



Report & Accounts 2009/10

Strength, Stability, Security

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Cover image: 'Another Place'



WIRRAL



Sefton Council



Management Structure

1. Pension Fund Management Committee

Chair:
Cllr A McLachlan

Vice Chair:
Cllr H Smith

Cllr G Davies
Cllr F M Doyle
Cllr W A Duffey
Cllr T Harney
Cllr D Knowles
Cllr R K Moon
Cllr C Poval
Cllr G C J Watt
Cllr A Ibbs
Cllr N F Keats
Cllr R Oglethorpe
Cllr G Pearl

Mrs Jayne Brown (LJMU) **Non-district Employer Representative**

Wirral

Wirral

Wirral

Wirral

Wirral

Wirral

Wirral

Wirral

Wirral

Wirral

Sefton

Knowsley

Liverpool

St Helens

Employee Representatives

Mr P Goodwin
Mr P Wiggins
Mr D Walsh

Unison

Unison

Unite

Officers of the Fund

Ian Coleman **Director of Finance**
David Taylor-Smith **Deputy Director of Finance**
Peter Wallach **Head of Pension Fund**
Peter Mawdsley **Deputy Head of Pension Fund**
Bill Norman **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 (until 31.1.10)
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
(until 31.12.09)
CB Richard Ellis (from 01.01.10)

Property Managers
C B Richard Ellis

Performance Measurement
The WM Company

Solicitor
Wirral MBC

AVC Providers
Equitable Life Assurance Society
Standard Life
Prudential

Chair's Introduction

As Chair of the Pensions Committee, I am pleased to present Merseyside Pension Fund's Annual Report for the year ended 31 March 2010. 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

Councillor Ann McLachlan,
Chair of Pensions Committee



The Overall Aim of the Fund

The principal aim of the Fund is to provide secure pensions, effectively and efficiently administered at the lowest cost to contributing employers. This requires the Fund to strike a balance between achieving the most from its investments and the need to exercise prudence and caution in considering its future liability profile. The Pensions Committee reviews the Fund's

investments, administration, strategies and policies at regular intervals, with the help of its various professional advisers, to ensure that they remain appropriate.

Investment Performance of the Fund

The financial year ending 31 March 2010 witnessed a sharp rebound by markets from the significant sell-off across the globe, which encompassed most asset classes.

Having reached low points in March 2009, in reaction to investors' fears over the near failure and rescue of high profile financial institutions worldwide which exacerbated a 'credit crunch', financial markets rallied strongly, with few setbacks, for the remainder of 2009 and the first quarter of 2010.

In response to the monetary stimulus from central banks around the world slashing interest rates, investors regained an appetite for risk assets and almost indiscriminately bought into those companies that had been hardest hit on the way down. This so called "dash for trash" created a challenging environment for active managers, particularly in its early stages but, latterly, conditions have tended to normalise.

The relative performance of the Fund against its constituent benchmarks was, in the main, steady with the slight under performance of UK and overseas equities being offset by a strong performance from the active bond managers and a partial recovery by alternative assets from their weakness in 2008/09.

The Fund appreciated by more than £1.1bn to over £4.6bn in value, returning 33.1% compared to its bespoke benchmark return of 33%. The average local authority fund returned 35%. Financial markets continue to be volatile and it is important to remember that local authority pension funds invest over the long-term to pay benefits in forty to fifty years time and we are accustomed to managing short-term fluctuations in the stock market. Further information on the management of the Fund, distribution of assets and performance is given later in this report.

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 currently 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.

At the time of writing, we are making good progress towards concluding this year's triennial valuation. For the past two years, MPF has provided actuarial data to the Secretary of State to enable the creation of a national model fund in connection with future cost sharing arrangements. To date, no information has been issued by CLG on the results of the work undertaken, nor any progress in agreeing the methodology to be used. More recently, the Government has established an independent commission, led by Lord Hutton, to look at ways of reducing the costs of public sector pensions including the LGPS. In both instances, it is unclear whether any announcements will be forthcoming in time for the actuary to be in a position to take their likely effects into account.

Communication with Fund Employers and Members

Effective communication is crucial to the Fund as it deals with issues arising from the introduction of the new Scheme and proposals for future changes. It has offered a variety of courses to members and employers during the year and produces a range of regular newsletters for employers, employees, pensioners and deferred members.

The Fund website continues to be updated regularly and a separate, secure, Employers website has been launched to improve efficiencies and the secure electronic exchange of data.

The Annual Employers' Conference held at Aintree Racecourse, in November 2009, was again well attended and featured speakers from; the Fund's Actuary, its independent adviser, the Personal Accounts Delivery Authority and officers from the Fund.

Past Changes and the Future

The Fund's Administration Strategy Plan was agreed with stakeholders during the year.

The revised LGPS (Management and Investment of Funds) Regulations 2009 were issued by CLG. Guidance in relation to the revised Myners Principles also became available and the Fund has worked to ensure that they have been put into effect.

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 advisors, 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.

Preparation of Report

This Annual Report has been produced in accordance with Regulation 34 of the Local Government Pension Scheme (Administration) Regulations 2008. In preparing and publishing the Pension Fund Annual Report, the Administering Authority must have regard to guidance issued given by the Secretary of State. Final guidance has not, at the time of writing, been received. However, where possible, new elements contained in the draft guidance issued in June 2009 have been addressed within the contents of this report.

Management of the Fund

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

In 2009/10, the Committee comprised of Councillors from the Wirral Labour group (3), Conservatives (4), Liberal Democrats (3), representatives of the four other District Authorities (Liverpool, St. Helens, Knowsley and Sefton), an independent representative from the other employers and employee representatives (3). The Director of Finance and other officers of the Fund also attend Committee, which meets around five times a year to review the administrative and investment issues affecting the Fund.

The Committee ensures that the administration of the Fund accords with the statutory framework within which the LGPS operates. The Fund publishes a Governance Compliance Statement confirming that it complies fully with best practice guidance issued by the Department of Communities and Local Government (CLG). 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 2009. 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 Statement of Investment Principles (SIP) provide further information on the Fund's investment philosophy and investment framework.

The more detailed consideration of investment strategy and asset allocation of the Fund's portfolios is considered by an Investment Monitoring Working Party. The Working Party meets six times a year to review investment strategy and to receive reports on investment activity undertaken in the previous period. The Working Party comprises representatives from the Pensions Committee, two independent advisers, Mercer Investment Consulting and members of the in-house investment team.

Another of its important tasks is to monitor the performance of the Fund's external and internal managers, which is undertaken in conjunction with professional advisers and the Fund's officers. External and internal fund managers have been given specific benchmarks against which performance is measured and monitored quarterly. In addition, internal fund managers report to the Director of Finance through regular Fund Operating Group meetings and follow laid down internal compliance procedures.

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

During the year, several public tenders were undertaken. The Fund's active fixed income mandates were reviewed and the incumbent managers re-appointed, the strategic property adviser role was awarded to CBRE in January of this year, Colliers were retained as independent property valuers and a framework list of transition managers was put in place. The Fund's AVC arrangements were assessed and a number of changes made to ensure that they remain up-to-date and appropriate for participants.

Risk Management

The Fund's governance arrangements, set out in the preceding section, ensure that the management of fund administrative, management and investment risk is undertaken at the highest levels. The Fund recognises that risk is inherent in many of its activities and makes extensive use of external advisers and industry best practice in assessing and establishing policies to identify and mitigate those risks.

