



Birkenhead Park, Wirral





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1. Pension Fund Management Committee

Voting Members

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

Employee Representatives

Mr P Goodwin	Unison
Mr D Walsh	Unite
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 (PIRC)
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 Annual Report for the year ended 31 March 2009. 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, 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 year ending 31 March 2009 witnessed an unprecedented downward spiral in financial markets across the globe, encompassing all asset classes. The near failure and rescue of high profile financial institutions worldwide exacerbated a 'credit crunch' which spilled over into the real economy as the corporate sector struggled to raise bank finance.

The major Organisation for Economic Co-operation and Development (OECD) economies fell into recession with significant downgrades in the outlook for Gross Domestic Product (GDP) going forward. The effects were felt by both private and public sector pension funds because, no matter how diversified their investments,

nearly all assets were affected. The Fund experienced a sharp decline in value to £3.50bn, returning -17.7% compared to its bespoke benchmark return of -17.8%. This compared favourably with the average local authority fund which fell by almost 20%.

We recognise that there may be concern at these figures but it is important to understand 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.

All equity markets were down with performances varying from -31% to -11%, with the weakness of Sterling cushioning the falls in some overseas markets. Property and alternative investments also declined.

Bonds provided some protection with conventional gilts giving a positive return but index-linked gilts and corporate bonds fell. The management of the Fund, distribution of assets and performance are dealt with in more detail 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 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 a number of issues about which uncertainty remain, which may well have implications on future funding. These include - future ill health costs in view of the latest proposals from 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. The Fund has submitted data to the Government Actuary as part of a project to construct a national notional fund as part of the introduction of the cost sharing arrangements and on ill health retirement experience as part of the continuing review of the new ill health arrangements.

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. It offers 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 regularly updated and a separate, secure Employers website has been launched to improve efficiencies and the security of data exchange.

The Digital Versatile Disc (DVD) produced by the Local Government Employers Organisation, explaining the provisions of the new regulations, has been updated and is available to be viewed on the Fund website with copies available on request.

The Annual Employers' Conference held at Aintree Racecourse in November 2008 was again well attended and featured speakers from the DCLG, the Fund's Actuary, Mercer Limited, an independent Occupational Health Specialist and officers from the Fund.

Past Changes and the Future

Merseyside Pension Fund has been nationally recognised as a responsible investor. It was ranked fourth in an examination of the UK's largest occupational pension schemes and second of all local government pension schemes.

The Fund Communication Policy and Governance Best Practice Compliance Statement were both updated during the year.

The long awaited statutory guidance on dealing with ill health retirement was issued during the year by the DCLG and circulated to all Scheme employers and medical advisers.

Although the DCLG has failed to issue promised guidance on drawing up a Pensions Administration Strategy Plan, it is the Fund's intention to consult with stakeholders to formulate such a plan over the coming year.

There have been some statutory accounting changes and the accounts contained in this report are produced under the new Pensions Statement of Recommended Practice.

The DCLG has consulted on the Investment Regulations and revised regulations are awaited. In 2007, the Treasury sponsored the National Association of Pension Funds (NAPF) to conduct a review of progress made throughout the pensions industry since the introduction of the Myners Principles in 2001. This was followed by a wide consultation exercise culminating in the original ten principles being replaced by six new principles. The Fund is awaiting revised regulations and guidance.

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 Fund 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 July 2009, have been addressed within the contents of this report.

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 2008/09 the Committee comprised; Councillors from the Wirral Labour group (3), Conservatives (3), Liberal Democrats (3), Independent (1), representatives of the four other District Authorities (Liverpool, St. Helens, Knowsley and Sefton), an independent representative from the other employers, employee representatives (3), 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 ensures that the administration of the Fund is in accordance with the statutory framework within which the Local Government Pension Scheme 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. 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.

The more detailed consideration of investment strategy and asset allocation of the Fund's portfolios is considered by the 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 and internal managers which is undertaken in conjunction with professional advisers and the Fund's officers. The Working Party comprises; the Pensions Committee, two independent advisers, 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 management, both 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 and Unigestion manage active European equity portfolios and Nomura is responsible for equities in Emerging Markets, Japan and the Far East. UBS manages North American equities on a passive basis.

Active bond mandates are managed by Schroders and Legal & General Investment Management. Legal & General also manage the Fund's other passive investments. During the year, the Fund appointed four unconstrained managers to run active UK equity portfolios. This is consistent with our investment strategy; focussing not just on asset allocation, but also style diversification and suitable apportionment of risk.

The managers have both proven and diverse, yet complementary, approaches to long-only equity investment.

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 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 property portfolio being carried out by Colliers CRE.

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

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.

Copies of these documents are available from the Fund and are published on the Fund website at:

<http://www.merseysidepensionfund.org.uk/riskdocs>



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.

Responsible Investment

Merseyside Pension Fund became a signatory to the United Nations Principles of Responsible Investment (UNPRI) in 2007. This has since been the underpinning of the Fund's responsible investment policy.

In summary, the Principles encapsulate the belief that, over the long term, active consideration of environmental, social and governance issues will enhance the value of investments. This means incorporating these issues into investment analysis and decision-making, acting as a responsible owner of the companies in which we invest

and collaborating with like-minded investors on issues of shared concern. We are required to report annually to the PRI Secretariat on our progress in applying the Principles – we await the feedback to our 2009 report.

