



Merseyside Pension Fund Report & Accounts 2016/17



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Management Structure

Pension Fund Management Committee

Chair:

Cllr P Dougherty

Wirral

Vice Chair:

Cllr A McLachlan

Wirral

Cllr T Anderson

Wirral

Cllr P Cleary

Wirral

Cllr G Davies

Wirral

Cllr A Jones

Wirral

Cllr T Jones

Wirral

Cllr B Kenny

Wirral

Cllr C Povall

Wirral

Cllr GCJ Watt

Wirral

Cllr T Byron

Knowsley

Cllr N Crofts

Liverpool

Cllr P Lappin

Sefton

Cllr J Fulham

St Helens

Employee Representatives (Non-voting)

Mr P Cleary

UNISON

Mr B Ellis

UNISON

Mr D Walsh

Unite

Officers of the Fund

Joe Blott

Managing Director, Delivery

Peter Wallach

Director of Pensions

Yvonne Caddock

Principal Pension Officer

Surjit Tour **Head of Legal & Democratic Services**

Colin Hughes

Group Solicitor

Advisers to Investment Monitoring Working Party

Managing Director, Delivery

Director of Pensions

Senior Investment Manager

Aon Hewitt

Noel Mills

Rohan Worrall

Advisors to Governance and Risk Working Party

Managing Director, Delivery

Director of Pensions

Principal Pension Officer

Others

Auditor

Grant Thornton

Bankers

Lloyds Banking Group

Consultant Actuary

Mercer HR Consulting

Strategic Investment Consultant

Aon Hewitt

Custodian of Assets

Northern Trust

Responsible Investment Advisors

Pensions and Investment Research

Consultants Ltd

Property Advisors

C B Richard Ellis

Property Managers

C B Richard Ellis

Property Valuers

Savills

Performance Measurement

Northern Trust

Solicitor

Wirral Council

AVC Providers

Equitable Life Assurance Society

Standard Life

Prudential

Chair's Introduction

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



The Overall Aim of the Fund

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

Investment Performance

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

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

in the final days of the quarter, supported by expectations that interest rates would stay lower for longer.

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

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

More detail is provided in the Investment Report on page 23.

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

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

Actuarial Valuation

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

Communication with Fund Employers and Members

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

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

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

Past Changes and the Future

The Pension Board introduced in 2014, has now completed its second full year of operation. Further information is contained in the discrete Pension Board Report on page 9.

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

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

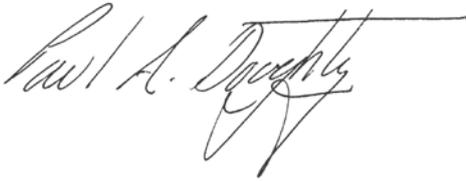
The Fund maintains its work with Greater Manchester Pension Fund and West Yorkshire Pension Fund (known as the Northern Pool), in response to the Government's investment reform agenda, to deliver cost savings and efficiencies whilst maintaining investment performance.

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

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

Preparation of Report

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

A handwritten signature in black ink, appearing to read 'Paul A. Doughty', with a long horizontal line extending to the right from the end of the signature.

Councillor Paul Doughty
Chair, Pensions Committee
June 2017

Management Report

Management of the Fund

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

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

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

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

Another of its important tasks is to monitor the performance of the Fund's external and internal investment managers, which is undertaken in conjunction with professional advisors and Fund officers. External and internal investment

managers have been given specific benchmarks against which performance is measured and monitored quarterly. In addition, internal investment managers report to the Managing Director, Delivery through regular Fund Operating Group meetings and follow procedures laid down in an internal Compliance Manual.

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

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

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

Risk Management

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

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

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

- 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 its website at: mpfund.uk/risk

In addition, the Fund maintains a risk register and a compliance manual for its employees.

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

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

Knowledge and Skills

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

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

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

Activity in Year

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

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

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

Bespoke training includes the LGE Trustee Fundamentals training and other conferences and seminars as detailed on page 8.

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

The following training opportunities have been provided during the year.

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

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

Pension Board Report

Local Pension Boards were established across the Local Government Pension Scheme with a requirement to become operational from 1 July 2015 to assist administering authorities in their role as managers of the Scheme.

Statement of Purpose for the Wirral Local Pension Board

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

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

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

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

Constitution/Management Arrangements

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

- four employer representatives: two nominated from Local/Police/Fire/Transport authorities or Parish Councils; one from Academies/Further Higher Education bodies; one from Admitted bodies;
- four scheme member representatives; two representing active members; two representing deferred and pensioner members;

- one independent, non-voting Chair who has responsibility for the co-ordination and operation of the Board.

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

Executive Summary

The Board held three meetings during the period (see below). In addition, a rigorous training programme was undertaken involving internal and external training as set out in the table entitled, 'Attendance & Training Record' on page 11. A number of Board members have attended Working Parties to gain greater familiarity with the activities and procedures of Pensions Committee in managing the governance and structural arrangements of the Fund to support sound decision-making.

