This work remains ongoing but no issues have been identified to date. We have also consulted with our specialist valuations team in determining the appropriateness of the valuation of the derivative investments. Our valuations team are performing their own valuation of a sample of the derivatives. As at the time of writing our report we are still awaiting their findings.	Light Purple
Directly held Investment Property - £568m	The Pension Fund has investments in directly held investment properties that in total are valued on the Net Asset Statement as at 31 March 2022 at £568m. In order to determine the value, management engage independent RICs qualified valuers, Savills, to calculate the fair value of the properties on the basis of their Market Value. All of the properties held by the Fund were valued as at 31/3/22. The value of the investments have increased by £104m in 2021/22, this was largely as a result of increases in the fair value of the properties on revaluation as at 31/3/22. Included in the above movement in valuation is also a net increase of £6m on the portfolio valuation as a result of purchases and sales throughout the financial year.	Management determine the value of Level 3 direct property investments through placing reliance on the expertise of the property valuer. As such we have sought confirmations of year end valuations from the valuer as well as corresponding with them to understand and assess their skills, competence and independence from the Fund in valuing the investment properties. We have also evaluated the assumptions used in the calculation of the estimate as well as the source evidence they relied upon. We compared movements in individual asset values to movements in market indices and challenged management on any movements which were outside of our expected range. As with our prior year audit, we engaged our own auditors expert to assess the instructions provided to the valuer in comparison to the requirements from CIPFA / IFRS / RICS and also to assess the valuation methodology and approach, resulting assumptions adopted and any other relevant points. We did not identify any issues with the approach or assumptions adopted by the Fund's external property valuer.	Light Purple

Assessment

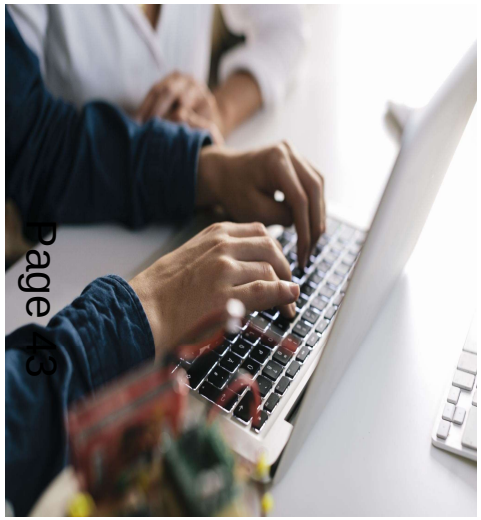
- [Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider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

2. Financial Statements - other communication requirements

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

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Pensions Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed. It is noted that declarations of interest have yet to be received from one member of the Pensions Committee. We are however satisfied that the fund has appropriate procedures in place to obtain and monitor declarations.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Pension Fund, which is included separately in the Pensions Committee papers. We have not requested any additional specific representations from management.

2. Financial Statements - other communication requirements



Issue	Commentary
Confirmation requests from third parties	We requested direct confirmations from the Fund's bankers, custodian and all main mandate fund managers, plus a sample of managers of alternative investments. We are still awaiting confirmations from a number of fund managers in our level 3 investments sample – see page 7.
Accounting practices	We have evaluated the appropriateness of the Pension Fund's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements. Updates have been made to disclosures as a result of findings noted from our Technical team's hot review of the accounts to improve the disclosures and their readability. For key management personnel we have noted that the Fund has used contributions as an estimate for post-employment benefits. This area is subject to discussion within the sector but the CIPFA example accounts do note that assuming that most key personnel identified will belong to the LGPS or other defined benefit pension schemes, disclosure of employer contributions payable in the period will not generally represent an accurate basis for estimating post-employment benefits. We are satisfied that readers will not be misled by the current disclosures but have discussed with management and this is an area that will be kept under review.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided. We note that management provided us with a set of draft financial statements one month in advance of the national deadline for preparing accounts. We thank management for their assistance in ensuring the smooth execution of the audit.

2. Financial Statements - other communication requirements

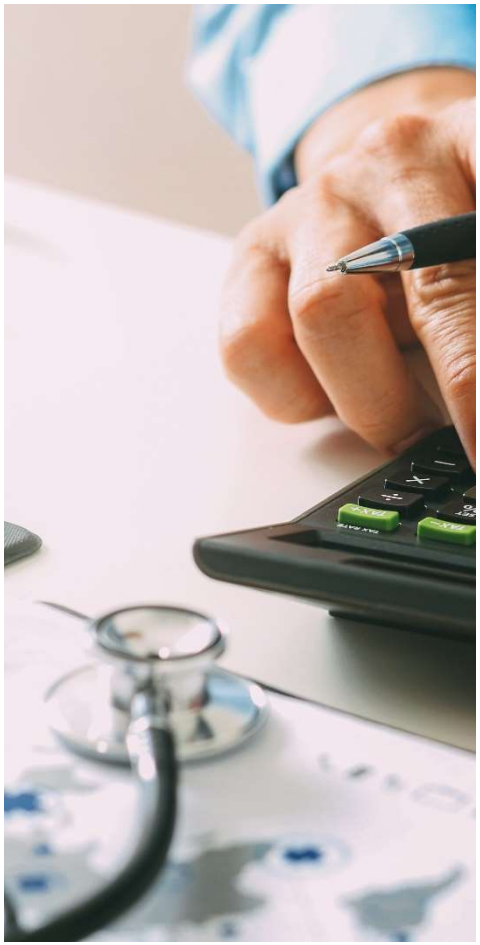
Our responsibility

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

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

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Disclosures	No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to appendix C.
Matters on which we report by exception	We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. We propose to issue our 'consistency' opinion on the Pension Fund's Annual Report with the opinion on the accounts.



3. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. 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

Details of fees charged are detailed in Appendix C.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Transparency report 2020 (grantthornton.co.uk)

3. Independence and ethics

Audit and non-audit services

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

Service	Fees £	Threats identified	Safeguards
Audit related			
IAS19 procedures for other bodies admitted to the pension fund	£20,000 (£5,000 base Fee plus £1,000 for each set of audit procedures - 15 Expected)	Self-Interest (because this is a recurring fee)	The fee for this work is recurring but not significant compared to the audit of the financial statements of £48,000 and in particular relative to Grant Thornton UK LLP's turnover overall. The fee is fixed based on the number of admitted bodies. Further, the work is on audit related services and integrated with the testing undertaken as part of the audit.
		Self-review	These factors all mitigate the perceived self-interest threat to an acceptable level. The Fund has accrued for a fee of £20,000 for IAS 19 work. The amount to be recharged is to be confirmed but we are satisfied that the amount disclosed in the accounts would only differ from that which would be recharged by an insignificant amount .
		Management	We have not prepared the financial information on which our assurances will be used by the requesting auditor. Any decisions whether to change controls over, or edits required to, financial information arising from our findings will be a matter for informed management
			We may make recommendations to the Pension Fund in respect of control weaknesses, in the same way as we would in an audit of financial statements. Informed management understand the operation of systems and can challenge our recommendations as appropriate.
Non-audit Related			
None			

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

Appendices

A. Follow up of prior year recommendations

We identified the following issue in the audit of Merseyside Pension Fund's 2020/21 financial statements, which resulted in a recommendation being reported in our 2020/21 Audit Findings report. We are pleased to report that management have addressed our prior year recommendation.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	2020-21 Audit Findings Report During our audit of level 3 investments, it was identified that service auditor control reports are not obtained and reviewed by management for all investment managers used. Management assert that initial Due Diligence and ongoing discussions between Merseyside Pension Fund and the Investment Managers takes place which covers the controls in operation. As part of quarterly valuation processes, management also review internal controls for any outlier investment manager valuations on a sample basis. Management also obtain reports from investment managers on an exception basis where there has been a failure with internal controls. There is a risk that controls in place at investment fund managers may have changed since the point in time which the initial Due Diligence was undertaken and that it is best practice to ensure that there is documented evidence confirming that investment fund managers are maintaining effective controls over the valuation of Merseyside Pension Fund's assets. There are compensating controls in place which reduce this risk; however, they do not cover all investment managers. Therefore, gaps in assurance remain. It is recommended that Management obtain and review a service auditor controls report for each investment manager as part of the financial statements' closedown procedures. Where investment managers do not have a service auditor control report covering the audited period, Management should obtain sufficient alternative evidence to satisfy themselves that appropriate controls were in operation for the period. Management response Management recognise there is a potential gap in assurance. We will discuss with the external auditors on how best to address the issue due to the number of investment fund managers which are used by the Fund and the potential impact on the Pension Fund's resources. A further update on progress made will be included on future External Audit reports presented to the Pensions Committee.	Merseyside Pension Fund have over 200 level 3 investment fund managers. A significant proportion of these are not required to obtain a service auditor report due to their size. We have therefore, held discussions with management during the year to understand the updated arrangements in place with regards to gaining assurance that controls at external fund managers are operating effectively. There are numerous meetings which take place on monthly and quarterly bases where portfolio managers within MPF meet with the investment fund managers to discuss and review performance at the investment funds. As part of this exercise, MPF assess internal controls (on sample basis – from those identified in the quarterly reports) in place; particularly around valuation processes and methodologies to assure themselves that the control environment around the valuation process is working, robust and up to date. Explanations around large Net Asset Value write ups/downs are sought, discussed internally, and compared against industry benchmarks and across internal portfolios. Also, every investment fund has its own Fair Value Pricing Committee (or similar forum) which provides a discussion forum for their internal investment teams and the independent valuers to agree write up/down of NAV of a specific investment. As part of MPF's monitoring, they regularly ask for updates on these discussions held at the FVPC forum. The minutes and updates from these valuation discussions are also shared with the Limited Partners Advisory Committees (LPACs) where there are large movements in NAVs and on advisory boards where MPF has an LPAC seat these minutes and updates are also reviewed by an MPF representative. As part of our level 3 investments testing this year there were 18 investment funds where they did not provide us with a service auditor controls report. For each of these investments we have reviewed the documented engagement which MPF have had with the investment fund throughout the year to satisfy themselves that appropriate controls in relation to the valuation of assets are in place. **As at the time of writing this report this work is yet to be finalised.**

Assessment

✓ Action completed

X Not yet addressed

B. Audit Adjustments

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

Impact of adjusted misstatements

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

Impact of unadjusted misstatements

All unadjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2022.

Detail	Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000	Reason for not adjusting
Level 3 Investments Per the Fund's accounting policies, year end values for hard to value assets frequently contain 31 December values adjusted for cash for inclusion in the draft financial statements. As part of our response to the valuation risk the valuation of the level 3 investments is assessed by the auditor to ensure that the carrying value per the financial statements is not materially different from the fair value as at the 31 March 2022, which we obtain via external confirmation from the external fund managers. We would typically expect to see a number of small variances as a result of this, usually netting out to a relatively small variance. In recent years as a result of Brexit and Covid, these movements have been more volatile. From the work which we have performed to date the difference between the valuation of investments per the Fund's accounts and that per the externally obtained investment confirmations as at 31 March 2022 is £43m. This amount is below performance materiality, however we have asked the Fund to compare the valuations as at 31/3/22 compared to the accounts for all level 3 investments held. Since this is a factual difference it is included in Appendix B of this report as an unadjusted misstatement. We are still finalising our work on this area, the value of the unadjusted misstatement may change once the further work to review all level 3 investment valuations has been completed.	£43m	£43m	£43m	Value is below performance materiality
Overall impact	£43m	£43m	£43m	

Impact of prior year unadjusted misstatements

There were no adjustments identified during the prior year audit which had not been made within the final set of 2020/21 financial statements.

B. Audit Adjustments

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.

Disclosure omission	Adjusted?
Note 24 Additional Voluntary Contribution (AVC's) Investments At time of finalising the 2020-21 audited accounts the Fund was still awaiting information from third parties in order to finalise the Additional Voluntary Contributions note. As such no figure was included for prudential in the 2020-21 AVC's note. The information for 2020-21 was received during the year and so management have restated the prior year figures in the draft 2021-22 accounts. Similarly, at the time of preparing the draft accounts, figures for Prudential were not yet available however they have since been received and management have updated the 2021-22 AVC's note in the revised financial statements.	✓
Annual Report As part of our review of the Annual Report, a number of minor presentation and disclosure amendments have been made to the revised Annual Report.	✓
Disclosure changes As a result of the review of the accounts by the Manager, EL and our technical team as part of the hot review, a number of disclosure improvements have been made. Amendments have been made to: Note 3 – Significant Accounting Policies – amendments made to investment management costs policy Note 5 - Estimation Uncertainty – amendments made to ensure the disclosure covers all asset classes with material uncertainty Note 15 – Basis of Fair Value – updates made to the basis of valuation descriptions and key sensitivities Note 17 – Nature and extent of risks from Financial Instruments – extra narrative added to detail how interest rate risk and currency risk are managed Note 17b – Credit risk – extra disclosure added regarding cash held with fund managers	✓
Note 8 – Transfers In During the year, the fund had a material transfer in. This has been disclosed in the table at Note 8 of the draft accounts. However, additional narrative has now been added to enhance the disclosure as this is a material and one-off transaction.	✓

C. Fees

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

Audit fees	Proposed fee	Final fee
Pension Fund Audit	£48,000	£48,000
Total audit fees (excluding VAT)	£48,000	£48,000

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services		
IAS19 Assurance Letters (£5,000 base fee + £1,000 per letter – 15 expected)	£20,000	£20,000
Total non-audit fees (excluding VAT)	£20,000	£20,000

Audit Fee per the draft financial statements is £43k. The audit fee has been calculated based upon an estimated fee for the year of £51,249 (basis of estimation is final 20/21 audit fee) plus £12,250 in respect of IAS 19 letters (based on PY fees) less £20,240 of rebates received from central government.

The difference between gross total audit fees for the year charged in the Pension Fund's Fund account (per the draft accounts) of £63k and the total fees to the left of £68k is £5k. This will be amended for in the final version of the Pension Fund's financial statements.

C. Fees

Detailed below is the reconciliation of the scale fee, set by PSAA in 2018, and the final audit fee to be charged for the financial year which reflects the increased scope and challenge required to be performed in our 2021/22 audit.

Scale fee published by PSAA	£28,399
Increases to scale fee for additional work not considered when the scale fee was originally set by PSAA	
Raising the bar – increased FRC Challenge	£1,875
Reduction in materiality due to audit complexity	£2,188
Enhanced audit procedures for Directly held property	£2,188
Enhanced audit procedures for Investments	£1,750
Appointment of Auditor Expert for Directly held property	£3,500
Increased audit requirements of revised ISAs 540	£3,600
Additional work on journals posted by management	£2,000
Additional work on derivative investments/liabilities	£2,500
Total audit fees (excluding VAT)	£48,000

D. Audit opinion

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

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

Opinion

We have audited the financial statements of Merseyside Pension Fund (the 'Pension Fund') administered by Wirral Metropolitan Borough Council (the 'Authority') for the year ended 31 March 2022 which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2022 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund year;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

Conclusions relating to going concern

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

In our evaluation of the Chief Finance Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

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

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

The responsibilities of the Chief Finance Officer with respect to going concern are described in the 'Responsibilities of the Authority, the Chief Finance Officer and Those Charged with Governance for the financial statements' section of this report.

Other information

The Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Pension Fund's financial statements, our auditor's report thereon, and our auditor's report on the Authority's financial statements. Our opinion on the Pension Fund's 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's 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's financial statements, or our knowledge of the Pension Fund obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the 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 the 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 (2020) published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

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

Matters on which we are required to report by exception

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

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

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

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

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

D. Audit opinion

2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Pension Fund's financial statements, the Chief Finance Officer is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Pension Fund will no longer be provided.

The Audit & Risk Management Committee is Those Charged with Governance for the Pension Fund. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant ,which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Public Service Pensions Act 2013, The Local government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.
- We enquired of senior officers and the Pensions Committee, concerning the Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Pensions Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:

Grant Thornton UK LLP 3

  - Journals, in particular with regard to manual journals, those journals over 20x materiality, journals posted after the year end date which have an impact on the Fund's financial position, as well as any journals made by infrequent posters, senior management personnel or self-approved.
  - The appropriateness of assumptions applied by management in determining significant accounting estimates, such as the valuation of level 2 and 3 investments as well as the valuation of directly held investment properties.

- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Chief Finance Officer has in place to prevent and detect fraud;
  - journal entry testing, with a focus on manually posted journals, those journals over 20x materiality, journals posted after the year end date which have an impact on the Fund's financial position, as well as any journals made by infrequent posters, senior management personnel or self-approved.
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of level 2 and 3 investments and directly held investment property.
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to the valuation of level 2 and 3 investments and directly held investment property.
- Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government pensions sector
  - understanding of the legal and regulatory requirements specific to the Pension Fund including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA, LASAAC and SOLACE
    - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Pension Fund's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

Grant Thornton UK LLP 4

D. Audit opinion

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 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.

[Signature]

Sarah Ironmonger, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Manchester

[Date]

Grant Thornton UK LLP. 5

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WIRRAL COUNCIL

PENSIONS COMMITTEE

28 SEPTEMBER 2022

REPORT TITLE:	**MERSEYSIDE PENSION FUND ANNUAL REPORT & ACCOUNTS 2021/22 AND LETTER OF REPRESENTATION**
REPORT OF:	**DIRECTOR OF RESOURCES (S151)**

REPORT SUMMARY

The purpose of this report is to present to Members:

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

The Statement of Accounts summarises the Fund's transactions for the 2021/22 financial year and its position at year end. The Fund's financial position for the year ended 31 March 2022 is reported as £11.0bn.

The primary reporting publication for the Fund's Statement of Accounts is part of Wirral Council's Accounts, as the Administrating Authority. The Local Government Pension Scheme (LGPS) Regulations require the Fund's financial statements to also be published within the Fund's statutory Annual Report.

The accounts were prepared and submitted for external audit on 1 July 2022. The external auditors, Grant Thornton, subject to outstanding work, has indicated there will be an unqualified opinion. The audit work has identified an adjustment to the financial statements financial position, due to external audit increasing their fee during the course of the audit. At the time of writing this report, the Fund has agreed to this adjustment and there are no recommendations; a verbal update at the meeting will be provided.

The Audit Opinion will be issued following final completion of the audit, consideration of the Audit Findings Report and approval of the amended Statement of Accounts at both the Pensions Committee and the Audit and Risk Management Committee. Subject to this, the accounts will form the basis of the Annual Report for the year ended 31 March 2022.

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

RECOMMENDATION/S

That the Pensions Committee be recommended to

(1) approve the audited Statement of Accounts for 2021/22 and consider the amendments to the accounts, the Audit Findings Report and the Letter of Representation.

(2) refer the recommendations above to the Audit and Risk Management Committee.

(3) approve the Annual Report of Merseyside Pension Fund for 2021/22 for publication.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION

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

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

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

2.0 OTHER OPTIONS CONSIDERED

2.1 Option to not present to Committee, however, this would not meet statutory requirements and would be detrimental to the Council.

3.0 BACKGROUND INFORMATION

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

3.2 The purpose of the Statement of Audited Accounts is to present the overall financial position of the Pension Fund as at 31 March 2022 in accordance with prescribed guidance.

3.3 The Statement of Accounts, including notes were prepared and available for audit by 1 July 2022, one month ahead of the statutory deadline for 2021/22 reporting. The Fund's Annual Report was available for audit during August.

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

3.5 The audit work has identified an adjustment to the financial statements financial position, due to the external audit fee increasing during the course of the audit.

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

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

4.0 FINANCIAL IMPLICATIONS

4.1 There are none arising directly from this report.

5.0 LEGAL IMPLICATIONS

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

6.0 RESOURCE IMPLICATIONS: STAFFING; ICT AND ASSETS

6.1 There are none arising directly from this report.

7.0 RELEVANT RISKS

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

8.0 ENGAGEMENT/CONSULTATION

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

9.0 EQUALITY IMPLICATIONS

9.1 There is no relevance to equality.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

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

11.0 COMMUNITY WEALTH IMPLICATIONS

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

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

APPENDICES

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

BACKGROUND PAPERS

The Fund's Statement of Accounts
Cipfa The Code of Practice for Local Authority Accounting in the UK 2021/22
Grant Thornton Audit Findings Report
Cipfa Guidance for LGPS – Preparing the Annual Report (2019)

SUBJECT HISTORY (last 3 years)

Council Meeting	**Date**
The Fund's Statement of Accounts are brought annually to this Committee.	**20 September 2021** **2 November 2020** **16 July 2019**

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WIRRAL

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

to Grant Thornton UK LLP
4 Hardman Square
Spinningfields
MANCHESTER
M3 3EB

date

my ref

Dear Sirs

Merseyside Pension Fund
Financial Statements for the year ended 31 March 2022

This representation letter is provided in connection with the audit of the financial statements of Merseyside Pension Fund for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, 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 2021/22 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 2021/22 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

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

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

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

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include level 2 and 3 investments and directly held investment properties. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based in accordance with the Code and

adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

vi. Except as disclosed in the financial statements:

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

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

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

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

x. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Fund and its financial position at the year-end. The financial statements 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. There are no material prior period errors to bring to your attention.

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

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

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

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

Information Provided

xv. We have provided you with:

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

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

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

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

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

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

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

a. management;

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

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

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

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

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

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

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

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

Approval

The approval of this letter of representation was minuted by the Fund's Pensions Committee at its meeting on 28 September 2022 and Wirral Council's Audit & Risk Management Committee at its meeting on 17 January 2023.

Yours faithfully

Name……

Position…….

Date…….

Name……

Position…….

Date…….

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

Merseyside Pension Fund

Annual Report & Accounts 2021/22

Contents

Management Structure as at 31 March 2022

Administering Authority
Wirral Council

Pensions Fund Management Committee
Chair:

Cllr Pat Cleary	Wirral

Vice Chair:

Cllr Cherry Povall, JP	Wirral
Cllr Jo Bird	Wirral
Cllr Chris Carubia	Wirral
Cllr Helen Collinson	Wirral
Cllr Tony Cox	Wirral
Cllr Jeff Green	Wirral
Cllr Adrian Jones	Wirral
Cllr Brian Kenny	Wirral
Cllr Les Rowlands	Wirral
Cllr Joe Walsh	Wirral
Cllr Jayne Aston	Knowsley
Cllr Tom Cardwell	Liverpool
Cllr Pauline Lappin	Sefton
Cllr Michael Bond	St Helens

Employee Representatives (Non-voting)

Roger Bannister	UNISON

Officers of the Fund

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

Advisors to Investment Monitoring Working Party
Director of Pensions
Senior Portfolio Manager
Aon
Rohan Worrall
Paul Watson

Local Pension Board
John Raisin (Independent Chair)

Employer Representatives

Geoff Broadhead	Lynn Robinson
Peter Fieldsend	Stephan Van Arendsen

Member Representatives

Robin Dawson	Patrick Moloney
Roger Irvine	Donna Ridland

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

Auditor
Grant Thornton

Bankers
Lloyds Banking Group

Consultant Actuary
Mercer HR Consulting

Strategic Investment Consultant
Aon

Custodian of Assets
Northern Trust

Responsible Investment Advisors
Pensions and Investment Research Consultants Ltd

Property Advisors
CBRE Capital Advisors

Property Managers
CBRE Asset Services

Property Valuers
Savills

Performance Measurement
Northern Trust

Solicitor
Wirral Council

AVC Providers
Utmost Life (Transfer from Equitable Life)
Standard Life
Prudential

LGPS Investment Pool
Northern LGPS (with GMPF & WYPF)

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 2022. The aim of the report is to highlight the important issues affecting the Fund over the last twelve months, as well as providing general information regarding the pension scheme.

The Overall Aim of the Fund

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

Overview

This time last year, I described the effects of the Covid-19 pandemic on the working arrangements of the Fund. I am pleased to advise that as this year has progressed, we have been able to resume normal working practices as greater numbers of staff returned to the office in line with guidance. Importantly, all functions are now operating normally. We continue to deliver efficiencies from the digitisation of services and have made very good progress in rolling-out the monthly data collection initiative to our employers.

Investments and Performance

Financial markets have been volatile contending with the post-pandemic hangover, the unwinding of quantitative easing, inflation and geopolitics. In equity markets, a sharp rotation from growth to value stocks occurred and towards the end of 2021, rising inflation started to manifest itself with the UK's Bank of England becoming one of the first major central banks to start raising interest rates. This being quickly followed by the US Federal Reserve and the European Central Bank is expected to follow suit. Inflation has risen sharply exacerbated by Russia's unwarranted invasion of Ukraine. In particular, energy and food prices have spiked and show little sign of abating in the short-term. Continuing high inflation is a significant pressure on our Funding levels with pension liabilities linked to the Consumer Prices Index (CPI).

Despite these headwinds, it is very encouraging to report that the Fund's assets increased in value by around £1bn even allowing for the more than £350m in pension disbursements over the year.

We continue to make good progress on sustainability matters which included a review and refresh of our Responsible Investment Policy both at a Fund and a Pool level. The intention was to develop a comprehensive policy framework that reflects the evolving responsible investment landscape and supports the three Funds in the Northern LGPS in staying abreast of existing and emerging Environmental, Social and Governance (ESG) related issues. The policy framework was guided by recommendations made by the Principles for Responsible Investment (PRI) as well as a review of best practice among other asset owners, both within the Local Government Pension Scheme and beyond. We believe that increasing the scope of the current responsible investment policy framework

will enable more meaningful research and engagement on a broader set of issues. There is a greater emphasis on environmental and human rights issues. This, in turn, will help meet our stewardship and fiduciary obligations.

Our work on developing a climate risk strategy to ensure the resilience of our broader investment strategy is also progressing well. The Fund continues to deploy capital at scale in supporting the energy transition, primarily through its investments in Infrastructure, particularly through our participation in the GLIL infrastructure platform. This year, amongst other things, substantial investments have been made in a smart meter business, battery storage and 11 onshore Irish windfarms. MPF has over £350m invested in wind, solar, hydro and energy-from-waste projects in the U.K. and overseas.

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

During the year, we have been preparing for the actuarial valuation (31 March 2022) with a focus on ensuring the integrity of our data. We await the final figures, but our overall Funding position is anticipated to have improved modestly from the 102% level at 31 March 2019. This is principally due to stronger than forecast investment returns, but changes in demographic assumptions have also been helpful, although this will vary from employer to employer. However the hike in inflation along with the risk of global stagflation is creating uncertainty with the potential for a material increase in liabilities post the valuation date resulting in volatility in future contribution rates.

