Merseyside
PENSION FUND

Report & Accounts 2010/11

Strength, Stability, Security

Contents

Cover image: 'Dream', Sutton Manor, St. Helens

Management Structure

1. Pension Fund Management Committee

Chair:

Cllr G C J Watt	**Wirral**

Vice Chair:

Cllr D Knowles	**Wirral**
Cllr G Davies	**Wirral**
Cllr T Harney	**Wirral**
Cllr P Johnson	**Wirral**
Cllr A Jones	**Wirral**
Cllr A McLachlan	**Wirral**
Cllr R K Moon	**Wirral**
Cllr C Povall	**Wirral**
Cllr H Smith	**Wirral**
Cllr A Ibbs	**Sefton**
Cllr N F Keats	**Knowsley**
Cllr J Hanson	**Liverpool**
Cllr W Anderton	**St Helens**
Mr P McCarthy	**Non-district Employer Representative**

2. Advisers to Investment Monitoring Working Party

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

3. Advisers to Governance and Risk Working Party

Director of Finance
Head of Pension Fund
Principal Pensions Officer

4. 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
C B Richard Ellis

Property Managers
C B Richard Ellis

Performance Measurement
The WM Company

Solicitor
Wirral Council

AVC Providers
Equitable Life Assurance Society
Standard Life
Prudential

Administering Authority
Wirral Council

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 2011.

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.

G.C.J. Watt

Geoffrey Watt

Councillor Geoffrey Watt,
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 2011 witnessed a number of significant events encompassing the bail-outs of peripheral European countries such as Greece, Ireland and Portugal; the political unrest around the "Arab spring" involving regime change in Egypt and Tunisia, civil war in Libya and their impact on energy prices; the Tohoku earthquake in Japan, its associated tsunami, the Fukushima-Dai-ichi nuclear accident and related manufacturing disruptions; BP's Gulf of Mexico oil spill, floods in Australia and severe winter weather in the United States.

Despite these significant headwinds, financial markets made further but more measured progress after last year's sharp rally in risk assets.

Investor sentiment was helped by central banks in developed markets maintaining interest rates at or near historically low levels and the United States engaging in further monetary stimulus.

Economic data has been mixed but confirms that a recovery, from the very weak levels of economic activity seen last year, is becoming established.

Worries over inflation have resurfaced, particularly in the UK, but returns from bonds were nonetheless positive.

The Fund appreciated by more than £300m to over £5bn in value, returning 8.7% compared to its bespoke benchmark return of 7.5%.

The average local authority fund returned 8.2%. 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 it is imperative to maintain this long-term perspective.

Further information on the management of the Fund, distribution of assets and performance is provided later in this report.

Actuarial Valuation

The triennial actuarial valuation at 31 March 2010 was concluded during the year and, despite the turbulence in financial markets in the preceding three years, showed only a small deterioration in the funding level from 80% to 78%.

With effect from 1 April 2011, the average employer contribution rate to meet the funding objective will increase to 18% from its current level of 17.8% of which 11.6% will relate to future service accrual and the balance of 6.4% to recovering the deficit over a 25 year period.

Contributions for each separate employer will be levied as a combination of a percentage of payroll in respect of future accrual of benefits and £s amounts in respect of deficit contributions under the recovery plan.

Where known, the financial implications of the changes to the Local Government Pension Scheme (LGPS) were taken into account by the actuary.

Communication with Fund Employers and Members

Effective communication continues to be very important to the Fund as it seeks to deal with issues arising from new legislation and proposals for future changes.

With increasing numbers of members affected by early retirement and redundancy programmes, it has offered a variety of courses to members and employers during the year in addition to the regular newsletters for employers, employees, pensioners and deferred members.

The Fund website continues to be updated regularly and we are seeing increasing use of the Employers website.

The Annual Employers' Conference held at Aintree Racecourse, in November 2010, was again well attended and featured speakers from the Fund's Actuary, DCLG and officers from the Fund.

Past Changes and the Future

The Fund has established a Governance and Risk Working Party.

The Independent Public Service Pensions Commission, led by Lord Hutton, has published its recommendations on public pensions (including the LGPS) setting out broad principles for reform which have been welcomed by Government as a basis for consultation. Consultation is ongoing with further information unlikely to be available until later this year.

The Fund is an active participant in all aspects of consultation including the Hutton review, legislation, taxation and benefit changes.

The Fund has been delighted with the interest from Scheme members and employers to surveys it has undertaken and their contributions have helped to inform the Fund's responses.

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

In conclusion, I should like to thank the Committee, the 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 by the Secretary of State.

Management of the Fund

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

In 2010/11, 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 (DCLG). 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 prior period.

The Working Party comprises representatives from the Pensions Committee, an independent adviser, 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.

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.

Pensions administration and related matters are scrutinised by a Governance and Risk Working Party; the inaugural meeting was held in January and it will meet twice yearly.

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:

- Communications Policy
- Funding Strategy Statement
- Governance Policy
- Governance Compliance Statement
- Statement of Investment Principles

Copies of these documents are available from the Fund or may be viewed from pages 49 to 219 in the electronic version of this year's annual report 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.

Knowledge and Skills

Merseyside Pension Fund recognises the importance of ensuring that all staff and members charged with the financial management and decision making with regard to the pension scheme, are fully equipped with the knowledge and skills to discharge the duties and responsibilities allotted to them.

It therefore seeks to appoint individuals who are both capable and experienced and it will provide/arrange training for staff and members of the pensions committee to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills.

Our training plan sets out how we intend the necessary pension finance knowledge and skills are to be acquired, maintained and developed.

The plan reflects the recommended knowledge and skills level requirements set out in the CIPFA Pensions Finance Knowledge and Skills Frameworks.

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

Activity in Year

Merseyside Pension Fund has conducted a training needs assessment and, based on the outcome, formulated a training plan.

This plan is reported to and approved by Pensions Committee. The Fund develops its Pensions Committee members and officers through training and education, using a variety of means.

These include regular meetings, ad hoc seminars and conferences, bespoke training and a comprehensive website.

Pensions Committee receives updates on legislative changes, benefit administration changes, procurement, actuarial and investment matters.

These are supplemented by the regular working parties. The investment monitoring working parties include a minimum of two presentations and cover all aspects of investment; asset allocation, asset classes, economics, performance measurement, risk management and responsible investment.

The governance and risk working parties enable matters relating to other risks and pensions administration to be covered in greater depth, as necessary.

The internal training days cover a range of topical issues. This year, being a valuation year, the first training day focused on the triennial valuation, the methodology of actuarial valuation, asset liability modelling and asset allocation.

In view of the Fund's increasing allocation to complementary assets, the second training day reviewed some alternative assets including infrastructure, waste management and agricultural investment opportunities.

Behavioural finance and economics were also covered. Bespoke training includes the LGE Trustee Fundamentals training which was attended by a number of committee members and a number of other conferences and seminars as detailed.

The Fund is a member of the Local Authority Pension Fund Forum and the chair of committee is a member of the executive board, attending regular meetings dealing with all areas of responsible investment.

The following training opportunities have been provided during the year:

Month	Event
April	Investment Monitoring Working Party
May	NAPF Local Authority Conference
June	Internal training day
June	Investment Monitoring Working Party
June	Pensions Committee
June	CIPFA conference
September	Investment Monitoring Working Party
September	Pensions Committee
September	LGC Investment Summit
October	Internal training day
October	Investment Monitoring Working Party
October	Pensions Committee
November	MPF Annual Employers Conference
November	Investment Monitoring Working Party
December	LAPFF Annual Conference
January	Pensions Committee
January	Governance & Risk Working Party
February	Investment Monitoring Working Party
March	Internal training day
March	Pensions Committee
March	LGC Investment Seminar

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

Investment Report

Year ended 31 March 2011

Market Environment

Investment returns were positive for the financial year to the end of March 2011 despite economic and geopolitical headwinds. Governments, particularly in the developed world, maintained monetary and fiscal stimulus measures to bolster their economies whilst economic activity rebounded in developing economies.