Board Changes

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

Work Plan 28 June 2016 meeting

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

Work Plan 11 October 2016 meeting

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

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

Work Plan 16 March 2017 meeting

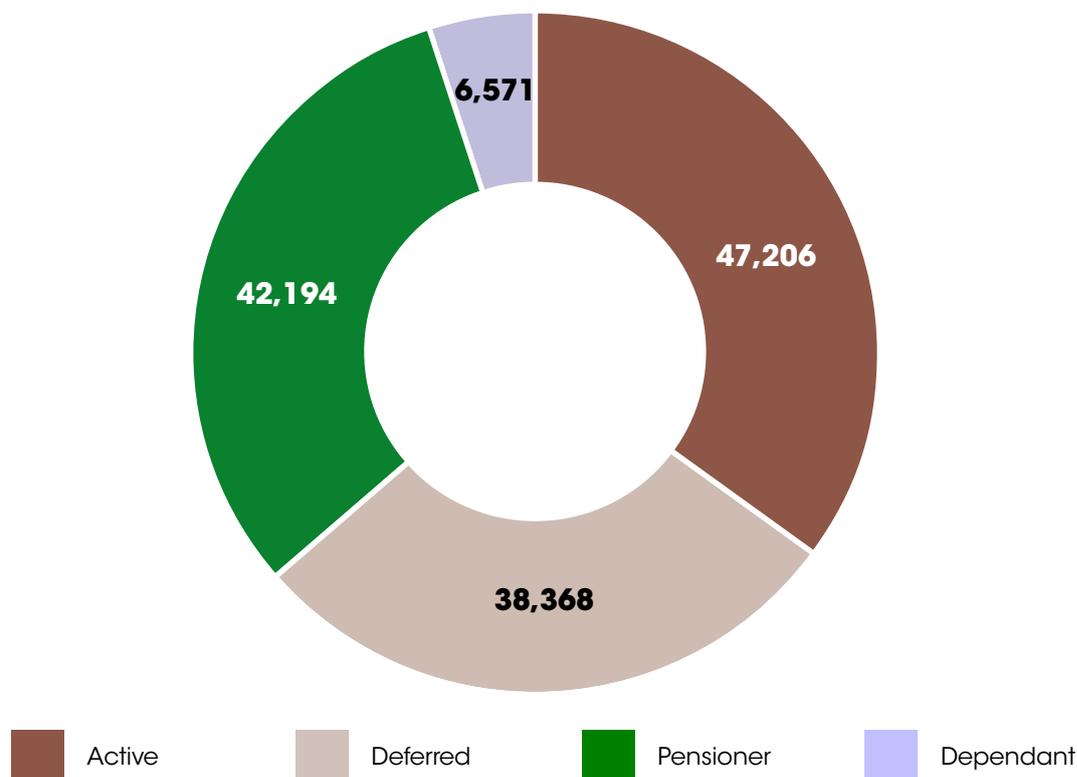
1. LGPS update
2. Member Development Programme
3. Pooling update
4. Treasury Management Strategy
5. Business Planning
6. Investment Strategy Statement guidance
7. Draft Funding Strategy
8. MIFID consultation
9. IMWP minutes
10. Administration KPI report

Pension Board Work Plan 2017 - 2018

| Agenda Item | 27/6/16 | 10/10/16 | 2018 |
|-------------------------------------|----------------|-----------------|-------------|
| LGPS Update | • | • | • |
| Administration KPI Report | • | • | • |
| Pooling Update | • | • | • |
| Audit Plan | • | | |
| Pensions Administration Strategy | | • | |
| Member Development Programme | | | • |
| Pension Board Development Programme | | | • |
| IMWP/GRWP minutes | • | • | • |
| Pension Board Annual Report | | • | |
| Investment Performance | | • | |
| Audit Findings Report | | • | |
| Annual Report & Accounts | | • | |
| Review of Actuarial Valuation | • | | |

Membership Statistics

Membership as at 31 March 2017



Number of Members by Age Band

| Status (age in years) | 0-4 | 5-9 | 10-14 | 15-19 | 20-24 | 25-29 | 30-34 | 35-39 | 40-44 | 45-49 | 50-54 |
|-----------------------|-----|-----|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Active | | | | 406 | 1,901 | 3,244 | 3,818 | 4,663 | 5,271 | 7,503 | 8,844 |
| Deferred | | | | 2 | 256 | 1,874 | 3,479 | 3,992 | 4,627 | 6,685 | 8,775 |
| Pensioner | | | | | | | 5 | 9 | 51 | 236 | 607 |
| Dependant | 2 | 18 | 51 | 126 | 64 | 11 | 12 | 18 | 29 | 78 | 176 |

| Status (age in years) | 55-59 | 60-64 | 65-69 | 70-74 | 75-79 | 80-84 | 85-89 | 90-94 | 95-99 | 100+ | Total |
|-----------------------|-------|-------|--------|-------|-------|-------|-------|-------|-------|------|----------------|
| Active | 7,157 | 3,577 | 679 | 143 | | | | | | | 47,206 |
| Deferred | 7,242 | 1,249 | 145 | 40 | 2 | | | | | | 38,368 |
| Pensioner | 2,776 | 9,043 | 10,442 | 7,953 | 5,168 | 3,422 | 1,741 | 612 | 115 | 14 | 42,194 |
| Dependant | 306 | 454 | 683 | 898 | 1,023 | 1,112 | 891 | 471 | 134 | 14 | 6,571 |
| Total | | | | | | | | | | | 134,339 |

Key Membership Statistics 2013 - 2017

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



Scheme Administration Report

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

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

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

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

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

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

Outcome of Hutton Review of Public Service Pension Schemes

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

LGPS2014 - New Scheme Design

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

The LGPS now:

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

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

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

Future-Proofing the Scheme

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

Governance of the Administration Function and Cost Management

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

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

The Local Pension Board

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

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

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

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

The Scheme Advisory Board

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

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

Cost of the Scheme to Employers and Employees

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

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

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

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

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

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

Earnings Bands for Employee Contributions

The earnings bands on which employee contributions are calculated were changed for the financial year 2017/18. The bands increased

in line with CPI inflation as at September 2016 which was 1%. This is not a contribution increase, but reflects the usual indexation of the earnings bands.

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

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

Unless the process for allocating the appropriate contribution rate from the above bands has been automated on the payroll system, employers must determine the appropriate employee contribution rate for each employee from 1 April 2017 and notify this to payroll. Any reductions in pensionable pay at that time due to sickness, child related leave, reserve forces service leave or other absence from work, are to be disregarded when determining the appropriate contribution rate.

