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1. Pension Fund Management Committee

Voting Members

Chair: Cllr A McLachlan	Wirral		
Vice Chair: Cllr S A Brown	Wirral		
Cllr G Davies	Wirral	Cllr Anne Ibbs	Sefton
Cllr F M Doyle	Wirral	Cllr N F Keats	Knowsley
Cllr W A Duffey	Wirral	Cllr K Turner	Liverpool
Cllr I J Mackenzie	Wirral	Cllr G Pearl	St Helens
Cllr T Harney	Wirral		
Cllr R K Moon	Wirral	Jayne Brown (LJMU)	
Cllr H Smith	Wirral	Non-district Employer Representative	
Cllr G C J Watt	Wirral		

Employee Representatives

Mr P Goodwin	Unison
Mr P Wiggins	Unison

Officers of the Fund

Ian Coleman	Director of Finance
David Smith	Deputy Director of Finance
Peter Wallach	Head of Pension Fund
Peter Mawdsley	Deputy Head of Pension Fund
Simon Goacher	Acting Monitoring Officer and Proper Officer
Colin Hughes	Assistant Borough Solicitor

2. Advisers to Investment Monitoring Working Party

Director of Finance
 Head of Pension Fund
 Mercer Investment Consulting
 Sarah Bates
 Noel Mills

3. Others

Auditor	Audit Commission
Bankers	The Royal Bank of Scotland plc
Consultant Actuary	Mercer HR Consulting
Custodian of Assets	State Street
Ethical Advisers	Pensions and Investment Research Consultants Ltd
Property Advisers	Cordea Savills Fund Management
Property Managers	C B Richard Ellis
Performance Measurement	The WM Company
Solicitor	Wirral Council
AVC Providers	Equitable Life Assurance Society
	Standard Life
	Prudential

Councillor Ann McLachlan,
Chair of Pensions Committee



“As Chair of the Pensions Committee, I am pleased to present the Merseyside Pension Fund’s Annual Report for the year ended 31 March 2008. The aim of the report is to highlight the important issues affecting the Fund over the last twelve months as well as providing more general information regarding the pension scheme.” *Ann McLachlan*

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 the contributing employers. This requires the Fund to strike a balance between achieving the most from its investments and the need to exercise prudence and caution in considering its future liability profile.

The Pensions Committee reviews the Fund’s investments at regular intervals with the help of its various professional advisers to ensure that they remain appropriate.

Investment Performance of the Fund

During the year under review, the Fund saw a small decline in value to £4.26bn, returning -1.3% compared to its bespoke benchmark return of -0.7%. This compared favourably with the average local authority fund due to the Fund’s relatively lower weighting in equities. Financial markets had a volatile 12 months as the implications and extent of the “credit crunch” and slower economic growth became more apparent as the year progressed.

In aggregate, equity markets were down but the performance of individual markets was mixed, with the weakness of sterling having a material impact on returns from overseas

markets. UK equities returned -7.7% but the benefit of international diversification was seen with Continental Europe +2.2%, Pacific +11.2% and Emerging Markets +22%. Bonds provided positive returns with index-linked gilts being a notable feature, returning 13.1% as inflation expectations rose. Property had its first negative return since 1991, declining by 10.7%. The management of the Fund, distribution of assets and performance are dealt with in more detail later in this report.

The ten-year return of the Fund at 5.9% per annum compound remains comfortably ahead of both average earnings (4.1%) and inflation (RPI 2.1%).

Actuarial Valuation

At the last triennial actuarial valuation at 31 March 2007, the funding level had improved from 76% to 80% of projected actuarial liabilities with the strong investment performance over the three years tempered by increases in longevity. The average employer contribution rate to meet the funding objective is 17.8% (16.1% at the previous valuation) which assumes that the deficit will be removed by an average contribution addition of 5.7% of pensionable pay over 25 years. Where known, the financial implications of the changes to the Local Government Pension Scheme (LGPS) were taken into account by the actuary, but it seems likely that the cost saving benefits mooted by the Department of Communities and Local Government (DCLG) will be less than envisaged. There are issues where uncertainty remains, which may well have implications for future funding. These include future ill health costs in view of the latest proposals from the DCLG, the final costs of "85 Year Rule" protection depending on whether full protection is extended to 2020, actual yields from employee contributions and take up of the pension to lump sum commutation option.

It will not be until the 31 March 2010 actuarial valuation, after which time the cost sharing mechanism will be implemented, that the long-term future costs of the LGPS are likely to become clear.

Communication with Fund Employers and Members

The current active membership of the Fund stands at approximately 50,000 with around 39,000 in receipt of pensions and 26,000 members with deferred benefits.

Effective communication has been, if anything, even more crucial for the Fund as it has sought to prepare for the new Scheme. It has continued to offer a variety of presentations and training courses to members and employers during the year, together with regular newsletters and bulletins to ensure details of the new Scheme were disseminated and explained. The Fund website is becoming increasingly important in managing communications and providing members with access to their pension information.

A Digital Versatile Disc (DVD) explaining the provisions of the new regulations has been produced by the Local Government Employers' organisation (LGE) and was used by the Fund and employers to explain the changes at a number of events held in the run up to the introduction of the new LGPS. The video guide is available to be viewed on the Fund website.

The Annual Employers' Conference held at Aintree Racecourse in November 2007 was again well attended and featured speakers from the DCLG, the Fund's Actuary, Mercer Human Resource Consulting and officers from the Fund.

Past Changes and the Future

During the past year, staff from the Administration and Investment teams have been working with the Fund's advisers on the actuarial valuation. Leading on from the actuarial valuation results, the Funding Strategy Statement and Statement of Investment Principles have been revised and a new strategic benchmark agreed and implemented.

Additionally, the Administration team has been occupied with a number of new sets of regulations as part of the ongoing modernisation of the Scheme.

As of 1 April 2008, the Fund was still waiting for guidance from the DCLG in a number of areas:

- Arrangements for employers to review and amend tiered employee contributions on account of various changes that might arise in the level of pay received after the start of employment or during the financial year;
- The promised statutory guidance on ill health retirement;
- The expected guidance on drawing up a Pensions Administration Strategy Plan to formalise administrative arrangements and service standards between the Fund and participating employers had still not been published.

Despite these hindrances, it is pleasing to report that the Fund was in a position to operate the new scheme on 1 April 2008.

Nationally, meetings of the LGPS Policy Review Group are continuing to discuss various issues including an agreement to introduce a cost sharing mechanism.

It is with much sadness that in July of this year, we learnt of the death of John Parry, the former Head of the Pension Fund, who had only recently retired.

As ever, the continued success of the Fund depends on the combined efforts of all those concerned with the operation of the Fund.