Looking back over the 12 months, equity markets started poorly in the second quarter of 2010 as the pace of economic recovery in the United States and Europe moderated. The peripheral European debt crisis dominated the headlines leading to major falls in share prices as the European Central Bank and International Monetary Fund stepped in with aid packages for Greece. The BP oil spill in the Gulf of Mexico also weakened sentiment in the UK.

However, equities rebounded in the third quarter, driven by better than expected company earnings and in spite of the UK's emergency budget and associated austerity measures. Markets remained volatile in the fourth quarter. Sentiment was boosted by the Federal Reserve announcing another round of quantitative easing but worries continued over the European sovereign debt crisis with the bailout of the Irish economy occurring in November. Notwithstanding this, global markets benefited from a combination of better than expected macroeconomic data and improved prospects for the US economy. Most markets finished the calendar year at or around their highs for the year.

The first quarter of 2011 saw evidence of heightened investor concerns with markets hit by the fallout from the earthquake in Japan and the further strength in oil prices as a consequence of political instability in North Africa and the Middle East. Growth in Emerging Markets was clouded with uncertainty as inflation is in danger of becoming an entrenched problem in some countries. Closer to home, the European debt crisis remained to the fore with Portugal approaching the European Union to request a bailout. Nonetheless, equity markets made further headway to give a positive outcome for the 12 month period.

Once again, the Pacific Rim generated the highest returns for sterling based investors of around 14% with all other equity markets giving high single digit returns other than Japan which, as a consequence of the earthquake and associated disasters, fell slightly in value.

In the UK, government bond markets also gave positive returns with index-linked gilts benefiting from heightened inflation expectations. Property continued its recovery with a return of around 10%. Full details are shown in the accompanying charts.

Review of Investment Performance

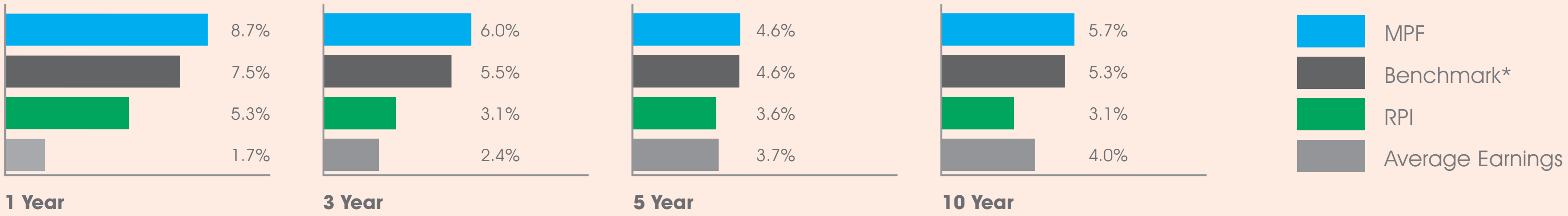
Over the financial year to the end of March 2011, Merseyside Pension Fund returned 8.7% compared to its bespoke benchmark return of 7.5%, an out-performance of 1.2%. The average UK Local Authority fund returned 8.2% over the comparable period.

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. The longer term investment performance numbers continued to hold up well and, over the medium term (5 years), the Fund has performed in line with its benchmark.

Longer term, over 10 years, the Fund has achieved an absolute annualised return of 5.7%, which is comfortably ahead of the Retail Price Index at 3.1% over the comparable period, yielding a real return of 2.6%.

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

Figure 3. Comparative Returns for the Fund



The investment performance for the year to 31 March 2011 is driven largely by 'stock selection', i.e underlying managers have outperformed their respective benchmarks. Alternatives and property investments have led the way in this, but UK and overseas equities and Bonds have made a contribution. On a longer term basis, Tactical Asset Allocation decisions have been beneficial to the Fund in terms of relative performance.

During the year, the Fund re-tendered its property management contract and active equity mandates in Asia-Pacific and Emerging markets. CB Richard Ellis was retained as property agent and, in relation to the equity mandates, the incumbent manager, Nomura, was complemented with a further four managers in view of the significant increase in assets in this area.

Investment Report

Year ended 31 March 2011

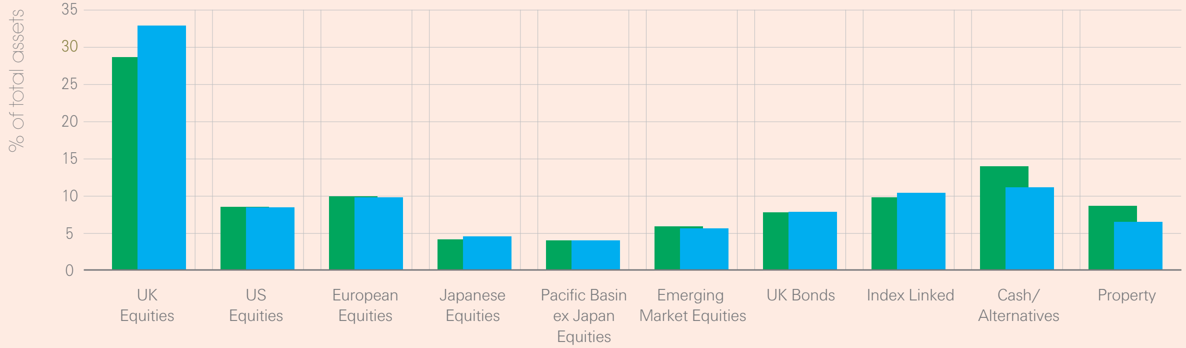


Figure1.
Portfolio Distribution (Market Value at 31 March 2011)

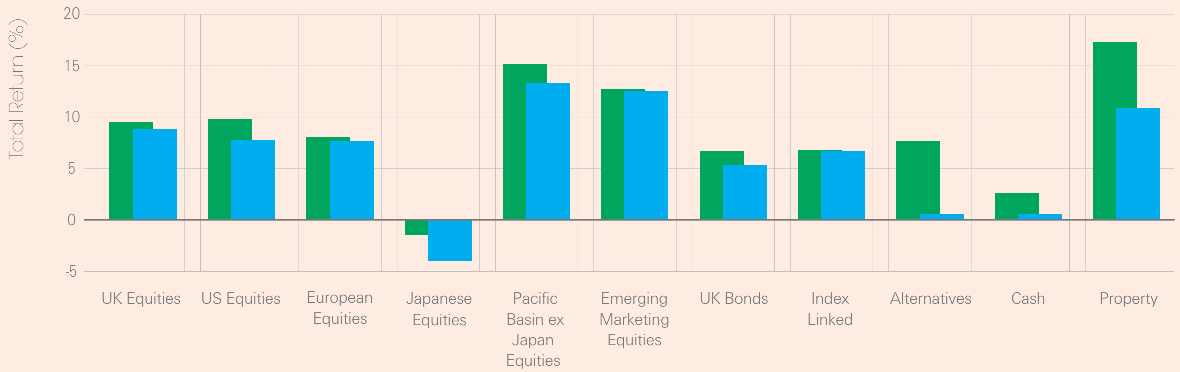


Figure 2.
Total return by Asset class in year ended 31 March 2011

Strategic Asset Structure

Asset Class	Strategic Benchmark %	Detail %
UK Equities	**25**	
Overseas Equities	**30**	
US		8
European (Ex UK)		8
Japan		4
Asia Pacific		4
Emerging Markets		6
Fixed Interest	**20**	
UK Gilts		4
Overseas Bonds		0
UK Index Linked		12
Corporate Bonds		4
Property	**10**	
Alternatives	**14**	
Private Equity		4
Hedge Funds		5
Opportunities		3
Infrastructure		2
Cash	**1**	
Total	**100**	

Largest UK Equity Holdings as at 31 March 2011

Company	Market Value £ '000	Equity %
BP Plc	£75,379	5.33%
Royal Dutch Shell Plc	£74,702	5.29%
Vodafone Plc	£62,936	4.45%
HSBC Plc	£58,207	4.12%
Rio Tinto Plc	£55,131	3.90%
BG Group Plc	£48,616	3.44%
Glaxo Smithkline Plc	£44,724	3.17%
Astra Zeneca Plc	£31,066	2.20%
BHP Billington Plc	£30,656	2.17%
British American Tobacco Plc	£27,592	1.95%
	£509,009	**36.02%**

These figures represent the Fund's entire exposure to UK equities. Where the assets are in a pooled Fund structure, a pro rata calculation has been made. They represent 36% of total UK equity exposure and 10% of total Fund assets.