Legislative Change

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

Local Government Pension Scheme (Amendment) Regulations

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

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

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

Indexation and equalisation of GMP in Public Service Pension Schemes.

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

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

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

Pension Scams

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

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

Key Projects and Developments

Annual Return Process and Data Quality

During the scheme year the focus of administrative activity was to ensure the timely receipt of employer annual contribution returns. As a result of the Fund's earlier engagement with employers and proactive intervention in resolving any employer issues, there has been a significant increase in the number of employers submitting timely 2016 annual return files. The administration team has continued to work with employers on outstanding data items and has maintained its programme of active engagement. Overall there has been a continued reduction in the number of outstanding data items, particularly in terms of outstanding leavers, joiners and casual employment returns.

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

Triennial Actuarial Valuation

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

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

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

Guaranteed Minimum Pension (GMP) Reconciliation

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

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

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

Procurement of Pension Administration System

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

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

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

Operational Improvements

Immediate Payments

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

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

'Straight Through Processing' of New Member data

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

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

Administration Arrangements

The Administration Team

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

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

- set the strategic direction for all aspects of the service;
- support the Trustees of the Pension Fund in their decision-making;

- ensure the proficient administration of pension records, including the preparation and distribution of Annual Benefit Statements to active and deferred members;
- undertake the calculation and payment of retirement benefits and transfer values;
- provide direction and guidance to Scheme members and Employers;

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

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

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

Pensions Administration Strategy

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

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

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

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

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

Collaborative Working

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

Service Planning

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

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

Operational Costs

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

The Department for Communities and Local Government surveys funds annually to collect administration and fund management costs in the LGPS - this is referred to as the 'SF3' statistical return. Submitted under Section 168 of the Local Government Act 1972, the data provide Government with a benchmark of scheme costs and are also used in compiling the National Accounts, showing the role of pension funds in the economy.

The administration cost reported in the 2015-16 'SF3' statistical return was £15.95 per member. In 2014-15 the administration cost was £16.37 per member.

Equality & Diversity

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

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

Communications Policy

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

In all of our communications we aim to:

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

The Fund is reviewing this Policy in view of its migration to a digital operating model. The current policy can be viewed at:

mpfund.uk/commspol

Member Communications

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

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

Fund officers worked with employers in promoting the 'MyPension' service, to further encourage active members to register in advance of the

Annual Benefit Statement production deadline. The Fund provided employers with suitable text for staff newsletters, briefings, intranet sites and broadcast emails. On production of the statements, employers were asked to utilise the same communication channels to inform members of their availability online.

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

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

Presentations for Scheme Members

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

Employer Communications

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

The Fund has continued to update the comprehensive administration information to employers in the HR and Payroll Guides. Based on national guidance, these Fund-specific documents provide detailed information on administrative and operational practice. Practitioner training sessions are provided by Fund Officers, to provide guidance on employer duties, operational practice and direction in completing Fund forms.

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

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

Events for Employers

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

Data Security

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

The following arrangements are in place to safeguard this data:

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

Risk Management

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

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

Performance Standards

Results of performance against targets are shown below:

| Performance Targets | Target | Within Target % |
|--|---------|-----------------|
| 1. Payment of Retirement Benefits | 7 days | 98 |
| 2. Payment of Monthly Pensions | 100% | 100 |
| 3. Payment of Transfer Values | 7 days | 99 |
| 4. Provision of Inward Transfer Quotes | 10 days | 100 |
| 5. Notification of Deferred Benefits | 22 days | 99 |
| 6. Provide Valuation in Divorce Cases | 10 days | 100 |
| 7. Respond to Members Enquiries | 10 days | 80 |

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

Internal Dispute Resolution Cases

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

Breakdown of IDRP Cases 2016-2017

Total IDRP Cases (Against Fund and Employer Decisions)

| | |
|---|-----------|
| Appeal against reason for Termination of Employment | 1 |
| Employer Refusal of Flexible Retirement | 1 |
| Employer to Reconsider Stage 1 Process | 1 |
| Appeal Against Reason for Leaving as Capability | 1 |
| Incorrect Benefit Estimate | 1 |
| Appeal Against Tier 3 Ill Health Award | 2 |
| Added Years Incorrectly Calculated | 1 |
| Appeal Against Payment of Death Grant | 1 |
| Ombudsman Referral to Reconsider IDRP Process | 1 |
| Total | 10 |

Appeals Against Employer Decisions

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

Appeals Against Fund Decisions

| Reason for Appeal | Number | Fund Decision |
|---|----------|---------------|
| Incorrect Calculation of Added Years used in Retirement Benefit Calculation | 1 | Upheld |
| Appeal Against Award of Death Grant | 1 | Upheld |
| Total | 2 | |