In conclusion, I should like to thank the Committee, the Scheme employers and their staff, the financial advisers, the external investment managers and all of the Fund's Investment and Administration staff for their considerable work in delivering the service to Scheme members.

Peter Wallach, Head of Pension Fund



Management of the Fund

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

In 2007/08 the Committee comprised; Councillors from the Wirral Labour group (4), Conservatives (3), Liberal Democrats (3), representatives of the four other District Authorities (Liverpool, St. Helens, Knowsley and Sefton), an independent representative from the other employers, employee representatives (2), the Director of Finance and other officers of the Fund. The Committee meets around five times a year to review the administrative and investment issues affecting the Fund.

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 1998. 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 and Statement of Investment Principles provide further information on the investment framework.

In February, the Fund published a Governance Compliance Statement, setting out the extent to which it complies with best practice guidance issued by the Department of Communities and Local Government (DCLG). The more detailed consideration of

investment strategy and asset allocation of the Fund's portfolios is considered by an Investment Monitoring Working Party. This Working Party meets six times a year to review investment strategy and to receive reports on investment activity undertaken in the previous period. One of its important tasks is to monitor the performance of the Fund's external managers which is undertaken in conjunction with professional advisers and the Fund's officers. The Working Party comprises representatives from the Pensions Committee, two independent advisers, employee representatives as well as Mercer Investment Consulting and members of the in-house investment team.



With regard to its investment management activities, the Fund uses a combination of internal and external managers, and active and passive strategies. The in-house investment team manages active UK and European equity portfolios, property, cash and alternative investments such as private equity, hedge funds, infrastructure and commodities. JP Morgan manages an active European portfolio and Nomura is responsible for equities in Emerging Markets, Japan and the Far East. As mentioned last year, a strategic decision was taken to change the management of North American equities to a wholly passive basis and the mandate for this was awarded to UBS.

Active bond mandates are managed by Schroders and Legal & General Investment Management. Legal & General also manage the other passive investments in a pooled fund. Following the decision in November to terminate the investment management agreement with BGI, the Fund has been undertaking a search

for replacement active UK equity managers and is hopeful of making appointments by the end of the year.

Internal fund managers report to the Director of Finance through regular Fund Operating Group meetings and follow laid down compliance procedures. External and internal fund managers have been given specific benchmarks against which performance is measured and are monitored quarterly at meetings of the Investment Monitoring Working Party.

Cordea Savills Investment Management Ltd, who report to the Head of Pension Fund, act as strategic property advisers. The day-to-day management of the properties is handled by CB Richard Ellis, with an independent half yearly valuation of the portfolio being carried out by Colliers CRE.



Investment Strategy

The Fund is managed within the rules and guidelines set out in the 1998 Regulations (which consolidated and simplified previous regulations). These regulations set parameters for the types and limits that the Fund can invest in certain asset classes.

The investment strategy of the Fund, has been to maximise returns over the medium to long-term, whilst having regard to its liability commitments and the risks entailed. This has led to a more bespoke structure better suited to matching the Fund's maturity and liability profile. The requirement to maintain a balanced portfolio of assets across a diversified portfolio invested in a range of stocks and sectors, remains of paramount importance. At the 2006/07 year end, the asset / liability relationship was reviewed by Mercer HR Consulting and the recommendations have been implemented.

Further information is contained in the Fund's Funding Strategy Statement.

Corporate Governance

Merseyside Pension Fund recognises its responsibility as an investor to promote and encourage corporate governance within the companies in which it invests. The Fund believes that good corporate governance is an important element in reducing the risk of corporate failure and enhancing returns over the long-term. The principles of corporate governance outlined in the 'revised combined

code' established by the Cadbury, Greenbury, Hampel and Higgs Committees are supported by the Fund which has an active policy of engagement with companies including using its proxy votes at all major UK & European company AGMs and EGMs to promote best practice.

The Fund receives detailed advice and recommendations from Pensions and Investment Research Consultants Ltd. (PIRC) to inform its voting decisions and is an active member of the Local Authority Pension Fund Forum (LAPFF).



Councillor Sue Brown is a member of the LAPFF executive board. The board is also an active member of the Institutional Investors Group on Climate Change (IGCC). Through its PIRC, LAPFF and IGCC affiliations, the Fund seeks to support the development of consistent, informed and fair corporate governance policies that promote good practice across the market.

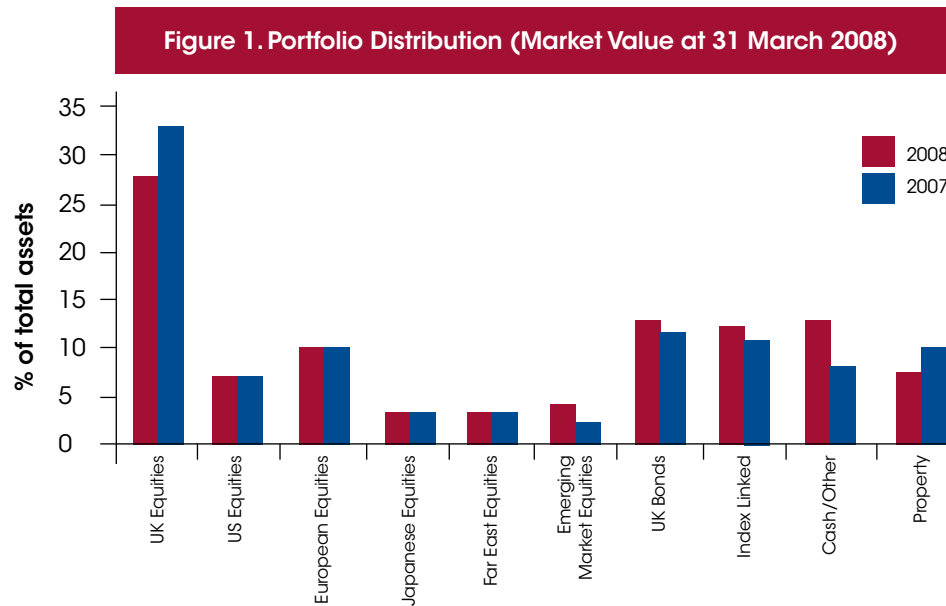
The Fund is substantially compliant with the Myner's principles on institutional investment. Further information is contained in the Fund's Statement of Investment Principles which is available on the website or from the Fund's offices at PO Box 120, Castle Chambers, 43 Castle Street, Liverpool L69 2NW. It covers:

- Effective Decision Making
- Clear Objectives
- Focus on Asset Allocation
- Expert Advice
- Explicit Mandates
- Activism
- Appropriate Benchmarks
- Performance Measurement
- Transparency
- Regular Reporting

Fund Composition

The Fund's composition is largely dictated by its bespoke strategic benchmark which is determined by the Fund's actuary. This strategic benchmark is the main gauge against which investment performance is measured and is reviewed periodically to ensure it continues to meet the liability profile of the Fund.

