

Merseyside Pension Fund
Annual Report & Accounts
2022/23

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Management Structure as at 31 March 2023

Pension Fund Management Committee

Chair:

Cllr Pat Cleary Wirral

Vice Chair:

Cllr Cherry Povall, JP Wirral

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

Employee Representatives (Non-voting)

Roger Bannister UNISON

Officers of the Fund

Peter Wallach
 Yvonne Murphy
 Colin Hughes
 Donna Smith
 Matthew Bennett

Director of Pensions
 Head of Pensions Administration
 Group Solicitor
 Head of Finance & Risk
 Director of Finance & Investments

Local Pension Board

Independent Chair:

John Raisin

Employer Representatives:

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

Member Representatives:

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

Advisors to Investment Monitoring Working Party

Director of Pensions
 Senior Portfolio Manager
 Redington
 Mr R Worrall
 Mr P Watson

Advisors to Governance & Risk Working Party

Director of Pensions
 Head of Pensions Administration
 Head of Finance & Risk

Others

Auditor

Grant Thornton

Bankers

Lloyds Banking Group

Consultant Actuary

Mercer HR Consulting

Strategic Investment Consultant

Redington

Custodian of Assets

Northern Trust

Responsible Investment Advisors

Pensions and Investment Research Consultants

Property Advisors

CBRE Capital Advisors

Property Managers

CBRE Asset Services

Property Valuers

Savills

Performance Measurement

Northern Trust

Solicitor

Wirral Council

AVC Providers

Utmost Life and Pensions
 Standard Life
 Prudential

LGPS Investment Pool

Northern LGPS (with GMPF and WYPF)

Chair's Introduction

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

The Overall Aim of the Fund

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

Overview

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

Investments and Performance

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

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

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

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

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

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

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

Communication with Fund Employers and Members

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

Past Changes and the Future

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

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

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

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

Preparation of Report

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

Councillor Julie McManus
Chair, Pensions Committee
June 2023

Management Report

Management of the Fund

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

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

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

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

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

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

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

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

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

Risk Management

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

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

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

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

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

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

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

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

Knowledge and Skills

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

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

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

Activity in Year

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

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

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

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

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

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

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

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

Pension Board Report

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

Statement of Purpose for the Merseyside Local Pension Board

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

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

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

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

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

Constitution/Management arrangements

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

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

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

Executive Summary

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

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

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

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

Pensions Administration and Investment Benchmarking

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

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

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

Internal Audit Report 2021-22

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

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

Reporting Breaches of the Law to the Pensions Regulator

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

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

Recommendations made to the Scheme Manager (Pensions Committee)

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

Training and Development

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

Board Changes

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

Issues considered by the Pension Board 2022 – 2023

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

Pension Board Work Plan 2023 – 2024

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

Pension Board Attendance 2022/23

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

Training & Events Record 2022/23

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

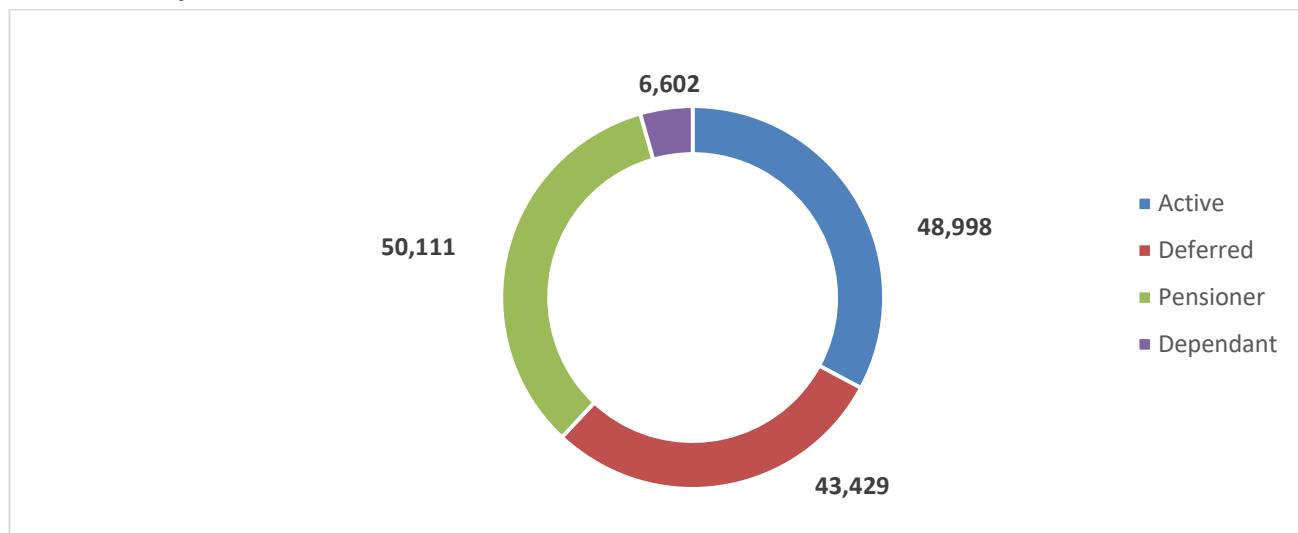
In Attendance 2022/23	IMWP 15 Nov	GRWP 13 July	IMWP 2 Mar	GRWP 9 Mar
		•		•
John Raisin		•		•
Donna Ridland	•		•	•
Robin Dawson			•	
Cllr. Pat Moloney	•		•	
Roger Irvine			•	
Peter Fieldsend		•	•	

Costs of Operation 2022/23

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

Membership Statistics

Membership as at 31 March 2023



Number of Members by Age Band

Status (age in years)	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40-44	45-49	50-54
Active				304	1,926	3,346	4,065	5,016	5,474	5,498	7,489
Deferred				43	467	1,492	3,207	4,966	5,894	5,891	8,306
Pensioner							3	8	21	57	280
Dependant	1	17	69	128	38	12	8	21	39	58	118
Status (age in years)	55-59	60-64	65-69	70-74	75-79	80-84	85-89	90-94	95-99	100+	Total
Active	8,224	5,656	1,722	278							48,998
Deferred	8,249	4,050	713	129	22						43,429
Pensioner	2,830	8,660	12,266	10,275	7,986	4,310	2,375	856	169	15	50,111
Dependant	267	474	663	902	1,134	1,037	925	525	150	16	6,602
										Total	149,140

Key Membership Statistics 2018 - 2023

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

New Pensioners in Year 2022/23 by Retirement Type

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

Scheme Administration Report

Statutory Framework of Local Government Pension Scheme (LGPS)

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

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

Employer Base

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

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

LGPS2014 - Scheme Design

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

The LGPS:

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

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

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

The Administration Team

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

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

Oversight and Value for Money

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

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

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



The Four Pillars to support Value for Money

Service Delivery

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

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

Workloads & Resourcing

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

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

Restructure of Employer Compliance & Membership Section (ECM)

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

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

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

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

Key Activities

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

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

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

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

Preparation for Triennial Valuation

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

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

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

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

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

Annual Benefit Statements

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

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

The Pensions Regulator Measure of Data Quality

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

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

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

Annual Allowance Pension Savings Statements

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

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

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

Compliance with Statutory Duties

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

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

Meeting members' expectations

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

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

Ensuring service delivery is cost effective

Our costs are managed and monitored by:

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

Ensuring success

The team strive to achieve success by:

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

Legislative Change

McCloud Remedy - Amendments to The Statutory Underpin

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

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

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

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

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

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

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

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

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

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

LGPS (Amendment) Regulations 2023 – Care Revaluation Date

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

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

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

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

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

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

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

The Pension Dashboard Programme

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

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

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

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

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

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

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

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

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

Fund Policies

The Funding Strategy Statement (FSS)

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

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

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

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

Other Fund Policies

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

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

Impending Change to Scheme Governance

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

Scheme Advisory Board Good Governance Project

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

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

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

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

The Pensions Regulators New General Code

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

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

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

Collaboration with Peer Funds, Scheme Employers and National Bodies

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

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

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

Operational Improvements

Digital Transformation Programme

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

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

Over the year progress was made in the following areas:

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

Customer Engagement

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

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

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

Strategic Focus, Planning and Operational Cost

Service Planning

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

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

Staff Training and Development

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

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

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

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

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

Operational Costs

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

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

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

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

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

Equality & Diversity

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

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

Member Communications

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

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

Presentations & Courses

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

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

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

Employer Communications

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

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

Data Security

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

The following arrangements are in place to safeguard this data:

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

Cyber Security

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

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

Performance Standards

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

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

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

Internal Dispute Resolution Cases

Appeals against Employer Decisions

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

Appeals against Fund Decisions

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

Investment Report

Year ended: 31st March 2023

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

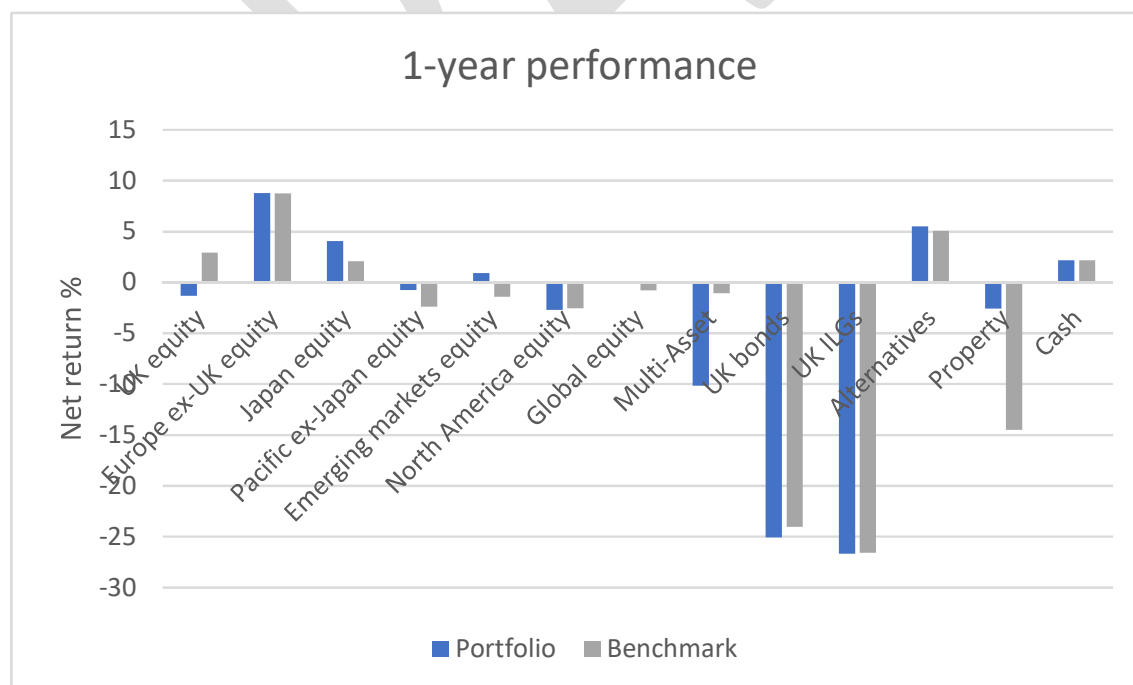
Table 1

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

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

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

Figure 1

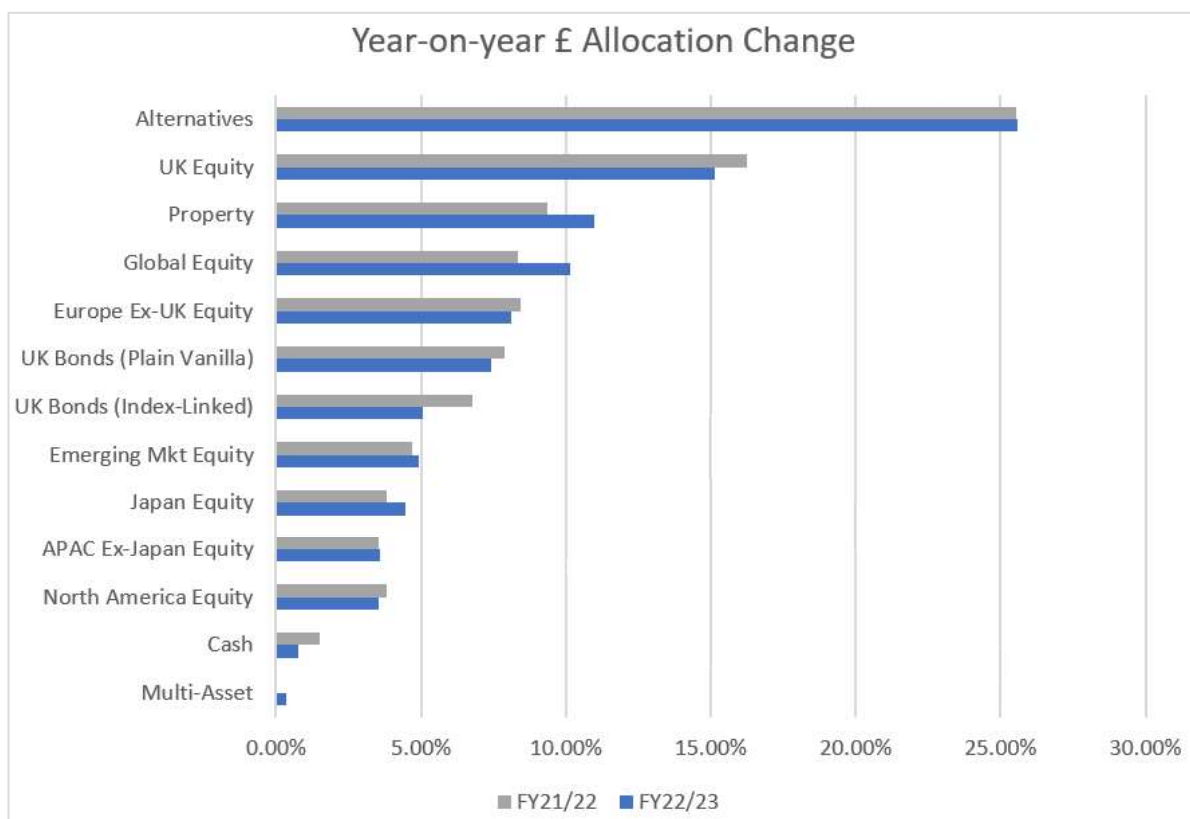


Source: Northern Trust; returns are net of fees and expenses; GBP-adjusted

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

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

Figure 2



Source: Northern Trust; GBP-adjusted

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

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

Source: CBRE

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

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

Source: Burgiss

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

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

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

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

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

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

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

Responsible Investment

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

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

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

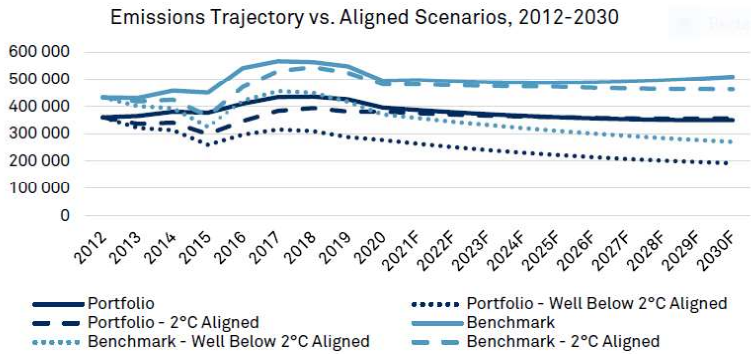
The Fund remains an active long-standing member of the Local Authority Pension Fund Forum (LAPFF), which conducts various engagements on behalf of the Fund, with support from officers. LAPFF are well placed to apply collective pressure on companies and shape market behaviours and regulations. Their 2022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

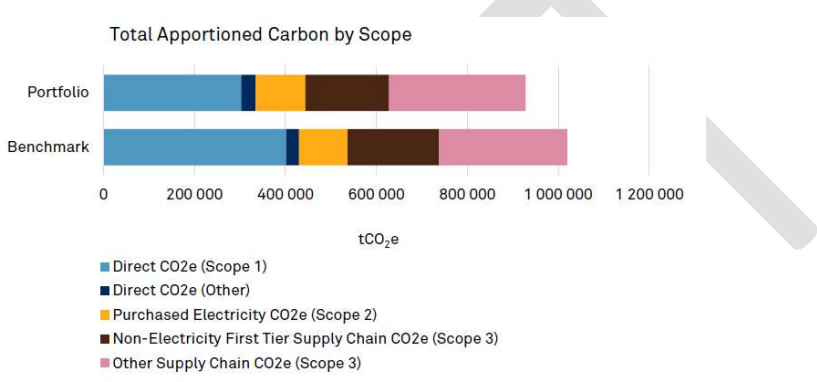
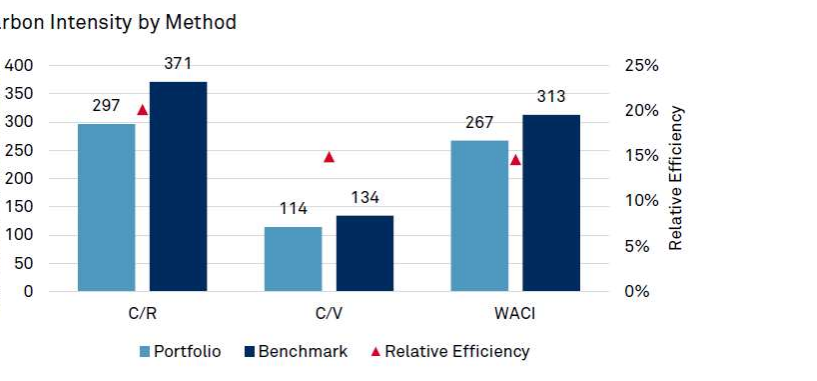
MPF internally continues its work in Climate Stewardship as an active member of Climate 100+ and in partnership with Share Action. The Fund's work in decarbonisation in the banking sector is noteworthy and continues following successful engagements with Barclays and HSBC throughout the reporting period.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

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

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

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

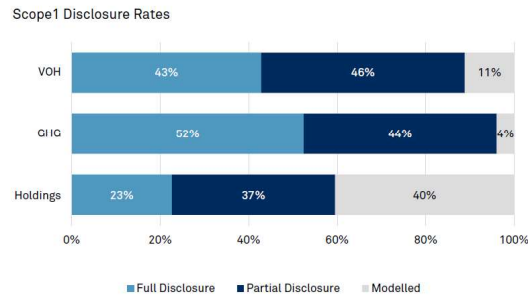
Governance	As the Fund's governing body, the Pensions Committee had mandated that MPF's investment strategy be brought into line with the goals of the 2015 Paris Climate Accord. It has delegated authority to the Director of Pensions to develop and implement the climate risk strategy (as informed by relevant guidance especially from partner organisations such as IIGCC, PRI and the LAPFF) and continues to receive regular reports on progress. Additional oversight of the pool commitment is provided by the Joint Committee of NLGPS.
Strategy	<p>MPF's strategy encompasses the view that climate change is a systemic risk and thus, a material long-term financial risk for any investor that must meet long-term obligations. The Fund has completed work that involved reviewing its investment beliefs and strategic framework to ensure that climate risk considerations are appropriately integrated at each stage of investment management.</p> <p>This work involved a Paris Alignment assessment of the Fund covering public markets. The pathway assessment enables the Fund to track the portfolio against the goal of limiting global warming to 2°C above the pre-industrial level. The assessment examines the adequacy of emissions reductions made over time, in meeting targets. It incorporates both historical performance as well as forward-looking indicators (over a medium-term time horizon). This avoids the uncertainties of using only forward-looking data and is of a sufficient time horizon to make the effect of any year-on-year volatility less significant.</p> <p>The chart shows the portfolio and benchmark's 2012-2030 trajectory and compares that to its own aligned trajectory.</p>  <p>Emissions Trajectory vs. Aligned Scenarios, 2012-2030</p> <p>The chart displays CO2 emissions in tonnes on the y-axis (0 to 600,000) against years on the x-axis (2012 to 2030F). Historical data is shown from 2012 to 2020, and forward-looking projections from 2021 to 2030. The Portfolio (solid blue line) and Benchmark (solid green line) show a slight increase in emissions until 2020, followed by a slight decrease. The Portfolio - 2°C Aligned (dashed blue line) and Benchmark - 2°C Aligned (dashed green line) show a more significant reduction in emissions over time. The Portfolio - Well Below 2°C Aligned (dotted blue line) shows the most aggressive reduction, reaching near-zero emissions by 2030.</p> <p>Legend:</p> <ul style="list-style-type: none"> Portfolio Portfolio - 2°C Aligned Benchmark Benchmark - 2°C Aligned Portfolio - Well Below 2°C Aligned

Risk Management	<p>MPF acknowledges the description of climate risk provided by TCFD, as comprising transition and physical risks. The focus of risk management activity has been primarily on the mitigation of transition risk via ongoing decarbonisation efforts. Further analysis of physical climate risks is being undertaken to assess the sensitivities across asset classes, in particular long-term, illiquid real assets.</p>
Targets and Metrics	<p>The metrics included below can be considered the first step towards understanding the climate-related risks and opportunities in a portfolio and are therefore used for target setting, as well as for company engagement. They are consistent with the metrics set out in the consultative guidance published by DLUHC.</p> <p>S&P Global (Trucost) carried out a carbon assessment of the Fund's listed equities and UK corporate bonds portfolios, comprising 53% of Fund assets. It is not currently possible to include other asset classes within the scope of this assessment.</p> <p>Carbon Assessment</p>  <p>The Fund's Absolute Emissions as at 31st December 2021 in total tonnes of carbon dioxide equivalents (tCO₂e), broken down by scope and apportioned to the portfolio and benchmark.</p> <p>This metric measures a portfolio's overall contribution to global greenhouse gas levels. It is consistent with the GHG Protocol's standard for accounting for emissions.</p> <p>Carbon Intensity by Method</p>  <p>This chart shows the Fund's Carbon to Revenue and value as well as the weighted average carbon intensity of the Fund (WACI). WACI shows the portfolio exposure to carbon intensive companies. This metric takes the carbon intensity (total carbon emissions divided by total revenue) of each investee and multiplies it by its weight in the portfolio. The Carbon to Revenue Intensity metric normalises the Total Carbon Emissions to enable comparison across portfolios of varied sizes. The</p>

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

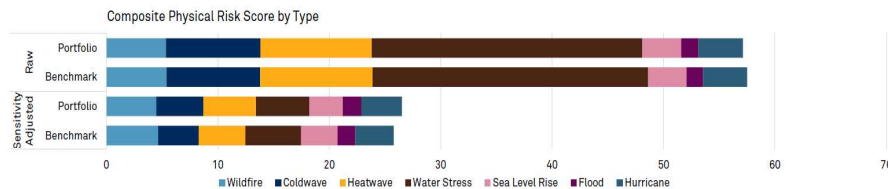
Across each carbon intensity metric, the Fund's portfolio is relatively more carbon-efficient than its benchmark. This is attributable to sector and company selection effects in the portfolio, which has lower exposure than its benchmark to highly carbon intensive issuers in the Energy, Materials and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

Coverage



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

Physical Risk Analysis



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

Financial Performance

Key Financials

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

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

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

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

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

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

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

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

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

	12 months to 31 March 2023	
	Budget	Actual
	£000	£000
Employees (based on 84 FTE)	4,084	3,554
Premises	207	207
Transport	36	15
Investment fees – operating budget	16,466	10,886
Supplies and Services	2,640	1,781
Third Party	1,303	1,752
Recharges	311	311
Total	25,047	18,506

Note: Premises' expenditure is agreed as a notional charge based on market rates, as MPF owns the building.

For the purposes of the operating budget, Investment fees above refers to invoiced investment costs only and is therefore lower than the figure disclosed in the Fund Account.

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

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

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

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

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

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

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

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

Financial Statements

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

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

Notes to the Merseyside Pension Fund Accounts

Note 1 Description of the Fund

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

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

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

A) General

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

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

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

B) Membership

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

Organisations participating in Merseyside Pension Fund include:

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

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

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

C) Funding

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

D) Benefits

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

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

Note 2 Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2022/23 financial year and its position at year-end as at 31 March 2023. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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

The accounts have been prepared on a going concern basis.

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

Note 3 Summary of Significant Accounting Policies

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

Contributions and Benefits

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

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

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

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

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

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

Transfers to and from Other Schemes

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

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

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

Management Expenses

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

Administration Costs

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

Investment Management Costs

All investment expenses are accounted for on an accrual basis.

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

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

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

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

Oversight and Governance Costs

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

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

Investment Income

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

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

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

Taxation

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

Valuation of Investments

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

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

Translation of Foreign Currencies

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

Derivatives

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

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

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

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

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

Short Term Deposits

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

Financial Liabilities

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

Additional Voluntary Contribution

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

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

Note 4 Critical Judgements in Applying Accounting Policies

The Fund has not applied any critical judgements.

Note 5 Estimation & Uncertainty

Unquoted Investments

The Fund has significant unquoted investments within Private Equity, Infrastructure, Property and other Alternative investments. These are valued within the financial statements using valuations from the Managers of the respective assets. There are clear accounting standards for these valuations and the Fund has procedures in place to ensure valuations applied by Managers comply with these standards and any other relevant best practice. The value of unquoted assets as at 31 March 2023 was £5,423 million (£5,391 million at 31 March 2022).

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

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

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

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

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

With regards to the Fund's level 3 investments, these are well diversified between sectors and also vintage year (year in which first influx of investment capital is delivered to a project or company) meaning that there will be a wide dispersion

between the potential valuation effects. Some of the underlying level 3 investment assets could have seen positive uplifts to their valuations, as well as those which will have seen negative.

Note 6 Events after the Reporting Date

Non-Adjusting Post Balance Sheet Event

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

Note 7 Contributions Receivable

Contributions are made by active members of the Fund in accordance with the LGPS and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2023. Employee contributions are matched by employers' contributions which are based on triennial actuarial valuations. The 2022/23 contributions above were calculated at the valuation dated 31 March 2019. The 2019 actuarial valuation calculated the average primary employer contribution rate of 17.2% (2016 15.4%). The Fund received no additional or upfront payments covering the three-year period, until the next actuarial valuation (2021/22 £18.8 million).

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

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

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

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

Note 8 Transfers In

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

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

Note 9 Benefits Payable

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

Note 10 Payments to and on account of Leavers

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

Note 11 Management Expenses

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

Note 11a Administration Costs

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

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Note 11b Investment Management Costs

2022/23						
	Total	External Investment Management Fees	External Investment Management Performance Fees	External Private Market Fees	External Private Market Expenses	Transaction Costs
	£'000	£'000	£'000	£'000	£'000	£'000
Equities	11,291	6,921				4,370
Bonds	100	100				
Pooled Investment Vehicles	26,239	3,225	135	9,820	13,059	
Derivative Contracts	650	650				
Loans	430			430		
Short Term Cash Deposits	-					
Other Investment Balances	-					
		10,896	135	10,250	13,059	4,370
External Services	536					
Internal Investment Management Fees	1,034					
	<u>40,280</u>					
2021/22						
	Total	External Investment Management Fees	External Investment Management Performance Fees	External Private Market Fees	External Private Market Expenses	Transaction Costs
	£'000	£'000	£'000	£'000	£'000	£'000
Equities	15,729	7,398	4,574			3,757
Bonds	100	100				
Pooled Investment Vehicles	23,321	3,515	1,181	6,661	11,964	
Derivative Contracts	227	774				(547)
Loans	785			785		
Short Term Cash	-					
Other Investment Balances	-					
		11,787	5,755	7,446	11,964	3,210
External Services	665					
Internal Investment Management Fees	1,002					
	<u>41,829</u>					

Note 11c Oversight & Governance Costs

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

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

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

Note 12 Investment Income

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

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

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

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

Note 12a Property Income

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

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

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Note 13 Investments

2022/23					
	Market Value @ 31.3.22 £'000	Purchases at Cost and Derivative Payments £'000	Sale Proceeds and Derivative Receipts £'000	Change in Market Value* £'000	Market Value @ 31.3.23 £'000
Equities	3,360,827	897,965	(1,080,762)	(5,503)	3,172,527
Bonds	731,666	63,838	(90,236)	(203,552)	501,716
Pooled Investment Vehicles	5,817,473	1,228,412	(903,998)	(219,656)	5,922,231
Direct Property	568,275	5,464	(32,998)	(70,441)	470,300
Loans	35,751	136,874	(17,143)	-	155,482
	10,513,992	2,332,553	(2,125,137)	(499,152)	10,222,256
Derivative Contracts					
FX	(356)	333,556	(332,781)	(422)	(3)
Options	(8,395)	269,390	(197,002)	(115,378)	(51,385)
Swaps	-	15,429	(11,319)	(1,329)	2,781
	10,505,241	2,950,928	(2,666,239)	(616,281)	10,173,649
Short Term Cash Deposits	169,149				80,732
Other Investment Balances	106,941			1,615	130,507
Amounts due to stockbrokers	(9,521)				(3,397)
	10,771,810			(614,666)	10,381,491
2021/22					
	Market Value @ 31.3.21 £'000	Purchases at Cost and Derivative Payments £'000	Sale Proceeds and Derivative Receipts £'000	Change in Market Value* £'000	Market Value @ 31.3.22 £'000
Equities	3,213,642	1,222,238	(1,202,126)	127,073	3,360,827
Bonds	696,000	26,786	(23,670)	32,550	731,666
Pooled Investment Vehicles	5,393,027	599,023	(528,332)	353,755	5,817,473
Direct Property	463,725	42,872	(37,435)	99,113	568,275
Loans	78,110	32,643	(75,002)	-	35,751
	9,844,504	1,923,562	(1,866,565)	612,491	10,513,992
Derivative Contracts					
FX	-	593,193	(596,435)	2,886	(356)
Options	(32,471)	610,390	(584,592)	(1,722)	(8,395)
Swaps	(6,201)	37,904	(20,699)	(11,004)	-
	9,805,832	3,165,049	(3,068,291)	602,651	10,505,241
Short Term Cash Deposits	125,018				169,149
Other Investment Balances	144,548			678	106,941
Amounts due to stockbrokers	(22,868)				(9,521)
	10,052,530			603,329	10,771,810

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

Note 13a Analysis of Investments

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

Note 13b Analysis of Derivatives

Forward Currency Contracts

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

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

Prior Year Comparative

Open Forward Currency Contracts at 31 March 2022	895	(1,251)
Net Forward Currency Contracts at 31 March 2022		(356)

Purchased/Written Options

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

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

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

Swaps

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

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

There were no swaps as at 31 March 2022.