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

- Governance Policy
- Communications Policy
- Funding Strategy Statement
- Statement of Investment Principles
- Risk Register
- Compliance Manual
- Investment Monitoring Policy
- Health & Safety Policy

Copies of these documents are available from the Fund and are published on the Fund website at: www.merseysidepensionfund.org.uk/riskdocs

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

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



Investment Report

Year Ended 31 March 2010

Review of Investment Performance

Pension fund investment returns rebounded strongly over the financial year to the end of March 2010 as the major global economies emerged from recessionary conditions and governments around the world engaged in monetary and fiscal stimulus measures to bolster their economies.

With global interest rates remaining at exceptionally low levels, equity markets staged a dramatic turnaround as investors regained an appetite for riskier assets. The Pacific Rim generated the highest returns for sterling based investors at 67%. UK equities returned 52%, European equities 48% and North American equities returned 43%. Elsewhere, Japan the worst performing of the major equity markets still managed a respectable return of 30%.

In a marked reversal of last year's fortunes, equity markets comfortably outperformed bond markets. In the UK, government bond markets returned just under 1% as investors reacted cautiously to the prospect of record issuance of government bonds to finance the budget deficit, and to longer term inflationary pressures. Corporate bonds, by contrast, returned an average

27% as a gradual return to more normal credit market conditions led to an increase in prices as spreads against government bonds declined and default fears receded.

Over the financial year to the end of March 2010, Merseyside Pension Fund returned 33.1% compared to its bespoke benchmark return of 33%, an out-performance of 0.1%.

The average UK Local Authority fund returned 35% over the comparable period marking the best return achieved in 30 years. The Fund's negative deviation from the average Local Authority return was largely due to its slightly lower exposure to equities over the period as a more defensive investment stance was adopted. Amongst the individual asset classes, the Fund saw a strong performance from UK bonds and Alternatives which comfortably outperformed their respective benchmarks.

Given the strong turnaround in global equity markets, our active managers generally struggled to meet their relative performance targets, although out-performance was achieved in Japan. Nevertheless, absolute returns held up well.

Despite lagging their respective benchmarks, UK equities returned over 49%, European equities just under 46%, Pacific equities 62%, and Emerging Markets over 68%.

Property performed broadly in line with its benchmark over the period.

The performance of the Fund against its benchmark and against price and earnings indices over 1, 3, 5 and 10 year periods is shown in figure 3 overleaf. The longer term investment performance numbers continued to hold up well.

Over the medium term (3 and 5 years) the Fund has performed more or less in line with its benchmark.

Longer term, over 10 years, the Fund has achieved an absolute annualised return of 4.4%, which is comfortably ahead of the Retail Price Index at 2.7% over the comparable period yielding a real return of 1.7%.

Over three and ten years, Merseyside Pension Fund ranks in the top one third of all Local Authority funds.

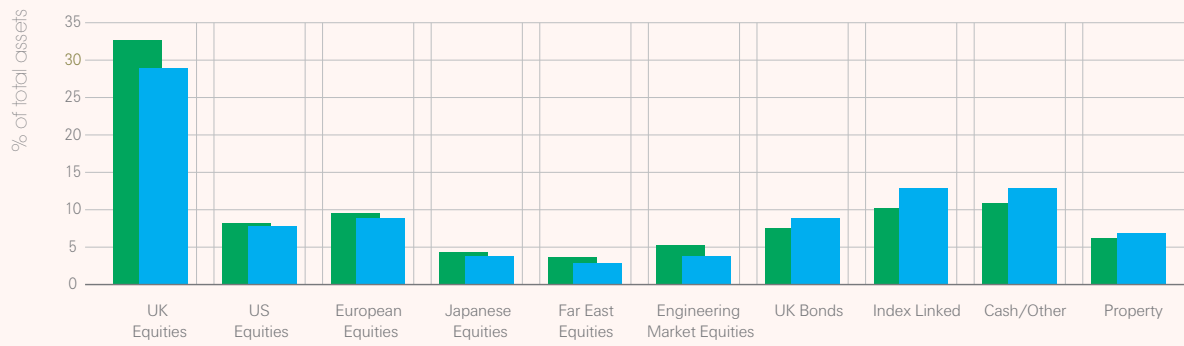


Figure 1. Portfolio Distribution (Market Value at 31 March 2010)

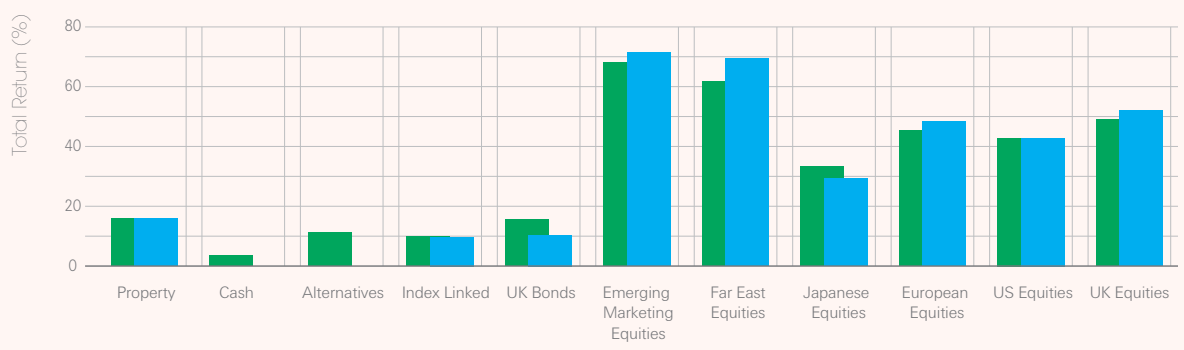
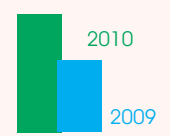
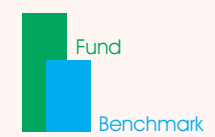


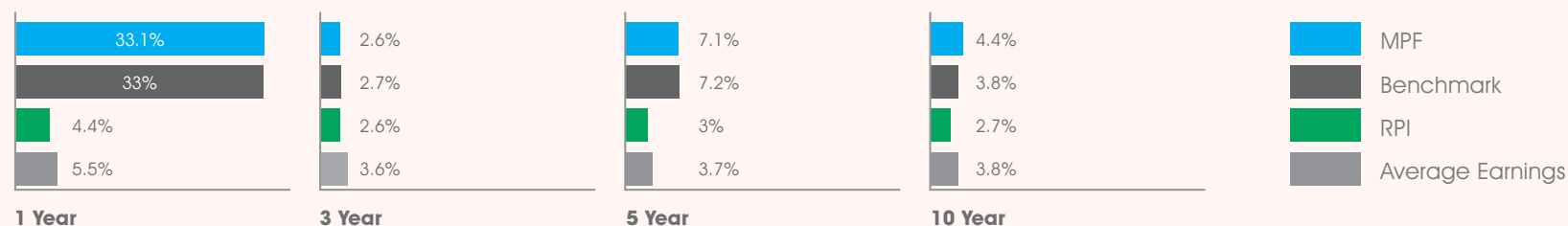
Figure 2. Total Return by Asset Class in year ended 31 March 2010



Investment Report

Year Ended 31 March 2010

Figure 3. Comparative Returns for the Fund (annualised)



Largest UK equity holdings (as at 31.03.2010)

Company	Market Value £ '000	Equity %
BP plc	42,073	9.01
Vodafone Group plc	25,935	5.55
GlaxoSmithKline Plc	21,813	4.67
HSBC Holdings Plc	20,708	4.44
Royal Dutch Shell Plc (B)	19,965	4.28
Rio Tinto Plc	17,865	3.83
Astrazeneca Plc	15,126	3.24
Tesco Plc	13,057	2.80
BHP Billiton Plc	12,912	2.77
BG Group Plc	11,400	2.44
Total	200,854	43.02

The top 10 holdings represent 43.02% of the total in-house UK Equity Portfolio and 12.81% of total UK equities (4.32% of total fund).