The Fund is also dealing with a raft of regulatory and statutory changes that need to be managed and implemented. These are covered in more detail in the ***Scheme Administration Report*** but include the McCloud remedy, the UK Finance Act 2022, and its requirements in relation to the change in minimum pension age along with the potential for transitional protections creating further complexity in administering the Scheme. There have been new regulations introduced to protect members from Pension Scams to supplement industry best practice guidance. There also a number of national initiatives on the horizon including Pension Dashboards, the Good Governance report and the Pension Regulator's single code.

Communication with Fund Employers and Members

The pandemic has reinforced how important it is to effectively communicate the issues arising from new legislation and the ever-evolving Scheme. We are encouraging greater use of electronic media to enhance security and efficiency of information exchange. We continue to update the Fund's website and maintain communications with our members and former members, producing annual benefit statements and our annual pensioner newsletter.

Past Changes and the Future

Investment Pooling through the development of the Northern LGPS is developing well. There is a separate report on the Pool's activities in this year's report.

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

We continue to seek suitable local opportunities for investment. At present, we are providing funding to three investments which support the regeneration of the City Region and bring positive environmental and social impacts. We are also signatories to the Homelessness Charter; a collaborative arrangement with local businesses to alleviate homelessness on Merseyside.

Our internal investment management capabilities continue to develop, which will deliver cost savings and efficiencies.

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

Preparation of Report

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

Councillor Pat Cleary
Chair, Pensions Committee
June 2022

Management Report

Management of the Fund

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

In 2021/22, the Committee comprised Councillors from the Wirral Labour group (4), Conservatives (3), Green Party (1), Liberal Democrats (1), representatives of the four other District Authorities (Liverpool, St. Helens, Knowsley and Sefton) and employee representatives (3). The Director of Pensions and other officers of the Fund also attend Committee, which meets around four times a year to review the administrative and investment issues affecting the Fund.

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

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

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

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

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

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

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

Risk Management

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

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

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

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

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

In addition, the Fund maintains a risk register and a compliance manual for its employees, detailing key risks and explanations of the policies and controls adopted to mitigate them. These arrangements are assessed at least annually by the Fund's external and internal auditors.

These documents are all subject to regular scrutiny by Pensions Committee, Pensions Board and officers, and provide details of the key risks and explanations of the policies and controls adopted to mitigate them.

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

Knowledge and Skills

Merseyside Pension Fund recognises the importance of ensuring that all staff and Members charged with the financial management and decision-making 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 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 presentations from professional advisors covering all aspects of investment; asset allocation, asset classes, economics, performance measurement, risk management and responsible investment. The GRWP enables matters relating to other risks, governance and pensions administration to be covered in greater depth.

This year, the Fund and its advisors have been working on a review and refresh of the Fund's Responsible Investment (RI) policy which is contained within the Investment Strategy Statement. In the light of this, two workshops were organised to which Committee and Board members were invited. The first covered the scope of an RI policy and the various global standards which are typically adopted in its formulation. The second provided a detailed look at human rights as this is an area of particular interest to the Fund and its stakeholders.

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

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

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

Month	Event
April	Local authority responsible Investment Seminar
May	PLSA LGPS conference
May	All-Party Parliamentary Group for Local Authority Pension Funds
September	LGC Investment Summit
October	PLSA Annual Conference
Oct-Dec	Fundamentals Training
December	LAPFF Annual conference
March	LGC Investment Seminar
March	PLSA ESG Conference

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.

Local Pension Board Report

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

Statement of Purpose for the Merseyside Local Pension Board

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

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

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

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

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

Constitution/Management arrangements

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

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

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

Executive Summary

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

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

The Board actively considered the development, as proposed by the three relevant Administering Authorities, of the Northern LGPS Investment Pool. This included passing two positive and important resolutions at the 1 December 2021 meeting of the Board seeking the finalisation of the Joint Committee by concluding the appointment of the employee representatives. In addition, at each Meeting of the Board during 2021-22, a "Northern LGPS Update" was received including minutes of recent meetings of the Northern LGPS Joint Committee.

Members of the Board were able to participate in a workshop organised by the Fund in relation to its Responsible Investment policy which comprises an important element of the Investment Strategy Statement. The final version of the updated Investment Strategy Statement, as approved by the Pensions Committee, was presented to the Board at its meeting held on 1 December 2021.

As evidenced in the Board's work plan, the Fund continues to deal with a raft of regulatory, statutory and policy developments. The Board has played its part in reviewing and commenting on these proposals and their implications for stakeholders.

The Chair made a presentation on the Board's activities to Pensions Committee which was well received. The Chair's report can be found on the Council's website at: **https://mpfund.uk/lpbreport**

Four meetings were held during the year and a rigorous training programme, involving internal and external training, was undertaken. Additionally, the Fund made available to all Board Members the LGPS Online Learning Academy (LOLA) developed by Hymans Robertson. Details of training are set out in the tables at the conclusion of the report.

Board Changes

Mr Robin Dawson, formerly an employer representative on the Board, was appointed following a selection exercise to fill the pensioner representative vacancy.

Issues considered by the Local Pension Board 2021 – 2022

Agenda item	23 June 2021	20 Sept 2021	1 Dec 2021	24 Feb 2022
Annual Report & Accounts 20/21			•	
Bond Review and Interaction with Covenant	•			
Budget Outturn 2020/21 & Final Budget 2021/22	•			
Catalyst Fund update				•
Complaints Policy				•
External Audit Findings Report			•	
External Audit Plan 2020/21	•			
Internal Audit Annual Report 2020/21		•		
Investment Strategy Statement			•	
LGPS update	•	•	•	•
Member Learning & Development Programme				•
MPF Statement of Accounts 2020/21 Management Questions	•			
Northern LGPS update	•	•	•	•
Office Working Arrangements			•	
Pension Board Review 2020/21 & 2021/22 Workplan	•			
Pension Fund Budget 2022/23				•
Pensions Administration Monitoring Report	•	•	•	•
Risk Register	•	•	•	•
Treasury Management Policy 2022/23 and Annual Report 2020/21				•
Working Party minutes	•	•	•	•

Local Pension Board Work Plan 2022 – 2023

Agenda item	8 July 2022	28 Sept 2022	16 Dec 2022	22 Feb 2023
Actuarial Valuation – outcome				•
Annual Internal Audit Report 2021/22		•		
Budget Outturn 21/22 & Final Budget 22/23	•			
Catalyst Fund update				•
CEM Benchmarking reports		•		
Compliance Manual				•
External Audit Findings Report		•		
External Audit Plan	•			
Funding Strategy Statement - revised				•
Good Governance Project				•
Investment Strategy Statement – revised				•
Levelling Up consultation				•
LGPS update	•	•	•	•
Member Learning & Development Programme				•
MPF Annual Report & Accounts 21/22		•		
Non-recovery of Admission Body deficit	•			
Northern LGPS update	•	•	•	•
Pension Board Review 2021/22 & 2022/23 Workplan	•			
Pension Fund Budget 2023/24				•
Pensions Administration Monitoring Report	•	•	•	•
Pooling Consultation				•
Risk Register	•	•	•	•
Statement of Accounts – Questions to Management	•			
TCFD Reporting – consultation				•
Treasury Management Policy 2023/24 and Annual Report 2021/22				•
Working Party minutes	•	•	•	•
Write-off of Property Arrears/Pension Overpayments	•			•

Attendance & Training Record 2021/22

		Pension Board Meetings 2021 - 2022				IMWP	GRWP
Date of Appointment	Pension Board	23 June 2021	20 Sep 2021	1 Dec 2021	24 Feb 2022	2021/22	2021/22
11 March 2015	John Raisin (Chair)	●	●	●	●	#	
13 March 2015	Geoff Broadhead	●	●	●	●		
12 March 2015	Donna Ridland	●	●	●	●	#	
27 February 2017	Roger Irvine	●		●	●		
9 March 2015	Patrick Moloney	●		●	●		
3 January 2018	Lyn Robinson	●		●			
27 June 2019	Peter Fieldsend	●		●	●	#	
1 March 2020	Stephen Van		●				
1 July 2021	Robin Dawson		●	●	●		
In attendance	Cllr. Pat Cleary*			●			

**Chair of Pensions Committee*

 # In Attendance

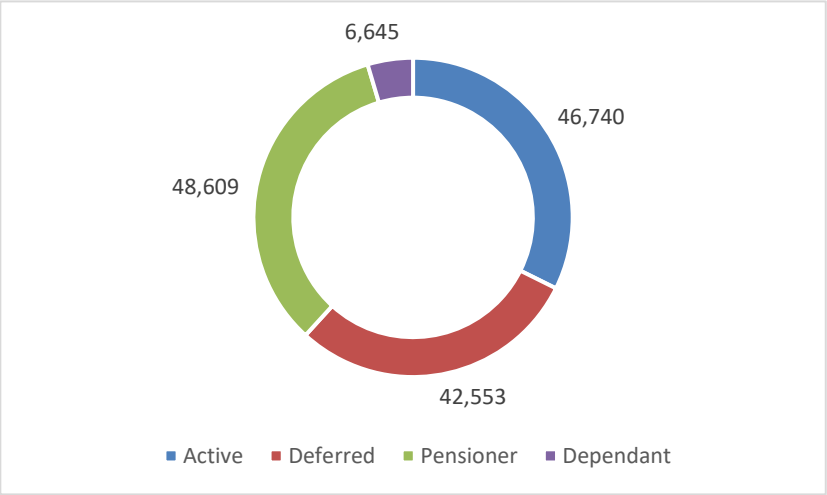
TRAINING /EVENTS	PLSA Local Authority conference 18-19 May 2021	PLSA ANNUAL CONFERENCE	Local Pension Board Members & LGPS Officers Autumn Seminars 2021	LAPFF Say on Climate Conference at Church House Westminster	PLSA ESG Conference	PLSA Local Authority Conference 2022 - Edinburgh
	18-19 May 2021	12-14 Sep 2021	27 & 28 Sep 2021	23 Feb 2022	9-10 Mar 2022	24-25 Mar 2022
John Raisin (Chair)			●			
Donna Ridland	●		●	●		
Roger Irvine		●			●	●
Patrick Moloney	●			●	●	
Robin Dawson			●			

Costs of Operation 2021/22

	£
Conference	3,895
Travel/Subsistence	696
Allowances	23,869
Total	**28,460**

Membership Statistics

Membership as at 31 March 2022



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				243	1,789	3,077	3,756	4,535	5,077	5,549	7,543
Deferred				28	412	1,380	3,394	4,860	5,550	6,068	8,297
Pensioner							4	9	26	70	295
Dependant	2	24	61	125	38	11	13	18	31	57	138

Status (Age in years)	55-59	60-64	65-69	70-74	75-79	80-84	85-89	90-94	95-99	100+	Total
Active	8,094	5,312	1,514	251							46,740
Deferred	8,228	3,652	569	97	17	1					42,553
Pensioner	2,991	8,663	11,654	10,331	7,207	4,147	2,237	796	166	13	48,609
Dependant	283	458	675	920	1,121	1,037	964	505	142	22	6,645
										Total	**144,547**

Key Membership Statistics 2018 - 2022

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

New Pensioners in Year 2021/22 by Retirement Type

Retirement Type	Number
Normal	1,304
Early	750
Ill-Health	91
Total	**2,145**

Scheme Administration Report

Statutory Framework of Local Government Pension Scheme (LGPS)

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

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

Employer Base

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

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

LGPS2014 - Scheme Design

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

The LGPS:

- has a normal pension age equal to State Pension Age (minimum age 65)
- gives a pension for each year at a rate of 1/49th of pensionable pay received in that year
- provides increased flexibility for members wishing to retire early
- allows members to pay reduced contributions as an alternative to opting out (although benefits build up at a slower rate)
- provides for previous years' CARE benefits to be inflation-proofed in line with the Consumer Prices Index while the member is still paying in
- requires members to have at least 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 they do not suffer any detrimental loss from the introduction of the new Scheme. The 'underpin' is to be extended to all members irrespective of age as a result of the McCloud remedy.
- carry forward the member protections under the '85 Year Rule' for voluntary retirement from age 60
- the ability for employers to switch on the '85 Year Rule' in regard a member's benefits if they voluntarily retire between age 55-60.

The Administration Team

The Administration Team is cognisant that the LGPS plays a crucial role in the local community and is committed to the delivery of high-quality pensions to ensure good living standards in retirement for former local government workers and their dependants.

As with other areas of local government, the LGPS has been subject to a period of rapid change. Since 2014, the Scheme has seen the introduction of a new style of benefits and a rapid expansion of the number of employers as well as being impacted by legal rulings and changes in government policy.

The Administration Team is accountable to the Pensions Committee, the Pension Board, participating employers, and Scheme members in terms of overall effectiveness and value for money. The Pension Regulator (tPR) also has an overriding scrutiny role to ensure the Fund's compliance with the LGPS Regulations and the overriding provisions of the Pensions Act 2004.

The administration function covers a wide range of activities; from processing member benefits, maintenance of the administration system to improve processing capabilities, data quality and regulatory compliance, funding with integrated risk management of employer liabilities, through to the admission of new employers and engagement with our customers.

Service Delivery Developments and Key Activities

The Team has been resilient in adapting to the change involved in moving to a hybrid working model following the backdrop of Covid-19, with the primary focus on business needs along with an optic on staff retention due to the propensity for homeworking across the LGPS. The Fund is continually seeking to align its operational model to meet its stakeholders' demands of a modern, streamlined, and supportive service.

The provision of online Information and support has increased and as the demand for face-to-face engagement remains, we have been able to provide a diverse and accessible service.

Preparation For Triennial Valuation.

The reporting year 2021/22 has been busy for the team, with several data management workstreams commenced in preparation for the submission of data extracts to the actuary, to complete the triennial valuation. There has been a significant investment of resources to validate the data to an appropriate level of accuracy and to investigate any data gaps with employers, as the cleanliness of member data plays a key part in the valuation outcome and employer contribution schedules for the financial period 1 April 2023 to 31 March 2026.

Monthly Data Collection (i-Connect)

The implementation of i-Connect, which is a platform for employers to submit monthly pay and contribution data, has gathered momentum this year following a hiatus in the project as the Pension Regulator directed Funds to refocus resources to meet immediate operational priorities during the pandemic.

At the close of the Scheme Year, fifty percent of employers had successfully onboarded onto the platform and a high number are submitting data monthly. It is the intent to complete the project during the next Scheme Year as the Fund can no longer support annual data returns due to its move towards self-service platforms enabling members to access current estimates of pension benefits and in preparation for the government-led Pension Dashboard Programme.

Annual Benefit Statements and Data Quality Activity

The production of Annual Benefit Statements (ABS) in-line with the statutory issue date of 31 August 2021 is a key priority for the Employer Compliance and Membership Team during the first quarter of each Scheme Year.

To ensure compliance with legislation, the Annual Contribution Return workbooks were issued before 1 April 2021 to all active employers who had not been onboarded to i-Connect.

The Fund experienced a very positive response to the annual return exercise, with most workbooks being submitted within the prescribed timescale. Work was undertaken to assess data accuracy and completeness including reconciliation of the financial information against the Fund accounts before the timely posting into the Fund systems.

This in turn facilitated the prompt resolution of data queries and production of ABS, which has resulted in the Fund being able to achieve a 99% production rate of annual benefit statements for active members ahead of the statutory deadline.

Bulk Transfer

The Local Government Association (LGA) have been in discussion with MPF over several years regarding a possible Substitution of Funds in respect of its subsidiary company the Improvement and Development Agency for local government (IDeA). This is where an employer asks the Secretary of State to move the administration of its pension obligations under the LGPS to an alternative Pension Fund.

LGA confirmed their decision to apply for a direction to substitute Merseyside Pension Fund for Camden Pension Fund with effect from 1 April 2021 in accordance with Part 2 of Schedule 3 of the LGPS Regulations 2013.

The transfer of administration for IDeA pension obligations resulted in a bulk transfer of assets and liabilities along with 913 member records including actives, deferred and pensioner payroll from Camden Pension Fund to Merseyside Pension Fund. A bulk payment amount circa £200m completed the transfer following careful preparation and engagement with respective parties, utilising resources across several disciplines during the period.

Revised Operational Process for Annual Allowance Calculations

During the reporting period, the Fund has reviewed the annual allowance work processes to reflect amendments to the threshold and adjusted income introduced by the Finance Bill 2020, effective for the tax year 2020/21.

The pension saving statements produced by the Fund have also been reformatted to include data relating to Additional Voluntary Contributions paid over the input period, providing a complete record of pension savings with the Fund to assist members in informing their tax position.

Pension Regulator Scheme Return

The Fund completed and submitted tPR’s annual scheme return, in accordance with the deadline set by the Regulator. The return is used by the regulator to gather information to identify potential risks in regard to the governance and administration of schemes.

Four Pillars to Support Value for Money

The team is committed to administering the Fund successfully in a cost effective way whilst meeting member expectations and ensuring compliance with statutory duties. In achieving this goal, it is the Fund's view that these efforts will lead to the provision of a 'value for money' service for all stakeholders.

Compliance with Statutory Duties

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

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

Meeting members' expectations

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

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

Ensuring service delivery is cost effective

Our costs are managed and monitored by:

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

Ensuring success

The team strive to achieve success by:

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

National Engagement - Scheme Consultations

During the year, the Fund responded to the consultation on the national increase of the 'normal minimum pension age' from age 55 to age 57. The main purpose of the government's policy is to ensure that pension savings are only used to provide income and security in later life, and to broadly realign the earliest retirement age to be 10 years earlier than state retirement age.

The Fund response to the consultation questions highlighted the main points of concern, that there is a tangible risk that the increase to minimum pension age will be unpopular with savers, as this will require employees to both work and lock money away for a longer period. It is the Fund's view that the policy objective appears counterintuitive to the success achieved by Government, to extend pension provision amongst workers via the auto-enrolment programme.

Legislative Change

Pension Scams – new restrictions on transfer payments

The Occupational and Personal Pension Plans (Conditions of Transfers) Regulations 2021 took effect from 30 November 2021, with the objective to discourage transfers to scam schemes. The regulations introduce further legal restrictions on a member's statutory right to transfer. They give administering authorities tools to act if they have suspicions about the circumstances that led the member to request a transfer. The member will no longer be able to insist on a statutory transfer taking place in these circumstances.

Transfers to UK public service schemes, master trusts and collective money purchase schemes are not subject to the revised provisions. Since coming into force, the administration team have been updating processes based on the guidance available from tPR and LGA.

Prior to the new regulations coming into force the Fund complied with the Pensions Scams Industry Group code of best practice and is a signatory to the Pension Regulator's campaign to combat pension scams.

Finance Act 2022

The Finance Act received Royal Assent on 24 February 2022 with the key provision relevant to the LGPS being an increase of 'normal minimum pension age' from age 55 to age 57 from 6 April 2028. This increase will not apply to members of uniformed service pension schemes. The Act provides for protected pension ages for members who meet the entitlement condition whereby they do not need the consent of an employer before they can take their benefits at a particular age.

We do not yet know whether DLUHC intend to amend the LGPS regulations to introduce a protected pension age and are mindful that if protections are not applied, some members will rush to retire before the step-up in the minimum retirement age takes effect.

McCloud Remedy - Amendments to The Statutory Underpin

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

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

The Public Sector Pensions and Judicial Offices Bill seeks to amend the Public Service Pensions Act 2013 by making provision to rectify the unlawful discrimination and provide for the final salary underpin to be extended to younger members for the remedy period of 1 April 2014 to 31 March 2022. Several amendments have been made to the Bill in respect of the LGPS during the parliamentary process, specifically, extending the eligibility criteria for members. The amendments put forward in the House of Commons have now been considered and agreed in the House of Lords and the Bill received Royal Assent on 10 March 2022

The LGPS regulations are still awaited, paving the way for the remedy to be implemented in the LGPS with an effective date of 1 October 2023.

The Fund is represented on the regional McCloud Working Group which serves as a forum to share information, raise concerns, and seek clarification - with the purpose to reach a consistent approach to developing documentation and operational procedures across neighbouring Funds.

To ensure member records are 'McCloud complaint,' officers continue to work on collating and analysing data from employers and are engaging with its system provider in preparing for the implementation of the proposed remedy.

Fund Policies

Complaints Policy

Within the Scheme Year the Fund added a 'Complaints Policy' to its suite of governance documents, formalising and enhancing the operational practice adopted in responding to complaints.

The policy outlines the methods and timeframes for recording, investigating, and implementing corrective actions in dealing with complaints from members and employers. It also incorporates an escalation process for complaints to be reviewed by the Fund's Senior Management Team where the complainant is dissatisfied with the actions undertaken by the Service Area Manager to resolve the matter.

The Pension Board considered the draft policy and after making a number of revisions to the document, deemed it suitable for presentation to Pensions Committee on the basis it was equitable to Scheme stakeholders and improves the Fund's governance framework. The Pension Committee approved the Policy on 23 February 2022.

The Funding Strategy Statement (FSS)

All LGPS administering authorities are required to review their FSS between valuation periods, when there is either a material change in the funding regime or the LGPS regulations impacting on funding requirements.

The Local Government Pension Scheme (Amendment) (No.2) Regulations 2020 (effective 23 September 2020) introduced a number of important regulatory changes and supporting national guidance was issued to provide greater flexibility to the Fund and employers in reviewing contributions and managing termination debts in certain circumstances. The Fund considered its policies in these areas and updated the FSS to reflect these changes ahead of inviting all employers to respond to a formal consultation at the beginning of the Scheme Year.

After due consideration of all representations, the revised policy was published on 1 July 2021 on the basis that the new flexible arrangements may only be entered into at the discretion of the Administering Authority, following a written request from the employer and subsequent deliberation as to whether it is in the interests of taxpayers and other scheme employers to agree to the request.

Changes to Governance of the Scheme on the Horizon

The Scheme Advisory Board's (SAB) Good Governance Project which sought stakeholder views on ways in which the governance structures and practices of the LGPS could be improved (with a focus on standards, consistency, representation, conflict management, clarity of role and costs) has progressed with recommendations presented to the Government to implement in the form of statutory guidance and legislation during 2022.

SAB's work will likely result in strengthened Governance Compliance, with the emphasis on:

- changes to the Scheme's regulatory provisions on Governance Compliance Statements
- revised statutory guidance on Governance Compliance Statements
- independent assessment of Governance Compliance Statements
- establishing a set of Key Performance Indicators (KPIs).

Fund Officers have commenced actions to undertake a gap analysis of the Fund's governance framework against the recommendations submitted to the Department of Levelling Up Housing and Communities (DLUHC), with the intention of identifying areas that require strengthening and to build required improvements into resource plans.

The Pensions Regulator

In tandem with the Good Governance Project, the Pensions Regulator (tPR) has consulted on a single Code of Practice to cover all regulated pension schemes, including the LGPS. Whilst the new Code does not extend tPR's powers beyond its existing remit on governance and administration, there are some concerns over how some of the provisions of the revised Code fit with the LGPS. The Scheme Advisory Board is engaging with tPR on behalf of the LGPS.

The Regulator plans to carry a thorough review of the consultation responses and does not expect the new Code to be in force until October 2022.

There are synergies with the Good Governance Project and tPR expectations, with the requirement to identify current governance and administration policies, documenting when they were last reviewed to highlight any gaps in policies or processes necessary under both initiatives.

There are several new requirements that apply to the Code relating to maintenance of IT systems and Cyber controls, including responsibility to assess and review the internal controls of service providers with a focus on ensuring everything is appropriately documented. A further key area highlighted is the need to ensure appropriate steps are in place to mitigate the risks of pension scams ensuring all legal requirements and industry guidance are robustly applied to processes.

Officers have assessed the requirements of the Code and the key actions to undertake to ensure the Fund is in a good position when the Code comes into force.

The Pension Dashboard Programme

In the 2016 Budget, the Government recommended that the industry should make pensions dashboards available to individual citizens, making it easy for them to engage with their pension savings. This recommendation culminated in the Pension Scheme Act 2021 which provides the legal framework to support pension dashboards.

To take the policy forward, DWP launched a consultation on draft Pensions Dashboards Regulations which closed on 13 March 2022. Several concerns have been raised by LGA with regard to Funds having sufficient resource available to ensure Pensions Dashboard requirements are met, at the same time as having to implement the McCloud remedy. A number of publications from the Pension Dashboard Programme have been released together with an A-Z guide from the Pension and Lifetime Savings Association (PLSA) setting out 26 key issues that need to be resolved to ensure pension dashboards are a success.

Dashboards will be used for presentation purposes only, as no data is held on the dashboard, as it is not a database, but best viewed as a national switchboard connecting citizens to their pension savings across all schemes.

The Fund's Senior Manager for Operations and Information Governance is managing the logistics to ensure that the Fund is appropriately resourced to comply with statutory requirements of the new regulations once published. These areas include data quality, IT system changes and the selection of an appropriate Integrated Service Provider to ensure connection to the dashboard. The current proposed staging date for the LGPS is April 2024.

Collaboration with Peer Funds, Scheme Employers and National Bodies

During 2021/22 the Fund has worked closely with a number of other LGPS Funds on national groups to drive improvements to administration procedures, share best practice and develop initiates as follows:

- develop communications for the wider LGPS, in conjunction with the Local Government Association (LGA), in the area of member engagement. During 2021/22, collaborative work took place in regards the best practice for processing Data Subject Access requests from members and improvements to Fund Privacy Statements
- A longstanding founder member of the LGPS National Frameworks, we have supported the rolling-out of a number of new frameworks, as well as revisiting existing ones, to enable more efficient and effective procurement within the LGPS.

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

Operational Improvements

Digital Transformation Programme

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

Over the year progress was made in the following areas:

- improving the member experience of the online MyPension self-service system, and proactively providing useful and valued feedback to the supplier in regard future system design improvements
- the launch of a benefit projector for Deferred members
- the start of a substantial project to provide the functionality for members to make death grant nominations online.

Customer Engagement

In line with its Business plan, the Fund has expanded the number of customer surveys and linked them to specific life events (joiner, transfer, divorce, retirement, etc.). The online surveys are kept simple and short as to encourage members to complete.

The purpose of the customer surveys is to gain more understanding on how information is received by our members, capture suggestions on how it can be improved to enable members' understanding and to evaluate their experience in engaging with the Fund.

This feedback will provide valuable insight into service quality and highlight areas for improvement and development to make our members' journey as smooth and effective as possible.

