

Merseyside Pension Fund Report & Accounts 2021 /22



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Cover photograph: Clyde Wind Farm

Merseyside Pension Fund supports the energy transition, primarily through its investments in green energy and, in particular, through its membership of and participation in the GLIL infrastructure platform, a joint venture between the Northern LGPS and Local Pensions Partnership Investments.

GLIL Infrastructure acquired a stake in Clyde, one of the largest operational wind farms in the UK which, with the Fund's investment, has increased its energy output by more than 50%.

Management Structure

At 31 March 2022

Administering Authority

Wirral Council

Pension Fund Management Committee

Chair:

Cllr Pat Cleary

Wirral

Vice Chair:

Cllr Cherry Povall, JP

Wirral

Cllr Jo Bird
Cllr Chris Carubia
Cllr Helen Collinson
Cllr Tony Cox
Cllr Jeff Green
Cllr Adrian Jones
Cllr Brian Kenny
Cllr Les Rowlands
Cllr Joe Walsh
Cllr Jayne Aston
Cllr Tom Cardwell
Cllr Pauline Lappin
Cllr Michael Bond

Wirral

Wirral

Wirral

Wirral

Wirral

Wirral

Wirral

Wirral

Knowsley

Liverpool

Sefton

St Helens

Employee Representatives (Non-voting)

Roger Bannister

UNISON

Officers of the Fund

Peter Wallach
Yvonne Murphy

Director of Pensions
Head of Pensions
Administration
Group Solicitor

Colin Hughes
Donna Smith
Shaer Halewood

Head of Finance & Risk
Director of Resources

Advisors to Investment Monitoring Working Party

Director of Pensions
Senior Portfolio Manager
Aon
Rohan Worrall
Paul Watson

Local Pension Board

Independent Chair:

John Raisin

Employer Representatives:

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

Member Representatives:

Roger Irvine
Donna Ridland
Patrick Moloney
Robin Dawson

Active Members
Active Members
Deferred Members
Pensioner Members

Advisors to Governance and Risk Working Party

Director of Pensions
Head of Pensions Administration
Head of Finance and Risk

Others

Auditor

Grant Thornton

Bankers

Lloyds Banking Group

Consultant Actuary

Mercer HR Consulting

Strategic Investment Consultant

Aon

Custodian of Assets

Northern Trust

Responsible Investment Advisors

Pensions and Investment Research
Consultants Ltd

Property Advisors

CBRE Capital Advisors

Property Managers

CBRE Asset Services

Property Valuers

Savills

Performance Measurement

Northern Trust

Solicitor

Wirral Council

AVC Providers

Utmost Life (Transfer from Equitable Life)
Standard Life
Prudential

LGPS Investment Pool

Northern LGPS (with Greater Manchester Pension
Fund and West Yorkshire Pension Fund)

Chair's Introduction

As Chair of Pensions Committee, I am pleased to present Merseyside Pension Fund's Annual Report for the year ended 31 March 2022. The aim of the report is to highlight the important issues affecting the Fund over the last twelve months, as well as providing general information regarding the pension scheme.



The Overall Aim of the Fund

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

Overview

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

Investments and Performance

Financial markets have been volatile contending with the post-pandemic hangover, the unwinding of quantitative easing, inflation and geopolitics. In equity markets, a sharp rotation from growth to value stocks occurred and towards the end of 2021, rising inflation started to manifest itself with the UK's Bank of England becoming one of the first major central banks to start raising interest rates. This being quickly followed by the US Federal Reserve and the European Central Bank is expected to follow suit. Inflation has risen sharply exacerbated by Russia's unwarranted invasion of Ukraine. In particular, energy and food

prices have spiked and show little sign of abating in the short-term. Continuing high inflation is a significant pressure on our Funding levels with pension liabilities linked to the Consumer Prices Index (CPI).

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

We continue to make good progress on sustainability matters which included a review and refresh of our Responsible Investment Policy both at a Fund and a Pool level. The intention was to develop a comprehensive policy framework that reflects the evolving responsible investment landscape and supports the three Funds in the Northern LGPS in staying abreast of existing and emerging Environmental, Social and Governance (ESG) related issues. The policy framework was guided by recommendations made by the Principles for Responsible Investment (PRI) as well as a review of best practice among other asset owners, both within the Local Government Pension Scheme and beyond. We believe that increasing the scope of the current responsible investment policy framework will enable more meaningful research and engagement on a broader set of issues. There is a greater emphasis on environmental and human rights issues. This, in turn, will help meet our stewardship and fiduciary obligations.

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

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

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

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

Communication with Fund Employers and Members

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

Past Changes and the Future

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

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

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

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

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

Preparation of Report

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



Councillor Pat Cleary
Chair, Pensions Committee
June 2022

Management Report

Management of the Fund

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

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

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

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

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

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

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

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

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

Risk Management

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

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

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

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

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

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

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

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

Knowledge and Skills

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

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

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

Activity in Year

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Board Changes

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

Issues considered by the Pension Board 2021 - 2022

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

Pension Board Work Plan 2022 - 2023

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

Pension Board Attendance and Training Record 2021-22

| PENSION BOARD | DATE OF APPOINTMENT/ DECLARATION OF INTEREST | PENSION BOARD MEETINGS 2021 - 2022 | | | | IMWP | GRWP |
|----------------------|---|------------------------------------|--------|-------|--------|---------|---------|
| | | 23 JUN | 20 SEP | 1 DEC | 24 FEB | 2021/22 | 2021/22 |
| John Raisin (Chair) | 11 March 2015 | • | • | • | • | # | |
| Geoff Broadhead | 13 March 2015 | • | • | • | • | | |
| Donna Ridland | 12 March 2015 | • | • | • | • | # | |
| Roger Irvine | 27 February 2017 | • | | • | • | | |
| Patrick Moloney | 9 March 2015 | • | | • | • | | |
| Lyn Robinson | 3 January 2018 | • | | • | | | |
| Peter Fieldsend | 27 June 2019 | • | | • | • | # | |
| Stephen Van Arendsen | 1 March 2020 | | • | | | | |
| Robin Dawson | 1 July 2021 | | • | • | • | | |
| CLlr Pat Cleary* | In attendance | | | • | | | |

* Chair of Pensions Committee

In attendance

Training & Events Record 2021-22

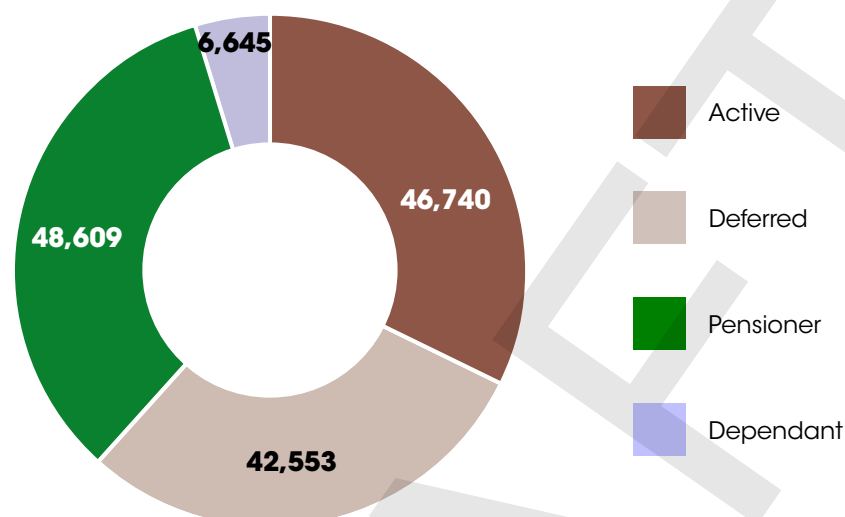
| ATTENDANCE RECORD | PLSA Local Authority Conference | PLSA Annual Conference | Local Pension Board Members & LGPS Officers Autumn Seminars 2021 | LAPFF Say on Climate Conference at Church House Westminster | PLSA ESG Conference | PLSA Local Authority Conference 2022 - Edinburgh |
|----------------------|---------------------------------------|------------------------------|--|--|------------------------|--|
| | 18-19 MAY 2021 | 12-14 SEP 2021 | 27 & 28 SEP 2021 | 23 FEB 2022 | 9-10 MAR 2022 | 24-25 MAR 2022 |
| John Raisin (Chair) | | | • | | | |
| Donna Ridland | • | | • | • | | |
| Roger Irvine | | • | | | • | • |
| Patrick Moloney | • | | | • | • | |
| Robin Dawson | | | • | | | |

Costs of Operation

| | 2021/22 £ |
|--------------------|---------------|
| Conference | 3,895 |
| Travel/Subsistence | 696 |
| Allowances | 23,869 |
| Total | 28,460 |

Membership Statistics

Membership as at 31 March 2022



Number of Members by Age Band

| Status (age in years) | 0-4 | 5-9 | 10-14 | 15-19 | 20-24 | 25-29 | 30-34 | 35-39 | 40-44 | 45-49 | 50-54 |
|-----------------------|-----|-----|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Active | | | | 243 | 1,789 | 3,077 | 3,756 | 4,535 | 5,077 | 5,549 | 7,543 |
| Deferred | | | | 28 | 412 | 1,380 | 3,394 | 4,860 | 5,550 | 6,068 | 8,297 |
| Pensioner | | | | | | | 4 | 9 | 26 | 70 | 295 |
| Dependant | 2 | 24 | 61 | 125 | 38 | 11 | 13 | 18 | 31 | 57 | 138 |

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

Key Membership Statistics 2018 - 2022

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

New Pensioners in Year 2021/22 by Retirement Type

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



Scheme Administration Report

Statutory Framework of 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 of pensionable pay received in that year
- provides increased flexibility for members wishing to retire early
- allows members to pay reduced contributions as an alternative to opting out (although benefits build up at a slower rate)

- provides for previous years' CARE benefits to be inflation-proofed in line with the Consumer Prices Index while the member is still paying in
- requires members to have at least 2 years' membership to qualify for pension benefits.