Largest Property Holdings as at 31 March 2011

Property	Market Value £'000
Supermarket, Heswall	26,975
Tunsgate Square Shopping Centre, Guildford	21,000
Farnham Retail Park, Farnham	17,875
37/38 Curzon Street, London	16,250
Cunard Building, Liverpool	15,500
Middlemarch Business Park, Coventry	15,350
Willowbrook Retail Park, Loughborough	14,100
Horns Road, Ilford	14,000

Knowsley Hall

Financial Statements

Fund Account - for year ended 31 March 2011

	Note	2011	2010
		£'000	**£'000**
Contributions and Benefits			Restated
Contributions receivable	3	266,747	250,473
Transfers in		19,273	21,932
Administration income		326	125
		286,346	**272,530**
Benefits payable	4	259,911	219,135
Leavers	5	18,589	19,658
Administration expenses		4,778	3,965
		283,278	**242,758**
Net additions from dealings with members		3,068	29,772
Return on Investments			
Investment Income	6	88,540	86,374
Profit and losses on disposal of investments and changes in value of investments	7	330,903	1,080,102
Taxes on income		-1,988	-2,350
Investment management expenses	9	-10,300	-9,745
Net return on Investments		**407,155**	**1,154,381**
Net increase (-decrease) in the Fund during the year		410,223	1,184,153
Net Assets of the Fund at the start of the year		4,705,649	3,521,496
Net Assets of the Fund at the end of year		**5,115,872**	**4,705,649**

Net Assets Statement as at 31 March 2011

	Note	2011	2010	1.4.2009
		£'000	**£'000**	**£'000**
Investment Assets	7		Restated	Restated
Equities		1,725,620	1,888,567	1,277,175
Pooled Investment Vehicles		2,960,106	2,459,616	1,908,688
Derivative Contracts		756	33	130
Direct Property		251,935	210,225	199,535
Short Term Cash Deposits		59,570	56,207	74,089
Other Investment Balances		89,555	62,893	63,866
		5,087,542	**4,677,541**	**3,523,483**
Investment Liabilities	8	-37,114	-5,607	-22,413
		5,050,428	**4,671,934**	**3,501,070**
Non Current Assets	10	30,844	15,670	11,545
Current Assets	11	50,586	30,961	30,412
Current Liabilities	11	-15,986	-12,916	-9,986
Net Assets of the Fund as at 31 March 2011		**5,115,872**	**4,705,649**	**3,533,041**

Financial Statements - Notes to the Accounts

1. General

The Code of Practice on Local Authority Accounting in the United Kingdom 2010/2011 is the first to be based on International Financial Reporting Standards (IFRS). It has been developed by the CIPFA/LASAAC Code Board under the oversight of the Financial Reporting Advisory Board.

The Code for 2010/2011 has been prepared on the basis of accounting standards and interpretations in effect for accounting periods commencing on or before 1 January 2010. It applies for accounting periods commencing on or after 1 April 2010.

The move to the IFRS-based Code from a UK GAAP-based Statement of Recommended Practice (the Local Authority SORP) have resulted in a number of significant changes in accounting practice, and a new format. As a requirement of IFRS 1 a transitional Net Asset Statement and associated notes have been provided as at 1 April 2009. For Pension Fund Accounts, where detailed technical aspects are not addressed within the IFRS Code, the guidance within the continuing Statement of Recommended Practice, Financial Reports of Pension Schemes (the SORP) May 2007 continues to be utilised.

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. Under International Financial Reporting Standards (IFRS) the obligations to pay pensions and benefits which fall due after the end of the Scheme year must now feature, and are shown within the statement by the Actuary on page 43 of the actuarial position of the Scheme. These financial statements should be read in conjunction with the Actuarial Statement, which indicates the Fund's future liability to pay benefits. All such benefits so calculated are "vested" for the purpose of the IAS26/IAS19 figures.

2. Accounting Policies

Basis of Preparation

The financial statements represent the first year in which they have been primarily prepared in accordance with International Financial Reporting Standards (IFRS), as reflected in the Local Authority Code, which applies to UK local authority pension funds. Where subsequently appropriate, they have followed UK accounting standards with particular reference to the Statement of Recommended Practice, Financial Reports of Pension Schemes (the Pension's SORP).

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 unlisted investments such as hedge funds, wherever possible valuations have been obtained via the independent administrator, although some remain at managers' 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 2011.

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. Augmentation payments due from employers in future years are accrued for.

Transfers to and from 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. Three bulk transfers into MPF are included in 2010/11, 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 have been no changes to the April 2009 totals of the Fund Account or its Net Asset Statement in respect of the changes to IFRS accounting.

With regards to the figures as at 31 March 2010 and 1 April 2009 (where applicable), Prior Period Adjustments have been made as follows:

- To reflect the elimination from the accounts of both payments of Compensatory Added Years (CAYs) and their reimbursement by employers. These transactions net out to nil. Full details are now shown as Note 16 to these Accounts.

- To reflect inclusion on the face of the accounts of "Taxes on Income", table 6 "Investment Income" is now shown gross of tax.

- To reflect changes in analysis in Note 7 between equities, pooled investment vehicles and "other investment balances".

Basis of Estimates

Estimates for post year end outstanding items have been used for the following activities: payments of retirement grants, death grants and investment managers' fees:

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

- Death grants due for payment, but not paid by 31 March: for example awaiting Probate.

- Investment managers' fees outstanding: estimated using the Fund's valuations as at 31 March 2011.

Financial Statements - Notes to the Accounts

3. Contributions Receivable

		2011	2010
		£'000	£'000
Employers			
Normal		165,836	164,996
Augmentation		45	522
Pension Strain		28,471	23,811
Deficit Funding		11,874	316
Employees			
Normal		60,521	60,828
		266,747	**250,473**
relating to:	Administering Authority	41,317	38,254
	Statutory Bodies	187,628	176,471
	Admission Bodies	37,802	35,748
		266,747	**250,473**

Employers Normal contributions includes an element of past service deficit. The 2007 actuarial valuation calculated the average employer contribution rate of 17.8%, 12.1% was determined the average employer rate in respect of future service only and 5.7% for past service deficit.

"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 (£5.4m in 2010/11, nil in 2009/10) or as regular additional contributions. Also included is £6.4m relating to Magistrates Courts which was previously an active member of the Fund.

Figures for "Compensatory Added Years" represent re-imbursements by employers to the Fund for additional pension payments awarded under the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations 2000. As such pensions payments lie outside the LGPS Regulations, with the Fund acting as agent for such payments, figures of both payments to pensioners (previously shown under Note 4 "Benefits Payable") and the recovery of such costs from employers (previously shown under Note 3 "Contributions Receivable") are now excluded from the Fund accounts. Instead they are shown within Note 16 to the Accounts.