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 property holdings (as at 31.03.2010)

Property	Market Value £'000
Tunsgate Square Shopping Centre, Guilford	19,000
Cunard Building, Liverpool	17,750
Farnham Retail Park, Farnham	17,250
Middlemarch Business Park, Coventry	16,250
Horns Road, Ilford	14,000
Willowbrook Retail Park, Loughborough	12,300
37/38 Curzon Street, London	11,500
Avalon House, Richmond	10,500

Financial Statements

Fund Account - for year ended 31 March 2010

	Note	2010	2009
		£'000	£'000
Contributions and Benefits			
Contributions receivable	3	262,656	245,976
Transfers in		21,932	18,436
Administration Income	6	125	83
		284,713	264,495
Benefits payable	4	231,318	212,476
Leavers	5	19,658	15,121
Administration expenses		3,965	3,860
		254,941	231,457
Net additions from dealings with members		29,772	33,038
Return on Investments			
Investment income	6	84,024	71,129
Change in market value of investments	7	1,080,102	-833,021
Investment Management Expenses	8	-9,745	-4,982
Net return on Investments		1,154,381	-766,874
Net increase (- decrease) in the Fund during the year		1,184,153	-733,836
Net Assets of the Fund at start of year		3,521,496	4,255,332
Net Assets of the Fund at end of year		4,705,649	3,521,496

Net Assets Statement as at 31 March 2010

	Note	2010	2009
		£'000	£'000
Investments			
Other Investments	7	318,224	264,580
Equities		1,903,013	1,277,175
Managed and Unitised Funds		2,126,946	1,644,108
Derivative Contracts		33	130
Properties		210,225	199,535
Short Term Deposits		56,207	74,089
Other Investment Balances		57,286	41,453
		4,671,934	3,501,070
Current Assets	9	46,631	30,412
Current Liabilities	9	12,916	9,986
Net Assets of the Fund as at 31 March 2010		4,705,649	3,521,496

Financial Statements - Notes to the Accounts

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) May 2007.

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 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 page 31 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 listed securities, the stock exchange values are used. Such values are shown at bid price, i.e. the price which the Fund would have obtained should the securities have been sold at the year end. For this purpose unlisted investments, other than direct property, are included at manager's valuation. Valuations of UK private equity are consistent with the guidelines and conventions of the British Venture Capital Association. Properties have been valued independently by Colliers Erdman Lewis, Chartered Surveyors as at 31 March 2010.

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 and from other schemes

Transfer payments 'out' 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. Transfer payments 'in' relate to individuals transferring their service to an employer within the Fund, plus any bulk transfers. One bulk transfer into MPF is included in 2009/10, for which a cash payment will be received.

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.

Prior Period Adjustments

There has been no change to the March 2009 totals of the Fund Account or its Net Asset Statement. However four Prior Period Adjustments have been made, which net out to nil. Note 3 to the Accounts shows a more detailed analysis of Contributions Receivable. Administration Income is now shown separately within the Fund account, with a subsequent reduction in the figure of Investment Income (note 6). Also in note 6, greater analysis is provided of the sources of investment income. Finally, in Note 7 (Investments) the £24m of the market value as at 31 March 2009 of the North American portfolio has been re-attributed to "Equities" from "Managed and Unitised Funds".

3. Contributions Receivable

	2010	2009
	£'000	£'000
Employers		
Normal	164,996	158,778
Augmentation	522	134
Pension Strain	23,811	11,859
Deficit Funding	316	8,000
Compensatory Added Years	12,183	7,568
Employees		
Normal	60,828	59,637
	262,656	245,976
relating to: Administering Authority	40,981	36,524
Statutory Bodies	185,133	167,958
Admission Bodies	36,542	41,494
	262,656	245,976

“Augmentation” represents payments by employers to the Fund for the costs of additional membership benefits awarded under LGPS regulations. An accrual has been made for agreed future payments to the Fund.

“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” represents additional payments by employers to reduce a past service deficit, thereby potentially reducing their future contribution rates. Such payments may be made either as lump sum payments (nil 2009/2010, £8m in 2008/2009) or as regular additional contributions.

“Compensatory Added Years” represents reimbursements by employers to the Fund for additional pension payments awarded under the Local Government (Early Termination of Employment)(Discretionary Compensation) Regulations 2000. As indicated in Note 4 below, such pensions payments lie outside the LGPS regulations, with the Fund acting as agent for such payments.

4. Benefits Payable

	2010	2009
	£'000	£'000
Pensions	185,968	173,545
Lump Sum Retiring Allowances	41,260	35,387
Lump Sum Death Benefits	4,090	3,544
	231,318	212,476
relating to: Administering Authority	34,053	29,784
Statutory Bodies	166,898	156,773
Admission Bodies	30,367	25,919
	231,318	212,476

Financial Statements - Notes to the Accounts

5. Payments to and on Account of Leavers

	2010	2009
	£'000	£'000
Refunds to members leaving service	41	21
Payment for members joining state scheme	2	25
Income for members from state scheme	-7	-29
Individual transfers to other schemes	19,622	15,104
	19,658	15,121

6. Investment Income

	2010	2009
	£'000	£'000
Dividends from Equities	53,650	40,740
Income from Associate and Joint Ventures	1,732	7,410
Income from Managed and Unitised Funds	7,730	2,147
Net Rents from Properties	18,734	16,419
Interest on Deposits	1,279	3,927
Other	899	486
	84,024	71,129

A net nil Prior Period Adjustment has been made to reflect the separate disclosure in the main Fund Account of income attributed to "Administration", reducing the "Other" amount for 2008-2009 by £83,000.

Figures of "Dividends from Equities" and "Income from Managed and Unitised Funds" are now shown separately. Within these headings is included recoverable taxation of £1.27m, (2008/09 £0.65m). Income from profits from associate and joint ventures of £1.7m (2008/09 £7.41m) is now shown separately. Irrecoverable taxation amounted to £2.35m (2008/09 £2.64m).

The Fund is seeking to recover tax withheld by UK and overseas tax regimes under the EU principle of free movement of capital within its borders, but is not accruing for future receipt of such income within these accounts. In 2009-2010 £225,000 was recovered, gross of fees.

As at 31 March 2010, £88.4m of stock was on loan to market makers, which was covered by non-cash collateral totalling £93.6m, giving a margin of 5.7%. Income from stock lending is included within 'Other'.