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

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

The Administration Team

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

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

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

money. The Pension Regulator (tPR) also has an overriding scrutiny role to ensure the Fund's compliance with the LGPS Regulations and the overriding provisions of the Pensions Act 2004.

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

Service Delivery Developments and Key Activities

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

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

Preparation For Triennial Valuation

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

Monthly Data Collection (i-Connect)

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

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

Annual Benefit Statements and Data Quality Activity

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

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

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

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

Bulk Transfer

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

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

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

Revised Operational Process for Annual Allowance Calculations

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

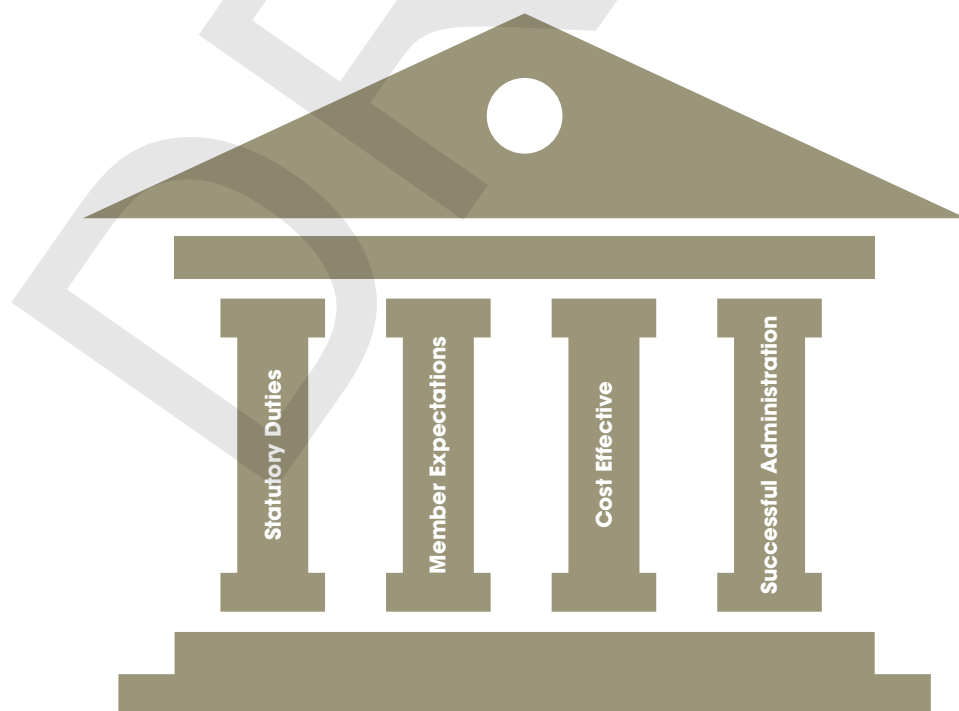
The pension saving statements produced by the Fund have also been reformatted to include data relating to Additional Voluntary Contributions paid over the input period, providing a complete record of pension savings with the Fund to assist members in informing their tax position.

Pension Regulator Scheme Return

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

Four Pillars to Support Value for Money

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



Compliance with Statutory Duties

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

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

Meeting members' expectations

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

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

Ensuring service delivery is cost effective

Our costs are managed and monitored by:

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

Ensuring success

The team strive to achieve success by:

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

National Engagement - Scheme Consultations

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

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

Legislative Change

Finance Act 2022

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

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

Pension Scams - New Restrictions on Transfer Payments

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

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

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

McCloud Remedy - Amendments to The Statutory Underpin

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

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

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

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

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

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

Fund Policies

Complaints Policy

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

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

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

The Funding Strategy Statement (FSS)

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

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

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

Changes to Governance of the Scheme on the Horizon

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

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

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

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

The Pensions Regulator

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

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

There are synergies with the Good Governance Project and tPR expectations, with the requirement

to identify current governance and administration policies, documenting when they were last reviewed to highlight any gaps in policies or processes necessary under both initiatives.

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

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

The Pension Dashboard Programme

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

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

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

The Fund's Senior Manager for Operations and Information Governance is managing the logistics

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

Collaboration with Peer Funds, Scheme Employers and National Bodies

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

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

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

Operational Improvements

Digital Transformation Programme

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

Over the year progress was made in the following areas:

- improving the member experience of the online MyPension self-service system, and proactively providing useful and valued feedback to the supplier in regard future system design improvements

- the launch of a benefit projector for Deferred members
- the start of a substantial project to provide the functionality for members to make death grant nominations online.

Customer Engagement

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

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

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

Strategic Focus, Planning and Operational Cost

Service Planning

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

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

Staff Training and Development

The Administration Team has a solid LGPS knowledge base. This collective expertise, together with the high-quality administration

systems and record keeping improvement plans, enables us to deliver an effective and efficient service to our members and employers.

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

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

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

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

Operational Costs

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

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

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

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

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

Equality and 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 and Courses

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

seen a slow increase in the number of in-person presentations as a number of our employers adapt to a new hybrid-working model.

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

Annual Allowance Workshop

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

Employer Communications

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

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

Data Security

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

The following arrangements are in place to safeguard this data:

- all staff are regularly made aware of the corporate policies in respect of Confidentiality, Data Protection & Information Security, and are required to undertake Information Governance training

- new staff, as part of their induction, have the responsibilities and policies explained, and their understanding verified, by the successful undertaking of an online test
- all administration data is stored electronically, and any paper records are securely destroyed
- staff who work away from the office as part of their role, can only access data by secure means (two-factor authentication or a Wirral Council authorised device)
- where person identifiable data has to be transferred off-site, the Fund uses secure means, be it Transport Layer Security (TLS) email or encrypted data containers.

Cyber Security

As the Fund progresses with its Digital Transformation Programme with an ever-increasing amount of administration being conducted online, Cyber security is of paramount importance. Since 2019, the Fund has delivered a specific Cyber Security update to the Local

Pension Board in line with best practice guidance from the National Cyber Security Centre (NCSC) and the Pensions Administration Standards Association (PASA).

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

Performance Standards

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

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

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

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

Internal Dispute Resolution Cases

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

Appeals Against Employer Decisions

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

Appeals Against Fund Decisions

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

Investment Report

Year ended 31 March 2022

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

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

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

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

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

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

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

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

Before turning to events in the latter part of the financial year, the November COP26 climate change conference held in Glasgow should be noted. Most nations did deliver revised emissions commitments. The new commitments were not sufficient to keep warming within 1.5°C above pre-industrial levels, but if countries are able to deliver on both conditional and unconditional pledges for 2030, plus their longer-term net zero commitments, projected warming amounts to 1.8°C by 2100. Given that this requires full implementation, it is very much a best-case scenario and still short of the 1.5°C goal. However, it does represent some improvement on previous commitment levels.

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

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

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

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

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

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

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

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

| | 1 Year | 3 Year (Annualised) | 5 Year (Annualised) |
|-------------------------|---------------|--------------------------------|--------------------------------|
| Merseyside Pension Fund | 10.40% | 7.60% | 6.42% |
| Benchmark | 6.88% | 5.71% | 4.98% |
| Relative Return | 3.29% | 1.78% | 1.37% |