PIRC Ltd is the Fund's corporate governance adviser and provides research, analysis and voting recommendations that cover all holdings in the UK and overseas equity portfolios. The Fund has adopted, as its voting policy, the PIRC Global Shareholder Voting Guidelines and, as of July 2008, responsibility for executing the voting was transferred to PIRC.

The Legal & General UK Equity Index Fund is mandated to vote on our portion of the underlying shares, according to the voting recommendations received from PIRC. The table below shows data from 12 months of voting, as executed by PIRC.

Voting activity July 2008 - June 2009					
	UK	Europe	Japan	Rest of World ¹	USA ²
Number of meetings (AGM/EGM) voted at during year	123	175	106	378	650
Number of meetings where we voted to oppose or abstain on 1 or more resolution	97	142	86	330	
% all resolutions voted oppose or abstain	19	30	14	35	11

1. Includes developed Asia-Pacific sector, global emerging markets (Asia, EMEA & Latin America) and Canada.
2. Not included in PIRC's global coverage as the Fund's US equity portfolio is comprised of a pooled fund managed by UBS Asset Management, who vote on all the underlying holdings according to their own best practice guidelines on corporate governance. UBS regularly report this voting activity to the Fund.

Management resolution	For	%	Abstain	%	Oppose	%	Total
Receive Annual Report	77	44	27	15	71	41	175
Elect Directors	386	87	28	6	32	7	446
Executive Pay Schemes	11	31	6	17	18	52	35
Auditors	95	66	37	25	13	9	145
Corporate Donations	31	79	5	13	3	8	39
Share Issue/Re-purchase	262	95	12	4	2	1	276

Engagement and Collaboration

Active involvement in the work of the Local Authority Pension Fund Forum (LAPFF) and the Institutional Investors Group on Climate Change (IIGCC) is fundamental to pursuing the Fund's engagement policy. Engagement is an important part of responsible investing as it involves not just evaluating companies' responsible business practices, but also actively facilitating their improvement. LAPFF has a wide-ranging engagement work-plan, covering an assortment of corporate governance and corporate social responsibility issues, which over the past year has included a response to the financial crisis, involving engagement with UK banks and policy-makers.

Climate change is arguably the most important issue investors face over the long-term and IIGCC seeks to drive the debate on adaptation and mitigation. It has published, over the past year, influential policy papers on enhancing the effectiveness of carbon markets and developing financing mechanisms to encourage investment flows into renewable energy.

Further information & looking ahead

For more information about the Fund's responsible investment policy, including more details of voting activity in 2008/09, please visit the Fund website:

www.merseysidepensionfund.org.uk/MPF/welcomeinvest

Likewise, the PRI, IIGCC and LAPFF all have informative websites that give more detail about these organisations and their work:

www.unpri.org

www.iigcc.org

www.lapfforum.org

Review of Investment Performance

As the world entered its deepest recession since the Second World War, 2008 marked the worst year for pension fund investment returns since 1974. Advanced economies experienced an unprecedented 7.5% decline in real GDP during the fourth quarter of 2008 and output is estimated to have continued to fall almost as fast during the first quarter of 2009.

In the financial markets, the collapse of the American investment bank Lehman Brothers, together with the rescue of a number of high profile financial institutions on both sides of the Atlantic, led to a steep and generalised retreat from equities across the globe as investors sought the safer havens of bonds and cash.

Stock markets throughout the developed and the developing world witnessed negative double digit returns in the twelve months to March 2009 with the UK falling 29%, Europe declining 31% and the US down 14%. Elsewhere, in the Asia Pacific region, stocks fell by 23% and other international equities (excluding UK) declined 19%.

With the notable exception of bonds, all other mainstream asset classes were adversely impacted by the severity of the market downturn. The decline in property of over 25% marked the worst performance since the WM Universes began and hedge funds fell by around 16% as some of the underlying strategies were exposed to the dislocated credit markets.

Against a backdrop of increasing market volatility and uncertainty, investors sought refuge in the comparative safety of government bonds which benefited from the global “flight to quality” and which, along with cash, provided the only positive investment returns over the period.

Over the financial year to the end of March 2009, the Merseyside Pension Fund returned a negative 17.7% compared to its bespoke benchmark return of -17.8%.

Over the comparable period, the average return of all Local Authority Pension Funds, based on the WM Local Authority universe of 87 funds, was -19.9%.

The Fund’s positive deviation from the average Local Authority Fund was largely due to its higher than average exposure to bonds over the period.

The Fund outperformed its respective benchmarks in UK, North American, Continental European, and Pacific equity markets. It underperformed its benchmarks in Japan and Other International equities.

Outside of the equity markets, the Fund outperformed its benchmark for Bonds, and underperformed its benchmarks for Property and Alternative Investments.

Notwithstanding the most difficult investment market conditions for 35 years, the Fund’s long-term investment performance continues to remain strong. Over the last 20 years, the Fund has generated a return of 7.5% against the WM Local Authority average of 7.2%.