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

Note 13c Property Holdings

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

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

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

Property Operating Leases

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

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

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

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

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

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

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

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

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

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

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

Note 13e Stock Lending

As at 31 March 2023, £220.3 million of stock was on loan to market makers, which was covered by cash and non-cash collateral, totaling £237.5 million. Collateral is marked to market and adjusted daily. Income from Stock Lending amounted to £603,572 and is included within "Other" Investment Income. As the Fund retains its economic interest in stock on loan, their value remains within the Fund valuation. As the Fund has an obligation to return collateral to the borrowers, collateral is excluded from the Fund valuation. The Fund used its Custodian as agent lender, lending only to an agreed list of approved borrowers. An indemnity is in place which gives the Fund further protection against losses.

Note 14 Investment Liabilities

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

Note 15 Fair Value – Basis of Valuation

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

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

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

Note 15 Fair Value – Basis of Valuation (continued)

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

Note 15 Fair Value – Basis of Valuation (continued)

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

Note 15 Fair Value – Basis of Valuation (continued)

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

Note 15 Fair Value – Basis of Valuation (continued)

Sensitivity of assets valued at level 3

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

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

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

Note 15a Fair Value Hierarchy

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

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

Level 1

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

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

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

Level 2

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

Level 3

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

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

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

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

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

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

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

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

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

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

Note 16 Financial Instruments

Note 16a Classification of Financial Instruments

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

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

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

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

Note 16b Net Gains & Losses on Financial Instruments

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

Note 16c Fair Value of Financial Instruments

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

Note 17 Nature and Extent of Risks Arising from Financial Instruments

Risk and Risk Management

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

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

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

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

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

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

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

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

Note 17a Market Risk

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

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

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

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

Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent that the fair value on future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk is considered in relation to liabilities as well as assets and therefore through the funding level. This is documented in reports to the IMWP and in the accounts through the Actuary's report. MPF 's foreign currency exposure is principally through equities and other long-term assets. This

risk is considered as being part of overall market risk and complicated by the effects of correlations and possible offset through diversification and consequently, has not been disaggregated or reported as a discrete figure.

Currency Risk

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

Note 17b Credit Risk

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

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

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

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

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

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

Note 17c Liquidity Risk

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

The Fund always ensures it has adequate cash resources to meet its commitments. The Fund has a cash balance at 31 March of £81 million. The Fund has £6,572 million in assets which could be realised in under seven days' notice, £834 million in assets which could be realised in under ninety days' notice and £2,536 million in assets which could not be realised within a 90-day period.

The Fund has no borrowing or borrowing facilities.

The management of the Fund also prepares periodic cash flow forecasts to understand and manage the timing of the Fund's cash flows. The Fund has a net withdrawal for 2022/23 in its dealing with members of £179 million and management expenses of £46 million, this net withdrawal overall, is offset by investment income of £258 million.

Refinancing Risk

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

Note 17d Outlook for Real Investment Returns

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

Note 18 Funding Arrangements

In line with The Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place at 31 March 2022. The next valuation will take place as at 31 March 2025.

The most recent Triennial Valuation by the actuary was at 31 March 2022, when the funding level was 106% of projected actuarial liabilities (2019 101%). The funding objective is to achieve and then maintain assets equal to the funding target. The funding target is the present value of 100% of projected accrued liabilities, including allowance for projected final pay. The FSS sets out the process for determining the recovery in respect of each employer. At the 2022 valuation, the average recovery period adopted for employers in deficit is eleven years, and for the employers in surplus is fourteen years.

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

The key elements of the funding policy are to:

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

Summary of key whole Fund assumptions used for calculating funding target

31 March 2022

Long Term Yields

Market implied RPI inflation	3.90% p.a.
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Solvency Funding Target Financial Assumptions

Investment Return/Discount Rate:

Higher Risk Investment Bucket	4.60% p.a.
Medium Risk Investment Bucket	4.35% p.a.
Lower Risk Investment Bucket	2.70% p.a.

CPI Price Inflation:

Higher Risk Investment Bucket	3.10% p.a.
Medium Risk Investment Bucket	3.10% p.a.
Lower Risk Investment Bucket	3.60% p.a.

Short Term Salary Increases

Varies by employer

Long Term Salary Increases:

Higher Risk Investment Bucket	4.60% p.a.
Medium Risk Investment Bucket	4.60% p.a.
Lower Risk Investment Bucket	5.10% p.a.

Pension Increases in Payment:

Higher Risk Investment Bucket	3.10% p.a.
Medium Risk Investment Bucket	3.10% p.a.
Lower Risk Investment Bucket	3.60% p.a.

Future Service Accrual Financial Assumptions (Higher Risk Bucket)

Investment Return/Discount Rate	5.1% p.a.
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CPI Price Inflation	3.10% p.a.
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Short Term Salary Increases	Varies by employer
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Long Term Salary Increases	4.60% p.a.
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Pension Increases/Indexation of CARE Benefits	Assumed to be in line with CPI assumptions above
McCloud	Reasonable estimate in line with national guidance

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

Note 19 Long Term Assets

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

2021/22 £000	Long Term Assets	2022/23 £000
6,394	Assets due in more than one year	3,423
6,394	Total	3,423

Note 20 Current Assets & Liabilities

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

"Provision for Credit Losses" relates to general debtors and property rental income and is based on an assessment of all individual debts at 31 March 2023.

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

2021/22	Current Assets & Liabilities	2022/23
£000		£000
	Assets	
16,772	Contributions due	22,779
710	Amounts due from external managers	-
1,776	Accrued and outstanding investment income	5,675
205,761	Transfer Values Receivable	-
22,039	Sundry Debtors	16,839
(1,920)	Provision for credit losses	(217)
-	Cash at bank	-
245,138	Current Assets	45,076
	Liabilities	
-	Amounts due to external managers	995
6,011	Retirement grants due	3,116
16,433	Sundry Creditors	13,191
22,444	Current Liabilities	17,302
222,694	Net Current Assets	27,774

Note 21 Contractual Commitments

Commitments for investments amounted to £1,201 million at 31 March 2023. (2021/22 £923 million). These commitments relate to Private Equity £537.21 million, Infrastructure £183.62 million, Private Credit £129.64 million, Indirect Property £348.47 million and Other Alternatives £2.36 million. As some of these funds are denominated in foreign currencies, the commitment in sterling is subject to change due to currency fluctuations.

Note 22 Contingent Assets

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

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

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

Note 23 Related Party Transactions

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

Management expenses include charges by Wirral Council in providing services in its role as Administering Authority to the Fund, which amount to £4.9 million. (2021/22 £4.0 million). Such charges principally relate to staffing required to maintain the pension service. Central, Finance and IT costs are apportioned to the Fund on the basis of time spent on Fund work by Wirral Council. There was a debtor of £4.2 million (2021/22 £7.5 million) and a creditor of £1.1 million as at 31 March 2023 (2021/22 £0.9 million).

Employers are related parties in so far as they pay contributions to the Fund in accordance with the appropriate Local Government Pension Scheme Regulations (LGPS). Contributions for the year are shown in note 7 and in respect of March 2023 payroll are included within the debtors figure in note 20.

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

Liverpool City Council, Knowsley Council, Sefton Council and St Helens Borough Council, Wirral Council and Merseyside Fire and Rescue Authority. The value of the transactions with each of these related parties, namely the routine monthly payments to the Fund of employers' and employees' contributions, is determined by the LGPS Regulations, and as such, no related party transactions have been declared.

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

Note 23a Key Management Personnel

The Fund's senior management during 2022/23 was comprised of seven individuals: the Director of Pensions, the Head of Pensions Administration, Senior Portfolio Managers (x3), Head of Finance & Risk and the Senior Manager Operations & Information Governance, the remuneration paid to the senior management during 2022/23 was £511,376 (2021/22 £495,615). In addition, employer contributions of £86,696 (2021/22 £83,899) were also met from the Fund and charged to the Fund Account.

Note 23b Officer Board Roles

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

Officer Name	Position at MPF	Company	MPF Value as at 31/3/23
Peter Wallach	Director of Pensions	GLIL	£380.3m

MPF committed an additional £125m to GLIL during 2022/23, the contingent liability as at 31 March 2023 is £90.7m.

Northern Pool GP (NO.1) Ltd	£245.2m
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MPF committed an additional £90m to NPEP during 2022/23, the contingent liability as at 31 March 2023 is £398.0m.

Tellsons Investors LLP	£37.1m.
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There were no new commitments to Tellsons during 2022/23, there is no contingent liability as at 31 March 2023.

Adil Manzoor	Senior Portfolio Manager	Virtus (Kothar Group)	£19.3m
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There were no new commitments to Virtus during 2022/23, there is no contingent liability as at 31 March 2023.

Owen Thorne	Portfolio Manager	Technology Enhanced Operations Ltd (TEO)	£16.2m
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Note 24 Additional Voluntary Contribution Investments

2021/22 £000	Additional Voluntary Contribution (AVC) Investments	2022/23 £000
	The aggregate amount of AVC investments is as follows :	
1,819	Utmost Life	1,590
5,165	Standard Life	5,108
11,546	Prudential	12,352
18,530		19,050
	Changes during the year were as follows:	
2,699	Contributions	2,779
3,078	Repayments	2,105
422	Change in market values	(154)

Statement of Responsibilities

The Authority's Responsibilities

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

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

Section 151 Officer Responsibilities

The Section 151 Officer is responsible for the preparation of the Fund's Statement of Accounts which, in terms of the Chartered Institute of Public Finance and Accountancy Code of Practice on Local Authority Accounting in Great Britain (the Code), is required to present fairly the financial position of the Fund at the accounting date and its income and expenditure for the year ended 31 March 2023.

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

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

The Section 151 Officer has also:

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

The Section 151 Officer's Certificate

I certify that the Statement of Accounts presents fairly the financial position of the Fund at 31 March 2023, and its income and expenditure for the year then ended.

Matthew Bennett

Section 151 Officer September 2023

Audit Report

To follow

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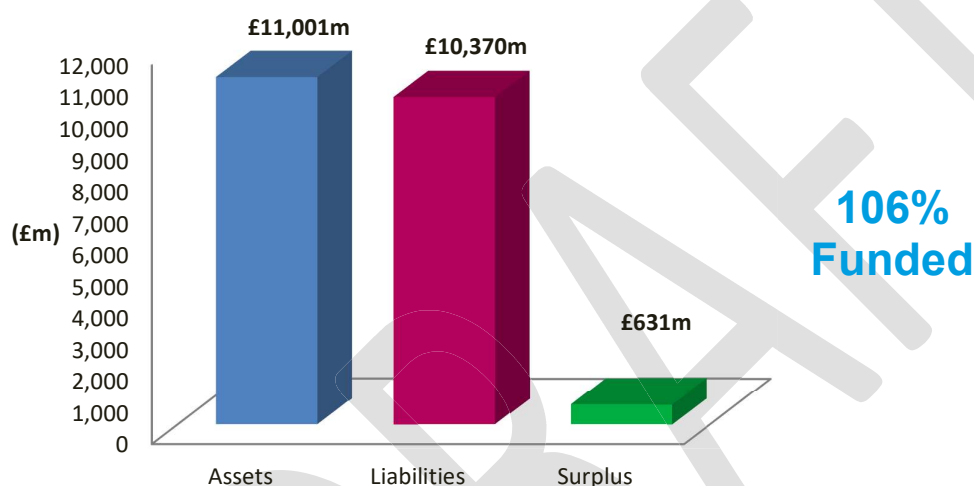
Consulting Actuary's Statement

Accounts for the Year Ended 31 March 2023 Statement by the Consulting Actuary

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

An actuarial valuation of the Merseyside Pension Fund was carried out as at 31 March 2022 to determine the contribution rates with effect from 1 April 2023 to 31 March 2026.

On the basis of the assumptions adopted, the Fund's assets of £11,001 million represented 106% of the Fund's past service liabilities of £10,370 million (the "Solvency Funding Target") at the valuation date. The surplus at the valuation was therefore £631 million.



The valuation also showed that a Primary contribution rate of 18.7% of pensionable pay per annum was required from employers. The Primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

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

The FSS sets out the process for determining the recovery plan in respect of each employer. At the 2022 actuarial valuation the average recovery period adopted was 11 years for employers in deficit and 14 years for the employers in surplus, and the total initial recovery payment (the "Secondary rate" for 2023/26) was a surplus offset of approximately £37m per annum in £ terms (which allows for the contribution plans which have been set for individual employers under the provisions of the FSS), although this varies year on year.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated March 2023.

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

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

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

	For past service liabilities (Solvency Funding Target)	For future service liabilities (Primary rate of contribution)
Rate of return on investments (discount rate):		
Higher Risk Investment Bucket	4.60% per annum	5.10% per annum
Medium Risk Investment Bucket	4.35% per annum	4.85% per annum
Lower Risk Investment Bucket	2.70% per annum	2.70% per annum
Rate of pay increases (long-term)*:		
Higher Risk Investment Bucket	4.60% per annum	4.60% per annum
Medium Risk Investment Bucket	4.60% per annum	4.60% per annum
Lower Risk Investment Bucket	5.10% per annum	5.10% per annum
Rate of increases in pensions in payment (in excess of GMP):		
Higher Risk Investment Bucket	3.10% per annum	3.10% per annum
Medium Risk Investment Bucket	3.10% per annum	3.10% per annum
Lower Risk Investment Bucket	3.60% per annum	3.60% per annum

*allowance was also made for short-term public sector pay restraint over a 3-year period

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2025. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2026.

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

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

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2023 (the 31 March 2022 assumptions are included for comparison):

	31 March 2022	31 March 2023
Rate of return on investments (discount rate)	2.8% per annum	4.8% per annum
Rate of CPI Inflation / CARE benefit revaluation	3.3% per annum	2.7% per annum
Rate of pay increases	4.8% per annum*	4.2% per annum*
Increases on pensions (in excess of GMP) / Deferred revaluation	3.4% per annum	2.8% per annum

*An adjustment has been made for the short-term pay restraint in line with the 2022 actuarial valuation

The demographic assumptions are the same as those used for funding purposes with the exception of the mortality assumption, which uses the same base table but a long-term rate of life expectancy improvement of 1.5% pa.

Full details of the demographic assumptions are set out in the formal reports to the respective valuations.

The movement in the value of the Fund's promised retirement benefits for IAS 26 is as follows:

	Liabilities
Start of period liabilities	£14,138m
Interest on liabilities	£391m
Net benefits accrued/paid over the period*	£87m
Actuarial gains (see below)	-£4,604m
End of period liabilities	£10,012m

**this includes any increase in liabilities arising as a result of early retirements*

Key factors leading to actuarial gains above are:

- **Change in financial assumptions:** Corporate bond yields increased significantly over the year, with a corresponding increase in discount rate to 4.8% p.a. from 2.8% p.a. In addition, there has been a reduction in long-term assumed CPI to 2.7% p.a. from 3.3%. In combination, these factors lead to a significant reduction in liabilities
- **Pension increases / high short-term inflation:** The figures allow for the impact of the April 2023 pension increase of 10.1%, along with the high levels of CPI since September 2022 (which will feed into the 2024 pension increase). As current inflation is higher than the long-term assumption, this increases the liabilities

Paul Middleman
Fellow of the Institute and Faculty of Actuaries

Mark Wilson
Fellow of the Institute and Faculty of Actuaries

Mercer Limited
August 2023

Appendix - additional considerations

The “McCloud judgment”: The figures above allow for the impact of the judgment based on the proposed remedy.

GMP indexation: The above figures allow for the provision of full CPI pension increases on GMP benefits for members who reach State Pension Age after 6 April 2016.

Covid-19 / Ukraine: The financial assumptions allow for these factors to the degree that they are reflected in the market values on which the assumptions are based. The impact of Covid-19 deaths over the period 2019/22 will be included in the actuarial gains / losses item above. The mortality assumption includes no specific adjustment for Covid-19 as our view is that it is not possible at this point to draw any meaningful conclusions on the long-term impact.

Current high inflation: The period-end figures above allow for the impact of actual known CPI at the accounting date as noted above. The period-end assumptions then allow for expected (market implied) CPI from that point.

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Northern LGPS Report

(supplied by the NLGPS 'Pool')

To follow

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Fund Policies

Communications Policy 2022

Funding Strategy Statement 2023

Governance Policy 2022

Investment Strategy Statement 2021

Pensions Administration Strategy 2020



Merseyside Pension Fund

- **Communications Policy**

Wirral Metropolitan Borough Council

As approved by Pensions Committee on **16 July 2018** following consultation with the Local Pension Board and last reviewed **25 April 2022**

Introduction

Merseyside Pension Fund (the Fund) is one of the largest Local Government Pension Schemes in the UK and manages the pension records of over 144,000 members.

The Fund is committed to providing clear, accurate, comprehensive and timely information to all stakeholders, through the most appropriate and cost-effective communication medium.

Funds in England and Wales are required to publish a statement of policy under Regulation 61 of the Local Government Pension Scheme Regulations 2013 relating to the communications with members and Scheme employers.

As required by the regulations, this policy will outline the Fund's activities in regard:

Communications to members, representatives of members, prospective members and Scheme employers;

- The format, frequency and method of distributing such information;
- The promotion of the Scheme to prospective members and their employers; This policy will be revised and republished following any material change in policy.

General Communications

For general communications, the Fund can be contacted at: Merseyside

Pension Fund
Castle Chambers 43
Castle Street
Liverpool
L2 9SH

Telephone: 0151 242 1390

Fax: 0151 236 3520

Email: mpfadmin@wirral.gov.uk

Telephone

All Fund communications to individual members have a published telephone number. The number may be a general enquiry number, a workgroup or helpline number (such as Pensions Payroll) or, in individual cases, a direct telephone number to the staff member responsible.

For training purposes and as part of its continual improvement programme, the Fund may monitor and record calls.

Internet

The Fund has two main websites:

mpfmembers.org.uk
mpfemployers.org.uk

These can also be accessed at: merseysidepensionfund.org.uk

Social Media

The Fund has a presence on Facebook and Twitter, where members can be notified of notices and news recently published on our main members' website. Members can also directly message the Fund via both these platforms:

facebook.com/mpfmembers
twitter.com/mpfmembers

Public Enquiry Counter

For those members who prefer 'face to face' communication, the Fund's offices are centrally situated in Liverpool city centre and are easily accessible by public transport from all areas of Merseyside.

A public enquiry counter is situated on the 7th floor of Castle Chambers, open from 9.00 to 5.00, Monday to Friday. A private interview room is available for members who wish to discuss confidential matters.

Appointments can be made to discuss specific pension options or problems and, if necessary, appropriate staff can visit a workplace or members at home in cases of special need.

Access to Communications

The Fund is committed to make all necessary and reasonable adjustments to help members who require assistance to access our communications. The Fund can arrange large print, audio or Braille versions of all literature.

All print and electronic communications are designed with full consideration for those with additional needs. This is to ensure that all members can access our services. All communications media is measured against accessibility standards. The Fund is assisted by various partner organisations in fulfilling the objectives of the Equality Act 2010.

Communicating with Scheme Members

Members' Website – mpfmembers.org.uk

The website has individual sections for active, pensioner and deferred members, reflecting the diverse needs of our membership. The site provides explanation, guidance and updates for all categories of member.

An important part of the website is given over to the governance of the Fund, its statutory responsibilities and investment performance. This demonstrates the Fund's commitment to transparency in our dealings with members and all stakeholders.

Scheme members also have the opportunity to securely access their own pension records via the secure **MyPension** online portal and to update home address information.

Annual Benefit Statement

An annual benefit statement is made available online for active and deferred members. These statements with supporting guidance notes are made available through the Fund's secure online portal. Annual benefit statements can be issued in paper form on written request to the Fund.

The distribution of statements to active & deferred members is also an opportunity to summarise any changes to the Scheme regulations or other changes in regard pensions.

Scheme Literature

Whilst the website contains detailed information and guidance for members, the Fund also maintains an extensive range of literature for all categories of member. Copies of scheme literature are made available on the members' website.

Newsletters

'Honeypot' is the Fund's in-house newsletter for pensioners. Published annually, the newsletter is produced on paper and posted to the home address of all members in receipt of pension benefits. It proves to be a useful way of providing updates on pension increases, relevant changes in legislation, topical news, competitions, letters and maintaining a dialogue with our pensioner members.

For general communications to active members, the Fund produces news items for use by Scheme employers on intranets, broadcast emails, staff newsletters and manager briefing publications.

The Fund on occasion will utilise newsletters to communicate major Scheme changes to active and deferred members; the format is particularly useful when explaining multiple, complicated changes. Because of their nature, these newsletters are not produced at fixed times, but rather in response to changes in the regulations; with reference to the time restrictions imposed by the Disclosure regulations.

Presentations & Courses

The Fund delivers standard or tailored presentations on a wide range of subjects for members. These presentations are provided on demand in conjunction with employers; although a minimum number of attendees may be required to justify Fund resources.

The Fund pro-actively arranges courses on wider topic areas and invites appropriate third parties to assist Fund staff in presenting relevant information, workshop activities and also to provide relevant support materials to take home. Courses can be delivered at employer sites or in Liverpool city centre.

Presentations & courses can be requested from the Communications team on **0151 242 1392** or mpfcomms@wirral.gov.uk

Communicating with Members' Representatives

Materials available to members are also available on request to their representatives or through the Members' website.

Communicating with Prospective Members

Scheme booklet & Website

Upon appointment with their employer, all prospective scheme members will be provided with a link to the Fund's website where they can access scheme booklets and the key forms for membership.

The website also provides information to help members make an informed decision about contributing to the LGPS and how to opt out of the scheme should they so wish.

The Fund's first contact to a new member, also reinforces the value of pension saving and provides once again the link to the Fund's website where they can access the scheme booklets.

Trade Unions

The Fund works with the relevant trade unions to ensure the scheme is understood by all interested parties. Training days for branch officers can be provided upon request.

Communicating with Scheme Employers

Employers' Website – mpfemployers.org.uk

A website for Scheme employer specific communications and guidance, the employer's website is secured by a username and password.

Referencing the Payroll and HR guides published by the Local Government Association, it details the processes, procedures and forms required to effectively discharge the duties of an employer participating in the Scheme.

Pension Liaison Officer

Each employer has a named member of staff who performs the duty of a Pension Liaison Officer. The primary contact for the Fund, this person is contactable by e-mail, telephone and in-person to assist the Fund in communication and supporting members.

The Pension Liaison Officer on appointment is given a username and password for the Employers' website and is also provided with the facility to request additional access for colleagues in their organisation.

Employer News Alerts

Regular news items, such as changes to legislation, consultations and general administrative updates are communicated regularly to all registered users of the Employers' website.

Annual Report & Accounts

The aim of the report is to highlight the important issues affecting the Fund over the previous twelve months, along with detail on both investment and administration performance.

Annual Employers' Conference

A conference is held annually for all Scheme employers at which detailed investment, financial and administrative reports are presented by Fund officers. Other speakers are invited from government agencies and organisations connected to the pensions industry.

General Employer & Fund Officer Liaison

The Fund will meet with employers as required via the Microsoft Teams virtual meeting software, or any preferred alternative. If an in-person meeting would be beneficial then these can be hosted at Castle Chambers.

Pension Liaison Officers Group

At times of significant legislative or operational change, the Fund meets with larger Scheme employers as a group to discuss the topic of administration and other issues raised by the employers or the Fund. This dialogue proves useful in developing administrative processes and communications for the benefit of all Scheme employers and members.

Practitioner Training

The Fund provides training for staff at Scheme employers on the basics of LGPS administration. Sessions are structured along the lines of a typical membership of the LGPS, where delegates are shown the correct procedures which should be followed during various stages of an employee's membership.

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

Telephone: 0151 242 1390

Fax: Web: 0151 236 3520
Email: mpfmembers.org.uk
mpfadmin@wirral.gov.uk



- Funding Strategy Statement

MERSEYSIDE PENSION FUND

MARCH 2023

WIRRAL COUNCIL

AS APPROVED BY PENSIONS COMMITTEE, 14 DECEMBER 2022

WITH DELEGATION TO THE DIRECTOR OF FINANCE AND THE FUND ACTUARY FOR FINAL CHANGES AND PUBLICATION BY 31 MARCH 2023

The information enclosed in this statement and the accompanying policies have a financial and operational impact on all participating employers in the Merseyside Pension Fund. It is imperative that all existing and potential employers are aware of the details set out herein.

A glossary of the key terms used throughout is available at the end of this document here

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

1

GUIDE TO THE FSS AND POLICIES

The information required by overarching guidance and Regulations is included in Sections 2 and 3 of the Funding Strategy Statement. This document also sets out the Fund's policies in the following key areas:

1. Actuarial Method and Assumptions (Appendix A)

The actuarial assumptions used for assessing the funding position of the Fund, individual employers and the contribution schedules, known as the primary rate, together with any contribution variations due to underlying surpluses or deficits, known as the "Secondary" rate, are set out [here](#).

2. Deficit Recovery and Surplus Offset Plans (Appendix B)

The key principles when considering deficit recovery and surplus offset plans as part of the valuation are set out [here](#).

3. Termination Policy, Flexibility for Exit Payments and Deferred Debt Agreements (Appendix C)

When an employer ceases to participate within the Fund, it becomes an exiting employer under the Regulations. The Fund is then required to obtain an actuarial valuation of that employer's liabilities in respect of the benefits of the exiting employer's former employees along with a termination contribution certificate showing any exit debt or exit credit, due from or to the exiting employer. In some circumstances an employer and the Fund can enter a Deferred Debt Agreement. The termination policy can be found [here](#).

4. Review of Employer Contributions between Valuations (Appendix D)

In line with the Regulations, the Administering Authority has the discretion to review employer contributions between valuations in prescribed circumstances. The Fund's policy on how the Administering Authority will exercise its discretion is set out [here](#).

5. Covenant Assessment and Monitoring Policy (Appendix E)

An employer's financial covenant is its legal obligation and crucially the ability to meet its financial responsibilities to the Fund now and in the future. This is a critical consideration in an employer's funding and investment strategy as it is the employers who underwrite the risks to which the Fund is exposed, including underfunding, longevity, investment and market forces. Further details on how employer covenant is assessed and monitored by the Fund is set out [here](#).

6. Notifiable Events Framework (Appendix F)

Whilst in most cases regular covenant updates will identify some of the key employer changes, in some circumstances, employers are required to proactively notify the Administering Authority of any material changes. This policy sets out when this may happen and the notifiable events process. More details are set out [here](#).

7. Ill Health Insurance Arrangements (Appendix G)

The Fund has implemented a captive insurance arrangement which pools the risks associated with ill health retirement costs for employers whose financial position could be materially affected by the ill health retirement of one of their members. The captive arrangement is reflected in the employer contribution rates (including on termination) for the eligible employers. More details are set out [here](#).

2

BACKGROUND

It is the fiduciary responsibility of the Administering Authority (Wirral Council) to ensure that Merseyside Pension Fund (the “Fund”) achieves its overarching objective to secure and maintain sufficient assets to cover all pension liabilities over the long-term.

The purpose of this Funding Strategy Statement (“FSS”) is to set out a clear and transparent funding strategy to achieve this objective outlining how each fund employer’s pension liabilities are to be met.

The Administering Authority has taken advice from the Actuary in preparing this Statement.

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

INTEGRATED RISK MANAGED STRATEGY

The funding strategy set out in this document has been developed alongside the Fund’s investment strategy on an integrated basis taking into account the overall financial and demographic risks inherent in the Fund to meet the objective for all employers over different periods. The funding strategy includes appropriate margins to allow for the possibility of adverse events (e.g. material reduction in investment returns, economic downturn and higher inflation outlook) leading to a worsening of the funding position which would result in greater volatility of contribution rates at future valuations if these margins were not included. This prudence is required by the Regulations and guidance issued by professional bodies and Government agencies to assist the Fund in meeting its primary solvency and long-term cost efficiency objectives. Individual employer results will also have regard to their covenant strength and the investment strategy applied to the asset shares of those employers.