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

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

Figure 1.
1 Year Return by Asset Class

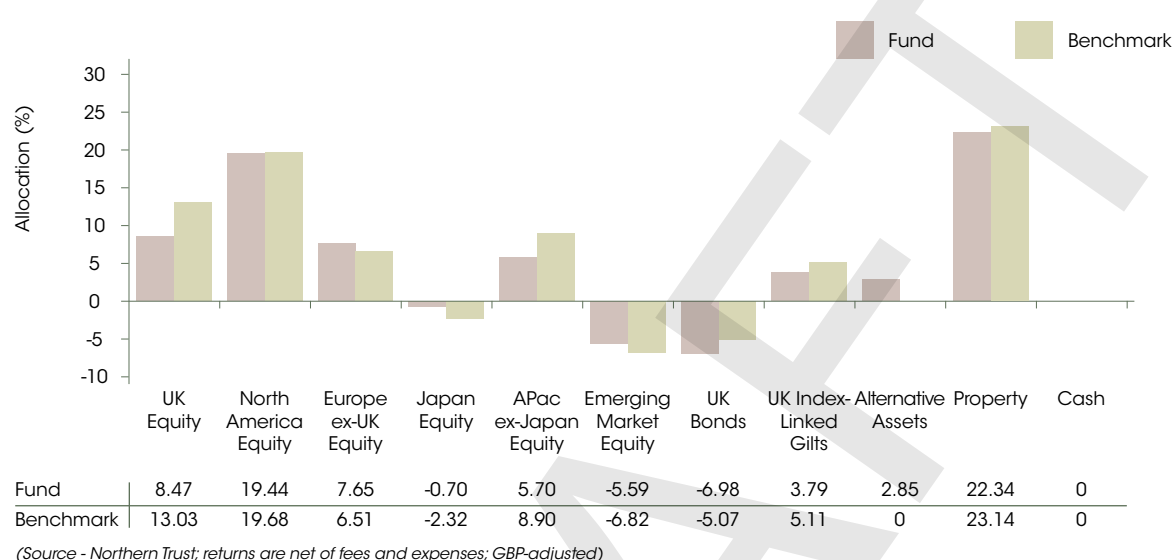
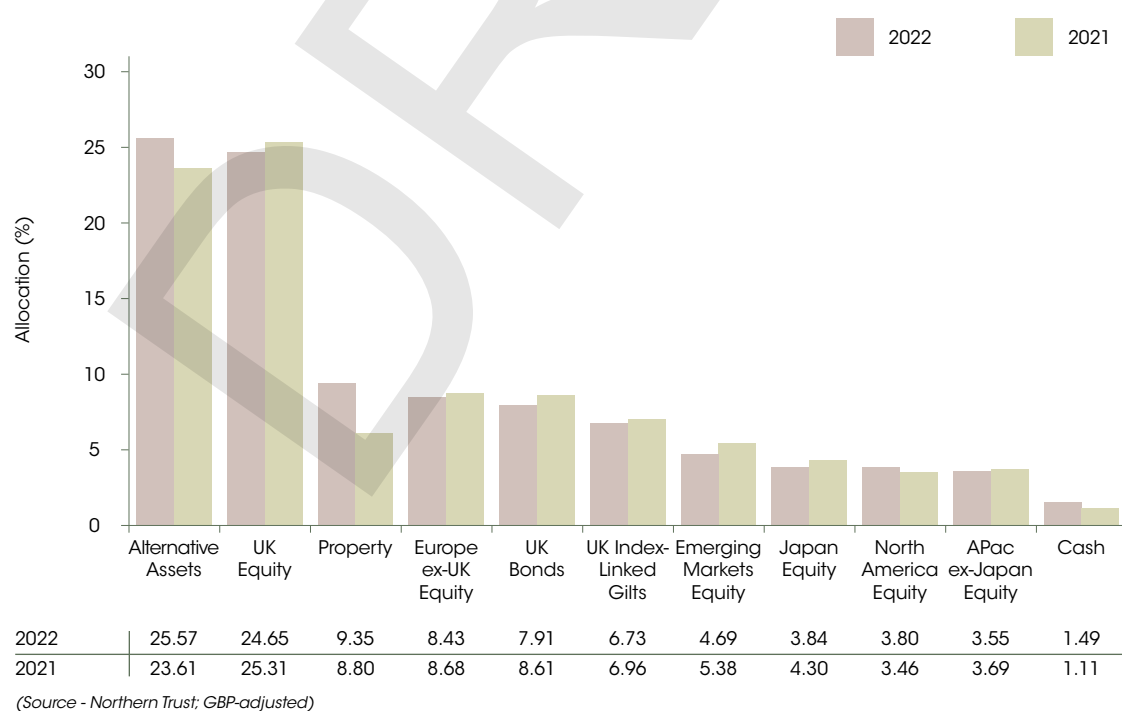


Figure 2 illustrates the asset allocation of the Fund on 31 March 2022 compared to 31 March 2021.

Figure 2.
Asset Allocation Changes



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

Largest UK Property Holdings as at 31 March 2022

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

(Source - CBRE)

Largest Infrastructure Holdings on committed capital basis as at 31 March 2022

| Asset | Sector/Focus | Value £'m | Infrastructure Portfolio % |
|-------------------------|------------------------|---------------|----------------------------------|
| Agility Trains East | Transportation | 77.00 | 10.00 |
| Mirova Hydroelectric | Clean Energy | 57.00 | 7.00 |
| Clyde Wind Farm | Renewables | 48.00 | 6.00 |
| Iona Environmental | Biogas Power Plants | 47.00 | 6.00 |
| Invis Energy | Onshore Wind | 44.00 | 6.00 |
| Total | | 273.00 | 35.00 |

(Source - Northern Trust)

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

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

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

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

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

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

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

Responsible Investment

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

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

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

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

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

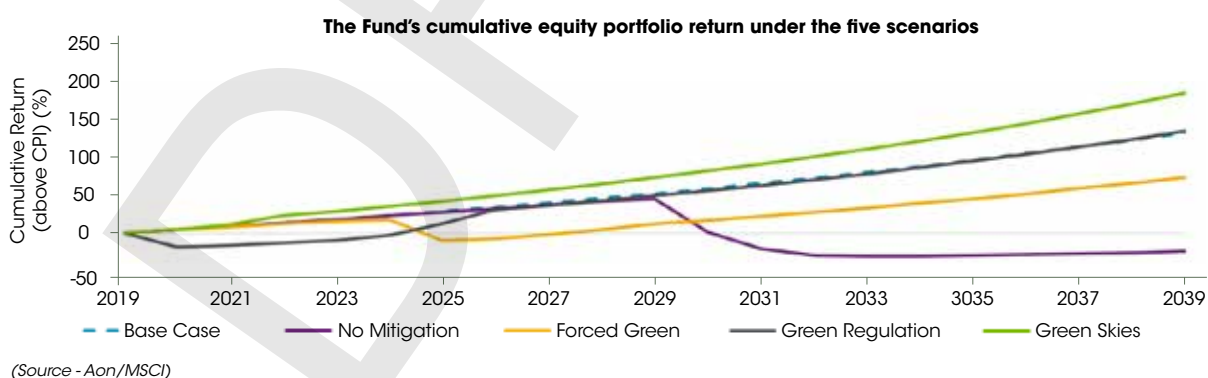
Governance

As the Fund's governing body, the Pensions Committee had mandated that MPF's investment strategy be brought into line with the goals of the 2015 Paris Climate Accord. It has delegated authority to the Director of Pensions to develop and implement the climate risk strategy (as informed by relevant guidance especially from partner organisations such as IIGCC, PRI and the LAPFF) and continues to receive regular reports on progress.

Strategy

MPF's strategy encompasses the view that climate change is a systemic risk and thus, a material long-term financial risk for any investor that must meet long-term obligations. The Fund has completed work that involved reviewing its investment beliefs and strategic framework to ensure that climate risk considerations are appropriately integrated at each stage of investment management.

Climate scenario analysis was undertaken by Aon (the Fund's strategic adviser) to model the resilience of MPF's investment strategy in five scenarios, as described in Aon's Climate Change Challenges paper. The chart guides the Fund's net zero plans over the short and longer term. Under Aon's No Mitigation scenario (+4 degrees of warming), the severity of the risk was starkly illustrated:



Risk Management

MPF acknowledges the description of climate risk provided by TCFD, as comprising transition and physical risks. The focus of risk management activity has been primarily on the mitigation of transition risk via ongoing decarbonisation efforts.

Targets and Metrics

The trials facing the Fund and wider industry to report on TCFD verified metrics is a widely known challenge. The Fund continues to develop and invest in this area to demonstrate our strategy under reputable metrics in the coming year.

MPF has committed in conjunction with the NLGPS to Net Zero by 2030 using the PAI Framework. The commitment states by 2030, the weighted average carbon intensity of Funds to be 50% below the carbon intensity of the respective 2019 benchmark. This will be achieved adopting scenarios used by some of the main external Asset Managers to the Northern LGPS, which are the P2 emission pathway of the IPCC special report on global warming of 1.5 degrees Celsius, and the IPCC RCP 2.6 and IEA SDS (aggressive mitigation) pathways.

Through other investments in the illiquid segment of the strategic benchmark the Fund continues to allocate to the low carbon economy and climate change risk mitigators. The Fund, in part, achieves this through the infrastructure allocation, which has considerable proportion invested in renewable energy and climate solutions. The Fund's infrastructure allocation is 7%.

Climate stewardship

MPF continues to be an active member of Climate 100+, which lobbies and engages with companies to secure commitments to setting net zero targets and developing decarbonising strategies. MPF continues this work internally, through co-filings of shareholder resolutions with a focus on European banking. Following the filings over the period, MPF engaged directly with banks through negotiations that aimed to increase pressure to reduce exposure to fossil fuels and publish emission reduction targets for its 'Oil & Gas' and 'Power & Utilities' portfolios. MPF as part of the co-filing group negotiated successfully with HSBC specifically to update the scope of their fossil fuel targets to cover capital markets activities by Q4 2022. The Fund continues to engage with the bank to ensure positive progress is made and commitments are met.