On a ten year time horizon, the Fund has returned 3.2% against the Local Authority average of 2.0%, ranking it 6th out of 87 funds, placing it in the top decile.

Comparative Returns for the Fund				
	1 Year %	3 Year %	5 Year %	10 year %
Merseyside Pension Fund	-17.7	-4.8	3.5	3.2
Benchmark	-17.8	-4.3	3.4	2.1
Inflation	-0.4	2.7	2.7	2.6
Average Earnings	1.1	2.9	3.5	3.7

Figure 1. Portfolio Distribution (Market Value at 31 March 2009)

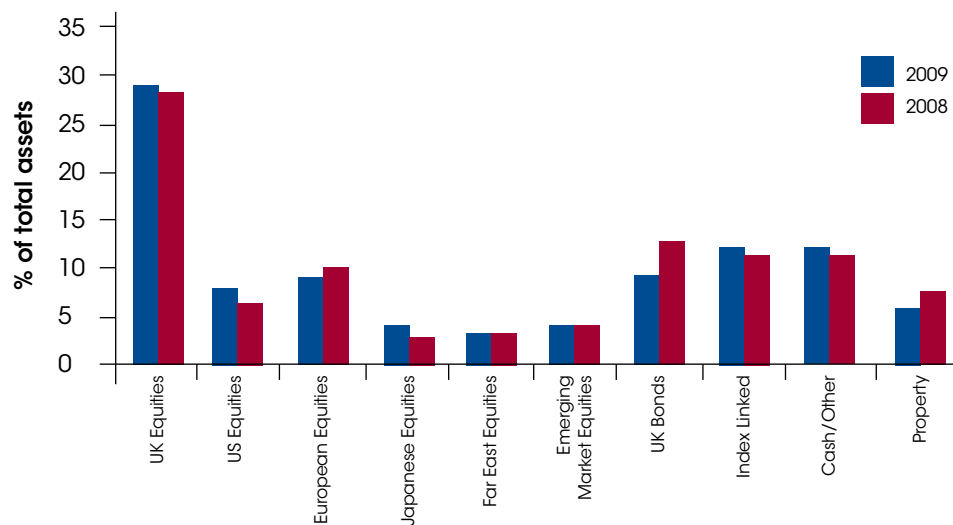
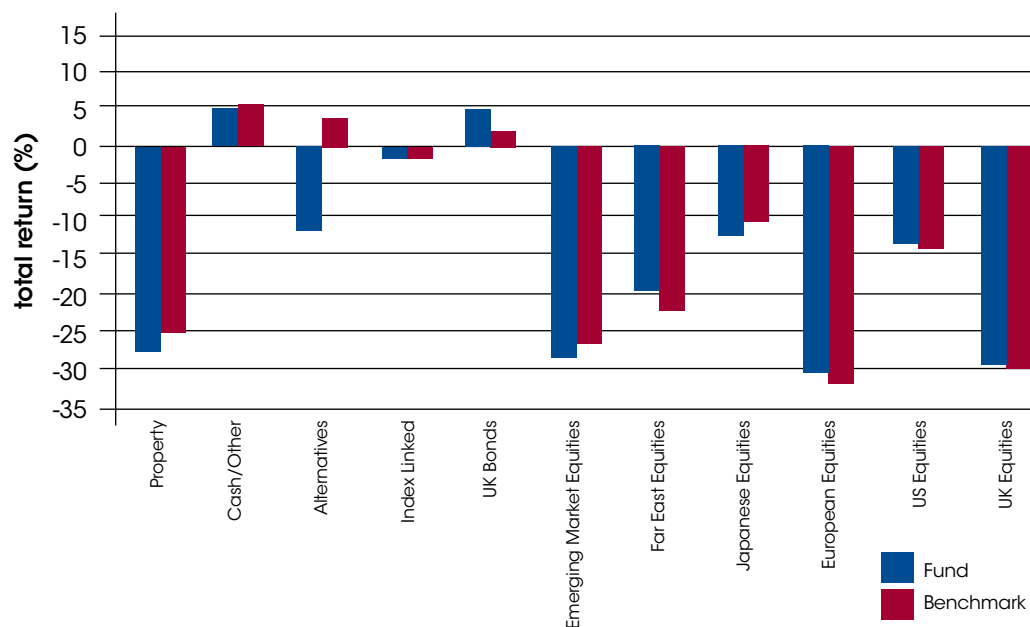


Figure 2. Total Return by Asset Class in year ended 31 March 2009



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 2009

Company	Market Value £'000	Equity %
BP PLC	31,826	10.44
Vodafone Group	20,885	6.85
Glaxo SmithKline	18,734	6.14
Royal Dutch Shell	16,841	5.52
Astrazenica	12,618	4.14
HSBC Holdings	12,230	4.01
BG Group	10,540	3.46
Tesco PLC	9,990	3.28
Bramdean Alternatives	8,132	2.67
Billiton PLC	7,913	2.59
	149,709	49.10

The top 10 holdings represent 49.1 % of the total in-house UK Equity Portfolio and 14.8% of total UK equities (4.3% of total fund).