THE REGULATIONS

The Local Government Pension Scheme Regulations 2013 (“the 2013 Regulations”), the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (“the 2014 Transitional Regulations”) and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (all as amended) (collectively: “the Regulations”) provide the statutory framework from which the Administering Authority is required to prepare a FSS.

THE SOLVENCY OBJECTIVE

The Administering Authority's long-term objective is for the Fund to achieve a 100% solvency level over a reasonable time period. Solvency is defined as a level where the Fund's liabilities i.e. benefit payments can be reasonably met as they arise. Contributions are set in relation to this objective which means that once 100% solvency is achieved, if assumptions are borne out in practice, there would be sufficient assets to pay all benefits earned up to the valuation date as they fall due.

However, because financial and market conditions/outlook change between valuations, the assumptions used at one valuation may need to be amended at the next in order to meet the Fund's objective. This in turn means that contributions will be subject to change from one valuation to another. This objective translates to an employer specific level when setting individual contribution rates.

LONG-TERM COST EFFICIENCY

Employer contributions are also set in order to achieve long-term cost efficiency. Long-term cost efficiency requires that any funding plan must provide equity between different generations of taxpayers. This means that the contributions must not be set at a level that is likely to give rise to additional costs in the future which fall on later generations of taxpayers or put too high a burden on current taxpayers. The funding parameters and assumptions (e.g. deficit recovery period) must have regard to this requirement which will underpin the decision-making process. Furthermore, the FSS must have regard to the desirability of maintaining as nearly constant a primary rate of contribution as possible.

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

EMPLOYER CONTRIBUTIONS

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

3

KEY FUNDING PRINCIPLES

PURPOSE OF THE FSS

Funding is making advance provision to meet the cost of pension and other benefit promises. Decisions taken on the funding approach therefore determine the pace at which this advance provision is made. Although the Regulations specify the fundamental principles on which funding contributions should be assessed, implementation of the funding strategy is the responsibility of the Administering Authority, acting on the professional advice provided by the Actuary. The purpose of this FSS is therefore:

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

The intention is for this strategy to be both cohesive and comprehensive for the Fund as a whole, recognising that there will be conflicting objectives which need to be balanced and reconciled.

THE AIMS OF THE FUND ARE TO:	THE PURPOSE OF THE FUND IS TO:
<ul style="list-style-type: none"> • manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due • enable employer contribution rates to be kept at a reasonable and affordable cost to the taxpayers, mandatory, resolution and admitted bodies, while achieving and maintaining fund solvency and long-term cost efficiency, which should be assessed in light of the profile of the Fund now and in the future due to sector changes • maximise the returns from investments within reasonable risk parameters taking into account the above aims. 	<ul style="list-style-type: none"> • receive monies in respect of contributions, transfer values and investment income, and • pay out monies in respect of scheme benefits, transfer values, exit credits, costs, charges and expenses as defined in the Regulations.

RESPONSIBILITIES OF THE KEY PARTIES

The efficient and effective management of the Fund can only be achieved if all parties (including pensions committee, investment managers, auditors and legal advisors, investment advisors, pension board etc.) exercise their statutory duties and responsibilities conscientiously and diligently. The key parties and their roles for the purposes of the FSS are set out below:

KEY PARTIES TO THE FSS

The Administering Authority should:	The Individual Employer should:
<ul style="list-style-type: none"> • operate the pension fund • collect employer and employee contributions, investment income and other amounts due to the Fund as stipulated in the Regulations • pay from the Fund the relevant entitlements as stipulated in the Regulations • invest surplus monies in accordance the Regulations • ensure that cash is available to meet liabilities as and when they fall due • take measures as set out in the Regulations to safeguard the Fund against the consequences of employer default • manage the valuation process in consultation with the Fund's actuary • prepare and maintain an FSS and an Investment Strategy Statement ("ISS), both after proper consultation with interested parties • monitor all aspects of the Fund's performance and funding, amending the FSS/ISS as necessary • effectively manage any potential conflicts of interest arising from its dual role as both Fund administrator and a scheme employer, and • support and monitor a Local Pension Board (LPB) as required by the Public Service Pensions Act 2013, the Regulations and the Pensions Regulator's relevant Code of Practice. • prepare and maintain a Pension Administration strategy outlining procedures and timelines for the exchange of information 	<ul style="list-style-type: none"> • deduct contributions from employees' pay correctly after determining the appropriate employee contribution rate (in accordance with the Regulations), unless they are a Deferred Employer • pay all contributions, including their own, as determined by the Actuary, promptly by the due date (including any exit payments upon ceasing participation where applicable) • develop a policy on certain discretions and exercise those discretions as permitted within the regulatory framework • make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits and early retirement strain • have regard to the Pensions Regulator's focus on data quality and comply with any requirement set by the Administering Authority in this context • notify the Administering Authority promptly of any changes to membership or their financial covenant to the Fund, which may affect future funding, and comply with any particular notifiable events specified by the Fund • understand the pensions impacts of any changes to their organisational structure and service delivery model • understand that the quality of the data provided to the Fund will directly impact on the assessment of the liabilities and contributions. In particular, any deficiencies in the data may result in the employer paying higher contributions than otherwise would be the case if the data was of high quality • comply with Regulations in the case of a bulk transfer of staff. • Comply with the information exchange procedures and timelines as set out in the Pension Administration strategy

The Fund Actuary should:	A Guarantor should:
<ul style="list-style-type: none"> • prepare valuations including the setting of employers' contribution rates at a level to ensure fund solvency after agreeing assumptions with the Administering Authority and having regard to its FSS and the Regulations • prepare advice and calculations in connection with bulk transfers and individual benefit- related matters such as early retirement strain costs, ill health retirement costs, etc. • provide advice and valuations on the termination of admission agreements • provide advice to the Administering Authority on the use of bonds and other forms of security against the financial effect on the Fund of employer default • assist the Administering Authority in assessing whether employer contributions need to be revised between valuations as required by the Regulations • advise on funding strategy, the preparation of the FSS and the inter-relationship between the FSS and the ISS, and • ensure the Administering Authority is aware of any professional guidance or other professional requirements which may be of relevance to the Fund Actuary's role in advising the Fund. 	<ul style="list-style-type: none"> • notify the Administering Authority promptly of any changes to its status as guarantor, as this may impact on the treatment of the employer in the valuation process or upon termination • where necessary, provide details of the agreement, and any changes to the agreement, between the employer and the guarantor to ensure appropriate treatment is applied to any calculations • be aware of all guarantees that are currently in place • work with the Fund and the employer in the context of the guarantee • receive relevant information on the employer and their funding position in order to fulfil its obligations as a guarantor.

SOLVENCY FUNDING TARGET

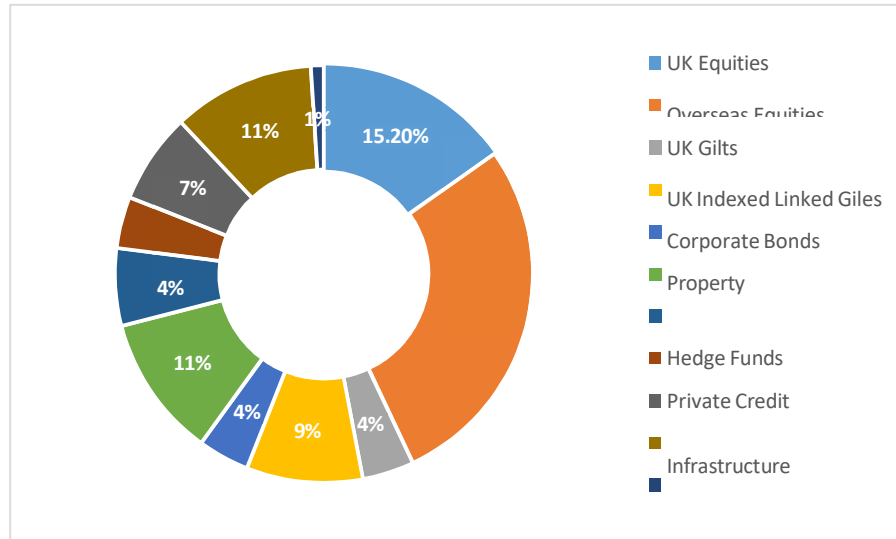
Securing the “solvency” and “long-term cost efficiency” is a regulatory requirement. To meet these requirements, the Administering Authority's long term funding objective is for the Fund to achieve and then maintain sufficient assets to cover 100% of projected accrued pension liabilities (the “funding target”) assessed on an ongoing past service basis including allowance for projected final pay where appropriate.

Each employer's contributions are set at such a level to achieve long-term cost efficiency and full solvency in a reasonable timeframe.

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

In assessing the value of the Fund's liabilities in the valuation, allowance has been made for growth asset out-performance taking into account the investment strategy adopted by the Fund, as set out in the ISS, which can be found on the Fund's website.

The overall strategic asset allocation is set out in the ISS. The current strategy is included below



RISK MANAGEMENT STRATEGY

In the context of managing various aspects of the Fund's financial risks, the Administering Authority has implemented a number of investment risk management techniques that cover the total Fund and/or specific employers and these have been allowed for in the actuarial valuation calculations. In outline these are set out below (further information can be found in the ISS).

Equity Protection	The Fund has implemented protection against potential falls in the equity markets via the use of derivatives. The aim of the protection is to provide further stability (or even a reduction) in employer deficit contributions (all other things equal) in the event of a significant equity market fall (although it is recognised that it will not protect the Fund in totality).
Liability Driven Investments (LDI)	The Fund has implemented an LDI strategy in order to hedge part of the Fund's assets against changes in certain employer or orphan liabilities.
Lower risk investment bucket	This strategy predominately uses lower risk income generating assets (including corporate bonds, property, illiquid credit and infrastructure) and liability driven investments (LDI) (which fully hedges interest and inflation exposure) and is expected to mitigate (but not eliminate) funding volatility for employers within it. In these circumstances, the discount rate used will be derived to be consistent with the lower risk investment strategy. The implementation of a strategy constructed on this basis will better match the overall changes in the liabilities (solely due to discount rate and inflation changes) of those employers included in the strategy. All other things equal, this in turn would result in greater stability of the funding position for these employers. Once an employer is closer to reaching full funding then this will also give

	greater stability to deficit contributions. It should be noted that an assessment of an employer's termination liabilities are linked to this strategy also so for employers considering termination, the lower risk strategy could be used to provide more certainty over an employer's termination position also.
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The principal aim of these risk management techniques is to provide more certainty of real investment returns versus CPI inflation and/or protect against volatility in the termination position. In other words they are designed to reduce risk and provide more stability/certainty of outcome for funding and ultimately employer contribution rates. The effect of these techniques has been allowed for in the actuarial valuation calculations and could have implications on future actuarial valuations and the assumptions adopted. Further details of the framework have been included in the ISS.

CLIMATE CHANGE

An important part of the risk analysis underpinning the funding strategy will be for the Actuary to identify the impact of climate change transition risk (shorter term) and physical risks (longer term) on the potential funding outcomes. In terms of the current valuation, an analysis of different climate change scenarios at the Whole Fund level has been undertaken relative to the baseline position assuming that the funding assumptions are played out on a best estimate basis. The projections are meant to illustrate the different elements of risk under three climate change scenarios based on the current strategic allocation and also allowing for the planned transition to a higher allocation to sustainable asset classes by 2025. The scenarios are not meant to be predictors of what may happen and are only a small subset of a very wide range of scenarios that could arise depending on the global actions taken in relation to climate change. The actions taken (both historically and in future) by the Fund in relation to making its asset portfolio more sustainable are set out in the separate Taskforce for Climate Change (TCFD) reports and analysis of the asset portfolio adopting the same (or similar) scenarios although this can be over a different time period.

The analysis considers a projection of the funding levels under the scenarios considered which are designed to illustrate the transition and physical risks over different periods depending on what actions are taken globally on climate change.

The key metrics are the relative impact on the funding level over the different time periods as this illustrates the impact of climate related market shocks on the funding plan. Whilst these scenarios are only three out of a considerable range of potential outcomes, it shows that climate change can have far reaching effects on the Fund.

The Actuary applies a nuanced approach to understand what is/is not priced into the markets in terms of transition and physical risks. They include assumptions about what is currently priced into markets, and later price in shocks when the markets account for future impacts (both physical and transition impacts). The three climate shock scenarios considered are:

1. **Rapid Transition** - there is a sudden divestment across multiple securities in 2025 to align portfolios to the Paris Agreement goals, this will have disruptive effects on financial markets with sudden repricing followed by stranded assets and a sentiment shock. Average temperature increase stabilises at 1.5°C around 2050. In relative terms to the best estimate basis at the valuation date, this could have a slightly detrimental impact on the funding level of around 3% after 5 years as the larger transition risks manifest. However, whilst the rapid transition sees a world that has a major shock in the early years there is then a

period of recovery in the following years, with reduced physical damages in the long term. Given the Fund's allocation to sustainable assets after 2025, the full impact of the initial shock is mitigated to some extent and then the Fund almost fully recovers from it, with the projection then following the baseline as the time period spans out towards 20 years and beyond.

2. **Orderly Transition** - political and social organisations act quickly and predictably to implement the recommendations of the Paris Agreement to limit global warming to below 2°C. This scenario includes additional economic damage consistent with 1.8°C of average temperature rise – peaking in 2070. In relative terms this could have a marginally detrimental impact on the funding level of 2% after 5 years as the transition risks are less impactful, and 1% after 20 years. The impact after 40 years is 7% which is much greater than the Rapid Transition scenario as the higher temperature rises begin to have a greater impact.
3. **Failed Transition** - The world fails to meet the Paris Agreement goals and global warming reaches 4.3°C above pre-industrial levels by 2100. Physical climate impacts cause large reductions in economic productivity and increasing impacts from extreme weather events. In relative terms this could lead to a marginal increase in the funding level of 1% after 5 years which reflects the lower impact from transition risks (versus the market pricing) and a hugely detrimental impact of 17% after 20 years and 33% after 40 years which shows the material consequences of the physical risks from the significant temperature increases as time progresses.

The actuarial assumptions (versus the best estimate) include a level of prudence which implicitly allows for the climate risk and other risks to support future contribution stability and the Actuary has concluded that the level of prudence is currently sufficient. However, any climate related impacts will potentially put significant stress on the funding plan, especially when taken into account with other risk factors so needs to be monitored over time. Other risks (e.g. longevity) will also be considered in future analysis but are expected to have a much lower impact than the financial market impacts. The expected impact on asset returns under different scenarios and timeframes will be shown in more detail in the separate TCFD reports.

IDENTIFICATION OF RISKS AND COUNTER-MEASURES

The funding of defined benefits is by its nature uncertain. When actual experience is not in line with the assumptions adopted, a surplus or shortfall will emerge at the next actuarial assessment and will require a subsequent contribution adjustment to bring the funding back into line with the target.

The Administering Authority has been advised by the Actuary that the greatest risk to the funding level is the investment risk inherent in the predominantly equity-based strategy, so that actual asset out-performance between successive valuations could diverge significantly from that assumed in the long term. The Actuary's formal valuation report includes a quantification of the key risks in terms of the effect on the funding position.

FINANCIAL	DEMOGRAPHIC
<p>The financial risks are as follows:-</p> <ul style="list-style-type: none"> • Investment markets fail to perform in line with expectations • Protection and risk management policies fail to perform in line with expectations • Market outlook moves at variance with assumptions • Investment Fund Managers fail to achieve performance targets over the longer term • Asset re-allocations in volatile markets may lock in past losses • Pay and price inflation significantly more than anticipated • Future underperformance arising as a result of participating in the larger asset pooling vehicle therefore restricting investment decisions • An employer ceasing to exist without prior notification, resulting in a large exit credit requirement from the Fund impacting on cashflow requirements. <p>Any increase in employer contribution rates (as a result of these risks) may in turn impact on the service delivery of that employer and their financial position.</p> <p>In practice the extent to which these risks can be reduced is limited. However, the Fund's asset allocation (including each separate investment bucket) is kept under regular review and the performance of the investment managers is regularly monitored. In addition, the risk management framework will help to reduce the key financial risks over time.</p>	<p>The demographic risks are as follows:-</p> <ul style="list-style-type: none"> • Future changes in life expectancy (longevity) cannot be predicted with any certainty. Increasing longevity is something which government policies, both national and local, are designed to promote. It does, however, potentially result in a greater liability for pension funds. • Potential strains from ill health retirements, over and above what is allowed for in the valuation assumptions for employers not in the captive arrangement • Unanticipated acceleration of the maturing of the Fund (e.g. due to further cuts in workforce and/or restrictions on new employees accessing the Fund) resulting in materially negative cashflows and shortening of liability durations. The Administering Authority regularly monitors the position in terms of cashflow requirements and considers the impact on the investment strategy. <p>Early retirements for reasons of redundancy and efficiency do not immediately affect the solvency of the Fund because they are the subject of a direct charge</p>

GOVERNANCE	REGULATORY
<p>Governance risks are as follows:-</p> <ul style="list-style-type: none"> • The quality of membership data deteriorates materially due to breakdown in processes for updating the information resulting in liabilities being under or overstated • Administering Authority unaware of structural changes in employer's membership (e.g. large fall in employee numbers, large number of retirements) with the result that contribution rates are set at too low a level • Administering Authority not advised of an employer closing to new entrants, something which would normally require an increase in contribution rates • An employer ceasing to exist with insufficient funding or a bond which is not adequate. • An employer ceasing to exist without prior notification, resulting in a large exit credit requirement from the Fund impacting on cashflow requirements <p>For these risks to be minimised much depends on information being supplied to the Administering Authority by the employing bodies. Arrangements are strictly controlled and monitored (e.g. iConnect for transferring data from employers), but in most cases the employer, rather than the Fund as a whole, bears the risk.</p>	<p>The key regulatory risks are as follows:-</p> <ul style="list-style-type: none"> • Changes to Regulations, e.g. changes to the benefits package, retirement age, potential new entrants to scheme, • Changes to national pension requirements and/or HMRC Rules • Political risk that the guarantee from the Department for Education for academies is removed or modified along with the operational risks as a consequence of the potential for a large increase in the number of academies in the Fund due to Government policy. • Membership of the Local Government Pension Scheme is open to all local government staff and should be encouraged as a valuable part of the contract of employment. However, increasing membership does result in higher employer monetary costs.

PENSIONS COMMITTEE

Wirral Council, as the Administering Authority for the Fund, has delegated responsibility and accountability for overseeing the Fund to the Pensions Committee.

The Pensions Committee is made up of sixteen voting representatives and Wirral Council, as the Administering Authority, nominates eleven members, each of the other four local councils nominate a member and a representative of the remaining employers is elected by ballot. There are three non-voting members drawn from trade unions representing all actives, deferred members and pensioners. Aside from the trade union and non-council representatives, Member changes to Committee are subject to the political leadership of the Councils, although efforts are made to limit rotation where possible.

The Committee meets 4 times a year and has set up an Investment Monitoring Working Party which meets at least 4 times a year to monitor investment performance and developments. A Governance and Risk Working Party has also been established which meets twice a year to discuss current and emerging risks and measures to mitigate and control risk. The Committee has delegated powers to the Director of Pensions for the day to day running of the Fund.

There is a clear decision making process for the operations of the Fund, major decisions are taken and minuted at monthly Fund Operating Group meetings attended by the Director of Pensions and senior MPF managers.

There is a significant resource dedicated on an annual basis for Member training which is provided both internally and externally.

The Pensions Administration Strategy (PAS) sets out clear standards of service to members by defining employer and Fund responsibilities in administering the Scheme and sets out the requirements for the two-way flow of information.

LOCAL PENSION BOARD

The Pension Board was established in April 2015 in accordance with the Public Service Pensions Act 2013, the national statutory governance framework delivered through the LGPS Regulations and guidance issued by the Scheme Advisory Board.

The Pension Board is comprised of four voting employer representatives and four voting scheme member representatives selected from the broad range of employers in the Fund and the different categories of the membership base.

The employer representatives are office holders or senior employees of employers of the Fund or have experience of representing scheme employers in a similar capacity. Member representatives are scheme members of the Fund and have the capacity to represent scheme members of the Fund.

The Pension Board is chaired by an independent non-voting member and all representatives have significant relevant experience either as a Pension Fund trustee or in the running of Pension Funds.

The role of the Pension Board is to assist Wirral Council, as Scheme Manager to:

- comply with the scheme regulations and other legislation relating to the governance and administration of the scheme; and
- any requirements imposed by the regulator.

A member of the Pension Board must be conversant with:

- the rules of the scheme and the law relating to pensions, and
- any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme.

The Council considers that the Pension Board is providing oversight of the administration and governance of the Pension Fund and does not have a decision-making role in the management of the Fund but makes recommendations to assist in ensuring compliance with its statutory responsibilities.

Full details of the operational procedures are set out in the Pension Board's Terms of Reference which can be accessed from the following link:

<http://mpfund.uk/pensionboard>

MONITORING AND REVIEW

A full review of this Statement will occur no less frequently than every three years, to coincide with completion of a full statutory actuarial valuation and every review of employer rates or interim valuation. Any review will take account of the current economic conditions and will also reflect any legislative changes.

The Administering Authority will monitor the progress of the funding strategy between full actuarial valuations. If considered appropriate, the funding strategy will be reviewed (other than as part of the valuation process), for example, if there:

- has been a significant change in market conditions, and/or deviation in the progress of the funding strategy
- have been significant changes to the Scheme membership, or LGPS benefits
- have been changes to the circumstances of any of the employing authorities to such an extent that they impact on or warrant a change in the funding strategy
- have been any significant special contributions paid into the Fund
- have been material changes in the ISS has been a change in Regulations or Guidance which materially impacts on the policies within the funding strategy

When monitoring the funding strategy, if the Administering Authority considers that any action is required, the relevant employers will be contacted.

APPENDIX A – ACTUARIAL METHOD AND ASSUMPTIONS

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The key whole Fund assumptions used for calculating the funding target and the cost of future accrual for the 2022 actuarial valuation are set out below.

FINANCIAL ASSUMPTIONS			
	2022 valuation assumption		Description
Investment return / discount rate	Higher Risk Investment Strategy Bucket	4.6% p.a. (past) and 5.1% p.a. (future)	Derived from the expected return on the Fund assets based on the long-term strategy set out in the ISS, including appropriate margins for prudence. For the 2022 valuation this is based on an assumed return of 1.5% p.a. above CPI inflation (past service) and 2.0% p.a. above CPI inflation (future service). This real return will be reviewed from time to time based on the investment strategy, market outlook and the Fund's overall risk metrics.
	Medium Risk Investment Strategy Bucket	4.35% p.a. (past) and 4.85% p.a. (future)	Derived from the expected return on the Fund assets based on the long term strategy set out in the ISS and the asset strategy of the medium risk investment bucket, including appropriate margins for prudence. For the 2022 valuation this is based on an assumed return of 1.25% p.a. above CPI inflation (past service) and 1.75% p.a. above CPI inflation (future service). This real return will be reviewed from time to time based on the investment strategy, market outlook and the Fund's overall risk metrics.
	Lower Risk Investment Strategy Bucket	2.7% p.a. (past and future for a very mature employer)	Linked directly to the yields available for the assets within the lower risk investment strategy. The typical discount rate is equivalent to a return of 1% p.a. above gilt yields as at 31 March 2022. This assumption will be regularly reviewed and updated to allow for changes in market conditions at the relevant employing body's cessation date, along with any other structural or legislative changes. The assumption used will be linked to the duration of the employer's liabilities as appropriate.

Inflation (Retail Prices Index)	3.90% p.a.	The investment market's expectation as indicated by the difference between yields derived from market instruments, principally conventional and index-linked UK Government gilts as at the valuation date (reflecting the profile and duration of the whole Fund's accrued liabilities).
Inflation (Consumer Prices Index)	Higher Risk Investment Strategy Bucket 3.10% p.a. (includes an adjustment of 0.80% p.a.)	RPI inflation (above) reduced to reflect the expected long-term difference between RPI and CPI measures of inflation (reflecting the profile and duration of the whole Fund's accrued liabilities and 2030 RPI reform) and adjusted to remove the estimated impact of supply/demand distortions as well as Bank of England forecasts. This varies for the higher, medium and lower risk strategies, reflecting the degree of inflation hedging inherent in each strategy and will reflect the duration of an employer's liabilities. The adjustment to the RPI inflation assumption will be reviewed from time to time to take into account any market factors which affect the estimate of CPI inflation.
	Medium Risk Investment Strategy Bucket 3.10% p.a. (includes an adjustment of 0.80% p.a.)	
	Lower Risk Investment Strategy Bucket 3.60% p.a. (includes an adjustment of 0.30% p.a. for a very mature employer)	
Salary increases (long-term)	4.60% p.a. for the higher and medium risk investment buckets. 5.1% p.a. for the lower risk investment bucket.	Pre 1 April 2014 benefits (and 2014 to 2022 McCloud underpin) plus each year's CARE pot - the assumption for real salary increases (salary increases in excess of price inflation) will be determined by an allowance of 1.50% p.a. over the appropriate CPI inflation assumption as described above. This includes allowance for promotional increases.
Salary increases (short-term)	Where applicable this is 3% or 4% p.a. until 31 March 2026. As set out on individual employer results schedule.	Allowance has been made for expected short term pay restraint for some employers. To the extent that experience differs to the assumption adopted, the effects will emerge at the next actuarial valuation.
Pension Increases and Deferred Revaluation	Assumed to be in line with the CPI inflation assumption above (noting that pension increases cannot be negative as pensions cannot be reduced). At the 2022 valuation, an adjustment has been made to the liabilities to allow for the known inflation for the period 30 September 2021 to 31 March 2022, and where material, allowance will continue to be made for inflation as it emerges when assessing funding positions between valuations.	

Indexation of CARE benefits	Assumed to be in line with the CPI inflation assumption above. For members in pensionable employment, indexation of CARE benefits can be less than zero (i.e. a reduction in benefits).
McCloud	A reasonable estimate for the potential cost of McCloud has been included within the 2022 valuation results for each employer. This has been calculated based on

DEMOGRAPHIC ASSUMPTIONS

Mortality/Life Expectancy

The derivation of the mortality assumption is set out in separate advice as supplied by the Actuary. The mortality in retirement assumptions will be based on the most up-to-date information in relation to self-administered pension schemes published by the Continuous Mortality Investigation (CMI) including a loading reflecting Fund specific experience and will make allowance for future improvements in longevity and the experience of the scheme. A specific mortality assumption has also been adopted for current members who retire on the grounds of ill health.

For all members, it is assumed that the trend in longevity seen over recent time periods (as evidenced in the 2021 CMI analysis) will continue in the longer term and as such, the assumptions build in a level of longevity 'improvement' year on year in the future in line with the CMI 2021 projections and a long term improvement trend of 1.75% per annum.

As an indication of impact, we have set out the life expectancies at age 65 based on the 2019 and 2022 assumptions:

	Male Life Expectancy at 65		Female Life Expectancy at 65	
	2019	2022	2019	2022
Pensioners	20.8	21.3	23.9	23.8
Actives aged 45 now	22.4	23.0	25.8	25.9
Deferreds aged 45 now	21.0	22.5	24.7	25.3

For example, a male pensioner, currently aged 65, would be expected to live to age 86.3. Whereas a male active member aged 45 would be expected to live until age 88.0. The difference reflects the expected increase in life expectancy over the next 20 years in the assumptions above.

The mortality before retirement has also been reviewed and updated based on LGPS wide experience.

Life expectancy assumptions

The post retirement mortality tables adopted for this valuation are set out below:

Current Status	Retirement Type	Mortality Table
Annuitant	Normal Health	117% S3PMA_CMI_2021 [1.75%] 107% S3PFA_M_CMI_2021 [1.75%]
	Dependants	140% S3PMA_CMI_2021 [1.75%] 126% S3DFA_CMI_2021 [1.75%]
	Ill Health	142% S3IMA_CMI_2021 [1.75%] 165% S3IFA_CMI_2021 [1.75%]
Active	Normal Health	121% S3PMA_CMI_2021 [1.75%] 107% S3PFA_M_CMI_2021 [1.75%]
	Ill Health	257% S3IMA_CMI_2021 [1.75%] 338% S3IFA_CMI_2021 [1.75%]
Deferred	All	129% S3PMA_CMI_2021 [1.75%] 116% S3PFA_M_CMI_2021 [1.75%]
Future Dependant (from current non pensioners)	Dependant	137% S3PMA_CMI_2021 [1.75%] 125% S3DFA_CMI_2021 [1.75%]

* The life expectancy assumptions use a smoothing parameter of 7.5 and no short term improvements are allowed for.

OTHER DEMOGRAPHIC ASSUMPTIONS	
Commutation	It has been assumed that all retiring members will take 75% of the maximum tax-free cash available at retirement. The option which members have to commute part of their pension at retirement in return for a lump sum is a rate of £12 cash for each £1 p.a. of pension given up.
Proportions Married / civil partnerships assumption	This has been reviewed and updated based on LGPS wide experience.
Other Demographics	Following an analysis of Fund experience carried out by the Actuary, the incidence of ill health retirements and withdrawal rates remain in line with the assumptions adopted for the last valuation. In addition, no allowance will be made for the future take-up of the 50:50 option. Where any member has actually opted for the 50:50 scheme, this will be allowed for in the assessment of the rate for the next 3 years.
Expenses	Expenses are met out of the Fund, in accordance with the Regulations. This is allowed for by adding 0.5% of pensionable pay to the contributions from participating employers. This is reassessed at each valuation. Investment expenses have been allowed for implicitly in determining the discount rates. An allowance for reasonable expenses will also be included on the termination of an employer's participation in the Fund and will be taken into account as part of the termination valuation.