Financial Performance

Key Financials for 2021/22

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

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

| 2021/2022 or at 31 March 2022 | Predicted £'000 | Actual £'000 |
|--------------------------------------|----------------------------|-------------------------|
| Fund Size 2021 | 10,079,748 | 10,079,748 |
| Fund Size 2022 | 10,349,572 | 11,000,898 |
| Pensions Paid | (352,394) | (371,943) |
| Contributions Received | 160,800 | 201,160 |
| Net Transfers | - | 211,050 |
| Net Cash Flow From Members | (191,594) | 40,267 |
| Net Management Expenses | (42,569) | (47,128) |
| Investment Income | 199,830 | 324,682 |
| Change in Valuation of Assets | 304,157 | 603,329 |
| Return from Investments | +503,987 | +928,011 |
| Net Change Overall | +269,824 | +921,150 |

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

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

Within the reporting period invoices amounting to £229,764 were raised with £150,686 paid in period. Invoices amounting to £3,190 were written off following instruction from the corporate legal department on the basis that the debts were not economically viable to recover. An amount of £75,887 remains outstanding at the end of the reporting period.

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

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

12 months to 31 March 2022

| | Budget £'000 | Actual £'000 |
|------------------------------------|-----------------|-----------------|
| Employees (based on 84 FTE) | 3,843 | 3,436 |
| Premises | 206 | 206 |
| Transport | 19 | 2 |
| Investment Fees - operating budget | 17,356 | 17,542 |
| Supplies and Services | 2,625 | 1,770 |
| Third Party | 1,125 | 1,499 |
| Recharges | 360 | 331 |
| Total | 25,534 | 24,786 |

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

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

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

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

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

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

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

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

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



Financial Statements

Fund Account - for year ended 31 March 2022

| 2020/21 £'000 | Note | 2021/22 £'000 |
|--|------|-------------------|
| Dealing with Members, Employers and Others Directly Involved in the Fund | | |
| 337,417 Contributions Receivable | 7 | 201,160 |
| 15,214 Transfers In | 8 | 225,296 |
| 352,631 | | 426,456 |
| (350,641) Benefits Payable | 9 | (371,943) |
| (16,874) Payments to and on Account of Leavers | 10 | (14,246) |
| (367,515) | | (386,189) |
| (14,884) Net Additions/(Withdrawals) from Dealing with Members | | 40,267 |
| (39,790) Management Expenses | 11 | (47,128) |
| (54,674) Net Additions/(Withdrawals) including Fund Management Expenses | | (6,861) |
| Return on Investments: | | |
| 191,236 Investment Income | | 329,589 |
| 1,308,738 Profit and Losses on Disposal of Investments and Change in Market Value of Investments | | 603,329 |
| (4,304) Taxes on Income | | (4,907) |
| 1,495,670 Net Return on Investments | | 928,011 |
| 1,440,996 Net Increase/(Decrease) in the Fund During the Year | | 921,150 |
| 8,638,752 Net Assets of the Fund at the Start of the Year | | 10,079,748 |
| 10,079,748 Net Assets of the Fund at the End of the Year | | 11,000,898 |

Net Assets Statement - for year ended 31 March 2022

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

Notes to the Accounts

1. Description of the Fund

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

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

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

The following description of the Fund is a summary only. For more detail, reference should be made to Merseyside Pension Fund's Annual Report 2021/22 and the underlying statutory powers underpinning the Scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

a. General

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

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

The Fund is a contributory defined benefit pension scheme 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. Teachers, Police Officers and Fire Fighters are not included as they come within other national pension schemes.

b. Membership

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

Organisations participating in Merseyside Pension Fund include:

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

There are 214 employer organisations within Merseyside Pension Fund including Wirral Council itself. The Fund has 144,547 members as detailed below:

| 31/3/21 | | 31/3/22 |
|----------------|--|----------------|
| 212 | Number of Employers with Active Members | 214 |
| 47,193 | Number of Employees in Scheme | 46,740 |
| 47,032 | Number of Pensioners | 48,609 |
| 6,503 | Number of Dependants | 6,645 |
| 39,295 | Number of Deferred Pensioners | 42,553 |
| 140,023 | Total Scheme Members | 144,547 |

c. Funding

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

d. Benefits

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

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

2. Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2021/22 financial year and its position at year end as at 31 March 2022. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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

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

The accounts have been prepared on a going concern basis.

The Code (paragraph 3.3.1.2) requires the disclosure of any accounting standards issued but not yet adopted. IFRS 16, introduced on 1 January 2019, was due to be adopted by the Code for accounting periods commencing on or after 1 April 2022, however, a decision by CIPFA is to defer the implementation of IFRS until 1 April 2024. This new accounting standard largely

removes the distinction between operating and finance leases by introducing an accounting model that requires lessees to recognise assets and liabilities for all assets with a term of more than 12 months unless the underlying asset is of low value. Implementation of IFRS 16 is not expected to have a material impact on the Fund because it does not hold any assets as a lessee.

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 pensions administration team are charged direct to the Fund. Associated management and other overheads are apportioned to the Fund in accordance with Council Policy.

Investment Management Costs

All investment expenses are accounted for on an accruals 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 2022 by Savills (UK) Limited, acting in the capacity of External Valuers as defined in the RICS Red Book (but not for the avoidance of doubt as an External Valuer of the Fund as defined by the Alternative Investment Fund Managers

Regulations 2013). This valuation has been prepared in accordance with the RICS Valuation - Global Standards (incorporating the IVSC International Valuation Standards) effective from 31 January 2022 together, where applicable, with the UK National Supplement effective 14 January 2019, together the 'Red Book'.

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

Translation of Foreign Currencies

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

Derivatives

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

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

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

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

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

Short-Term Deposits

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

Financial Liabilities

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

Additional Voluntary Contributions

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

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

4. Critical Judgements in Applying Accounting Policies

The Fund has not applied any critical judgements.

5. Estimation and Uncertainty**Unquoted Investments**

The Fund has significant unquoted investments within Private Equity, Infrastructure, Property and other Alternative investments. These are valued within the financial statements using valuations from the Managers of the respective assets. There are clear accounting standards for these valuations and the Fund has in place procedures for ensuring that valuations applied by Managers comply with these standards and any other relevant best practice. The value of unquoted assets as at 31 March 2022 was £5,391 million (£4,745 million at 31 March 2021).

Private Equity investments are valued at fair value in accordance with International Private Equity

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

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

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

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

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

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

6. Events After the Reporting Date

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

7. Contributions Receivable

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

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

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

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

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

8. Transfers In

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

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

9. Benefits Payable

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

10. Payments to and on Account of Leavers

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

11. Management Expenses

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

11a. Administration Costs

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

11b. Investment Management Costs

2021/22

| | Total | External Investment Management Fees | External Investment Management Performance Fees | External Private Market Fees | External Private Market Expenses | Transaction Costs |
|--|---------------|--|--|---|---|------------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Equities | 15,729 | 7,398 | 4,574 | - | - | 3,757 |
| Bonds | 100 | 100 | - | - | - | - |
| Pooled Investment Vehicles | 23,321 | 3,515 | 1,181 | 6,661 | 11,964 | - |
| Derivative Contracts | 227 | 774 | - | - | - | (547) |
| Loans | 785 | - | - | 785 | - | - |
| Short-Term Cash Deposits | - | - | - | - | - | - |
| Other Investment Balances | - | - | - | - | - | - |
| | | 11,787 | 5,755 | 7,446 | 11,964 | 3,210 |
| External Services | 665 | | | | | |
| Internal Investment Management Fees | 1,002 | | | | | |
| | 41,829 | | | | | |

2020/21

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

Property expenses are now shown within note 12a.

11c. Oversight and Governance Costs

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

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

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

12. Investment Income

Rental income is shown net of any property related expenses.