Strategic Focus, Planning and Operational Cost

Service Planning

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

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

Staff Training and Development

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

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

The Fund 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 is required to demonstrate and record officer knowledge levels, and within the Scheme Year we have subscribed to an online learning academy, (primarily aimed at Pension Committee and Pension Board Members to gain the skills to successfully manage the Fund), which is being trialled by the Senior Management Team before rolling out to other staff members.

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

Operational Costs

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

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

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

The administration costs reported in the 2020-21 'SF3' statistical return was £21.61 per member.

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

Equality & Diversity

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

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

Member Communications

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

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

Presentations & Courses

During the global pandemic, the Communications Team were of course prevented from providing physical presentations or courses to members. During the year, the team arranged a number of one-to-one meetings with members who phoned or emailed into the Fund with general queries about their pensions. As working-from-home settled into a reality for a great number of our members, virtual presentations were arranged with interested employers. We have seen a slow increase in the number of in-person presentations as a number of our employers adapt to a new hybrid-working model.

Working with the company True Bearing, officers were able to support the delivery of virtual Retirement Planning Events, and feedback has continued to be positive.

Annual Allowance Workshop

During November, the Fund arranged an online webinar presented by Mercer, on the Annual Allowance – to target those members who were assessed by the Benefits team as having incurred a tax charge as a result of pension growth over the 2020/21 tax year. Subsequent to the webinar, there was the opportunity for members to have a one-to-one session with Mercer's Tax specialist.

Employer Communications

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

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

Data Security

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

The following arrangements are in place to safeguard this data:

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

Cyber Security

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

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

Performance Standards

During the Scheme Year, and following agreement by the Local Pensions Board, the Fund changed its key performance measures to those recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) in their guidance for LGPS Funds.

The administration performance indicators for key casework areas are shown below:

	Performance Targets	**Total Cases**	**Our Target**	**% Within Target**
1.	Deaths – Initial letter acknowledgement death	1,715	5 days	99.5
2.	Deaths – Letter notifying amount of dependant's benefit	785	10 days	91.5
3.	Retirements – Letter notifying estimate of retirement benefits	755	15 days	99.2
4.	Retirements – process and pay lump sum retirement grant	1,486	15 days	98.4
5.	Deferred into pay – process and pay lump sum retirement grant	1,246	15 days	96.6
6.	Deferment – calculate and notify deferred benefits	3,213	30 days	97.9
7.	Transfers in – Letter detailing transfer in quote	790	10 days	96.7
8.	Transfers out – Letter detailing transfer out quote	515	10 days	97.9
9.	Refund – Process and pay a refund	514	10 days	99.2
10.	Divorce quote – Letter detailing cash equivalent value and other benefits	186	45 days	100
11.	Divorce settlement – Letter detailing implementation of cash equivalent value and application of pension sharing order	10	15 days	100
12.	Joiners – Send notification of joining the LGPS to Scheme Member	6,244	40 days	98.9

(Details given in respect of 12 month period to 31 March 2022

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 a 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 a 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	Appeal Decision
Liverpool	
Award of ill health tier	Upheld
Award of Flexible Retirement	Dismissed
Award of ill health to deferred member	Dismissed
Award of ill health to deferred member	Ongoing
Carmel College	
Award of ill health to deferred member	Dismissed
Sefton	
Reason for Leaving	Dismissed
Wirral	
Reason For Leaving	Dismissed
Knowsley	
Award of ill health Pension	Upheld
Award of ill health Pension	Ongoing
	Total 2 Upheld, 2 Ongoing, 5 Dismissed

Appeals against Fund Decisions

Reason for Appeal	Appeal Decision
Stage 1 – Transfer Dispute	Dismissed
Stage 1 – Transfer Dispute	Dismissed
Stage 1 – Transfer Dispute	Dismissed
Stage 2 – Transfer Dispute	Dismissed
Stage 2 – Delay in Payment of Death Grant	Upheld
Total	1 Upheld, 4 Dismissed

Investment Report

Year ended 31 March 2022

This financial year proved to be almost as dramatic, unprecedented and unpredictable as its predecessor, and is most readily summarised by distinguishing events prior to and post December 2021.

April 2021 was a time of optimistic anticipation for many around the world. Western governments had largely implemented their Covid-19 vaccination programmes, which soon began proving to be potently effective against a nascent, more transmissible Delta variant. A return to normality was perhaps in sight.

Developed market economies began to recover swiftly as Covid-19 social distancing restrictions were eased in loose accord across the globe. Consequently, by December 2021 most OECD countries had exceeded expectations in key economic measures such as GDP (with most OECD countries returning to pre-pandemic levels of output), employment and corporate profits. Consumer demand was particularly strong and indeed was exceeding supply in many goods.

Stock markets, buoyed by the prevailing accommodative monetary stance, increasingly priced in the sanguine economic landscape as the year progressed. This was most apparent in the US, with its three main indices all reaching record highs during December. Other major indices also finished 2021 at elevated levels despite the growing threat posed by the newly emerged Omicron variant.

In general, value stocks, which had strongly outperformed leading into the period fell out of favour as the year progressed. Investors sought growth stocks; corporates that would benefit most from the robust post pandemic recovery, and the *perceived* prolonged growth cycle. Oil stocks also performed well, and the Fund's underweight stance in this sector is substantially responsible for the underperformance of MPF's UK equity exposure relative to the benchmark index (Figure 1).

The recovery was accompanied by labour shortages, supply chain issues and rising inflation. Prices increased especially rapidly in areas such as food, energy and building materials such as lumber. Semiconductor shortages limited the production of new vehicles.

Throughout the second half of 2021 central bankers insisted that these early signals of looming inflationary pressure were the result of "transitory" factors associated with the rapid reopening of the global economy, and an unleashing of the pent-up consumer demand generated during lockdowns.

Global bond yields in April and December were not dissimilar. However, yields were generally quite volatile over the period as investors reacted to increasingly frequent warning signals of persistent inflation and assuaging rhetoric from the central banks. Moderate dollar strength was also a general trend over this period.

Before turning to events in the latter part of the financial year, the November COP26 climate change conference held in Glasgow should be noted. Most nations did deliver revised emissions commitments. The new commitments were not sufficient to keep warming within 1·5°C above pre-industrial levels, but if countries are able to deliver on both conditional and unconditional pledges for 2030, plus their longer-term net zero commitments, projected warming amounts to 1·8°C by 2100. Given that this requires full implementation, it is very much a best-case scenario and still short of the 1·5°C goal. However, it does represent some improvement on previous commitment levels.

Even though the pledges made at the showpiece conference disappointed many, the emphasis on environmental, social and governance ESG factors amongst investors, continued to increase over the year.

The events of the first quarter of 2022 would come to characterise the financial year. On 24 February, Russia began its large scale "special military operation" against Ukraine, forcing over four million people to flee the country as intense fighting ensued and living conditions deteriorated rapidly in many cities.

NATO allies imposed severe economic sanctions on Russia, largely cutting off the Russian economy from international financial markets and trade in goods and services. Prices for natural gas, select grains and metals surged, and Brent crude oil prices topped $100 per barrel amid expectations that sanctions would cripple Russian energy exports and restrict supplies of key commodities.

Central bankers retired the precursory adjective “transitory” when talking about inflation and explicitly acknowledged that inflationary pressures were now “persistent.” Despite uncertainty about the economic risks posed by the conflict, most central banks adopted hawkish policies, scaling back monetary stimulus and pressing ahead with interest rate hikes. Others pledged to be mindful of the economic impact of the war in Ukraine and adjust monetary policy as necessary. The Bank of England was the first major central bank to raise its policy rate, hiking rates twice during the quarter, while the US Federal Reserve lifted rates for the first time since 2018.

Government bond yields rose sharply in response to expectations of a prolonged period of monetary tightening. Global equities declined 4.6% and displayed elevated volatility in the first quarter of 2022, amid rising geo-political instability and fears about the global economic growth outlook. The US dollar continued to strengthen modestly against other major currencies, driven by strong dollar denominated commodity prices and the Federal Reserve’s relatively hawkish stance. The most dramatic price movements were exhibited in commodities, which soared 33% in aggregate during the quarter. Energy commodities surged 46% amid fears that a sustained military conflict in Ukraine could disrupt energy supplies from Russia, one of the world’s largest oil and natural gas producers. Industrial metals and agricultural commodities also rose significantly as these too could be subject to conflict related supply disruption.

The number of Covid-19 cases generally declined across most countries during the quarter, with China the notable exception. In China, the authorities reported nearly 100,000 infections nationwide and imposed strict testing and lockdowns in several areas, including a two-phase lockdown of Shanghai and its 26 million residents. Such action is thought to have exacerbated inflationary pressures given China’s overwhelming share of global manufactured exports.

Unfortunately, at the time of writing, a line cannot be drawn under the events of the latter part of the financial year. Geo-politics, downward revisions to global economic growth and persistent inflationary pressures conspire to make the economic outlook very opaque at this juncture.

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

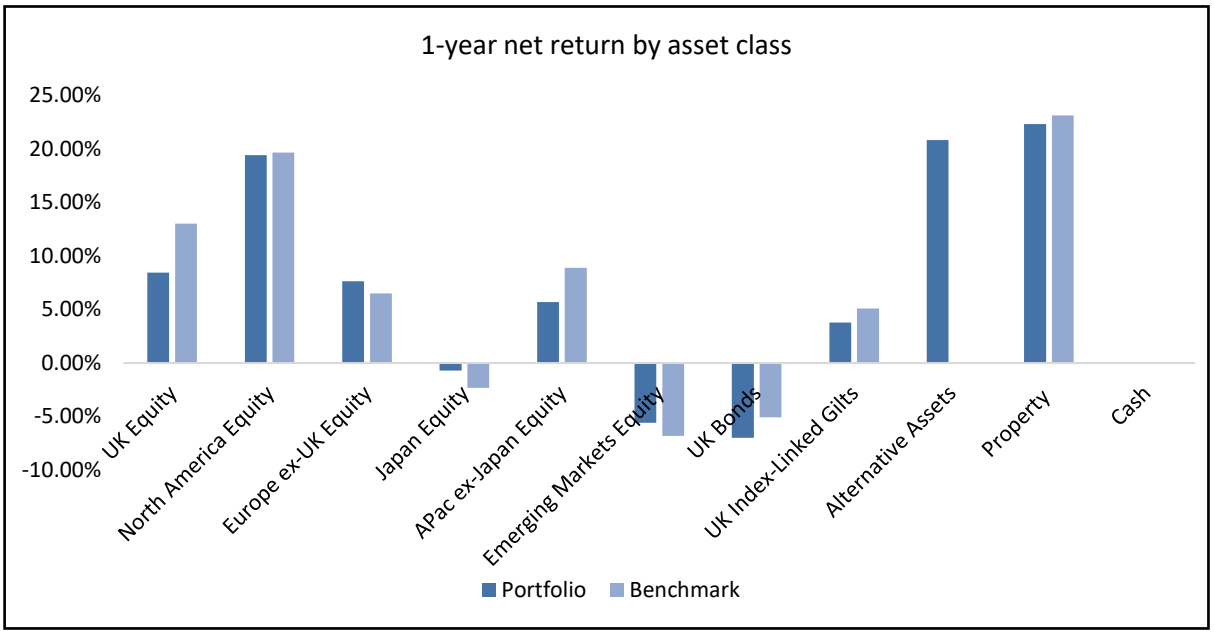
Table 1

	1 year	3 year (annualised)	5 year (annualised)
MPF	10.40%	7.60%	6.42%
Benchmark	6.88%	5.71%	4.98%
Relative	3.29%	1.78%	1.37%

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

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

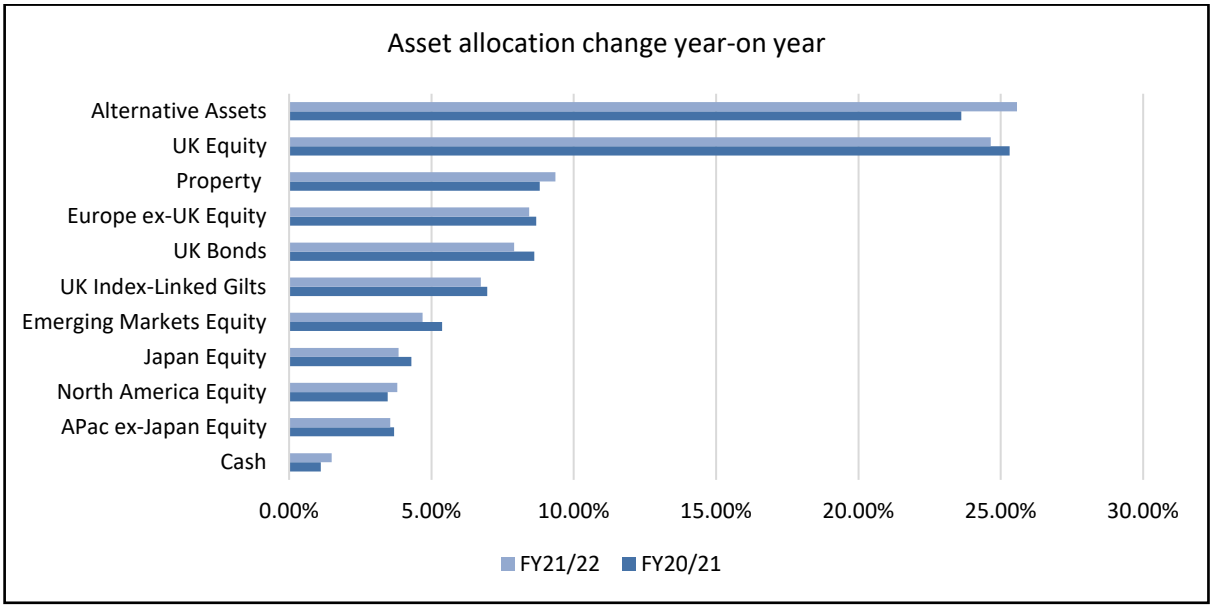
Figure 1



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

Figure 2 illustrates the asset allocation of the Fund on 31st March 2022 compared to 31st March 2021:

Figure 2



Source: Northern Trust; GBP-adjusted

Alternative assets returned 20.85% over the financial year. Positive contribution to return came from all asset classes, namely Infrastructure (11.46%), Opportunistic Credit (8.10%), Private Equity (51.41%) and Other Alternatives (2.15%).

Top 5 largest UK Direct Property Holdings as of 31st March 2022:

Asset	Sector/Focus	Value	% of Direct Property Portfolio
Fort Halstead	Commercial (Other)	£69.00m	12.14%
Mitre Bridge	Industrial	£50.00m	8.70%
Lever Building	Office	£40.70m	7.16%
Shepherds Spring Lane	Hotel	£40.65m	7.15%
Gateway 28	Industrial	£37.10m	6.53%
Total		***£237.45m***	***41.68%***

Source: CBRE

Top 5 largest Infrastructure holdings on committed capital basis as of 31st March 2022:

Asset	Sector/Focus	Value	% of Infrastructure Portfolio
Agility Trains East	Transportation	£77.00m	10%
Mirova Hydroelectric	Clean energy	£57.00m	7%
Clyde Wind Farm	Renewables	£48.00m	6%
Iona Environmental	Biogas power plants	£47.00m	6%
Invis Energy	Onshore Wind	£44.00m	6%
Total		***£273.00m***	***35%***

Source: Northern Trust

Merseyside Pension Fund is a member of GLIL, an infrastructure investment vehicle set up as a joint venture between the Northern LGPS and Local Pensions Partnership Investments. GLIL targets core infrastructure assets predominantly in the United Kingdom. MPF has committed a total of £450m to GLIL platform including a co-investment into a rolling stock asset. Total committed capital to GLIL from its existing investors currently stands at £3.6bn following a successful capital raise of over £1bn in 2022.

The Northern LGPS's collective private equity investment vehicle (NPEP) is continuing to effectively make capital commitments to diverse range of Private Equity Funds. The initial close of NPEP occurred upon its creation in July 2018 with £1.02bn of Funding capacity and stands at £2.29bn as at 31/03/2022.

Merseyside Pension Fund's net value of Private Equity assets currently stands at £956m, of which 20% sits within NPEP. Merseyside Pension Fund's total Private Equity portfolio has performed very strongly with a 51% return over the past 12 months.

Private Equity has come through the Covid-19 pandemic relatively unscathed with growing valuations, record amounts of capital raised and an abundance of deal flow activity. Merseyside Pension Fund's Private Equity performance over the past 12 months can partly be attributed to its U.S venture and global technology exposure which has seen exceptional rises in asset values which Merseyside Pension Fund have been well positioned to benefit from. However, despite recent outperformance, officers expect such outperformance to abate considerably against the backdrop of raising inflation, interest rates and macro-economic sentiment.

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

Asset class	31st March 2021		31st March 2022	
	Management fee £'000	Performance fee £'000	Management fee £'000	Performance fee £'000
Private Equity	8,381	2,961	£8,198	7,677
Infrastructure	5,144	94	5,314	7,546
Property	4,912	578	7,876	1,040
Opportunistic Credit	9,121	882	3,054	2,188
Other Alternatives	3,225	0	2,835	340
Total	**30,783**	**4,515**	**27,307**	**18,791**

The increase in overall performance fees when comparing 2021 and 2022 is driven by the Private Equity and Infrastructure portfolios. Incentive fees paid and performance have a positive correlation and both Private Equity and Infrastructure portfolios were the two strongest performing asset classes within alternatives. In the financial year, Private Equity had a yearly performance of 51.41% and Infrastructure had a yearly performance of 11.46%. Hence the uptick in performance fees paid to underlying Fund managers. Increase in performance fee in comparison to last year is mainly driven by two infrastructure funds SITE EUR and Antin Infrastructure Fund II, both funds are nearly fully realised and have returned overall 2.6x Gross / 2.0x Net Multiple and 2.2x Gross /2.8x Net Multiple respectively, net multiple being higher than the gross for SITE EUR Fund due to the restructuring which occurred in March 2015 when the fund became a closed ended fund.

Responsible Investment

Merseyside Pension Fund's Responsible Investment Policy continues to impact and integrate sustainability all investment decisions made over the period. MPF is committed to the belief that practising responsible ownership of assets is fundamental to investing responsibly over the long-term. The Fund maintains its signatory status of the Principles of Responsible Investment (PRI) through its last submission. Through this the Fund reports on its Responsible Investment activity across all asset classes held. Our latest submission includes detail on how the Fund strategies responsible investment and implements our policy across internal and external management ESG factors in decision making. Merseyside Pension Fund's most recent available PRI Transparency report can be viewed at: **https://www.unpri.org/signatories**

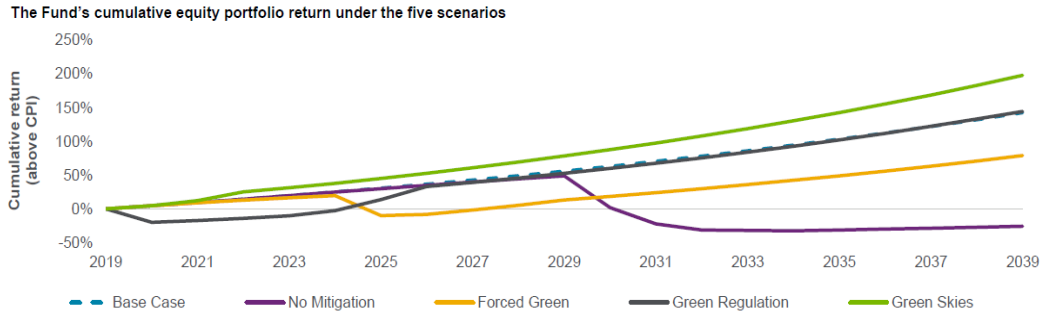
Through the Fund's involvement with the NLGPS, proxy voting is coordinated across listed equity holdings. The securities lending programme during proxy voting season is restricted as part of the Northern Pool's RI Policy to ensure vote maximisation. Through this, Funds also must disclose their voting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

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

The Fund remains an active long-standing member of the Local Authority Pension Fund Forum (LAPFF), which conducts various engagements on behalf of the Fund, with support from officers. LAPFF are well placed to apply collective pressure on companies and shape market behaviours and regulations. Their 2021 annual report outlines that LAPFF have engaged in 171 domiciles across 31 countries with operations spread across the globe. An example of this includes work as part of LAPFF's commitment to the Say on Climate initiative in 2020 and as part of the Climate Action 100+ initiative, the forum engaged with several companies to act upon these initiatives. Companies included Shell, BHP, Ford, General Motors and SSE on topics surrounding their alignment with the Paris Accord and the mitigation of climate risk. Over the period, LAPFF focused on several other issues that included employee welfare during the Covid-19 pandemic, and significant work on the just

transition through an inquiry led under the auspices of the LGPS APPG. Further information can be found in the LAPFF Annual Report.

MPF continues to publish a report covering The Taskforce on Climate-Related Financial Disclosures (TCFD), which provides a global framework to translate non-financial information into financial metrics. As regulation within the industry progresses, MPF is committed to improving upon the alignment to the framework and increasing disclosure standards with ongoing developments. In preparing the TCFD statement for inclusion in this Investment Report, the Fund has referred to the guidance in the PRI publication *Implementing the Task Force on Climate-Related Financial Disclosures (TCFD) Recommendations: A Guide for Asset Owners* (PRI, 2018).

Governance	As the Fund's governing body, the Pensions Committee had mandated that MPF's investment strategy be brought into line with the goals of the 2015 Paris Climate Accord. It has delegated authority to the Director of Pensions to develop and implement the climate risk strategy (as informed by relevant guidance especially from partner organisations such as IIGCC, PRI and the LAPFF) and continues to receive regular reports on progress.
Strategy	MPF's strategy encompasses the view that climate change is a systemic risk and thus, a material long-term financial risk for any investor that must meet long-term obligations. The Fund has completed work that involved reviewing its investment beliefs and strategic framework to ensure that climate risk considerations are appropriately integrated at each stage of investment management. Climate scenario analysis was undertaken by Aon (the Fund's strategic adviser) to model the resilience of MPF's investment strategy in five scenarios, as described in Aon's Climate Change Challenges paper. The chart guides the Fund's net zero plans over the short and longer term. Under Aon's No Mitigation scenario (+4 degrees of warming), the severity of the risk was starkly illustrated:  *Source: Aon*
Risk Management	MPF acknowledges the description of climate risk provided by TCFD, as comprising transition and physical risks. The focus of risk management activity has been primarily on the mitigation of transition risk via ongoing decarbonisation efforts.

Targets and Metrics	The trials facing the Fund and wider industry to report on TCFD verified metrics is a widely known challenge. The Fund continues to develop and invest in this area to demonstrate our strategy under reputable metrics in the coming year. MPF has committed in conjunction with the NLGPS to Net Zero by 2030 using the PAII Framework. The commitment states by 2030, the weighted average carbon intensity of Funds to be 50% below the carbon intensity of the respective 2019 benchmark. This will be achieved adopting scenarios used by some of the main external Asset Managers to the Northern LGPS, which are the P2 emission pathway of the IPCC special report on global warming of 1.5 degrees Celsius, and the IPCC RCP 2.6 and IEA SDS (aggressive mitigation) pathways. Through other investments in the illiquid segment of the strategic benchmark the Fund continues to allocate to the low carbon economy and climate change risk mitigators. The Fund, in part, achieves this through the infrastructure allocation, which has considerable proportion invested in renewable energy and climate solutions. The Fund's infrastructure allocation is 7%. <u>Climate stewardship</u> MPF continues to be an active member of Climate 100+, which lobbies and engages with companies to secure commitments to setting net zero targets and developing decarbonising strategies. MPF continues this work internally, through co-filings of shareholder resolutions with a focus on European banking. Following the filings over the period, MPF engaged directly with banks through negotiations that aimed to increase pressure to reduce exposure to fossil fuels and publish emission reduction targets for its 'Oil & Gas' and 'Power & Utilities' portfolios. MPF as part of the co-filing group negotiated successfully with HSBC specifically to update the scope of their fossil fuel targets to cover capital markets activities by Q4 2022. The Fund continues to engage with the bank to ensure positive progress is made and commitments are met.

Financial Performance

Key Financials for 2021/22

	£000	£000	£000
Fund value at 31 March 2021			**10,079,748**
Contributions & Benefits			**40,267**
Employer Contributions	137,770		
Employee Contributions	63,390		
		201,160	
Pensions Paid	(299,729)		
Lump Sums Paid	(72,214)		
		(371,943)	
Net Transfers		211,050	
Management Expenses			**(47,128)**
Administration	(3,267)		
Investment Management	(41,829)		
Oversight & Governance	(2,204)		
		(47,300)	
Other Income		172	
Investments			**928,011**
Income	324,682		
Change in Market Value	603,329		
Fund Value at 31 March 2022			**11,000,898**

The table below describes the Fund's performance for key financial variables against forecasts (forecast March and June 2021) for the 12 months to 31 March 2022.

	2021/22 or at 31 March 2022	
	Predicted	**Actual**
	£000	**£000**
Fund Size 2021	**10,079,748**	**10,079,748**
Fund Size 2022	**10,349,572**	**11,000,898**
Pensions Paid	(352,394)	(371,943)
Contributions Received	160,800	201,160
Net Transfers	0	211,050
Net cash flow from members	**(191,594)**	**40,267**
Net management expenses	**(42,569)**	**(47,128)**
Investment Income	199,830	324,682
Change in valuation of assets	304,157	603,329
Return from Investments	**+503,987**	**+928,011**
Net change overall	**+269,824**	**+921,150**

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

The contributions received in 2021/22 are lower than reported in the previous year, due to several employers paying additional and upfront contributions in 2020/21, covering a three-year period, until the next actuarial valuation in 2022, consequently the following 2 years are reduced accordingly.

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

Within the reporting period invoices amounting to £229,764.70 were raised with £150,686.35 paid in period. Invoices amounting to £3,190.58 were written off following instruction from the corporate legal department on the basis that the debts were not economically viable to recover. An amount of £75,887.77 remains outstanding at the end of the reporting period.

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

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

	12 months to 31 March 2022	
	Budget	**Actual**
	£000	**£000**
Employees (based on 84 FTE)	3,843	3,436
Premises	206	206
Transport	19	2
Investment fees – operating budget	17,356	17,542
Supplies and Services	2,625	1,770
Third Party	1,125	1,499
Recharges	360	331
Total	**25,534**	**24,786**

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 2021/22 was £24.8 million, lower than the original budget of £25.5 million approved by Pensions Committee March/June 2021, this is largely due to budgeted projects and areas of work being deferred to 2022/23 due to the pandemic.