Discretionary Benefits

The costs of any discretion exercised by an employer in order to enhance benefits for a member through the Fund will be subject to additional contributions from the employer as required by the Regulations as and when the event occurs. As a result, no allowance for such discretionary benefits has been made in the valuation.

Further details on the demographic assumptions are set out in the Actuary's formal report.

METHOD

The actuarial method to be used in the calculation of the solvency funding target is the Projected Unit method, under which the salary increases assumed for each member are projected until that member is assumed to leave active service by death, retirement or withdrawal from service. This method implicitly allows for new entrants to the scheme on the basis that the overall age profile of the active membership will remain stable. As a result, for those employers which are closed to new entrants, an alternative method is adopted, which makes advance allowance for the anticipated future ageing and decline of the current closed membership group potentially over the period of the rates and adjustments certificate. Employers who move from open to closed may see an increase in contributions as a result of this change.

The assumptions to be used in the calculation of the funding target are set out above. Underlying these assumptions are the following two tenets:

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

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

There will be a funding plan for each employer. In determining contribution requirements, the Administering Authority, based on the advice of the Actuary, will consider whether the funding plan adopted for an employer is reasonably likely to be successful having regard to the particular circumstances of that employer (potentially taking into account any material changes after the valuation date up to 31 March 2023).

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

METHOD AND ASSUMPTIONS USED IN CALCULATING THE COST OF FUTURE ACCRUAL (OR PRIMARY RATE)

The future service liabilities are calculated using the same assumptions as the funding target except that a different financial assumption for the discount rate is used. A critical aspect here is that the Regulations state the desirability of keeping the "Primary rate" (which is the future service rate) as stable as possible so this needs to be taken into account when setting the assumptions.

As future service contributions are paid in respect of benefits built up in the future, the Primary rate should take account of the market conditions applying at future dates, not just the date of the

valuation. In addition, the associated benefits being built up are paid out over a longer time horizon than benefits already accrued; thus it is justifiable to use a slightly higher expected return from the investment strategy.

EMPLOYER ASSET SHARES

The Fund is a multi-employer pension scheme that is not formally unitised and so individual employer asset shares are calculated at each actuarial valuation. This means it is necessary to make some approximations in the timing of cashflows and allocation of investment returns (in line with the appropriate investment strategy) as calculated by the Actuary based on relevant financial information, when deriving the employer asset share.

In attributing the overall investment performance obtained on the assets of the Fund to each employer in either the higher risk, medium risk or lower risk investment buckets, a pro-rata principle is adopted. This involves applying the appropriate individual employer investment strategy to each employer unless this is varied by agreement between the employer and the Fund at the sole discretion of the Administering Authority.

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

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

The policy on the approach to assessing an employer's asset share is available on request.

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APPENDIX B – DEFICIT RECOVERY AND SURPLUS OFFSET PLANS

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If the funding level of an employer is above or below 100% at the valuation date (i.e. the assets of the employer are more or less than the liabilities), an adjustment plan needs to be implemented such that the secondary contributions for each employer can be calculated. This adjustment plan requires a period over which to recover the deficit or run off any surplus i.e. the recovery period.

It is the Fund's objective that any funding deficit is eliminated as quickly as the participating employers can reasonably afford given other competing cost pressures, based on the Administering Authority's view of the employer's covenant and risk to the Fund.

EMPLOYER RECOVERY PLANS – KEY PRINCIPLES

The average recovery period for the Fund as a whole is 14 years at this valuation which is one year longer than the average recovery period from the previous valuation. Subject to affordability and other considerations individual employer recovery periods would also be expected to reduce at this valuation.

Recovery periods will be set by the Fund on a consistent basis across employer categories where possible. This will determine the minimum contribution requirement and employers will be free to select any shorter deficit recovery period and higher contributions if they wish.

Employers may also elect to make lump sum prepayments of deficit contributions (either on an annual basis or a one-off payment) which could result in a cash saving over the valuation certificate period.

Deficit contributions paid to the Fund by each employer will be expressed as cash amounts (flat or increasing year on year).

The Administering Authority retains ultimate discretion in applying these principles for individual employers on grounds of affordability and covenant strength and it may be deemed necessary to deviate under exceptional circumstances. Employers will be notified of their individual deficit recovery period as part of the provision of their individual valuation results.

In determining the actual recovery period to apply for any particular employer or employer grouping, the Administering Authority may take into account; the size of the funding shortfall; the business plans of the employer; the assessment of the financial covenant of the Employer, the security of future income streams; and any contingent security available to the Fund or offered by the Employer such as guarantor or bond arrangements, charge over assets, etc.

The key principles when considering deficit recovery and surplus offsets are as follows:

1. Subject to consideration of affordability, as a general rule, the deficit recovery period will reduce by at least 3 years for employers at this valuation when compared to the preceding valuation. This is to target full solvency over a similar (or shorter) time horizon. This is to maintain (as far as possible) equity between different generations of taxpayers and to protect the Fund against the potential for an unrecoverable deficit.

The deficit recovery period for closed admission bodies is 6 years (or the future working lifetime of the membership if lower). For employers with a limited participation in the Fund then the recovery period will be based on their length of expected participation in the Fund.

2. The deficit payment schedule will be set to at least cover the expected interest costs (actual interest costs will vary in line with investment performance) on the deficit.

Employers have the freedom to adopt a recovery plan on the basis of a shorter period if they so wish. Subject to affordability considerations and other factors, a bespoke period may be applied in respect of particular employers where the Administering Authority considers this to be warranted.

3. For admitted bodies with a guarantee from the outsourcing scheme employer, the Administering Authority will discuss the appropriate deficit recovery period, where applicable, with the outsourcing scheme employer. Generally the deficit recovery period will be the length of the commercial contract left to expiry (or the average remaining working lifetime of the membership if this is shorter). If the scheme employer is retaining the financial risk, the deficit recovery period applied can be the same as the scheme employer's. The terms of the scheme employer's contract with the admission body may be a factor in these cases where this is made known to the Fund.
4. For any employers assessed to be in surplus, the recovery period will initially be determined in line with the recovery period from the preceding valuation although this will depend on covenant and basis of participation (subject to a total employer contribution minimum of zero). Where an employer is deemed to have a weaker covenant an alternative recovery period may be agreed at the discretion of the Administering Authority. This will also consider maintaining stability of contribution requirements at future valuations.
5. The applicable investment strategy for each employer will be reflected in the relevant employer's notional asset share, funding basis and contribution requirements. Certain employers will follow a bespoke investment and funding strategy pertaining to their own circumstances determined by their risk and maturity characteristics. This will be documented separately.
6. The Fund's policy is not to allow the prepayment of employee contributions. The prepayment of primary contributions may be allowed at the Fund's discretion, however this applies to a limited number of employers in the Fund, with each employer notified separately. A copy of the primary contribution prepayment policy can be provided by the Fund upon request.
7. Where increases in total employer contributions are required from 1 April 2023, following completion of the 2022 actuarial valuation, any increase in the primary contribution rate (from the rates of contribution payable in the year 2023/24) may be implemented in steps over a period of 3 years, depending on affordability of contributions as determined by the Administering Authority. The minimum step will be 0.5% of pay per annum (i.e. the increase in primary contribution rate must be at least 1.5% for this facility to apply). However, where total contributions (primary plus secondary) have reduced, the Fund would not consider it appropriate for any increase in contributions paid in respect of future accrual of benefits to be implemented in steps.

The secondary contributions may be set with reference to a different funding target, subject to the discretion of the Fund.

8. As part of the process of agreeing funding plans with individual employers, the Administering Authority will consider the use of contingent assets and other tools such as bonds or guarantees that could assist employing bodies in managing the cost of their liabilities or could provide the Fund with greater security against outstanding liabilities. All other things being equal this could result in a longer recovery period being acceptable to the Administering Authority, although employers will still be expected to at least cover expected interest costs on the deficit and we would not expect the recovery period to exceed the average recovery period of the Fund.
9. It is acknowledged by the Administering Authority that, whilst posing a relatively low risk to the Fund as a whole, a number of smaller employers may be faced with significant contribution increases that could seriously affect their ability to function in the future. The Administering Authority therefore would be willing to use its discretion to accept an evidence-based affordable level of contributions for the organisation for the three years 2023/2026. Any application of this option is at the ultimate discretion of the Fund officers in order to effectively manage risk across the Fund. It will only be considered after the provision of the appropriate evidence as part of the covenant assessment and also the appropriate professional advice.

For those bodies identified as having a relatively weak covenant, the Administering Authority will need to balance the level of risk plus the solvency requirements of the Fund with the sustainability of the organisation when agreeing funding plans. As a minimum, the annual deficit payment must meet the on-going interest costs to ensure, everything else being equal, that the deficit does not increase in monetary terms.

10. The contributions for any employer may be varied as agreed by the Actuary and Administering Authority to reflect any changes as a result of any benefit costs being insured with a third party or internally within the Fund.
11. Notwithstanding the above principles, the Administering Authority, in consultation with the Actuary, has the discretion to consider whether any exceptional arrangements should apply in particular cases.
12. LEA schools and certain other employers within the Fund have been grouped with the respective Council.
13. Academies are treated as separate employers but at inception any past service deficit / surplus is allocated on an equitable basis consistent with the relevant LEA schools.
14. Any stabilisation methods requested by a contractor will need to be agreed with the original Scheme Employer before being implemented.
15. For admission bodies participating from 1 April 2017 who do not have a guarantor of sufficient financial standing e.g. a public authority based on the assessment of the Administering Authority, the basis of assessment for the contribution schedule, termination calculations and bond requirements will be on a lower risk investment strategy. The employer's assets will then

be deemed to be invested in these lower risk assets and be credited with the returns derived from such assets based on the advice of the Actuary. Where a guarantor is available the assessment will be on the normal valuation basis if the guarantor agrees to underwrite the obligations of the employer in the long term.

16. For employers that do not have a financial year end of 31 March 2023 (e.g. if they instead have a 31 July 2023 year-end), the Fund can, at the employer's request allow the employer to continue to pay their current contribution plan until their financial year end date. The new contribution plan would then be implemented after this date (i.e. 1 August 2023 in this example).

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APPENDIX C - TERMINATION POLICY, FLEXIBILITY FOR EXIT PAYMENTS AND DEFERRED DEBT AGREEMENTS (DDAS)

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EXITING THE FUND

TERMINATION ASSESSMENT OF AN EMPLOYER'S RESIDUAL PENSION OBLIGATIONS AND METHOD TO CALCULATE BONDS / FINANCIAL GUARANTEES

Unless entering a DDA, an employer ceases to participate in the Fund when the last active member leaves the Fund or when a suspension notice ends and the employer then becomes an "exiting employer" under the Regulations. In this situation the Fund is required to obtain an actuarial valuation of that employer's liabilities in respect of the benefits of the exiting employer's current and former employees, along with a termination contribution certificate setting out whether an exit payment is due to the Fund or a credit is payable to the employer.

The Fund's default termination policy is for exit payments and exit credits to be paid immediately in full once the cessation assessment has been completed by the Actuary (and any determination notice issued by the Fund where applicable). Further detail is set out below.

Depending on the circumstances and characteristics of the terminating employer, the termination assessment may incorporate a more cautious basis of assessment of the final liabilities for the employer. Typically, this will be where the employer does not have a guarantor in the Fund who has agreed to subsume the orphaned liabilities from the exiting employer. The Fund will also consider the risk in the context of the potential impact on other employers' contributions. This is because where liabilities are "orphaned" all employers have to cover any deficits (or surpluses) that arise in relation to these liabilities via their contribution rates at each valuation. The policy will always be subject to change in the light of changing economic circumstances and legislation.

In summary, depending on the employer type and covenant there are three alternative approaches to value liabilities on termination and to assess bond requirements for certain admitted bodies or designating bodies:-

1. **Employers with a guarantor** - Assessing the final termination liabilities using assumptions consistent with the most recent valuation basis adjusted as necessary to reflect the expected return outlook in relation to the investment strategy which supports the exiting employer's liabilities. See further details in the table below.
2. **Employers with no guarantor in the Fund / only a guarantee of last resort (Lower Risk)** - Assessing the final liabilities using the lower risk funding basis and using a discount rate which is linked to the lower risk investment "bucket" but with adjustments as detailed in the table below. The residual liabilities would be "orphaned" within the Fund, although it is possible that a bond would be in place.

3. Employers with no guarantor in the Fund / only a guarantee of last resort (Minimum Risk) -

Assessing the final liabilities using a discount rate which is based on a “minimum risk” approach as detailed in the table below. The residual liabilities would be “orphaned” within the Fund, although it is possible that a bond would be in place. Typically, this will be applied to an employer who would have a material effect on the Fund on exit by leaving significant residual orphan liabilities and would be highlighted to an employer if applicable using a consistent set of principles.

If a guarantor refuses to take responsibility for the exiting employer, then the residual deferred pensioner and pensioner liabilities should be assessed on the more cautious basis (point 2 or 3 above). In this situation the size of the termination payment would also depend on what happened to the active members and if they all transferred back to the original Scheme Employer (or elsewhere) and aggregated their previous benefits. As the transfer would normally be effected on a "fully funded" valuation basis the termination payment required would vary depending on the circumstances of the case. Where this occurs, the exiting employer would then be treated as if it had no guarantor as per the policy above and the termination assessment will assume that the liabilities are orphaned and the assets will be invested in the lower risk investment strategy bucket.

The assumptions and approach used to assess the amount of a payment/credit payable upon termination will be consistent with the previous valuation assumptions, updated for market yields and inflation applying at the cessation date. With the following exceptions:

Employers with a guarantor	Employers with no guarantor in the Fund / only a guarantee of last resort (Lower Risk)	Employers with no guarantor in the Fund / only a guarantee of last resort (Minimum Risk)
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Financial assumptions

If the employing body has a guarantor within the Fund or a successor body exists either of which would take over the employing body's liabilities, the Fund's policy is that the guarantor's ongoing funding basis will be used for the termination assessment unless the guarantor informs the Fund otherwise.

The lower risk basis based on the make-up of the lower risk investment "bucket" at the time of assessment. However, an adjustment will be made to the discount rate to reflect a reasonable estimate of any investment expenses, the potential asset default and reinvestment risk associated with the asset strategy, the associated costs of termination and any other reasonable prudential margins that are appropriate based on the advice of the Actuary.

A "minimum risk" approach where the discount rate will be based on government gilt yields of appropriate duration to the liabilities. In addition, the deduction from RPI to arrive at the CPI assumption will be derived as per the lower risk strategy, unless deemed appropriate to vary this by the Actuary and Administering Authority.

	Employers with a guarantor	Employers with no guarantor in the Fund / only a guarantee of last resort (Lower Risk)	Emolovers with no guarantor in the Fund / only a guarantee of last resort (Minimum Risk)
		The assumptions will be based on a full yield curve and will take into account the duration of the employer’s projected cashflows/liabilities. This basis provides some mitigation against financial market risks and protection for the Fund. In the event that the termination basis produces a higher discount rate than the employer’s ongoing valuation funding basis, the ongoing valuation funding basis will be used.	
Demographic Assumptions	In line with the assumptions adopted for the 2022 valuation for ongoing funding and contribution purposes. This will be reviewed from time to time to allow for any material changes in life expectancy trends and will be formally reassessed at the next valuation.	In line with the assumptions adopted for the 2022 valuation with the exception of a higher level of prudence in the mortality assumptions to further protect the remaining employers. The rate of improvement in the mortality rates will therefore be increased to 2.25% p.a. This will be reviewed from time to time to allow for any material changes in life expectancy trends and will be formally reassessed at the next valuation.	
McCloud	A reasonable estimate for the potential cost of McCloud will be included. This will be calculated for all scheme members of the outgoing employer (reflecting the data made available). For the avoidance of doubt, there will be no recourse for an employer with regard to McCloud, once the final termination has been settled and payments have been made.		
Additional Costs	The exit valuation costs and any additional costs incurred will be identified and included within the exit valuation. These costs will be paid by the exiting employer unless the outsourcing scheme employer or guarantor directs otherwise. In the case of employers without a guarantor, there may also be costs associated with a transition of assets into the lower risk strategy. The Administering Authority reserves the right to pass these costs on to the employer usually via a deduction in the notional asset share. Furthermore, if appropriate, a reasonable allowance for expenses will also be made in relation administration and other expenses. This will be allowed for in the final termination assessment.		

	Employers with a guarantor	Employers with no guarantor in the Fund / only a guarantee of last resort (Lower Risk)	Employers with no guarantor in the Fund / only a guarantee of last resort (Minimum Risk)
Default policy once the termination certificate has been provided	<p>The guarantor or successor body will subsume the assets and liabilities of the employing body within the Fund under the default policy, subject to any deficit being made good by the exiting employer or any surplus being paid to the exiting employer where this is a requirement under the terms of any relevant contract. See further information below for cases where risk sharing applies and / or there is a dispute between the interested parties.</p>	<ul style="list-style-type: none"> • In the case of a surplus - the Fund pays the exit credit to the exiting employer following completion of the termination process (within 6 months of the exit date, or within 6 months of the completion of the cessation assessment by the Actuary (if later), providing no appeals have been raised with the Fund during this time). This is subject to the exiting employer providing sufficient notice to the Fund of their intent to exit; any delays in notification will impact on the payment date. • In the case of a deficit -the Fund would require the exiting employer to pay the termination deficit to the Fund as a lump sum cash payment (unless agreed otherwise by the Administering Authority at their sole discretion) following completion of the termination process. • The Administering Authority also reserves the right to modify this approach on a case by case basis at its sole discretion if circumstances warrant it based on the advice of the Actuary. Where the approach is modified, a separate schedule will be provided to that employer setting out the approach to adopt and this will be done using consistent principles. 	

The above funding principles will also impact on the bond requirements for certain admitted bodies. The purpose of the bond is that it should cover any unfunded liabilities arising on termination that cannot be reclaimed from the outgoing body.

The Administering Authority can vary the treatment on a case-by-case basis (based on the size and risk of a particular employer) at its sole discretion if circumstances warrant it based on the advice of the Actuary and any representations from the interested parties (where applicable). The employer will be notified of this accordingly.

The actuarial valuation and the revision of any Rates and Adjustments Certificate in respect of the exiting employer must be produced by the Actuary at the time when participation in the Fund ends.

REVIEW OF THE TERMINATION POLICY

As set out in the table above, for employers without a guarantor or with a guarantee of last resort, the financial assumptions are currently based on the lower risk basis in the majority of cases. The principle of the termination policy and the assumptions used is to ensure (as far as possible) there is sufficient monies to pay all the benefits due in relation to the “orphan” members of the outgoing employer as otherwise the remaining employers would potentially have to fund this via their contributions at subsequent valuations. This is why the Fund takes a more cautious view as set out in this policy.

For other employers, the policy is to use the appropriate ongoing funding assumptions if the orphaned liabilities are to be wholly subsumed by a guarantor in the Fund (once any exit payment is paid to/from the employer depending on the circumstances).

The policy will be reviewed as a matter of course at each actuarial valuation but will also be reviewed in times of extreme events, such as a material shift in market conditions or shift in economic/fiscal policy, which will affect the assets or liabilities of the exiting employer. This is to ensure that the approach remains appropriate, given the risk associated with funding the orphaned liabilities left behind by an exiting employer is being passed to other Fund employers, and ultimately the tax payer. This means that the assumptions (both financial and demographic) can be changed if circumstances warrant it. Employers would be notified of any change (and the rationale for the change) and the policy would be updated.

The Fund also has the discretion to apply a different approach on a case by case basis taking into account all factors (financial and non-financial) pertaining to the exiting employer.

DETERMINATION NOTICES (EMPLOYERS WITH A GUARANTOR WHO WILL ACCEPT RESPONSIBILITY FOR RESIDUAL LIABILITIES)

For employers that are guaranteed by a guarantor (usually the original employer or letting authority), the Fund's default policy at the point of cessation is for the guarantor to subsume the residual assets, liabilities and any surplus or deficit. The interested parties involved (i.e. the Fund, the exiting employer and the guarantor) will need to consider any separate contractual agreements that have been put in place between the exiting employer and the guarantor (in particular, whether any deficit or surplus on termination will be the responsibility of the exiting employer or the guarantor). In some instances an exit debt may be payable by an employer before the assets and liabilities are subsumed by the guarantor, this will be considered on a case-by-case basis. No payment of an exit credit will be payable unless representation is made as set out below.

The Fund will make a determination in all cases whatever the circumstances. Generally, where there is insufficient clarity or ambiguity exists within the contract the Fund's default in these cases is that any surplus would be retained by the Fund in favour of the outsourcing employer/guarantor. This is because the Fund would assume that, had there been a deficit, this would have been the responsibility of the outsourcing scheme employer. Any determination made by the Fund with regard to the allocation of a surplus can be challenged by one or other of the interested parties who can make representations in accordance with the procedure set out in the Regulations (see below). In addition, where the outgoing employer is responsible for only part of the residual deficit or surplus as per a separate risk sharing agreement, the Fund's default will also be that any surplus would be retained by the Fund in favour of the outsourcing employer/guarantor unless representation is made by the relevant parties in line with the Regulations.

For the avoidance of doubt, where the outgoing employer is not responsible for any termination liability under a risk sharing arrangement, then the default position is that no exit credit will be paid, unless the Fund is aware of the provisions of the risk sharing agreement in any representation made and determines an exit credit should be paid.

If there is any dispute, then the following arrangements will apply:

- In the case of a surplus, in line with the amending Regulations ([The Local Government Pension Scheme \(Amendment\) Regulations 2020](#)) the parties will need to make representations to the Administering Authority if they believe an Exit Credit should be

paid outside the policy set out above, or if they dispute the determination of the Administering Authority. The Fund will notify the parties of the information required to make the determination on request.

- If the Fund determines an Exit Credit is payable then they will pay this directly to the exiting employer within 6 months of the exit date, or within 6 months of the completion of the cessation assessment by the Actuary (if later)
- In the case of a deficit, in order to maintain a consistent approach, the Fund will seek to recover this from the exiting employer in the first instance although if this is not possible then the deficit will be recovered from the guarantor either as a further contribution collection or it will be taken into account at the next valuation depending on the circumstances.

If requested, the Administering Authority will provide details of the information considered as part of their determination. A determination notice will be provided alongside the termination assessment from the Actuary. The notice will cover the following information and process steps:

1. Details of the employers involved in the process (e.g. the exiting employer and guarantor).
2. Details of the admission agreement, commercial contracts and any amendments to the terms that have been made available to the Administering Authority and considered as part of the decision-making process. The underlying principle will be that if an employer is responsible for a deficit, they will be eligible for any surplus. This is subject to the information provided and any risk sharing arrangements in place.
3. The final termination certification of the exit credit by the Actuary.
4. The Administering Authority's determination based on the information provided.
5. Details of the appeals process in the event that a party disagrees with the determination and wishes to make representations to the Administering Authority.

POLICY IN RELATION TO THE FLEXIBILITY FOR DEBT SPREADING AGREEMENTS (DSA) AND DEFERRED DEBT AGREEMENTS (DDA)

The Fund's policy for termination payment plans is as follows:

1. The default position is for exit payments to be paid immediately in full unless there is a risk sharing arrangement in place with a guaranteeing Scheme employer in the Fund whereby the exiting employer is not responsible for any exit payment. In the case of an exit credit the determination process set out above will be followed.
2. At the discretion of the administering authority, instalment plans over an agreed period or a Deferred Debt Agreement will only be agreed subject to the policy in relation to any flexibility in recovering exit payments.

As set out above, the default position for exit payments is that they are paid in full at the point of exit (adjusted for interest where appropriate). Under the Regulations the Fund has complete discretion as to whether it agrees to put a DDA in place provided that it follows the procedure set out in the Regulations.

If an employer requests that an exit debt payment is recovered over a fixed period of time (e.g. via a Debt Spreading Agreement ("DSA")) or that they wish to enter into a Deferred Debt Arrangement (DDA) with the Fund, they must make a request in writing covering the reasons for such a request.

Any deviation from the default position will be based on the Administering Authority's assessment of whether the full exit debt is affordable and whether it is in the interests of the Fund (and therefore ultimately taxpayers) to adopt either of the approaches. In making this assessment the Administering Authority will consider the covenant of the employer, future business plans and also whether any security is required and available to back the arrangements. Further details regarding covenant monitoring is set out within Appendix E.

Any costs (including necessary actuarial, legal and covenant advice) associated with assessing this will be borne by the employer and will be charged as an upfront payment to the Fund.

The following policy and processes will be followed in line with the principles set out in the statutory guidance

POLICY FOR SPREADING EXIT PAYMENTS

The following process will determine whether an employer is eligible to spread their exit payment over a defined period via a DSA.

1. The Administering Authority will request updated financial information from the employer including management accounts showing expected financial progression of the organisation and any other relevant information to use as part of their covenant review. If this information is not provided then the default policy of immediate payment will be adopted.
2. Once this information has been provided, the Administering Authority (in conjunction with the Fund Actuary, covenant and legal advisors where necessary) will review the covenant of the employer to determine whether it is in the interests of the Fund to allow them to spread the exit debt over a period of time, taking into consideration the social impact on the employer's future service demands. Depending on the length of the period and also the size of the outstanding debt, the Fund may request security to support the payment plan before entering into an agreement to spread the exit payments.
3. The payment plan could include non-uniform payments e.g. a lump sum up front followed by a series of payments over the agreed period. The payments required will include allowance for interest on late payment.
4. The initial process to determine whether an exit debt should be spread may take up to 3 months from receipt of data so it is important that employers who request to spread exit debt payments notify the Fund in good time
5. If it is agreed that the exit payments can be spread then the Administering Authority will engage with the employer regarding the following:
 - a. The spreading period that will be adopted (this will be subject to a maximum of 5 years except in exceptional circumstances).
 - b. The initial and annual payments due and how these will change over the period
 - c. The interest rates applicable and the costs associated with the payment plan devised
 - d. The level of security required to support the payment plan (if any) and the form of that security e.g. bond, escrow account etc.
 - e. The responsibilities of the employer during the exit spreading period including the supply of updated information and events which would trigger a review of the situation
 - f. The views of the Actuary, covenant, legal and any other specialists necessary

- g. The covenant information that will be required on a regular basis to allow the payment plan to continue.
 - h. Under what circumstances the payment plan may be reviewed or immediate payment requested (e.g. where there has been a significant change in covenant or circumstances)
6. Once the Administering Authority has reached its decision, the arrangement will be documented and any supporting agreements will be included.

EMPLOYERS PARTICIPATING WITH NO CONTRIBUTING MEMBERS (DDA)

As opposed to paying the exit debt upfront or via a DSA, an employer may participate in the Fund with no contributing members and utilise the “Deferred Debt Agreements” (DDA) at the sole discretion of the Administering Authority. This will only be considered when there are issues of affordability that risk the financial viability of the employer organisation and the ability of the Fund to recover the debt. Typically this will be relevant to small ‘not for profit’ organisations that constitute a potential risk to the Fund because they may cease operations with insufficient residual assets to meet their pension liabilities. A DDA would be at the request of the employer in writing to the Administering Authority.

The following process will determine whether the Fund will agree to allow the employer to enter into such an arrangement:

1. The Administering Authority will request updated covenant data from the employer including management accounts, budgets, cashflow forecasts and any other relevant information showing the expected financial progression of the organisation. If this information is not provided then a DDA will not be entered into by the Administering Authority
2. Once this information has been provided, the Administering Authority will firstly consider whether it would be in the best interests of the Fund and employers to enter into such an arrangement with the employer. This decision will be based on a covenant review of the employer to determine whether the employer could afford the exit debt (either immediately or via a debt spreading agreement) at that time (based on advice from the Actuary, covenant and legal advisor where necessary). If the exit debt is deemed to be affordable then a Deferred Debt Agreement will not apply to the employer.
3. The initial process to determine whether a DDA should apply may take up to 3 months from receipt of the required information so an employer who wishes to request that the Administering Authority enters into such an arrangement needs to make the request in advance of the potential exit date.
4. If the Administering Authority’s assessment confirms that the potential exit debt is not affordable, the Administering Authority will engage in discussions with the employer about the potential format of a DDA which will be based on the principles set out in the Scheme Advisory Board’s separate guide. As part of this, the following will be considered and agreed:
 - a. What security the employer can offer whilst the employer remains in the Fund. In general the Administering Authority will not enter into such an arrangement unless they

are confident that the employer can support the arrangement in future. Provision of security may also result in a review of the recovery period and other funding arrangements.