4. Benefits Payable

		2011 £'000	2010 £'000
Pensions		182,237	173,785
Lump Sum Retiring Allowances		72,053	41,260
Lump Sum Death Benefits		5,621	4,090
		259,911	**219,135**
relating to:	Administering Authority	40,647	31,326
	Statutory Bodies	186,790	158,176
	Admission Bodies	32,474	29,633
		259,911	**219,135**

5. Payments to and on Account of Leavers

	2011 £'000	2010 £'000
Refunds to members leaving service	15	41
Payment for members joining state scheme	1	2
Income for members from state scheme	-18	-7
Individual transfers to other schemes	18,591	19,622
	18,589	**19,658**

Financial Statements - Notes to the Accounts

6. Investment Income

	2011	2010
	£'000	£'000
Dividends from Equities	58,477	56,000
Income from Pooled Investment Vehicles	8,555	7,730
Net Rents from Properties	17,242	18,734
Interest on Short Term Cash Deposits	705	1,279
Income from Associate and Joint Ventures	2,405	1,732
Income from Derivatives	257	0
Other	899	899
	88,540	**86,374**

Figures of income from "Dividends from Equities" and "Income from Pooled Investment Vehicles" are now shown separately. Within these headings is included recoverable taxation of £1.56m, (2009/10 £1.27m). Income from profits from associate and joint ventures of £2.4m (2009/10 £1.7m) is now shown separately.

These figures are now shown gross of tax, as the face of the accounts now includes a figure of "Taxes on Income" Figures for 31 March 2010 have been appropriately changed.

The Fund is seeking to recover tax witheld 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. Although no further repayments were received in 2010-2011 a further £54,613 was recovered after the year end.

As at 31 March 2011, £65.37m of stock was on loan to market makers, which was covered by non-cash collateral, in the form of G10 sovereign debt, totalling £69.31m, giving a margin of 5.5%. Collateral is marked to market, and adjusted daily. Income from stock lending amounted to £859,109 and is included within "Other" Investment Income. As the Fund retains its economic interest in stock on loan, their value remains within the Fund valuation. As the Fund has an obligation to return collateral to the borrowers, collateral is excluded from the Fund valuation. The Fund used its Custodian as agent lender, lending only to an agreed list of approved borrowers. An indemnity is in place which gives the Fund further protection against losses.

The risks associated with stocklending are set out in the Fund's "Statement of Investment Principles".

7. Investments

	Market Value @ 31.3.10 £'000	Purchases at cost and derivative payments £'000	Sale Proceeds and derivative receipts £'000	Change in Market Value* £'000	Market Value @ 31.3.11 £'000
Equities	1,888,567	1,445,152	-1,692,547	84,448	**1,725,620**
Pooled Investment Vehicles	2,459,616	916,309	-641,674	225,855	**2,960,106**
Derivative Contracts	33	30,051	-29,882	554	**756**
Direct Property	210,225	42,722	-10,317	9,305	**251,935**
	4,558,441	**2,434,234**	**-2,374,420**	**320,162**	**4,938,417**
Short Term Cash Deposits	56,207				**59,570**
Other Investment Balances	62,893			10,741	**89,555**
	4,677,541			**330,903**	**5,087,542**

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

There has been a re-analysis of the allocation between equities, pooled investment vehicles and "other investment balances" as at the end of March 2010, as a net nil Prior Period Adjustment.

There was an adjustment of UK Equities and £14.4m was moved to Pooled Investment Vehicles.

Managed and Unitised Funds and Other Investments are now under the heading Pooled Investment Vehicles.

Amounts due to stockbrokers are now excluded from Other Investment Balances and instead shown under Investment Liabilities.

Investments in Limited Partnerships, worth £240.5m, (book value £166.4m) are not readily realisable. All other assets are deemed "available for sale" financial assets.

	2011	2010	1.4.2009
	£'000	£'000	£'000
Equities (segregated holdings)			
UK Quoted	855,304	788,134	550,034
Overseas Quoted	870,316	1,100,433	727,141
	1,725,620	**1,888,567**	**1,277,175**

Financial Statements - Notes to the Accounts

	2011	2010	1.4.2009
	£'000	£'000	£'000
Pooled Investment Vehicles			
UK Managed Funds:			
Property	26,000	0	0
Equities	224,555	181,449	115,016
Private Equity	143,309	120,397	98,455
Hedge Funds	48,818	72,157	64,819
Corporate Bonds	188,279	176,742	156,438
Infrastructure	26,992	0	0
Opportunities	96,680	81,506	18,485
Overseas Managed Funds:			
Equities	292,919	29,205	10,566
Private Equity	97,198	71,507	46,859
Hedge Funds	176,358	158,628	154,820
Infrastructure	11,321	0	0
Opportunities	18,370	5,933	26,457
UK Unit Trusts:			
Property	80,337	52,422	30,351
Overseas Unit Trusts:			
Property	57,863	35,417	28,603
Unitised Insurance Policies	1,471,107	1,474,253	1,157,819
	2,960,106	**2,459,616**	**1,908,688**

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

	2011		2010	
	£'000	%	£'000	%
Legal & General Pooled UK Index Linked Gilts	**487,795**	9.7	**462,775**	9.94
UBS USA Equity Tracker	**417,291**	8.3	**350,591**	7.53
Legal & General Pooled UK Equities	**371,470**	7.4	**477,651**	10.26

Derivatives as at 31 March 2011			
Futures			
		£'000	£'000
Type of Contract	Expiration	Economic Exposure	Market Value
DJ Euro STOXX			
50 Index Futures	June 2011	**2,694**	**269**

A Futures contract is the obligation under a legal agreement 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 hold. Variation margin is exchanged daily and exists to reduce counterparty credit exposure. Collateral is held in Euro currency and the Sterling equivalent is £234,606. DJ Euro STOXX 50 Futures have a contract multiplier of x10 therefore the notional value underlying the futures contracts is £2.694m.

Forward Foreign Exchange

Contract	Settlement Date	Currency Bought '000	Currency Sold '000	Asset £'000	Liability £'000
Forward Currency Contracts	April 2011	GBP 89	AUD 139	**0**	**0**
Forward Currency Contracts	April 2011	GBP 2818	EUR 3198	**8**	**0**
Forward Currency Contracts	April 2011	EUR 1599	GBP 1415	**10**	**0**
Forward Currency Contracts	April 2011	EUR 170	GBP 149	**0**	**0**

Forward Current Contracts are exchange traded and are used to hedge exposures to foreign currency back into sterling.

Options

Type of Option	Expiration	Underlying Investment	Notional Amount of Outstanding Contracts	Asset £'000	Liability £'000
Purchased Call	October 2012	Etihad Etisalat Co SAR 10.00	**469**	**0**	**19**

A call option is an agreement that gives an investor the right (but not the obligation) to buy a stock, bond, commodity, or other instrument at a specified price within a specific time period.

	2011 £'000	2010 £'000	1.4.2009 £'000
UK Properties			
Freehold	211,761	190,574	182,038
Leasehold	40,174	19,651	17,497
	251,935	**210,225**	**199,535**
Short Term Cash Deposits			
Sterling	59,570	56,207	74,089
	59,570	**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".

	2011 £'000	2010 £'000	1.4.2009 £'000
Other Investment Balances			
Amounts due from brokers	257	33	858
Outstanding trades	35,523	6,636	19,171
Outstanding dividend entitlements and recoverable withholding tax	16,034	12,796	6,110
Cash deposits	37,741	43,428	37,727
	89,555	**62,893**	**63,866**

"Other Investment Balances" include amounts due from stockbrokers and also cash with managers awaiting investment. There were no borrowings.

Financial Statements - Notes to the Accounts

IFRS 7.4.2 requires an analysis of financial instruments and financial liabilities by different categories. These cover carrying amounts, and net gains and losses. For completeness, market value is shown in the same analysis. The following tables analyse the carrying amounts of the financial assets and liabilities (excluding cash and cash equivalents) by category and by net asset statement heading, and by net gains and losses.