The Fund's actual composition at the beginning and end of the reporting period is depicted in Figure 1.





Review of Investment Performance

Volatility returned to the world's financial markets last year in response to the fall out from the US sub prime loans debacle and the re-emergence of global inflationary pressures.

Stock markets throughout the developed world reacted adversely to the ensuing "credit crunch" which saw global liquidity contracting significantly.

Global emerging stock markets held up relatively well with Brazil, Russia, India and China (the so called "BRICS") bucking the trend with positive returns.

Bonds outperformed equities as investors sought out safer havens and property fell into negative territory due to the reduced availability of debt finance and the prospects of an economic downturn.

Against a very challenging external market environment the Fund returned -1.3% in the financial year to the end of March 2008 compared to its bespoke benchmark return of -0.7%.

Over the comparable period, the average return of all Local Authority Pension Funds, based on the WM Local Authority universe of 90 funds, was -2.8%.

Comparative Returns for the Fund				
	1 Year %	3 Year %	5 Year %	10 year %
Merseyside Pension Fund	-1.3	8.8	11.5	5.9
Benchmark	-0.7	9.1	11.9	4.9
Inflation	3.8	3.5	3.3	2.8
Average Earnings	4.5	4.1	4.0	4.1

Actively managed UK and overseas equity mandates were the largest contributor to the Fund underperforming its bespoke benchmark by -0.6%.

In the UK, the Fund returned -9.6% against a target benchmark of -7.7%. European equities (excluding UK) returned 1.3% against a benchmark return of 2.8%.

Performance in Japan was also disappointing with the Fund returning -18.2% against a benchmark return of -15.4%.

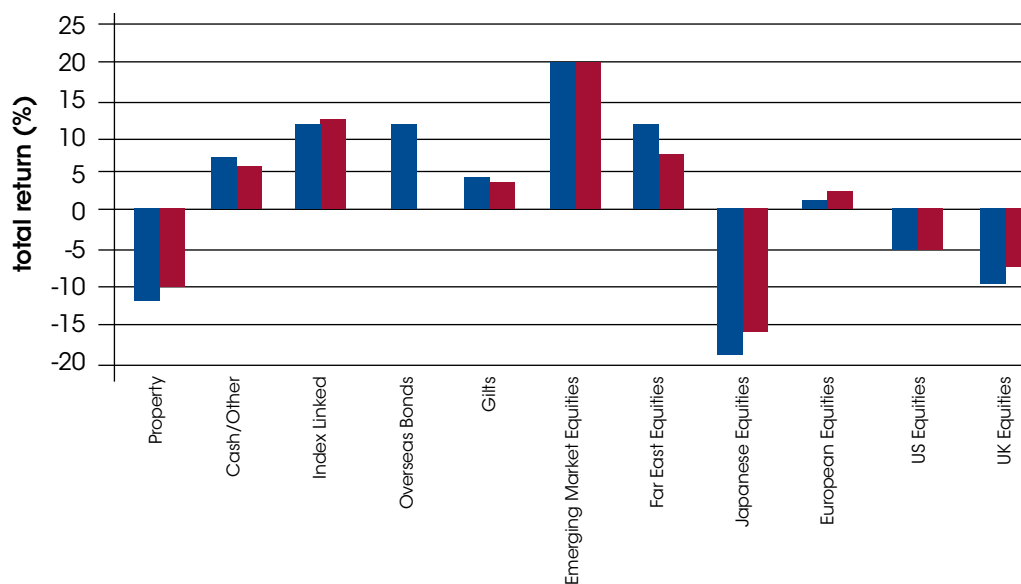
Elsewhere, the Fund outperformed its benchmark for the Pacific Basin (excluding Japan) with a positive return of 11.9% compared to a benchmark return of 9%.

While the Fund's fixed income investments (bonds) performed broadly in line with their respective benchmarks, property ended the period on a disappointing note with the Fund returning -11.5% against a benchmark return of -10.7%.

Cash and other alternative investments (including hedge funds) had a positive impact on performance with the Fund returning 7% against a benchmark return of 5.8%.

The Fund's longer term investment performance remains strong. Over the last 10 years the Fund has generated a return of 5.9% against the Local Authority benchmark return of 4.9% ranking it in 10th place within the Local Authority universe.

Figure 2. Total Return by Asset Class in year ended 31 March 2008



Strategic Asset Structure

Asset Class	Strategic Benchmark %	Detail %
UK Equities	30	
Overseas Equities	29	
US		8
European (Ex UK)		10
Japan		4
Asia Pacific		3
Emerging Markets		4
Fixed Interest	20	
UK Gilts		4
Overseas Bonds		0
UK Index Linked		12
Corporate Bonds		4
Property	10	
Venture Capital/ Other Investments	10	
Cash	1	
Total	100	

Largest UK Equity Holdings as at 31 March 2008

Company	Market Value £'000	Equity %
BP PLC	34,560	7.48
Vodafone Group	25,747	5.58
HSBC Holdings	25,730	5.57
Royal Dutch Shell	18,656	4.04
Glaxo SmithKline	18,388	3.98
Rio Tinto	15,699	3.40
Bramdean Alternatives	15,697	3.40
BG Group	11,670	2.53
Tesco	11,370	2.46
Merrill Lynch World Mining Trust	9,945	2.15
	187,462	40.60

The top 10 holdings represent 40.6% of the total in-house UK Equity Portfolio and 7.77% of total UK equities (4.4% of total fund).

Largest Property Holdings as at 31 March 2008

Property	Market Value £'000
Tunsgate Square, Guildford	29,025
Cunard Building, Liverpool	28,300
Willowbrook Retail Park, Loughborough	22,500
Farnham Retail Park, Farnham	19,775
Middlemarch Business Park, Coventry	19,650
37/38 Curzon Street, London	17,800
Horns Road Retail Park, Ilford	14,800
High Street, Windsor	13,875

Gerard Moore,
Financial Controller



Fund Account – for year ended 31 March 2008

	Note	2008 £000	2007 £000
Contributions and Benefits			
Contributions receivable	3	216,773	200,837
Transfers in		21,168	16,353
		237,941	217,190
Benefits payable	4	195,130	185,051
Leavers	5	13,764	11,754
Administration Expenses		3,348	3,740
		212,242	200,545
Net additions from dealings with members		25,699	16,645
Return on Investments			
Investment income	6	71,505	61,718
Change in market value of investments	7	-137,458	187,559
Exchange		-430	-1,874
Investment Management Expenses	8	-4,961	-4,604
Net return on Investments		-71,344	242,799
Net increase (- decrease) in the Fund during the year		-45,645	259,444
Net Assets of the Fund at start of year		4,300,977	4,041,533
Net Assets of the Fund at end of year		4,255,332	4,300,977



Net Assets Statement as at 31 March 2008

	Note	2008 £000	2007 £000
Investments			
Fixed Interest Securities	7	0	0
Index-linked Securities		0	0
Other Investments		216,073	137,150
Equities		1,124,734	1,077,743
Managed or Unitised Funds		2,434,630	2,589,491
Properties		295,350	355,475
Short Term Deposits		100,778	116,573
		4,171,565	4,276,432
Other Assets and Liabilities	9	83,767	24,545
Net Assets of the Fund as at 31 March 2008		4,255,332	4,300,977



1. General

Although the Scheme is exempt from the requirements of the Occupational Pension Schemes (requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, the financial statements have been prepared in accordance with these regulations and with the guidelines set out in the Statement of Recommended Practice, Financial Reports of Pension Schemes (the SORP) November 2002.