7. Investments

	Market Value @ 31.3.09 £'000	Purchases at cost and derivative payments £'000	Sale Proceeds and derivative receipts £'000	Change in Market Value* £'000	Market Value @ 31.3.10 £'000
Equities	1,277,175	782,528	743,826	587,136	1,903,013
Managed and Unitised Funds	1,644,108	69,749	41,770	454,859	2,126,946
Other	264,580	89,988	67,082	30,738	318,224
Derivative Contracts	130	1,386	1,690	207	33
Properties	199,535	2,619	2	8,073	210,225
	3,385,528	946,270	854,370	1,081,013	4,558,441
Short Term Deposits	74,089			233	56,207
Other Investment Balances	41,453			-1,144	57,286
	3,501,070			1,080,102	4,671,934

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

The North American mandate is now separated out into "Equities" for the segregated Canadian holdings (some 8%) and "Managed and Unitised Funds" (some 92%) as at both March 2009 and March 2010.

Some investments are not immediately realisable. This primarily relates to limited partnership agreements, the total value of which was £141.8m as at 31 March 2010.

	2010 £'000	2009 £'000
Equities (segregated holdings)		
UK Quoted	802,580	550,034
Overseas Quoted	1,100,433	727,141
	1,903,013	1,277,175

Financial Statements - Notes to the Accounts

	2010	2009
	£'000	£'000
Managed* and Unitised Funds		
UK Fixed Interest	0	172,351
UK Corporate Bonds	0	156,438
Overseas Fixed Interest	0	0
Unconstrained Bonds	359,907	0
Index-Linked Securities	477,650	442,823
UK Equities	644,224	417,468
Overseas Equities	365,421	250,760
Unlisted Securities (Private Equity)	191,905	145,314
Property Unit Trusts	87,839	58,954
	2,126,946	1,644,108

*All fixed interest/bond holdings are in managed and unitised funds. Other than Corporate Bonds, other fixed interest holdings are public sector securities.

The following holdings each represent more than 5% of the value of the whole Fund:

	2010	
	£'000	%
Legal & General Pooled UK Equities	477,651	10.26
Legal & General Pooled UK Index Linked Gilts	462,775	9.94
UBS USA Equity Tracker	350,591	7.53

	2010	2009	
	£'000	£'000	
Derivative Contracts	33	130	
Type of Derivative			
Futures	Expiration	Economic Exposure	Market Value
DJ Euro STOXX			
50 Index Futures	June 2010	330	33

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

Futures dealing requires the posting of margin; 'initial margin' which must be posted before you can trade and 'variation margin', the mark-to-market value of the futures contracts you have. Variation margin is exchanged daily and exists to reduce counterparty credit exposure. Collateral is held in Euro currency and the Sterling equivalent amount is £33,092.

	2010	2009
	£'000	£'000
Other Investments	318,224	264,580
UK Properties		
Freehold	190,574	182,038
Leasehold	19,651	17,497
	210,225	199,535
Short Term Deposits	56,207	74,089

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

	2010	2009
	£'000	£'000
Other Investment Balances		
Amounts due from brokers	33	858
Amounts due to stockbrokers	-5,607	-22,413
Amounts due from stockbrokers	6,636	19,171
Outstanding dividend entitlements and recoverable withholding tax	12,796	6,110
Cash deposits	43,428	37,727
	57,286	41,453

'Other Investment Balances' include amounts due to and from stockbrokers and also cash with managers awaiting investment.

Disclosure Note re: Transaction Costs

Transaction costs include fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges,

transfer taxes and duties. They have been added to purchases and netted against sales proceeds as appropriate. Transaction costs during the year amounted to £1.966m. In addition to these costs, 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.

Financial Statements - Notes to the Accounts

Disclosure Note re: Icelandic Deposits

Early in October 2008, the Icelandic banks collapsed and their UK subsidiaries went into administration. The Fund had £5m deposited with Glitnir Bank at an interest rate of 6.30% which was due to mature 15 October 2008 and £2.5m deposited with Heritable Bank at an interest rate of 5.94% which was due to mature 10 December 2008.

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the Fund will be determined by the administrators/receivers.

The current situation with regards to recovery of the sums deposited, varies between each institution. Based on the latest information available the Fund has given consideration to an impairment adjustment for the deposits, and has taken the action outlined below. As the available information is not definitive as to the amounts and timings of payments to be made by the administrators/receivers, it is likely that further adjustments will be made to the accounts in future years.

Glitnir Bank hf

Glitnir Bank hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (New Glitnir) with the management of the affairs of Old Glitnir being placed in the hands of a resolution committee. Old Glitnir's affairs are being administered under Icelandic law. The Glitnir Winding-Up Board has expressed the view that local authority deposits do not have priority status. However, legal advice to local authorities' remains that deposits do have priority status under Icelandic law and decisions on priority status of local authority deposits will be made by the Icelandic courts.

The expected recovery rate for claims that have priority status is 100%. Full recovery is subject to the following uncertainties and risks:

- Confirmation that local authority deposits enjoy preferential creditor status, which is to be tested through the Icelandic Courts.
- The impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the Fund's claim, which may be denominated wholly or partly in currencies other than sterling.

Therefore the Fund has followed the latest Local Authority Accounting Panel recommendation that the estimated recoverable amount is based on the assumption that local authority deposits will enjoy priority status. The Fund therefore continues to assume the future recovery on the full amount of principal and interest up to 22 April 2009. However, an impairment is now made to reflect the loss of interest to the Fund until the funds are repaid.

Failure to secure preferential creditor status would have a significant impact upon the amount of the deposit that is recoverable. Therefore, if preferential creditor status is not achieved the recoverable amount is approximately 29%.

No payment is expected to be received prior to the court cases and any appeals in respect of priority status being heard. In calculating the impairment, the Fund has assumed that the repayment of priority deposits will be made by June 2011.

Recoveries are expressed as a percentage of the Fund's claim in the administration, which it is expected may validly include interest accrued up to 22 April 2009.

Heritable

Heritable Bank is a UK registered bank under English law. The company was placed in administration on 7 October 2008. The creditor progress report issued by the administrators Ernst and Young, dated 17 April 2009, outlined that the return to creditors was projected to be 80p in the £. To date the Fund has received three dividend payments totalling 34.98 pence in the £ which have exceeded the levels originally projected. The latest creditor progress report, dated January 2010 outlined that the return to creditors was projected to be 85p in the £. The Fund has therefore decided to decrease the impairment loss based on it recovering 85p in the £. In calculating the impairment, the Fund has made the following assumptions re: timing and recoveries:

June 2010	5%
September 2010	5%
December 2010	5%
March 2011	5%
June 2011	5%
September 2011	5%
December 2011	5%
March 2012	5%
June 2012	5%
September 2012	5%

Recoveries are expressed as a percentage of the Fund's claim in the administration, which includes interest accrued up to 6 October 2008.

The impairment loss recognised in the Fund Account in 2009/10, £475,532 has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposit, in order to recognise the anticipated loss of interest to the Fund until monies are recovered.

Adjustments to the assumptions will be made in future accounts as more information becomes available.

8. Investment Management Expenses

Fees paid to the eleven major investment managers amount to £8.2m, and constitute the bulk of the figure of £9.7m investment management expenses. Charges vary between fund managers and between markets and types of security. Charges are calculated as a percentage of the value of the investments. Internal investment management expenses are also included here.

Financial Statements - Notes to the Accounts

9. Current Assets and Liabilities

	2010	2009
	£'000	£'000
Assets		
Contributions due	33,357	20,885
Accrued and outstanding investment income	234	847
Transfer values receivable	1,700	2,357
Cash at bank	724	725
Retirement Grants paid in advance	1,726	0
Sundries	9,039	6,071
Provision for bad debts	-149	-473
	46,631	30,412
Liabilities		
Transfer values payable	0	0
Retirement Grants due	1,647	4,080
Provisions	596	541
Miscellaneous	10,673	5,365
	12,916	9,986
Total Other Assets and Liabilities	33,715	20,426

"Sundries" mainly covers general debtors, property arrears due, agent's balances and recoverable taxation.