31 March 2011

At market value	Loans and receivables	Available for Sale Assets	Designated as at fair value through profit or loss
	£000	£000	£000
Financial Assets			
Equities		1,725,620	
Pooled Investment Vehicles		2,719,599	240,507
Derivatives			756
Direct Property		251,935	
Cash deposits	59,570		
Other investment balances	89,555		
Debtors	81,430		
Total financial assets	**230,555**	**4,697,154**	**241,263**
Financial Liabilities			
Other investment balances	37,114		
Creditors			15,986
Total financial liabilities	**37,114**		**15,986**

31 March 2010

At market value	Loans and receivables	Available for Sale Assets	Designated as at fair value through profit or loss
	£000	£000	£000
Financial Assets			
Equities		1,888,567	
Pooled Investment Vehicles		2,267,712	191,904
Derivatives			33
Direct Property		210,225	
Cash deposits	56,207		
Other investment balances	62,893		
Debtors	46,631		
Total financial assets	**165,731**	**4,366,504**	**191,937**
Financial Liabilities			
Other investment balances	5,607		
Creditors			12,916
Total financial liabilities	**5,607**		**12,916**

31 March 2011			
Carrying Amount	**Loans and receivables**	**Available for Sale Assets**	**Designated as at fair value through profit or loss**
	£000	**£000**	**£000**
Financial Assets			
Equities		1,460,447	
Pooled Investment Vehicles		2,203,901	166,361
Derivatives			
Direct Property		275,382	
Cash deposits	59,570		
Other investment balances	89,555		
Debtors	81,430		
Total financial assets	**230,555**	**3,939,730**	**166,361**
Financial Liabilities			
Other investment balances			
Creditors			
Total financial liabilities			

31 March 2010			
Carrying Amount	**Loans and receivables**	**Available for Sale Assets**	**Designated as at fair value through profit or loss**
	£000	**£000**	**£000**
Financial Assets			
Equities		1,487,051	
Pooled Investment Vehicles		1,832,979	151,196
Derivatives			
Direct Property		243,631	
Cash deposits	56,207		
Other investment balances	62,893		
Debtors	46,631		
Total financial assets	**165,731**	**3,563,661**	**151,196**
Financial Liabilities			
Other investment balances			
Creditors			
Total financial liabilities			

Financial Statements - Notes to the Accounts

31 March 2011			
Net Gains and Losses	**Loans and receivables**	**Available for Sale Assets**	**Designated as at fair value through profit or loss**
	£000	**£000**	**£000**
Financial Assets			
Equities		220,791	
Pooled Investment Vehicles		110,969	483
Derivatives			319
Direct Property		-653	
Cash deposits			
Other investment balances	10,740		
Debtors			
Total financial assets	**10,740**	**331,107**	**802**
Financial Liabilities			
Other investment balances			
Creditors			
Total financial liabilities			

31 March 2010			
Net Gains and Losses	**Loans and receivables**	**Available for Sale Assets**	**Designated as at fair value through profit or loss**
	£000	**£000**	**£000**
Financial Assets			
Equities		94,327	
Pooled Investment Vehicles		-2,168	14
Derivatives			304
Direct Property			
Cash deposits	233		
Other investment balances	-1,145		
Debtors			
Total financial assets	**-912**	**92,159**	**318**
Financial Liabilities			
Other investment balances			
Creditors			
Total financial liabilities			

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 £2.1m (2009/10 £2.0m). 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 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 and court hearings.

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. Old Glitnir's affairs are being administered under Icelandic law. The Glitnir Winding-Up Board had expressed the view that local authority deposits do not have priority status. However, the Iceland District Court ruled for the test cases that local authorities do have priority status. An appeal has been lodged against this decision by the Glitnir Winding-Up Board.

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 retain preferential creditor status, which is to be tested through the Icelandic Supreme Court.

- 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 have 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 made to reflect the loss of interest to the Fund until the funds are repaid.

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

No payment is expected to be received prior to the appeals hearing in respect of priority status. In calculating the impairment the Fund has assumed that the repayment of priority deposits will be made by December 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.

Financial Statements - Notes to the Accounts

Heritable

Heritable Bank is a UK registered bank under English law. The company was placed in administration on 7 October 2008. To date the Fund has received dividend payments totalling 56.35 pence in the £ (£1.4m). The seventh progress report from the administrators was issued on 10 February 2011. As the report does not suggest any changes to the total amount estimated to be recovered, it is anticipated that 85 pence in the £ remains appropriate. In calculating the impairment the Fund has made the following assumptions re timing and recoveries:

April 2011	6.25%
July 2011	5.00%
October 2011	5.00%
January 2012	5.00%
April 2012	5.00%
July 2012	5.00%
October 2012	3.65%

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 2010/11, £157,838 (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. The total amount of accrued interest in 2010/11 for both deposits is £385,653 (2009/10 £155,785).

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

8. Investment Liabilities

	2011	2010	1.4.2009
	£'000	£'000	£'000
Investment Liabilities			
Amounts due to stockbrokers	37,114	5,607	22,413
	37,114	**5,607**	**22,413**

9. Investment Management Expenses

Fees paid to the thirteen major investment managers amount to £9.2m (2009/10 £8.2m), and constitute the bulk of the figure of £10.3m (2009/10 £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.

10. Non Current Assets

	2011	2010	1.4.2009
	£'000	£'000	£'000
Non Current Assets	30,844	15,670	11,545
	30,844	**15,670**	**11,545**
relating to:			
central government bodies			
other local authorities	22,502	12,792	
nhs			
public corporations and trading funds	6,785	964	
bodies external to general government	1,557	1,914	
	30,844	**15,670**	

Payments are being received in respect of pensioner and deferred members of the Magistrates Courts, which was previously an active employer in the Fund. Year 1 is shown as a current asset, but years 2 - 10 have been discounted at a rate of 4% and are included above. Also discounted are future payments of pension strain to be paid by employers in 2012/13 onwards.

Financial Statements - Notes to the Accounts

11. Current Assets and Liabilities

	2011 £'000	2010 £'000	1.4.2009 £'000
Assets			
Contributions due	24,280	17,687	20,885
Amounts due from external managers	10,831	0	0
Accrued and outstanding investment income	1,582	234	847
Transfer values receivable	3,264	1,700	2,357
Retirement Grants paid in advance	36	1,726	0
Sundries	9,836	9,039	6,071
Provision for bad debts	-50	-149	-473
Cash at bank	807	724	725
	50,586	**30,961**	**30,412**
relating to:			
central government bodies	950	1,006	
other local authories	19,946	15,720	
nhs	0	0	
public corporations and trading funds	2,559	2,395	
bodies external to general government	27,131	11,840	
	50,586	**30,961**	

	2011 £'000	2010 £'000	1.4.2009 £'000
Liabilities			
Transfer values payable	0	0	0
Retirement Grants due	4,408	1,647	4,080
Provisions	873	596	541
Miscellaneous	10,705	10,673	5,365
	15,986	**12,916**	**9,986**
relating to:			
central government bodies	2,737	1,885	
other local authories	3,564	3,025	
nhs	0	0	
public corporations and trading funds	855	277	
bodies external to general government	8,830	7,729	
	15,986	**12,916**	
Total Current Assets and Liabilities	**34,600**	**18,045**	**20,426**

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

"Provision for Bad Debt" relates to property rental income, and is based on an assessment of all individual property debts as at 31 March 2011.

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-imbursement.

The breakdown of assets and liabilities as at 1 April 2009 has not been disclosed with regards to what bodies they relate to as a different information system was in use at that time and this information was not a requirement.

12. Commitments

Commitments for investments amounted to £187.69m as at 31 March 2011(2009/10 £194.02m). These commitments relate to Private Equity £104.16m, Infrastructure & Opportunities £49.57m and Indirect Property £33.97m. As some of these funds are denominated in foreign currencies, the commitment in sterling is subject to change due to currency fluctuations.

13. Related Party Transactions

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

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 £4.876m. (2010 £3.838m). Such charges principally relate to staffing required to maintain the pension service. Central, finance and IT costs are apportioned to the Fund on the basis of time spent on Fund work by Wirral Council.