Largest Property Holdings as at 31 March 2009

Property	Market Value £'000
Cunard Building Liverpool	22,700
Tunsgate Square Guildford	17,400
Middlemarch Business Park Coventry	14,000
Farnham Retail Park	12,600
Willowbrook Retail Park Loughborough	12,500
37/38 Curzon Street London	11,125
Horns Road Retail Park Ilford	10,485
High Street Windsor	9,650



Fund Account – for year ended 31 March 2009

	Note	2009 £000	2008 £000
Contributions and Benefits			
Contributions receivable	3	245,976	216,773
Transfers in		18,436	21,168
		264,412	237,941
Benefits payable	4	212,476	195,130
Leavers	5	15,121	13,764
Administration Expenses		3,860	3,348
		231,457	212,242
Net additions from dealings with members		32,955	25,699
Return on Investments			
Investment income	6	71,212	71,505
Change in market value of investments	7	-833,021	-137,888
Investment Management Expenses	8	-4,982	-4,961
Net return on Investments		-766,791	-71,344
Net increase (- decrease) in the Fund during the year		-733,836	-45,645
Net Assets of the Fund at start of year		4,255,332	4,300,977
Net Assets of the Fund at end of year		3,521,496	4,255,332



Net Assets Statement as at 31 March 2009

	Note	2009 £000	2008 £000
Investments			
Other Investments	7	264,580	216,073
Equities		1,253,028	1,124,734
Managed and Unitised Funds		1,668,255	2,434,630
Derivative Contracts		130	0
Properties		199,535	295,350
Short Term Deposits		74,089	100,778
Other Investment Balances		41,453	64,452
		3,501,070	4,236,017
Current Assets	9	30,412	27,463
Current Liabilities	9	9,986	8,148
Net Assets of the Fund as at 31 March 2009		3,521,496	4,255,332



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 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 pages 32 to 33 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 May 2007.

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, stock exchange values are used. The values as at 31 March 2009 are shown at bid price, i.e. the price which the Fund would have obtained should the securities have been sold on 31 March 2009. The equivalent values as at 31 March 2008 are still as stated in the 2007/08 accounts, at mid price. No retrospective reduction has been made as the estimated average adjustment of 0.25% is not deemed material. Properties have been valued independently by Colliers CRE, Chartered Surveyors, as at 31 March 2009.



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.

Prior Period Adjustments

As these are the first accounts produced under the 2007 Pensions SORP, the opportunity has been taken to revise the accounting treatment of certain transactions. Such changes are indicated in the appropriate note to the accounts.

3. Contributions Receivable

	2009 £'000	2008 £'000
Employers		
Normal	158,778	152,576
Augmentation	11,993	11,931
Deficit Funding	15,568	532
Employees		
Normal	59,637	51,734
	245,976	216,773
relating to:		
Administering Authority	36,524	32,018
Statutory Bodies	167,958	158,507
Admission Bodies	41,494	26,248
	245,976	216,773

4. Benefits Payable

Pensions	173,545	164,286
Lump sum retiring allowances	35,387	28,885
Lump sum death benefits	3,544	1,959
	212,476	195,130
relating to:		
Administering Authority	29,784	28,008
Statutory Bodies	156,773	145,569
Admission Bodies	25,919	21,553
	212,476	195,130

5. Payments to and on Account of Leavers

Refunds to members leaving service	21	39
Payment for members joining state scheme	25	35
Income for members from state scheme	-29	-44
Individual transfers to other schemes	15,104	13,734
	15,121	13,764

6. Investment Income

Fixed Interest Securities	0	515
Index-linked Securities	0	0
Dividends from Equities, Managed and Unitised Funds	50,297	44,789
Net rents from Properties	16,419	18,337
Interest on Deposits	3,927	7,432
Other	569	432
	71,212	71,505

There are two elements to deficit funding. A one-off payment of £8m was received upon the admission of a transferee employer. Early retirement costs (pensions strain) are recovered from employers over periods of up to 5 years. Income in respect of Augmentation includes the re-imbursment by employers on a monthly basis in respect of the enhanced elements of the monthly pensioners' payroll. A prior period adjustment has been made in respect of this new category.

As at 31 March 2009, £61.6m of stock was on loan to market makers, which was covered by non-cash collateral totalling £65m, giving a margin of 5.5%. Income from stock lending is included within "Other" Investment Income.

The figure of "Dividends from Equities, Managed and Unitised Funds" includes recoverable taxation of £0.65m, (2007/08 £0.74m) plus income from profits from associate and joint ventures of £7.41m (2007/08 £7.90m). Irrecoverable taxation amounted to £2.65m (2007/08 £16.5m).

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 providing for receipt of any such income within these accounts.

7. Investments

	Market Value @ 31.3.08 £'000	Purchases at cost and derivative payments £'000	Sale Proceeds and derivative receipts £'000	Change in Market* value £'000	Market Value @ 31.3.09 £'000
Equities	1,124,734	925,904	470,417	-327,193	1,253,028
Managed and Unitised Funds	2,434,630	329,767	730,340	-365,802	1,668,255
Other	216,073	155,833	65,821	-41,505	264,580
Derivative Contracts	0	0	0	130	130
Properties	295,350	0	0	-95,815	199,535
	4,070,787	1,411,504	1,266,578	-830,185	3,385,528
Short-Term Deposits	100,778			-772	74,089
Other investment balances	64,452			-2,064	41,453
	4,236,017			-833,021	3,501,070

* 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. The figure in respect of "Other investment balances" was previously shown as "Exchange" on the Fund Account.