Appeals to the Pensions Ombudsman

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

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

Investment Report

Year ended 31 March 2017

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

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

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

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

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

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

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

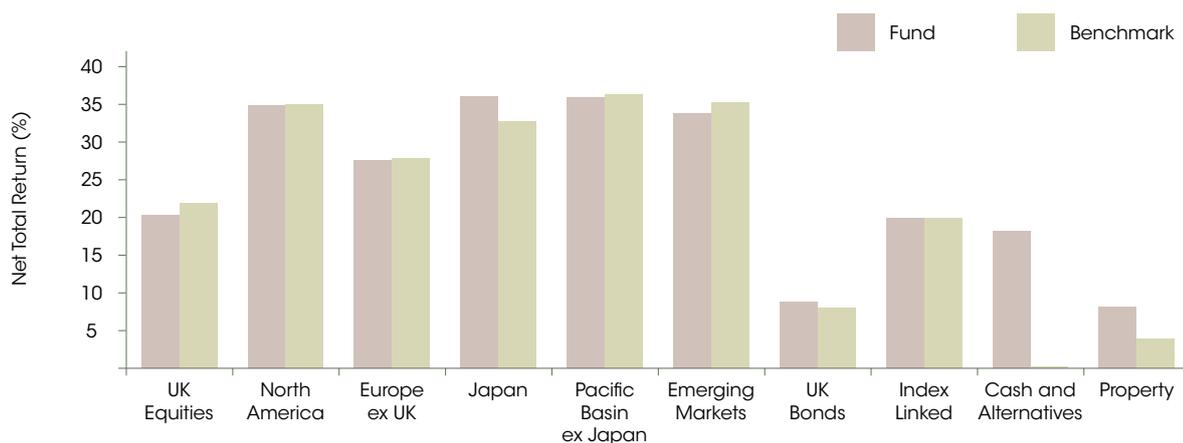
The annualised performance of the Fund against its benchmark for 1, 3, and 5 year periods is tabulated below.

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

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

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

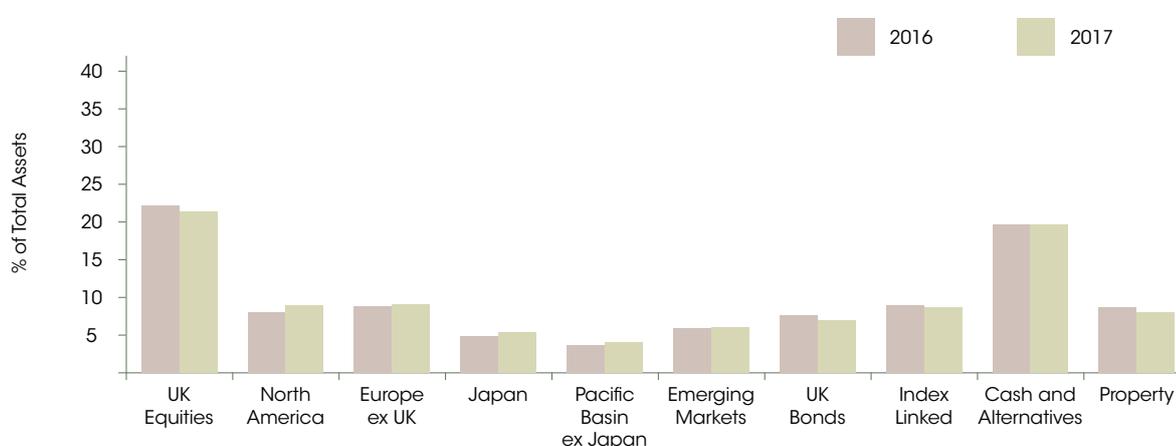
Figure 1.
Net Total Return by Asset Class for Year Ending 31 March 2017



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

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

Figure 2.
Asset Allocation Change 2016 vs 2017



Largest Property Holdings as at 31 March 2017

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

Strategic Asset Structure

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

Financial Performance

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

| 2016/2017 or at 31 March 2017 | Predicted £'000 | Actual £'000 |
|--------------------------------------|----------------------------|-------------------------|
| Fund Size 2016 | 6,849,756 | 6,849,756 |
| Fund Size 2017 | 7,209,003 | 8,178,485 |
| Pensions Paid | (307,828) | (306,902) |
| Contributions Received | 229,025 | 208,513 |
| Net Transfers | - | (7,724) |
| Net Cash Flow From Members | (78,803) | (106,113) |
| Net Management Expenses | (34,584) | (38,315) |
| Investment Income | 149,556 | 166,729 |
| Change in Valuation of Assets | 323,078 | 1,306,428 |
| Return from Investments | +472,643 | +1,473,157 |
| Net Change Overall | +359,247 | 1,328,729 |

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

The contributions received in 2016/17 are lower than in previous years, due to a number of employers opting to pay their three year deficits

calculated by the actuary in year 1 (2014/15), therefore the following 2 years are reduced accordingly.

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

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

Note: Premises' expenditure is agreed as a notional charge based on market rates, as MPF owns the building. For the purposes of the operating budget, Investment fees above refers to invoiced investment costs only and is therefore lower than the figure disclosed in the Fund Account.

Overall the actual out-turn for 2016/17 was £19.8 million, higher than the original budget of £19.2 million approved by Pensions Committee in July 2016.

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

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

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

The assumptions that underpin this budget are that, over the next 3 years investment performance follows long-term trends and that the Fund follows the long-term trends in mortality and other factors assumed within the actuarial valuation. The budget also allows for some growth in staffing and IT costs for the changes in the Scheme administration. Investment fees shown on page 27 are for invoiced investment management costs only and do not include any fees for private market assets, any property related expenditure nor any investment changes associated with pooling.

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

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

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

The material variable in these assumptions is investment returns. If returns over the next few years are different from the predicted long-term average (7% per annum), then the out-turn will

be significantly different. The other key variable is the pattern of membership of the Scheme. If employers make significant changes which affect the number of active members or deferred members and pensioners, then the cash-flows of the Scheme can change materially. Both of these factors are largely outside the influence of Merseyside Pension Fund.



Financial Statements

Fund Account - for year ended 31 March 2017

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

Net Assets Statement - for year ended 31 March 2017

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

Notes to the Accounts

1. Description of the Fund

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

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

In 2015/16 a local Pension Board was introduced in accordance with the Public Service Pensions legislation and regulations. The Board's aim is to assist the Administering Authority with ensuring compliance and the effective governance and administration of the Fund.