Employers are related parties in so far as they pay contributions to the Fund in accordance with the appropriate Local Government Pension Scheme Regulations (LGPS). Contributions in respect of March 2011 payroll are included within the debtors figure in note 11.

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, Greater Hornby Homes 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 LGPS Regulations, and as such no related party transactions have been declared.

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 (£9.1m), F&C (£4.3m) and Zeus (£1.9m), by whom travel expenses and accommodation were paid, plus Key Capital (£2.1m) and Enterprise (£0.3m). As such no related party transactions have been declared.

Philip Hebson, former Senior UK Investment Manager, who left the Fund in the second half of the year, is a non-executive director of Aberdeen Private Equity Fund, in which the Fund is invested, and for which role he received a fee.

Financial Statements - Notes to the Accounts

14. Summary of Managers Portfolio Values as at 31 March 2011

	2011		2010	
	£'m	%	£'m	%
Externally Managed				
JP Morgan (European Equities)	192	3.8	177	3.8
UBS (US Equities)	417	8.2	381	8.1
Nomura (Japan)	201	4.0	204	4.4
Nomura (Pacific Rim)	0	0	182	3.9
Nomura (Emerging Markets)	0	0	260	5.6
Schroders (Fixed Income)	189	3.7	177	3.8
Legal & General (Pooled Assets - UK Equities & Index Linked)	859	16.9	940	20.1
Legal & General (Fixed Income)	195	3.8	183	3.9
Unigestion (European Equities)	147	2.9	138	2.9
M&G (UK Equities)	167	3.3	146	3.1
M&G (Global Emerging Markets)	134	2.6	0	0
TT International (UK Equities)	148	2.9	139	3.0
Blackrock (UK Equities)	165	3.2	143	3.1
Blackrock (Pacific Rim)	110	2.2	0	0
Newton (UK Equities)	135	2.7	122	2.6
Amundi (Global Emerging Markets)	139	2.7	0	0
Maple-Brown Abbot (Pacific Rim Equities)	104	2.0	0	0
	3,302	**64.9**	**3,192**	**68.3**

	2011		2010	
	£'m	%	£'m	%
Internally Managed				
UK Equities	481	9.4	467	10.0
European Equities	144	2.8	132	2.8
Property (Direct)	252	5.0	210	4.5
Property (Indirect)	172	3.4	88	1.9
Private Equity	241	4.7	192	4.1
Hedge Funds	225	4.4	231	4.9
Infrastructure	38	0.8	0	0
Opportunities	115	2.3	87	1.9
Short Term Deposits & Other Investments	117	2.3	76	1.6
	1785	**35.1**	**1,483**	**31.7**
	5,087	**100.0**	**4,675**	**100.0**

Nomura as at 31 March 2010 had a mandate for Japanese, Pacific Rim and Emerging Markets equities. Following a tender exercise they were retained for Japanese equity mandates, but their Pacific Rim and Emerging Market mandates were reallocated to Blackrock and Maple-Brown Abbot (Pacific Rim equities mandates). Amundi and M&G were appointed for the Emerging Markets equity mandates.

15. 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.

	2011	2010
	£000	**£000**
The aggregate amount of AVC investments is as follows:		
Equitable Life	2,898	3,100
Standard Life	6,035	6,834
Prudential	4,079	4,400
	13,012	**14,334**
Changes during the year were as follows:		
Contributions	1,705	1,575
Repayments	3,544	1,879
Change in market values	517	1,863

16. Compensatory Added Years (CAYs)

In previous years' accounts, payments of CAYs to pensioners, and the equivalent recharge to the employers who granted these additional payments were included within the figures of Benefits Payable (Note 4 to the accounts) and "Contributions Receivable" (Note 3 to the accounts). Since the implementation of the LGPS (Miscellaneous) Regulations 2009 SI 3150, which came into force 31 December 2009, this has been technically incorrect. As it is now unlikely that employers will take up the option within those regulations to convert current rechargeable CAY benefits into Scheme Pension or additional pension, these transactions are now shown outside the accounts as a separate note. A prior period adjustment has been made in respect of the financial year ended 31 March 2010 to remove these entries from the financial statements.

	2011	2010
	£000	**£000**
Received from Employers	11,560	12,183
Paid as Benefits	11,560	12,183
Net Impact on MPF accounts	**0**	**0**

Financial Statements - Notes to the Accounts

17. Investment Risk

In order to achieve its statutory obligations to pay pensions, the Fund invests its assets, including employer and employee contributions, in a way that allows it to meet its liabilities as they fall due for payment. It does this by matching assets to liabilities via an Asset Allocation exercise. During the year, MPF targeted a 79% exposure to "growth" assets, such as equities, property and alternatives, and 21% to "matching" assets, such as UK bonds or gilts which provide the best match for liabilities, i.e. payments of benefits to members in future years. Risks in growth assets include issuer risk and market risk (the greatest risks) which are mitigated by diversification across asset classes, markets and sectors. Mitigating interest rate risk and inflation risk points to significant investment in bonds, but doing so at the expense of "growth" assets would increase the costs of funding. "Matching assets" backed by the UK Government are considered low risk. However, corporate bonds carry some additional issuer risk.

18. 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 2010 a budget of £13.81m was approved for the financial year 2010/11. This was revised in January 2011 to £13.85m.

The two main elements of the budget were salaries and related costs of £2.96m and external investment management fees of £7.92m. The final accounts for the year ended 31 March 2011 indicate expenditure levels of £4.78m on administration costs overall and £10.3m on all investment management expenses. The primary reason for the increase in administration costs from the 2010 level of £3.96m is the payment of one-off severance costs plus the associated pension strain costs of reductions in staffing levels. 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 value of each portfolio changes. The marginal overspend on external manager fees reflects the 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 2010/11 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 2011.

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 2011, and its income and expenditure for the year then ended.

Director of Finance
28 September 2011

Audit Report

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

Opinion on the pension fund accounting statements

I have audited the pension fund accounting statements for the year ended 31 March 2011 under the Audit Commission Act 1998.

The pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. These 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 48 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Director of Finance and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Director of Finance is responsible for the preparation of the pension fund's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland).

Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error.

This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the fund; and the overall presentation of the accounting statements.

I read all the information in the annual report to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on accounting statements

In my opinion the pension fund's accounting statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2011 and the amount and disposition of the fund's assets and liabilities as at 31 March 2011 other than liabilities to pay pensions and other benefits after the end of the scheme year; and

- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

In my opinion, the information given in the annual report for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Matters on which I report by exception

I am required to report to you if, in my opinion, the annual report does not reflect compliance with the Local Government Pension Scheme (Administration) Regulations 2008 and related guidance. The governance statement is not included in the annual report. However, the statement is available from the pension fund. Apart from this I have nothing to report in respect of the governance statement.

Michael Thomas
Officer of the Audit Commission
Audit Commission
3rd Floor Millennium House
60 Victoria Street, Liverpool, L1 6LD
30 September 2011

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 (DCLG).

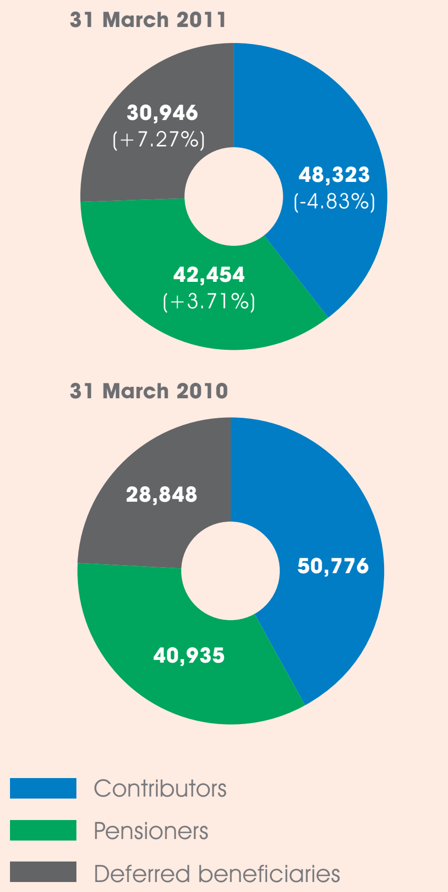
It is a contributory final salary scheme, which is contracted-out of the Second State Pension (S2P) and is exempt approved for tax purposes.