"Provision for Bad Debt" relates to property rental income.

The main components of "Miscellaneous Liabilities" are the outstanding charges for investment management fees, payable quarterly in arrears, custodial and actuarial fees, plus income tax due, pre-paid rent and administering authority re-imbusement.

10. Commitments

Commitments for investments amounted to £194.017m as at 31 March 2010.

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 amount to £3.838m (2009 £3.511m). Such charges principally relate to staffing required to maintain the pension service.

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

Liverpool City Council, Knowsley Council, Sefton Council and St Helens Borough Council, all of whose Councillors may become scheme members, Wirral Council, Liverpool John Moores University, CDS Housing and Wirral Partnership Homes. 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 Local Government Pension Scheme

Regulations, and as such no related party transactions have been declared.

The Fund invested £20.1m in Bramdean Alternatives in periods between its initial placing in July 2007 and November 2008. Following a change of management, the company is now known as Aberdeen Private Equity Fund (APEF). As at 31 March 2010, the Fund's holding in APEF, which represented 15.1% of the issued share capital of the company, was valued at £10.9m. Philip Hebson, Senior UK Investment Manager at the Fund, was appointed a non-executive Director of Aberdeen Private Equity Fund on 23 December 2009, for which he received a fee.

Patrick Dowdall, Investment Manager - Alternatives, acts in an un-remunerated advisory capacity on 5 investment bodies in which the Fund has an interest, Standard Life (£6.3m), F&C (£3.6m) and Zeus (£3.1m), by whom travel expenses and accommodation were paid, plus Key Capital (£1.5m) and Enterprise (£0.3m). As such no related party transactions have been declared.

12. Summary of Managers Portfolio Values as at 31 March 2010

	2010	
	£m	%
Externally Managed		
JP Morgan	177	3.8
UBS	381	8.2
Nomura	647	13.9
Schroders	177	3.8
Legal & General (Pooled Assets)	941	20.2
Legal & General (Bonds)	183	3.9
Unigestion	138	3.0
M&G	146	3.1
TT International	139	3.0
Blackrock	143	3.1
Newton	122	2.6
	3,194	68.6
Internally Managed	1,477	31.4
	4,671	100.0

13. Additional Voluntary Contribution 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 an aggregate breakdown between contributions, repayments and change in market value is also shown.

	2010	2009
	£'000	£'000
The aggregate amount of AVC investments is as follows:		
Equitable Life	3,010	3,076
Standard Life	6,834	5,833
Prudential	4,400	3,864
	14,244	12,773
Changes during the year were as follows:		
Contributions	1,575	
Repayments	1,879	
Change in market values	1,775	

Financial Statements - Notes to the Accounts

14. Financial Performance

The Pension Fund is administered under a budget that is approved by Pensions Committee each January. That budget is reviewed and, if appropriate, revised the following January, based on the known and anticipated pattern of expenditure and market movements. In January 2009, a budget of £11.7m was approved for the financial year 2009/10. This was revised in January 2010 to £12.4m.

The two main elements of the budget were salaries and related costs of £2.8m and investment management fees of £6.9m. The final accounts for the year ended 31 March 2010 indicate expenditure levels of £3.96m on administrative costs overall and £10.25m on all investment management expenses. Investment management expenses include, as its main element, external managers' fees, but also cover custodian fees, advisors fees and performance measurement fees. Fees of external managers and the Fund's custodian are on an ad valorem basis, and will therefore vary as the size of each portfolio changes. The overspend on external manager fees reflects the

significant increase in the value of the Fund during the year. In addition, in the final accounts, the salaries and related expenses of the internal investment team are, in accordance with the Pensions Statement of Recommended Practice (the SORP), shown within investment management expenses.

There is no budget as such for the Fund itself. The payment of pensions is in accordance with the Regulations. Receipts of employers' contributions are in accordance with the Triennial Valuation. Consequently, basic pensions transactions, eg. income from employers and employees contributions, benefits payable, transfers in and out are only contained in the Fund account, and do not form part of the budget. However, the scale and timing of such transactions are taken into account for cash flow management purposes.

The Fund does reserve the right to levy interest charges on late receipt of contributions from employers. In 2009/10 no such charges were levied.

Statement of Responsibilities

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 2010.

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 2010, and its income and expenditure for the year then ended.

A handwritten signature in black ink, appearing to read 'I. Coleman', written over a white background.

Director of Finance
27 September 2010

Audit Report

Independent auditor's report on Merseyside Pension Fund to Members of Wirral Borough Council

I have audited the Pension Fund accounting statements for the year ended 31 March 2010. The Pension Fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The Pension Fund accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Wirral Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

Respective responsibilities of the Director of Finance and auditor

The Director of Finance is responsible for preparing the Pension Fund's accounting statements, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice. In preparing the Pension Fund accounting statements, the Director of Finance is responsible for:

- selecting suitable accounting policies and then applying them consistently;
- making judgments and estimates that were reasonable and prudent;
- keeping proper accounting records which were up to date;
- taking reasonable steps for the prevention and detection of fraud and other irregularities.

My responsibility is to audit the Pension Fund accounting statements and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the Pension Fund accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, the financial transactions of the Pension Fund during the year and the amount and disposition of the Fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the Scheme year. I also report to you whether, in my opinion, the information which comprises the commentary on the financial performance included within the Pension Fund Annual Report, is consistent with the Pension Fund accounting statements. That information comprises the Financial Statements, Statement of Responsibilities and the Audit Report.

I review whether the governance compliance statement referred to in the Pension Fund Annual Report reflects compliance with the requirements of the Local Government Pension Scheme (Administration) Regulations 2008 and related guidance. I report if it does not

meet the requirements specified by the Department of Communities and Local Government or if the statement is misleading or inconsistent with other information I am aware of from my audit of the accounting statements.

I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the Pension Fund accounting statements and related notes and consider whether it is consistent with the audited Pension Fund's accounting statements. This other information comprises the Background Information published in the financial statements and the following elements of the Pension Fund Annual Report: Management Structure, Chair's Introduction, Management Report, Investment Report, Scheme Administration Report and the Consulting Actuary's Statement. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Pension Fund accounting statements and related notes. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Pension Fund accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Pension Fund's accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the Pension Fund's accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the Pension Fund's accounting statements and related notes.

Opinion

In my opinion:

- the Pension Fund accounting statements and related notes give a true and fair view, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial transactions of the Pension Fund during the year ended 31 March 2010, and the amount and disposition of the Fund's assets and liabilities as at 31 March 2010, other than liabilities to pay pensions and other benefits after the end of the Scheme year; and
- the information given in the commentary on financial performance included within the Pension Fund Annual Report is consistent with the Pension Fund accounting statements.

Michael Thomas
District Auditor, Audit Commission
The Heath Technical & Business Park,
The Heath, Runcorn, Cheshire, WA7 4QF
30 September 2010

Scheme Administration Report

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 (CLG).

It is a contributory final salary scheme, which is contracted-out of the Second State Pension (S2P) 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 cohabiting 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.