The financial statements record the transactions of the Scheme during the year and summarise the net assets at the disposal of the Managers at the end of the financial year. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which does take account of such obligations, is dealt with in the statement by the Actuary on pages 25 to 26 and these financial statements should be read in conjunction with it.

2. Accounting Policies

Basis of Preparation

The financial statements are prepared in accordance with applicable UK accounting standards and with the guidelines set out in the Statement of Recommended Practice, Financial Reports of Pension Schemes.

Valuation of Investments

Investments are stated at market value. For this purpose unlisted investments are included at manager's valuation and

properties at professional valuation. For listed securities, the stock exchange values are used. Properties have been valued independently by Colliers Erdman Lewis, Chartered Surveyors as at 31 March 2008.

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.



Investment Income

Interest on fixed interest stocks and on short term deposits has been accounted for on an accruals basis. Income from equities is accounted for when the related investment is quoted "ex-dividend".

Rental Income

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

Contributions and Benefits

Contributions are accounted for on an accruals basis. 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.

Transfers to Other Schemes

Transfer payments relate to those early leavers whose transfers have been paid during the year plus an accrual for future payments in respect of members moving their service to other schemes under bulk transfer arrangements.

Investment Management Expenses

In accordance with the SORP, costs in respect of the internal investment team are classified as investment management expenses rather than as administrative expenses.

	2008 £'000	2007 £'000
3. Contributions Receivable		
Employers		
Normal	152,576	137,630
Early retirement funding	12,463	12,745
Employees		
Normal	51,734	50,462
	216,773	200,837
relating to: Administering Authority	32,018	28,664
Statutory Bodies	158,507	149,223
Admission Bodies	26,248	22,950
	216,773	200,837
4. Benefits Payable		
Pensions	164,286	157,286
Lump sum retiring allowances	28,885	25,388
Lump sum death benefits	1,959	2,377
	195,130	185,051
relating to: Administering Authority	28,008	26,715
Statutory Bodies	145,569	140,205
Admission Bodies	21,553	18,131
	195,130	185,051
5. Payments to and on Account of Leavers		
Refunds to members leaving service	39	62
Payment for members joining state scheme	-9	-23
Individual transfers to other schemes	13,734	11,715
	13,764	11,754
6. Investment Income		
Fixed Interest Securities	515	23
Index-linked Securities	0	0
Dividends from Equities, Managed and Unitised Funds	44,789	38,453
Net rents from properties	18,337	17,261
Interest on Deposits	7,432	5,799
Other	432	182
	71,505	61,718

After 1 June 2006, all the Fund's holdings of bonds were in unitised vehicles. As at 31 March 2008, £171.7 million of stock was on loan to market makers, which was covered by non-cash collateral totalling £180.8 million. Income from stock lending is included within "Other".

The figure of "Dividends from Equities, Managed and Unitised Funds" includes recoverable taxation of £0.740m, plus income from profits from associate and joint ventures of £7.903m. Irrecoverable taxation amounted to £16.2m (2006/07 £15.1m).

7. Investments

	Market Value @ 31.3.07 £'000	Purchases at cost £'000	Sale Proceeds £'000	Change in Market* value £'000	Market Value @ 31.3.08 £'000
Fixed Interest Securities	0	0	0	0	0
Index-Linked Securities	0	0	0	0	0
Equities	1,077,743	737,784	637,755	-53,038	1,124,734
Managed and Unitised Funds	2,589,491	1,370,475	1,500,895	-24,441	2,434,630
Other	137,150	86,387	7,616	152	216,073
Properties	355,475	6	0	-60,131	295,350
Short Term Deposits	116,573	0	15,795	0	100,778
	4,276,432	2,194,652	2,162,061	-137,458	4,171,565

*Note: The change in market value of investments during the year comprises all realised and unrealised appreciation and depreciation. The high volume of sales and purchases reflects changes of external managers during the year.

	2008 £'000	2007 £'000
Fixed Interest Securities (segregated holdings)*		
UK Fixed Interest	0	0
UK Corporate Bonds	0	0
Overseas Fixed Interest	0	0
	0	0
*Other than Corporate Bonds, all are public sector securities.		
Index-Linked Securities (segregated holdings)	0	0
Equities (segregated holdings)		
UK Quoted	424,028	461,412
Overseas Quoted	700,706	616,331
	1,124,734	1,077,743

	2008 £'000	2007 £'000
Managed* and Unitised Funds		
UK Fixed Interest	276,419	188,228
UK Corporate Bonds	244,601	296,927
Overseas Fixed Interest	0	27,043
Index-Linked Securities	522,052	450,516
UK Equities	755,235	938,721
Overseas Equities	449,261	533,038
Unlisted Securities (Private Equity)	121,844	100,153
Property Unit Trusts	65,218	54,865
	2,434,630	2,589,491
Other Investments	216,073	137,150
UK properties		
Freehold	247,472	299,225
Leasehold	47,878	56,250
	295,350	355,475
Short Term Deposits	100,778	116,573

8. Investment Management Expenses

Fees paid to the six major investment managers amount to £4.049m, constituting the bulk of the figure of £4.961m investment management fees.

Charges vary between fund managers and between markets and types of security. Charges are calculated as a percentage of the value of the investments.

9. Current Assets and Liabilities

	2008 £'000	2007 £'000
Assets		
Contributions due	16,341	14,889
Accrued and outstanding investment income	9,168	7,290
Due from stockbrokers	494,166	3,768
Transfer values receivable	2,357	0
Cash at Bank	25,624	4,670
Sundries	6,105	5,792
	553,761	36,409
Liabilities		
Due to stockbrokers	461,736	3,917
Transfer values payable	0	95
Provisions	617	304
Miscellaneous	7,641	7,548
	469,994	11,864
Total Other Assets and Liabilities	83,767	24,545

The figure of debtors does not include future payments from employers who are making special additional payments in respect of early retirement costs over an agreed number of years.