- b. The investment strategy that would be applied to the employer e.g. the higher, medium or lower risk bucket which could support the arrangement.
- c. Whether an upfront cash payment should be made to the Fund initially to reduce the potential debt.
- d. What the updated secondary rate of contributions would be required up to the next valuation.
- e. The financial information that will be required on a regular basis to allow the employer to remain in the Fund and any other monitoring that will be required.
- f. The advice of the Actuary, covenant, legal and any other specialists necessary.
- g. The responsibilities that would apply to the employer while they remain in the Fund.
- h. What conditions would trigger the implementation of a revised deficit recovery plan and subsequent revision to the secondary contributions (e.g. provision of security).
- i. The circumstances that would trigger a variation in the length of the DDA (if appropriate), including a cessation of the arrangement (e.g. where the ability to pay contributions has weakened materially or is likely to weaken in the next 12 months). Where an agreement ceases an exit payment (or credit) could become payable. Potential triggers may be the removal of any security or a significant change in covenant assessed as part of the regular monitoring.
- j. Under what circumstances the employer may be able to vary the arrangement e.g. a further cash payment or change in security underpinning the agreement.

The Administering Authority will then make a final decision on whether it is in the best interests of the Fund to enter into a DDA with the employer, and confirm the terms that are required.

5. For employers that are successful in entering into a DDA, contribution requirements will continue to be reviewed as part of each actuarial valuation or in line with the DDA in the interim if any of the triggers are met.
6. The costs associated with the advice sought and drafting of the DDA will be passed onto the employer and will be charged as an upfront payment to the Fund.

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APPENDIX D - REVIEW OF EMPLOYER CONTRIBUTIONS BETWEEN VALUATIONS

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The Administering Authority has the ability to review employer contributions between valuations. The Administering Authority and employers have the following flexibilities:

1. The Administering Authority may review the contributions of an employer where there has been a significant change to the liabilities of an employer.
2. The Administering Authority may review the contributions of an employer where there has been a significant change in the employer's covenant.
3. An employer may request a review of contributions from the Administering Authority if they feel that either point 1 or point 2 applies to them. The employer would be required to pay the costs of any review following completion of the calculations and is only permitted to make a maximum of two requests between actuarial valuation dates (except in exceptional circumstances and at the sole discretion of the Administering Authority).

Where the funding position for an employer significantly changes solely due to a change in assets (and changes in actuarial assumptions), the overarching policy intent is that contribution reviews are not permitted outside of a full valuation cycle. However, changes in assets would be taken into account when considering if an employer can support its obligations to the Fund after a significant covenant change (see 2. above).

The Administering Authority will consult with the employer prior to undertaking a review of their contributions including setting out the reason for triggering the review.

For the avoidance of doubt any review of contributions may result in no change and a continuation of contributions as per the latest actuarial valuation assessment. In the normal course of events, a rate review would not be undertaken close to the next actuarial valuation date, unless in exceptional circumstances. For example:

- A contribution review due to a change in membership profile would not be undertaken in the 6 months leading up to the valuation Rates and Adjustments Certificate.
- However, where there has been a material change in covenant, a review will be considered on a case by case basis which will determine if it should take place and when any contribution change would be implemented. This will take into account the proximity of the actuarial valuation and the implementation of the contributions from that valuation.

SITUATIONS WHERE CONTRIBUTIONS MAY BE REVIEWED

Contributions may be reviewed if the Administering Authority becomes aware of any of the following scenarios. Employers will be notified if this is the case.

Consideration will also be given to the impact that any employer changes may have on the other employers and on the Fund as a whole, when deciding whether to proceed with a contribution review.

1. Significant changes in the employer's liabilities

This includes but is not limited to the following scenarios:

- a) Significant changes to the employer's membership which will have a material impact on their liabilities, such as:
 - i. Restructuring of an employer
 - ii. A significant outsourcing or transfer of staff to another employer (not necessarily within the Fund)
 - iii. A bulk transfer into or out of the employer
 - iv. Other significant changes to the membership for example due to redundancies, significant salary awards, ill health retirements (for employers not included in the captive arrangement) or large number of withdrawals
 - v. Where the aggregation of member movements materially shortens the expected time horizon for continued participation in the Fund
- b) Two or more employers merging including insourcing and transferring of services
- c) The separation of an employer into two or more individual employers

In terms of assessing the triggers under 1 above, the Administering Authority will only consider a review if the change in liabilities is expected to be more than 5% of the total liabilities. In some cases this may mean there is also a change in the covenant of the employer.

Any review of the rate will only take into account the impact of the change in liabilities (including, if relevant, any underfunding in relation to pension strain costs) both in terms of the Primary and Secondary rate of contributions.

2. Significant changes in the employer's covenant

This includes but is not limited to the following scenarios:

- a) Provision of, or removal of, or impairment of, security, bond, guarantee or some other form of indemnity by an employer against their obligations in the Fund. For the avoidance of doubt, this includes provision of security to any other pension arrangement or creditor (e.g. banks), which may impair the security provided to the Fund.
- b) Material change in an employer's immediate financial strength or longer-term financial outlook (evidence should be available to justify this) including where an employer ceases to operate or becomes insolvent.
- c) Where an employer exhibits behaviour that suggests a change in their ability and/or willingness to pay contributions to the Fund.

In some instances, a change in the liabilities will also result in a change in an employer's ability to meet its obligations.

Whilst in most cases the regular covenant updates requested by the Administering Authority will identify some of these changes, employers must notify the Administering Authority of any material changes. The Administering Authority has set out the events to be reported and requirements in the Notifiable Events Framework which is set out in Appendix F of this FSS.

Additional information will be sought from the employer in order to determine whether a contribution review is necessary. This may include annual accounts, budgets, forecasts and any specific details of restructure plans. As part of this, the Administering Authority will take advice from the Fund Actuary, covenant, legal and any other specialist adviser.

Where a contribution review is triggered by a significant change in employer covenant, any review of the contribution rate would include consideration of the updated funding position (both on an ongoing and termination basis) and would usually allow for changes in asset values when considering if the employer can meet its obligations on both an ongoing and termination basis (if applicable). This could then lead to the following actions:

- The contributions changing or staying the same depending on the conclusion, and/or;
- Security to improve the covenant to the Fund, and/or;
- If appropriate, a change in the investment strategy via the employer investment buckets.

In the case of an employer who may exit the Fund, there is statutory provision for rates to be amended between valuations but it is unlikely that this power will be invoked other than in exceptional circumstances.

PROCESS AND POTENTIAL OUTCOMES OF A CONTRIBUTION REVIEW

Where one of the listed events occurs, the Administering Authority will enter into discussion with the employer to clarify details of the event and any intent of the Administering Authority to review contributions if a contribution review is deemed necessary. Ultimately, the decision to review contributions as a result of the above events rests with the Administering Authority after, if necessary, taking advice from their Actuary, legal or a covenant specialist advisor.

This also applies where an employer notifies the Administering Authority of the event and requests a review of the contributions. The employer will be required to agree to meet any professional and administration costs associated with the review. The employer will be required to outline the rationale and case for the review through a suitable exchange of information prior to consideration by the Administering Authority.

The Administering Authority will consider whether it is appropriate to use updated membership data within the review (e.g. where the change in data is expected to have a material effect on the employer's liabilities in the Fund) and whether any supporting information is required from the employer.

As well as revisiting the employer's funding plan, as part of the review it is possible that other parts of the funding strategy will also be reviewed where the covenant of the employer has changed, for example the Fund will consider:

- Whether the employer's investment strategy remains appropriate or whether they should move to an alternative strategy (e.g. the higher risk, medium risk or lower risk bucket) in line with this FSS.
- Whether the Primary contribution rate should be adjusted to allow for any profile change and/or investment strategy change
- Whether the secondary contributions should be adjusted including whether the length of the recovery period adopted at the previous valuation remains appropriate. At the absolute discretion of the Administering Authority this may result in an increase to the recovery period where the evidence gathered demonstrates that the existing time horizon is no

longer achievable and the extension is in the best interests of the tax payer, taking into account any security that may be available.

The review of contributions may take up to 3 months from the date of confirmation to the employer that the review is taking place, in order to collate the necessary data.

Any change to an employer's contributions will be implemented at a date determined by the Fund after consultation with the employer. The Schedule to the Rates and Adjustment Certificate at the last valuation will be updated for any contribution changes. As part of the process the Administering Authority will consider whether it is appropriate to consult any other Fund employers prior to implementing the revised contributions. Circumstances where the Administering Authority may consider it appropriate to do so include where there is another employer acting as guarantor in the Fund, then the guarantor would be consulted on as part of the contribution review process.

The Administering Authority will agree a proportionate process for periodical ongoing monitoring and review following the implementation of the revised contribution plan. The Employer will be required to provide information to the Fund to support this, which will depend in part of the reasons for triggering the contribution review.

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APPENDIX E – COVENANT ASSESSMENT AND MONITORING POLICY

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Covenant is the employer's legal obligation and financial ability to meet their defined benefit obligations in the Fund now and in the future. Regular assessment and monitoring of employer covenant is undertaken to understand the current strength of the employer's covenant and how they could change in the future. This is important to assist the Fund in deciding the appropriate level of risk when setting the investment strategy, employer funding targets and, where necessary, employer recovery plans. Therefore, a sound understanding of the covenant of employers is an essential part of the integrated approach to risk management of the Fund.

Employer's covenant can change quickly and therefore assessing the covenant of employers from a legal and financial perspective is an ongoing activity. The Fund has a well-developed and proportionate framework to monitor employer covenant and identify changes in covenant. The Fund can also draw on the expertise of external covenant advisers when necessary.

RISK CRITERIA

The assessment criteria upon which the affordability and recovery of employer contributions should be reviewed could include:

- Nature and prospects of the employer's industry
- Employer's competitive position and relative size
- Management ability and track record
- Financial policy of the employer
- Profitability, cashflow and financial ability to meet contributions (both ongoing and on exit)
- Employer's credit rating
- Position of the economy as a whole
- Legal aspects

Not all of the above would be applicable to assessing employer risk within the Fund; rather a proportionate approach to the consideration of the above criteria would be made, with further focus given to the following:

- The scale of obligations to the pension scheme relative to the size of the employer's operating cashflow
- The relative priority placed on the pension scheme compared to corporate finances
- An estimate of the amount which might be available to the scheme on insolvency of the employer as well as the likelihood of that eventuality.

ASSESSING EMPLOYER COVENANT

The strength of employer covenant can be subject to substantial variation over relatively short periods of time and, as such, regular monitoring and assessment is may be undertaken. The employers' covenants will be assessed and monitored objectively in a proportionate manner and their ability to meet their obligations

in the short and long term will be considered when determining an individual employer's funding strategy. An assessment of employer covenant includes determining the following:

- Type of employer body and its origins
- Nature and enforceability of legal agreements
- Whether there is a bond in place and the level of the bond
- Whether a more accelerated recovery plan should be enforced
- Whether there is an option to call in contingent assets
- Whether there is a need for monitoring of ongoing and termination funding ahead of the next actuarial valuation

The employer covenant will be assessed based on publicly available information and/or information provided by the employer. The monitoring of covenant strength along with the funding position (including on the termination basis) enables the Fund to anticipate and pre-empt employer funding issues and thus adopt a proactive approach. In order to objectively monitor the strength of an employer's covenant, adjacent to the risk posed to the Fund, a number of fundamental financial metrics will be reviewed to develop an overview of the employer's stability and a rating score will be applied using a Red/Amber/Green (RAG) rating structure. In addition, employers may be contacted to gather further information. The covenant assessment will be combined with the funding position to derive an overall risk score. Action will be taken if these metrics meet certain triggers based on funding level, covenant rating and the overall risk score.

FREQUENCY OF MONITORING

It is important that the relative financial strength of employers is reviewed regularly to allow for a thorough assessment of the financial metrics. The funding position and contribution rate for each employer participating in the Fund will be reviewed in detail at each triennial actuarial valuation as a matter of course. The Funding position will continue to be monitored between valuations (including on the termination basis) using an online system provided to officers by the Fund Actuary.

Employers subject to a more detailed review, where a risk criterion is triggered, will be reviewed at least every six months.

All employers are required to notify the Administering Authority of any material changes in covenant. The notifiable event requirements are set out in Appendix F.

COVENANT RISK MANAGEMENT

The focus of the Fund's risk management is the identification and treatment of the risks and it will be a continuous and evolving process which runs throughout the Fund's strategy. Mechanisms that will be explored with certain employers, as necessary, will include but are not limited to the following:

1. Parental Guarantee and/or Indemnifying Bond
2. Transfer to a more prudent funding/investment approach (e.g. the lower risk basis)
3. A higher funding target, shortened recovery periods and increased cash contributions
4. Managed exit strategies
5. Contingent assets and/or other security such as escrow accounts.

APPENDIX F – NOTIFIABLE EVENTS FRAMEWORK

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The Fund regularly monitors the covenant of its employers. Whilst in most cases the regular covenant updates will identify some of the key employer changes, employers are required to notify the Administering Authority of any material changes. This is in keeping with the guide that The Scheme Advisory Board recently published ('A Guide for Administering Authorities') in which is recommended that Administering Authorities should include a notifiable events process within its policies.

It is considered to be in the best interests of the employer to inform the Fund of any notifiable events that occur. This will enable the Fund to work with the employer to find an effective solution, particularly in times of change or financial distress and keep the interests of the employer, the Fund, the members and a guarantor (if one exists) in mind. Early engagement is always more effective and efficient for all parties than retrospective steps.

By not informing the Fund of a notifiable event, it may be seen as a deliberate act to hide the information or delay the Fund from taking action. If the Fund becomes aware of an event that has not been openly communicated as part of this policy, they reserve the right to implement one or more of the actions set out below without the consent of the employer.

In the case of guaranteed employers this policy applies to both the employer and the guarantor.

A notifiable event is any event or circumstance that, in the judgement of the Fund, could materially affect one or more of the following:

- the employer's basis for continued participation in the Fund
- the employer's ability to pay its ongoing contributions to the Fund*
- the employer's ability to pay its termination debt to the Fund in the event of ceasing to participate in the Fund*

* These conditions would also apply where an employer and the Fund has entered into a Deferred Debt Agreement allowing continued participation as a Deferred Employer with no contributing members.

This policy sets out a list of typical events that, if they apply, must be notified to the Fund within a reasonable time period. The list is not exhaustive and may be modified from time to time. The Fund would deem 10 working days to be reasonable in the majority of cases. In some cases, notification prior to the event occurring may be required and this is detailed within the relevant sections below. The Fund will ensure that all information is treated as confidential.

EVENTS THAT MUST BE NOTIFIED TO THE FUND

The Fund considers any change that would be detrimental to either the employer's ability to finance their pension obligations or the ongoing viability of the employer to be 'material' and 'significant'.

Typical events that must be notified to the Fund include the following:

1) Significant changes in the employer's membership / liabilities

This includes but is not limited to the following scenarios, where applicable:

- a) Significant changes to the employer's membership which will have a material impact on their liabilities, such as:
 - i. Restructuring of the employer involving significant changes in staffing
 - ii. A significant outsourcing or transfer of staff to another employer (not necessarily within the Fund)*
 - iii. A bulk transfer of staff into the employer, or out of the employer to another pension scheme*
 - iv. Other significant changes to the membership for example due to redundancies, significant salary awards, ill health retirements or large a number of member withdrawals*
 - v. A decision which will restrict the employer's active membership in the future*
- b) Two or more employers merging including insourcing and transferring of services*
- c) The separation of an employer into two or more individual employers*
- d) Concerns of fraudulent activity that may include pensions aspects

*In these examples, the Fund requires prior notification of events at least 14 days before commencement of staff consultation regarding proposed changes to members' pensions. The Fund will ensure that all information is treated as confidential.

2) Significant changes to the employer covenant

i. Significant changes in the employer's financial strength / security

A material change in an employer's immediate financial strength or longer-term financial outlook. This includes but is not limited to the following scenarios (where applicable):

- a. An employer's forecasts indicate reduced affordability of contributions.
- b. A significant reduction in funding (e.g. reduction in grants, central government funding or other income stream)
- c. Provision of security to any other party including lenders and alternative pension arrangements
- d. Impairment of security, bond or guarantee provided by an employer to the Fund against their obligations
- e. The sale or transfer of significant assets, where the net book value or sale value exceeds 10% of the employer's net assets
- f. A material increase in gearing (i.e. taking on additional debt in order to finance its operations)
- g. The employer has defaulted on payments
- h. There has been a breach of banking (or other) covenant or the employer has agreed a waiver with the lender
- i. The employer's officers are seeking legal advice in the context of continuing to trade and/or potential wrongful trading
- j. An employer becomes insolvent

ii. A change in the employer's circumstances

This includes but is not limited to the following scenarios, where applicable:

- a. A merger of the employer with another organisation
- b. An acquisition by the employer of another organisation or relinquishing control
- c. An employer commences the wind down of its operations or ceases to trade
- d. A material change in the employer's business model
- e. A change in the employer's legal status (to include matters which might change qualification as a scheme employer under the LGPS Regulations)
- f. The employer becoming aware of material suspected / actual fraud or financial irregularity
- g. The employer becoming aware of material legal or court action against them
- h. There has been suspension or conviction of senior personnel
- i. Regulatory investigation and/or sanction by other regulators
- j. Loss of accreditation by a professional, statutory or regulatory body

In the examples set out above, the Fund requires prior notification of these events (e.g. at the time that there has been a decision in principle rather than once the event has happened). The Fund will ensure that all information is treated as confidential.

WHAT INFORMATION SHOULD BE PROVIDED TO THE FUND?

The information required will vary depending on the situation that has arisen. The first step will be to email or call the Fund to notify them of the event that has occurred.

WHAT ACTION WILL THE FUND TAKE ONCE NOTIFIED?

Where one of the listed events occurs, the Fund will enter into discussion with the employer to clarify details of the event. If necessary, advice will be taken from the Fund Actuary, legal or a covenant specialist advisors. Depending on the outcome of the Fund's review of the situation, potential actions that may be taken as a result are as follows:

- a. No further action required
- b. More detailed request for further information and ongoing monitoring
- c. The Fund will review the documentation provided and respond on next steps
- d. A review of employer contributions
- e. A review of the recovery period used to calculate secondary contributions
- f. A review of the employer's investment bucket
- g. A review of the termination position and discussions with the employer as to how this may be addressed
- h. A review of any deferred debt agreements if applicable

Employers will kept informed of all steps throughout the process.

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APPENDIX G – INSURANCE ARRANGEMENTS

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OVERVIEW OF ARRANGEMENT

Ill health retirements can be expensive for employers, particularly small employers where one or two costly ill health retirements can take them well above the “average” implied by the valuation assumptions.

For certain employers in the Fund (following discussions with the Fund Actuary and after considering potential alternative insurance arrangements) a captive insurance arrangement was established by the Administering Authority to cover ill-health retirement costs. This has applied to all ill-health retirements since 1 April 2017. It applies only to ill-health retirements involving the early payment of pension and to the associated benefit costs.

The captive arrangement operates as follows:

- “Premiums” are paid by the eligible employers into the captive arrangement which is tracked separately by the Fund Actuary in the valuation calculations. The premiums are included in the employer’s primary rate. The premium for 2023/26 is 0.3% of pensionable pay per annum
- The captive arrangement is then used to meet strain costs (over and above the premium paid) emerging from ill-health retirements in respect of both active and deferred members i.e. so there is no initial impact on the deficit position for employers within the captive.
- The premiums are set with the expectation that they will be sufficient to cover the costs in the 3 years following the valuation date. If any excess premiums over costs are built up in the Captive, these will be used to offset future adverse experience and/or result in lower premiums at the discretion of the Administering Authority based on the advice of the Actuary.
- In the event of poor experience over a valuation period any shortfall in the captive fund is effectively underwritten by the other employers within the Fund. However, the future premiums will be adjusted to recover any shortfall over a reasonable period with a view to keeping premiums as stable as possible for employers. Over time the captive arrangement should therefore be self-funding and smooth out fluctuations in the contribution requirements for those employers in the captive arrangement.
- Premiums payable are subject to review from valuation to valuation depending on experience and the expected ill health trends. They will also be adjusted for any changes in the LGPS benefits. They will be included in employer rates at each valuation or on commencement of participation for new employers.

EMPLOYERS COVERED BY THE ARRANGEMENT

Those employers (both existing and new) that will generally be included in the captive are:

- Academies
- Community related Admitted Bodies
- Contract related Admitted Bodies (where the guarantor is also in the captive arrangement)
- Designating/Resolution Bodies.

These employers have been notified of their participation. New employers entering the Fund who fall into the categories above will also be included. At the discretion of the Administering Authority and where it is felt to be beneficial to the long term covenant and financial health of an employer, specific employers (outside of the categories listed above) may be included within the captive arrangement. In addition, the Administering Authority has the ability to exclude any employer in order to manage employer risk within the Fund.

For all other employers who do not form part of the captive arrangement, the current treatment of ill-health retirements will still apply. The Fund therefore continues to monitor ill-health retirement strain costs incurred in line with the allowance made in the actuarial assumptions. Once the allowance is exceeded, any excess costs are recovered from the employer, either at the next valuation or at an earlier review of the contributions due, including on termination of participation.

EMPLOYER RESPONSIBILITIES

Apart from the regulatory procedures in place to ensure that ill-health retirements are properly controlled, **employing bodies should be doing everything in their power to ensure robust processes are in place to determine eligibility for ill health retirements.**

The Fund and the Actuary will monitor the number of retirements that each captive employer is granting over time. If any employer has an unusually high incidence of ill health retirements, consideration will be given to the governance around the eligibility criteria applied by the employer and it is possible that some or all of the costs would fall on that employer if the governance was not deemed strong enough. Where an employer provides notice to exit the Fund, an automatic review will take place of any ill health retirements that have been awarded to ensure that employers within the captive arrangement are not disadvantaged. This may mean that the expected future premiums will be deducted as part of the termination assessment.

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APPENDIX H – GLOSSARY OF TERMS

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ACTUARIAL VALUATION: an investigation by an actuary into the ability of the Fund to meet its liabilities. For the LGPS the Fund Actuary will assess the funding level of each participating employer and agree contribution rates with the Administering Authority to fund the cost of new benefits and make good any existing deficits as set out in the FSS. The asset value is based on market values at the valuation date.

ADMINISTERING AUTHORITY: the council with a statutory responsibility for running the Fund and that is responsible for all aspects of its management and operation.

BENCHMARK: a measure against which fund performance is to be judged.

BENEFITS: The benefits provided by the Fund are specified in the governing legislation contained in the Regulations referred to within the FSS. Benefits payable under the Fund are guaranteed by statute and thereby the pensions promise is secure for members.

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

BEST ESTIMATE ASSUMPTION: an assumption where the outcome has a 50/50 chance of being achieved.

BONDS: loans made to an issuer (often a government or a company) which undertakes to repay the loan at an agreed later date. The term refers generically to corporate bonds or government bonds (gilts).

CAREER AVERAGE REVALUED EARNINGS SCHEME (CARE): with effect from 1 April 2014, benefits accrued by members in the LGPS take the form of CARE benefits. Every year members will accrue a pension benefit equivalent to 1/49th of their pensionable pay in that year. Each annual pension accrued receives inflationary increases (traditionally, in line with the annual change in the Consumer Prices Index) over the period to retirement.

CMI: The ‘Continuous Mortality Investigation’ carries out research in relation to mortality and morbidity experience which can then be used by actuaries to assess the funding required by pension funds and other bodies.

CPI: acronym standing for “Consumer Prices Index”. CPI is a measure of inflation with a basket of goods that is assessed on an annual basis. The reference goods and services differ from those of RPI and the method of calculation is different. The CPI is expected to provide lower, less volatile inflation increases. Pension increases in the LGPS are traditionally linked to the annual change in CPI.

CPIH: An alternative measure of CPI which includes owner occupiers' housing costs and Council Tax (which are excluded from CPI).

CONTINGENT ASSETS: assets held by employers in the Fund that can be called upon by the Fund in the event of the employer not being able to cover the debt due upon termination. The terms will be set out in a separate agreement between the Fund and employer.

COVENANT: the assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term or affordability constraints in the short term.

DEFERRED DEBT AGREEMENT (DDA): A written agreement between the Administering Authority and an exiting Fund employer for that employer to defer their obligation to make an exit payment and continue to make contributions at the assessed Secondary rate until the termination of the DDA.

DEFERRED EMPLOYER: An employer that has entered into a DDA with the Fund.

DEFICIT: the extent to which the value of the Fund's past service liabilities exceeds the value of the Fund's assets. This relates to assets and liabilities built up to date and ignores the future build- up of pension (which in effect is assumed to be met by future contributions).

DEFICIT RECOVERY PERIOD: the target length of time over which the current deficit is intended to be paid off. A shorter period will give rise to a higher annual contribution, and vice versa.

DERIVATIVES: Financial instruments linked to the performance of specific assets which can be used to magnify or reduce exposure to those assets

DISCOUNT RATE: the rate of interest used to convert a cash amount e.g. future benefit payments occurring in the future to a present value i.e. the liabilities. A higher discount rate means lower liabilities and vice versa.

EARLY RETIREMENT STRAIN: the additional cost incurred by a scheme employer as a result of allowing a Scheme Member aged 55 or over to retire before Normal Retirement Age and to receive a full pension based on accrued service at the date of retirement without full actuarial reduction.

EMPLOYER'S FUTURE SERVICE CONTRIBUTION RATE ("PRIMARY RATE"): the contribution rate payable by an employer, expressed as a % of pensionable pay, as being sufficient to meet the cost of new benefits being accrued by active members in the future. The cost will be net of employee contributions and will include an allowance for the expected level of administrative expenses. It is normally the same as an employer's Primary Contribution Rate under the Regulations.

EQUITIES: shares in a company which are bought and sold on a stock exchange.

EQUITY PROTECTION: an insurance contract which provides protection against falls in equity markets. Depending on the pricing structure, this may be financed by giving up some of the upside potential in equity market gains.

EXIT CREDIT: the amount payable from the Fund to an exiting employer where the exiting employer is determined to be in surplus at the point of cessation based on a termination assessment by the Fund Actuary.

FUNDING OR SOLVENCY LEVEL: the ratio of the value of the Fund's assets and the value of the Fund's liabilities expressed as a percentage.

FUNDING STRATEGY STATEMENT: this is a key governance document which the Administering Authority is obliged to prepare and publish that outlines how the Administering Authority will manage employer's contributions and risks to the Fund.

GOVERNMENT ACTUARY'S DEPARTMENT (GAD): the GAD is responsible for providing actuarial advice to public sector clients. GAD is a non-ministerial department of HM Treasury.

GUARANTEE / GUARANTOR: a formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer's covenant to be as strong as its guarantor's.

GUARANTEE OF LAST RESORT: for the purposes of the FSS, a guarantee of last resort refers to the situation where an employer has exhausted all alternative options for payment of an exit debt and so the debt is recovered from another employer in the Fund, however the liabilities are not subsumed in this case.

HEDGING: a strategy that aims to reduce funding volatility using Liability Driven Investment (LDI) or other techniques. This is achieved by investing in assets that capture levels of yields based on agreed trigger levels so the assets mimic the change in liabilities.

HEDGE RATIO: The level of hedging in place as a percentage of the liabilities and can be 0% to 100%. This can be in relation to interest rates, inflation rates or real rates of return.

ILL HEALTH CAPTIVE: this is a notional fund designed to protect certain employers against excessive ill health costs in return for an agreed insurance premium.

INVESTMENT BUCKET: this describes a bespoke investment strategy which applies to one or more employers and is dependent on the liability and risk profile. The strategy dictates the financial assumptions used to determine the employer's contribution requirements. The relevant discount rate used for valuing the present value of liabilities is determined based on the investment strategy for the relevant investment bucket. For the higher and medium risk investment bucket, this is expressed as an expected return over CPI.

INVESTMENT STRATEGY: the long-term distribution of assets among various asset classes that takes into account the Funds objectives and attitude to risk.

INVESTMENT STRATEGY STATEMENT (ISS): a statement describing the high-level principles governing the investment decision-making (including the long term strategic allocation) and management of the Fund and the policy that has been developed to ensure their implementation.

LETTING EMPLOYER: an employer that outsources part of its services/workforce to another employer, usually a contractor. The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer.

LGPS: the Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These Regulations also dictate those employing bodies which are eligible to participate, members' contribution rates, benefit calculations and certain governance requirements.

LIABILITIES: the actuarially calculated present value of all benefit entitlements i.e. scheme cashflows of all members of the Fund, accumulated to date or in the future. The liabilities in relation to the benefit entitlements earned up to the valuation date are compared with the present market value of Fund assets to derive the deficit and funding/solvency level. Liabilities can be assessed on different sets of actuarial assumptions depending on the purpose of the valuation.

LIABILITY DRIVEN INVESTMENTS (LDI): A way of investing which gives multiple exposure to gilts, meaning that the Fund can hedge part of its assets against changes in liabilities in order to provide protection against changes in interest rate and / or market RPI inflation expectations.

LONG TERM COST EFFICIENCY: this is a measure of the extent to which the Fund's policies properly address the need to balance immediate budgetary pressures with the undesirability of imposing an excessive debt burden on future generations.

LOWER RISK FUNDING BASIS: an approach where the discount rate used to assess the liabilities is determined based on the expected long term return achieved on the Fund's lower risk investment strategy. This is usually adopted for employers who are deemed to have a weaker covenant than others in the Fund, are planning to exit the Fund or would like to target a lower risk strategy. This basis is adopted for ongoing contribution rate purposes as the employers' asset share is invested in the lower risk investment bucket.

MATURITY: a general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.