	2009 £'000	2008 £'000
Equities (segregated holdings)		
UK Quoted	550,034	424,028
Overseas Quoted	702,994	700,706
	1,253,028	1,124,734

	2009 £'000	2008 £'000
Managed* and Unitised Funds		
UK Fixed Interest	172,351	276,419
UK Corporate Bonds	156,438	244,601
Overseas Fixed Interest	0	0
Index-Linked Securities	442,823	522,052
UK Equities	417,468	755,235
Overseas Equities	274,907	449,261
Unlisted Securities (Private Equity)	145,314	121,844
Property Unit Trusts	58,954	65,218
	1,668,255	2,434,630

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

	2009 £'000	2008 £'000
Derivative Contracts	130	0

Type of Derivative		Economic Exposure	Market Value
Futures	Expiration		
DJ Euro STOXX			
50 Index Futures	June 2009	997	130

A Futures contract is the obligation under a legal agreement to make or take delivery of a specified instrument (for example, a bond or a financial index) 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 £130,607.

	2009 £'000	2008 £'000
Other Investments	264,580	216,073
UK properties		
Freehold	182,038	247,472
Leasehold	17,497	47,878
	199,535	295,350
Short-Term Deposits	74,089	100,778

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".

	2009 £'000	2008 £'000
Other Investment Balances		
Amounts due from brokers	858	0
Amounts due to stockbrokers	-22,413	-461,736
Amounts due from stockbrokers	19,171	494,166
Oustanding dividend entitlements and recoverable withholding tax	6,110	6,814
Cash deposits	37,727	25,208
	41,453	64,452

"Other investment balances" now include amounts due to and from stockbrokers and also cash with managers awaiting investment. These were previously shown under current assets and liabilities, and a prior period adjustment has been made.

Disclosure Note Re: Transactions 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 £1,213,660. 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.

Disclosure Note Re: Icelandic Deposits

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The Fund had £7.5m deposited across two of these institutions, with varying maturity dates and interest rates as follows:

Bank	Date Invested	Maturity Date	Amount Invested (£000)	Interest Rate	Carrying Amount (£000)	Impairment (£000)
Glitnir	17/10/07	15/10/08	5,000	6.30%	5,523	0
Heritable	23/07/08	10/12/08	2,500	5.94%	1,830	772

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.

Glitnir Bank

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. Old Glitnir's latest public presentation of its affairs was made to creditors on 6 February 2009 and can be viewed on its website. This indicates full recovery of the principal and interest is likely to be achieved. Recovery is subject to the following uncertainties and risks:

- Confirmation that deposits enjoy preferential creditor status, which is likely to have 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.
- Settlement of the terms of a 'bond' which will allow creditors of Old Glitnir to enjoy rights in New Glitnir

Act No 44/2009 has now come into force in Iceland. Under this act, the Fund can claim interest up to 22 April 2009. The Fund's maturity date is before 22 April 2009 and therefore interest between the maturity date and 22 April 2009 will be credited at a penalty rate. The Fund has applied the Iceland's penalty rate at 22%. The Fund has therefore decided not to recognise an impairment based on it recovering the full amount of principal and interest up to 22 April 2009 in the future.

The October maturity date and the 22% penalty rate is sufficient to offset the loss of interest to the Fund until the monies are repaid.

Failure to secure preferential creditor status would have a significant impact upon the amount of the deposit that is recoverable. The total assets of the bank only equate to 40% of its liabilities, assuming that the Bond remains at its current estimated value. Therefore, if preferential creditor status is not achieved the recoverable amount may only be 40p in the £.

No information has been provided by the resolution committee about the timing of any payments to depositors. Since the value of deposits is small compared to the total asset value of the bank, the Fund has therefore made an assumption that the repayment of priority deposits will be made by 31 March 2010.

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 Bank

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 13 August 2009 outlined that the return to creditors was projected to be 80p in the £ by the end 2012 with the first dividend payment of 16.13p in the £ paid in July 2009. The Fund has therefore decided to recognise an impairment based on it recovering 80p in the £. It is anticipated that there will be some front loading of these payments and a final sale of assets will take place after the books have been run down to the end of 2012.

Therefore calculating the impairment the Fund has been made the following assumptions re timing and recoveries:

- July 2009 - 16.13%
- December 2009 - 10%
- July 2010 - 20.22%
- July 2011 - 19.22%
- July 2012 - 7.22%
- July 2013 - 7.21%

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

Overall Impact

The impairment loss recognised in the Fund Account in 2008/09, £772,129 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 £3.980m, and constitute the bulk of the figure of £4.982m 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.

9. Current Assets and Liabilities

	2009 £'000	2008 £'000
Assets		
Contributions due	20,885	16,341
Accrued and outstanding investment income	847	2,353
Transfer values receivable	2,357	2,357
Cash at Bank	725	416
Sundries	6,071	6,106
Provision for bad debts	-473	-110
	30,412	27,463
Liabilities		
Transfer values payable	0	0
Provisions	541	507
Miscellaneous	9,445	7,641
	9,986	8,148
Total Other Assets and Liabilities	20,426	19,315

Amounts due to and from stockbrokers in respect of trades not settled at close of business on 31 March 2009 are now included within "Other Investment Balances" and shown within Note 7.