The high level of money due to and from stockbrokers is a reflection of the Asset Reallocation following the Triennial Valuation of March 2008. This involved purchases and sales of stock that had not settled as at 31 March 2008. These covered transfers of stock both within and between fund managers.

The reduction in the "Transfer values payable" figure reflects a recent decision that the Fund retains responsibility for a group of pensioners and deferred members whose former employer, having left the Fund, will now consequently pay the Fund in respect of such liabilities.

Included in "Miscellaneous" is £2.964m of unpaid benefits.

10. Commitments

Commitments for investments amounted to £126.033m as at 31 March 2008.

11. Related Party Transactions

Administration and investment management costs include charges by Wirral Council in providing services in its role as administering authority to the Fund, which amounts to £3.275m (2007 £3.291m). Such charges principally relate to staffing required to maintain the pension service.

A specific declaration has been obtained from principal officers and Pension Committee members regarding membership of, and transactions with, such persons or their related parties. No declarable related party transactions have been reported.

12. Summary of Managers' Portfolio Values as at 31 March 2008

	£m	%
Externally Managed		
J P Morgan	160	3.8%
UBS	318	7.6%
Nomura	416	10.0%
Schroders	214	5.1%
Legal & General (Pooled Assets)	1,468	35.2%
Legal & General (Bonds)	227	5.5%
	2,803	67.2%
Internally Managed	1,369	32.8%
	4,171	100.0%

13. Additional Voluntary Contributions Investments

The Committee holds assets invested separately from the main fund. In accordance with Regulation 5 (2) (c) of the Pensions Schemes (Management and Investment of Funds) Regulations 1998, these assets are excluded from the Pension Fund accounts.

The Scheme providers are Equitable Life, Standard Life and Prudential. Individual members participating in this arrangement each receive an annual statement confirming the amounts held on their account and the movements in the year. As requested by the Local Authority Statement of Recommended Practice (2007-08) an aggregate breakdown between contributions, repayments and change in market value is now available for the balances as at 31 March 2008.

	2008	2007
	£'000	£'000
The aggregate amount of AVC investments is as follows:		
Equitable Life	3,464	3,633
Standard Life	7,593	6,859
Prudential	3,615	3,089
	14,672	13,581
Changes during the year were as follows:		
Change in March 2007 valuation for Standard Life	368	
Contributions	1,627	
Repayments	-1,106	
Change in market values	202	
Increase in value from 2006/07 published accounts	1,091	

Ian Coleman, Director of Finance



The Authority's Responsibilities

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

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

The Director of Finance's Responsibilities

The Director of Finance 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 2008.

In preparing this statement of accounts, the Director of Finance has:

- Selected suitable accounting policies and then applied them consistently
- Made judgments and estimates that were reasonable and prudent
- Complied with the Code

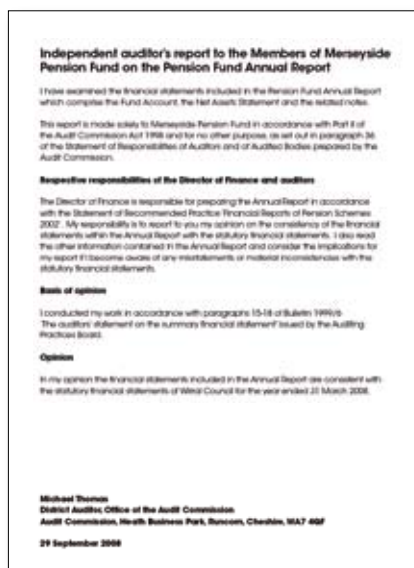
The Director of Finance has also:

- Kept proper accounting records which were up to date
- Taken reasonable steps for the prevention and detection of fraud and other irregularities

The Director of Finance's Certificate

I certify that the Statement of Accounts presents fairly the financial position of the Fund at 31 March 2008, and its income and expenditure for the year then ended.

Director of Finance
29 September 2008



Independent auditor's report to the Members of Merseyside Pension Fund on the Pension Fund Annual Report

I have examined the financial statements included in the Pension Fund Annual Report which comprise the Fund Account, the Net Assets Statement and the related notes.

This report is made solely to Merseyside Pension Fund in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Director of Finance and auditors

The Director of Finance is responsible for preparing the Annual Report in accordance with the Statement of Recommended Practice 'Financial Reports of Pension Schemes 2002'. My responsibility is to report to you my opinion on the consistency of the financial statements within the Annual Report with the statutory financial statements. I also read the other information contained in the Annual Report and consider the implications for my report if I become aware of any misstatements or material inconsistencies with the statutory financial statements.

Basis of opinion

I conducted my work in accordance with paragraphs 15-18 of Bulletin 1999/6 'The auditors' statement on the summary financial statement' issued by the Auditing Practices Board.

Opinion

In my opinion the financial statements included in the Annual Report are consistent with the statutory financial statements of Wirral Council for the year ended 31 March 2008.

Michael Thomas
District Auditor, Office of the Audit Commission
Audit Commission, Heath Business Park, Runcorn, Cheshire, WA7 4QF

29 September 2008



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

A list of the participating employers is shown at Appendix A. The Scheme is a public service pension scheme regulated by statute through the Department for Communities and Local Government (DCLG). It is a contributory final salary scheme, which is contracted-out of the Second State Pension and is exempt approved for tax purposes.

Development of the Scheme

Since 1922 the Local Government Pension Scheme has developed from a scheme which just provided pensions for officers only, to today's Scheme which provides pensions and lump sums for all members, spouses, civil and co-habiting partners and children's pensions, ill health, redundancy and death cover.

Quite clearly it is a comprehensive scheme and yet, through the co-operation of the Government, employer and employee representatives, the Scheme is constantly changing and adapting to modern day needs and demands.

The new look Scheme was introduced from 1 April 2008 and details are contained in three sets of regulations:

The LGPS (Benefits, Membership and Contributions) Regulations 2007

The LGPS (Administration) Regulations 2008

The LGPS (Transitional Provisions) Regulations 2008

The new Scheme has introduced tiered employee contribution rates and three tiers of ill health retirement benefits. It provides for 1/60th pension accrual for membership from 1 April 2008 with the option to commute to provide a tax free lump sum and for the first time provides for pensions for nominated cohabiting partners.

Discussions are also still continuing on a number of matters including; the extent of transitional protection to be given to members affected by the removal of the 85 Year Rule, the introduction of a cost sharing arrangement for future increases in the cost of funding the Scheme and future arrangements for councillors' pensions.

Membership	31 March 2008	31 March 2007
Contributors	50,088	51,163
Pensioners	38,999	38,149
Deferred beneficiaries	26,102	22,810

Legislation

The principal regulations were amended during the year by the following statutory instruments:

The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (Into force 1 April 2008)

The regulations introduce the New Look Scheme from 1 April 2008 based on a higher 1/60th accrual rate for future membership and introduce tiered employee contributions, a range of benefit changes and improvements including nominated cohabiting partners pensions. Membership earned prior to 1 April 2008 will continue to be calculated based on the old 1/80th pension and 3/80ths lump sum basis.