MCCLOUD JUDGMENT: This refers to the linked legal cases of Sargeant and McCloud, and which found that the transitional protections (which were afforded to older members when the public service pension schemes were reformed in 2014/15) constituted unlawful age discrimination.

MEMBERS: The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired and dependants of deceased ex-employees).

MINIMUM RISK FUNDING BASIS: an approach where the discount rate used to assess the liabilities is determined based on the market yields of Government bond investments based on the appropriate duration of the liabilities being assessed. This can be used as a benchmark to assess the level of reliance on future investment returns in the funding strategy and therefore the level of risk appetite in a Funds choice of investment strategy.

ORPHAN LIABILITIES: liabilities in the Fund for which there is no sponsoring employer within the Fund. Ultimately orphan liabilities must be underwritten by all other employers in the Fund.

PAST SERVICE LIABILITIES: this is the present value of all the benefits accrued by members up to the valuation date. It is assessed based on a set of assumptions agreed between the Administering Authority and the Actuary.

PERCENTILES: a method of ranking a series of outcomes. For example, a 10th percentile outcome means that only 10% of results would be expected to be as good as or better than the 10th percentile and 90% of results would be expected to be worse.

PREPAYMENT: the payment by employers of contributions to the Fund earlier than that certified by the Actuary. The amount paid will be reduced in monetary terms compared to the certified amount to reflect the early payment.

PRESENT VALUE: the value of projected benefit payments, discounted back to the valuation date.

PRIMARY RATE OF THE EMPLOYERS' CONTRIBUTION: see definition of Employer's Primary Contribution Rate.

PROFILE: the profile of an employer's membership or liability reflects various measurements of that employer's members, i.e. current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members compared to their salary levels, etc.

PRUDENT ASSUMPTION: an assumption where the outcome has a greater than 50/50 chance of being achieved i.e. the outcome is more likely to be overstated than understated. Legislation and Guidance requires the assumptions adopted for an actuarial valuation to be sufficiently prudent.

RATES AND ADJUSTMENTS CERTIFICATE: a formal document required by the LGPS Regulations, which must be updated at least every three years at the conclusion of the formal valuation. This is completed by the Actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the three-year period until the next valuation is completed (unless there is a review of the contribution rate before the next formal valuation).

REAL RETURN OR REAL DISCOUNT RATE: a rate of return or discount rate net of (CPI) inflation.

RECOVERY PLAN: if the funding level of an employer is above or below 100% at the valuation date (i.e. the assets of the employer are more or less than the liabilities), a recovery plan needs to be implemented such that the secondary contributions for each employer can be calculated. This recovery plan requires a period over which to recover the deficit or run off any surplus i.e. the recovery period ("the recovery period", as defined in the FSS).

SAB FUNDING BASIS OR SAB BASIS: a set of actuarial assumptions determined by the LGPS Scheme Advisory Board (SAB). Its purposes are to set out the funding position on a standardised approach so that comparisons can be made with other LGPS Funds, and to assist with the "Section 13 review" as carried out by the Government Actuary's Department. As an example, the real discount rate over and above CPI used in the SAB Basis as at 31 March 2022 was 2.4% p.a., so it can be substantially different from the actuarial assumptions used to calculate the Fund's solvency funding position and contribution outcomes for employers.

SCHEME EMPLOYERS: organisations that participate in the Merseyside Pension Fund.

SECTION 13 VALUATION: in accordance with Section 13 of the Public Service Pensions Act 2014, the Government Actuary's Department (GAD) have been commissioned to advise the Department for Levelling Up, Housing and Communities (DLUHC) in connection with reviewing the 2022 LGPS actuarial valuations. All LGPS Funds therefore will be assessed on a standardised set of assumptions as part of this process.

SECONDARY RATE OF THE EMPLOYERS' CONTRIBUTION: an adjustment to the Primary Rate to reflect any past service deficit or surplus, to arrive at the rate each employer is required to pay. The Secondary Rate may be expressed as a percentage adjustment to the Primary Rate, and/or a cash adjustment in each of the three years beginning 1 April in the year following that in which the valuation date falls. The Secondary Rate is specified in the Rates and Adjustments Certificate. For any employer, the rate they are actually required to pay is the sum of the Primary and Secondary Rates. Secondary Rates for the whole fund in each of the three years shall also be disclosed.

These will be calculated as the weighted average based on the whole fund payroll in respect of percentage rates and as a total amount in respect of cash adjustments.

SOLVENCY/FUNDING LEVEL: the ratio of the value of the Fund's assets and the value of the Fund's liabilities expressed as a percentage.

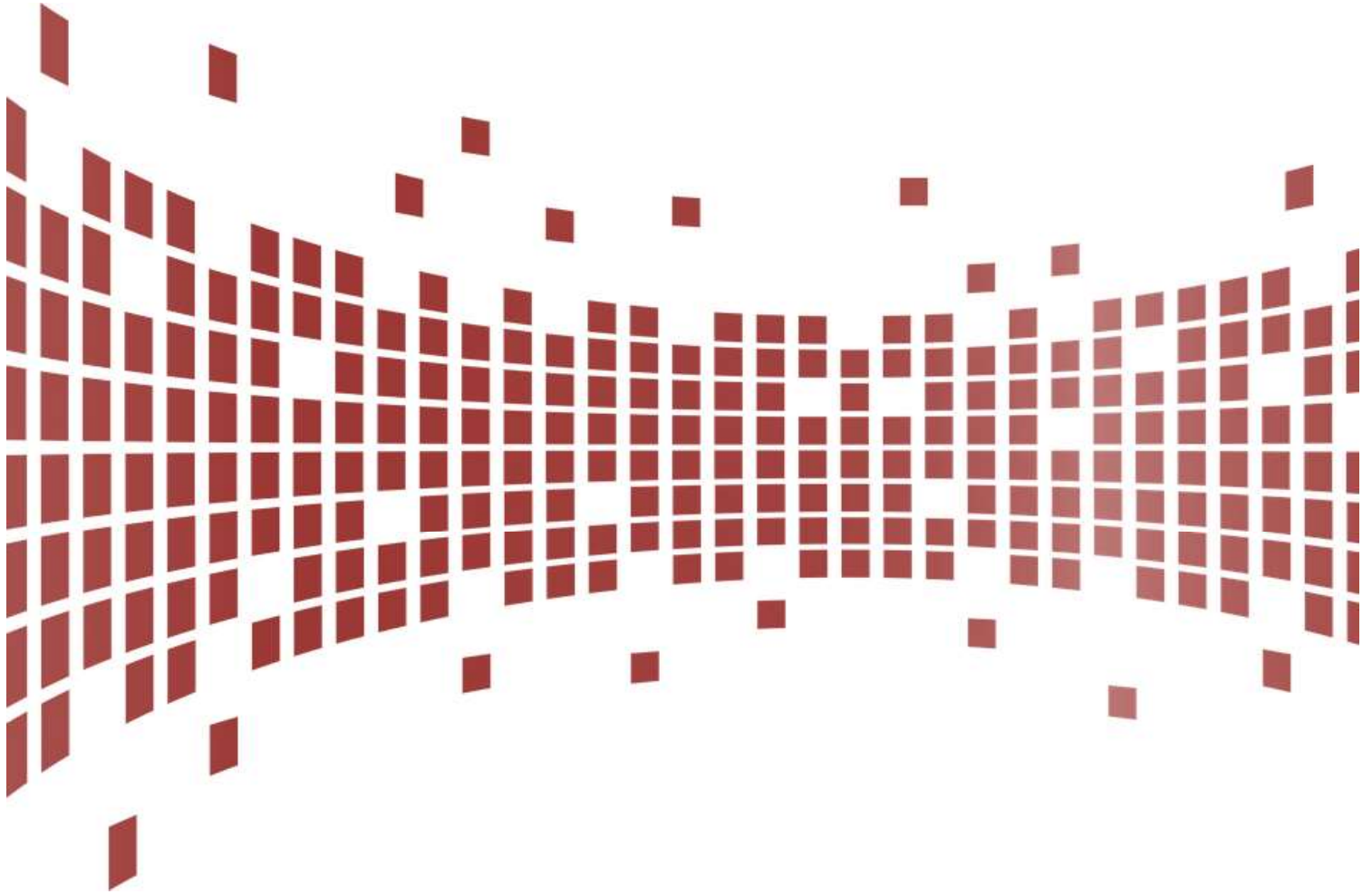
SOLVENCY FUNDING TARGET: an assessment of the present value of benefits to be paid in the future. The desired funding target is to achieve a solvency level of a 100% i.e. assets equal to the accrued liabilities at the valuation date assessed on the ongoing concern basis.

STRAIN COSTS: the costs arising when members retire before their normal retirement date and receive their pensions immediately without actuarial reduction. So far as the Fund is concerned, where the retirements are not caused by ill-health, these costs are invoiced directly to the retiring member's employer at the retirement date and treated by the Fund as additional contributions. The costs are calculated by the Actuary.

SWAPS: a generic term for contracts put in place with financial institutions such as banks to limit the Fund's investment and other financial risks where financial obligations on one basis are "swapped" for financial obligations on another basis.

50/50 SCHEME: in the LGPS, active members are given the option of accruing a lower personal benefit in the 50/50 Scheme, in return for paying a lower level of contribution.

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Merseyside Pension Fund

- **Governance Policy**

Wirral Metropolitan Borough Council

As approved by Pensions Committee on **23 November 2020** following consultation with the Local Pension Board and last reviewed **February 2022**

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Introduction

This statement sets out the scheme of delegation, the terms of reference, structure and operational procedures of the delegation.

Relationship of Merseyside Pension Fund and Wirral Council

Wirral Council is the administering authority of the Merseyside Pension Fund under the Local Government Pension Scheme Regulations 2013 and is the Scheme Manager as defined by Section 4 of the Public Service Pension Act 2013. In its capacity as Scheme Manager the council is authorised to manage the Pension Fund's assets and liabilities and carry out any other specified activities associated with the operation of the Scheme. The authority is not authorised to give investment advice.

Due to this status, the Fund is not required to be regulated by the Financial Conduct Authority (FCA) in order to operate its business. It is regulated by the Ministry of Housing, Communities and Local Government (MHCLG).

As an administering authority, Wirral Council is required to act as if the Fund were set up under trust with the authority itself as the sole trustee, although the assets are not trust assets in the legal sense.

Scheme of Delegation of (Non-Executive) Functions to Committees

Under its Constitution, the council delegates, under Section 101 of the Local Government Act 1972 to Pensions Committee all those non-Executive functions vested in it, identified in the terms of reference for the Committee (see page 5).

The scheme delegates powers and duties within broad functional descriptions and includes powers and duties under all legislation present and future within those descriptions and all powers and duties including any statutory re-enactment or moderation of the legislation referred to in this scheme.

Any exercise or responsibility for functions or delegated powers shall comply with:

- any statutory requirements;
- the Council's Constitution;
- the Council's Budget and Policy Framework and approved budget;
- the Members' Code of Conduct;
- the Code of Recommended Practice on local authority publicity;
- the agreed arrangements for recording decisions;

This scheme does not delegate any matters reserved by law to the full Council or assigned to the Executive.

Pensions Committee

Membership

The Committee is comprised of around fifteen voting members; ten of whom are members of Wirral Council, four members from the other local authorities and one member representing the other employing organisations in the Fund. Three trade union representatives, with observer status, are invited and represent active, deferred and pensioner members.

Terms of Reference

1. To exercise on behalf of the Council all of the powers and duties of the Council in relation to its functions as administering authority of Merseyside Pension Fund, and in particular the following:
2. To be responsible for the overall investment policy, strategy and principles of the Fund and its overall performance.
3. To appoint and terminate professional advisors to, and external managers of, the Fund and agree the basis for their commission and remuneration.
4. To receive actuarial valuations of the Fund and determine the level of employers' contributions necessary to balance the Fund.
5. To monitor the Local Government Pension Scheme Regulations and overriding pension law, overseeing the governance of the Fund including the day to day administration and policy decisions relating to the management of the Scheme.
6. To consider any views expressed by employing organisations, staff representatives and other stakeholders relating to the Fund.
7. To appoint members of the Investment Monitoring Working Party, which shall have responsibility for reviewing the performance of the Fund's investments, and its asset allocation and regularly reporting their findings to the Pensions Committee.
8. To appoint members of the Governance and Risk Working Party, which shall have responsibility for reviewing governance and risk issues, and regularly reporting their findings to the Pensions Committee.
9. To award contracts for goods and services relating to the Fund in accordance with the Contract Procedure Rules after taking into account the recommendations of officers and external professional advisors (where appropriate).

Local Pension Board

The Local Pension Board was established in April 2015 in accordance with the Public Service Pensions Act 2013, the national statutory governance framework delivered through the LGPS Regulations and guidance as issued by the Scheme Advisory Board.

Membership

The Pension Board is comprised of four voting employer representatives and four voting Scheme member representatives selected from the broad range of employers in the Fund and the different categories of the membership base.

The employer representatives are office holders or senior employees of employers of the Fund or have experience of representing Scheme employers in a similar capacity.

Member representatives are Scheme members of Merseyside Pension Fund and have the capacity to represent Scheme members of the Fund.

The Pension Board is chaired by an independent non-voting member with significant relevant experience either as a Pension Fund trustee or in the running of Pension Funds.

The role of the Pension Board is to assist Wirral Council, as Scheme Manager to:

- comply with the Scheme regulations and other legislation relating to the governance and administration of the Scheme; and
- any requirements imposed by the regulator.

A member of the Pension Board must be conversant with:

- the rules of the Scheme and the law relating to pensions, and
- any document recording policy about the administration of the Scheme which is for the time being adopted in relation to the Scheme.

The Council considers that the Pension Board is providing oversight of these matters and, accordingly, the Pension Board is not a decision-making body in relation to the management of the Pension Fund but makes recommendations to assist in such management.

Full details of the operational procedures are set out in the Pension Board's Terms of Reference which can be accessed at: mpfund.uk/pensionboard

Joint Governance Committee

Membership

In compliance with 2015 Government guidance requiring administering authorities to collaborate to establish and invest through asset pools, each with at least £25bn of Scheme assets, the Fund is a member of Northern LGPS.

Northern LGPS is a partnership between the Greater Manchester (GMPF), Merseyside (MPF) and West Yorkshire (WYPF) Local Government Pension Scheme (LGPS) funds. The partner funds of the Northern LGPS Investment Pool have formed a Joint Committee to oversee the activities of the Pool.

The membership of the Joint Governance Committee shall consist of the chair and deputy-chair of each of the Pooling Partners' Pensions Committees or such alternative persons nominated by the Pooling Partners.

In addition, up to three trade union representatives may be appointed after being nominated by the Trades Union Council and subject to the agreement of the Pooling Partners.

Terms of Reference

The primary purposes of the Joint Committee are to:

1. exercise oversight over the investment performance of the Pooling Partners' Funds
2. deliver the Shared Objectives
3. agree on any recommended changes to the Shared Objectives
4. report to the Pool

Scheme of Delegation of Functions to Officers

Director of Pensions

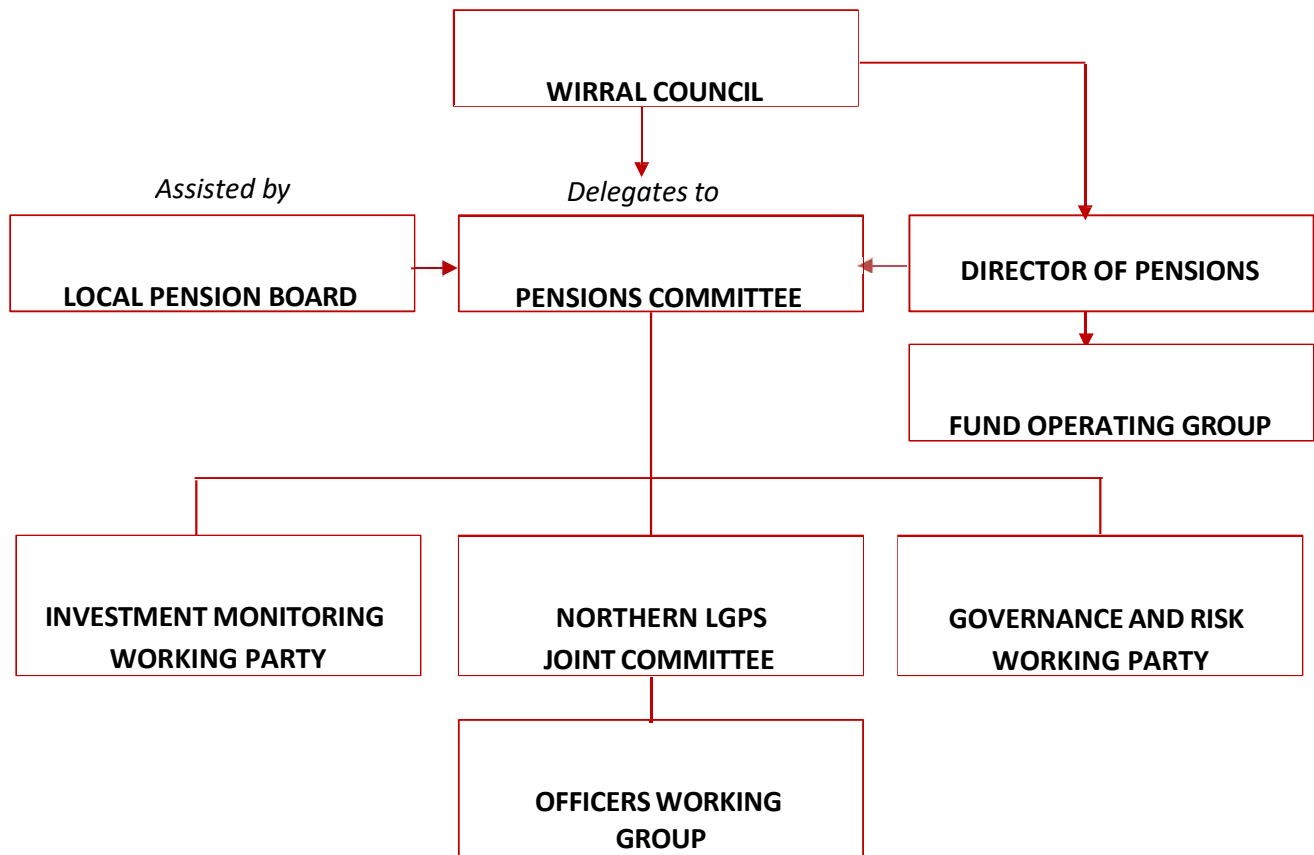
The following functions, particular to the Pension Fund, are delegated to the Director of Pensions pursuant to Section 101 of the Local Government Act 1972 and by the Executive under Section 15 of the Local Government Act 2000.

Undertake all day to day administration of, and investment decisions for, the Merseyside Pension Fund within the policy laid down by the Pensions Committee including the authorisation of admission agreements with contractor admission bodies pursuant to Best Value arrangements, as required by the Local Government Pensions Scheme Regulations.

Terminate a contract of an external investment manager and enter into any consequential arrangements for the transitional management of the Fund's investments pending the decision of the Pensions Committee on the award of a new contract.

The Director of Pensions may authorise officers in his department to exercise on his behalf, functions delegated to him. Any decisions taken under this authority shall remain the responsibility of the Head of Pension Fund and must be taken in his name, and he shall remain accountable and responsible for such decisions.

Governance Structure



Functions

The functions for the various elements are as follows:

Pensions Committee

To exercise on behalf of the Council all of the powers and duties of the Council in relation to its functions as administering authority of the County of Merseyside Pension Fund.

Local Pension Board (LPB)

To assist the Scheme Manager in complying with the Scheme Regulations and other regulations relating to the governance and administration of the Scheme.

Investment Monitoring Working Party (IMWP)

Has responsibility for reviewing the performance of the Fund's investments and its asset allocation and regularly reporting their findings to the Pensions Committee.

Governance and Risk Working Party (GRWP)

Has responsibility for reviewing governance and risk issues and regularly reporting their findings to the Pensions Committee.

Fund Operating Group (FOG)

Forum for formal monthly reports to the Director of Pensions on the day-to-day operations of the Fund.

Director of Pensions

Responsible to the Strategic Director of Finance & Investment and has delegated authority to make investments or to delegate to other employees investment decisions in accordance with the Fund's strategic benchmark and delegated dealing limits.

Northern LGPS Joint Committee

The partner funds of the Northern LGPS Investment Pool (Greater Manchester Pension Fund, Merseyside Pension Fund and West Yorkshire Pension Fund) have formed a Joint Committee to oversee the activities of the Pool.

Officer Working Group (OWG)

The OWG consists of the Directors of the Pooling Partners supported by officers of the Pooling Partners as required. This role is to provide a central resource for advice, guidance and support for the Joint Governance Committee.

Accountability and Publication of Information

Details of Pensions Committee and Pension Board meetings are published on the Wirral Council website together with agendas, reports to be considered by the Committee and Board and minutes of proceedings. Details of Northern LGPS Joint Committee meetings are published on the Tameside Council website together with agendas, reports to be considered by the Committee and minutes of proceedings.

Meetings of both the Pensions Committee and Local Pension Board are open to the public.

An Annual Pension Fund Report & Accounts is published and circulated to all employing bodies reporting on the activities and investment performance of the Fund during the year. Details of matters considered during the year and meetings held are reported and a copy of the annual report is available on the Fund website.

Meetings with Stakeholders

An Annual Employer Conference is held to which all Fund employers and members of the Pensions Committee and Pension Board are invited to attend. The annual conference is an opportunity for employers to question and challenge officers and elected members on matters of interest to their authorities and organisations.

The Fund also holds other meetings as required with Employers to discuss important issues such as the Funding Strategy which underpins the actuarial valuation of the Fund and determines both employers' liabilities and contribution schedules.

Compliance Statement

The Fund fully complies with the best practice guidelines on governance issued by the Ministry of Housing, Communities and Local Government (MHCLG) and details can be found at **Annex 2** attached.

Annex 1

Training and Expenses Policy for Members of Pensions Committee and Local Pension Board

Introduction

- 1.1 Myners' first principle recommends that "decisions should be taken only by persons or organisations with the skills, information and resources necessary to take them effectively". Where trustees elect to take investment decisions, they must have sufficient expertise and appropriate training to be able to evaluate critically any advice they take.
- 1.2 Trustees should ensure that they have sufficient in-house staff to support them in their investment responsibilities and should assess whether they have the right set of skills, both individually and collectively, and the right structures and processes to carry out their role effectively.

Legal Considerations

- 2.1 Elected members have a fiduciary responsibility to the Fund, Scheme members and local council tax payers in relation to the Local Government Pension Scheme. They can delegate functions to officers but they retain overall responsibility for the management of the Fund and its investment strategy.
- 2.2 Administering authorities are required to take proper advice to enable them to fulfil their obligations under the above regulations. 'Proper advice' is defined in the regulations as 'the advice of a person who is reasonably believed...to be qualified by his ability in and practical experience of financial matters....'
- 2.3 The Local Pension Board (LPB) has a statutory duty under the Public Service Pension Act 2013 to be conversant with the rules of the Scheme and to discharge their responsibilities as set out in the Pension Regulator's Code of Practice No 14 and to comply with the Knowledge and Understanding Policy specific to Wirral Pension Board.

Training Policy and Plan

- 3.1 The Fund has had regard to the legal requirements set out in the Local Government Pension Scheme Regulations, other relevant legislation and best practice guidance published by CIPFA and other professional and regulatory bodies in drawing up this policy to ensure that all those involved in the decision-making and oversight process receive all relevant training required to properly discharge their responsibilities

- 3.2 The Fund arranges an annual programme of external and internal training events throughout the year designed to meet the requirements of new members of the Committee and the LPB along with the ongoing needs of existing members.
- 3.3 These events are reported, formally, to Members of Pensions Committee and the LPB on an annual basis. Individual reports, to authorise attendance at these events are put to Committee on an event-by-event basis. Attendance of training events for the LPB is as agreed by the Independent Chair and the Director of Pensions.

Policy for Payment of Expenses

- 4.1 The Fund will reimburse all reasonable costs and expenses incurred in undertaking approved training for all members of the Pensions Committee and LPB.
- 4.2 Claims should be submitted to the Fund and supported by an official receipt.
- 4.3 Members serving on the Committee from other local authorities or organisations may choose to continue to claim any such expenses from these bodies instead if they prefer.

Annex 2

Merseyside Pension Fund Governance Compliance Statement

Part	Governance Requirement	Fully Compliant
II/A Structure		
a.	The management of the administration of benefits and strategic management of Fund assets clearly rests with the main committee established by the appointing council.	Yes
b.	That representatives of participating LGPS employers, admitted bodies and Scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Yes
c.	That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Yes
d.	That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	Yes
II/B Representation		
a.	That all key stakeholders are afforded the opportunity to be represented, within the main or secondary committee structure. These include:-	Yes
	i) employing authorities (including non-Scheme employers, e.g. admitted bodies);	
	ii) Scheme members (including deferred and pensioner Scheme members),	
	iii) independent professional observers, and	
	iv) expert advisors (on an ad-hoc basis).	

- | | | |
|----|---|-----|
| b. | That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights. | Yes |
|----|---|-----|

II/C Selection and role of lay members

- | | | |
|----|---|-----|
| a. | That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee. | Yes |
|----|---|-----|

II/D Voting

- | | | |
|----|--|-----|
| a. | The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees. | Yes |
|----|--|-----|

Following consultation undertaken with all stakeholders groups during 2008 the Fund confirmed that it believes its current representation and voting arrangements are appropriate to ensure good governance.

Although they do not have voting rights the three trade union members representing the interests of active, pensioner and deferred members are able to play a full role in all aspects of the Governance of the Fund, including attendance at the Pensions Committee and Investment Monitoring Working Party. They receive copies of all reports and are included in all training and briefings.

II/E Training/Facility time/Expenses

- | | | |
|----|--|-----|
| a. | That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process. | Yes |
| b. | That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum. | Yes |
-

II/F Meetings (frequency/quorum)

- | | | |
|----|---|-----|
| a. | That an administering authority's main committee or committees meet at least quarterly. | Yes |
| b. | That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits. | Yes |
| c. | That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented. | Yes |
-

II/G Access


- | | | |
|----|--|-----|
| a. | That subject to any rules in the Council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee. | Yes |
|----|--|-----|
-

II/H Scope

- | | | |
|----|---|-----|
| a. | That administering authorities have taken steps to bring wider Scheme issues within the scope of their governance arrangements. | Yes |
|----|---|-----|
-

II/I Publicity

- | | | |
|----|--|-----|
| a. | That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the Scheme is governed, can express an interest in wanting to be part of those arrangements. | Yes |
|----|--|-----|
-



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

Telephone:

Email:

Members' Website

Employers' Website

Opening Times:

0151 242 1390

mpfadmin@wirral.gov.uk

mpfmembers.org.uk

mpfemployers.org.uk

Mon. to Fri. 9am - 5pm



Merseyside Pension Fund

- Investment Strategy Statement

Wirral Metropolitan Borough Council

As approved by Pensions Committee on 29 November 2021

Introduction

This Investment Strategy Statement has been prepared in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and with regard to relevant guidance. It is reviewed regularly and not less than every three years.

Investment of money in a wide variety of Investments

The Fund invests in a highly diversified portfolio of assets across multiple asset classes on a global basis. Moreover, the Fund seeks to invest in a broad range of uncorrelated asset classes in order to further reduce overall portfolio risk and limit the potential “downside” effects of financial market volatility.

Investment Strategies

The Fund has implemented a choice of investment strategies (“investment buckets”) for employers. These are:

- Higher risk
- Medium risk
- Lower risk

The main Fund investment strategy applies to the “higher risk bucket”. The “medium risk bucket” and “lower risk bucket” provide the option to reduce the level of investment risk that employers take, particularly for those employers that are considering leaving the Fund. In addition, any orphaned liabilities once an employer exits the Fund will generally be moved into the lower risk bucket.

The medium risk bucket’s initial investment strategy is 65% allocation to growth assets and a 35% allocation to defensive assets. The growth and defensive assets in this bucket are the same as the main Fund investment strategy but in the different proportions.

The lower risk bucket is made up of an investment strategy linked to income generating assets which targets a minimum yield above CPI inflation allowing for default, re-investment risk and any other reasonable margins of prudence deemed appropriate.

The maximum percentage of the total value of all investments of fund money that it will invest in particular investments or classes of investments is set out in the Fund’s strategic asset allocation in the table below.

Strategic Asset Structure

Asset Class	Strategic Benchmark %	Detail % ¹	Control Range
Equities	43		33.0-58.0
UK Equities		15.2	
Overseas Equities		27.8	
US		4.3	
European (ex UK)		6.5	
Japan		3.2	
Asia Pacific		3.2	
Emerging Markets		4.9	
Global		5.7	
Fixed Income	17		13.0-23.0
UK Gilts		4	
UK Indexed Linked Gilts		9	
Corporate Bonds		4	
Property	11		8.0-14.0
Alternatives	28		23.0-33.0
Private Equity		6	
Hedge Funds		4	
Private Credit		7	
Infrastructure		11	
Cash	1		0.0-6.0
Total	100		

The Fund's portfolio asset diversification policy is reviewed triennially with its Actuarial advisor and on a quarterly basis with its Strategic Advisor and Independent Advisors under the auspices of its Medium-Term Asset Allocation Strategy (MTAA).