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

a. General

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

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

The Fund is a contributory defined benefit pension scheme administered by Wirral Council to provide pensions and other benefits for pensionable employees of Merseyside's local authorities and a range of other scheduled and admitted bodies. Teachers, Police Officers and Fire Fighters are not included as they come within other national pension schemes.

b. Membership

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

Organisations participating in Merseyside Pension Fund include:

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

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

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

c. Funding

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

d. Benefits

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

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

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

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

2. Basis of Preparation

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

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

3. Summary of Significant Accounting Policies

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

Contributions and Benefits

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

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

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

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

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

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

Transfers to and from other Schemes

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

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

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

Management Expenses

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

Administration Costs

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

Investment Management Costs

All investment expenses are accounted for on an accrual basis.

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

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

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

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

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

Oversight and Governance Costs

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

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

Investment Income

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

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

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

Taxation

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

Valuation of Investments

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

- Listed securities are valued at quoted bid market prices on the final day of the accounting period. The bid price is the price which the Fund would have obtained should the securities have been sold at that date.
- For unlisted investments wherever possible valuations are obtained via the Independent Administrator. Valuations that are obtained direct from the Manager are verified against the latest available audited accounts adjusted for any cash flows up to the reporting date.
- Hedge Funds and Infrastructure are recorded at fair value based on net asset values provided by Fund Administrators, or using latest financial statements published by respective Fund Managers adjusted for any cash flows.
- Private Equity valuations are in accordance with the guidelines and conventions of the British Venture Capital Association/International Private Equity guidelines or equivalent.
- Indirect Property is valued at net asset value or capital fair value basis provided by the Fund Manager. For listed Funds the net asset value per unit is obtained through data vendors.
- The freehold and leasehold interests in the properties held within the Fund were independently valued as at 31 March 2017 by Savills (UK) Limited, acting in the capacity of

External Valuers as defined in the RICS Red Book (but not for the avoidance of doubt as an External Valuer of the Fund as defined by the Alternative Investment Fund Managers Regulations 2013). The valuations accord with the requirements of IFRS 13, SSAP 19 and the 9th Edition of the RICS Valuation - Professional Standards (incorporating the International Valuation Standards) ('the RICS Red Book').

- Pooled Investment Vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of Pooled Investment Vehicles that are Accumulation Funds, change in market value also includes income which is reinvested by the Manager of the vehicle in the underlying investment, net of applicable withholding tax.

Translation of Foreign Currencies

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

Derivatives

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

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

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

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

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

Short-Term Deposits

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

Financial Liabilities

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

Additional Voluntary Contributions

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

The Scheme providers are Equitable Life, Standard Life and Prudential. Individual members participating in this arrangement each receive an annual statement confirming the amounts held on their account and the movements in the year.

4. Critical Judgements in Applying Accounting Policies

The Fund has not applied any critical judgements.

5. Estimation**Unquoted Investments**

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

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

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

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

6. Events After the Reporting Date

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

7. Contributions Receivable

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

Contributions are made by active members of the Fund in accordance with the LGPS and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2017. Employee contributions are matched by employers' contributions which are based on triennial actuarial valuations. The 2016/17 contributions on page 35 were calculated at the valuation dated 31 March 2013. The 2013 actuarial valuation calculated the average employer contribution of 22.5% (2010 18%).

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

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

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

8. Transfers In

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

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

9. Benefits Payable

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

10. Payments to and on Account of Leavers

| | 2016/17 £'000 | 2015/16 £'000 |
|--|------------------|------------------|
| Refunds to Members Leaving Service | 465 | 429 |
| Payment for Members Joining State Scheme | 289 | 222 |
| Income for Members From State Scheme | (32) | (14) |
| Group Transfers to Other Schemes | 1,226 | 1,411 |
| Individual Transfers to Other Schemes | 17,344 | 12,398 |
| | 19,292 | 14,446 |

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

11. Management Expenses

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

11c. Oversight and Governance Costs

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

11a. Administration Costs

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

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

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

11b. Investment Management Costs

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

12. Investment Income

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

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

Investment income figures are shown gross of tax. Included in these figures is recoverable taxation of £4.1 million (2015/16 £4.1 million).

The Fund is seeking to recover tax withheld by UK and overseas tax regimes under the EU principle of free movement of capital within its borders, but is not accruing for future receipt of such income within these accounts. There were no repayments received in 2016/17 (2015/16 £75,522).

12a. Property Income

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

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

12b. Property Operating Leases

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

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

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

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

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

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

13. Investments

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

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

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

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

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

13a. Analysis of Investments

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

As at 31 March 2017 there were no amounts of restrictions on the realisability of investment property or of income and proceeds of disposal.

There were no obligations to purchase new properties.

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

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

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

| Other Investment Balances | 2016/17 £'000 | 2015/16 £'000 |
|---|------------------|------------------|
| Outstanding Trades | 4,509 | 22,765 |
| Outstanding Dividend Entitlements and Recoverable Withholding Tax | 17,304 | 13,373 |
| Cash Deposits | 95,737 | 78,522 |
| | 117,500 | 114,660 |

13b. Analysis of Derivatives

A Futures contract is the obligation under a legal agreement to make or take delivery of a specified instrument at a fixed future date, at a price determined at the time of dealing. Merseyside Pension Fund's Index Futures Contracts are externally managed and their objective is to hedge overseas investment positions against

adverse index movements. Futures dealing requires the posting of margin. Initial margin which must be posted before you can trade and variation margin, the mark-to-market value of the futures contracts you hold. Variation margin is exchanged daily and exists to reduce counterparty credit exposure. Collateral held is EUR 155,397. DJ Euro STOXX 50 have a contract multiplier of x10 therefore the notional value underlying the futures contracts is £0.50 million.