The 2022/23 Fund budget as approved by Pensions Committee in March and June 2022 is detailed in the table below.

	2022/23
	£000
Employees (based on 84 FTE)	4,084
Premises	207
Transport	36
Investment fees – operating budget	16,466
Supplies and Services	2,640
Third Party	1,303
Recharges	311
Total	**25,048**

The assumptions that underpin this budget are that investment performance follows long-term trends and that the Fund follows the long-term trends in mortality and other factors assumed within the actuarial valuation. Investment fees shown above are for invoiced investment management costs only and do not include any fees for private market assets, any property related expenditure, nor any investment changes associated with pooling. The budget for 2022/23 at £25.0m reflects lower investment management fees being forecast.

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

	2022/23	2023/24	2024/25
	£000	£000	£000
Fund Size Start of Year	**11,000,898**	**11,303,443**	**11,668,531**
Fund Size End of Year	**11,303,443**	**11,668,531**	**12,042,955**
Contributions Received	186,315	248,881	256,347
Pensions Paid	(383,473)	(395,361)	(407,617)
Net Transfers	0	0	0
Net Inflow from members	**(197,158)**	**(146,480)**	**(151,270)**
Net management expenses	**(50,347)**	**(53,604)**	**(57,732)**
Investment Income	347,085	371,034	396,635
Change in valuation of assets	202,960	194,138	186,791
Return from Investments	**550,045**	**565,172**	**583,426**
Net change overall	**302,545**	**365,088**	**374,424**

As stated earlier, the contributions received in 2020/21 were higher due to several employers paying additional and upfront payments covering a three-year period in year 1, consequently, year 3 (2022/23) has been reduced accordingly. The 2022 triennial valuation is ongoing, and the results of that process will determine the employer contribution requirements from 2023/24, no upfront payments have been assumed in the above table, however, upfront payments may be paid by several employers in 2023/24.

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

Financial Statements

2020/21 £000	FUND ACCOUNT - For the year ended 31 March 2022	Note	2021/22 £000
	Dealing with members, employers and others directly involved in the fund:		
337,417	Contributions Receivable	*7*	201,160
15,214	Transfers In	*8*	225,296
352,631			426,456
(350,641)	Benefits Payable	*9*	(371,943)
(16,874)	Payments to and on account of Leavers	*10*	(14,246)
(367,515)			(386,189)
(14,884)	**Net additions/(withdrawals) from dealing with members**		**40,267**
(39,790)	Management Expenses	*11*	(47,128)
(54,674)	**Net additions/(withdrawals) including Fund Management Expenses**		**(6,861)**
	Return on Investments:		
191,236	Investment Income		329,589
1,308,738	Profit and Losses on Disposal of Investments and Change in Market Value of Investments		603,329
(4,304)	Taxes on Income		(4,907)
1,495,670	**Net Return on Investments**		**928,011**
1,440,996	Net Increase/(Decrease) in the Fund during the year		921,150
8,638,752	Net Assets of the Fund at the start of the year		10,079,748
10,079,748	**Net Assets of the Fund at the end of the year**		**11,000,898**

2020/21 £000	NET ASSETS STATEMENT - For the year ended 31 March 2022	Note	2021/22 £000
	Investment Assets	*13*	
3,213,642	Equities		3,360,827
696,000	Bonds		731,666
5,393,027	Pooled Investment Vehicles		5,817,473
403,815	Derivative Contracts		382,521
463,725	Direct Property		568,275
78,110	Loans		35,751
125,018	Short Term Cash Deposits		169,149
144,548	Other Investment Balances		106,941
10,517,885			**11,172,603**
(465,355)	**Investment Liabilities**	*14*	**(400,793)**
10,052,530	**Total Net Investment Assets**		**10,771,810**
3,337	Long Term Assets	*19*	6,394
40,433	Current Assets	*20*	245,138
(16,552)	Current Liabilities	*20*	(22,444)
10,079,748	**Net Assets of the Fund as at 31 March**		**11,000,898**

Notes to the Merseyside Pension Fund Accounts

Note 1 Description of the Fund

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

The overall responsibility for the management of the Fund rests with the Pensions Committee, which for 2021/22 included eleven councillors from Wirral Council, the Administering Authority and one councillor from each of the four other Merseyside Borough Councils. Representatives of trade unions also attend. The more detailed consideration of investment strategy and asset allocation of the Fund's portfolios is considered by the Investment Monitoring Working Party, which includes two external advisers and a consultant. The more detailed consideration of governance and risk issues is considered by the Governance and Risk Working Party.

In 2015/16 a Local Pensions 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's Annual Report 2021/22 and the underlying statutory powers underpinning the Scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

A) General

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

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

The Fund is a contributory defined benefit pension scheme 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 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 214 employer organisations within Merseyside Pension Fund including Wirral Council itself. The Fund has 144,547 members as detailed below:

31 March 2021		31 March 2022
212	**Number of Employers with Active Members**	**214**
47,193	Number of Employees in Scheme	46,740
47,032	Number of Pensioners	48,609
6,503	Number of Dependants	6,645
39,295	Number of Deferred Pensioners	42,553
140,023	**Total Number of Members in the Scheme**	**144,547**

C) Funding

Benefits are funded by employee and employer contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS with employer contributions set to achieve the funding target for each individual employer as detailed within the Valuation Rates and Adjustment Certificate.

D) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014, the Scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is adjusted annually in line with the Consumer Price Index.

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

Note 2 Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2021/22 financial year and its position at year end as at 31 March 2022. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 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.

For 2020/21 reporting, Note 24 Additional Voluntary Contributions (AVCs), the information was not available for Prudential at the time the Statement of Accounts were approved, this information is now available and has now been included, this has had no impact on the Fund Account or the Net Asset Statement.

The accounts have been prepared on a going concern basis.

The Code (paragraph 3.3.1.2) requires the disclosure of any accounting standards issued but not yet adopted. IFRS 16, introduced on 1 January 2019, was due to be adopted by the Code for accounting periods commencing on or after 1 April 2022, however, a decision by CIPFA is to defer the implementation of IFRS until 1 April 2024. This new accounting standard largely removes the distinction between operating and finance leases by introducing an accounting model that requires lessees to recognise assets and liabilities for all assets with a term of more than 12 months unless the underlying asset is of low value. Implementation of IFRS 16 is not expected to have a material impact on the Fund because it does not hold any assets as a lessee.

Note 3 Summary of Significant Accounting Policies

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

Contributions and Benefits

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

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

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

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

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

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

Transfers to and from Other Schemes

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

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

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

Management Expenses

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

<u>Administration Costs</u>

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

Investment Management Costs

All investment expenses are accounted for on an accrual basis.

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

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

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

In accordance with CIPFA "Accounting for Local Government Pension Scheme Management Expenses (2016)" guidance, transaction costs are shown under investment expenses.

Oversight and Governance Costs

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

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

Investment Income

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

Rental income from properties is recognised as demanded and is shown net of related expenses.

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

Taxation

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

Valuation of Investments

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

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

Translation of Foreign Currencies

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

Derivatives

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

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

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

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

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

Short Term Deposits

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

Financial Liabilities

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

Additional Voluntary Contribution

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

The Scheme providers are Utmost Life (transferred from Equitable Life 1 January 2020), Standard Life and Prudential. Individual members participating in this arrangement each receive an annual statement confirming the amounts held on their account and the movements in the year.

Note 4 Critical Judgements in Applying Accounting Policies

The Fund has not applied any critical judgements.

Note 5 Estimation & Uncertainty

Unquoted Investments

The Fund has significant unquoted investments within Private Equity, Infrastructure, Property and other Alternative investments. These are valued within the financial statements using valuations from the Managers of the respective assets. There are clear accounting standards for these valuations and the Fund has 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 2022 was £5,391 million (£4,745 million at 31 March 2021).

Private Equity investments are valued at fair value in accordance with International Private Equity and British Venture Capital Association guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation. The IPEV Board issued additional guidance as at 31 March 2020 given the magnitude of the Covid-19 crisis, accompanied by the significant uncertainty.

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

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

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

For 2021/22 there remains additional uncertainty regarding the valuations of illiquid assets, due to the uncertainties in the financial markets and the time it will take to fully realise the impact of Covid-19 on such assets and the impact of the conflict in Ukraine. There is an increased level of risk that the estimated valuations may be misstated. The valuations have been updated based upon the available information as at 31 March 2022 and maybe subject to variations as further information becomes available. Note 15 sets out a sensitivity analysis of such assets valued at level 3 (the remaining unquoted assets are classified as level 2 assets).

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

Note 6 Events after the Reporting Date

There have been no events since 31 March 2022, and up to the date when these accounts were authorised, that require any adjustments to these accounts.

Note 7 Contributions Receivable

Contributions are made by active members of the Fund in accordance with the LGPS and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2022. Employee contributions are matched by employers' contributions which are based on triennial actuarial valuations. The 2021/22 contributions above were calculated at the valuation dated 31 March 2019. The 2019 actuarial valuation calculated the average primary employer contribution rate of 17.2% (2016 15.4%). The Fund has received additional and upfront payments covering a three-year period, until the next actuarial valuation in 2022, totaling £18.8 million (in 2020/21 £94.7 million).

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

"Deficit Funding" includes payments by employers for past service deficit and additional payments by employers to reduce a deficit. During 2021/22 the Fund has received additional and upfront payments covering a three-year period until the next actuarial valuation in 2022, totaling £nil, (in 2020/21 £3.1 million).

The Fund does reserve the right to levy interest charges on late receipt of contributions from employers. In 2021/22 no such charges were levied.

2020/21 £000	Contributions Receivable	2021/22 £000
	Employers	
257,619	Normal	122,986
4,665	Pension Strain	6,721
14,500	Deficit Funding	8,063
276,784	**Total Employers**	**137,770**
	Employees	
60,633	Normal	63,390
337,417		**201,160**
	Relating to:	
27,478	Administering Authority	29,048
282,567	Statutory Bodies	144,178
27,372	Admission Bodies	27,934
337,417		**201,160**

Note 8 Transfers In

2020/21 £'000	Transfers In	2021/22 £'000
-	Group Transfers	**205,761**
15,214	Individual Transfers	**19,535**
15,214		**225,296**

There was a group transfer into the Fund during 2021/22. An employer sought permission from the Secretary of State to transfer the administration of its pension obligations under the LGPS from one LGPS Fund to MPF, this resulted in a transfer of assets, liabilities and members (actives, deferreds and pensioners) to MPF.

Note 9 Benefits Payable

2020/21 £000	Benefits payable	2021/22 £000
287,859	Pensions	299,729
55,869	Lump Sum Retiring Allowances	63,287
6,913	Lump Sum Death Benefits	8,927
350,641		**371,943**
	Relating to:	
47,540	Administering Authority	50,115
247,375	Statutory Bodies	258,258
55,726	Admission Bodies	63,570
350,641		**371,943**

Note 10 Payments to and on account of Leavers

2020/21 £000	Payments to and on account of Leavers	2021/22 £000
435	Refunds to Members Leaving Service	421
-	Payment for Members Joining State Scheme	-
(9)	Income for Members from State Scheme	(3)
-	Group Transfers to Other Schemes	-
16,448	Individual Transfers to Other Schemes	13,828
16,874		**14,246**

Note 11 Management Expenses

2020/21 £000	Management Expenses	2021/22 £000
3,067	Administration Costs	3,267
34,992	Investment Management Costs	41,829
2,019	Oversight and Governance Costs	2,204
(288)	Other Income	(172)
39,790		**47,128**

Note 11a Administration Costs

2020/21 £000	Administration Costs	2021/22 £000
2,169	Employee Costs	2,245
643	IT Costs	785
216	General Costs	192
39	Other Costs	45
3,067		**3,267**

Note 11b Investment Management Costs

2021/22	Total	External Investment Management Fees	External Investment Management Performance Fees	External Private Market Fees	External Private Market Expenses	Transaction Costs
	£'000	£'000	£'000	£'000	£'000	£'000
Equities	15,729	7,398	4,574			3,757
Bonds	100	100				
Pooled Investment Vehicles	23,321	3,515	1,181	6,661	11,964	
Derivative Contracts	227	774				(547)
Loans	785			785		
Short Term Cash Deposits	-					
Other Investment Balances	-					
		11,787	5,755	7,446	11,964	3,210
External Services	665					
Internal Investment Management Fees	1002					
	41,829					

2020/21	Total	External Investment Management Fees	External Investment Management Performance Fees	External Private Market Fees	External Private Market Expenses	Transaction Costs
	£'000	£'000	£'000	£'000	£'000	£'000
Equities	14,643	7,231	3,312			4,100
Bonds	110	110				
Pooled Investment Vehicles	16,712	3,179	157	7,649	5,720	7
Derivative Contracts	1,375	828				547
Loans	477				207	270
Short Term Cash	-					
Other Investment Balances	-					
		11,348	3,469	7,649	5,927	4,924
External Services	820					
Internal Investment Management Fees	855					
	34,992					

Property expenses are now shown within note 12a.

Note 11c Oversight & Governance Costs

Actuarial fees included within External Services below (note 11c) are shown gross of any fees that have been recharged to employers. Included within Other Income for 2021/22 is £122,060 relating to recharged Actuarial fees (2020/21 £230,382).

The estimated External Audit fee for 2021/22 is £48,000, an additional £20,000 relates to services in respect of IAS19 assurances for admitted body auditors, which are recharged to those admitted bodies. An audit fee rebate was received during 2021/22 for £20,060.

2020/21 £000	Oversight & Governance Costs	2021/22 £000
534	Employee Costs	586
1,162	External Services	1,277
49	Internal Audit	49
58	External Audit	48
216	Other Costs	244
2,019		**2,204**

Note 12 Investment Income

Rental income is shown net of any property related expenses.

Interest on loans has been accrued up to 31 March 2022.

Investment income figures are shown gross of tax. Included in these figures is recoverable taxation of £11.1 million (2020/21 £8.1 million).

The Fund is seeking to recover tax withheld by UK and overseas tax regimes under the EU principle of free movement of capital within its borders, repayments received in 2021/22 £3.5 million (2020/21 £2.6 million).

2020/21 £000	Investment Income	2021/22 £000
77,984	Dividends from Equities	108,655
3,965	Income from Bonds	3,301
50,385	Income from Pooled Investment Vehicles	73,089
25,464	Net Rents from Properties	27,024
202	Interest on Short Term Cash Deposits	76
24,509	Income from Private Equity	101,489
6,981	Interest from Loans	14,784
1,746	Other	1,171
191,236		**329,589**
(4,304)	Irrecoverable Withholding Tax	(4,907)
186,932		**324,682**

Note 12a Property Income

The outbreak of Covid-19, declared by the World Health Organisation as a 'Global Pandemic' on 11 March 2020, has impacted global financial markets. Travel restrictions and local and national lockdowns have been implemented within the UK, impacting upon tenants occupying our investment properties and the collection of rental income. The Fund has assessed its property arrears as at 31 March 2022 (£7.5 million) and assessed that a credit loss provision to the value of £1.7 million is appropriate to reflect rental income arrears at risk and rent concessions granted for the period and is shown in note 20.

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

2020/21 £000	Property Income	2021/22 £000
33,138	Rental Income	32,405
(7,674)	Direct Operating Expenses	(5,382)
25,464	**Net Rent from properties**	**27,023**

Note 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:

2020/21 £000	Age Profile of Lease Income	2021/22 £000
3,345	No later than one year	2,001
5,327	Between one and five years	10,713
16,490	Later than five years	15,406
25,162	**Total**	**28,120**

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

Note 13 Investments

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

2020/21	Market Value @ 31.3.20 £'000	Purchases at Cost and Derivative Payments £'000	Sale Proceeds and Derivative Receipts £'000	Change in Market Value** £'000	Market Value @ 31.3.21 £'000
Equities	2,483,568	1,377,745	-1,332,543	684,872	**3,213,642**
Bonds	696,229	49,733	-61,334	11,372	**696,000**
Pooled Investment Vehicles	4,432,443	1,298,955	-1,184,860	846,489	**5,393,027**
Direct Property	471,925	41,061	-16,463	-32,798	**463,725**
Loans	86,076	50,588	-55,222	-3,332	**78,110**
	8,170,241	**2,818,082**	**-2,650,422**	**1,506,603**	**9,844,504**
Derivative Contracts					
FX	14,378	1,877,448	-1,875,729	-16,097	**0**
Options	150,973	1,011,312	-1,040,276	-154,479	**-32,470**
Swaps	5,843	77,440	-67,895	-21,589	**-6,202**
	8,341,435	**5,784,282**	**-5,634,322**	**1,314,437**	**9,805,832**
Short Term Cash Deposits	105,010				**125,018**
Other Investment Balances	181,507			-5,699	**144,548**
Amounts due to stockbrokers	-21,063				**-22,868**
	8,606,889			**1,308,738**	**10,052,530**

Direct transaction costs 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.

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

Note 13a Analysis of Investments

2020/21 £000		2021/22 £000
	Equities (segregated holdings)	
1,336,937	UK Quoted	1,389,501
1,876,705	Overseas Quoted	1,971,326
3,213,642		**3,360,827**

2020/21 £000		2021/22 £000
	Bonds	
695,600	UK Public Sector Quoted	**731,266**
400	UK Corporate Quoted	**400**
-	Overseas Corporate Quoted	**-**
696,000		**731,666**

2020/21 £000		2021/22 £000
	Pooled Investment Vehicles	
	UK Managed Funds:	
117,664	Equities	94,800
196,808	Private Equity	299,250
180,197	Hedge Funds	192,373
407,569	Corporate Bonds	379,513
359,855	Infrastructure	490,717
315,882	Opportunities	311,049
	Overseas Managed Funds:	
722,853	Equities	662,586
633,688	Private Equity	654,211
112,532	Hedge Funds	120,411
84,315	Corporate Bonds	83,187
250,699	Infrastructure	272,893
97,171	Opportunities	129,229
	UK Unit Trusts:	
106,888	Property	138,590
	Overseas Unit Trusts:	
217,324	Property	254,905
1,589,582	**Other Unitised Funds**	1,733,759
5,393,027		**5,817,473**

2020/21 £000		2021/22 £000
	Derivative Contracts	
-	FX	895
402,967	Options	381,626
848	Swaps	-
403,815		**382,521**

Note 13a Analysis of Investments (Continued)

2020/21 £000		2021/22 £000
	UK Properties	
348,425	Freehold	440,050
115,300	Leasehold	128,225
463,725		**568,275**
471,925	Balance at 1 April	463,725
41,061	Additions	42,872
(16,463)	Disposals	(37,435)
3,621	Net gain/(loss) on fair value	(14,912)
(36,419)	Other changes in fair value	114,025
463,725	Balance at 31 March	568,275

As at 31 March 2022 there were no restrictions on the realisability of investment property or of the remittance of income or proceeds of disposal and the fund is not under any contractual obligations to purchase, construct or develop any of these properties.

2020/21 £000		2021/22 £000
78,110	**Loans**	**35,751**
125,018	**Short term cash deposits**	**169,149**
	Other investment balances	
7,481	Outstanding Trades	3,524
20,630	Outstanding Dividends Entitlements and Recoverable Withholding Tax	26,159
116,437	Cash Deposits	77,258
144,548		**106,941**
10,517,885	**Total Investments Assets**	**11,172,603**

Note 13b Analysis of Derivatives

Forward Currency Contracts

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

Settlement Date	Currency bought '000	Currency sold '000	Asset £'000	Liability £'000
Up to one month	AUD 1,010	GBP 577	-	-
Up to one month	GBP 440	AUD 767	2	-
Up to one month	EUR 100,000	GBP 83,640	893	-
Up to one month	GBP 83,554	EUR 100,000	-	(980)
Up to six months	GBP 18,834	EUR 22,575	-	(271)
			895	(1,251)
Net Forward Currency Contracts at 31 March 2022				(356)
Prior Year Comparative				
Open Forward Currency Contracts at 31 March 2021			-	-
Net Forward Currency Contracts at 31 March 2021				-

Purchased/Written Options

Options are contracts between two parties that gives the purchaser the right, but not the obligation to either buy (call) or sell (put) at a price at a specific date. The purchaser pays immediately, a non-returnable premium (price) to secure the option. To minimise the risk of loss of value through adverse equity price movements, during 2021/22 the Fund bought a number of equity option contracts that protect it from falls in value in its main investment markets.

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

Underlying Option Contract	Expires	Put/Call	Notional Holding £'000	Market Value 31 March 2021 £'000
Assets				
Overseas equity purchased	One to three months	Put	-	**-**
Overseas equity purchased	Over three months	Put	400	**94,340**
Overseas equity purchased	Over three months	Call	650	**308,627**
Total Assets				**402,967**
Liabilities				
Overseas equity written	One to three months	Put	-	-
Overseas equity written	Over three months	Put	(490)	**(49,542)**
Overseas equity written	One to three months	Call	-	**-**
Overseas equity written	Over three months	Call	(400)	**(385,896)**
Total Liabilities				**(435,438)**
Net Purchased/Written Options				**(32,471)**

Swaps

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

There were no swaps as at 31 March 2022.

Type	Expires	Notional Holding £'000	Market Value 31/3/21 £'000
Assets			
Total Return Swaps	Up to one year	9,581	**848**
Total Assets			**848**
Liabilities			
Total Return Swaps	Up to one year	(9,506)	**(7,049)**
Total Liabilities			**(7,049)**
Net Swaps			**(6,201)**

As at 31 March 2022, the Fund held cash and non-cash collateral of £2.3 million to mitigate the risk of loss and credit risk. As the Fund has an obligation to return the collateral, it is excluded from the Fund valuation.

Note 13c Summary of Manager's Portfolio Values at 31 March 2022

2020/21 £million	%		2021/22 £million	%
		Externally Managed		
301	*3.0*	JP Morgan (European equities)	318	*2.9*
422	*4.2*	Nomura (Japan)	409	*3.8*
408	*4.1*	Schroders (fixed income)	380	*3.5*
447	*4.4*	Legal & General (fixed income)	473	*4.4*
237	*2.4*	Unigestion (European equities)	248	*2.3*
216	*2.1*	M&G (global emerging markets)	220	*2.0*
298	*3.0*	TT International (UK equities)	315	*2.9*
306	*3.0*	Blackrock (UK equities)	320	*3.0*
306	*3.0*	Newton (UK equities)	311	*2.9*
255	*2.5*	Amundi (global emerging markets)	226	*2.1*
183	*1.8*	Maple-Brown Abbot (Pacific Rim equities)	201	*1.9*
1,146	*11.4*	State Street Global Advisor (Passive Manager)	1,271	*11.8*
703	*7.0*	State Street Global Advisor (Bonds Manager)	727	*6.7*
5,228	**51.9**	**Total Externally Managed**	**5,419**	**50.2**
		Internally Managed		
615	*6.1*	UK equities	628	*5.8*
316	*3.1*	European equities	333	*3.1*
181	*1.8*	Asia pacific ex Japan	180	*1.7*
464	*4.6*	Property (direct)	568	*5.3*
413	*4.1*	Property (indirect)	439	*4.1*
831	*8.4*	Private equity	956	*8.9*
439	*4.4*	Hedge funds	427	*4.0*
647	*6.4*	Infrastructure	791	*7.3*
550	*5.5*	Opportunities	577	*5.4*
239	*2.4*	Global Equities Internal Factor	273	*2.5*
130	*1.3*	Short term deposits & other investments	181	*1.7*
4,825	**48.1**	**Total Internally Managed**	**5,353**	**49.8**
10,053	**100.0**	**Total**	**10,772**	**100.0**

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

2020/21 £000	%		2021/22 £000	%
547	5.4	State Street Pooled UK Index Linked Gilts	628	5.8
547		**Total**	**628**	

Note 13d Stock Lending

As at 31 March 2022, £172.8 million of stock was on loan to market makers, which was covered by cash and non-cash collateral, totaling £185.7 million. Collateral is marked to market and adjusted daily. Income from Stock Lending amounted to £1.2 million and is included within "Other" Investment Income. As the Fund retains its economic interest in stock on loan, their value remains within the Fund valuation. As the Fund has an obligation to return collateral to the borrowers, collateral is excluded from the Fund valuation. The Fund used its Custodian as agent lender, lending only to an agreed list of approved borrowers. An indemnity is in place which gives the Fund further protection against losses.

Note 14 Investment Liabilities

2020/21 £000	Investment Liabilities	2021/22 £000
442,487	Derivative Contracts	391,272
22,868	Amounts due to Stockbrokers	9,521
465,355	**Total**	**400,793**

Note 15 Fair Value – Basis of Valuation

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

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

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

Note 15 Fair Value – Basis of Valuation (continued)

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

Level 2			
Unquoted Equities Investments	Average of broker prices	Evaluated price feeds	Not required
Unquoted Fixed Income Bonds and Unit Trusts	Average of broker prices	Evaluated price feeds	Not required
Unquoted Pooled Fund Investments	Average of broker prices	Evaluated price feeds	Not required
Derivatives - Forward Currency Contracts	Market forward exchange rates at the year end	Exchange rate risk	Not required
Derivatives - OTC Options and OTC Swaps	Option pricing models and Swaps pricing models	Not required	Not required
Pooled Property Funds and Hedge Funds where regular trading takes place	NAV - based pricing set on a forward pricing basis. Closing bid price where bid and offer prices are published - closing single price where single price is published.	NAV - based pricing set on a forward pricing basis	Not required

Note 15 Fair Value – Basis of Valuation (continued)

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

Note 15 Fair Value – Basis of Valuation (continued)

Sensitivity of assets valued at level 3

The table below sets out the assets classified as level 3 assets. The Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges (as provided by the Fund's investment consultants), and has set out below the consequent potential impact on the closing value of investments held at 31 March 2022 and 31 March 2021. There are various factors that affect the complexity of valuation and the realisable value of assets and certain asset specific issues may lead to realisable valuations falling outside the stated range.