The Fund's strategic asset allocation is reviewed and authorised at least every three years by the Administering Authority's Pensions Committee.

The Fund's investment strategy is underpinned by certain core beliefs pertaining to individual asset classes *inter alia*:

- The existence of an equity or volatility *risk premium*, namely that investors are rewarded over the longer term for making investments in equities or other assets that have a return profile that is more volatile than liability matching assets
- There is a liquidity risk premium i.e. investors are rewarded over the longer term for making illiquid investments

¹The % weights shown reflect the current target implementation in equities and fixed income. The Fund's implementation approach to these asset classes is the subject of ongoing review of the investment strategy and these weights may subsequently be revised.

- Active management of asset allocation can enhance returns by taking active positions against the strategic benchmark within tolerance parameters to control risk
- Active management within asset classes is possible by internal and external managers in order to outperform specific benchmark indices. There are persistent anomalies within asset pricing that can be exploited
- Active management requires the taking of calibrated risk i.e. volatility from the specific benchmark index returns in the short and medium term
- That environmental, social and corporate governance (ESG) factors will materially affect investment performance over the long term (the Fund's Responsible Investment Beliefs are expanded in the Fund's RI policy)
- Integration of ESG factors improves investment decisions in the long-term
- The risks arising from climate change are significant and must be managed proactively

Under the triennial review, the Fund's Scheme Actuary provides a dynamic analysis of assets and liabilities within the context of the overall objectives of the Fund *inter alia* to:

- Achieve a 100% solvency level in a reasonable timeframe;
- Maintain sufficient assets to pay all benefits as they arise;
- Implement a sufficiently prudent funding plan to protect against any potential "downside" outcomes reflecting the demographic characteristics of the Fund;
- Provide a linkage to the Fund's investment strategy and economic outlook based on its actuarial assumptions.

The Fund's Strategic Advisor provides professional advice on the global strategic asset allocation of portfolio investments with the greatest probability of meeting its overall objectives.

In addition to providing a review of the Fund's investment strategy, the Strategic Advisor also provides ongoing monitoring and reporting of both the Fund's assets and liabilities and the resulting progression of the Fund's funding level over time.

Within the shorter-term strategic time horizon, the Strategic Advisor also advises on medium term tactical asset allocation adjustments in order to exploit opportunities arising from a dynamic financial market environment within the tolerance bands set within the triennial strategic asset allocation.

This is undertaken within the Fund's Medium-Term Tactical Asset Allocation framework in which the Strategic Advisor advises and makes recommendations on the magnitude of medium-term tactical positions to be taken around the strategic benchmark in conjunction with officers of the Fund and its Independent Investment Advisors.

The suitability of particular investments and types of investments

The suitability of particular investments and types of investments to reside within the Fund's investment portfolio are analysed within the context of the overall strategic asset allocation. The Fund may also make use of derivatives, either directly or in pooled investments, for the purposes of efficient portfolio management or to hedge specific risks, in order to protect the value of the Fund's assets.

Explicit investment mandates have been established for external and internal investment managers across all asset classes with clear instructions as to how these mandates are to be managed within a range of defined investment parameters and performance targets.

All investment mandates are reviewed regularly by the Fund's Investment Management Working Party (IMWP) and its Independent Advisors to ensure that returns, risk and volatility are all appropriately managed and remain consistent with the overall strategy of the Fund and the individual portfolio strategies of the Fund's investment managers.

In order to determine that the Fund's policy on asset allocation is compatible with achieving its locally determined solvency target the Strategic Advisor undertakes ongoing monitoring of both the Fund's assets and liabilities in order to ascertain the Fund's direction of travel towards meeting its funding and solvency targets.

A report is produced by the Strategic Advisor and presented to the IMWP on a quarterly basis for discussion.

The approach to risk, including the ways in which risks are to be measured and managed

The Fund recognises that there are various investment and operational risks to which any pension scheme is subject and gives qualitative and quantitative consideration to such risks through the Pensions Committee, Local Pension Board and the Governance & Risk Working Party.

The Fund has a clearly determined approach to its risk tolerance with the objective of optimising the returns from its global investment activities within reasonable risk parameters.

Accordingly, as documented in the Fund's Funding Strategy Statement, the Actuary has identified key risks in the following areas:

- Financial
- Demographic
- Regulatory
- Governance
- Climate change

With regard to its global investment portfolio activities, the principal risks undertaken by the Fund are related to strategic asset allocation, tactical asset allocation and the active management of investment portfolios.

In order to mitigate these risks, the Fund works closely with its appointed Strategic Advisor to establish a highly diversified portfolio of investments across different asset classes and geographies with the greatest probability of meeting its funding and solvency targets. In addition to its core investments in global equities and bonds, the Fund invests in other alternative assets such as property, private equity, private credit, venture capital and infrastructure where it is possible to identify assets with lower correlations to the mainstream.

Through its Medium Term Asset Allocation framework, the fund seeks to actively control risk by reducing unintended variances from benchmark by periodically correcting positions created by market movements in accordance with the advice of its Strategic Advisor and consultation with its Independent Advisors.

The Fund's approach to pooling investments including the use of collective investment vehicles and shared services

The Council has signed a memorandum of understanding with the administering authorities of the Greater Manchester Pension Fund and the West Yorkshire Pension Fund to create the Northern LGPS ('the Pool') in order to meet the criteria for pooling investments released by Government on 25 November 2015.

The three funds submitted their pooling proposal to Government in July 2016 and the Department for Communities and Local Government (now DLUHC) provided confirmation in January 2017 that it is content for the funds to proceed with the formation of the Pool as set out in the July 2016 proposal. The proposal is available on MPF's website.

The principal benefits of pooling for the funds in the Northern LGPS are in respect of alternative assets where there is greatest scope to generate further economies of scale and to combine resources to make increasingly direct investments. Following detailed discussions and consideration of professional advice, it was agreed in March 2017 by each of the participating funds that in order to meet the Reduced Costs and Excellent Value for Money criterion set by Government most effectively, the Northern LGPS should focus on collective investment in private market assets such as private equity and direct infrastructure. Subject to value for money requirements being fulfilled, private equity and direct infrastructure investments are made via joint ventures and partnerships to enable material cost savings from an early stage. Such structures are in all cases compliant with relevant financial services law. Legacy private market assets (i.e. those entered into prior to the formation of the Pool) are being run-off on a segregated basis.

The Scale and Strong Governance and Decision-Making criteria are met by:

- i) a Joint Committee providing monitoring and oversight of the operations of the Northern LGPS with the Joint Committee constituted so as to separate elected members from any manager selection decisions and;
- ii) appointing an FCA regulated common custodian for the Pool, which has custody of all the pool's actively managed listed assets (i.e. internally and externally managed equities and bonds) and acts as master record-keeper for all pool assets.

Strategic asset allocation continues to be set by each fund's pensions committee with the selection of individual investments and investment managers for external mandates carried out on a pooled

basis by appropriately qualified and experienced officers, operating under the legal framework of specialist investment vehicles where appropriate.

All public-market assets and new commitments to private equity and direct infrastructure are monitored and overseen by the Northern LGPS Joint Committee with all assets other than day-to-day cash used for scheme administration purposes being held under the common custody agreement. Day-to-day cash is assumed to be 1% of total assets for each fund.

The Pool will procure the following services, as required, on behalf of the participating funds

- External fund management for public-market mandates
- Common custodian for Pool
- Investment management systems
- Performance analytics
- Responsible Investment advisory services
- Other professional advice

The Northern LGPS Joint Committee is created via the approval of an inter-authority agreement between the administering authorities to the participating funds. The role of the Joint Committee is to:

- i) provide monitoring and oversight of the Northern LGPS to ensure that the pool is effectively implementing the participating authorities' strategic asset allocation decisions;
- ii) oversee reporting to the participating authorities' pensions committees.
- iii) act as a forum for the participating authorities to express the views of their pensions committees;
- iv) ensure segregation of duties in investment decision-making between elected members and officers;
- v) monitor performance of portfolios;
- vi) monitor the appointment of investment managers

Reporting processes of the Northern LGPS include regular written reports on the performance of Northern LGPS investments to the Joint Committee, which are discussed at formal meetings. The Joint Committee will not be undertaking any regulated activities.

The Northern LGPS' governing documentation grants the Joint Committee and each administering authority certain powers regarding the operation of the Northern LGPS, which can be used to ensure the effective performance of Northern LGPS. MPF's approach to pooling, set out above, will be reviewed periodically to ensure this continues to demonstrate value for money, particularly following any changes to funds' strategic asset allocations, pool management arrangements or taxation policy in the UK or internationally. The reviews will take place no less than every 3 years.

A report on the progress of asset transfers will be made to the Scheme Advisory Board on at least an annual basis.

How social environmental or corporate governance considerations are taken into account in the selection non-selection retention and realisation of investments

The Fund's Statement of Beliefs on Responsible Investment is available at:

mpfmembers.org.uk/content/Investment-Strategy-Statement

Merseyside Pension Fund pursues a policy of Responsible Investment (RI), arising from the belief that environmental, social and corporate governance (ESG) factors will materially affect investment performance over the long term. MPF considers that a holistic approach to investing must consider ESG factors from the outset and at all stages of the decision-making process: from investment beliefs and strategy, across all asset classes and in the strategies selected.

Such an approach is consistent with MPF's view of its fiduciary duty to seek optimal investment outcomes that are in the best interests of all its scheme participants, having regard to a prevailing public service ethos and to the long-term stability of the wider financial system. In setting its high-level strategic framework, MPF will take a forward-looking view of the strategy's sustainable characteristics (for example, by using techniques such as climate scenario analysis).

MPF believes that it can select optimal investment strategies across asset classes that integrate ESG information into quantitative and qualitative analysis, which drives the construction and adjustment of investment portfolios. This allows for the flexibility to consider diverse investment approaches and methodologies as appropriate to the objectives and set parameters of particular mandates.

Under the auspices of the Northern LGPS Investment Pool, MPF evaluates and monitors the RI capability of all its investment managers, with reference to industry standards of best practice. MPF is a signatory of the **Principles for Responsible Investment** and is committed to reporting on its implementation of these Principles and promoting them across the investment industry. The Fund intends to become a signatory to the revised FRC UK Stewardship Code.

MPF makes use of a variety of ESG incorporation² methodologies, within particular mandates (including those managed by the in-house team) where the investment objective includes the optimisation of ESG-related risk and opportunity, alongside an increasing focus on shaping

² The PRI's definition and guidance on ESG incorporation informs this statement: unpri.org/investment-tools

sustainable outcomes. These methodologies include primarily (but not exclusively) ESG fundamental integration and active ownership, with ESG tilts and some norms-based screening applied in index-tracking strategies. For investments in private markets, MPF takes steps to ensure that the investment selection and management process is governed by consideration of material ESG factors over the lifecycle of each portfolio investment.

The values and expectations that determine this policy are imparted through MPF's governance arrangements, which incorporate representation of all Scheme members and employers alongside the Administering Authority. Responsible Investment matters are considered throughout the governance processes that set and monitor the Fund's investment strategy and are regularly reviewed by the Fund's Investment Monitoring Working Party.

MPF regards social impact investing as entirely compatible with investing responsibly and considers such opportunities on a prudent basis (or as a **'finance-first' investor**). Social impact or thematic investing may provide access to diverse opportunities, with lower correlations to other assets, and can deliver acceptable risk-adjusted returns. It is recognized that the positive impacts targeted will, in many cases, closely align to the wider objectives (including financial) of many of MPF's participating employers and scheme members.

MPF seeks to implement its RI policy by collaborating with other investors to benefit from the sharing of resources and leveraging of influence. To a considerable extent, this is through its pool partnership with Greater Manchester Pension Fund and West Yorkshire Pension Fund, the two other member funds of the Northern LGPS Pool. The Responsible Investment Policy for the [Northern LGPS](#) sets out how any environmental, social and governance policies are handled by the pool and how stewardship responsibilities are determined and enacted. It also encapsulates voting policies as detailed below.

The exercise of rights (including voting rights) attaching to investments

MPF considers that practising responsible ownership of its assets is fundamental to investing responsibly over the long-term; and that, in the case of equity investments, the exercise of voting rights is an intrinsic part of the value of share ownership.

MPF's policy with regard to the voting rights attached to its equity investments is to retain control and to exercise those rights to the fullest reasonable extent. Voting activity is not delegated to investment managers, except in circumstances where the structure of a particular investment vehicle necessitates this (but where MPF is able to determine that the manager has sufficient stewardship capability and that this activity can be monitored by the Fund).

The Fund implements its voting policy in partnership with a specialist advisor (currently **PIRC Ltd**) who provides appropriate research and vote execution services for the pool and the fund that cover the major markets in which shares with voting rights are held.

MPF votes in line with the recommendations of its advisor, having judged that the advisor's voting guidelines promote high standards of corporate governance and responsibility and enable MPF to exert a positive influence as shareholders concerned with value and values.

A quarterly report on voting activity is made to the Investment Monitoring Working Party and to the Joint Committee of the Northern LGPS. A summary of voting activity forms part of the Fund's Annual Report. Detailed voting activity information, including where the voting decision has been contrary to a company's recommendation, is made publicly available through the **Fund's website**.

Alongside its voting policy, MPF considers engagement on ESG matters to be integral to stewardship. The focus of its engagement activity (principally, but not exclusively) is the companies in which it invests across its public equity portfolio with the intention for this to be widened to include fixed income holdings.

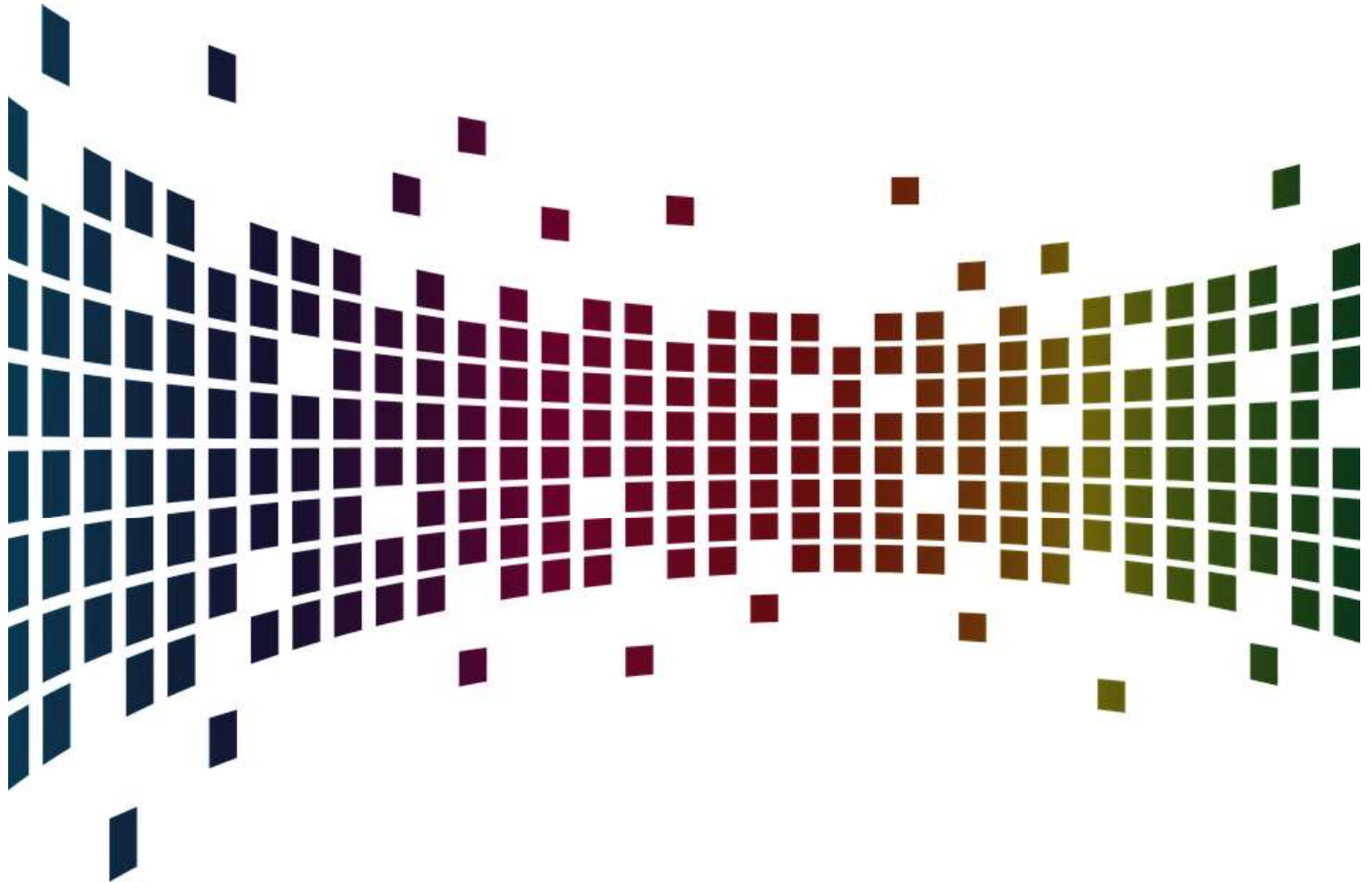
As such, MPF carries out engagement on a collaborative basis with suitably aligned investors through several organisations (chief among them, the **Local Authority Pension Fund Forum**, of which MPF is a founder member), to ensure that its engagement benefits from scale and clarity of voice. Where boards of investee companies are resistant to dialogue or change, MPF will escalate issues by, for example, voting against the re-election of the Chair of the board. Ultimately, where asset owners refuse to engage or change, MPF will consider adjusting its investments as appropriate to the risks, in accordance with its Responsible Investment policy and its fiduciary responsibilities.

MPF strongly encourages its investment managers to carry out appropriate stewardship as part of the professional practice of asset management across asset classes and to report on that activity to an appropriate standard. It recognises that stewardship in private markets may be less well developed than for public markets and the Fund seeks to promote best practice with its incumbent and potential asset managers. The Fund is actively pursuing ways in which it can participate in proxy voting decisions in respect of its listed holdings in pooled structures.

In addition to disclosing stewardship activities, MPF also recognises that effective stewardship should focus on achieving 'real world' outcomes and undertakes to report annually on the outcomes of its stewardship activities.

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Merseyside Pension Fund

- Pensions Administration Strategy

Wirral Metropolitan Borough Council

This document has been presented, considered and approved by Pensions Committee on **13 November 2017**, following consultation with all employers and the Local Pension Board. Reviewed every three years, the last review took place on **23 July 2020**

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Introduction

This is the Pensions Administration Strategy of Merseyside Pension Fund (the Fund) in relation to the Local Government Pension Scheme (LGPS), which is administered by Wirral Borough Council (the administering authority)

The LGPS Regulations 2013 allow Administering Authorities to prepare a Pensions Administration Strategy (“the Strategy”) for the purpose of improving administrative processes in compliance with regulatory provisions and the Code of Practice No.14 as issued by the Pension Regulator (tPR).

The legislative framework outlines the statutory pension benefit information and services which the Fund must provide free of charge and allows funds to recover costs incurred as a result of unsatisfactory employer performance. It is also permissible to levy an administration charge for the provision of additional information not covered by the general maintenance allowance factored into the employer contribution rate.

The Fund has revised the Strategy to ensure adoption of best practice and compliance with standards set by the Pensions Regulator in regard to data quality, completeness and timeliness. Changes since 2013 in regard to the benefit structure, statutory time limits and the requirement for public service pension schemes to deliver efficiencies, necessitates the introduction of a schedule of charges for non- statutory administrative services and to recover costs incurred by the Fund as a consequence of an employer’s unsatisfactory performance .

This document has been developed in consultation with employers and the Local Pension Board with the purpose of setting out a framework outlining the policies and performance standards to be achieved to enable provision of a cost-effective and high-quality pension administration service.

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

Review

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

Aims

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

Legislative Framework

LGPS Regulations 2013

The Fund and its Employers must have regard to this Strategy when carrying out their Scheme functions and Regulation 59 sets out a number of requirements to facilitate best practice and efficient customer service in respect of the following;

The establishment of levels of performance which the administering authority and its Employers are expected to achieve in carrying out their Scheme functions

Ensuring the Fund and its Employers comply with statutory requirements in respect of those functions
Improving the communication between the administering authority and its employers of information relating to those functions

The Strategy also sets out a schedule of additional administration charges by virtue of Regulation 4(5) of the **LGPS (Management and Investment of Funds) Regulations 2016** which provides scope for Funds to levy charges in circumstances where disproportionate costs are being incurred for additional administration tasks relating to individual members or specific employers.

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

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

Key Objectives

The key objectives of this Strategy are to ensure that:

- the Fund and employers are aware of and understand their respective roles and responsibilities under the LGPS Regulations and in the delivery of administrative functions;
- the fund operates in accordance with LGPS regulations and the Pension Regulator Code of Practice in demonstrating compliance and scheme governance;
- communication processes are in place to enable both the Fund and Employers to proactively and responsively engage with each other and partners;
- accurate records are maintained for the purpose of calculating pension entitlements and employer liabilities; ensuring all information and data is communicated accurately, on a timely basis and is secure and compliant;
- the Fund and employers have appropriate skills and that training is in place to deliver a high quality service;
- standards are set and monitored for the delivery of specified activities in accordance with the relevant regulations;
- administrative services are developed and delivered digitally in order to streamline processes and minimise service costs.

Achieving the Objectives

The localism agenda to devolve power from central government control to boroughs has resulted in an increase to the Fund's employer base as local authorities transform service delivery together with the increase of maintained schools converting to Academy status.

The differing characteristics, size and required support of individual employers presents a significant logistical challenge to the management of information, processes and services within the Fund. It is clear that because of these differences a "one size fits all approach" would be unlikely to deliver a workable solution; however standard ways of operating applicable to different employer groups would realise benefits and cost efficiencies.

As the number of disparate employers continues to grow there is the need for more accurate and timely information to improve liability management at both the local and national level. In addition, the Pensions Regulator has introduced higher levels of compliance and the Fund will be required to demonstrate heightened governance and administrative efficiency.

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

a) Communications Policy

- ensures members have accessible and timely information on all aspects of their pension benefits and informs decisions in respect of entitlements
- enables employers to make effective decisions in the management of risks and liabilities as well as encouraging engagement in the wider pension debate

b) A training plan that will offer support to employers and continue to enhance staff knowledge and skills to ensure efficient administration compliant with the Pension Regulator requirements

c) An ICT development programme which will deliver high quality, efficient and integrated digital services to employers and members in an increasingly regulated and financially complex environment

d) A performance framework which will support the effective working of the Fund and enable both the Fund and Employers to deliver continuous improvement and move towards a higher standard of service

Use of ICT

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

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

Online access to Fund IT systems

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

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

The Fund reserves the right to revoke access based on licence cost and employer performance.

'MyPension' Member Self Service

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

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

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

Performance Standards

A key purpose of the Administration Strategy is to set performance standards and publish both the targets and achievements against those targets to evaluate continuous improvement of the administration function. The performance measures which will be monitored are outlined below, with the outcomes subject to scrutiny by the Pensions Regulator, the Local Pension Board and Pensions Committee; with summary information published in the Fund's Annual Report & Accounts.

Performance Standards - Scheme Employer

Duties and Responsibilities

Function/Task	Performance Target
Governance	
Designate a named individual to act as a Pensions Liaison Officer who is the main contact with regard to any aspect of administering the LGPS via submission of Fund documents "Your LGPS Contacts" and Authorised Signatories	Within 30 days of becoming a scheme employer or within one month of the change in officer role
Confirm designated contact information for officers authorised to perform key policy decisions and administrative roles within the organisation	Within 30 days of becoming a scheme employer or within one month of the change in officer role
Appoint person for stage 1 of the pension dispute process (IDRP) and provide full up to date contact details to the Fund	Within 30 days of becoming a scheme employer or following the resignation of the current adjudicator
Notify the Fund of the receipt of a complaint under the IDRP process	Within 7 working days of receiving the complaint
Notify the Fund that the stage 1 decision has been issued	Within 7 working days of making the determination
Appoint an independent registered medical practitioner qualified in occupational health medicine or arrange contract with third party, in order to consider all ill health retirements applications and agree appointment with Administering Authority	Within 30 days of commencing participation in the scheme or date of resignation of existing medical officer
Formulate, publish and keep under review policies in relation to all areas where the employer may exercise discretion within the LGPS	A copy of the policy document is to be submitted to the Fund within one month of a change in policy
Distribute any information provided by the Fund to scheme members/potential scheme members (e.g financial information or generic news alerts)	In a timely manner as required

Function/Task	Performance Target
Financial Administration	
Ensure correct employee contribution rate is to be determined each scheme year in line with the appropriate contribution banding table	Immediately upon commencing scheme membership, reviewed as per policy on adjusting employee contribution rates
Remit employer and employee contributions and Remittance Advice Slip (LGP41) to the Fund	By 22nd of the month following deduction of payroll if made electronically or 19th if paid by cheque Under the Pensions Act 2004 and the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014, the Pensions Regulator may be notified if the above measurement is not met
Implement changes to employer contribution rates as instructed by the Fund at the date specified by the Fund Actuary	In line with the Rates Adjustment Certificate as per the valuation
Ensure and arrange for the correct deduction of employee contributions from a member's pensionable pay including any period of child related leave, trade dispute or other forms of leave of absence from duty	As required by payroll cycle, monthly or weekly
Manage the deduction of all additional contributions or amend such deductions, as appropriate	As required
Arrange for the deduction of AVCs and payment over of contributions to the AVC provider(s) and inform the Fund as required	As required by payroll cycle, typically monthly
Refund any employee contributions when employees opt out of the pension scheme within 3 months and submit LGP9A	Within 42 days of the opt-out date
Remit additional fund payments in relation to early payment of benefits from flexible retirement, redundancy or business efficiency retirement or where a member retires early with employer's consent and a funding strain cost arises	Within 30 days of receipt of invoice from the Fund

Function/Task	Performance Target
Financial Administration continued...	
Remit Recharge payments in respect of pension members – e.g Compensatory Added Years	To be paid within 30 days of the invoice from the Fund
Payments in respect of FRS102 and IAS19 work carried out on behalf of Employers by the Fund Actuary and Accounts Team	To be paid within 30 days of the invoice from the Fund
Payments in respect of all other work carried out on behalf of the Employer by the Fund's Actuary and connected data quality assurance undertaken by the Fund's Administration Team	To be paid within 30 days of the invoice from the Fund

Function/Task	Performance Target
Alternative Service Delivery Models / TUPE Transfer - New Employers	
Notify the Fund of contracting out services which will involve a TUPE transfer of staff to another organisation so that information can be provided to assist in the decision	At the point of deciding to tender
Notify Fund of lead decision making and operational officers in circumstances where a prospective new employer or admitted body may request to join the Fund as a result of re-organisation or TUPE transfer	At commencement of business review project
Work with Fund Officers to arrange for an admission agreement to be established	A minimum of 90 days in advance of the date of contract
Notify the Fund if the employer ceases to admit new scheme members or is considering terminating membership of the Fund	As soon as decision is agreed

Function/Task	Performance Target
Member Information/Data Quality and general administration	
Provide the Financial Statement (LGP40) as specified by the Fund including granular breakdown per employee of contribution, CARE/FTE pay and service related data (annual year-end return) to feed into valuation/GAD cost sharing exercise and annual benefit/annual allowance statements for members	Completed and validated return to be submitted no later than the end of business on the second Friday within the month of May
To ensure optimum accuracy of year-end information, in line with specified extract	Less than 5% of entries to be queried following digital alignment of members and memberships
To resolve digital alignment and financial discrepancies (sanity queries) resulting from the annual return process	<p>To fully answer all queries from the Fund within 15 working days of receipt of the query</p> <p>In circumstances where an employer submits a late annual return and the Fund can only query within the month of July, the timescales may be shorter than 15 days, as advised by the Fund</p>
To action requests for data reconciliations of member records	To fully answer data reconciliations/member queries from the Fund within three weeks of receipt of data
Notify the Fund of new joiners/additional employment electronically in agreed format and secure data transfer or manual LGP1 form	Within 42 days of member's contractual auto-enrolment or re-enrolment date
Provide new joiner with Membership Form LGP2 -To assist Fund to establish previous pension entitlements	Within 30 days of the member's first day of entry to the scheme
Direct all eligible new employees to the member guide to the pension scheme on the Fund website	At date of employee appointment
Change in employees' circumstances which may impact on pension benefits, (movement in and out 50/50 scheme, marital or civil partnership status, maternity, paternity, absence, name etc) electronically in agreed format and secure data transfer or manual LGP4 Form	Within 42 days of the event or receipt of information