The Local Government Pension Scheme (Amendment) (No 3) Regulations 2007 (Into force 30 June 2007)

These regulations amended the 1997 Regulations to introduce new requirements on Funds dealing with **Governance Compliance Statements** and the production of **Pension Fund Annual Reports**. They also introduced provisions to publish **Pension Administration Strategy Documents** dealing with

arrangements and service standards between administering and employing authorities, including the ability to recover costs from employers because of their level of performance.

These provisions have been carried forward to the new 2008 Scheme regulations.

The Local Government Pension Scheme (Administration) Regulations 2008 (Into force 1 April 2008)

These regulations set out provisions relating to the administration of the new Scheme introduced from 1 April 2008 and need to be read in conjunction with the Benefits, Membership and Contributions Regulations and the Transitional Provisions Regulations.

The Local Government Pension Scheme (Transitional Provisions) Regulations 2008 (Into force 1 April 2008)

As many of the new provisions apply to membership from 1 April 2008 only, with previous membership continuing to be calculated on a 1/80th accrual with automatic 3/80ths lump sum for earlier membership, these regulations make clear that all rights established and arrangements entered into under earlier provisions were valid, and the necessary revocations and savings build on that premise. Their effect is to protect the benefits accrued by members of the 1997 Scheme before 1 April 2008, and to protect their rights. In particular councillors pensions will continue for the time being to be subject to the 1997 Regulations until a decision is made on how they should be reformed.

The Local Government Pension Scheme (Amendment) Regulations 2008

(Into force 7 May 2008)

The regulations make necessary corrections to the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007, with all changes effective 1 April 2008. Amongst the corrections were a replacement of the ill health retirement regulations and a change to employee contribution tier arrangements.

Service Standards Charter

Results of performance against target are shown below:

Performance Targets	Target	Within Target %
1. Payment of retirement benefits	7 days	96
2. Payment of monthly pensions	100%	100
3. Payment of transfer values	7 days	99
4. Provision of inward transfer quotes	10 days	98
5. Notification of deferred benefits	22 days	99
6. Provide valuation in divorce cases	10 days	99
7. Respond to members enquiries	10 days	97

(Details given in respect of 12 month period to 31 March 2008).



Key Improvement Areas

The key improvement areas identified for the pension administration unit are as follows:

1. Improved efficiency through development of information technology capability and application.

Scheme members are now able to gain online access to their own pension details and to perform benefit projections, to enable them to see the value of their benefits through the internet. Further development and enhancement of these facilities is to take place.

2. Enhanced communications, consultation and marketing of the benefits of the Scheme to employers, employees and beneficiaries.

Further improvements to the range of Scheme literature and the Fund website have included the production of a new LGPS promotional video and these changes are continuing to be made following the

introduction of the New Look Scheme from 1 April 2008.

3. Development of training policies and procedures to ensure the quality of service provision to Scheme members.

Further work is underway, both within the Fund and with partners, to extend the training opportunities available for Scheme members, employers and elected members.

4. Efforts to increase take up of Scheme membership.

A major review of the current arrangements for promotion of the Scheme is ongoing in conjunction with employers, in an effort to identify any improvements required to ensure Scheme members maximise their pension opportunities.

Comparisons/Benchmarking

The Fund continues to participate in the Chartered Institute of Public Finance and Accountancy (CIPFA) annual benchmarking survey.

The results of unit cost comparison for the most recent report published (2006/2007) were as follows:

	2006/07	2005/06
Merseyside Pension Fund	£19.62	£19.06
CIPFA Average	£22.66	£22.80
Private Sector In-House	£46.01	£42.55
Private Sector Outsourced	£36.00	£32.61

The individual totals within the survey showed that the Fund had a lower cost pension payroll than the CIPFA average, but had a higher expenditure on communications, which includes postage of relevant information to members' home addresses.

The Fund is also continuing to participate in a benchmarking forum consisting of representatives of five of the largest Metropolitan Administering Authorities in an effort to seek out best practice.

Internal Dispute Resolution Cases

Since 1 June 2004, individual employers are responsible for considering stage 1 appeals against decisions made by them, with the Fund responsible for considering stage 1 appeals against its own decisions and all stage 2 appeals.

During the year to 31 March 2008, there were no new cases dealt with by the panel of Appointed Persons responsible for complaints against decisions made by the Fund.

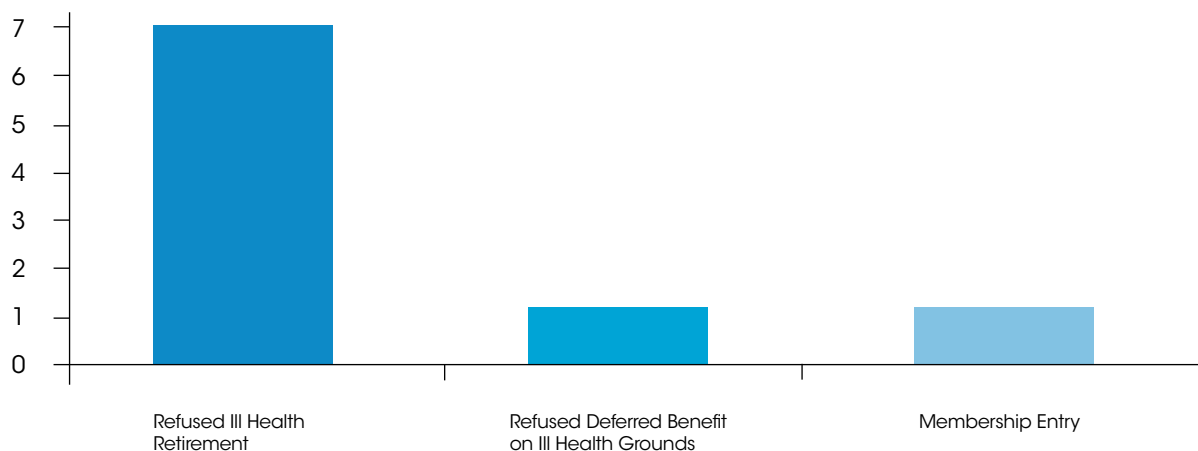
A total of 9 new cases were dealt with by the panel of Appointed Persons responsible for considering Stage 2 appeals against employer decisions.