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.

"Provision for Bad Debts" is now separately reported, and relates to property rental income.

Included in "Miscellaneous Liabilities" is £4.080m of unpaid benefits.

10. Commitments

Commitments for investments amounted to £217.914m as at 31 March 2009.

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 £3.511m (2008 £3.275m). 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 2009

	£m	%
Externally Managed		
J P Morgan	119	3.4%
UBS	264	7.5%
Nomura	421	12.0%
Schroders	157	4.5%
Legal & General (Pooled Assets)	745	21.2%
Legal & General (Bonds)	172	4.9%
Unigestion	100	2.9%
M & G	93	2.7%
TT International	93	2.7%
Blackrock	94	2.7%
Newton	89	2.5%
	2,347	67.0%
Internally Managed	1,154	33.0%
	3,501	100.0%

These values now include cash with managers awaiting investment, sums due to and from stockbrokers and accrued investment income.

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 2009.

	2009 £'000	2008 £'000
The aggregate amount of AVC investments is as follows:		
Equitable Life	3,076	3,464
Standard Life	5,833	7,593
Prudential	3,864	3,615
	12,773	14,672
Changes during the year were as follows:		
Contributions	1,502	
Repayments	-2,023	
Change in market values	-1,378	
Change in value from 2007/08 published accounts	-1,899	

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 2008 a budget of £10.95m was approved for the financial year 2008/09, which was revised downwards in January 2009 to £9.1m, primarily because of temporary lower costs following the transition of a large UK equity portfolio.

The two main elements of the revised budget were salaries and related costs of £2.35m and investment management fees of £4.5m. The final accounts for the year ended 31 March 2009 indicate expenditure levels of £3.860m on administrative costs overall and £4.982m 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. 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.

Applying the normal rules of budgetary control to investment management fees can be problematic. Basic fees and performance fees are negotiated individually with each fund manager, but the actual charge will vary according to the monthly value of the individual portfolio of each manager. In most cases, the effects of general moves in stock markets are more influential than the managers' performance. However, in certain cases, in addition, performance fees are payable when the fund manager exceeds the selected benchmark by an agreed percentage, which can include out-performance in falling markets.

However, any increased cost of investment management fees beyond the budget is far outweighed by the positive impact on the Fund's assets. Other factors influencing the level of expenditure on investment management fees include the number of portfolios that are actively or passively (i.e. index trackers) managed and segregated or pooled funds. Other budgets similarly affected include custodian fees, which vary, within an agreed framework, according to both the value of the investments and the number of transactions undertaken by investment managers.

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, e.g. 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 2008/2009 no such charges were levied.



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 2009.

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 2009, and its income and expenditure for the year then ended.

Director of Finance
22 September 2009



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

I have audited the pension fund accounts for the year ended 31 March 2009 under the Audit Commission Act 1998. The pension fund accounts comprise the Fund Account, the Net Assets Statement and the related notes. The pension fund accounts 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 prepared by the Audit Commission.

Respective responsibilities of the Director of Finance and auditor

The Director of Finance is responsible for preparing the pension fund accounts, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008. In preparing these pension fund accounts, the Director of Finance is responsible for:

- Selecting suitable accounting policies and then applying them consistently;
- Making judgements 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 accounts 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 accounts present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, 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 accounts. That information comprises the Financial Statements, Statement of Responsibilities and the Audit Report.

I review whether the governance compliance statement published in the Pension Fund Annual Report reflects compliance with the requirements of Regulation 34(1)(e) 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 financial 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 accounts and related notes and consider whether it is consistent with the audited pension fund accounts. This other information comprises the Explanatory Foreword 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 accounts 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 accounts and related notes. It also includes an assessment of the significant estimates and judgements made by the Authority in the preparation of the pension fund accounts 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 accounts 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 accounts and related notes.

Opinion

In my opinion:

- the pension fund accounts and related notes present fairly, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial transactions of the Pension Fund during the year ended 31 March 2009, and the amount and disposition of the fund's assets and liabilities as at 31 March 2009, 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 accounts.

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

30 September 2009



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 of Communities and Local Government (DCLG). It is a contributory final salary scheme, which is contracted-out of the State Second 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.

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-Look 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.

A number of changes to the rules on tax relief on pension contributions for high earners, were announced during the year by the Government.

Membership	31 March 2009	31 March 2008
Contributors	50,892	50,088
Pensioners	39,772	38,999
Deferred Beneficiaries	27,517	26,102

Legislation

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

The Local Government Pension Scheme (Amendment) Regulations 2008 (Into force 7 May 2008)

The regulations make various corrections necessary to the Benefits, Membership and Contributions regulations including; employee contribution tier arrangements and replace the ill health regulation with all changes effective 1 April 2008.

Revaluation of Employee Earnings Bands for Contribution Tiers

The DCLG confirmed revised pay bands to be applied from April 2009 increased in line with the 5% increase to the Retail Prices Index (RPI) for the 12 month period up to September 2008.