Futures

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

Forward Currency Contracts

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

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

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

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

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

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

13d. Stock Lending

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

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

14. Fair Value Hierarchy

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

Level 1

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

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

Level 2

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

Level 3

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

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

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

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

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

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

| Values at 31 March 2017 | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total £'000 |
|--|------------------|------------------|------------------|------------------|
| Financial Assets | | | | |
| Financial Assets at Fair Value through Profit and Loss | 3,718,069 | 2,344,073 | 1,471,037 | 7,533,179 |
| Non-Financial Assets at Fair Value through Profit and Loss | | | 431,150 | 431,150 |
| Total Financial Assets | 3,718,069 | 2,344,073 | 1,902,187 | 7,964,329 |

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

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

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

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

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

15. Financial Instruments

15a. Classification of Financial Instruments

Accounting policies describe how different asset classes of financial instruments are measured,

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

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

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

To allow reconciliation to the Net Asset Statement and for ease to the reader all long-term & current assets and current liabilities have been included

in the above note, although not all are classified as financial instruments, the amounts that are not financial instruments are considered immaterial.

15b. Net Gains and Losses on Financial Instruments

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

15c. Fair Value of Financial Instruments

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

16. Nature and Extent of Risks Arising from Financial Instruments

Risk and Risk Management

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

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

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

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

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

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

The Fund manages investment risks through the following measures:

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

16a. Market Risk

The Fund is aware that its key risk is market risk i.e. the unpredictability of market performance in the future. The general practice to quantify these risks is to measure the volatility of historical performance. The tables below show the Fund's exposure to asset classes and their reasonable

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

| 31 March 2017 | Value £'m | Potential Variance % | Value on Increase £'m | Value on Decrease £'m |
|--|----------------------|-------------------------------------|--------------------------------------|--------------------------------------|
| UK Equities (all Equities including Pooled Vehicles) | 1,692 | 19.0 | 2,013 | 1,370 |
| US Equities | 787 | 21.0 | 952 | 622 |
| European Equities | 790 | 22.5 | 968 | 612 |
| Japan Equities | 438 | 20.5 | 527 | 348 |
| Emerging Markets Equities including Pacific Rim | 812 | 31.0 | 1,064 | 561 |
| UK Fixed Income Pooled Vehicles | 566 | 11.0 | 628 | 503 |
| UK Index-Linked Pooled Vehicles | 708 | 9.0 | 772 | 644 |
| Pooled Property | 204 | 12.5 | 229 | 178 |
| Private Equity | 545 | 27.5 | 695 | 395 |
| Hedge Funds | 272 | 9.0 | 297 | 248 |
| Infrastructure | 323 | 18.5 | 383 | 263 |
| Other Alternative Assets | 396 | 14.2 | 452 | 340 |
| Short-Term Deposits and Other Investment Balances | 214 | 0.0 | 214 | 214 |
| Total | 7,747 | | | |

| 31 March 2016 | Value £'m | Potential Variance % | Value on Increase £'m | Value on Decrease £'m |
|--|----------------------|-------------------------------------|--------------------------------------|--------------------------------------|
| UK Equities (all Equities including Pooled Vehicles) | 1,496 | 19.0 | 1,780 | 1,211 |
| US Equities | 566 | 17.0 | 663 | 470 |
| European Equities | 626 | 19.0 | 745 | 507 |
| Japan Equities | 328 | 20.0 | 394 | 263 |
| Emerging Markets Equities including Pacific Rim | 638 | 30.0 | 829 | 446 |
| UK Fixed Income Pooled Vehicles | 520 | 11.0 | 577 | 462 |
| UK Index-Linked Pooled Vehicles | 603 | 9.0 | 657 | 549 |
| Pooled Property | 200 | 12.5 | 225 | 175 |
| Private Equity | 456 | 25.0 | 570 | 342 |
| Hedge Funds | 232 | 9.0 | 253 | 211 |
| Infrastructure | 255 | 18.5 | 302 | 208 |
| Other Alternative Assets | 365 | 14.0 | 416 | 314 |
| Short-Term Deposits and Other Investment Balances | 188 | 0.0 | 188 | 188 |
| Total | 6,473 | | | |

16b. Credit Risk

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

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

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

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

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

16c. Liquidity Risk

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

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

The Fund has no borrowing or borrowing facilities.

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

16d. Outlook for Real Investment Returns

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

17. Funding Arrangements

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

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

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

The key elements of the funding policy are to:

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

Summary of Key whole Fund assumptions used for calculating funding target

| | 31 March 2016 % p.a. |
|--|---------------------------------------|
| Long-Term Yields | |
| Market Implied RPI Inflation | 3.20 |
| Solvency Funding Target Financial Assumptions | |
| Investment Return | 4.20 |
| CPI Price Inflation | 2.20 |
| Salary Increases | 3.70 |
| Pension Increases | 2.20 |
| Future Service Accrual Financial Assumptions | |
| Investment Return/Discount Rate | 4.95 |
| CPI Price Inflation | 2.20 |
| Salary Increases | 3.70 |
| CARE | 2.20 |

18. Investment Liabilities

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

19. Long-Term Assets

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

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

20. Current Assets and Liabilities

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

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

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

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

21. Contractual Commitments

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

21. Contingent Assets

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

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

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

23. Related Party Transactions

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

between Members and Senior Officers and the Fund.

Management expenses include charges by Wirral Council in providing services in its role as Administering Authority to the Fund, which amount to £3.6 million. (2015/16 £3.3 million). Such charges principally relate to staffing required to maintain the pension service. Central, Finance and IT costs are apportioned to the Fund on the basis of time spent on Fund work by Wirral Council. There was a debtor of £11.9 million (2015/16 £16.0 million) and a creditor of £293,110 as at 31 March 2017 (2015/16 £259,834).