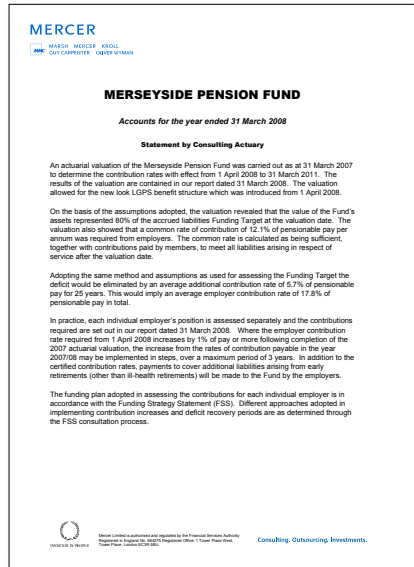
As in previous years, the majority of cases have concerned either refusal to grant ill health retirement (7) or to bring preserved benefits into payment early on ill health grounds (1). Of these appeals against employer decisions one ill health retirement appeal was successful, and in the remaining cases the employer decision was upheld.

Pensions Ombudsman

During the year, two appeals against decisions of the Fund were considered by the Pensions Ombudsman in which the Fund's decisions were upheld.

Breakdown of Appeals against Employer Decisions





Page 1.

MERCER

MMK MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

Merseyside Pension Fund

Accounts for the year ended 31 March 2008

Statement by Consulting Actuary

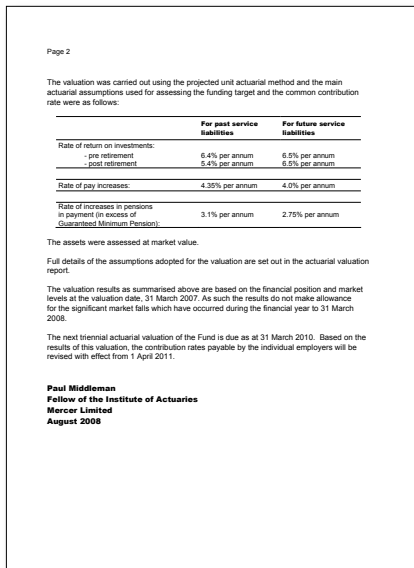
An actuarial valuation of the Merseyside Pension Fund was carried out as at 31 March 2007 to determine the contribution rates with effect from 1 April 2008 to 31 March 2011. The results of the valuation are contained in our report dated 31 March 2008. The valuation allowed for the new look LGPS benefit structure which was introduced from 1 April 2008.

On the basis of the assumptions adopted, the valuation revealed that the value of the Fund's assets represented 80% of the accrued liabilities Funding Target at the valuation date. The valuation also showed that a common rate of contribution of 12.1% of pensionable pay per annum was required from employers. The common 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.

Adopting the same method and assumptions as used for assessing the Funding Target, the deficit would be eliminated by an average additional contribution rate of 5.7% of pensionable pay for 25 years. This would imply an average employer contribution rate of 17.8% of pensionable pay in total.

In practice, each individual employer's position is assessed separately and the contributions required are set out in our report dated 31 March 2008. Where the employer contribution rate required from 1 April 2008 increases by 1% of pay or more following completion of the 2007 actuarial valuation, the increase from the rates of contribution payable in the year 2007/08 may be implemented in steps, over a maximum period of 3 years. 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). Different approaches adopted in implementing contribution increases and deficit recovery periods are as determined through the FSS consultation process.



Page 2.

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

	For past service liabilities	For future service liabilities
Rate of return on investments:		
- pre retirement	6.4% per annum	6.5% per annum
- post retirement	5.4% per annum	6.5% per annum
Rate of pay increases:	4.35% per annum	4.0% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension):	3.1% per annum	2.75% per annum

The assets were assessed at market value.

Full details of the assumptions adopted for the valuation are set out in the actuarial valuation report.

The valuation results as summarised above are based on the financial position and market levels at the valuation date, 31 March 2007. As such the results do not make allowance for the significant market falls which have occurred during the financial year to 31 March 2008.

The next triennial actuarial valuation of the Fund is due as at 31 March 2010. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2011.

Paul Middleman
Fellow of the Institute of Actuaries
Mercer Limited
August 2008



Current Scheduled Bodies

Academy of St Francis
 Belvedere Academy
 Birkenhead School (2002)
 Birkenhead Sixth Form College
 Burton Manor Residential Home
 Carmel College
 Halewood Parish Council
 Hugh Baird College
 King George V College
 Knowsley Community College
 Knowsley MBC
 Knowsley Parish Council
 Liverpool City Council
 Liverpool Community College
 Liverpool John Moores University
 Mersey Waste Holdings Limited
 Merseyside Fire & Rescue Service
 Merseyside Passenger Transport Authority
 Merseyside Passenger Transport Executive
 Merseyside Police Authority
 Merseyside Waste Disposal Authority
 National Probation Service (Merseyside)
 North Liverpool Academy

Prescot Town Council
 Rainford Parish Council
 Rainhill Parish Council
 Sefton MBC
 Southport College
 St Helens Community College
 St Helens MBC
 Valuation Tribunal Service
 Whiston Parish Council
 Wirral Metropolitan College
 Wirral Council
 Woodchurch High School

Current Admission Bodies

2020 Knowsley Parkman
 2020 Liverpool Parkman
 Age Concern - Liverpool
 Arriva North West
 Association of Police Authorities
 Beechwood & Ballantyne Housing Association
 Beechwood Educare Centre
 Berrybridge Housing Ltd
 Birkenhead Citizens Advice Bureau
 Birkenhead Market Services

Liverpool Citizens Advice Bureau
 Liverpool Community Rights
 Liverpool Council for Social Aid
 Liverpool Hope University
 Liverpool Housing Trust
 Liverpool John Lennon Airport PLC
 Liverpool Mutual Homes
 Liverpool Vision Limited
 Local Government Association
 Merseyside Lieutenancy
 C.I.C. Drug Services
 Catholic Children's Society
 CDS Housing
 Cobalt Housing Ltd
 Commission for Social Care Inspection
 Community Technical Services Agency
 Enterprise (Liverpool Cleansing)
 Enterprise (Liverpool Grounds)
 Enterprise (Liverpool Highways) Ltd
 Enterprise (Liverpool Housing Repairs)
 Geraud Markets (Liverpool) Ltd
 Glendale (Liverpool Parks)
 Glendale Managed Services
 Glenvale Transport Ltd



Greater Hornby Homes
Greater Merseyside Connexions
Green Apprentices Ltd
Groundwork Trust Ltd
Higher Education ESF
Helena Partnerships Ltd
Hochtief - Liverpool
Hochtief - Wirral
Kingswood Colomendy
Knowsley Housing Trust
LACORS/LACOTS
Lairdsid e Communities Trust
Lee Valley Housing Association Ltd.
Liberata
Liverpool Association for the Disabled
Merseyside Society for the Deaf
Merseyside Welfare Rights
Merseyside Youth Association
Mott McDonald (M.I.S.)
Netherley Citizens Advice Bureau
North Huyton New Deal New Future
North Liverpool Citizens Advice Bureau
Novas Group
Nugent Care

One Vision Housing
Partners Credit Union
Scolarest Liverpool
Scolarest Wirral
Sefton Education Business Partnership
South Liverpool Housing Ltd
Southern Neighbourhood Council
St. Gabriel's Community Home
Taylor Shaw Catering Ltd (St Wilfred's)
Taylor Shaw (New Heys School)
The Peoples Centre
The Port Sunlight Village Trust
University of Liverpool
Upton Hall Convent
Vauxhall Neighbourhood Council
Village Housing Association Ltd
Wavertree Citizens Advice Bureau
Wirral Autistic Society
Wirral Council for Voluntary Services
Wirral Partnership Homes Ltd

Wirral Council Pensions Committee

The Committee met on 5 occasions during 2007/08 to discuss the following items.