Function/Task	Performance Target
Member Information/Data Quality and general administration continued...	
Notify the Fund of early leaver/opt over three months for member's entitled to a refund or deferred benefit and submit both LGP9 / Termination Form LGP1A in electronic or manual format	Within 42 days of date of leaving/opt out date
On leaving employment, an LGP1C is required for the opted out former member	No later than 30 days of termination of employment
Notify the Fund when a member leaves with immediate entitlement to benefits submit Termination Form LGP1A and issue Retirement Option Form LGP1B in electronic or manual format to the employee	No later than 30 days of retirement
Notify the Fund of the death of an employee and provide next of kin details and submit Termination Form LGP1A. In addition, raise awareness of Fund's Welfare Officer when a member is suffering from a terminal illness	Within 3 working days of knowledge of the death of the employee
To determine based on medical opinion and advice whether an ill health award is to be made and determine where relevant which tier 1,2 or 3 Arrange for the completion of the appropriate LGP12 form and submit along with LGP1A/LGP1B to the Fund	No later than 30 days of date of retirement
To submit request form LGP88 for estimate of benefits	No later than four months, before retirement but the Service Area Manager can modify the target in exceptional circumstances
To Notify the Fund of final salary and pensionable pay figures for divorce valuations	Within 10 working days of request
To Notify the Fund of a workforce planning exercise and the intent to request a bulk estimate retirement calculation to seek both member pension details and employer strain costs	As soon as practicable to allow the Fund to consider resource planning

Performance Standards - Administering Authority

Duties and Responsibilities

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

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

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

Function/Task	Performance Target
Member Information/Data Quality and general administration	
Provide support for employers through a dedicated employer website, technical notes, forums, employer bulletins/alerts and day to day contact	Forums and ongoing support as required
Organise and provide coaching sessions on an employer's roles and responsibilities	Upon request of scheme employers or as Fund Officers deem necessary
Notify scheme employers and scheme members of changes to the scheme rules	Within 60 days of regulatory change
Produce annual benefit statements to active and deferred members as at 31 March each year	By 31 August following the year-end
Produce and issue pension saving statements each year to members who have exceeded their annual allowance	By 6 October following the end of tax year (subject to receipt of all relevant information from the scheme employer)
Publish and keep up to date all forms required for completion by scheme members or employer	30 days from any revision
Issue and keep up to date web based employer guides	Within 30 days from date of change/amendment
Issue and keep up to date scheme guide and all other literature for issue to scheme members	Within 30 days from date of change/amendment
Set up new joiner and provide statutory notification to member	Within 30 days of receipt of correct notification from a scheme employer
Process changes in employees' circumstances which may impact on pension benefits	Within 30 days of receipt of correct notification from a scheme employer
Process transfer in quotations	Within 10 working days of receipt of all required information
Transfer notification of credited membership/accrued pension account to be notified to the scheme member	Within 10 working days of receipt of payment

Function/Task	Performance Target
Member Information/Data Quality and general administration continued...	
Transfer out quotations processed	Within 10 working days of receipt of all necessary information
Transfer out payments processed	Within 7 working days of receipt of all necessary information*
Determine necessary category in relation Aggregation/Interfund cases and issue notification to member of service credit and accrued pension account	Within 10 working days of receipt of all necessary information
Process Divorce Valuation	Within 10 working days of receipt of all necessary information
Notify the scheme employer of any scheme member's election to pay additional pension contributions ,including all required information to enable deductions to commence	Within 10 working days of receipt of election from a scheme member
Process scheme member requests to pay/amend/cease additional voluntary contributions	Within 7 working days of receipt of request from scheme member
Deferred benefits calculated	Within 20 working days of receipt of all necessary information
Deferred benefits processed for payment	Within 7 working days of receipt of election and all necessary information*
Refund payments	Within 10 working days of receipt of all necessary information*
Provision of estimate of Pension Benefits	Within 10 working days of receipt of all necessary information*
Provision of retirement options to members	Within 10 working days of receipt of all necessary information
New retirement benefits processed for payment following receipt of options	Lump sum payment plus first payment of pension within 7 working days of receipt of all necessary documentation* Thereafter pension payment on monthly payroll run

Function/Task	Performance Target
Member Information/Data Quality and general administration continued...	
Acknowledgement of a death	Within 5 days of receiving the notification
Payment of death lump sum	Within 7 working days of receipt of all necessary information*
Notification of benefits payable to dependents	Within 7 working days of receiving the required information*
Provide an answer or acknowledgement to scheme members/scheme employers/personal representatives/dependents and other authorised persons	Within 10 days from receipt of enquiry
Undertake data reconciliation exercises against Fund and employer payroll system	Periodically throughout year
To produce year end year digital alignment queries and financial discrepancies for employers	Within 30 days of receipt of complete and correct return with less than 5% of entries to be queried after digital alignment of members and memberships
Provision of bulk estimate data including both member pension details and employer strain costs	Within the timescales agreed between the Fund and employer to inform the workforce planning exercise

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

Monitoring Performance

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

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

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

Audit

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

Escalation policy on charging employers for unsatisfactory performance

The Fund's preferred route to resolution in regard of data gaps is to support and work closely with employers via the Pension Liaison Officer; who will receive opportunity to correct the issue before invoking the Escalation Policy.

However, where persistent failure (which is defined as an ongoing failure to positively engage with the Fund) occurs in relation to administration requirements and no improvement is demonstrated by an employer or willingness to resolve the matter the following actions will be taken:

- Write to the scheme employer, setting out area(s) of non – compliance with performance standards offering support and where appropriate request attendance at a training session
 - When no improvement has been demonstrated or where there has been a failure to take agreed action by the scheme employer they will be requested to attend a meeting with representatives of the Fund to agree an action plan.

If no improvement is evident within one month or the employer is unwilling to attend a meeting to resolve the issue a formal notice will be issued setting out;

- the area(s) of non-compliance with performance standards that have been identified
- the steps taken to resolve those area(s) and;
- issue notice that the additional costs will now be reclaimed providing the basis on how the additional cost was calculated.

An invoice will then be issued to the employer clearly setting out the calculations of any loss resulting to the Fund, or additional cost, taking account of time and resources in resolving the specific area(s) of unsatisfactory performance in accordance with the charging schedule outlined overleaf.

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

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

Schedule of fees for additional administration tasks

Activity		
Implementation of Pension Sharing Order	Member	£500 + VAT
An additional CETV request made within 12 months of an earlier CETV being provided including circumstances for divorce valuations	Member	£150 + VAT
A replacement guaranteed CETV where the transfer option forms are not returned within three months of the guarantee date	Member	£150 + VAT
<p>An employer request for multiple benefit estimates for a member within a 12month period e.g. for a variety of reasons for leaving or potential retirement dates</p> <p>This excludes estimates provided via a bulk exercise</p> <p>The Fund will provide an estimate for a single date and reason for leaving free of charge</p>	Employer	£100 + VAT for each individual item requested
Request for copies of correspondence, documents or duplicate statement	Member / Employer	£10 + VAT
Correspondence provided to third parties in relation to member pension entitlements and benefit structure	Member / Employer	£100 + VAT *
Individual Protection 2016 (IP2016) Valuation to calculate an Individual's protected LTA	Member	£150 + VAT
Production of non-statutory Pension Saving Statements and forecasts of annual allowance usage	Member	£150 + VAT *
<p>Administration of information in relation to Accounting Standards Exercises **</p> <p>(Recharge of actuary fee in accordance with contractual arrangement)</p>	Employer	£100 + VAT *

Activity continued		
Bespoke Pension Administration Work	Employer	At the appropriate hourly officer rate on a cost recovery basis
Data quality and en-masse calculation/operational processing in connection with on-boarding of new employers including academies (Recharge of actuary fee in accordance with contractual arrangement)	Employer	£2,000 + VAT *
Data quality and en-masse calculation/operational processing in connection with employer de-participation (Recharge of actuary fee in accordance with contractual arrangement)	Employer	£2,000 + VAT *
Provision of an indicative funding/termination valuation based on membership and cashflow data assessed to determine the previous triennial results	Employer	£500 + VAT per Valuation
Setup de-risking framework to monitor an employer funding position to lock down pension liabilities and switch to an alternative investment strategy to reduce volatility of pension costs Annual monitoring of the funding level and engagement with employer on proposed funding trigger	Employer	Actuarial recharge of £3,500 + VAT £3,000 + VAT, per annum

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

**MPF would be willing to bring forward the schedule deadline for issue of accounting disclosure; however it may result in more estimates being needed, in particular the calculation of the investment return, and share of the plan assets achieved over the year. The actuary will need to estimate these using market indices for a longer period than is currently the case. Employers will need to agree that the 'estimation' is acceptable with their auditor and alert the Fund of an earlier response deadline.

Schedule of charges for Employers

Activity	
Failure to remit payment of monthly employee and employer contributions in full by the 22nd of the following month	Interest at base rate plus 1% as per the 2013 regulations
<p>Failure to submit monthly contributions LGP41 forms with or before remittance of payment, except where payment is made early and LGP41 is received on/before the payment method submission date.</p> <p>Note: In order to streamline accountancy procedures the recommended best practice is to submit the LGP41 prior to or with payment of contributions.</p>	£100 per occasion
<p>Failure to comply with one or both of the following requirements:</p> <ul style="list-style-type: none"> • Submission of completed and validated year-end return in accordance with the prescribed specification by the end of business on the second Friday within the month of May • Submission of the certified year end LGP40 Financial Statement 	<p>A fixed penalty of £250</p> <p>plus a further fixed penalty of £100 for every further week late following that deadline</p>
Quality of the year-end information provided is below the acceptable tolerance level set at 5% of entries to be queried after digital alignment of members and memberships	<p>The Fund will recover costs for the work involved to resolve these errors</p> <p>Typically costs will be based on officer hourly rates but will be determined on the resource required to address errors above the tolerance</p>

Please Note:

If an employer annual return is received by the end of business on the second Friday within the month of May and the return is accepted, no charge will apply

If a completed and validated annual return is received by the end of business on the second Friday within the month of May and the return is rejected following initial conformity checks, but subsequently re-submitted and accepted within 2 weeks of being notified of the rejection, no charge will apply.

In regard the 5% error rate in resolving annual return data, charges will not be applied during the 2018/19 scheme year (1 April 2018 - 31 March 2019). This will provide opportunity for both the Fund and employers to reconcile data and clarify specific requirements for future provision of data.

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

Payment method

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

The bank account details for electronic payment are as follows:

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

The payment reference is to include the members name and National Insurance number. Charges in respect of administration work commissioned by an employer must also be agreed and paid in advance electronically before provision of the information or depending on the organisations' financial arrangement upon receipt of a purchase order.

Payments must include a reference as provided by the Fund for the purposes of reconciliation by the accounts team with our bank account. In circumstances where financial penalties are incurred the Fund will issue an invoice for payment.

Feedback from employers

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

Employer Guides for Administration

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

HR Guide for Employers

This guide sets out the requirements for HR sections in respect of the Local Government Pension Scheme regulations, effective from 1st April 2014.

Payroll Guide for Employers

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

These employer guides are available on the dedicated employer website:

mpfemployers.org.uk/content/hr-payroll-guides

Automatic Enrolment Guide for LGPS Employers

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

These are available on the dedicated employer website:

mpfemployers.org.uk/content/automatic-enrolment-guide-lgps-employers

Associated Policy Statements & Discretions

Records & Data Improvement Policy

The Fund collects and holds large amounts of digital and paper based data and is heavily reliant on the timely receipt of quality data from employers, in order to effectively administer the Local Government Pension Scheme (LGPS). This document is supplemental to the Pension Administration Strategy.

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

mpfemployers.org.uk/content/records-data-improvement-policy

Communications Policy

This statement outlines the Fund's policy on:

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

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

mpfmembers.org.uk/content/riskdocs

Governance Policy

Wirral Metropolitan Borough Council is the Administering Authority for Merseyside Pension Fund. The Council has delegated to the Pensions Committee various powers and duties in respect of its administration of the Fund.

This statement sets out the scheme of delegation and the terms of reference, structure and operational procedures of the delegation and can be found on the Fund website at:

mpfmembers.org.uk/content/riskdocs

Employer Discretions

Since 1997, the LGPS Regulations have required every employing authority to:

- issue a written policy statement on how it will exercise the various discretions provided by the Scheme;
- keep it under review;
- revise it as necessary.

A list of employer discretions can be found on the Employers website at:

mpfemployers.org.uk/content/employer-discretions-april-2014

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Web: mpfemployers.org.uk

Email: mpfadmin@wirral.gov.uk

Appendix A - Scheme Employers with Active Members as at 31 March 2023

Scheduled Bodies (32)

	Contributions Received		
	Employers £'000	Deficit/(Surplus) £('000)	Employees £'000
Carmel College	436	0	141
Chief Constable (CC)	12,770	0	4,987
Cronton Parish Council	2	0	0
Eccleston Parish Council	5	0	1
Edsential SLE	230	0	64
Halewood Town Council	55	-22	21
Hugh Baird College	889	197	275
Knowsley M.B.C.	4,848	0	6,163
Knowsley Town Council	40	0	11
LCRCA - Liverpool City Region Combined Authority	1,723	0	968
Liverpool City Council	13,042	0	15,320
Liverpool John Moores University	7,222	0	3,075
Liverpool Streetscene Services Ltd	1,000	0	297
Maghull Town Council	48	0	18
Merseyside Fire & Rescue Authority	1,833	-169	707
Merseyside Passenger Transport Executive (MPTE)	4,086	0	1,702
Merseyside Waste Disposal Authority	208	0	85
Office of the Police and Crime Commissioner (OPCCM)	103	33	45
Prescot Town Council	16	0	7
Rainford Parish Council	13	0	4
Rainhill Parish Council	4	0	1
School Improvement Liverpool Ltd	860	0	365
Sefton M.B.C.	6,594	0	8,097
Shared Education Services Ltd	367	-228	108
Southport College	476	-58	150
St. Helens College	1,014	-444	352
St. Helens M.B.C.	4,357	0	5,915
The ACC Liverpool Group Ltd	690	0	353
The City of Liverpool College	1,017	-305	327
Whiston Town Council	40	-9	12
Wirral Council	24,062	-1,897	9,078
Wirral Metropolitan College	1,029	-81	312

Scheduled Bodies (Academies) (122)

Academy of St Francis of Assisi	204	0	75
Alsop High School	298	0	85
Bellerive FCJ Catholic College	142	38	47
Birkdale High School	125	43	41
Birkenhead 6 th Form College (Academy)	275	30	116
Birkenhead High School Academy	234	0	77
Bishop Martin CE Primary	34	25	9
Blacklow Brow School (Academy)	51	21	16
Blue Coat School (Academy)	167	59	61
Brackenwood Jr School	48	0	15
Calday Grange Grammar School	241	18	84
Chesterfield High School	152	39	53
Childwall Sports & Science Academy	150	74	56
Christ Church Moreton Primary (Academy)	75	30	25
Church Drive Primary	83	42	26
Churchtown Primary (Academy)	185	88	55
Co-op Academy Bebington	214	0	72
Co-op Academy Portland	40	20	13
Co-op Academy Woodslee	79	16	25
Cronton C of E Primary (Academy)	60	22	19
Croxteth Community Primary School (Academy)	91	26	29
Deyes High School	232	106	81
Dixons Broadgreen Academy	143	13	47
Dixons Croxteth Academy	65	43	21
Dixons Fazakerley Academy	125	12	44
Egremont Primary School (Academy)	73	45	25
Everton Free School	81	10	33
Faith Primary School	30	1	10
Finch Woods Academy	103	24	32
Formby High School	193	80	62
Garston C of E Primary School (Academy)	75	20	22
Gayton Primary School	15	0	4
Greasby Junior School	13	0	4
Great Meols Primary School (Academy)	102	34	32
Greenbank High School	219	57	76
Halewood Academy Centre for Learning	196	176	62
Halewood C of E Primary (Academy)	53	26	17
Halsnead Primary School (Academy)	90	40	28
Harmonize Academy	80	0	28
Hawthornes Free School	119	6	34
Heygreen Community Primary (Academy)	101	26	45
Hilbre High School (Academy)	248	108	86
Hillside High School (Academy)	153	165	48
Holy Spirit Catholic Primary	44	3	13
Holy Trinity CE Primary (Academy)	53	37	16
Hope Academy	251	74	89
Huyton with Roby CE Primary (Academy)	91	44	25
Kew Woods	96	4	28

Scheduled Bodies (Academies) continued

Kings Leadership Academy (Liverpool)	119	24	42
Kirkby High School	232	147	80
Knowsley Lane Primary School (Academy)	56	36	18
LDST - Liverpool Diocesan Schools Trust (Academy)	52	6	38
Litherland High School (Academy)	160	109	56
Litherland Moss Primary (Academy)	54	23	17
Liverpool College (Academy)	180	2	65
Liverpool Institute of Performing Arts (LIPA)	131	0	41
Liverpool Life Science UTC	69	-1	29
Lord Derby Academy	201	100	71
Maghull High School	148	55	49
New Park Primary (Academy)	189	106	73
North Liverpool Academy	400	38	159
Nutgrove Methodist Aided Primary	34	17	11
Oldershaw Academy	304	0	95
Our Lady of Pity (Academy)	101	32	28
Outwood Academy Haydock	190	0	70
Parish CE Primary (Academy)	58	24	20
Park View Academy	96	42	32
Poulton Lancelyn Primary School (Academy)	96	25	29
Prenton High School for Girls	151	0	53
Rainford CE Primary School	53	-5	16
Rainford High School (Academy)	222	78	84
Rainhill High School	219	103	85
Rainhill St Anns CE Primary School (Academy)	92	34	27
Range High School	208	77	70
Roscoe Primary (Academy)	75	43	23
Sacred Heart Catholic Academy	152	5	39
Shoreside Primary School	60	16	16
St Ambrose Catholic Primary	94	1	25
St Andrews CE Primary (Academy)	66	24	18
St Anselm's College	122	10	40
St Augustine of Canterbury	101	0	31
St Edmund Arrowsmith Catholic Academy	140	12	46
St Edward's College	175	45	60
St Francis Xavier's College (Academy)	214	73	68
St Gabriel's CE Primary	68	0	24
St James' Primary School (Academy)	32	12	12
St John Plessington Catholic College	273	64	86
St Joseph's Catholic MAT	40	0	15
St Joseph's Primary (Academy)	77	27	25
St Margaret's Church of England Academy	149	55	51
St Mary & St Thomas CE Primary School (Academy)	94	31	32
St Mary's Catholic College	250	152	73
St Michael's C of E High School (Academy)	159	99	56
St Nicholas Catholic Primary	47	1	15
St Silas C of E Primary School (Academy)	95	29	42
St Thomas C of E Primary (Academy)	49	20	14

Scheduled Bodies (Academies) continued

Stanley High School (Academy)	145	69	44
Stanton Road Primary School (Academy)	80	27	23
Sylvester Primary Academy	62	16	19
The Academy of St Nicholas	165	142	61
The Beacon C E Primary School (Academy)	55	32	20
The Belvedere Academy	166	11	67
The Birkenhead Park School	162	135	55
The Prescott School (Academy)	161	90	52
The Salesian Academy of St John Bosco	34	0	12
The Studio (Academy)	29	-1	12
The Sutton Academy	242	95	94
The Trinity Catholic Primary	145	5	40
Thurstaston Dawpool Primary School	10	0	3
Town Lane Infant School (Academy)	77	28	24
Townfield Primary	142	47	50
Uni of Liverpool Maths School	17	0	6
Upton Hall School	155	33	52
Weatherhead High School	243	72	95
West Derby School (Academy)	179	0	60
West Kirby Grammar School	150	44	48
Whiston Willis Primary (Academy)	81	36	22
Willow Tree Primary	33	12	11
Wirral Grammar Boys (Academy)	131	40	46
Wirral Grammar School for Girls	122	34	35
Woodchurch High School	416	136	143
Yew Tree Primary Academy	73	38	23

Admission Bodies (Community) (17)

Arriva North West	875	8,092	129
Association of Police and Crime Commissioners	187	16	86
Birkenhead School (2002)	26	-15	8
Care Quality Commission	19	-19	6
Catholic Children's Society	20	-5	3
Citizens Advice Liverpool	21	0	4
Communal (Torus Foundation)	53	0	15
Glenvale Transport Ltd/Stagecoach.	89	-89	25
Liverpool Hope University	124	-124	16
Local Government Association	1,310	0	874
Partners Credit Union	131	14	24
Port Sunlight Village Trust	25	-25	7
South Liverpool Housing Ltd	42	-7	11
Torus 62 Ltd	1,798	0	570
Welsh Local Government Association	619	0	275
Wirral Autistic Society (Autism Together)	664	-611	113
Wirral Partnership Homes Ltd (Magenta Living)	1,716	-1,449	693

Admission Bodies (Transfer) (52)

Absolutely Catering (Holy Family)	10	0	3
Addaction (Sefton)	14	0	4
Agilisys Limited	7	-7	2
Agilisys Ltd (Sefton)	254	25	80
Balfour Beatty PFI SEN School	16	-16	3
Balfour Beatty Workplace Limited	51	-51	15
Bouygues E & S FM UK Ltd	19	0	4
Bulloughs	3	0	1
Bulloughs @Emmaus	3	0	1
Bulloughs @SLT	4	0	1
Carroll Cleaning Company Ltd (Ashurst Primary)	0	0	0
Change Grow Live	14	-3	3
Churchill @ Sutton	9	0	2
City Health Care (St Helens)	119	0	42
Compass (Scolarest) Liverpool Schools	3	9	1
Compass (Scolarest) Wirral Schools	31	-31	7
CWP (NHS)	490	234	155
Dataspire Solutions Ltd (St Edmund Arrowsmith)	9	0	3
Dolce Ltd	2	0	1
Friends of Birkenhead Council Kennels	10	0	3
Fun 4 Kidz	1	0	0
Hochtief Liverpool Schools	7	0	2
Hochtief Wirral Schools	17	0	4
Improvement & Development Agency	2,037	0	1,224
ISS Mediclean Ltd (Outwood Academy)	1	0	0
Interserve (Facilities Mgmt.) Ltd	1	0	0
Kingswood Colomendy Ltd.	8	4	2
Mellors Catering - Birkdale	11	-2	3
Mellors - Rainhill	25	0	6
Mellors Catering - St Anns	2	3	1
Mellors Catering - St Johns	1	0	0
Mellors Catering - St Mary & St Thomas	2	2	0
Mellors @ Sutton Academy	29	0	7
Mitie Care & Custody Ltd	9	0	3
One Day Ltd	13	0	3
Orian Solutions	12	0	3
Sanctuary Home Care Ltd	24	0	7
Sefton New Directions Ltd.	573	-573	159
Sentrex Services Ltd (Our Lady)	0	0	0
SSE Contracting Limited	41	0	13
Tarmac Trading Ltd.	28	0	9
Taylor Shaw - Great Meols	5	-3	1
Taylor Shaw – Hugh Baird	3	1	1
Taylor Shaw - Raeburn	2	0	0
Taylor Shaw - Range	3	-2	1
Taylor Shaw - St Andrews	2	0	1
Taylor Shaw - South Liverpool Learning Trust	87	0	23
Veolia ES Merseyside & Halton	81	-81	24

Admission Bodies (Transfer) continued

Volair Ltd	322	0	111
WCFT (NHS)	853	66	290
WIRED Ltd	12	3	3
Yunex Ltd	22	-7	7

Scheme Employers where contributions have been received during 2022/23 but they had no Active Scheme Members as at 31 March 2023

Absolute Catering Longmoor	2	0	1
Age Concern	2	-53	0
CDS Housing	193	4,960	39
Greater Merseyside Connexions	288	-217	74
Hornby Housing	5	256	1
L&T FM (Chroda)	4	0	1
Lifeline Project	0	11	0
Maxim @ Faith Primary School	1	0	0
Maxim @ Bank View	1	0	0
Maxim @ Redbridge	3	0	1
Mersey Waste Holdings	0	296	0
Merseyside Lieutenancy	0	-79	0
North Huyton New Deal	0	200	0
Wirral Evolutions	215	0	62
Totals	118,428	12,416	69,539
In Accounts	118,428	12,416	69,539
Control	0	0	0

Appendix B - Pensions Committee Items

22 June 2022

External Audit Plan Merseyside Pension Fund 2021-22
Statement of Accounts 2021/22
– Management Questions
Local Government Pension Scheme (LGPS) Update
Merseyside Pension Fund Budget Out-Turn 2021/22 and
Final Budget 2022/23
Local Pension Board Minutes
Northern LGPS Update
Minutes of Working Party Meetings
Property Portfolio Rent Arrears and Write Offs
Non-Recovery of Deficit on Closure of Admission Body
External Audit Plan Merseyside Pension Fund 2021-22

28 September 2022

Pension Board Review 2021-22 and Work Plan 2022-23
Grant Thornton – The Audit Findings Report for
Merseyside Pension Fund
Merseyside Pension Fund Annual Report & Accounts
2021/22 and Letter of Representation
Local Government Pension Scheme (LGPS) Update
Consultation on Governance and Reporting of Climate
Change Risks in the Local Government Pension Scheme
Wirral Local Pension Board Minutes
Northern LGPS Update
Minutes of Working Party Meetings
CEM: Benchmarking of Investment Management and
Pensions Administration

14 December 2022

Local Government Pension Scheme (LGPS) Update
Merseyside Pension Fund's Responsible Investment
Policy and Human Rights
Wirral Local Pension Board Minutes
Appointment of Redington as Strategic Investment
Advisors
Draft Funding Strategy Statement
Update on 2022 Actuarial Valuation
Northern LGPS Update

21 February 2023

Local Government Pension Scheme (LGPS) Update
Treasury Management Policy for 2023/24 and Annual
Report for 2021/22
Merseyside Pension Fund Budget Financial Year
2023/24
Merseyside Pension Fund Authorised Signatories
Treasury Management Policy for 2023/24 and Annual
Report for 2021/22
Minutes of Working Party Meetings
Property Portfolio Rent Arrears and Write Offs
Local Government Pension Scheme (LGPS) Update
Wirral Local Pension Board Minutes

2022-23	Pensions Committee				IMWP			GRWP	
	22 Jun	28 Sep	14 Dec	21 Feb	9 Jun	15 Nov	2 Mar	12 Jul	9 Mar
Cllr. Pat Cleary (Chair)	•	•	•	•	•	•	•		•
Cllr. George Davies	•	•	•	•	•	•	•	•	•
Cllr. Tom Anderson			#	#					
Cllr. Chris Carubia	•	•		•	•	•			
Cllr. Helen Collinson	•	•	•	•					
Cllr. Karl Greaney						•		•	•
Cllr. Andrew Gardner	•	•	•	•					
Cllr. Brian Kenny	•	•	•	•		•	•	•	
Cllr. Cherry Povall, JP (Vice Chair)	•	•	•	•		•	•	•	
Cllr. Jason Walsh	•	•	#	•					
Cllr. Joe Walsh	#	#	#	#					
Cllr. Paul Connolly									
Cllr. Martin Bond (St Helens MBC Co-optee)									
Cllr. Jayne Aston (Knowsley MBC Co-optee)			•						
Cllr. Paulette Lappin (Sefton MBC Co-optee)				•		•	•	•	
Roger Bannister (UNISON Co-Optee)		•				•	•	•	
Tom Cardwell (Liverpool City Council Co-optee)				•	•		•		

#Deputy Attended

Conferences 2022-23	PLSA Local Authority Conference	LGC Investment Seminar	PLSA ESG Conference	LAPFF Annual conference	LGC Investment Seminar
	13-15 Jun 22	8-9 Sep 22	12-13 Oct 22	7-9 Dec 22	30-31 Mar 23
Cllr. Pat Cleary (Chair)			•		
Cllr. George Davies					•
Cllr. Chris Carubia	•	•	•	•	•
Cllr. Karl Greaney			•		
Cllr. Andrew Gardner			•		•
Cllr. Brian Kenny					•
Cllr. Cherry Povall, JP (Vice Chair)	•	•	•		•
Roger Bannister (UNISON Co-optee)				•	

Appendix C - Information Contacts

Position	Name	Telephone number
Director of Pensions	Peter Wallach	0151 242 1391
Head of Pensions Administration	Yvonne Murphy	0151 242 1391
Area	Name	Telephone number
Finance & Risk (Compliance, Financial Control & Management)	Donna Smith	0151 242 1391
Investments (Fund Assets' Management)	Adil Manzoor/ Greg Campbell/ Allister Goulding	0151 242 1391
Employer Compliance and Membership (Transfers, Divorce, Admissions, Data quality assurance)	Sue Roberts/Bridget Pullen/ Paula Heaton	0151 242 1391
Benefits/Payroll (Retirement Calculations & Payments)	Claire Lloyd/Martin O'Boyle	0151 242 1391
Operations (IT/Communications) (Systems Support, MyPension, Website, Events)	Guy Hayton	0151 242 1391
Resolution of Disputes		
Employer Decisions	Head of Pensions Administration	0151 242 1391
Fund Decisions	Section 151 Officer	0151 666 3407
Scheme Employers Contacts		
Arriva North West	Alison Ashcroft	07855 104975
Knowsley MBC	Jaci Dick	0151 443 5161
Liverpool City Council	Richard Arnold	0151 233 0375
Liverpool John Moore's University	Kevin Morrissey	0151 231 8756
Merseyside Fire & Rescue Service	Steven Welsh	0151 296 4245
Merseytravel (MPTE)	Sue Highton	0151 330 1199
Merseyside Waste Disposal Authority	Jane Nolan	0151 255 2537
Office of the Police and Crime Commissioner for Merseyside (OPCCM)	Lauren Mellor	0151 777 7053
Sefton MBC	Lynn Abbott	0151 934 4126
St. Helens MBC	Steve Rigby	0174 467 6627
Wirral Council	Matthew Slater	0151 691 8529