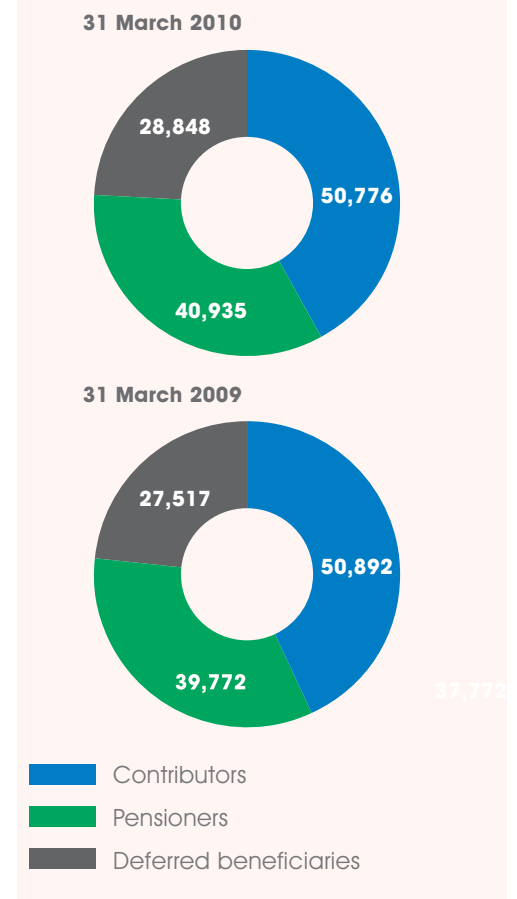
An independent Commission chaired by Lord Hutton has been established to review the long term affordability of public sector pensions. The Commission has been tasked to make recommendations on pension

arrangements that are sustainable and affordable in the long term which are fair to both the public sector workforce and the taxpayer. It is set to produce its final report in time for the 2011 budget. Consequently it is envisaged that there are likely to be fundamental changes to the current benefit structure and scheme design of the LGPS together with an increase to the Scheme retirement age commensurate with state retirement age.

2010 Emergency Budget and Pension Increases

Following the June 2010 Budget the Government has changed the index for revaluing pensions and deferred pensions from the rise in the Retail Prices Index (RPI) to the rise in the Consumer Prices Index (CPI) with an operative date of April 2011. This will effectively reduce future employer liabilities.

Figure 4.
Fund Membership Composition



Legislation

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

The LGPS (Administration) (Amendment) Regulations 2009 S.I. 447 (Into force 1 April 2009)

The regulations deal with the machinery of Government changes for employees of the Rent Service Agency and the Commission for Social Care Inspection. The amendments permit existing scheme members to retain continuous access to the LGPS following the transfer of their respective employments to HM Revenue and Customs and the Care Quality Commission.

The LGPS (Amendment) Regulations 2009 S.I. 1025 (Into force 15 May 2009 – retrospective to 1 April 2009)

The regulations introduce the statutory requirements to implement the mechanism for sharing future cost pressures of the Scheme between members, employers and taxpayers.

Regulation 3 inserts a new paragraph to regulation 36A of the Administration Regulations which require each fund to

supply actuarial data to the Government Actuary Department within prescribed time limits. This evidence date will enable the Secretary of State to create a national model fund in connection with future costs with the aim of maintaining the sustainability of the Scheme.

The LGPS (Miscellaneous) Regulation 2009 S.I. 3150 (Into force 31 December 2009)

The regulations make a number of corrections and amendments to the following regulations:

The Local Government (Early Termination of Employment Discretionary Compensation) Regulations 2006.

The LGPS (Benefits, Membership and Contributions) Regulations 2007

The LGPS (Transitional Provisions) Regulations 2008 The LGPS (Administration) Regulation 2008

The changes to the existing provisions amend the rules for calculating final pensionable pay for people whose pay is affected by equal pay or job evaluation exercises. The regulations increase the relevant accrued membership which

counts towards the calculation of Registered Civil Partners survivor's benefits. Members can now also elect to pay Additional Survivor Benefits Contributions (ASBCs) to increase Nominated Cohabiting Partner Survivor benefits. The amendments also provide for the opportunity for Scheme employers to convert current rechargeable compensatory added years (CAY) benefits into Scheme pension or additional pension.

The LGPS (Management and Investment of Funds) Regulations 2009 SI 3093 (Into force 1 January 2010)

These Regulations consolidate the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 with the numerous subsequent amending instruments.

In addition, new revisions set out the circumstances in which the administering authority may borrow money for the purposes of its pension fund. It is also now a statutory provision that pension fund money must be kept in a separate bank account held by the administering authority with the operative date of 1 April 2011.

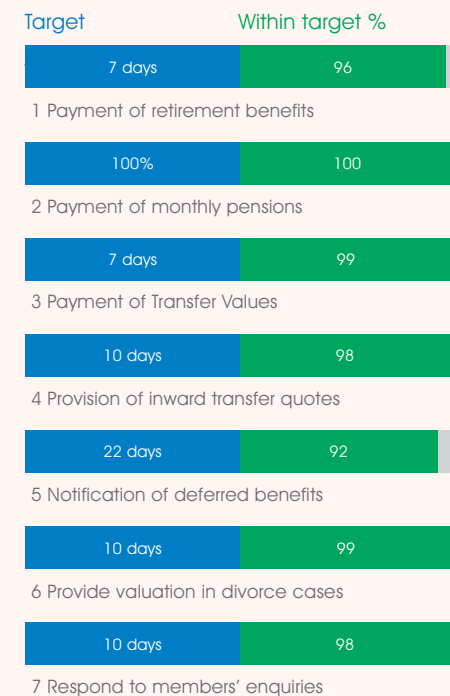
The LGPS (Amendment) Regulations 2010 S.I. 528 (Into force 30 March 2010)

The regulations facilitate compliance with the Fair Deal for staff pensions' requirements in respect of a number of staff transferring from the Learning and Skills Council to Local Education Authorities on 1 April 2010. The revised provisions permit the transferring employees to retain a normal retirement age of 60 and the eligibility to receive early release of benefits from age 50 on the grounds of employer consent and flexible retirement.

The amendments also deal with the merger of Probation Boards to Probation Trusts.

Scheme Administration Report

Figure 5.
Service Standards Charter Results of performance against target are shown below: -



(Details given in respect of 12 month period to 31 March 2010)

Pensions Administration Section - Position Update

Report April 2010 Actuarial Valuation and liability Review

The Fund completed and submitted its membership data and cash flow information to its Actuary, by the prescribed deadline of 30 June 2010, enabling the 2010 triennial valuation to be undertaken.

Consultation on Affordability and Sustainability of the LGPS

The LGE has held regional consultation meetings with local authority employers to discuss possible further major reforms of the LGPS and a report on the views expressed by these employers at these meetings was considered by the Local Government Association at a meeting on 17 March 2010. The outcome of the consultation has not been publicly reported.

Experience Data Collection for Cost Sharing Mechanism

The Fund has forwarded all requested data requirements to the Government Actuary Department in compliance with the scheduled timeframe set by CLG.

This data, together with all LGPS data, will provide the evidence base for the new cost sharing arrangements. The subsequent impact on employer and employee contribution rates will be notified at a future point.

Earnings Bands for employee contributions

Earnings bands on which employee contributions are calculated will remain unchanged for the coming financial year 2010/2011 as RPI inflation for the 12 months period to September 2009 was negative. The Fund has written to employers to remind them of the correct employer rates to apply from April 2010.