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

Level 3 Assets	Value at 31 March 2021 £000	Potential variance %	Value on increase £000	Value on decrease £000
Property	622,437	10.0	684,681	560,193
Unquoted UK equity	112,763	15.0	129,677	95,849
Unquoted overseas equity	8,616	15.0	9,908	7,324
Hedge funds	220,172	10.0	242,189	198,155
Infrastructure	624,109	15.0	717,725	530,493
Private equity	1,410,704	15.0	1,622,310	1,199,098
Total	**2,998,801**			

Note 15a Fair Value Hierarchy

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

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

Level 1

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

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

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

Values at 31 March 2021	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Investment assets				
Equities	3,151,560	444	61,638	3,213,642
Bonds	695,600	400		696,000
Pooled Investment Vehicles	1,135,675	1,783,914	2,473,438	5,393,027
Derivative Contracts		403,815		403,815
Direct Property			463,725	463,725
Loans	78,110			78,110
Short Term Cash Deposits	125,018			125,018
Other Investment Balances	144,548			144,548
Total Investment Assets	5,330,511	2,188,573	2,998,801	10,517,885
Investment liabilities				
Amounts due to stockbrokers	(22,868)			(22,868)
Derivative Contracts		(442,487)		(442,487)
Total Investment Liabilities	(22,868)	(442,487)	-	(465,355)
Net Investment Assets	**5,307,643**	**1,746,086**	**2,998,801**	**10,052,530**

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

2020/21 £000		2021/22 £000
2,533,544	**Opening balance**	**2,998,801**
709,823	Acquisitions	467,662
(389,073)	Disposal proceeds	(353,783)
15,191	Transfer into/(out) Level 3*	(3,075)
	Total gain/(losses) included in the fund account:	
75,540	On assets sold	108,690
53,776	On assets held at year end	233,198
2,998,801	**Closing balance**	**3,451,493**

* An asset transferred from level 3 to level 1 in 2021/22, due to the asset being a listed equity.

Note 16 Financial Instruments

Note 16a Classification of Financial Instruments

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

Financial Assets & Liabilities at 31 March 2021	Assets at amortised cost £000	Liabilities at amortised cost £000	Fair value through profit and loss £000	Total £000
Financial Assets				
Equities			3,213,642	3,213,642
Bonds			696,000	696,000
Pooled Investment Vehicles			5,393,027	5,393,027
Derivatives			403,815	403,815
Loans	78,110			78,110
Cash Deposits	125,018			125,018
Other Investment Balances	144,548			144,548
Long Term and Current Assets	43,770			43,770
Total Financial Assets	**391,446**	**-**	**9,706,484**	**10,097,930**
Financial Liabilities				
Derivatives			(442,487)	(442,487)
Other Investment Balances		(22,868)		(22,868)
Current Liabilities		(16,552)		(16,552)
Total Financial Liabilities	**-**	**(39,420)**	**(442,487)**	**(481,907)**
Total Net Assets	**391,446**	**(39,420)**	**9,263,997**	**9,616,023**

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

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

Note 16b Net Gains & Losses on Financial Instruments

2020/21 £000	Net Gains and Losses on Financial Instruments	2021/22 £000
	Financial Assets	
1,542,733	Fair Value through Profit and Loss	516,264
	Amortised Cost - realised gains on derecognition of	678
1,542,733	**Total Financial Assets**	**516,942**
	Financial Liabilities	
(192,166)	Fair Value through Profit and Loss	(12,726)
(9,031)	Amortised Cost - realised losses on derecognition of	
(201,197)	**Total Financial Liabilities**	**(12,726)**
1,341,536	**Net gains and losses on Financial Instruments**	**504,216**

Note 16c Fair Value of Financial Instruments

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

Note 17 Nature and Extent of Risks Arising from Financial Instruments

Risk and Risk Management

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

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

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

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.

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

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

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

Note 17a Market Risk

The Fund is aware that its key risk is market risk i.e. the unpredictability of market performance in the future. The general practice to quantify these risks is to measure the volatility of historical performance. The tables below show the Fund's exposure to asset classes and their reasonable predicted variance (as provided by the Fund's investment consultants) and the resulting potential changes in net assets available to pay pensions. The figures provided are a forward-looking assumption of future volatility based on analysis of previous performance and probability.

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

2020/21	Value at 31 March 2021	Potential Variance	Value on increase	Value on decrease
	£million	%	£million	£million
UK Equities (all equities including pooled vehicles)	1,648	*19.0*	1,961	1,335
US Equities	499	*20.6*	602	396
Canadian Equities	11	*24.0*	14	8
European Equities	934	*22.4*	1,143	725
Japanese Equities	432	*20.4*	520	344
Emerging Markets Equities inc Pac Rim	912	*27.9*	1,167	658
Global Equities (all equities including pooled vehicles)	765	*19.6*	915	615
UK Fixed Income Pooled Vehicles	934	*8.6*	1,014	853
UK Index Linked Gilts	696	*7.0*	744	647
Pooled Property	324	*12.5*	365	284
Private Equity	831	*28.3*	1,067	596
Hedge Funds	293	*9.3*	320	266
Infrastructure	611	*18.6*	724	497
Other Alternative Assets	413	*7.9*	446	380
Loans, Short Term Deposits & Other Investment Balances	313	-	313	313
Total	**9,616**			

Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent that the fair value on future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Currency Risk

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

Note 17b Credit Risk

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

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

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

The Fund's cash holding, under its treasury management arrangements as at 31 March 2022, was £169.4 million (31 March 2021 £125.0 million). This was held on instant access accounts with the following institutions:

2020/21 £000	Rating (S & P)		2021/22 £000
42,053	Lloyds Bank	Long A+ Short A-1	40,996
72,965	Northern Trust	AAAm	73,153
10,000	Invesco	AAAm	15,000
-	Federated	AAAm	20,000
-	Santander	Long A Short A-1	20,000
125,018	**Total**		**169,149**

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

Note 17c Liquidity Risk

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

The Fund always ensures it has adequate cash resources to meet its commitments. The Fund has a cash balance at 31 March 2022 of £169 million. The Fund has £7,117 million in assets which could be realised in under 7 days' notice, £1,016 million in assets which could be realised in under 90 days' notice and £2,301 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 2021/22 in its dealing with members of £40 million and management expenses of £47 million, this net withdrawal overall, is offset by investment income of £330 million.

Refinancing Risk

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

Note 17d Outlook for Real Investment Returns

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

Note 18 Funding Arrangements

In line with The Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2019. The next valuation will take place as at 31 March 2022.

The most recent Triennial Valuation by the actuary was as at 31 March 2019, when the funding level was 101% of projected actuarial liabilities (2016 85%). 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 that for the majority of the statutory employers, the recovery period is 16 years, taking account of all the employer specific factors, the implied average period across the Fund is 13 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 2019**
Long Term Yields	% p.a.
Market Implied RPI Inflation	3.40
Solvency Funding Target Financial Assumptions	
Investment Return (Higher Risk Bucket)	4.15
CPI Price Inflation	2.40
Short-Term Salary Increases	Varies by employer
Long-Term Salary Increases	3.90
Pension Increases/Indexation of CARE Benefits	2.40
Future Service Accrual Financial Assumptions	
Investment Return/Discount Rate (Higher Risk Bucket)	4.65
CPI Price Inflation	2.40
Short-Term Salary Increases	Varies by employer
Long-Term Salary Increases	3.90
Pension Increases/Indexation of CARE Benefits	2.40

Note 19 Long Term Assets

2020/21 £000	Long Term Assets	2021/22 £000
3,337	Assets due in more than one year	6,394
3,337	**Total**	**6,394**

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

Note 20 Current Assets & Liabilities

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

"Provision for Credit Losses" relates to general debtors and property rental income and is based on an assessment of all individual debts as at 31 March 2022.

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

2020/21 £000	Current Assets & Liabilities	2021/22 £000
	Assets	
14,335	Contributions due	16,772
-	Amounts due from external managers	710
5,385	Accrued and outstanding investment income	1,776
-	Transfer Values Receivable	205,761
22,035	Sundry Debtors	22,039
(1,769)	Provision for credit losses	(1,920)
447	Cash at bank	-
40,433	**Current Assets**	**245,138**
	Liabilities	
4,920	Retirement grants due	6,011
447	Provisions	-
11,185	Sundry Creditors	16,433
16,552	**Current Liabilities**	**22,444**
23,881	**Net Current Assets**	**222,694**

Note 21 Contractual Commitments

Commitments for investments amounted to £923 million as at 31 March 2022. (2020/21 £1,016 million). These commitments relate to Private Equity £508.56 million, Infrastructure £96.60 million, Opportunistic Credit £115.87 million, Indirect Property £190.42 million and Other Alternatives £11.77 million. As some of these funds are denominated in foreign currencies, the commitment in sterling is subject to change due to currency fluctuations.

Note 22 Contingent Assets

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

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

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

Note 23 Related Party Transactions

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

Management expenses include charges by Wirral Council in providing services in its role as Administering Authority to the Fund, which amount to £4.0 million, (2020/21 £3.9 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 £7.5 million (2020/21 £6.6 million) and a creditor of £0.9 million as at 31 March 2022 (2020/21 £1.1 million).

Employers are related parties in so far as they pay contributions to the Fund in accordance with the appropriate Local Government Pension Scheme Regulations (LGPS). Contributions for the year are shown in note 7 and in respect of March 2022 payroll are included within the debtors figure in note 20.

A specific declaration has been received from Pension Committee Members, Pension Board Members and principal officers regarding membership of, and transactions with, such persons or their related parties. A number of Members act as Councilors 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, Merseyside Fire and Rescue Authority and Liverpool Hope University. The value of the transactions with each of these related parties, namely the routine monthly payments to the Fund of employers' and employees' contributions, is determined by the LGPS Regulations, and as such, no related party transactions have been declared.

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

Note 23a Key Management Personnel

The Fund's senior management during 2021/22 was comprised of seven individuals: the Director of Pensions, the Head of Pensions Administration, Senior Portfolio Managers (x3), Head of Finance & Risk and Senior Manager Operations & Information Governance, the remuneration paid to the senior management during 2021/22 was £495,615 (2020/21 £473,338). In addition, employer contributions of £83,899 (2020/21 £80,601) was also met from the Fund and charged to the Fund Account.

Note 23b Officer Board Roles

A number of officers at MPF act in an un-remunerated board capacity on investment bodies in which the Fund has an interest:

Officer Name	Position at MPF	Company
Peter Wallach	Director of Pensions	GLIL Northern Pool GP (NO.1) Ltd
Adil Manzoor	Senior Portfolio Manager	Virtus
Owen Thorne	Portfolio Manager	Technology Enhanced Operations Ltd
Alan Robertson	Portfolio Manager	Flexion Energy

Note 24 Additional Voluntary Contribution Investments

2020/21 £000	Additional Voluntary Contribution (AVC) Investments	2021/22 £000
Restated*	The aggregate amount of AVC investments is as follows :	
2,007	Utmost Life	1,819
5,374	Standard Life	5,165
11,106	Prudential	11,546
18,487		**18,530**
	Changes during the year were as follows:	
2,752	Contributions	2,699
2,055	Repayments	3,078
1,414	Change in market values	422

The Equitable Life Scheme transferred to Utmost Life on 1 January 2020.

*For 2020/21 reporting, the information was not available for Prudential at the time the Statement of Accounts were approved, this information is now available and has now been included.

Statement of Responsibilities

The Authority's Responsibilities

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

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

Section 151 Officer Responsibilities

The Section 151 Officer is responsible for the preparation of the Fund's Statement of Accounts which, in terms of the Chartered Institute of Public Finance and Accountancy Code of Practice on Local Authority Accounting in Great Britain (the Code), is required to present fairly the financial position of the Fund at the accounting date and its income and expenditure for the year ended 31 March 2022.

In preparing this statement of accounts, the Section 151 Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgments and estimates that were reasonable and prudent;
- complied with the Code.

The Section the Section 151 Officer has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Section 151 Officer's Certificate

I certify that the Statement of Accounts presents fairly the financial position of the Fund at 31 March 2022, and its income and expenditure for the year then ended.

Shaer Halewood.
Section 151 Officer
September 2022

Audit Report

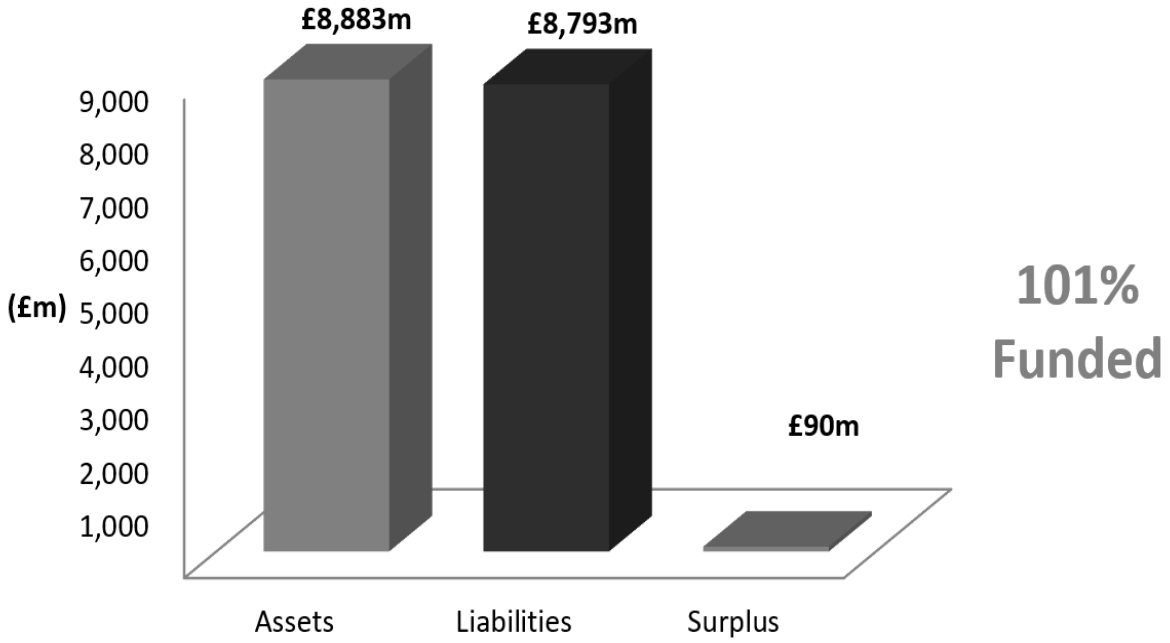
Consulting Actuary's Statement

Accounts For The Year Ended 31 March 2022 - 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 2019 to determine the contribution rates with effect from 1 April 2020 to 31 March 2023.

On the basis of the assumptions adopted, the Fund's assets of £8,883 million represented 101% of the Fund's past service liabilities of £8,793 million (the "Solvency Funding Target") at the valuation date. The surplus at the valuation was therefore £90 million.



The valuation also showed that a Primary contribution rate of 17.2% of pensionable pay per annum was required from employers. The Primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

The Funding objective as set out in the FSS is to achieve and maintain a solvency Funding level of 100% of liabilities (the solvency Funding target). In line with the FSS, where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall. Equally, where there is a surplus it may be appropriate to offset some of this against contributions for future service, in which case contribution reductions will be put in place to allow for this.

The FSS sets out the process for determining the recovery plan in respect of each employer. At the last actuarial valuation the average recovery period adopted was 13 years, and the total initial recovery payment (the "Secondary rate" for 2020-2023) was an addition of approximately £0.2m per annum on average in £ terms (which allows for the contribution plans which have been set for individual employers under the provisions of the FSS), although this varies year on year.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated 31 March 2020.

In practice, each individual employer's position is assessed separately, and the contributions required are set out in the report. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

The Funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

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

	For past service liabilities (Solvency Funding Target)	For future service liabilities (Primary rate of contribution)
Rate of return on investments (discount rate)	4.15% per annum	4.65% per annum
Rate of pay increases (long-term)*	3.9% per annum	3.9% per annum
Rate of increases in pensions in payment (in excess of GMP)	2.4% per annum	2.4% per annum

* 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 2022. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2023.

The McCloud Judgment

The "McCloud judgment" refers to a legal challenge in relation to historic benefit changes for all public sector schemes being age discriminatory. The Government has accepted that remedies are required for all public sector pension schemes and a consultation was issued in July 2020 including a proposed remedy for the LGPS. The key feature of the proposed remedy was to extend the final salary underpin to a wider group of members for service up to 31 March 2022. This applies to all members who were active on or before 31 March 2012 and who either remain active or left service after 1 April 2014.

In line with guidance issued by the LGPS Scheme Advisory Board, the above Funding level and Primary contribution rate do not include an allowance for the estimated cost of the McCloud judgment. However, at the overall Fund level we estimate that the cost of the judgment was an increase in past service liabilities of broadly £65million and an increase in the Primary Contribution rate of 1.0% of Pensionable Pay per annum as at the last valuation. To the extent that employers have opted to pay additional contribution over 2020/23 in relation to the McCloud judgment, these emerge in the Secondary Contribution Rate figures quoted above.

Impact of Covid-19 / Ukraine

The valuation results and employer contributions above were assessed as at 31 March 2019. Since 2020 there has been significant volatility and uncertainty in markets around the world in relation to the Covid-19 pandemic and more recently the situation in Ukraine and cost of living crisis. This potentially has far-reaching consequences in terms of Funding and risk, which will need to be kept under review and will be considered further as part of the 2022 valuations currently ongoing. We believe that it is important to take stock of the situation as opposed to make immediate decisions in what is an unprecedented set of events. Contributions will be reviewed and updated as part of the 2022 valuation. In addition the Administering Authority has the power to review contributions between valuations where there is a material change in employer circumstances, in line with the new regulations on contribution flexibilities introduced in September 2020. The position will be kept under review by the Administering Authority who will monitor the development of the situation and keep all stakeholders informed of any potential implications so that the outcome can be managed effectively.

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 2022 (the 31 March 2021 assumptions are included for comparison):

	31 March 2021	31 March 2022
Rate of return on investments (discount rate)	2.1% per annum	2.8% per annum
Rate of CPI Inflation / CARE benefit revaluation	2.7% per annum	3.4% per annum
Rate of pay increases*	4.2% per annum	4.9% per annum
Rate of increases in pensions in payment. (in excess of GMP) / Deferred revaluation	2.8% per annum	3.5% per annum

* This is the long-term assumption. An allowance corresponding to that made at the latest formal actuarial valuation for short-term public sector pay restraint was also included.

The demographic assumptions are the same as those used for Funding purposes, but we have used the most recent CMI future improvement tables (CMI 2021). Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2020.

During the year corporate bond yields increased, resulting in a higher discount rate being used for IAS26 purposes at the year-end than at the beginning of the year (2.8% p.a. vs 2.1%). This on its own would have led to a significantly lower value placed on the liabilities but it was offset by an increase in the expected long-term rate of CPI inflation during the year, from 2.7% p.a. to 3.4%.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2021 was estimated as £13,675 million including the potential impact of the McCloud Judgment.

Interest over the year increased the liabilities by c£286million, and allowing for net benefits accrued/paid over the period also increased the liabilities by c£288 million (this includes any increase in liabilities arising as a result of early retirements/augmentations). There was also a decrease in liabilities of £73 million due to “actuarial gains” (i.e. the effects of the *changes in the actuarial assumptions used, referred to above, offset to a small extent by the fact that the 2022 pension increase award was more than assumed).*

The net effect of all the above is that the estimated total value of the Fund’s promised retirement benefits as at 31 March 2022 is therefore £14,176 million.

GMP Indexation

The public service schemes were previously required to provide full CPI pension increases on GMP benefits for members who reach State Pension Age between 6 April 2016 and 5 April 2021. The UK Government has recently confirmed that it will extend this in the future to include members reaching State Pension Age from 6 April 2021 onwards. This will give rise to, a further cost to the LGPS and its employers, and an estimation of this cost was included within the IAS26 liabilities calculated last year and is again included in the overall liability figure above.

Paul Middleman
Fellow of the Institute and
Faculty of Actuaries

Mark Wilson
Fellow of the Institute and.
Faculty of Actuaries

Mercer Limited
June 2022

Northern LGPS Report

Report of the Chair

As Chairman of the Northern LGPS Pool Joint Committee I am delighted to update everyone on the progress made by the Northern LGPS Pool over 2021/2022 and highlight some key achievements.

It was a great source of pride for pool members that our GLIL direct infrastructure vehicle won the LGPS Investment Strategy of the Year award at the Local Authority Pension Fund Investments Awards 2021. The Local Authority Pension Fund Awards celebrate outstanding achievements among the local government pension scheme community. The judges stated that GLIL "demonstrated the ability to invest in assets with good ESG credentials, providing sustainable returns for investors and creating value for local communities". It was noted by the awards that GLIL had led the way with significant UK green energy investments in Flexion Energy, the specialist utility and energy storage infrastructure company, global renewable energy investor Cubico and energy infrastructure provider Smart Meter Assets. GLIL was also lauded for its partnership with Nest, the government-established defined contribution workplace pension provider, a landmark partnership in the infrastructure world.

We unveiled our new Responsible Investment policy in October 2021 which outlines the pool's approach to environmental, social and governance (ESG) matters. ESG is vitally important to the Northern LGPS for many reasons, in particular, achieving sustainable, long-term financial returns underpins the ability to pay pensions. A focus on ESG issues reduces risks to the Pool and its beneficiaries. Our approach to responsible investment has been informed by a number of important initiatives. The Northern LGPS fully supports the aims and objectives of the Stewardship Code and member funds are signatories of the Code. Pool members are also signatories of the Principles for Responsible Investment and as such the Pool aspires to harmonise the six responsible investment principles with how it implements its investment beliefs. We have also considered guidance from the Law Commission, Department of Work and Pensions and Ministry of Housing, Communities and Local Government in developing our policy, which I would recommend all stakeholders to read and consider.

It's imperative we remember that our beneficiaries live in a society that is affected by the behaviour of investee companies. Therefore, we expect high standards from those businesses we invest in. Consistent with the Northern LGPS fund's fiduciary duty to their beneficiaries, we will ensure that the businesses in which we invest are both financially and environmentally sustainable, have high standards of governance and are responsible employers. As far as possible the Northern LGPS will seek to invest in a way that is financially and socially beneficial for the North of England.

I would like to thank my colleagues on the Joint Committee and also the pensions committees, local pension boards and officers from each of the partner funds for their support and hard work over the year. Despite the global economic challenges which will impact us all over the coming months, I am confident we will carry on thriving by adhering to our cost-effective approach to LGPS investment pooling which delivers sustainable financial returns to the benefit of members, employers and taxpayers.

[Signed by Cllr Cooney – *insert signature*]

Background

The Northern LGPS Pool is a partnership between the Greater Manchester (GMPF), Merseyside (MPF) and West Yorkshire (WYPF) LGPS funds (the 'partner funds'). The combined assets of the funds stood at approximately £57.8bn as of 31 March 2022, which is invested on behalf of over 850,000 members and 1,250 contributing employers.

The Northern LGPS Pool's purpose is to facilitate via a simple and democratic governance structure, the pooling of assets and the sharing of services in order to achieve sustainable improved net investment returns for the partner funds.

History

The Northern LGPS Pool was formed in response to the Government's LGPS pooling agenda, which was first announced in 2015. The Government sought to increase the scale of LGPS investment mandates in order to reduce investment management costs and facilitate infrastructure investment to help drive growth in the UK economy.

Due to the existing scale of the three partner funds, the vast majority of the benefits of pooling for the funds are in respect of alternative assets where there is greatest scope to generate further economies of scale and to combine resources to make increasingly direct investments.

Therefore, the focus of the Pool has been on establishing vehicles which can make collective investments in alternative assets, in particular infrastructure and private equity.

The partner funds are the major investors in the GLIL direct infrastructure vehicle and also established a collective private equity vehicle, known as 'NPEP', in 2018.

The Pool selected Northern Trust as its FCA regulated custodian to ensure all listed assets of the pool (i.e. internally and externally managed equities and bonds) are held within a single permanent FCA regulated entity. The custodian acts as 'master record-keeper' for all assets of the partner funds and manages the calls and distributions in NPEP.

Governance

The Northern LGPS Pool is not a standalone legal entity. It is a Local Government Joint Committee structure supported administratively by a Host Authority (currently Tameside MBC), which provides all administrative resources and facilities that may be necessary, such as clerking services for the Joint Committee meetings.

The Pool is governed by an inter-authority agreement signed by the three constituent Administering Authorities. The agreement sets out the terms of reference for the Northern LGPS Joint Committee, which is the decision-making body for the Pool. The Joint Committee has been appointed under S102 of the Local Government Act 1972, with delegated authority from the Full Council of each Administering Authority to exercise specific functions in relation to the pooling of pension fund assets.

The Joint Committee may delegate certain functions to the Officer Working Group which is composed of the Directors of the partner funds. The Officer Working Group has the necessary technical skills to advise the Joint Committee on technical investment matters and is a central resource for advice, assistance, guidance and support for the Joint Committee.

The Administering Authorities retain full control of their individual funds' asset allocations and nominate members to the Joint Committee.

Northern LGPS Pool – 31 March 2022 position at a glance

Fund	Assets £bn
GMPF	29.3
WYPF	17.7
MPF	10.8
Total Assets	57.8

Northern LGPS Pool – Total costs and savings

The table below sets out the total costs and savings of the Northern LGPS Pool up to 31 March 2022

	Up to 31 March 2018 £m	**2018-19 £m**	**2019-20 £m**	**2020-21 £m**	**2021-22 £m**	**Total to 31 March 2022 £m**
Annual running costs	0	0	0.1	0.16	0.01	0.28
Other service provider fees	0	0.13	0.78	1.17	1.21	3.28
Transition costs	0	0	0	0	0	0
Set up costs	0.22	0.18	0.09	0	0	0.49
Total costs	0.22	0.31	0.97	1.33	1.22	4.05
Investment management fee savings	7.63	12.21	22.24	31.63	41.79	115.49
Service provider savings	0	0	0.06	0.15	0.15	0.36
Total savings	7.63	12.21	22.31	31.77	41.93	115.85
Total savings net of costs	**7.41**	**11.90**	**21.33**	**30.45**	**40.71**	**111.80**

Total costs (including set up, transition and running costs) as at 31 March 2022	**£4.05m**
Total savings, net of costs, as at 31 March 2022	**£111.80m**

Over the summer of 2021, the Northern LGPS Pool worked in collaboration with the other seven LGPS pools to develop a standardised approach to the measurement of costs and savings, which will allow Government and other stakeholders to better analyse the impact of LGPS asset pooling and assist in future policy. The figures in the table above have been calculated using the agreed standardised approach.