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.

Figure 4.
Membership



Legislation

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

The LGPS (Miscellaneous) Regulations 2010 S.I. 2010/2090
(into force 30 September 2010)

The regulations make a number of mostly technical clarifications or corrections to the principal regulations.

In addition:

Changes have been made that deal with the new tier 3 ill health retirement regulations enabling a member to access their suspended benefits before age 65 with an actuarial reduction.

Scheme members who are awarded a share of LGPS retirement benefits in their divorce settlement are now permitted to receive benefit from age 60 rather than 65 provided an appropriate actuarial reduction is made.

New rules are introduced about aggregating periods of membership when members are re-employed.

Explicit clarity is provided to allow administering authorities to enforce the funding of Pension Increase liabilities by Scheme Employers, inclusive of employers with no current active employees.

Provision is made to enable better handling of pensions for incapacitated pensioners unable to manage their own affairs.

The LGPS (Benefits, Membership and Contributions) (Amendment) Regulations 2011
(Into force 1 April 2011)

The Regulations amend the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007.

The provisions are corrective ones dealing with certain ill-health related amendments made in the Local Government Pension Scheme (Miscellaneous) Regulations 2010.

Two substantive alterations were made as a result of the representations made on consultation; a reference to registration with the General Medical Council has been inserted into Benefits Regulation 20(14). Regulation 4 of the original draft SI, which deals with the suggested changes that define the elements of the death grant calculation for active members, has been omitted.

Independent Pubic Service Pensions Commission

The Independent Public Service Pensions Commission set up by the Government and Headed by Lord Hutton to look into reform of the public sector pensions schemes including the LGPS issued its initial call for evidence in June 2010. The Merseyside Pension Fund submitted statistical information on the membership of the Fund and a response on the issues raised in the call for evidence.

Interim Report

The Independent Public Service Pensions Commission issued its interim report on 7 October 2010 on potential reform of the public service pension schemes. Whilst acknowledging the reforms that had already been made in recent years, including the cap and share arrangements in some of the schemes, the report said that the status quo was not tenable. It said that further reform is necessary in order to strike a fairer balance, not just between current tax payers and public service employees, but also between future and current generations.

The Commission issued a new call for evidence on 1 November 2010 to inform its final report on public service pension provision to which the Fund also submitted a response having regard to the results of consultation carried out with scheme members and employers. Some 1,952 people took part in a web based survey on the Fund website over a five day period and copies of all the comments received were submitted to the Commission.

Final Report

Lord Hutton published his final report on the future of public service pensions on 10 March 2011

The final report of the Commission sets out a number of detailed recommendations to the Government on how public service pensions can be made sustainable and affordable in the future, while providing an adequate level of retirement income.

The main recommendation of the report is that existing final salary public service pension schemes should be replaced by new schemes, where an employee's pension entitlement is still linked to their salary (a "defined benefit scheme") but is related to their career average earnings, with appropriate adjustments in earlier years so that benefits maintain their value.

The report suggests that it should be possible to introduce these new schemes before the end of this Parliament, in 2015, while allowing a longer transition, where needed, for groups such as the armed forces and police.

Other key recommendations in the report include:

- Linking Normal Pension Age (NPA) in most public service pension schemes to the State Pension Age.
- Introducing a Normal Pension Age of 60 for those members of the uniformed services – armed forces, police and firefighters – who currently have a NPA of less than 60;
- Setting a clear cost ceiling for public service pension schemes by placing a maximum limit on the proportion of pensionable pay that taxpayers will contribute to employees' pensions. Automatic stabilisers will be introduced to keep future costs under more effective control;
- Honouring, in full, the pension promises that have been earned by scheme members (their "accrued rights") and maintaining the final salary link for past service for current members;
- Introducing more independent oversight and much stronger governance of all public service pension schemes;
- Encouraging greater member involvement in consultations about the setting up of new schemes, and in the running of schemes; and
- Overhauling the current legal framework for public service pensions to make it simpler.

Scheme Administration Report

Proposed Phased Increase in employee contributions from April 2012

As a short term method of reducing employer costs the Commission report recommends increases to employee contribution rates. The Government is seeking to make phased increases of 3% on average phased in over three years from April 2012 but with protection for the lower paid.

The impact of such increases in local government where a large proportion of the workforce would be regarded as low paid would result in increases much greater than 3% would be required from the remainder of the workforce raising the risk of large numbers of optants out.

The full report is available from the Independent Public Service Commission Website. The Government is expected to announce its proposals for the new schemes and its decision on required increases in employee contribution rates by autumn 2011.

HM Revenue and Customs Regulations

In his Budget statement on 22 April 2009 the Chancellor announced that from 6 April 2011 higher rate pensions tax relief for individuals with an annual income of £150,000 or more would be tapered away so that for those earning over £180,000 tax relief would be worth 20 per cent.

Further changes were announced in the Pre-Budget Report statement on 9 December 2009 where the Chancellor of the Exchequer announced that from 6 April 2011 the restriction of higher rate pensions tax relief would apply to those whose gross income was £150,000 and over. However, individuals with pre-tax incomes, excluding employer pension contributions, of less than £130,000 would be unaffected. These provisions were included in the Finance Act 2010.

In the June 2010 Emergency Budget, the Government announced that it wished to consider the reform of pensions tax relief as it had reservations about the approach adopted by the previous administration and this resulted in the following revised arrangements from April 2011:

Lifetime Allowance

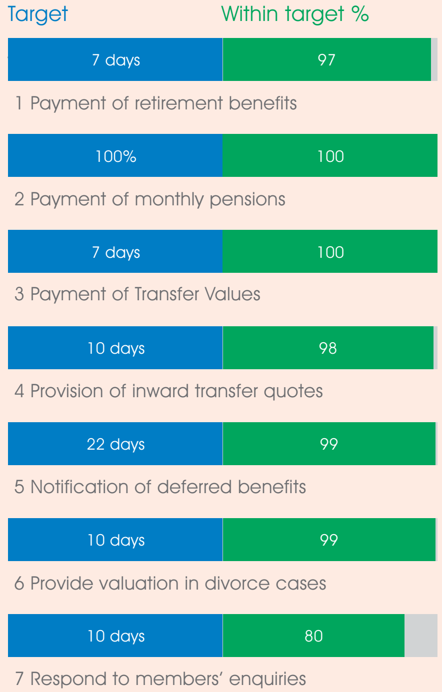
The lifetime allowance (LTA) is the limit on the total value of pension benefits you can draw at retirement without incurring a penal tax charge. The LTA is currently £1.8M but the Government is proposing to reduce this to £1.5M from April 2012. Within the Local Government Pension Scheme (LGPS) this reduction is only likely to impact on very high earners who have a large number of years' membership. The Government is looking at providing some measure of protection for those people who have made decisions based upon the current LTA limit. LTA usage is measured by multiplying the pension by a factor of 20 and adding to it any lump sum taken together with the value of any Additional Voluntary Contribution (AVC) fund.

Annual Allowance

As its name implies the Annual Allowance (AA) is a limit that applies to the increase in pension benefits from one year to the next. The current AA had a limit of £255,000 and again within the LGPS was only likely to impact upon high earners who had a significant pay increase. The new proposals reduce the AA to £50,000 with effect from April 2011 and change the method for valuing pension benefits against the new limit. From April 2011 the increase in pension benefits is calculated by comparing your pension benefits adjusted by inflation at the start of what is referred to as the Pension Input Period (PIP) with their value at the end of the PIP. Within the LGPS the PIP is defined as running from 1st April to 31st March. Members will be able to carry forward any unused Annual Allowance from the previous 3 years.