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

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

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

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

12a. Property Income

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

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

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

12b. Property Operating Leases

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

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

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

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

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

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

13. Investments

| 2021/22 | Market Value 31/3/21 £'000 | Purchases at Cost and Derivative Payments £'000 | Sale Proceeds and Derivative Receipts £'000 | Change in Market Value* £'000 | Market Value 31/3/22 £'000 |
|-----------------------------|----------------------------------|---|---|--|----------------------------------|
| Equities | 3,213,642 | 1,222,238 | (1,202,126) | 127,073 | 3,360,827 |
| Bonds | 696,000 | 26,786 | (23,670) | 32,550 | 731,666 |
| Pooled Investment Vehicles | 5,393,027 | 599,023 | (528,332) | 353,755 | 5,817,473 |
| Direct Property | 463,725 | 42,872 | (37,435) | 99,113 | 568,275 |
| Loans | 78,110 | 32,643 | (75,002) | - | 35,751 |
| | 9,844,504 | 1,923,562 | (1,866,565) | 612,491 | 10,513,992 |
| Derivative Contracts: | | | | | |
| FX | - | 593,193 | (596,435) | 2,886 | (356) |
| Options | (32,471) | 610,390 | (584,592) | (1,722) | (8,395) |
| Swaps | (6,201) | 37,904 | (20,699) | (11,004) | - |
| | 9,805,832 | 3,165,049 | (3,068,291) | 602,651 | 10,505,241 |
| Short-Term Cash Deposits | 125,018 | | | | 169,149 |
| Other Investment Balances | 144,548 | | | 678 | 106,941 |
| Amounts due to Stockbrokers | (22,868) | | | | (9,521) |
| | 10,052,530 | | | 603,329 | 10,771,810 |
| 2020/21 | Market Value 31/3/20 £'000 | Purchases at Cost and Derivative Payments £'000 | Sale Proceeds and Derivative Receipts £'000 | Change in Market Value* £'000 | Market Value 31/3/21 £'000 |
| Equities | 2,483,568 | 1,377,745 | (1,332,543) | 684,872 | 3,213,642 |
| Bonds | 696,229 | 49,733 | (61,334) | 11,372 | 696,000 |
| Pooled Investment Vehicles | 4,432,443 | 1,298,955 | (1,184,860) | 846,489 | 5,393,027 |
| Direct Property | 471,925 | 41,061 | (16,463) | (32,798) | 463,725 |
| Loans | 86,076 | 50,588 | (55,222) | (3,332) | 78,110 |
| | 8,170,241 | 2,818,082 | (2,650,422) | 1,506,603 | 9,844,504 |
| Derivative Contracts: | | | | | |
| FX | 14,378 | 1,877,448 | (1,875,729) | (16,097) | - |
| Options | 150,973 | 1,011,312 | (1,040,276) | (154,479) | (32,470) |
| Swaps | 5,843 | 77,440 | (67,895) | (21,589) | (6,202) |
| | 8,341,435 | 5,784,282 | (5,634,322) | 1,314,437 | 9,805,832 |
| Short-Term Cash Deposits | 105,010 | | | | 125,018 |
| Other Investment Balances | 181,507 | | | (5,699) | 144,548 |
| Amounts due to Stockbrokers | (21,063) | | | | (22,868) |
| | 8,606,889 | | | 1,308,738 | 10,052,530 |

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

Direct transaction costs are shown under investment management costs in note 11b, in accordance with CIPFA guidance. Indirect costs

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

13a. Analysis of Investments

| 2020/21 £'000 | 2021/22 £'000 | 2020/21 £'000 | 2021/22 £'000 |
|---------------------------------------|------------------|--|---|
| Equities (Segregated Holdings) | | 78,110 | Loans 35,751 |
| 1,336,937 UK Quoted | 1,389,501 | 125,018 | Short-Term Cash Deposits 169,149 |
| 1,876,705 Overseas Quoted | 1,971,326 | Other Investment Balances | |
| 3,213,642 | 3,360,827 | 7,481 Outstanding Trades | 3,524 |
| Bonds | | 20,630 Outstanding Dividend Entitlements and Recoverable Withholding Tax | 26,159 |
| 695,600 UK Public Sector Quoted | 731,266 | 116,437 Cash Deposits | 77,258 |
| 400 UK Corporate Quoted | 400 | 144,548 | 106,941 |
| - Overseas Corporate Quoted | - | 10,517,885 | Total Investments 11,172,603 |
| 696,000 | 731,666 | | |
| Pooled Investment Vehicles | | | |
| UK Managed Funds: | | | |
| 117,664 Equities | 94,800 | As at 31 March 2022 there were no restrictions on the realisability of investment property or of the remittance of income or proceeds of disposal and the Fund is not under any contractual obligations to purchase, construct or develop any of these properties. | |
| 196,808 Private Equity | 299,250 | | |
| 180,197 Hedge Funds | 192,373 | | |
| 407,569 Corporate Bonds | 379,513 | | |
| 359,855 Infrastructure | 490,717 | | |
| 315,882 Opportunities | 311,049 | | |
| Overseas Managed Funds: | | | |
| 722,853 Equities | 662,586 | | |
| 633,688 Private Equity | 654,211 | | |
| 112,532 Hedge Funds | 120,411 | | |
| 84,315 Corporate Bonds | 83,187 | | |
| 250,699 Infrastructure | 272,893 | | |
| 97,171 Opportunities | 129,229 | | |
| UK Unit Trusts: | | | |
| 106,888 Property | 138,590 | | |
| Overseas Unit Trusts: | | | |
| 217,324 Property | 254,905 | | |
| 1,589,582 Other Unifised Funds | 1,733,579 | | |
| 5,393,027 | 5,817,473 | | |
| Derivative Contracts | | | |
| - FX | 895 | | |
| 402,967 Options | 381,626 | | |
| 848 Swaps | - | | |
| 403,815 | 382,521 | | |
| UK Properties | | | |
| 348,425 Freehold | 440,050 | | |
| 115,300 Leasehold | 128,225 | | |
| 463,725 | 568,275 | | |
| 471,925 Balance at 1 April | 463,725 | | |
| 41,061 Additions | 42,872 | | |
| (16,463) Disposals | (37,435) | | |
| 3,621 Net Gain/(Loss) on Fair Value | (14,912) | | |
| (36,419) Other Changes in Fair Value | 114,025 | | |
| 463,725 Balance at 31 March | 568,275 | | |

13b. Analysis of Derivatives

Forward Currency Contracts

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

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

Purchased/Written Options

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

| Underlying Option Contract | Expires | Put/Call | Notional Holding £'000 | Market Value 31/3/22 £'000 |
|--------------------------------------|-------------------|----------|---------------------------|-------------------------------|
| Assets | | | | |
| Overseas equity purchased | Over three months | Put | 361 | 106,568 |
| Overseas equity purchased | Over three months | Call | 706 | 275,058 |
| Total Assets | | | | 381,626 |
| Liabilities | | | | |
| Overseas equity written | Over three months | Put | (440) | (56,121) |
| Overseas equity written | Over three months | Call | (361) | (333,899) |
| Total Liabilities | | | | (390,020) |
| Net Purchased/Written Options | | | | (8,394) |

| Underlying Option Contract | Expires | Put/Call | Notional Holding £'000 | Market Value 31/3/21 £'000 |
|--------------------------------------|---------------------|----------|---------------------------|-------------------------------|
| Assets | | | | |
| Overseas equity purchased | One to three months | Put | - | - |
| Overseas equity purchased | Over three months | Put | 400 | 94,340 |
| Overseas equity purchased | Over three months | Call | 650 | 308,627 |
| Total Assets | | | | 402,967 |
| Liabilities | | | | |
| Overseas equity written | One to three months | Put | - | - |
| Overseas equity written | Over three months | Put | (490) | (49,542) |
| Overseas equity written | One to three months | Call | - | - |
| Overseas equity written | Over three months | Call | (400) | (385,896) |
| Total Liabilities | | | | (435,438) |
| Net Purchased/Written Options | | | | (32,471) |

Swaps

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

There were no swaps as at 31 March 2022.

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

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

13c. Summary of Managers' Portfolio Values at 31 March 2022

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

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

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

13d. Stock Lending

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

14. Investment Liabilities

| 2020/21 | | 2021/22 | |
|----------------|-----------------------------|----------------|--|
| £'000 | | £'000 | |
| 442,487 | Derivative Contracts | 391,272 | |
| 22,868 | Amounts Due to Stockbrokers | 9,521 | |
| 465,355 | Total | 400,793 | |

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.

| 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 year end. | Not Required | Not Required |
| Loans | Carrying Value is deemed to be fair value because expected future interest rates are not significantly different from contractual interest rates for the loan. | Not Required | Not Required |
| Cash and Cash Equivalents | Carrying Value is deemed to be fair value because of the short-term nature of these financial instruments. | Not Required | Not Required |
| Other Investment Balances | Carrying Value is deemed to be fair value because of the short-term nature of these financial instruments. | Not Required | Not Required |
| Investment Debtors and Creditors | Carrying Value is deemed to be fair value because of the short-term nature of these financial instruments. | Not Required | Not Required |
| Level 2 | | | |
| Unquoted Equities Investments | Average of broker prices. | Evaluated price feeds | Not required |
| Unquoted Fixed Income Bonds and Unit Trusts | Average of broker prices. | Evaluated price feeds | Not required |
| Unquoted Pooled Fund Investments | Average of broker prices. | Evaluated price feeds | Not required |
| Derivatives - Forward Currency Contracts | Market forward exchange rates at the year-end. | Exchange rate risk | Not required |
| Derivatives - OTC Options and OTC Swaps | Option pricing models and Swaps pricing models. | Not required | Not required |
| Pooled Property Funds and Hedge Funds where regular trading takes place | NAV - based pricing set on a forward pricing basis. Closing bid price where bid and offer prices are published - closing single price where single price is published. | NAV - based pricing set on a forward pricing basis. | Not required |