Responsible Investment

Environmental, social and governance (ESG) matters are crucially important to the Pool for a number of reasons. Appropriate consideration of ESG factors is part of the assessment and monitoring of investments in all asset classes and this helps achieve sustainable, long-term financial returns, underpinning the ability for LGPS funds to pay pensions. A detailed focus on ESG issues reduces risks to the Pool and its beneficiaries. These risks might be financial, such as the underperformance or failure of an investee company, or reputational, resulting from poor corporate behaviour.

In addition, the Pool's beneficiaries live in a society that is affected by the behaviour of investee companies. Therefore, we expect high standards from those businesses. Consistent with the partner fund's fiduciary duty to their beneficiaries we will ensure that the businesses in which we invest are both financially and environmentally sustainable, have high standards of governance and are responsible employers. As far as possible, the Pool will seek to invest in a way that is financially and socially beneficial for the North of England.

Members of the Northern LGPS Joint Committee frequently engage with companies the Pool invests in and challenges these companies where a component of their operations seems deficient. The updates on the Pool's activity can be seen in the quarterly Stewardship Reports.

Our full approach to Responsible Investment can be seen in our Responsible Investment Policy.

GLIL Direct Infrastructure Vehicle

In April 2015, GMPF and the London Pensions Fund Authority formed a joint venture to invest directly in infrastructure assets, with a focus on the UK. The joint venture was structured as a limited liability partnership and was named GLIL Infrastructure LLP (GLIL). As part of the Local Government Pension Scheme (LGPS) pooling discussions, West Yorkshire, Merseyside and Lancashire County Council pension funds joined GLIL in December 2016.

In March 2018 GLIL was re-structured as an open-ended fund to facilitate potential new members; which include Nest, one of the UK's biggest Defined Contribution Pension Schemes. Additional commitments made by new and existing members means GLIL now has committed capital of £3.6 billion, of which over £2.4bn is from the Northern LGPS funds. The Net Asset Value of GLIL has increased significantly over the year, with the Northern LGPS funds' share standing at almost £1.8bn.

GLIL currently has 13 investments that include equity stakes in Anglian Water, Clyde Wind Farm, Iona Capital, Rock Rail, Forth Ports, Semperian, Cubico Sustainable Investments, Agility Trains East, Smart Meter Assets, and Flexion Energy.

One of GLIL's more recent transactions, and GLIL's first foray into foreign infrastructure, has seen GLIL acquire a majority investment in Invis Energy's portfolio of 11 operational onshore wind farms that provide around 11% of the Republic of Ireland's installed wind capacity. The portfolio is currently operating 453 MW of installed wind capacity and, in its lifetime, has generated enough electricity to power 350,000 homes and prevented 480,000 tonnes of CO2 emissions per year, compared to non-renewable energy generation.

Northern Private Equity Pool LP

Northern LGPS established the Northern Private Equity Pool in May 2018; an investment joint venture structured as an English Limited Partnership. The partnership operates as a single legal entity through which the three Northern LGPS funds can invest collectively and collaboratively in private equity assets.

The Northern Private Equity Pool draws on the combined expertise and experience of the internal teams at each of the respective Northern LGPS funds, and the administration capabilities of Northern LGPS's pool-wide external custodian. The combined scale and resources of the Northern Private Equity Pool enables the partner funds to invest in private equity through lower cost implementation approaches than have been the case historically.

Investment pace since inception has been consistent with targets, with over £1bn committed to 17 investment funds. As at 31 March 2022 the Net Asset Value of NPEP stood at £734m.

At the end of 2019 an investment commitment was concluded with HarbourVest Partners that specifically addressed the co-investment aims of Northern LGPS. The target is for co-investment to constitute 20% of the NPEP portfolio, providing additional fee savings for the Northern LGPS partner funds.

Other Northern LGPS Investments

Call-offs have been made from the Pool property framework which was established in 2020/21. The framework will deliver efficiencies in the management of property investments and related services, and covers a wide range of services. Pool Collective housing investments are on track to deliver the timely construction of new homes in the North of England, with good returns expected. The Pool remains committed to finance over 10,000 new homes.

Objectives for 2022/23

- Assessing, alongside the partner funds, the recently released consultation on implementing Task Force on Climate-Related Financial Disclosures ('TCFD') in the LGPS
- Continue to collaborate with Government, other LGPS funds and pools and global benchmarking services to help achieve a consistent approach to measuring costs, savings and ESG metrics across LGPS pools
- Seek to expand the Pool's local investment activity in line with the objectives for the LGPS set out in the Government's white-paper on 'levelling-up'; and support other LGPS pools and funds in this area where possible

Appendix A

Scheme Employers with Active Members as at 31 March 2022

Scheduled Bodies (34)	Contributions Received		
	Employers £'000	Deficit/(Surplus) £'000	Employees £'000
Billinge Chapel End Parish Council	2	1	
Carmel College	386		125
Chief Constable (CC)	11,889		4,631
Cronton Parish Council	3		1
Eccleston Parish Council	5		1
Edsential SLE	229		66
Halewood Town Council	40	(20)	17
Hugh Baird College	844	190	264
Knowsley M.B.C.	3,295		5,435
Knowsley Town Council	36	(19)	10
LCRCA - Liverpool City Region Combined Authority	1,319		735
Liverpool City Council	10,181		14,176
Liverpool John Moores University	6,626		2,843
Liverpool Streetscene Services Ltd	962		284
Maghull Town Council	47		18
Merseyside Fire & Rescue Authority	1,685	(163)	642
Merseyside Passenger Transport Executive (MPTE)	3,848		1,613
Merseyside Waste Disposal Authority	203		81
Office of the Police and Crime Commissioner (OPCCM)	112	31	50
Prescot Town Council	13		7
Rainford Parish Council	13		4
Rainhill Parish Council	3		1
School Improvement Liverpool Ltd	860		370
Sefton M.B.C.	4,478		7,033
Shared Education Services Ltd	403	(219)	117
Southport College	486	(56)	150
St. Helens College	953	(428)	330
St. Helens M.B.C.	22,127		5,516
The ACC Liverpool Group Ltd	576		298
The City of Liverpool College	941	(293)	303
Whiston Town Council	36	(9)	11
Wirral Council	21,675	(1,826)	8,149
Wirral Evolutions Ltd	465		133
Wirral Metropolitan College	878	(78)	279

Scheduled Bodies (Academies) (109)	Contributions Received		
	Employers £'000	Deficit/(Surplus) £'000	Employees £'000
Academy of St Francis of Assisi	191		70
Alsop High School	276	79	80
Bellerive FCJ Catholic College	130	36	43
Birkdale High School	109	42	35
Birkenhead 6th Form College (Academy)	261	29	110
Birkenhead High School Academy	201	43	67
Bishop Martin CE Primary	30	24	9
Blacklow Brow School (Academy)	51	20	17
Blue Coat School (Academy)	154	57	55
Brackenwood Jr School	44		14
Calday Grange Grammar School	225	17	78
Chesterfield High School	120	49	41
Childwall Sports & Science Academy	137	71	51
Christ Church Moreton Primary (Academy)	63	29	21
Church Drive Primary	89	40	28
Churchtown Primary (Academy)	164	85	47
Co-op Academy Bebington	175		59
Co-op Academy Portland	32	20	11
Co-op Academy Woodslee	60	15	19
Cronton C of E Primary (Academy)	53	21	17
Croxteth Community Primary School (Academy)	76	25	24
De La Salle Academy	71	41	24
Deyes High School	216	102	73
Dixons Broadgreen Academy	17		6
Dixons Fazakerley Academy	47		17
Egremont Primary School (Academy)	67	44	22
Everton Free School	68	3	28
Finch Woods Academy	83	23	26
Formby High School	163	77	53
Garston C of E Primary School (Academy)	57	19	17
Great Meols Primary School (Academy)	83	32	26
Greenbank High School	189	55	64
Halewood Academy Centre for Learning	182	183	57
Halewood C of E Primary (Academy)	46	25	14
Halsnead Primary School (Academy)	81	38	25
Harmonize Academy	62		21
Hawthornes Free School	104	5	31
Heygreen Community Primary (Academy)	75	25	32
Hilbre High School (Academy)	208	104	72
Hillside High School (Academy)	133	159	42
Holy Trinity CE Primary (Academy)	52	36	15
Hope Academy	188	71	68
Huyton with Roby CE Primary (Academy)	87	42	23
Kew Woods	92	4	26
Kings Leadership Academy (Liverpool)	108	26	37
Kirkby High School	208	142	71
Knowsley Lane Primary School (Academy)	42	35	14
LDST - Liverpool Diocesan Schools Trust (Academy)	39	6	29
Litherland High School (Academy)	131	105	48

Scheduled Bodies (Academies) continued	Contributions Received		
	Employers £'000	Deficit/(Surplus) £'000	Employees £'000
Litherland Moss Primary (Academy)	50	22	16
Liverpool College (Academy)	149	2	54
Liverpool Life Science UTC	70		30
Lord Derby Academy	194	97	68
Maghull High School	131	53	43
New Park Primary (Academy)	170	102	66
North Liverpool Academy	358	36	142
Nutgrove Methodist Aided Primary	37	16	12
Oldershaw Academy	252		79
Our Lady of Pity (Academy)	91	30	25
Parish CE Primary (Academy)	57	23	21
Park View Academy	76	41	25
Poulton Lancelyn Primary School (Academy)	70	24	21
Prenton High School for Girls	140		48
Rainford CE Primary School	52	(6)	16
Rainford High School (Academy)	198	75	74
Rainhill High School	189	99	74
Rainhill St Ann's CE Primary School (Academy)	84	34	24
Range High School	189	74	63
Roscoe Primary (Academy)	72	41	22
Shoreside Primary School	56	16	15
St Andrews CE Primary (Academy)	57	23	16
St Anselm's College	108	9	36
St Edmund Arrowsmith Catholic Academy	141	12	47
St Edward's College	140	44	48
St Francis Xavier's College (Academy)	185	70	58
St Gabriel's CE Primary	48		18
St James' Primary School (Academy)	28	11	11
St John Plessington Catholic College	233	62	73
St Joseph's Catholic MAT	2		1
St Joseph's Primary (Academy)	72	26	24
St Margaret's Church of England Academy	143	53	49
St Mary & St Thomas CE Primary School (Academy)	82	31	28
St Mary's Catholic College	222	146	65
St Michael's C of E High School (Academy)	148	95	52
St Silas C of E Primary School (Academy)	81	28	35
St Thomas C of E Primary (Academy)	39	19	11
Stanley High School (Academy)	123	67	37
Stanton Road Primary School (Academy)	64	26	17
Sylvester Primary Academy	55	15	17
The Academy of St Nicholas	152	137	56
The Beacon C E Primary School (Academy)	51	31	18
The Belvedere Academy	145	11	59
The Birkenhead Park School	134	130	46
The Prescot School (Academy)	145	87	45
The Studio (Academy)	29	(1)	11
The Sutton Academy	207	92	77
Town Lane Infant School (Academy)	66	27	20
Townfield Primary	134	46	46
Uni of Liverpool Maths School	15		5
Upton Hall School	132	31	44
Weatherhead High School	217	69	83
West Derby School (Academy)	183		59
West Kirby Grammar School	135	42	43
Whiston Willis Primary (Academy)	75	34	21

Scheduled Bodies (Academies) continued	Contributions Received		
	Employers £'000	Deficit/(Surplus) £'000	Employees £'000
Willow Tree Primary	30	12	10
Wirral Grammar Boys (Academy)	119	33	40
Wirral Grammar School for Girls	114	39	33
Woodchurch High School	387	131	132
Yew Tree Primary Academy	62	37	19

Admission Bodies (Community) (21)	Contributions Received		
	Employers £'000	Deficit/(Surplus) £'000	Employees £'000
Age Concern – Liverpool	8	(8)	2
Arriva North West	996	8,092	145
Association of Police and Crime Commissioners	155	16	73
Birkenhead School (2002)	29	(29)	9
Care Quality Commission	18	(18)	6
Catholic Children's Society	19	(5)	3
CDS Housing	576		119
Citizens Advice Liverpool	21		6
Commutual (Torus Foundation)	53		15
Glenvale Transport Ltd/Stagecoach.	91	(91)	25
Greater Hornby Homes	13		4
Greater Merseyside Connexions (Career Connect)	654	(584)	165
Liverpool Hope University	80	(80)	9
Local Government Association	1,250		820
Partners Credit Union	132	14	24
Port Sunlight Village Trust	24	(24)	8
South Liverpool Housing Ltd	117		30
Torus 62 Ltd	2,021		636
Welsh Local Government Association	560		247
Wirral Autistic Society (Autism Together)	740	(589)	124
Wirral Partnership Homes Ltd (Magenta Living)	1,816	(1,395)	730

Admission Bodies (Transfer) (50)	Contributions Received		
	Employers £'000	Deficit/(Surplus) £'000	Employees £'000
Absolutely Catering (Holy Family)	18		5
Absolutely Catering (Longmoor)	5		1
Addaction (Sefton)	14		4
Agilisys Limited	254	(7)	2
Agilisys Ltd (Sefton)	7	25	80
Balfour Beatty PFI SEN School	17	(17)	4
Balfour Beatty Workplace Limited	53	(53)	15
Bouygues E & S FM UK Ltd	19		5
Bulloughs	3		1
Bulloughs @Emmaus			
Bulloughs @SLT	10		3
Change Grow Live	16	(3)	4
Churchill @ Sutton	13		4
City Health Care (St Helens)	126		44
Compass (Scolarest) Liverpool Schools	3	8	1
Compass (Scolarest) Wirral Schools	31	(31)	7
CWP (NHS)	533	225	171
Dolce Ltd	2		1
Friends of Birkenhead Council Kennels	11		3
Fun 4 Kidz	2		
Hochtief Liverpool Schools	16	(9)	3
Hochtief Wirral Schools	24	(14)	5
Improvement & Development Agency	1,821		1,101
Interserve (Facilities Mgmt.) Ltd	5		1
Kingswood Colomendy Ltd.	8	4	2
L&T FM (Chroda)	13		3
Maxim @ Bank View	3		1
Maxim @ Redbridge	13		3
Mellors Catering – Birkdale	12	(2)	3
Mellors – Rainhill	24		6
Mellors Catering - St Anns	3	3	1
Mellors Catering - St Johns	8		2
Mellors Catering - St Mary & St Thomas	1	2	
Mellors @ Sutton Academy			
Mitie Care & Custody Ltd	15		5
Orian Solutions	13		3
Sanctuary Home Care Ltd	24		7
Sefton New Directions Ltd.	549	(549)	153
SSE Contracting Limited	50	(46)	15
Tarmac Trading Ltd.	27		8
Taylor Shaw - Great Meols	4	(2)	1
Taylor Shaw – Hugh Baird	3	1	1
Taylor Shaw – Raeburn	3		1
Taylor Shaw – Range	4	(2)	1
Taylor Shaw - St Andrews	2		
Veolia ES Merseyside & Halton	87	(87)	26
Volair Ltd	316		110
WCFT (NHS)	896	64	306
WIRED Ltd	15	2	5
Yunex Ltd	18	(6)	5

Scheme Employers where contributions have been received during 2021/22 but they had no Active Scheme Members as at 31 March 2022

	Contributions Received		
	Employers £'000	Deficit/(Surplus) £'000	Employees £'000
Mersey Waste		285	
Studio @ Deyes Academy		3	
Cobalt Housing Ltd	74	950	17
Merseyside Lieutenancy	12		4
North Huyton Communities Future		520	
Absolutely Catering (St Oswald's)	2		
Caterlink Ltd.	17	17	4
Graysons Education Limited	12		3
Huwel (Sherpa)	1		
Knowsley Youth Mutual Ltd	34		11
Provision for Bad Debt Closed Employer		(230)	
Totals	**122,986**	**8,063**	**63,390**

Appendix B - Pensions Committee Items

22 June 2021

Audit Plan

Statement of Accounts 2020/21

Local Government Pension Scheme Update

Budget Outturn 20/21 and Final Budget 21/22

Member Learning & Development Programme

Taskforce For Climate Related Financial Disclosure Reporting

Local Pension Board Minutes

Northern LGPS Update

Working Party Minutes

29 November 2021

LGPS Update

Local Pension Board Minutes

Member's Learning & Development

Updated Investment Strategy Statement

Northern LGPS Update

Working Party Minutes

20 September 2021

Grant Thornton – The Audit Findings Report for Merseyside Pension Fund

Merseyside Pension Fund Annual Report & Accounts 2020/21 and Letter of Representation

Local Pension Board Review 2020-21 and Workplan 2021-22

Local Government Pension Scheme Update

Northern LGPS Update and Responsible Investment Policy

Minutes of Working Party Meetings

Pension Board Minutes

Pensions Administration System

23 February 2022

Merseyside Pension Fund's Responsible Investment Policy and Human Rights

LGPS Update

Member's Learning & Development

Merseyside Pension Fund Budget Financial Year 2022/23

Catalyst Fund Update

Treasury Management Policy for 2022/23 and Annual Report for 2020/21

Complaints Policy for Merseyside Pension Fund

Northern LGPS Update

Local Pension Board Minutes

Minutes of Working Party Meetings

Attendance Record 2021-22

	Pensions Committee				IMWP			
	22 Jun	20 Sep	29 Nov	23 Feb	29 Jun	15 Sep	16 Nov	2 Mar
Cllr Pat Cleary (Chair)	•	•	•	•	•	•	•	•
Councillor Jo Bird	•	•		•		•	•	•
Cllr Adrian Jones (Spokesperson)	•	•	•		•	•	•	
Cllr Chris Carubia	•	•	•	•	•	•	•	•
Cllr Helen Collinson	•	•	•	•				
Cllr Tony Cox	•	•	•	*			•	
Cllr. Jeff Green	•	•	•	•	•	•	•	•
Cllr Brian Kenny	•			•	•		•	
Cllr Cherry Povall, JP (Vice Chair)	*	•	•	*	•	•		•
Cllr Les Rowlands	•	•	•	•		•	•	
Cllr. Joe Walsh			•	•				
Cllr Ian Byrne (Liverpool City Council Co-Optee)								
Cllr Martin Bond (St Helens MBC Co-Optee)	•		•		•	•		
Cllr Jayne Aston (Knowsley MBC Co-Optee)	•				•		•	•
Cllr Paulette Lappin (Sefton MBC Co-Optee)				•	•			
Roger Bannister (UNISON Co-Optee)				•	•	•	•	•
Jane Corbett (Co-Optee)								
Donna Ridland (Pension Board)					•			
John Raisin (Chair of Pension Board)							•	
Deputy Attended								

Conferences 2021-22

	Local Authority Responsible Investment Seminar	PLSA Local Authority Conference	All-Party Parliamentary Group for Local Authority Pension Funds	LAPF Strategic Investment Forum	LGC Investment Seminar	PLSA ESG Conference	LGC Investment Seminar	LAPFF Business Meetings
	28-29 Apr	18-19 May	19 May	5-6 Jul	9-10 Sep	9-10 Mar	24-25 Mar	2021-22
Cllr Pat Cleary (Chair)		•	•			•		•
Cllr. Jo Bird (Spokesperson)						•		
Cllr Adrian Jones		•						
Cllr. Chris Carubia		•			•	•	•	
Cllr Helen Collinson								
Cllr. Tony Cox								
Cllr Tony Jones		•						
Cllr. Jeff Green								
Cllr Brian Kenny		•		•			•	
Cllr Cherry Povall, JP (Vice Chair)	•	•				•	•	
Cllr Les Rowlands		•						
Cllr Joe Walsh								
Cllr. Ian Byrne (Liverpool City Council Co-Optee)								
Cllr Martin Bond (St. Helens MBC Co-Optee)					•			
Cllr Jayne Aston (Knowsley MBC Co-Optee)						•		
Cllr Paulette Lappin (Sefton MBC Co-Optee)								
Roger Bannister (UNISON Co-Optee)		•				•		
Jane Corbett (Co-Optee)								

Appendix C - Information Contacts

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

Area	Name	Telephone number
Accounts (Compliance, Financial Control & Management)	Donna Smith	0151 242 1390
Investments (Fund Assets' Management)	Adil Manzoor	0151 242 1390
Employer Compliance and Membership (Transfers, Divorce, Admissions, Data quality assurance)	Sue Roberts / Paula Heaton / Bridget Pullen	0151 242 1390
Benefits/Payroll (Retirement Calculations & Payments)	Barbara King / Martin O'Boyle / Claire Lloyd	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	Section 151 Officer	0151 666 3407

Scheme Employers Contacts		
Arriva North West	Alison Ashcroft	07855 104975
Knowsley MBC	Jaci Dick	0151 443 5161
Liverpool City Council	Richard Arnold	0151 233 0375
Liverpool John Moore's University	Danielle Williamson	0151 231 8756
Merseyside Fire & Rescue Service	Mike Rea	0151 296 4245
Merseytravel (MPTE)	Sue Highton	0151 330 1199
Merseyside Waste Disposal Authority	Jane Nolan	0151 255 2537
Office of the Police and Crime Commissioner for Merseyside (OPCCM)	Vicky Osayande	0151 777 8189
Sefton MBC	Lynn Abbott	0151 934 4126
St. Helens MBC	Sarah Myers	0174 467 6627
Wirral Council	Matthew Slater	0151 691 8529

WIRRAL

PENSIONS COMMITTEE

28 SEPTEMBER 2022

REPORT TITLE:	**LOCAL GOVERNMENT PENSION SCHEME (LGPS) UPDATE**
REPORT OF:	**DIRECTOR OF PENSIONS**

REPORT SUMMARY

This report informs Members of the publication of a Written Ministerial Statement confirming the Government's continued provision of a guarantee to the Local Government Pension Scheme (LGPS) in respect of Academy Trusts.

It also raises awareness of the Office for National Statistics (ONS) review as to whether the Further Education (FE) sector should be reclassified as public sector bodies rather than private sector institutions. This would be a welcome move for both the LGPS and the FE sector and may potentially trigger a change to the funding strategy for the 2022 valuation.

RECOMMENDATION/S

That the Pensions Committee notes the recent developments within the Education sector and the implications for the LGPS.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

1.1 There is a requirement for the Pension Committee to be fully informed of national directives and legislative developments to carry out its fiduciary duty when managing employer risk.

2.0 OTHER OPTIONS CONSIDERED

2.1 This is the most appropriate option for informing Pension Committee of industry developments.

3.0 BACKGROUND INFORMATION

Academy Guarantee Review

3.1 In accordance with Schedule 2 Part 1, paragraph 20 of the LGPS Regulations 2013, academies must offer their non-teaching staff membership of the LGPS.

3.2 Upon conversion of a maintained school to academy status the local authority no longer provides financial backing in the event of the closure of the academy.

3.3 On 2 July 2013, as a result of this reduction in the perceived covenant strength, the Department for Education (DfE) provided a guarantee for academies to demonstrate central government support in the event of the failure of an academy. This allowed LGPS funds to set contribution rates and funding targets for academies consistent with local authority schools.

3.4 The guarantee is subject to annual limits and since inception, the DfE has never reached the annual limit.

3.5 As there is no end date to the guarantee, the DfE committed to undertake regular assessments to determine whether the guarantee remains affordable and whether it is being fully recognised by LGPS administering authorities in their risk assessments and the subsequent certification of employer contribution rates.

3.6 On 21 July 2022, the Secretary of State for Education issued a statement confirming the continuation of the guarantee with a new increased annual ceiling of £20 million.

The statement can be accessed from the following link;

https://hansard.parliament.uk/Commons/2022-07-21/debates/22072124000017/AcademyTrustAndLocalGovernmentPension

3.7 DfE's expectation is for LGPS funds to treat academy and local authority-maintained schools with parity as part of the 2022 valuation, with the necessity for funds to explain any deviation in strategy. Members are assured that the funding basis adopted by Merseyside Pension Fund has reflected the governments stated intent with regard to the consistent treatment of academies for a number of valuation exercises.

ONS Classification Review

3.8 In accordance with Schedule 2 Part 1, paragraph 14 of the LGPS Regulations 2013, FE colleges must offer their non-teaching staff membership of the LGPS.

3.9 The Office for National Statistics (ONS) is the body responsible for classifying all institutional sectors and their financial transactions into the relevant section of the UK National Accounts.

3.10 It is noteworthy that since 2012, Further Education Corporations, Sixth Form College Corporations and Designated Institutions in England have been classified as private sector institutions. Following the enactment of the Skills and Post–16 Education Act 2022, the ONS announced a review of the classification of these bodies. The review is expected to be completed between July to September 2022.

3.11 As the DfE does not provide a central government guarantee for the FE sector, there is a high-risk of a poor outcome for LGPS funds if an FE body becomes insolvent.

This poorer covenant results in a more prudent funding approach for FE bodies than academies or councils.

3.12 Whilst reclassification itself will not materially alter the covenant of these bodies as the Insolvency Regime will still apply, the DfE has commissioned the Government Actuary Department (GAD) to undertake a review of the LGPS and the FE Sector to consider a range of potential options should the sector be reclassified.

3.13 It is understood that one of the options being considered is an FE Guarantee, similar to the undertaking already provided to Academy trusts.

3.14 GAD will be engaging with actuaries and funds as part of the process and has been asked to complete the report ahead of the ONS decision.

4.0 FINANCIAL IMPLICATIONS

4.1 Actuarial and covenant advice informing the allocation of an employer to the relevant funding and investment strategy is provided for in the Fund's annual budget for administration.

5.0 LEGAL IMPLICATIONS

5.1 There are none arising from this report.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 The timeline of the review and potential reclassification of the FE sector makes it challenging for fund officers to consider any significant covenant changes and updated employer contribution plans as part of the 2022 valuation.

6.3 The regulatory flexibilities to revise employer contributions between valuations could be used beyond certification of the rates in March 2023, but there are efficiencies in carrying out the work alongside the valuation.

6.4 It is planned that contribution schedules for FE sector employers will be prepared under both review outcome scenarios, to enable well-informed discussions and to avoid Funding Strategy Statement updates later in the financial year.

RELEVANT RISKS

7.1 MPF has been successful in a claim to access the DfE guarantee following the closure of Emslie Morgan Academy on 31 August 2019. A significant pension deficit of £1,039,800 was recovered in full from the DfE on 24 March 2021, and provides confirmation that the departmental guarantee is operational and accessible.

7.2 In instructing the actuary to calculate alternative contribution schedules for FE sector employers, officers have planned appropriate mitigation as to the risk of delay in finalising the valuation and production of the Funding Strategy Statement.

7.0 ENGAGEMENT/CONSULTATION

8.1 The Fund Actuary and Officers commenced early engagement with the FE sector employers to achieve insight into individual circumstances, to manage risk and to set appropriate funding plans. Feedback on the sector review and impacts for the FE colleges will be taken account of in finalising the Funding Strategy Statement.