Reports from the Investment Monitoring Working Party are also considered at Committee.

2 July 2007

Appointment of Vice-chair
 Merseyside Pension Fund Accounts:
 Year ended 31 March 2007
 Investment Performance 2006-2007
 issues Facing Merseyside Pension Fund
 Treasury Management Annual Report
 Audit Commission - Audit Plan 2007-08
 LGPS reform consultation on extension
 of 85 Year Rule protection
 Local Government Pension Scheme Reform
 The LGPS (Amendment) (No 3) Regulations 2007
 Representation on outside bodies
 Public Sector Pension Fund Investment Conference
 The Local Government Pension Scheme
 Trustees' Conference
 Staffing review
 Review of contracts and arrangements for procurement
 of investment managers
 Investment in Private Equity: Capital Dynamics
 Report for 2006
 Investment Into Close Enhanced
 Commodities Fund II
 Investment into Bramdean Alternatives
 Application For Admission -
 Higher Education Est Services
 Admission of Sefton New Directions
 Greater Merseyside Connexions
 Kingswood Colomendy – Liverpool City Council
 outsourced contract
 Management of U.S. Equities

25 September 2007

Management Representation Letter
 Merseyside Pension Fund – audited accounts for
 the year ended 31 March 2007
 Consultation on extension of 85 Year Rule protection
 Treatment of accrued AVC funds
 on Flexible Retirement

Local Government Pension Scheme Reform:
 Tiered Employee Contributions
 Ill health retirement regulations
 Draft LGPS (Administration) Regulations 2007
 Local Government Pension Scheme Reform
 Best Value Authorities Staff Transfers (Pensions) Direction 2007
 Emerging Market Equities
 Staffing review
 LAPFF Conference
 Local Government Chronicle (LGC) Awards 2007
 LGC Investment Forum
 Annual Employers' Conference
 Admission Body Application – Welsh Local Government
 Association (WLGA)
 Admission Body Applications – Schools PFI contracts
 at Wirral Council and Liverpool City Council with Hochtief
 Facilities Management & Scolarest (Compass Group)
 Closure of Admission Body - Groundwork Trust
 Management of U.S. Equities

26 November 2007

Asset allocation
 Governance compliance
 Review of Statement of Investment Principles (SIP)
 Appointment of consultants for selection
 of investment managers
 Funding Strategy Statement
 LGPS Reform
 Staffing review of Merseyside Pension Fund
 Actuarial valuation as at 31 March 2007
 Management of External Active UK Equities
 Castle Chambers Liverpool refurbishment
 Private Equity and Alternative Investments Strategy
 Pensions administration IT system
 Investment Monitoring Working Party Meeting -
 30 October 2007
 Audit Commission final accounts memorandum
 Management of UK equities early termination
 of BGI contract
 Management of North American Equities
 Pension Fund Investment accounting system
 Additional services from Global Custodian

28 January 2008

Compliance manual
 Consultation on third tier ill health proposals

Treasury Management: Policy and Strategy 2008/09
 LGPS (Administration) Regulations 2007
 Pensions Bill 2007 – Personal Accounts
 Governance compliance
 Admission bodies termination liabilities
 Calculation Policy
 Local Government Pension Scheme reform update
 Members training 2008
 CIPFA Annual Conference
 National Association of Pension
 Funds Conference (NAPF)
 LGC Pension Fund Investment Seminar
 Pension Fund Budget 2008-2009
 Procurement of Voting Services
 Write off of property arrears
 Membership of Local Authority Pension
 Fund Forum (LAPFF)
 Provision of banking services
 Shared Services – Westminster City Council

31 March 2008

Finance Department Plan 2008-09
 Internal Dispute Resolution Procedure (IDRP)
 Policy for the monitoring of investment mandates
 July training event
 LGPS Reform Update
 Ill Health Retirement Regulations
 LGPS (Administration) Regulations 2008
 Future Cost Sharing in the LGPS
 Management of European Equities
 Management of UK Equities
 Venture House, Newbury
 Appointment of Consultants for the selection
 of investment managers
 Procurement of voting services
 Admission Application – Liverpool Mutual Homes
 Admission Body Application – Enterprise Liverpool
 Review of potential unfunded liabilities
 for admission bodies

Investment Monitoring Working Party

Meetings Were Held On: 5 June 2007,
 12 September 2007, 30 October 2007,
 6 December 2007 and 27 February 2008.

Merseyside Pension Fund

Area	Name	Telephone number
Head of Pension Fund	Peter Wallach	0151 242 1309
Deputy Head of Pension Fund	Peter Mawdsley	0151 242 1333
Accounts	Gerard Moore	0151 242 1307
Investments	Leyland Otter	0151 242 1316
Member Services	Margaret Rourke/Yvonne Caddock	0151 242 1369
Benefits/Payroll	Kevin Greenough	0151 242 1354
Operations (IT/Communications)	Guy Hayton	0151 242 1361

Resolution of Disputes

Employer Decisions	Deputy Head of Pension Fund	0151 242 1333
Fund Decisions	Director of Finance	0151 666 3056

Scheme Employers Contacts

Arriva North West	Angela Irwin	0151 522 2844
Merseyside Fire & Rescue Service	Helen Jones	0151 296 4219
Knowsley MBC	Mary McDonald	0151 443 4177
Liverpool City Council	Vanessa Duncan	0151 225 4128
Liverpool John Moores University	Jayne Brown	0151 231 3401
Merseytravel	Linda Gedman	0151 330 1191
Merseyside Police Authority	Joan Dullahan	0151 777 8252
Merseyside Waste Disposal Authority	Paula Pocock	0151 255 1444
National Probation Service (Merseyside)	Kevin Stamper	0151 920 9201
Sefton MBC	Mike Nelson	0151 934 4127
St. Helens MBC	Jane Wilson	01744 456038
Wirral Council	Helen Watkins	0151 666 3524

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