Employers are related parties in so far as they pay contributions to the Fund in accordance with the appropriate Local Government Pension Scheme Regulations (LGPS). Contributions for the year are shown in note 7, and in respect of March 2017, payroll are included within the debtors figure in note 20.

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

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

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

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

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

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

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

Key Management Personnel

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

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

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

24. Additional Voluntary Contribution Investments

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

Statement of Responsibilities

The Authority's Responsibilities

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

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

Section 151 Officer Responsibilities

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

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

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

The Section 151 Officer has also:

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

The Section 151 Officer's Certificate

I certify that the Statement of Accounts presents fairly the financial position of the Fund at 31 March 2017, and its income and expenditure for the year then ended.



Tom Sault
Section 151 Officer
September 2017

Audit Report

Independent auditor's report to the members of Wirral Council on the consistency of the Merseyside Pension Fund financial statements included in the Merseyside Pension Fund annual report.

Opinion

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

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

Pension Fund Annual Report - Pension Fund Financial Statements

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

Who we are Reporting To

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

The Audited Financial Statements and our Report Thereon

We expressed an unmodified audit opinion on the pension fund financial statements in the Statement of Accounts in our report dated September 2017.

Chief Financial Officer's Responsibilities for the Pension Fund Financial Statements in the Pension Fund Annual Report

Under the Local Government Pension Scheme Regulations 2013 the Chief Financial Officer of the Authority (in Wirral Council this is the Section 151 Officer) is responsible for the preparation of the pension fund financial statements, which must include the fund account, the net asset statement and supporting notes and disclosures prepared in accordance with proper practices. Proper practices for the pension fund financial statements in both the Statement of Accounts and the pension fund annual report are set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Auditor's Responsibility

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

Grant Patterson

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

September 2017

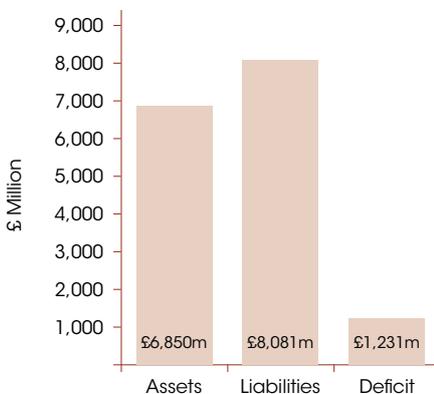
Consulting Actuary's Statement

Accounts for the Year Ended 31 March 2017 Statement by the Consulting Actuary

This statement has been provided to meet the requirements under Regulation 57(1)(d) of The Local Government Pension Scheme Regulations 2013.

An actuarial valuation of the Merseyside Pension Fund was carried out as at 31 March 2016 to determine the contribution rates with effect from 1 April 2017 to 31 March 2020.

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



The valuation also showed that a Primary contribution rate of 15.4% of pensionable pay per annum was required from employers. The Primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

The funding objective as set out in the Funding Strategy Statement (FSS) is to achieve, and then maintain, a solvency funding level of 100% of liabilities (the solvency funding target). In line with the FSS, where a shortfall exists at the effective date of the valuation, a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall (or contribution reductions to refund any surplus).

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

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

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

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

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

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

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

The assets were assessed at market value.

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

Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2017 (the 31 March 2016 assumptions are included for comparison):

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

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

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

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

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

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



Paul Middleman
Fellow of the Institute and Faculty of Actuaries
Mercer Limited
June 2017



Appendix A

Scheme employers with active members as at 31 March 2017

Scheduled Bodies (37)

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

Scheduled Bodies (Academies) (64)

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

Prenton High School for Girls
 Rainhill Learning Village Multi Academy Trust
 Rainhill St Anns CE Primary School (Academy)
 Range High School
 St Anselm's College
 St Edward's College
 St Francis Xavier's College (Academy)
 St John Plessington Catholic College
 St Margaret's Church of England Academy
 St Mary & St Thomas CE Primary School (Academy)
 St Mary's Catholic College
 St Michael's C of E High School (Academy)
 St Silas C of E Primary School (Academy)
 Studio @ Deyes Academy
 Sylvester Primary Academy
 The Belvedere Academy
 The Birkenhead Park School
 The Kingsway Academy
 The Prescot School (Academy)
 The Studio (Academy)
 The Sutton Academy
 Townfield Primary
 Upton Hall School
 Weatherhead High School
 West Derby School (Academy)
 West Kirby Grammar School
 Wirral Grammar School for Girls
 Wirral Grammar Boys (Academy)
 Woodchurch High School

**Admission Bodies
(Community) (33)**

Age Concern - Liverpool
 Arriva North West
 Association of Police Authorities
 Berrybridge Housing Ltd
 Birkenhead School (2002)
 Care Quality Commission
 Catholic Children's Society
 CDS Housing
 Cobalt Housing Ltd
 Glenvale Transport Ltd/
 Stagecoach
 Greater Hornby Homes
 Greater Merseyside Connexions
 Helena Partnerships Ltd
 Lee Valley Housing
 Association Ltd
 Liverpool Hope University
 Liverpool Housing Trust
 Liverpool Mutual Homes Ltd
 Local Government Association
 Merseyside Lieutenancy
 Merseyside Welfare Rights
 North Huyton Communities
 Future
 North Liverpool Citizens Advice
 Bureau
 One Vision Housing Ltd
 Partners Credit Union
 Port Sunlight Village Trust
 Sefton Education Business
 Partnership
 South Liverpool Housing Ltd
 Vauxhall Neighbourhood
 Council
 Village Housing Association Ltd
 Wavertree Citizens Advice
 Bureau
 Welsh Local Government
 Association
 Wirral Autistic Society
 Wirral Partnership Homes Ltd