Draft LGPS (Miscellaneous) Regulations 2010

The Fund and the LGE have submitted responses to the CLG consultation letter dated 26 February 2010 setting out further proposed regulation changes to those set out on 24 December 2009. These include a number of desirable changes proposed to the ill health regulations in respect of third tier awards.

HMRC Proposed Tax changes for High Earners

The consultation period has closed on proposals to restrict tax relief on pension contributions for high earners (those earning in total in excess of £130,000 pa). It is the newly elected Government's intention to repeal the restriction on tax relief on pension contributions for high earners introduced under the Finance Act 2010. The Government is set to work with the pensions industry on "alternative ways" to implement pension relief restrictions and is considering reducing the annual allowance from the current level of £255,000 to between £30,000 and £45,000.

However the anti-forestalling measures in place with effect from 22 April 2009 will remain in place.

Increase in earliest non ill-health retirement age to 55

As previously announced, the minimum retirement age increased from 50 to 55 for all non ill-health leavers after 31 March 2010.

Although members awarded deferred benefits prior to 1 April 2008 are still eligible to apply to their employer for early payment from age 50 under the LGPS regulations, such payments made earlier than age 55 will be treated by HMRC as unauthorised payments for tax purposes, resulting in large deductions from the value of any payments made.

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 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, following the planned replacement of the pensions administration and pensioner payroll IT system.

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

The Fund's library of Scheme literature, which features a range of information packs for new members, dependants and those planning to retire, has been updated to reflect the new corporate style and made available on request in printed format and downloadable from the Fund's newly designed websites.

The Fund now has a website designed specifically for Scheme employers' use. It is password protected and provides assistance to practitioners in their daily pension administration duties. The members' website has been also been improved with separate areas for pensioners, contributors, deferred pensioners, dependants and Fund Investments, together with a library giving access to downloadable Fund literature.

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

'Mid-life' and 'Pre-Retirement' planning courses have been designed and delivered to a number of larger Scheme employers, at their own premises, for many years. They feature speakers from the Fund as well other experts in finance matters such as 'The State Pension', 'Tax and Investments', 'Additional Voluntary Contributions' and 'Wills & Probate'.

However, those employers with a relatively small workforce can rarely justify hosting events solely for their staff. To this end the Fund is developing a programme of centrally hosted courses, aimed at those members approaching retirement or with at least ten years until retirement age.

Hosted at the Fund's own Cunard Building on alternate months, these events will provide valuable information to members who would not have otherwise benefited.

4. Efforts to increase take up of Scheme membership.

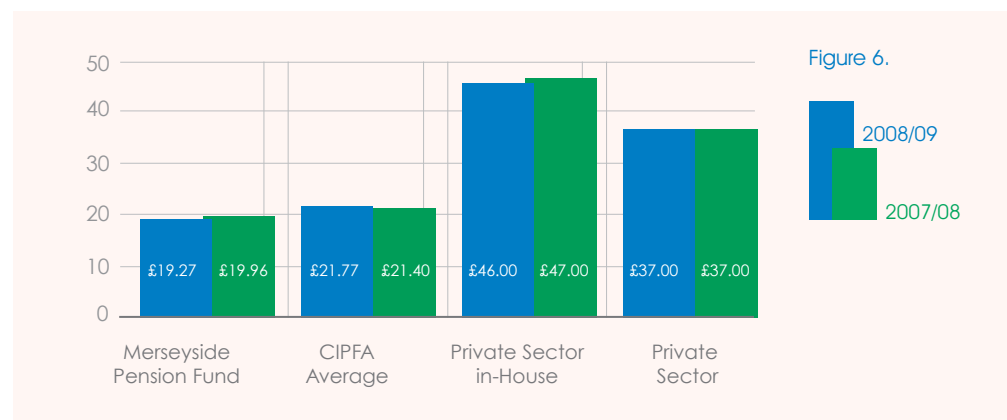
Having designed and produced a new range of promotional literature for use by both Scheme members and employers, an exercise is required to ascertain whether it is being distributed by Scheme employers in accordance with agreed procedures,

to ensure members are fully aware of the benefits of membership of the Local Government Pension Scheme.

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 (2008/2009) are shown in figure 6, below:



Scheme Administration Report

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 2010, there were 3 new cases dealt with by the panel of Appointed Persons responsible for complaints against decisions made by the Fund. In 2 of these cases the decision taken by the Fund was upheld and in the remaining case the appeal was granted.

A total of 12 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 (6) or to bring preserved benefits into payment early on ill health grounds (2). Of these appeals against employer decisions, in all of the cases completed, the employer decision was upheld.

Pensions Ombudsman

During the year two appeals against decisions of the Fund were considered by the Pensions Ombudsman. In both cases, the Fund's decisions were upheld.

Breakdown of IDRPs

Cases 2009-2010

Total IDRPs Cases (Against Fund and Employer Decisions)	
Refused Ill Health Retirement	6
Refused Deferred Benefit on Ill Health Grounds	2
Refused Flexible Retirement	2
Refused Release of Benefits on Compassion	1
Backdated Scheme Membership	1
Appeals Against Fund Decisions	3

Ombudsman Decision

Reason for Appeal Number Fund Decision

Ill Health Retirement not Granted	2 upheld
Total Cases	2

Appeals Against Employer Decisions

Employer Number Employer Decision

Arriva	3 upheld
Knowsley	2 upheld
Liverpool	1 upheld
Sefton	1 upheld
Wirral	3 upheld
Merseyside Fire Brigade	1 upheld
Connexions	1 upheld
Total Employer Appeals	12

Appeals Against Fund Decisions

Reason for Appeal Number Fund Decision

Membership	1 upheld
Death Grant Payment	1 upheld
Annual Benefit Statement	1 Granted
Total Fund Appeals	3

Consulting Actuary's Statement

This is the statement required under Regulation 34(1)(d) of The Local Government Pension Scheme (Administration) Regulations 2008.

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.

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 and at 31 March 2007 the value (excluding AVCs) was £4,301 million.

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

Since the 2007 valuation the markets have shown a high degree of volatility, and the Fund has monitored the implications for funding closely with further actuarial advice provided.

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
September 2010

Appendix A

Scheme employers with active members as at 31 March 2010

Scheduled Bodies

Academy of St. Francis
Arena & Convention Centre Liverpool
Belvedere Academy
Birkenhead Sixth Form College
Burton Manor Residential College
Carmel College
Halewood Parish Council
Hugh Baird College
King George V College
Knowsley Community College
Knowsley M.B.C.
Knowsley Parish Council
Liverpool City Council
Liverpool Community College
Liverpool John Moores University
Merseyside Fire & Rescue Authority
Merseyside Integrated Transport Authority (MITA)
Merseyside Passenger Transport Executive (MPTE)
Merseyside Police Authority
Merseyside Waste Disposal Authority
National Probation Service
North Liverpool Academy Ltd
Prescot Town Council
Rainford Parish Council
Rainhill Parish Council
Sefton M.B.C.
Southport College
St. Helens Community College

St. Helens M.B.C.
Valuation Tribunal Service
Whiston Parish Council
Wirral Council
Wirral Metropolitan College