The Local Government Pension Scheme (Miscellaneous) Regulations 2008 (Into force 17 October 2008)

The regulations make a number of technical changes, identified as desirable, to existing provisions including; treatment of pay in respect of maternity, paternity, adoption and parental leave, payment of death grants and changes to a number of definitions, including that of an eligible child, in the following regulations:

The LGPS Regulations 1997
The Local Government (Management and Investment of Funds) Regulations 1998
The LGPS (Benefits, Membership and Contributions) Regulations 2007
The LGPS (Transitional Provisions) Regulations 2008
The LGPS (Administration) Regulations 2008

LGPS (Administration) (Amendment) Regulations 2008 (Into force 1 April 2009)

Introduce retrospective changes to rules dealing with aggregation on TUPE transfers.

The Regulations came into force on 1 April 2009, but regulation 3 shall have retrospective effect from **28 June 2008**.

Regulation 3 inserts a new paragraph to Regulation 16 (re-employed and re-joining deferred members) of the LGPS (Administration) Regulations 2008 which dis-applies Regulation 16(6) so that transfers of employment should be treated as continuous and that there is no need for employers to ask staff to decide whether to aggregate separate periods of membership or retain separate benefits.

Service Standards Charter

Results of performance against target are shown below:

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

(Details given in respect of 12 month period to 31 March 2009).

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.

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 been made, including 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.

New literature is now being produced following a major review of the arrangements for promotion of the Scheme, 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 2007/2008 where as follows:

	2007/08	2006/07
Merseyside Pension Fund	£19.96	£19.62
CIPFA Average	£21.40	£22.66
Private Sector In-House	£47.00	£46.01
Private Sector Outsourced	£37.00	£36.00

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 Procedure (IDRP) 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 2009, there were 6 new cases dealt with by the panel of Appointed Persons responsible for complaints against decisions made by the Fund. In 5 of these cases the decision taken by the Fund was upheld and in the remaining case the appeal was granted.

A total of 16 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 (6). Of these appeals against employer decisions (in all of the cases) completed, the employer decision was upheld.

Pensions Ombudsman

During the year, 2 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 2008/2009

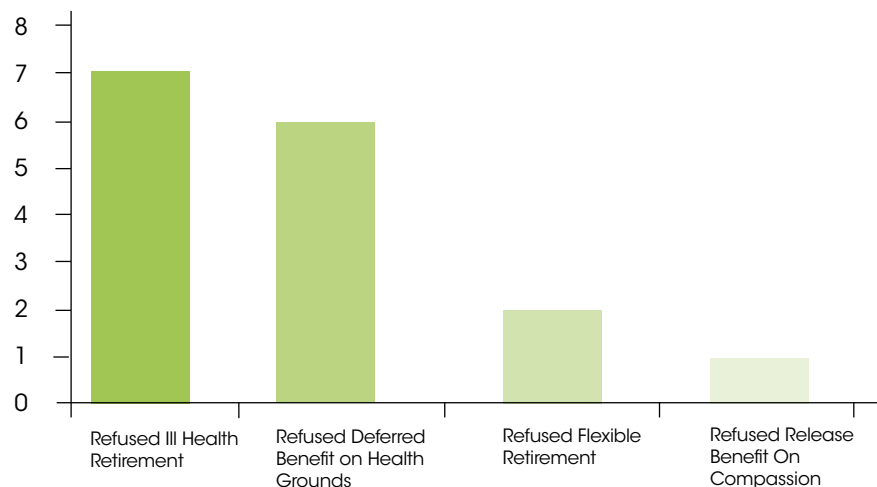
Total IDRPs Cases
(Against Fund and Employer Decisions)

Refused Ill Health Retirement	7
Refused Deferred Benefit on Ill Health Grounds	6
Refused Flexible Retirement	2
Refused Release of Benefits on Compassion	1
Appeals Against Fund Decisions	6
Total Appeals	22

Appeals Against Employer Decisions

Employer	Number	Employer Decision
Arriva	2	Upheld
Knowsley	1	Upheld
Liverpool	9	6 Upheld, 3 On-going
Sefton	1	Upheld
Wirral	1	Upheld
Merseyside County Council	1	Upheld
Compass	1	Upheld
Total Employer Appeals	16	

Breakdown of Appeals against Employer Decisions 2008/09



Appeals Against Fund Decisions

Reason for Appeal	Number	Fund Decision
AVC Fund Handling	2	Upheld
Death Grant Payment	1	Upheld
Overpayment Recovery	1	Upheld
Refund of Contributions	1	Upheld
Combined Service Option	1	Granted
Total Fund appeals	6	

Ombudsman Decisions

Reason for Appeal	Number	Fund Decision
Ill Health Retirement not Granted	1	Upheld
Pay Figure Used in Benefit Calculation	1	Upheld
Total cases	2	

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MERCER

 MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

Merseyside Pension Fund

Accounts for the year ended 31 March 2009

Actuarial Report

This is the Actuarial Report 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.



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

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 since the valuation date.

The implications of the current market volatility are being monitored and a Funding Review update of the 2007 valuation as at 31 March 2009 has been produced, which shows a funding level of 59%. The Fund is also considering the implications of the consultation document issued by Communities and Local Government on 25 June 2009 in relation to the Affordability, Viability and Fairness of the LGPS.