**Admission Bodies
(Transfer) (48)**

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

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

Appendix B

Pensions Committee Items

4 July 2016 (Special)

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

19 September 2016

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

15 November 2016 (Special)

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

23 January 2017

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

21 March 2017

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

Attendance Record 2016 - 2017

| | PENSIONS COMMITTEE | | | | | GRWP | | IMWP | | | | | |
|---|--------------------|--------|--------|--------|--------|--------|-------|--------|-------|--------|--------|--------|-------|
| | 4 JUL | 19 SEP | 15 NOV | 23 JAN | 21 MAR | 30 JUN | 7 FEB | 19 APR | 9 JUN | 22 SEP | 18 OCT | 24 NOV | 9 FEB |
| Clr Paul Doughty (Chair) | . | . | . | . | . | | . | . | . | . | | . | . |
| Clr Ann McLachlan (Vice-Chair) | | . | . | . | . | | . | | | . | | | |
| Clr George Davies | . | . | . | . | . | | . | | . | . | | . | |
| Clr Adrian Jones | . | . | | . | # | | . | | . | . | | . | . |
| Clr Brian Kenny | # | . | # | . | . | . | . | | . | . | . | . | . |
| Clr Geoffrey Watt (Spokesperson) | . | . | . | . | . | . | . | . | . | . | . | . | . |
| Clr Cherry Povall, JP | # | . | . | . | . | | | | . | | . | | |
| Clr Pat Cleary | . | . | . | . | . | | | | . | . | | . | . |
| Clr Tom Anderson | . | . | | # | # | | | | | | | | |
| Clr Tony Jones | . | . | . | . | . | | | | | | | | . |
| Clr Terry Byron (Knowsley Council)* | | | | | | | | | | | | | . |
| Clr Nick Crofts (Liverpool City Council)* | | | . | | | | | | | | | | |
| Clr John Fulham (St. Helens Council)* | | | . | | | | | | | | | | |
| Clr Paulette Lappin (Sefton Council)* | | | . | | | . | . | . | . | . | | | |
| Patrick Cleary (UNISON)* | . | | | . | | . | . | . | | | . | | |
| Brian Ellis (UNISON)* | . | | | | | | | | | | . | | |

Deputy Attended * Co-Oplee

Conferences

| | NAPF Gloucester | LGC Newport | PISA ANNUAL CONFERENCE Liverpool | ANNUAL EMPLOYERS' CONFERENCE Aintree | LAPFF ANNUAL CONFERENCE Bournemouth | LGC Carden Park | FUNDAMENTAL TRAINING DAYS |
|---|--------------------|----------------|--|---|--|--------------------|---------------------------------|
| | 16 - 17 MAY | 7 - 9 SEP | 19 - 21 OCT | 29 NOV | 7 - 9 DEC | MAR | OCT/NOV/DEC |
| Clr Paul Doughty (Chair)# | . | . | . | . | . | . | . |
| Clr Ann McLachlan (Vice-Chair) | | | | . | | | |
| Clr George Davies | | | | . | | | |
| Clr Adrian Jones | | | | | | . | |
| Clr Brian Kenny | | | . | . | | . | . |
| Clr Geoffrey Watt (Spokesperson) | | . | . | . | . | | |
| Clr Cherry Povall, JP | | . | . | | | | |
| Clr Pat Cleary | | | | | | | |
| Clr Tom Anderson | | . | | | | | |
| Clr Tony Jones | | | | | | . | . |
| Clr Terry Byron (Knowsley Council)* | | | | | | | |
| Clr Nick Crofts (Liverpool City Council)* | | | | | | | |
| Clr John Fulham (St. Helens Council)* | | | . | | | | |
| Clr Paulette Lappin (Sefton Council)* | | | | | | | |
| Patrick Cleary (UNISON)* | | | | | | | |
| Brian Ellis (UNISON)* | | | | | | | |

In addition, the Chair attended LAPFF executive board meetings
* Co-Oplee

Appendix C

Information Contacts

Position

Director of Pensions
Principal Pension Officer

Name

Peter Wallach
Yvonne Caddock

Telephone number

0151 242 1390
0151 242 1390

Area

Accounts
Investments
Member Services
Benefits/Payroll
Operations (IT/Communications)

Name

Donna Smith
Leyland Otter
Sue Roberts
Barbara King/Keith Higgins
Guy Hayton

Telephone number

0151 242 1390
0151 242 1390
0151 242 1390
0151 242 1390
0151 242 1390

Resolution of Disputes

Employer Decisions
Fund Decisions

Principal Pension Officer
Section 151 Officer

0151 242 1390
0151 666 3407

Scheme Employers Contacts

Arriva North West
Knowsley MBC
Liverpool City Council
Liverpool John Moores University
Merseyside Fire & Rescue Service
Merseytravel (MPTE)
Merseyside Waste Disposal Authority
Office of the Police and Crime Commissioner
for Merseyside (OPCCM)
Sefton MBC
St. Helens MBC
Wirral Council

Tina Edwards
Jaci Dick
Richard Arnold
Jayne Brown
Julie Murdoch
Lynne Gogerty
Paula Pocock
Karen Blake
Lynn Abbott
Cathy O'Connor
Jann Lindoe

0151 522 2807
0151 443 5161
0151 233 0375
0151 231 8756
0151 296 4245
0151 330 1213
0151 255 2539
0151 777 8189
0151 934 4126
0174 467 6627
0151 691 8529



Report & Accounts 2016/17

Merseyside Pension Fund

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43 Castle Street
Liverpool
L2 9SH

Tel: 0151 242 1390

Email: mpfadmin@wirral.gov.uk

www.merseysidepensionfund.org.uk

Administering Authority Wirral Council