Admission Bodies

Age UK - Liverpool
Arriva North West
Arvato Government Services
Association of Police Authorities
Balfour Beatty Workplace Ltd
Beechwood and Ballantyne Housing Assoc.
Beechwood Educare Centre
Berrybridge Housing Ltd
Birkenhead Citizens Advice Bureau
Birkenhead Market Services Ltd
Birkenhead School (2002)
Blue Coat School
Capita Symonds (Sefton)
Catholic Children's Society
CDS Housing
Cobalt Housing Ltd
COLAS
Care Quality Commission
Compass (Scolarest) Liverpool Schools
Compass (Scolarest) Wirral Schools
Comtechsa Limited
Enterprise Liverpool Cleansing

Enterprise (Liverpool Highways) Ltd
Enterprise-Liverpool Limited
Enterprise Liverpool Neighbourhood Grounds
Geraud Markets Liverpool Ltd
Glendale (Liverpool Parks Services) Ltd
Glendale Transport Ltd/Stagecoach.
Greater Hornby Homes
Greater Merseyside Connexions
Helena Partnerships Ltd.
Higher Education European Funding Services Ltd.
Hochtief Liverpool Schools
Hochtief Wirral Schools
Kingswood Colomendy Ltd.
Knowsley Housing Trust
LACORS
Lairdsie Communities Trust
Lee Valley Housing Association Ltd
Liberata (UK) Ltd.
Liverpool Association for the Disabled
Liverpool Church of England Council for Social Aid
Liverpool Citizens Advice Bureau
Liverpool Hope University
Liverpool Housing Trust
Liverpool Mutual Homes Ltd.
Liverpool Vision Limited
Local Government Association
Merseyside Lieutenancy

Merseyside Society for the Deaf
Merseyside Welfare Rights
Merseyside Youth Association
Mott Macdonald (M.I.S.)
Mouchel (2020 Liverpool/Parkman)
Mouchel (2020 Knowsley Ltd)
Netherley Citizens Advice Bureau
North Huyton New Deal New Future
North Liverpool Citizens Advice Bureau
Novas Group
Nugent Care
One Vision Housing Ltd.
Partners Credit Union
Sefton Education Business Partnership
Sefton New Directions Ltd.
South Liverpool Housing Ltd
Southern Neighbourhood Council
Taylor Shaw Catering (St. Wilfred's RC School)
Taylor Shaw New Heys School
The Port Sunlight Village Trust
University of Liverpool
Upton Hall Convent
Vauxhall Neighbourhood Council
Village Housing Association Ltd
Wavertree Citizens Advice Bureau
Welsh Local Government Association
Wirral Autistic Society
Wirral Council Voluntary Service
Wirral Partnership Homes Ltd

Appendix B

Pensions Committee Items

6 April 2009

Finance Department Plan 2009/10
Policy on Communications with Members and Employing Authorities
LGPS Reform Update
Updated Governance Compliance Statement
Investment Regulations Consultation
Strategic Property Advisers
National Association of Pension Funds Conference (NAPF)
CIPFA Annual Conference
July Training Event
Thematics Fund of Funds Portfolio
Admission Application - Colas
Admission Application - Associated Cleaning Contractors
Venture House Newbury
Minutes of Investment Monitoring Working Party 25 February 2009
Reclamation of UK Withholding Tax

22 September 2009

Pension Fund Accounts - Audited Accounts for the year ended 31 March 2009
Annual Governance of Accounts (Management Representation Letter)
Draft Annual Report
LGPS Valuation Consultation - LGPS Delivering Affordability, Viability and Fairness
LGPS Reform Update
Review of Scheme Additional Voluntary Contributions (AVC) Arrangements
Risk Register
Funding Strategy Statement

Bank Signatories
Cunard Building Archives
Policy on Payment of Death Grant
Trustee Training Fundamentals
The Future of Corporate Reform
Local Government Pensions Committee Appointment
October Training Event for Members
Annual Employers Conference
The LGPS Trustees Conference
LAPFF Conference in Bournemouth
Funding Review
Prudential / M&G UK Companies Financing Fund
Death Grant Case
St Nicholas House, Liverpool - Refurbishment
Review of Potential Unfunded Liabilities for Admission Bodies
Transferee Admission Body Application - Andron Contract Services
Transferee Admission Body Application - Grayson's Restaurants
Procurement of Independent Advisers
Reclamation of European Withholding Tax
Management of Fixed Income
Minutes of Investment Monitoring Working Party 9 September 2009

17 November 2009

Members' Code of Conduct – Declarations of Interest
LGPS Reform Update
Payment of Pensions Overseas
Pension Administration Strategy Statement

IIGCC Statement on A Global Agreement on Climate Change
LGC Pension Fund Investment Conference
Local Government Chronicle (LGC) Awards 2009
Appointment of Strategic Property Adviser
Management of Japanese, Pacific Rim and Emerging Markets Equities
Minutes of Investment Monitoring Working Party held on 14 October 2009

13 January 2010

Merseyside Pension Fund
- Audit Opinion Plan 2009-2010
2009-2010 Audit Opinion Plan - 13 January 2010
Pension Fund Budget 2010 - 2011
LGPS Reform Update
Treasury Management Policy and Strategy 2010/11
The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009
Draft LGPS (Miscellaneous) Regulations 2010
Trustee Training Fundamentals Refresher Course
Members' Training 2010
Investment Seminar - Presentation by Robert Westcott
Seminar - Future of Governance in Public Sector Pensions
Review of Scheme Additional Voluntary Contributions (AVC) Arrangements - Choice of Funds to be Offered
Transferee Admission Body Application

- Research Machines
Appointment of Independent Property Valuation Independent Advisers
Cromwell House, Hook, Hampshire - Refurbishment Works
Write-off of Property Rental Arrears
Minutes of the Investment Monitoring Working Party Meeting held 24 November 2009

23 March 2010

LGPS Reform Update
Review of Updated Myners Principles & Revised Statement of Investment Principles (SIP)
Tenders for Services
National Association of Pension Funds Conference
CIPFA Annual Conference Harrogate
June Training Event
Knowledge and Skills Framework for the LGPS
Cunard Building Liverpool Refurbishment
Passive Management
Admission Body Application - Taylor Shaw - St. Wilfrid's School
Admission Body Application - Taylor Shaw - Meols Cop High School
Private Equity Investment
Closure of Admission Body - The People's Centre
Closure of Admission Body - Green Apprentices
Non - Recovery of Overpayment of Death Grant And Pensions
Minutes of Investment Monitoring Working Party 24 February 2010

Appendix C

Information Contacts

Position	Name	Telephone number
Head of Pension Fund	Peter Wallach	0151 242 1309
Deputy Head of Pension Fund	Peter Mawdsley	0151 242 1333

Area	Name	Telephone number
Accounts	Gerard Moore	0151 242 1307
Investments	Leyland Otter	0151 242 1316
Members 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	Anne Hughes	0151 522 2807
Knowsley MBC	Yvonne Ashton	0151 443 4177
Liverpool City Council	Vanessa Duncan	0151 225 4128
Liverpool John Moores University	Jayne Brown	0151 231 3401
Merseyside Fire & Rescue Service	Helen Jones	0151 296 4219
Merseytravel	Linda Gedman	0151 227 5181
Merseyside Police Authority	Joan Dullahan	0151 777 8189
Merseyside Waste Disposal Authority	Paula Pocock	0151 255 1444
National Probation Service (Merseyside)	Kevin Stamper	0151 920 9201
Sefton MBC	Lynn Abbott	0151 934 4126
St. Helens MBC	Cathy O'Connor	0174 467 6627
Wirral Council	Helen Watkins	0151 666 3524



Report & Accounts 2009/10

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