9.0 EQUALITY IMPLICATIONS

9.1 Department for Levelling Up, Housing and Communities (DLUHC) and the Pensions Regulator undertake equality impact assessments regarding the provisions of the LGPS Regulations and the administration and governance of public service pension schemes.

9.2 The Equality Statement published on the introduction of the Local Government Pension Scheme 2014 can be viewed at: https://mpfund.uk/lgpsequalitystatement

9.3 DLUHC and HMT undertake equality impact assessments with regard to the statutory reform of the public sector pension schemes and LGPS.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 The Fund continues with its digital strategy across all operational areas and communications with stakeholders, with the aim to improve service delivery and to reduce its internal carbon footprint.

10.2 The Fund's strategic asset allocation to low carbon equities and renewable energy opportunities is monitored by Pension Committee.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 There are none directly arising from this report.

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Head of Pensions Administration
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email: yvonnemurphy@wirral.gov.uk

BACKGROUND PAPERS

A Parliamentary Minute by the Secretary of State for Education 2 July 2013

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/281208/LGPS_liabilities_parliamentary_minute_2013_V4.pdf

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Standing Agenda Item	

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WIRRAL

PENSIONS COMMITTEE

28 SEPTEMBER 2022

REPORT TITLE:	**CONSULTATION ON GOVERNANCE AND REPORTING OF CLIMATE CHANGE RISKS IN THE LOCAL GOVERNMENT PENSION SCHEME**
REPORT OF:	**DIRECTOR OF PENSIONS**

REPORT SUMMARY

This report informs Members of a consultation by the Department for Levelling Up, Housing & Communities (DLUHC) seeking views on proposals to require Local Government Pension Scheme (LGPS) administering authorities in England and Wales to assess, manage and report on climate-related risks, in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD).

RECOMMENDATION/S

That the Pensions Committee be recommended to:

1. consider the report and authorise officers, in consultation with the Chair, to respond to the consultation on behalf of the Fund
2. authorise officers, in consultation with the Chair, to agree a response to the consultation in respect of the Northern LGPS Investment Pool's submission

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

1.1 The consultation was issued on 1 September which did not provide sufficient time for a considered response to be prepared for this Committee. The consultation closes on 24 November which is prior to the next meeting of Pensions Committee.

2.0 OTHER OPTIONS CONSIDERED

2.1 The option not to respond to the consultation was considered but was dismissed in view of the materiality of the subject matter and the intended requirements on LGPS funds.

3.0 BACKGROUND INFORMATION

3.1 Members will be aware that addressing the systemic challenges of climate risk has been at the forefront of the Fund's responsible investment work. A report on the reporting of climate risk was brought to this Committee in June 2021 and informed Members of the Fund's arrangements in relation to Taskforce on Climate-related Financial Disclosure (TCFD) requirements. At the time, the requirements were not mandatory for LGPS funds but the government had indicated its intention to require funds publish information relating to the effects of climate change in due course.

3.2 The full consultation document is attached at appendix 1. The consultation will last for 12 weeks from 1 September 2022 to 24 November 2022. The proposed requirements follow the current requirements for private pension schemes quite closely, although are slightly simplified and apply to LGPS funds of all sizes (rather than the phased approach for private pension schemes). The requirements will therefore apply to all LGPS funds from 2023/24 regardless of fund size. The regulations are expected to be in force by April 2023, with the deadline for the first report being 1 December 2024.

The key points of the consultation are summarised below.

3.3 As set out in the consultation, addressing climate change is one of the major challenges faced in the UK and globally. The UK government is a world leader in commitments to transition to a low carbon economy and in 2019 set the target of achieving net-zero greenhouse gas emissions by 2050.

3.4 The international Taskforce on Climate-related Financial Disclosures (TCFD) published a set of recommendations in 2017 with the aims of improving assessment, management, and disclosure of climate-related financial risks. In November 2020, the government announced the UK's intention to make TCFD-aligned disclosures mandatory in the UK across the economy by 2025, with a significant portion of mandatory requirements in place by 2023. The joint Government Regulators Taskforce's Interim Report, and accompanying roadmap, published alongside the announcement, sets out an indicative pathway to achieving that ambition.

3.5 Summary of Proposals

Area	Proposal
Overall	Each LGPS administering authority (AA) must complete the actions listed below and summarise their work in an annual Climate Risk Report.
Scope and Timing	The proposed regulations will apply to all LGPS AAs. The first reporting year will be the financial year 2023/24, and the regulations are expected to be in force by April 2023. The first reports will be required by December 2024.
Governance	AAs will be expected to establish and maintain, on an ongoing basis, oversight of climate related risks and opportunities. They must also maintain a process or processes by which they can satisfy themselves that officers and advisors are assessing and managing climate-related risks and opportunities
Strategy	AAs will be expected to identify climate-related risks and opportunities on an ongoing basis and assess their impact on their funding and investment strategies.
Scenario Analysis	AAs will be required to carry out two sets of scenario analysis. This must involve an assessment of their investment and funding strategies. One scenario must be Paris-aligned (meaning it assumes a 1.5 to 2 degree temperature rise above pre-industrial levels) and one scenario will be at the choice of the AA. Scenario analysis must be conducted at least once in each valuation period.
Risk Management	AAs will be expected to establish and maintain a process to identify and manage climate-related risks and opportunities related to their assets. They will have to integrate this process into their overall risk management process.
Metrics	AAs will be expected to report on metrics as defined in supporting guidance. The proposed metrics are set out below. Metric 1 will be an absolute emissions metric. Under this metric, AAs must, as far as able, report Scope 1, 2 and 3 greenhouse gas (GHG) emissions. Metric 2 will be an emissions intensity metric. We propose that all AAs should report the Carbon Footprint of their assets as far as they are able to. Selecting an alternative emissions intensity metric such as Weighted Average Carbon Intensity (WACI) will be permitted, but AAs will be asked to explain their reasoning for doing so in their Climate Risk Report. Metric 3 will be the Data Quality metric. Under the Data Quality metric, AAs will report the proportion the value of its assets for which its total reported emissions were Verified*, Reported**, Estimated or Unavailable. Metric 4 will be the Paris Alignment Metric. Under the Paris Alignment Metric, AAs will report the percentage of the value of their assets for which there is a public net zero commitment by

	2050 or sooner. Metrics must be measured and disclosed annually.
Targets	AAs will be expected to set a target in relation to one metric, chosen by the AA. The target will not be binding. Progress against the target must be assessed once a year, and the target revised if appropriate. The chosen metric may be one of the four mandatory metrics listed above, or any other climate related metric recommended by the TCFD.
Disclosure	AAs will be expected to publish an annual Climate Risk Report. This may be a standalone report, or a section in the AA's annual report The deadline for publishing the Climate Risk Report will be 1 December, as for the AA's Annual Report, with the first Climate Risk Report due in December 2024. We propose that scheme members must be informed that the Climate Risk Report is available in an appropriate way.
Scheme Climate Report	We propose that the Scheme Advisory Board (SAB) should prepare an annual Scheme Climate Report including a link to each individual AA's Climate Risk Report (or a note that none has been published) and aggregate figures for the four mandatory metrics. We also propose that a list of the targets which have been adopted by AAs. We are open to views as to whether any other information should be included in the Scheme Climate Report.
Proper advice	We propose to require that each AA take proper advice when making decisions relating to climate-related risks and opportunities and when receiving metrics and scenario analysis.

3.6 The Department for Work and Pensions (DWP) has already introduced requirements on climate risk management and reporting for private pension schemes, in regulations which came into force on 1 October 2021. The proposals set out in this consultation are broadly similar to the requirements for private pension schemes, and encompass the same four areas of governance, strategy, risk management and metrics and targets. However, a key difference is that the proposed requirements will apply to all LGPS AAs from 2023/24 regardless of fund size. Another key difference is the proposed requirement to report data quality as a mandatory metric. This aims to help the LGPS use its scale and market power to drive improvements in the quality of emissions data, which will be a critical factor in raising the quality of climate risk management.

3.7 Summary of consultation questions

Question 1: Do you agree with our proposed requirements in relation to governance?

Question 2: Do you agree with our proposed requirements in relation to strategy?

Question 3: Do you agree with our suggested requirements in relation to scenario analysis?

Question 4: Do you agree with our proposed requirements in relation to risk management?

Question 5: Do you agree with our proposed requirements in relation to metrics?

Question 6: Do you agree with our proposed requirements in relation to targets?

Question 7: Do you agree with our approach to reporting?

Question 8: Do you agree with our proposals on the Scheme Climate Risk Report?

Question 9: Do you have any comments on the role of the LGPS asset pools in delivering the requirements?

Question 10: Do you agree with our proposed approach to guidance?

Question 11: Do you agree with our proposed approach to knowledge, skills and advice?

Question 12: Do you have any comments on the impact of our proposals on protected groups and on how any negative impacts may be mitigated?

3.8 This is an area where best practice is still evolving and it is important to keep abreast of developments. Officers will assess the proposed requirements, in particular around metrics and targets, and discuss with our Pool partners the scope for joint working. This will be reported to a future Committee.

4.0 FINANCIAL IMPLICATIONS

4.1 The consultation includes a requirement for administering authorities to take proper advice (from appropriately qualified individuals). There is also a cost for obtaining and calculating the data required for climate risk reporting. The Fund has been working with its pooling partners to minimise duplication and mitigate costs as far as possible. Even without the requirement for TCFD reporting, the Fund considers much of the data requirements necessary from an investment risk management perspective.

5.0 LEGAL IMPLICATIONS

5.1 Following the consultation, high level statutory guidance will be issued relating to the governance requirements and the Climate Risk report.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 The reporting requirements will place additional demands on the Fund in relation to the oversight and management of Governance, Strategy, Risk Management, Metrics & Targets at a fund and pool level. These will be assessed and, where quantifiable, included in the subsequent report to this Committee.

7.0 RELEVANT RISKS

7.1 A failure to provide Pensions Committee with information on legislative changes and the Fund's activities could hinder the Committee in fulfilling its statutory duties. The assessment, management and reporting on climate-related risks is an essential part of the Fund's governance of risk and it is important that appropriate guidance is issued.

8.0 ENGAGEMENT/CONSULTATION

8.1 The Fund is consulting with its pool partner funds.

9.0 EQUALITY IMPLICATIONS

9.1 There are no equality implications arising from this report. DLUHC have made an initial assessment under the duty and do not believe there would be impacts on protected groups from the proposals in this consultation, as they do not affect member contributions or benefits.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 As set out in the report. The NLGPS has a Responsible Investment policy which explicitly addresses environment and climate implications as financially material to the long-term performance of investments.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 There are none arising from this report.

REPORT AUTHOR: **Peter Wallach**
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APPENDICES

Appendix https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-governance-and-reporting-of-climate-change-risks/local-government-pension-scheme-england-and-wales-governance-and-reporting-of-climate-change-risks

BACKGROUND PAPERS

https://www.fsb-tcfd.org/publications/

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee	**22.06.21**

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WIRRAL COUNCIL

PENSIONS COMMITTEE

28 SEPTEMBER 2022

REPORT TITLE:	**WIRRAL LOCAL PENSION BOARD MINUTES**
REPORT OF:	**DIRECTOR OF PENSIONS**

REPORT SUMMARY

This report provides members with the draft minutes of the previous meeting of the Wirral Local Pension Board.

RECOMMENDATION/S

That the Pensions Committee be recommended to note the minutes of the Wirral Local Pension Board.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION

1.1 The Wirral Local Pension Board reports to the Administering Authority on its activities and, as a part of that reporting, it is best practice in guidance by the Chartered Institute for Public Finance Accountants (CIPFA) that minutes of its meetings are shared with Pensions Committee on a regular basis.

2.0 OTHER OPTIONS CONSIDERED

2.1 The option not to report the minutes to Committee was deemed unsuitable as it could hinder the Committee in fulfilling its statutory requirements.

3.0 BACKGROUND INFORMATION

3.1 The Wirral Local Pension Board was established in 2015 in accordance with section 5 of the Public Service Pensions Act 2013 to assist the Administering Authority in its role as a scheme manager of the Scheme.

3.2 The Wirral Local Pension Board reports to the Administering Authority on its activities and, as a part of that reporting, the minutes of its meetings are shared with Pensions Committee.

4.0 FINANCIAL IMPLICATIONS

4.1 There are no implications arising directly from this report. In scrutinising the governance arrangements and service delivery of the Fund, the Board provides assurance to the administering authority on the efficiency and effectiveness of the Fund's activities.

5.0 LEGAL IMPLICATIONS

4.1 It is best practice for the activities of the Pension Board to be reported to the Pensions Committee.

6.0 RESOURCE IMPLICATIONS: STAFFING; ICT AND ASSETS

5.1 There are none arising directly from this report.

7.0 RELEVANT RISKS

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

8.0 ENGAGEMENT/CONSULTATION

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

9.0 EQUALITY IMPLICATIONS

8.1 There are no equality implications arising from this report.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

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

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 None arising from this report.

REPORT AUTHOR: **PETER WALLACH**
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APPENDICES

Appendix 1 Pension Board minutes

BACKGROUND PAPERS

The Public Service Pensions Act 2013

CIPFA: the guide for local pension boards

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Minutes of Local Pension Board meetings are brought to the subsequent Pensions Committee meeting.	

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LOCAL PENSIONS BOARD

Friday, 8 July 2022

Present: J Raisin (Chair)

G Broadhead
R Dawson
P Fieldsend
D Ridland
R Irvine
P Maloney
S Van Arendsen

1 **WELCOME AND INTRODUCTION**

The Chair welcomed attendees to the meeting and informed them that he would be varying the agenda to bring his annual report forward to the end of the public part of the meeting.

2 **APOLOGIES**

An apology for absence was received from Lyn Robinson, St Helen's College.

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

Members were asked to declare any interests they had in any items on the agenda. No declarations were made.

4 **MINUTES**

Resolved –
That the minutes of the Local Pensions Board meeting on 24 February 2022 be approved as a true and accurate record.

5 **EXTERNAL AUDIT PLAN - STATEMENT OF ACCOUNTS 2021/22**

The Head of Finance and Risk at Merseyside Pension Fund introduced the report of the Director of Pensions which provided Board Members with a copy of the report which had been taken to Pension Committee in relation to Grant Thornton's audit of the Fund's Statement of Accounts for 2021/22.

The audit plan provided an overview of the planned scope and timings of the statutory audit of the Fund to those charged with governance.

Grant Thornton would report their findings to Pensions Committee in September and to a future Audit and Risk Management Committee. That report would also be reported to a future Pension Board meeting.

Resolved:
That the report be noted.

6 STATEMENT OF ACCOUNTS 2021/22 – MANAGEMENT QUESTIONS

The Head of Finance and Risk at Merseyside Pension Fund introduced the report of the Director of Pensions which provided Board Members with a copy of the report taken to Pension Committee in June 2022 in relation to Grant Thornton's audit of the Fund's Statement of Accounts for 2021/22. The review and endorsement of the management responses to questions posed by the Fund's external auditors supported Pensions Committee in fulfilling its responsibilities in relation to the financial reporting process and formed part of the governance arrangements.

In answer to a Board member's question, officers were to consider assessing which posts carried a greater risk of fraud although they noted that there were controls in place.

Resolved:
That the management's responses to the auditor's questions be noted.

7 LOCAL GOVERNMENT PENSION SCHEME (LGPS) UPDATE

The Head of Pensions Administration presented the report of the Director of Pensions which provided Board Members with a copy of a report on developments in the Local Government Pension Scheme (LGPS) which had been taken to Pensions Committee since the previous Board meeting. The main issue was the potential impacts of the McCloud judgement imposing additional liabilities. High level analysis identified that 34,000 members of the Merseyside Pension Fund met the criteria to qualify for protection and informed by the actuarial estimate of a 1% cost of total liabilities this equated to around 340 members who were likely receive an additional underpin amount. Combined with the incoming pension dashboard, there were concerns about the resource requirements.

Resolved:
That the report be noted.

8 MERSEYSIDE PENSION FUND BUDGET OUT-TURN 2021/22 AND FINAL BUDGET 2022/23

The Head of Finance and Risk at Merseyside Pension Fund introduced the report of the Director of Pensions which provided Board Members with a copy of the Pension Fund budget report which had been taken to Pensions Committee in June 2022. Outturn had been lower than budgeted due to deferral of projects caused by the pandemic.

Members questioned the actuarial fees but it was explained that the increase brought them more into line with the contract, and that there had been some unique pieces of work which had not been rechargeable to employers and that this was a valuation year which required additional charges.

It was noted that there was expected expenditure related to the McCloud judgement implications and the pensions dashboard, but also that there were potential savings from bringing further assets in house.

Resolved:
That the out-turn for 2021/22 and the finalised budget for 2022/23 be noted.

9 **NORTHERN LGPS UPDATE**

The Director of Pensions presented his report which provided Board Members with an update on pooling arrangements in respect of Merseyside Pension Fund (MPF) and the Northern Local Government Pension Scheme (LGPS). It also presented the Minutes of the previous Northern LGPS Joint Committee meeting.

Members queried the appointment of Trade Union representatives to the Committee which was proving difficult. It was suggested that appointments could be made locally if it was difficult to achieve one through national union offices. Members would welcome some geographical spread amongst the membership too although they would have to keep in mind experience and diversity as factors too.

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

10 **MINUTES OF WORKING PARTY MEETINGS**

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

Resolved:
That the minutes be noted.

11 **PENSION BOARD REVIEW 2021-22 AND WORK PLAN 2022-23**

The Chair presented his report which reviewed the work and performance of the Board and its Members during its seventh year (1 April 2021 to 31 March 2022). This report also included a proposed Work Plan for 2022-2023. The Chair praised the Board members for their contributions and noted that there were no problems in quality or quantity of applicants when recruiting to vacant

places. He urged members to attend at least one working party and one external event a year.

Resolved: That
(1) the Pension Board Review 2021-2022 be received and approved.
(2) the proposed Work Plan for 2022-2023 be noted.
(3) this report be referred to the Pensions Committee for its consideration.

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

Resolved:
That under section 100 (A) (4) of the Local Government Act 1972, the public be excluded from the meeting during consideration of the following items of business on the grounds that they involve the likely disclosure of exempt information as defined by the relevant paragraphs of Part 1 of Schedule 12A (as amended) to that Act. The Public Interest test has been applied and favours exclusion.

13 **PROPERTY PORTFOLIO RENT ARREARS AND WRITE OFFS**

The Head of Finance and Risk at Merseyside Pension Fund introduced the report of the Director of Pensions which provided Board Members with a copy of a report, relating to the write-off of property rental arrears, taken to Pensions Committee in June 2022 and approved there.

Resolved:
That the write off of uncollectable property rental income recently approved at Pensions Committee be noted.

14 **PENSION ADMINISTRATION MONITORING REPORT [PERIOD OF 1 JAN – 31 MAR 2022]**

The Head of Pensions Administration presented the report of the Director of Pensions which provided the Pension Board with monitoring information on the key performance indicators in respect of work undertaken by the administration team during the period. 1 January 2022 to 31 March 2022.

Resolved:
That the report be noted.

15 **RISK REGISTER**

The Director of Pensions presented his report which provided Board Members with a copy of the Fund’s Risk Register.

Resolved:
That the report be noted.

16 **NON-RECOVERY OF DEFICIT ON CLOSURE OF ADMISSION BODY**

The Head of Pensions Administration presented the report of the Director of Pensions which provided Board Members with a copy of a recent exempt report to Pensions Committee regarding the non-recovery of deficit on closure of an admission body.

Resolved:
That the report be noted.

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WIRRAL

PENSIONS COMMITTEE

28 SEPTEMBER 2022

REPORT TITLE:	**NORTHERN LGPS UPDATE**
REPORT OF:	**DIRECTOR OF PENSIONS**

REPORT SUMMARY

This report provides Members with an update on pooling arrangements in respect of Merseyside Pension Fund (MPF) and the Northern LGPS Investment Pool. Minutes of the previous Northern LGPS Joint Committee meeting are appended for noting.

RECOMMENDATION/S

The Pensions Committee is recommended to note the minutes of the Joint Committee meeting.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

1.1 Pooling is resulting in fundamental changes to the oversight and management of Local Government Pension Scheme (LGPS) assets and it is important that Members are informed of all developments affecting the Fund.

2.0 OTHER OPTIONS CONSIDERED

2.1 No other suitable options. It is an audit recommendation that minutes of the Northern LGPS joint committee meetings are reported to Pensions Committee.

3.0 BACKGROUND INFORMATION

3.1 The Northern LGPS Investment Pool was established between Merseyside, Greater Manchester and West Yorkshire Pension Funds in response to the revised LGPS Investment Regulations 2016 which were, in part, designed to facilitate the pooling of assets between LGPS funds and improve access to infrastructure investments.

3.2 Minutes of the previous Northern LGPS joint committee meeting are attached at appendix 1.

4.0 FINANCIAL IMPLICATIONS

4.1 There are none arising directly from this report. The operating costs of the Pool are reported annually and shared equitably between the participating funds.

5.0 LEGAL IMPLICATIONS

5.1 LGPS funds are required to pool their assets in order to comply with Regulation 7(2)(d) of the 2016 Investment Regulations. The regulation requires administering authorities to set out their 'approach to pooling investments, including the use of collective investment vehicles and shared services' in their Investment Strategy Statement.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 There are none arising directly from this report. The Joint Committee provides monitoring and oversight of the operations of the Northern LGPS Investment Pool.

7.0 RELEVANT RISKS

7.1 Pooling has resulted in fundamental changes to oversight and management of LGPS assets. It is essential that Pensions Committee exercises its governance responsibilities in accordance with the Council's constitution.

8.0 ENGAGEMENT/CONSULTATION

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

9.0 EQUALITY IMPLICATIONS

9.1 There are no equality implications arising from this report.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 There are no environment and climate implications arising from this report. The NLGPS has a Responsible Investment policy explicitly addresses environment and climate implications as financially material to long-term performance of investments.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 There are none arising from this report.

REPORT AUTHOR: **Peter Wallach**
(Peter Wallach, Director of Merseyside Pension Fund)
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email: peterwallach@wirral.gov.uk

APPENDICES

Appendix 1 Minutes of Joint Committee meetings.

BACKGROUND PAPERS

Local Government Pension Scheme: Investment Reform, Criteria & Guidance

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
The Northern LGPS update is a standing agenda item on Pensions Committee	

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NORTHERN LGPS JOINT OVERSIGHT COMMITTEE

7 July 2022

Commenced: 11.00am **Terminated: 12.25pm**

Present:	**Cllr Gerald P Cooney (Chair)**	**Chair, Greater Manchester Pension Fund (Part Meeting)**
	Cllr Oliver Ryan	**Vice-Chair, Greater Manchester Pension Fund (In the Chair part meeting)**
	Cllr Andrew Thornton	**Chair, West Yorkshire Pension Fund**
	Elizabeth Bailey	**Deputy Chair, West Yorkshire Pension Fund**
	Councillor Cherry Povall	**Deputy Chair, Merseyside Pension Fund**
In attendance		
	Sandra Stewart	**Director of Pensions, GMPF**
	Peter Wallach	**Director of Pensions, MPF**
	Rodney Barton	**Director of Pensions, WYPF**
	Euan Miller	**Assistant Director of Pensions, Funding and Business Development, GMPF**
	Tom Harrington	**Assistant Director of Pensions, Investments, GMPF**
	Paddy Dowdall	**Assistant Director of Pensions, Local Investments and Property, GMPF**
	Steven Taylor	**Assistant Director of Pensions, Special Projects, GMPF**
	Neil Cooper	**Head of Pension Investment, GMPF**
	Mushfiqur Rahman	**Investments Manager, GMPF**
	Owen Thorne	**Merseyside Pension Fund**
	Greg Campbell	**Merseyside Pension Fund**
	Colin Standish	**West Yorkshire Pension Fund**
	Simon Edwards	**West Yorkshire Pension Fund**
	Alan McDougal	**PIRC**
	Tom Powdrill	**PIRC**
	Conor Constable	**PIRC**
Apologies for Absence:	**Councillor Pat Cleary, MPF**	

1. DECLARATIONS OF INTEREST

There were no declarations of interest.

2. MINUTES

The Minutes of the meeting of the Northern LGPS Joint Oversight Committee held on 14 April 2022 were agreed as a correct record.

3. POOLING UPDATE

Consideration was given to a report of the Assistant Director, Funding and Business Development, GMPF, which provided an update on pooling activity since the previous Northern LGPS Joint Oversight Committee meeting and summarised relevant national pooling developments.

It was reported that, on 3 January 2019, MHCLG released new draft statutory guidance on LGPS asset pooling for 'informal' consultation. Parties that were consulted included pools, administering authorities and local pension boards. The guidance was intended to replace previous pooling guidance, in particular the LGPS Investment Reform Criteria and Guidance issued in November 2015 ('the 2015 guidance').

As per discussion at previous meetings, the draft statutory guidance had blurred the original four criteria in the 2015 guidance. In its place the guidance had 6 sections covering; structure and scale, governance, transition of assets to the pool, making new investments outside the pool, infrastructure investment and reporting.

Members were advised that Government was yet to publish a response to the consultation and the 2015 guidance therefore, remained in force. DLUHC civil servants had indicated that a consultation on several key policy areas for the LGPS was expected to be issued in autumn 2022. The consultation was expected to cover LGPS pooling as well as other related matters such as the implementation of TCFD ('Task-force on Climate-Related Financial Disclosure') requirements for LGPS funds. Further details were given in the report.

As discussed at a previous meeting of the Joint Committee, (meeting of 2 February 2022 refers) government published the long awaited 'Levelling Up' whitepaper, which included references to LGPS funds and pools having plans for up to 5% of assets to be allocated to projects which supported local areas (as stated on page 163 of the whitepaper). It was understood that in this context 'local' referred to UK rather than to the local area of a particular LGPS fund and that there would be no mandation beyond the requirement to have a plan. The 5% target was intended to be a lower bound target with an expectation that funds and pools would substantially exceed 5% in future.

It was explained that it had been a long-term ambition of Government that LGPS funds and pools invest more in local infrastructure as part of their investment strategy. Government's previous attempts at mandating change were met with stern challenge by some stakeholders, who saw the potential for investment targets to conflict with administering authorities' fiduciary duties.