15. Fair Value - Basis of Valuation (Continued)

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

Sensitivity of assets valued at Level 3

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

| Level 3 Assets | Value at 31/3/22 £'000 | Potential Variance % | Value on Increase £'000 | Value on Decrease £'000 |
|--------------------------|---------------------------------------|-------------------------------------|--|--|
| Property | 746,341 | 10.0 | 820,975 | 671,707 |
| Unquoted UK Equity | 93,680 | 15.0 | 107,732 | 79,628 |
| Unquoted Overseas Equity | 12,292 | 15.0 | 14,136 | 10,448 |
| Hedge Funds | 207,896 | 10.0 | 228,686 | 187,106 |
| Infrastructure | 775,522 | 15.0 | 891,850 | 659,194 |
| Private Equity | 1,615,762 | 15.0 | 1,858,126 | 1,373,398 |
| Total | 3,451,493 | | | |

| Level 3 Assets | Value at 31/3/21 £'000 | Potential Variance % | Value on Increase £'000 | Value on Decrease £'000 |
|--------------------------|---------------------------------------|-------------------------------------|--|--|
| Property | 622,437 | 10.0 | 684,681 | 560,193 |
| Unquoted UK Equity | 112,763 | 15.0 | 129,677 | 95,849 |
| Unquoted Overseas Equity | 8,616 | 15.0 | 9,908 | 7,324 |
| Hedge Funds | 220,172 | 10.0 | 242,189 | 198,155 |
| Infrastructure | 624,109 | 15.0 | 717,725 | 530,493 |
| Private Equity | 1,410,704 | 15.0 | 1,622,310 | 1,199,098 |
| Total | 2,998,801 | | | |

15a. Fair Value Hierarchy

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

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

Level 1

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

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

Level 2

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

Level 3

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

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

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

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

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

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

Values at 31 March 2022

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

Values at 31 March 2021

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

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

| 2020/21 £'000 | 2021/22 £'000 |
|--|--------------------------------|
| 2,533,544 Opening Balance | 2,998,801 |
| 709,823 Acquisitions | 467,662 |
| (389,073) Disposal Proceeds | (353,783) |
| 15,191 Transfer into/(out) Level 3* | (3,075) |
| Total Gains/(Losses) Included in the Fund Account: | |
| 75,540 On Assets Sold | 108,690 |
| 53,776 On Assets Held at Year End | 233,198 |
| 2,998,801 Closing Balance | 3,451,493 |

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

16. Financial Instruments

16a. Classification of Financial Instruments

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

financial assets and liabilities by category and net asset statement heading.

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.

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

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

16b. Net Gains and Losses on Financial Instruments

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

16c. Fair Value of Financial Instruments

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

17. Nature and Extent of Risks Arising from Financial Instruments

Risk and Risk Management

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

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

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

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

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

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.

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 following tables show the Fund's exposure to asset classes and their reasonable predicted variance (as provided by the Fund's investment consultants) and the resulting potential changes in net assets available to pay pensions.

The Investment Consultant's volatility estimates are calculated using the Aon's Capital Market Assumptions (asset class return, volatility, and correlation assumptions). The assumptions represent the long-term capital market outlook (i.e. 10 years) based on data at 31 March 2022. The long-term assumptions are based on historical results, current market characteristics, professional judgement, and forward-looking expectations.

31 March 2022

| | Value £'m | Potential Variance % | Value on Increase £'m | Value on Decrease £'m |
|--|---------------|----------------------------|-----------------------------|-----------------------------|
| 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 including Pacific 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 and Other Investment Balances | 523 | - | 523 | 523 |
| Total | 10,433 | | | |

31 March 2021

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

Interest Rate Risk

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

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.

17b. Credit Risk

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

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

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

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

| Balances as at 31 March 2021 £'000 | | Rating S&P | Balances as at 31 March 2022 £'000 |
|--|----------------|-------------------|--|
| 42,053 | Lloyds Bank | Long A+ Short A-1 | 40,996 |
| 72,965 | Northern Trust | AAAm | 73,153 |
| 10,000 | Invesco | AAAm | 15,000 |
| - | Federated | AAAm | 20,000 |
| - | Santander | Long A Short A-1 | 20,000 |
| 125,018 | Total | | 169,149 |

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

17c. Liquidity Risk

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

The Fund always ensures it has adequate cash resources to meet its commitments. The Fund has a cash balance at 31 March 2022 of £169 million. The Fund has £7,117 million in assets which could be realised in under 7 days' notice, £1,016 million in assets which could be realised in under 90 days' notice and £2,301 million in assets which could not be realised within a 90-day period.

The Fund has no borrowing or borrowing facilities.

The management of the Fund also prepares periodic cash flow forecasts to understand and manage the timing of the Fund's cash flows. The Fund has a net addition for 2021/22 in its dealing with members of £40 million and management expenses of £47 million, this net withdrawal overall, is offset by investment income of £330 million.

Refinancing Risk

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

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.

18. Funding Arrangements

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

The most recent Triennial Valuation by the actuary was as at 31 March 2019, when the funding level was 101% of projected actuarial liabilities (2016 85%). The funding objective is to achieve and then maintain assets equal to the funding target. The funding target is the present value of 100% of projected accrued liabilities, including allowance for projected final pay. The FSS specifies that for the majority of the statutory employers, the recovery period is 16 years, taking account of all the employer specific factors, the implied average period across the Fund is 13 years.

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

The key elements of the funding policy are to:

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

Summary of Key whole Fund assumptions used for calculating funding target

| | 31 March 2019 % p.a. |
|--|-------------------------|
| Long-Term Yields | |
| Market Implied RPI Inflation | 3.40 |
| Solvency Funding Target Financial Assumptions | |
| Investment Return (Higher Risk Bucket) | 4.15 |
| CPI Price Inflation | 2.40 |
| Short-term Salary Increases | Varies by employer |
| Long-term Salary Increases | 3.90 |
| Pension Increases/Indexation of CARE Benefits | 2.40 |
| Future Service Accrual Financial Assumptions | |
| Investment Return/Discount Rate (Higher Risk Bucket) | 4.65 |
| CPI Price Inflation | 2.40 |
| Short-term Salary Increases | Varies by employer |
| Long-term Salary Increases | 3.90 |
| Pension Increases/Indexation of CARE Benefits | 2.40 |

19. Long-Term Assets

| 2020/21 £'000 | | 2021/22 £'000 |
|------------------|----------------------------------|------------------|
| 3,337 | Assets due in more than one year | 6,394 |
| 3,337 | | 6,394 |

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

20. Current Assets and Liabilities

| 2020/21 £'000 | | 2021/22 £'000 |
|--------------------|---|------------------|
| Assets | | |
| 14,335 | Contributions Due | 16,772 |
| - | Amounts Due from External Managers | 710 |
| 5,385 | Accrued and Outstanding Investment Income | 1,776 |
| - | Transfer Values Receivable | 205,761 |
| 22,035 | Sundry Debtors | 22,039 |
| (1,769) | Provision for Credit Losses | (1,920) |
| 447 | Cash at Bank | - |
| 40,433 | | 245,138 |
| Liabilities | | |
| 4,920 | Retirement Grants Due | 6,011 |
| 447 | Provisions | - |
| 11,185 | Sundry Creditors | 16,433 |
| 16,552 | | 22,444 |
| 23,881 | Net Current Assets | 222,694 |

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

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

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

21. Contractual Commitments

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

22. Contingent Assets

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

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

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

23. Related Party Transactions

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

Management expenses include charges by Wirral Council in providing services in its role as Administering Authority to the Fund, which amount to £4.0 million, (2020/21 £3.9 million). Such charges principally relate to staffing required to maintain the pension service. Central, Finance and IT costs are apportioned to the Fund on the basis of time spent on Fund work by Wirral

Council. There was a debtor of £7.5 million (2020/21 £6.6 million) and a creditor of £0.9 million as at 31 March 2022 (2020/21 £1.1 million).

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

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

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

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

23a. Key Management Personnel

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

23b. Officer Board Roles

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

| Officer Name | Position at MPF | Company | MPF Value as at 31/3/22 £'m |
|--|--------------------------|--|--------------------------------|
| Peter Wallach | Director of Pensions | GLIL | 302.8 |
| There were no new commitments to GLIL during 2021/22, the contingent liability as at 31 March 2022 is £32.4m | | | |
| | | Northern Pool GP (NO.1) Ltd | 186.5 |
| MPF committed an additional £60m to NPEP during 2021/22, the contingent liability as at 31 March 2022 is £361.4m | | | |
| Adil Manzoor | Senior Portfolio Manager | Virtus | 20.9 |
| MPF committed an additional \$5m to Virtus during 2021/22, there is no contingent liability as at 31 March 2022 | | | |
| Owen Thorne | Portfolio Manager | Technology Enhanced Operations Ltd (TEO) | 15.2 |
| There were no new commitments to TEO during 2021/22, there is no contingent liability as at 31 March 2022 | | | |
| Alan Robertson | Portfolio Manager | GLIL | 302.8 |
| There were no new commitments to GLIL during 2021/22, the contingent liability as at 31 March 2022 is £32.4m | | | |

24. Additional Voluntary Contribution Investments

| 2020/21 £'000 | | 2021/22 £'000 |
|------------------|---|------------------|
| Restated* | The Aggregate Amount of AVC Investments is as follows: | |
| 2,007 | Utmost Life | 1,819 |
| 5,374 | Standard Life | 5,165 |
| 11,106 | Prudential | 11,546 |
| 18,487 | | 18,530 |
| | Changes During the Year were as follows: | |
| 2,752 | Contributions | 2,699 |
| 2,055 | Repayments | 3,078 |
| 1,414 | Change in Market Values | 422 |

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

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

Statement of Responsibilities

The Authority's Responsibilities

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

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

Section 151 Officer Responsibilities

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

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

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

The Section 151 Officer has also:

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

The Section 151 Officer's Certificate

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



Shaer Halewood
Section 151 Officer
September 2022

Audit Report

Merseyside Pension Fund's Annual Report and Accounts remains in a draft status whilst we await the approval of the financial statement at Audit & Risk Management Committee (ARMC) and the issue of the audit opinion.