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 2009



Current Scheduled Bodies

Academy of St Francis
 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
 Mersey Waste Holdings
 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
 Prescott 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

Current Admission Bodies

Age Concern - Liverpool
 Arriva North West
 Arvato Government Services
 Association of Police Authorities
 Beechwood and Ballantyne Housing Association
 Beechwood Educare Centre
 Berrybridge Housing Ltd
 Birkenhead Citizens Advice Bureau
 Birkenhead Market Services Ltd
 Birkenhead School (2002)
 Capita Symonds (Sefton)
 Catholic Children's Society
 CDS Housing

Cobalt Housing Ltd
 *Commission for Social Care Inspection
 Compass (Scolarest) Liverpool Schools
 Compass (Scolarest) Wirral Schools
 Comtechsa Limited
 Enterprise Liverpool Cleansing
 Enterprise (Liverpool Highways) Ltd
 Enterprise Liverpool Housing Repairs
 Enterprise Liverpool Neighbourhood Grounds
 Geraud Markets Liverpool Ltd
 Glendale (Liverpool Parks Services) Ltd
 Glenvale Transport Ltd/Stagecoach.
 Greater Hornby Homes
 Greater Merseyside Connexions
 Green Apprentices Ltd
 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.
 Libraries North West (Terminated 30/9/2008)
 Liverpool Association for the Disabled
 Liverpool Church of England Council for Social Aid
 Liverpool Citizens Advice Bureau
 Liverpool Community Rights
 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 Peoples Centre
 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

*Commission for Social Care Inspection to be dissolved
 31/3/2009 and all liabilities and actives will transfer to a
 new admission body Care Quality Commission.

Wirral Council Pensions Committee

The Committee met on four occasions during 2008/09 to discuss the following items.

24 June 2008

Merseyside Pension Fund Accounts:
Year Ended 31 March 2008

Issues Facing Merseyside Pension Fund

LGPS Reform Update

Investment Performance 2007 - 2008

Ill Health Regulations

HM Treasury Consultation: Updating the Myners Principles

Future Cost Sharing in the LGPS

Representation on Outside Bodies

Bank Signatories

July Training Event

Local Government Chronicle Investment Conference

The LGPS Trustees Conference

Treasury Management Annual Report

Audit Plan

Private Equity Strategy 2008-2011

Admission Body Application – Taylor Shaw Catering,
Townfield Primary School, Oxtou, Birkenhead

Admission Body Application – Liberata (UK)

Admission Body Application – Liverpool Vision

Refurbishment at 135/141 Cannon Street, London

Refurbishment - Cunard Building, Liverpool

Refurbishment at Castle Chambers Building, Liverpool

Management of External Active UK Equities

Management of External Active European Equities

Westminster Council Shared Services

29 September 2008

Merseyside Pension Fund -
Audited Accounts for the Year Ended 31 March 2008

Annual Governance of Accounts

LGPS Reform Update

Ill Health Retirement Regulations Update

Governance Compliance

Employer Representation on Pensions Committee

Electronic Document Management and Workflow System

Local Government Chronicle Awards 2008

Annual Employers' Conference

Attendance by the Chair at LAPFF Conference

Pensions Administration Information Technology System

Admission Body Application - Deafability Productions

Refurbishment of Castle Chambers, Liverpool

Cunard Building, Liverpool - Part Lower Ground Floor

Cunard Building Liverpool -
Conservation Management Plan (CMP)

Admission Body Application - Capita Symonds

Admission Body Application -
Arvato Government Services (Sefton)

17 November 2008

Employer Representation on Pensions Committee

LGPS Reform Update

Appointment of Consultants for Selection
of Investment Managers

LGC Pension Fund Investment Conference

Cunard Building, Liverpool

Review of Potential Unfunded Liabilities
for Admission Bodies

Management of UK Equities

Management of European Equities

14 January 2009

LGPS Reform Update

Future Cost Sharing in the LGPS

Management of Fixed Income

Contracts for Property Services

Treasury Management Policy and Strategy 2009/10

Governance Compliance Statement

Annual Governance Report Action Plan

Reclamation of European Withholding Tax

Ill Health Retirement Regulations

Members Training 2009

Independent Advisers - Extension to Contracts

Write-off of Property Arrears

Arriva Bus Company Bond Requirement

Admission Body Application - Balfour Beatty Workplace

Cunard Building Boiler Replacement

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

Meetings of Investment Monitoring Working Party

Meetings Were Held on:

16 April, 4 June, 10 September, 22 October,
26 November 2008 and 25 February 2009.

Merseyside Pension Fund

Management Team

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
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	Anne Hughes	0151 522 2807
Merseyside Fire & Rescue Service	Helen Jones	0151 296 4219
Knowsley MBC	Yvonne Ashton	0151 443 4177
Liverpool City Council	Vanessa Duncan	0151 225 4128
Liverpool John Moores University	Jayne Brown	0151 231 3401
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	Andrea Dolan	01744 673271
Wirral Council	Helen Watkins	0151 666 3524

Internet Website Address: www.merseysidepensionfund.org.uk

08/09

Report & Accounts

Merseyside Pension Fund

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