Members were further advised that each of the partner funds in the Northern LGPS Pool was currently in the process of producing 31 March 2022 year end accounts and an annual report. Guidance on preparing the annual report was provided by the accounting body CIPFA. This guidance currently includes a section on accounting for asset-pooling arrangements

In 2020 and 2021 it was agreed by the Joint Committee that a Pool Annual Report be produced, which funds would have the option of including within their respective annual reports. This would act to provide some of the information to satisfy CIPFA guidance and could be used by the funds in their communications with stakeholders to provide evidence of the Pool's progress against its objectives.

It was proposed that a 2022 Pool Annual Report be produced that followed the basis for calculating cost savings that was agreed on a cross-pool basis in 2021. At the time of the report, Government did not appear to have issued a request for pools to submit a progress update as at 31 March 2022 (in previous years it has issued a template for pools to complete). However, it was likely that Government would once again be seeking a progress update from each pool. Estimates made last year indicated cost savings net of fees for the pool of £37.9m for 2021/22 vs £30.5m in 2020/21.

Updates on the progress of the main ongoing work-streams for the Northern LGPS together with LGPS Pooling developments nationally were provided in the report.

RESOLVED

(i) That the content of the report be noted;

(ii) That the production of a concise Northern LGPS Annual Report for 2021/22 which can be included within the annual reports of the participating funds, be approved.

4. SCHEME ADVISORY BOARD UPDATE

Consideration was given to a report of the Director of Pensions, MPF, providing an update on the last meeting of the Investment, Governance & Engagement (IG&E) Sub-Committee that had taken place on the 23 May 2022.

Details of the actions and agreements from the meeting held on 21 February 2022 were appended to the report.

The principal items on the agenda for the 23 May 2022 included:

- Queen's Speech;
- SAB Forward Look;
- Cost Transparency Compliance Update;
- Michael Lynk Letter Update;
- RIAG Chair's Report; and
- DLUHC Regulatory Update;

RESOLVED
That the content of the report be noted.

5. UPDATE ON RESPONSIBLE INVESTMENT

Tom Powdrill and Conor Constable, PIRC Ltd, Responsible Investment Advisor to the Northern LGPS, presented Northern LGPS' Stewardship Report for Quarter 1 2022. The report explored water stewardship; tackling tax; effective engagement and voting on shareholder resolutions. The Assistant Director of Pensions Investments, GMPF gave an update on the Northern LGPS's approach to implementing its Institutional Investor Group on Climate Change (IIGCC) Net Zero commitment. The Northern LGPS would use the services of a common carbon footprinting provider to track its progress to a 2019 baseline.

RESOLVED
(i) That the presentation and the content of the latest quarterly Responsible Investment report be noted; and
(ii) That a consistent approach to measuring carbon emissions of the Northern LGPS to a common 2019 baseline, be endorsed.

6. NORTHERN PRIVATE EQUITY POOL – ANNUAL REVIEW OF STRATEGY AND IMPLEMENTATION

A report was submitted and a presentation delivered, by the Assistant Director of Pensions Investments, GMPF, which gave a review of activity, strategy and implementation approach regarding Northern Private Equity Pool.

It was explained that the NPEP portfolio consisted of commitments to private funds targeting investments, made nationally or internationally, in the private equity or related private securities of companies. Commencing from 1 January 2021, the portfolio also included direct co-investment in such securities.

The report and presentation outlined:

- Current approach to investing in Private Equity;
- Implementation during calendar year 2021;
- Current position against current strategy;
- Review of Strategy; and
- Review of Implementation.

A problem-free year from an administrative perspective was reported. All statements and reports

were circulated consistent with legal agreements and the day-today functioning of Northern Trust as fund administrator had worked well.

Mazars was re-appointed as external auditor, on a three-year contract following a market tender. Tax, legal and investment advice was procured on an ad hoc basis, as required.

The year end audit of both the GP company and the Limited Partnership entities was completed in a timely fashion, with both entities receiving a clean audit opinion. The requisite Partnership and Corporate tax filings were made, in time, by KPMG.

RESOLVED
That the content of the report and presentation be noted.

7. PERFORMANCE MEASUREMENT

Consideration was given to a report of the Assistant Director of Investments, GMPF, which provided an update on performance measurement.

An extract from the Northern LGPS reporting for periods to 31 March 2022 was attached as an Appendix to the report. The reporting assisted in fulfilling both reporting requirements to Government, and any oversight obligations of the Joint Committee.

Officers continued to work closely with Portfolio Evaluation to separately identify NPEP and GLIL returns in these performance reports, given their importance to the Northern LGPS proposition.

Universe collation, analysis and research services were provided to the Northern LGPS Funds by PIRC. The PIRC 2021/22 Annual Review was attached as an Appendix to the report. The PIRC LGPS Universe comprised of 62 funds with total assets valued at £250 billion as at 31 March 2022.

RESOLVED
That the content of the report be noted.

8. EQUITY PROTECTION STRATEGIES FRAMEWORK

The Director of Pensions, Merseyside Pension Fund submitted a report explaining that in January 2019, Merseyside Pension Fund put in place a framework of investment managers able to provide equity downside protection strategies. As frameworks were for a term of four years, there was a requirement for the framework to be refreshed. West Yorkshire Pension Fund was also intending to utilise equity protection strategies and it was proposed that the Funds work together to put in place a new framework that was available to all funds in the Northern LGPS.

RESOLVED
That the content of the report be noted.

9. COMMON CUSTODIAN UPDATE

The Assistant Director of Pensions Investments, GMPF submitted a report, which provided details of key performance indicators and key milestones and deliverables for the quarter to 31 March 2022 in relation to Northern Trust (NT) in their capacity as the common custodian to the Northern LGPS pool, as attached in an appendix to the report.

RESOLVED
That the content of the report be noted.

10. DIRECT INFRASTRUCTURE PLATFORM (GLIL) UPDATE

Consideration was given to a report of the Assistant Director, Local Investment and Property, GMPF, providing an update on the progress with the direct infrastructure investment platform (GLIL).

The latest report to stakeholders was attached as an appendix to the report.

The Assistant Director updated Members of developments in respect of a significant investment, which he had reported on at the last meeting of the Committee. He explained that unfortunately, negotiations had broken down and that the investment would no longer be progressed.

RESOLVED
That the report be noted.

11. NORTHERN LGPS HOUSING INVESTMENT UPDATE

The Assistant Director, Local Investment and Property, GMPF, submitted a report updating Members on the progress of the pooled approach to housing investment.

Members were advised that, in addition to the existing investment programmes of the three Funds, two collective investments had been approved by the Directors. One of which had been reported to the previous meeting of the Committee and details of the second investment were appended to the report.

RESOLVED
That the content of the report be noted.

12. DATE OF NEXT MEETING

RESOLVED
It was noted that the next meeting of the Northern LGPS Joint Oversight Committee was scheduled to take place on 6 October 2022.

CHAIR

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WIRRAL

PENSIONS COMMITTEE

28 SEPTEMBER 2022

REPORT TITLE:	**MINUTES OF WORKING PARTY MEETINGS**
REPORT OF:	**DIRECTOR OF PENSIONS**

REPORT SUMMARY

The purpose of this report is to provide Members with the minutes of meetings of Working Parties held since the previous Committee meeting.

RECOMMENDATION/S

That the Pensions Committee be recommended to approve the minutes.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

1.1 The approval of working party minutes by Pensions Committee forms part of the governance arrangements of Merseyside Pension Fund. These arrangements were approved by Pensions Committee as part of the Fund's Governance Statement at its meeting on 27th June 2011.

2.0 OTHER OPTIONS CONSIDERED

2.1 Not relevant for this report as working party minutes are reported to and approved by Pensions Committee.

3.0 BACKGROUND INFORMATION

3.1 The Investment Monitoring and Governance & Risk Working Parties enable Members and their advisors to consider pension matters relating to Merseyside Pension Fund in greater detail. They are not decision-making bodies but minutes and action points arising are reported to Committee.

4.0 FINANCIAL IMPLICATIONS

4.1 There are none arising directly from this report. The working parties ensure scrutiny by elected members of the performance of the Fund's investments and administration functions.

5.0 LEGAL IMPLICATIONS

5.1 Under the Fund's governance arrangements, minutes of working parties are reported to Committee.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 There are none arising directly from this report. The working parties ensure the oversight of the Fund's activities by elected members.

7.0 RELEVANT RISKS

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

8.0 ENGAGEMENT/CONSULTATION

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

9.0 EQUALITY IMPLICATIONS

9.1 There are no equality implications arising from this report.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 Environmental, Social and Governance matters are a standing item on the IMWP agenda.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 There are none arising from this report.

REPORT AUTHOR: **Peter Wallach**
(Peter Wallach, Director of Merseyside Pension Fund)
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APPENDICES

Appendix 1 Working Party minutes

BACKGROUND PAPERS

CIPFA: Managing Risk in the Local Government Pension Scheme

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Minutes of all IMWP and GRWP meetings are brought to the subsequent Pensions Committee.	

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IMWP

9th June 2022

10.30am

MS Teams

Attendees

Councillor Pat Cleary (Chair)	PC	WBC
Councillor Chris Carubia	CC	WBC
Councillor Tom Cardwell	TC	Liverpool City Council
Councillor George Davies	GD	WBC
Louis Paul Hill	LH	Aon
Rohan Worrall	RW	Independent Adviser
Paul Watson	PWa	Independent Adviser
Peter Wallach (Director of Pensions)	PW	MPF
Alex Abela-Stevenson	AA	MPF
Adil Manzoor	AM	MPF
Alan Robertson	AR	MPF
Daniel Proudfoot	DP	MPF
Donna Smith	DS	MPF
Dragos Serbanica	DSe	MPF
Elizabeth Barlow	EB	MPF
Farbod Abarghouei Nejad	FN	MPF
Greg Campbell	GC	MPF
Neil Gill	NG	MPF
Owen Thorne	OT	MPF

Apologies

Councillor Cherry Povall	CP	WBC
Councillor Brian Kenny	BK	WBC
Councillor Karl Greaney	KG	WBC
Councillor Paulette Lapin	PL	SBC
Councillor Jason Walsh	JW	WBC
Roger Bannister	RB	Unison

Declarations of Interest

It has been agreed that Declarations of Interest are an annual declaration at the beginning of the municipal year.

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

1. Minutes of IMWP held on 2nd March 2022

Noted - no amendments.

2. Review

2.1 Investment Update – Peter Wallach

PW delivered a presentation giving an overview of the Fund as of 31 March 2022. In terms of the performance, the Fund outperformed the benchmark by +3.5% over a 12-month period. PW noted the funding position is now over 100%. PW added, this is subject to an adjustment to discount rates to reflect the increase in the inflation rate.

PW gave an update on the global market performance for 2021/22. In terms of equities, Western equity markets performed well. US equities performed the best; Japan and Emerging equities posted a negative return.

Regarding fixed income, UK nominal gilts posted a negative return, down by 5%, in anticipation of an interest rate rise, (bond prices fall as their yields rise). Index-linked bonds, (the coupon and principal are linked to RPI), added value during 2021/22.

Property markets performed well, recovering from the interruption caused by the pandemic.

Alternatives, (private equity, credit, infrastructure), performed strongly on a one-year basis.

PW highlighted the Fund's achievements for the year 2021/22. A revised NLGPS Responsible Investment (RI) policy was approved during the year and, similarly, the Fund's RI policy. PW addressed GLIL's three notable investments: SMA, Flexion and Rathcool, all related to green energy and the production of renewables, in line with the UK's ambition to move towards net zero emissions.

GLIL is a collaboration between LGPS funds that are seeking to invest into core infrastructure opportunities, predominately in the United Kingdom.

In terms of outlook, this year an actuarial valuation will be taking place to re-assess the Fund's assets and liabilities. In parallel with that, the Fund is intended to revise its investment strategy to 1) improve the risk and return balance of the Fund over the long term, 2) simplify governance, (tilting towards global mandates), 3) integrate climate risk and ESG considerations holistically, 4) de-risking strategy to provide stability, and 5) enhance reporting.

PC complimented GLIL's further investments into low-carbon projects.

PC requested clarification on "simplifying governance", in the context of MPF's strategy review. PW replied the Fund is considering a move from a geographical allocation structure to global mandates which should reduce the number of external manager relationships. This should improve costs and widen the opportunity set.

PC asked for an update regarding "Boycotts, Divestment and Sanctions. PW advised that a consultation in relation to this matter is expected to be published by the end of the year. In addition to the Jenrick Amendment to the Public Service Pensions and Judicial Offices Act, the government had included a general reference to the public sector in the Queen's Speech. There was limited visibility as to what might be expected.

2.2 Market Commentary - Rohan Worrall

RW provided a market commentary for Q1 2022. RW noted the economic growth momentum, measured by the Purchasing Managers Index (PMI), remained strong in Western economies. Inflation has continued to surge, driven by the war in Ukraine, and higher commodity and food prices. RW stated higher inflation is impacting the Fund's liabilities.

During Q1, global equity markets were hit by a heavy sell-off, (with the exception of the UK), triggered by the Russia's invasion of Ukraine, higher commodity

prices and the prospect of a tighter monetary policy. UK equities remained resilient, delivering a positive return, largely due to the UK's energy sector exposure. RW stated as a result of the recent market declines, valuations are markedly more attractive relative to long term history.

Regarding fixed income, during Q1, 10-year bond yields rose significantly. RW noted credit spreads had widened since the beginning of the year, but have narrowed in again recently.

In terms of currencies, in Q1, sterling fell against major currencies, but rose against the Japanese yen. On commodities, crude oil experienced a further surge in prices, which has exacerbated after the invasion of Ukraine. Gold has performed well, as investors sought safe-haven assets.

Looking ahead, inflation appears to be the main economic and political concern. RW stated central banks, (with the exception of China and Japan), will continue to tighten monetary policy try to bring inflation back under control without causing a recession. Therefore, equity markets are going to be more volatile and fragile, driven by higher interest rates and reduced liquidity. Overall, inflation remains elevated in the short term. Fixed income markets offer little long-term value due to soaring inflation.

PC asked, since factors behind inflation are supply driven, will rate hikes be enough to bring inflation back under control. RW replied, inflation has become a political problem, and therefore, central banks are determined to tighten monetary policy in order to suppress demand.

PC asked, what do rising energy prices mean for the green energy transition. RW replied energy transition is not likely to be interrupted by short-term price swings.

2.3 Strategic Adviser Update

LPH provided an update on the Fund's funding level, which is now over 113.9% on a roll-forward basis. Since 2019 valuation, MPF's assets have increased significantly, supported by a prolonged period of monetary stimulus. LPH highlighted the Fund's strong performance during the Q1 amid the market sell-offs. LPH added the funding level is subject to change to account for the changes in actuarial assumptions and discount rate. LPH continued with highlighting Aon's view on the Fund's strategic asset allocation. The Fund is transitioning over time to a new strategic asset allocation by 1) tilting towards global mandates, 2)

investing in lower-risk securities, and 3) investment in assets with independent and diversifying return drivers (i.e., alternatives).

LPH concluded with addressing inflation and longevity risk, and their impact on the Fund's liabilities.

2.4 Monitoring Report – Peter Wallach

The report provided Members with an update of the performance of the Fund's mandates. PW highlighted the market rotation into value stocks in Q1 2022, (due inflation and the prospect of higher interest rates), had severely impacted "growth oriented" mandates.

PW stated Newton, (a UK equity mandate), had underperformed the benchmark on a 1-year basis, driven by being overweight in Tech stocks, (growth), and a lack of exposure to Energy and Mining & Metals stocks, (value). Albeit the long-term performance is adequate.

PW highlighted the direct property portfolio's strong performance, which returned 27.42% over a 1-year period, outperforming the benchmark by 3.48%.

PWa asked about factors that contributed to the Internal UK equity fund's one-year underperformance. PW replied, exposure to Platinum Group Metals (PGM) and a Russian mining company, (LSE listed), had been driving the short-term underperformance. The Long-term performance remains robust.

3. Responsible Investment - Owen Thorne

OT introduced the Fund's Responsible Investment (RI) advisors: PIRC and LAPFF. The Fund is committed to engage extensively with companies and market participants to address and mitigate governance and ESG risks.

OT provided an overview of MPF's RI reporting policy and navigated Members to various links where stakeholders can find the Funds' RI Policy statements and its activities. OT noted the Fund is seeking to enhance reporting on this matter.

OT highlighted MPF's stewardship policy. The Fund is seeking to address systematic risks (i.e., climate, human rights, supply chain) across the global

economy. OT added, the Fund is expected to submit its stewardship code report to Financial Reporting Council (FRC) by October 22.

OT provided an update regarding the UN's Principles of Responsible Investment programme on human rights, which is aimed to maximise investors' collective contribution to respect for human rights issues. The first phase of the programme is now published. The Fund is considering taking an active part, by become a signatory of the framework, subject to approval of the Pensions Committee.

PC asked whether the UN stewardship initiative for human rights and social issues addresses geopolitical concerns, (i.e., China, Yemen and Palestine). OT replied a provision has been built into the model to address extraordinary risks/ issues. In parallel with the framework, the Fund, through its partnership with LAPFF, is engaging with companies to address social and human right issues, (i.e., issues in relation to Occupied Palestinian Territories).

PC stated the PRI initiative provides a coherent evidence-based framework to address social and human right issues.

It has been agreed that RI reports are included in the public pack for the Pensions Committee.

LAPFF Quarterly Engagement Report

https://lapfforum.org/wp-content/uploads/2022/04/LAPFF-QER-2022-Q1.pdf

Northern LGPS Quarterly Stewardship Report

https://northernlgps.org/assets/pdf/stewardq1_2022.pdf

4. AOB

None

PC closed the meeting at 12:30pm

Date of next meeting: Wed 9th September 2022, 10:30am MS Teams.

Minutes of the Governance and Risk Working Party, 10.00, Tuesday 13 July 2022.

Microsoft Teams meeting.

Present:

Name	Initials	Organisation
Councillor Cherry Povall	CP	WBC
Councillor George Davies	GD	WBC
Councillor Karl Greaney	LR	WBC
Councillor Brian Kenny	JB	WBC
Councillor Paulette Lappin	PL	Sefton Council
Roger Bannister	RB	Unison
Peter Wallach	PW	Director of Pensions
Yvonne Murphy	YM	Head of Pensions Administration
Donna Smith	DS	Head of Finance & Risk
Guy Hayton	GH	Senior Manager of Operations & Information Governance

Invited Guests:

Name	Initials	Organisation
John Raisin	JR	Chair of Local Pension Board
Peter Fieldsend	PF	Member of Local Pension Board

Apologies were received from:

Name	Initials	Organisation
Councillor Pat Cleary (Chair)	PC	WBC
Councillor Paulette Lappin	PL	Sefton Council
Councillor Chris Carubia	CC	WBC

In attendance: Emma Jones.

1. Approval of Minutes & Introduction

Minutes of GRWP, Thursday 23 September 2021, were reported to Pensions Committee and have been approved.

PW introduced the meeting and reported that members of the Local Pension Board had been invited to observe proceedings.

2. Declarations of Interest

PW advised that Declarations of Interest are reported on an annual basis; no further declarations were reported.

Councillor George Davies: Personal interest as his wife a member of Merseyside Pension Fund.
Councillor Cherry Povall: Personal interest as daughter a member of Merseyside Pension Fund.

Noting/Action points

Noted.

3. Custodian update (NT to present)

Phil McCloy (PM), Relationship Manager, presented the Northern Trust Global Custodian Update for Q1 2022 and reported that he oversees the Pension Fund relationship and also the relationship of the Northern LGPS Investment Pool. PM explained he will give a brief overview of Northern Trust (NT) and provide a short presentation to introduce their services, activities and a review of the previous quarter's performance indicators. PM advised that their primary concern is guarding their client's interests by protecting their assets and reconciling asset holdings to ensure that the value is maintained.

PM reported they are a leading provider and have custody of $12 trillion worth of assets, deal with @105 markets across the world and hold the highest credit ratings of any other US bank. PM advised they stay away from riskier assets and take an ultra-conservative approach as a bank.

PM explained they have the administrative resources to offer protection and the reconciliation of assets, which are kept within a data warehouse. PM went on to describe the effectiveness of their regulatory reporting to monitor and report the assets, using independent pricing sources to value the Fund's securities.

PM touched upon ESG and added that it is an important topic for local government pension schemes due to a growing demand within the pension scheme sector. PM informed Members of NT's training provision for MPF staff in relation to the file

depository system they use and offer a broad range of services to ensure the Fund's assets are closely monitored.

PW thanked PM for his presentation and advised members that the presentation formed part of the ongoing training programme for Pension Committee members around the arrangements offered by a Custodian and the services they provide to a pension fund. It is also to provide assurance to Members that NT are closely monitored which is principally carried by the Joint Committee of the Northern LGPS Investment Pool through quarterly reports and annual presentations.

Questions

None

Action Points

None.

4. Risk Register

PW presented the Risk Register and advised it goes to the Pension Board on a quarterly basis and is brought to the GRWP to demonstrate that risks are kept under review. PW advised there has been a revision to the risk ratings of two items and two risks had been removed. Pension Board can assure members that it is scrutinised on a regular basis.

Questions

Councillor Karl Greaney (KG) observed that using net for the risk scores makes it harder to digest and the colour coding is confusing as it does not draw your attention to higher risks. PW confirmed that the RAG rating relates to the net score rather than the gross score. MPF will look at ways to make the risk register clearer.

Action Points

Risk Register format to be reviewed.

5. Business Plan

PW reported that the Business Plan is a key document which is brought annually to the GRWP. The plan being presented is a high-level summary business plan. It sets out in broad terms the various areas of the Fund including the Funds vision, profile, budget and key priorities. Although it plays into the Wirral Plan, it is a Merseyside Pension Fund strategy and other authorities are equally important in the terms of the services we provide.

PW reported that a significant issue for the Fund is the gap between the pensions which are being paid out and the contributions received. The gap is currently covered by investment income, but it is a growing issue. Investment Strategy review is a key project to ensure the Fund remains at the forefront of developments in financial markets and sustainability. Staffing is also a key risk and is a key priority.

PW advised that one aspect to improve efficiency and the quality of the data the Fund holds has been the move to monthly data collection rather than annually. Another key area is working arrangements post covid and these are being finalised to make sure that arrangements put in place are suitable for the Fund.

PW also reported that Wirral Council accounting system is being replaced with the Enterprise Resource Planning system (ERP) which is a key component of managing the budgets and financial systems. PW assured members that the Fund will be working closely with Wirral whilst this takes place.

PW concluded that the balance of the plan covers areas where we are working in partnership or working collaboratively with other pension funds across the LGPS and private sector as it is the most effective way of delivering a common message and common efficiencies.

PW reported on the Catalyst Fund which is the vehicle for local investment in the Merseyside area.

Questions

None.

Action Points

None.

6. Administration KPI report

YM presented the Administration KPI report that is produced on a quarterly basis for the Pension Board and for members of the Pensions Committee on an annual basis. It illustrates the range of services the pension fund provides and covers the period between January to March 2022.

YM reported that the Administration team comprises three distinct service areas namely Employer Compliance & Membership (ECM), Benefits & Payroll and Operations. The functions of each team are measured against performance standards documented within the Pension Administration Strategy and in line with the TPR Code of Practice.

The Fund is currently concentrating on working with employers to get the data in for the three-year valuation period and with the Actuary to review the key elements of the Fund. YM continues to meet with the District Finance Directors and further education employers. YM advised that a balanced approach is taken and there continues to be ongoing discussions with employers on the surplus.

YM updated members on the Prudential in respect of the service issues experienced by AVC members. YM advised they have implemented an improvement plan and a letter is attached to the report which covers the period from January to March 2022.

The Fund is also working on the identification and recording of complaints within the system to make sure that all correspondence is captured appropriately and complaints are being indexed and recorded correctly.

Questions

No questions were asked.

Action Points

None.

7. Contracts report

DS presented the Contract report which is overseen as part of the finance function. The purpose of this report is to inform members of all the Fund's contracts that have been awarded where contract procedure rules have been waived.

DS advised that breaches fall under rule 12 and extensions and variations fall under Rule 13. MPF complies with contract procedure rules and only seeks exceptions and breaches in extenuating circumstances. DS reported there had been four exceptions and one breach. DS summarised the findings and advised the appendix was attached to the report for noting purposes.

Questions

Councillor Brain Kenny (BK) asked for clarification as to when the rules are waived and why that is necessary.

DS explained that it happens when goods or services are only obtainable from one source or contractor and there is no reasonable or satisfactory alternative. DS also advised that it allowed for under the contract procedure rules. It has to be in the interests of the Council and provide value for money or it may occur if there is a legal requirement to award the contract to a particular supplier due to exclusive rights. DS provided examples of when this has occurred.

Action Points

None.

8. Gifts & Hospitality

DS reported on the monitoring of Gifts and Hospitality and Subsidised Business Events undertaken between January 2021 to March 2022. DS explained why they are reported separately and added that guidance is reflected by Wirral within its overall governance arrangements. Procedures are set out in the Fund's Compliance Manual which is reported to the Pensions Committee on a regular basis for approval.

Questions

None.

Action Points

None.

9. Overseas travel

DS advised that there has been no overseas travel to report during the period undertaken between January 2021 to March 2022.

Questions

None were asked.

Action Points

None.

<u>Noting/Action Points</u>

Date of Next Meeting - *TBC*

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of the Local Government Act 1972.

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Pensions Committee – Terms of Reference

The Pensions Committee is responsible for exercise on behalf of the Council all of the powers and duties of the Council in relation to its functions as Administering Authority of the Merseyside Pension Fund.

In particular, the Committee is charged by full Council:

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

(b) To appoint and terminate the appointments of the professional advisers to, and external managers of, the Fund and agree the basis of their commission and remuneration.

(c) To receive actuarial valuations of the Fund and determine the level of employers' contributions necessary to balance the Fund.

(d) To monitor the Local Government Pension Scheme including the benefit regulations and payment of pensions and their day to day administration and to be responsible for any policy decisions relating to the administration of the scheme.

(e) To consider any views expressed by employing organisations and staff representatives relating to the scheme.

(f) To appoint members of the Investment Monitoring Working Party, which shall have responsibility for reviewing the performance of the Fund's investments and its asset allocation and regularly reporting their findings to the Pensions Committee.

(g) To award contracts for goods and services relating to the Fund in accordance with the Contract Procedure Rules after taking into account the recommendations of officers and external professional advisers (where appropriate).

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