The audit of Merseyside Pension Fund is substantially complete and the Grant Thornton Audit Findings Report was reported and approval at Pensions Committee on 28 September 2022 **(Minute 23 at: Pensions Committee)**.

Grant Thornton anticipate issuing an unqualified opinion.

DRAFT

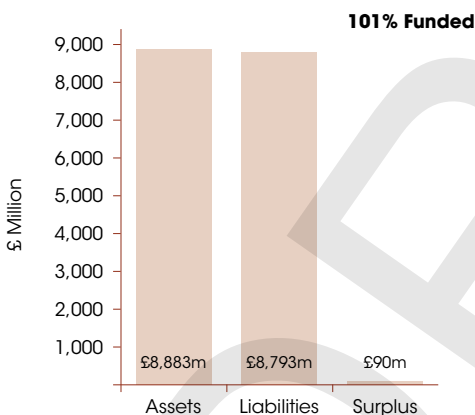
Consulting Actuary's Statement

Accounts for the Year Ended 31 March 2022 Statement by the Consulting Actuary

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

An actuarial valuation of the Merseyside Pension Fund was carried out as at 31 March 2019 to determine the contribution rates with effect from 1 April 2020 to 31 March 2023.

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



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

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

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

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

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

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

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

| | For Past Service Liabilities (Solvency Funding Target) per annum | For Future Service Liabilities (Primary rate of contribution) per annum |
|---|---|--|
| Rate of return on investments (discount rate) | 4.15% | 4.65% |
| Rate of pay increases (long-term)* | 3.9% | 3.9% |
| Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension) | 2.4% | 2.4% |

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

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2022. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2023.

The McCloud Judgment

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

In line with guidance issued by the LGPS Scheme Advisory Board, the above funding level and Primary contribution rate do not include an allowance for the estimated cost of the McCloud judgment. However, at the overall Fund level, we estimate that the cost of the judgment was an increase in past service liabilities of broadly £65million and an increase in the Primary Contribution rate of 1.0% of Pensionable Pay per annum as at the last valuation. To the extent that

employers have opted to pay additional contribution over 2020/23 in relation to the McCloud judgment, these emerge in the Secondary Contribution Rate figures quoted above.

Impact of COVID-19 / Ukraine

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

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

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

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2022 (the 31 March 2021 assumptions are included for comparison):

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

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

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

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

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

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

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

GMP Indexation

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



Paul Middleman
Fellow of the Institute and Faculty of Actuaries
Mercer Limited
June 2022

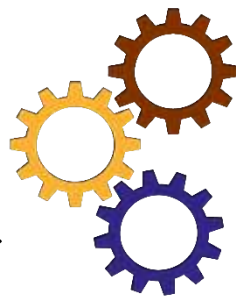


Mark Wilson
Fellow of the Institute and Faculty of Actuaries



NorthernLGPS

The Collective Asset Pool for Greater Manchester
Merseyside and West Yorkshire Pension Funds





Northern LGPS Pool

Report of the Chair

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

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

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

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

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



Background

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

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

History

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

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

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

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

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



Governance

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

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

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

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

Northern LGPS Pool - 31 March 2021 position at a glance

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

Northern LGPS Pool - Total costs and savings

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

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

Total costs (including set up, transition and running costs) as at 31 March 2022

£4.05m

Total savings, net of costs, as at 31 March 2022

£111.80m

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



Responsible Investment

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

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

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

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



GLIL Direct Infrastructure Vehicle

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

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

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

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

Northern Private Equity Pool LP

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

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

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

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

Other Northern LGPS Investments

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

Objectives for 2022/23

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



Appendix A

Scheme employers with active members as at 31 March 2022

Scheduled Bodies (34)

Contributions Received

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

Scheduled Bodies (Academies) (109)**Contributions Received**

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

| | Contributions Received | | |
|---|------------------------|----------------------------|--------------------|
| | Employers £'000 | Deficit/(Surplus) £'000 | Employees £'000 |
| Hillside High School (Academy) | 133 | 159 | 42 |
| Holy Trinity CE Primary (Academy) | 52 | 36 | 15 |
| Hope Academy | 188 | 71 | 68 |
| Huyton with Roby CE Primary (Academy) | 87 | 42 | 23 |
| Kew Woods | 92 | 4 | 26 |
| Kings Leadership Academy (Liverpool) | 108 | 26 | 37 |
| Kirkby High School | 208 | 142 | 71 |
| Knowsley Lane Primary School (Academy) | 42 | 35 | 14 |
| LDST - Liverpool Diocesan Schools Trust (Academy) | 39 | 6 | 29 |
| Litherland High School (Academy) | 131 | 105 | 48 |
| Litherland Moss Primary (Academy) | 50 | 22 | 16 |
| Liverpool College (Academy) | 149 | 2 | 54 |
| Liverpool Life Science UTC | 70 | | 30 |
| Lord Derby Academy | 194 | 97 | 68 |
| Maghull High School | 131 | 53 | 43 |
| New Park Primary (Academy) | 170 | 102 | 66 |
| North Liverpool Academy | 358 | 36 | 142 |
| Nutgrove Methodist Aided Primary | 37 | 16 | 12 |
| Oldershaw Academy | 252 | | 79 |
| Our Lady of Pity (Academy) | 91 | 30 | 25 |
| Parish CE Primary (Academy) | 57 | 23 | 21 |
| Park View Academy | 76 | 41 | 25 |
| Poultton Lancelyn Primary School (Academy) | 70 | 24 | 21 |
| Prenton High School for Girls | 140 | | 48 |
| Rainford CE Primary School | 52 | (6) | 16 |
| Rainford High School (Academy) | 198 | 75 | 74 |
| Rainhill High School | 189 | 99 | 74 |
| Rainhill St Ann's CE Primary School (Academy) | 84 | 34 | 24 |
| Range High School | 189 | 74 | 63 |
| Roscoe Primary (Academy) | 72 | 41 | 22 |
| Shoreside Primary School | 56 | 16 | 15 |
| St Andrews CE Primary (Academy) | 57 | 23 | 16 |
| St Anselm's College | 108 | 9 | 36 |
| St Edmund Arrowsmith Catholic Academy | 141 | 12 | 47 |
| St Edward's College | 140 | 44 | 48 |
| St Francis Xavier's College (Academy) | 185 | 70 | 58 |
| St Gabriel's CE Primary | 48 | | 18 |
| St James' Primary School (Academy) | 28 | 11 | 11 |
| St John Plessington Catholic College | 233 | 62 | 73 |

| | Contributions Received | | |
|--|------------------------|----------------------------|--------------------|
| | Employers £'000 | Deficit/(Surplus) £'000 | Employees £'000 |
| St Joseph's Catholic MAT | 2 | | 1 |
| St Joseph's Primary (Academy) | 72 | 26 | 24 |
| St Margaret's Church of England Academy | 143 | 53 | 49 |
| St Mary & St Thomas CE Primary School (Academy) | 82 | 31 | 28 |
| St Mary's Catholic College | 222 | 146 | 65 |
| St Michael's C of E High School (Academy) | 148 | 95 | 52 |
| St Silas C of E Primary School (Academy) | 81 | 28 | 35 |
| St Thomas C of E Primary (Academy) | 39 | 19 | 11 |
| Stanley High School (Academy) | 123 | 67 | 37 |
| Stanton Road Primary School (Academy) | 64 | 26 | 17 |
| Sylvester Primary Academy | 55 | 15 | 17 |
| The Academy of St Nicholas | 152 | 137 | 56 |
| The Beacon C E Primary School (Academy) | 51 | 31 | 18 |
| The Belvedere Academy | 145 | 11 | 59 |
| The Birkenhead Park School | 134 | 130 | 46 |
| The Prescott School (Academy) | 145 | 87 | 45 |
| The Studio (Academy) | 29 | (1) | 11 |
| The Sutton Academy | 207 | 92 | 77 |
| Town Lane Infant School (Academy) | 66 | 27 | 20 |
| Townfield Primary | 134 | 46 | 46 |
| Uni of Liverpool Maths School | 15 | | 5 |
| Upton Hall School | 132 | 31 | 44 |
| Weatherhead High School | 217 | 69 | 83 |
| West Derby School (Academy) | 183 | | 59 |
| West Kirby Grammar School | 135 | 42 | 43 |
| Whiston Willis Primary (Academy) | 75 | 34 | 21 |
| Willow Tree Primary | 30 | 12 | 10 |
| Wirral Grammar Boys (Academy) | 119 | 33 | 40 |
| Wirral Grammar School for Girls | 114 | 39 | 33 |
| Woodchurch High School | 387 | 131 | 132 |
| Yew Tree Primary Academy | 62 | 37 | 19 |

Admission Bodies (Community) (21)**Contributions Received**

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

Admission Bodies (Transfer) (50)**Contributions Received**

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

| Contributions Received | | | |
|--|--------------------|----------------------------|--------------------|
| | Employers £'000 | Deficit/(Surplus) £'000 | Employees £'000 |
| Taylor Shaw - Great Meols | 4 | (2) | 1 |
| Taylor Shaw - Hugh Baird | 3 | 1 | 1 |
| Taylor Shaw - Raeburn | 3 | | 1 |
| Taylor Shaw - Range | 4 | (2) | 1 |
| Taylor Shaw - St Andrews | 2 | | |
| Veolia ES Merseyside & Halton | 87 | (87) | 26 |
| Volair Ltd | 316 | | 110 |
| WCFT (NHS) | 896 | 64 | 306 |
| WIRED Ltd | 15 | 2 | 5 |
| Yunex Ltd | 18 | (6) | 5 |
| Sceme Employers where contributions have been received during 2021/22 but they had no Active Scheme Members as at 31 March 2022 | | | |
| Mersey Waste | | 285 | |
| Studio @ Deyes Academy | | 3 | |
| Cobalt Housing Ltd | 74 | 950 | 17 |
| Merseyside Lieutenancy | 12 | | 4 |
| North Huyton Communities Future | | 520 | 3 |
| Absolutely Catering (St Oswald's) | 2 | | |
| Caterlink Ltd. | 17 | 17 | 4 |
| Graysons Education Limited | 12 | | 3 |
| Huwel (Sherpa) | 1 | | |
| Knowsley Youth Mutual Ltd | 34 | | 11 |
| Provision for Bad Debt Closed Employer | | (230) | |
| Totals | 122,986 | 8,063 | 63,390 |

Appendix B

Pensions Committee Items

22 June 2021

Audit Plan
Statement of Accounts 2020/21
Local Government Pension Scheme Update
Budget Outturn 20/21 and Final Budget 21/22
Member Learning & Development Programme
Taskforce For Climate Related Financial Disclosure Reporting
Local Pension Board Minutes
Northern LGPS Update
Working Party Minutes

29 November 2021

LGPS Update
Local Pension Board Minutes
Member's Learning & Development
Updated Investment Strategy Statement
Northern LGPS Update
Working Party Minutes

20 September 2021

Grant Thornton - The Audit Findings Report for Merseyside Pension Fund
Merseyside Pension Fund Annual Report & Accounts 2020/21 and Letter of Representation
Local Pension Board Review 2020-21 and Workplan 2021-22
Local Government Pension Scheme Update
Northern LGPS Update and Responsible Investment Policy
Minutes of Working Party Meetings
Pension Board Minutes
Pensions Administration System

23 February 2022

Merseyside Pension Fund's Responsible Investment Policy and Human Rights
LGPS Update
Member's Learning & Development
Merseyside Pension Fund Budget Financial Year 2022/23
Catalyst Fund Update
Treasury Management Policy for 2022/23 and Annual Report for 2020/21
Complaints Policy for Merseyside Pension Fund
Northern LGPS Update
Local Pension Board Minutes
Minutes of Working Party Meetings

Attendance Record 2021 - 2022

| | PENSIONS COMMITTEE | | | | IMWP | | | |
|--|--------------------|--------|--------|--------|--------|--------|--------|-------|
| | 22 JUN | 20 SEP | 29 NOV | 23 FEB | 29 JUN | 15 SEP | 16 NOV | 2 MAR |
| Cllr Pat Cleary (Chair) | • | • | • | • | • | • | • | • |
| Cllr Jo Bird | • | • | | • | | | • | • |
| Cllr Adrian Jones (Spokesperson) | • | • | • | | • | • | • | |
| Cllr Chris Carubia | • | • | • | • | • | • | • | • |
| Cllr Helen Collinson | • | • | • | • | | | | |
| Cllr Tony Cox | • | • | • | # | | | • | |
| Cllr. Jeff Green | • | • | • | • | • | • | • | • |
| Cllr Brian Kenny | • | | | • | • | | • | |
| Cllr Cherry Povall, JP (Vice Chair) | # | • | • | # | • | • | | • |
| Cllr Les Rowlands | • | • | • | • | | • | • | |
| Cllr. Joe Walsh | | | • | • | | | | |
| Cllr Ian Byrne (Liverpool City Council Co-Optee) | | | | | | | | |
| Cllr Martin Bond (St Helens MBC Co-Optee) | • | | • | | • | • | | • |
| Cllr Jayne Aston (Knowsley MBC Co-Optee) | • | | | | • | | • | |
| Cllr Paulette Lappin (Sefton MBC Co-Optee) | | | | • | • | | | • |
| Roger Bannister (UNISON Co-Optee) | | | | • | • | • | • | |
| Jane Corbett (Co-Optee) | | | | | | | | |
| Donna Ridland (Pension Board) | | | | | • | | | |
| John Raisin (Chair of Pension Board) | | | | | | | • | |

Deputy Attended

Conferences

| | LA Responsible Investment Seminar | PLSA Local Authority Conference | All-Party Parliamentary Group for LA Pension Funds | LAPF Strategic Investment Forum | LGC Investment Seminar | PLSA ESG Conference | LGC Investment Seminar | LAPFF Business Meetings |
|---|-----------------------------------|---------------------------------|--|---------------------------------|------------------------|---------------------|------------------------|-------------------------|
| | 28 - 29 APR | 18 - 19 MAY | 19 MAY | 5 - 6 JUL | 9 - 10 SEP | 9 - 10 MAR | 24 - 25 MAR | 2021 - 2022 |
| Cllr Pat Cleary (Chair) | | • | • | | | • | | • |
| Cllr. Jo Bird (Spokesperson) | | | | | | • | | |
| Cllr Adrian Jones | | • | | | | | | |
| Cllr. Chris Carubia | | • | | | • | | • | |
| Cllr Helen Collinson | | | | | | | | |
| Cllr. Tony Cox | | | | | | | | |
| Cllr Tony Jones | | • | | | | | | |
| Cllr. Jeff Green | | | | | | | | |
| Cllr Brian Kenny | | • | | • | | | • | |
| Cllr Cherry Povall, JP (Vice Chair) | • | • | | | | • | • | |
| Cllr Les Rowlands | | • | | | | | | |
| Cllr. Joe Walsh | | | | | | | | |
| Cllr. Ian Byrne (Liverpool City Council Co-Optee) | | | | | | | | |
| Cllr Martin Bond (St. Helens MBC Co-Optee) | | | | | • | | | |
| Cllr Jayne Aston (Knowsley MBC Co-Optee) | | | | | | • | | |
| Cllr Paulette Lappin (Sefton MBC Co-Optee) | | | | | | • | | |
| Roger Bannister (UNISON Co-Optee) | | • | | | | • | | |
| Jane Corbett (Co-Optee) | | | | | | | | |

Appendix C

Information Contacts

Position

Director of Pensions
Head of Pensions Administration

Name

Peter Wallach
Yvonne Murphy

Telephone number

0151 242 1390
0151 242 1390

Area

Accounts
(Compliance, Financial Control and Management)
Investments
(Fund Assets' Management)
Employer Compliance and Membership
(Transfers, Divorce, Admissions, Data quality assurance)

Name

Donna Smith

Telephone number

0151 242 1390

Adil Manzoor

0151 242 1390

Sue Roberts/
Paula Heaton/
Bridget Pullen

0151 242 1390

Benefits/Payroll
(Retirement Calculations and Payments)

Barbara King/
Martin O'Boyle/Claire Lloyd

0151 242 1390

Operations (IT/Communications)
(Systems Support, MyPension, Website, Events)

Guy Hayton

0151 242 1390

Resolution of Disputes

Employer Decisions

Head of Pensions
Administration

0151 242 1390

Fund Decisions

Section 151 Officer

0151 666 3407

Scheme Employers' Contacts

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

Alison Ashcroft
Jaci Dick
Richard Arnold
Danielle Williamson
Mike Rea
Sue Highton
Jane Nolan
Vicky Osayande

07855 104975
0151 443 5161
0151 233 0375
0151 231 8756
0151 296 4245
0151 330 1199
0151 255 2537
0151 777 8189

Lynn Abbott
Sarah Myers
Matthew Slater

0151 934 4126
0174 467 6627
0151 691 8529



Report & Accounts 2021/22

Merseyside Pension Fund

Castle Chambers
43 Castle Street
Liverpool
L2 9SH

Tel: 0151 242 1390

Email: mpfadmin@wirral.gov.uk

www.merseysidepensionfund.org.uk

Administering Authority Wirral Council