A fact sheet with further information on the new provisions is available on the Fund website or on request.

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



(Details given in respect of 12 month period to 31 March 2011)

Pensions Administration Section - Position Update Report April 2011

Actuarial Valuation 31 March 2010 Results

The Fund Actuary has completed the Actuarial Valuation as at 31 March 2010 having regard to the revised Funding Strategy Statement agreed last year following consultation with employers. The valuation report confirms that the market value of the Fund has increased from £4.301 billion as at 31 March 2007 to £4.690 billion (unaudited) at 31 March 2010.

The past service liabilities have been assessed as follows:

	£million
Active members' accrued benefits	£2,724
Deferred pensioners	£704
Pensioners (including dependents)	£2,588
Total	**£6,016**

This gives a deficit of £1,310 million and a funding level of 78% compared to a deficit of £1,063 million and a funding level of 80%, at the previous valuation as at 31 March 2007.

The deficit is in respect of past service liabilities to date, attributable to active, deferred and pensioner members and has to be recovered from employers.

The Actuary has updated the mortality assumptions. The allowance made takes account of recent improving national trends but modified to reflect local experience. This is an area which will need to be kept under review and it might be necessary to adjust these mortality assumptions again at the next actuarial valuation in 2013.

The total average contribution rate will therefore be 18% (25 year deficit recovery) or 21.6% (15 year deficit recovery, excluding any allowance for the risk premium loading for certain admission bodies).

This is compared to 17.8% (25 years) and 20.9% (15 years) at 31 March 2007. The actual rates vary however according to the individual experiences of employers.

Method of expressing and payment of employer contributions

With effect from 1 April 2011 employer contributions will be expressed and certified as two separate elements:

1) a percentage of pensionable payroll in respect of future accrual of benefits,

and

(2) a schedule of fixed £s amounts over 2011/14, building in an allowance for increases annually in line with the valuation funding assumption for long term pay growth, in respect of the past service deficit or surplus subject to review from April 2014 based on the results of the 2013 actuarial valuation.

Earnings Bands for employee contributions

The earnings bands on which employee contributions are calculated were changed for the financial year 2011/2012 in line with the Pension Increase Act. The Fund has written to employers to remind them of the correct employer rates to apply from April 2011 as follows:

2011/12 Full time equivalent pay rate	Contribution rate
£0 to £12,900	5.5%
£12,900.01 to £15,100	5.8%
£15,100.01 to £19,400	5.9%
£19,400.01 to £32,400	6.5%
£32,400.01 to £43,300	6.8%
£43,300.01 to £81,10	7.2%
More than £81,100	7.5%

Scheme Administration Report

Key Improvement Areas
The key improvement areas identified for the pension administration unit are as follows: -

1. Improved efficiency through further 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 completion of the replacement of the current pensions administration and pensioner payroll I.T. 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 changes in pension and tax legislation and is available on request and downloadable from the Fund's redesigned 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'.

   As Employers with a relatively small workforce can rarely justify hosting events solely for their staff, 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, 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 both by 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.

5. Monitoring Performance and Quality of Service
   Further development of procedures to monitor and evaluate the performance of the Fund and scheme employers in meeting the agreed service standards set out in the Fund Pensions Administration Strategy will be a priority over the forthcoming year.

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 (2009/2010) were as follows:

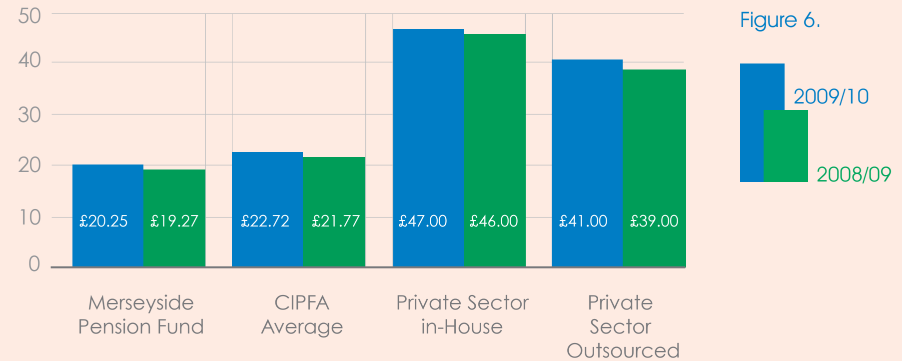


Figure 6.

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 2011, there were 4 new cases dealt with by the panel of Appointed Persons responsible for complaints against decisions made by the Fund. In 3 of these cases the decision taken by the Fund was upheld and in the remaining case the appeal that the member should have been allowed to aggregate memberships was granted.

A total of 10 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 or to bring preserved benefits into payment early on ill health grounds. Of these appeals against employer decisions, in all but 2 of the cases completed, the employer decision was upheld. The two cases in which the appeals were granted concerned early payment of deferred benefits on ill health grounds

Breakdown of IDRP Cases 2010-2011

Total IDRP Cases (Against Fund and Employer Decisions)	
Refused Ill Health Retirement	4
Refused Deferred Benefit on Ill Health Grounds	5
Refused redundancy Retirement	1
Early payment option at age 60	1
Payment of death grant	3
Total Appeals	**14**

Appeals Against Employer Decisions		
Employer	Number	Employer Decision
Enterprise	1	Ongoing
Knowsley	2	1 upheld/1 ongoing
Liverpool	3	1 upheld/2 granted
Sefton	1	Upheld
Wirral	1	Upheld
Knowsley Housing Trust	2	Upheld
Total Appeals	**10**	

Appeals Against Fund Decisions		
Reason for Appeal	Number	Fund Decision
Early payment option at age 60	1	Upheld
Death Grant Payment	3	Upheld
Total Fund appeals	**4**	

Ombudsman Decision
No cases concerning the Fund were considered by the Pensions Ombudsman during the period.


Cruise Liner Terminal
Pier Head
Mersey Ferries
Liverpool Town Hall
Western Approaches
Civil & Family Courts
Council One Stop Shop
Magistrates' Court
Passport, Register Offices
43
castle street

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 2010 to determine the contribution rates with effect from 1 April 2011 to 31 March 2014. The results of the valuation are contained in our report dated 30 March 2011.

On the basis of the assumptions adopted, the valuation revealed that the value of the Fund's assets of £4,706 million represented 78% of the Funding Target of £6,016 million at the valuation date. The valuation also showed that a common rate of contribution of 11.6% 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 6.4% of pensionable pay for 25 years. This would imply an average employer contribution rate of 18.0% 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 30 March 2011. 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 (Funding Target) per annum	For future service liabilities (Common Contribution Rate) per annum
Rate of return on investments (discount rate):		
- pre retirement	**6.5%**	6.75%
- post retirement	**5.5%**	6.75%
Rate of pay increases:	**4.5%**	4.5%
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension):	**3.0%**	3.0%

The assets were assessed at market value. The next triennial actuarial valuation of the Fund is due as at 31 March 2013. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2014.

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

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

In order to assess the value of the benefits on this basis, we have used the same actuarial assumptions as those used for funding purposes, other than the discount rate where we have used a rate of 5.6% p.a. both before and after retirement, rather than the rates as outlined above. We have also used valuation methodology in connection with ill-health and death benefits which is consistent with IAS 19. On this basis, the value of the Fund's promised retirement benefits as at 31 March 2010 was £6,381 million.

We have also carried out similar calculations as at the previous actuarial valuation date of 31 March 2007, using the same actuarial assumptions as those used for funding purposes at that date, other than the discount rate where we have used a rate of 5.4% p.a. both before and after retirement. On this basis, the value, for IAS 26 purposes, of the Fund's promised retirement benefits at that date was £5,877 million.

Paul Middleman
Fellow of the Institute of Actuaries
Mercer Limited
June 2011

Appendix A

Scheme employers with active members as at 31 March 2011

Scheduled Bodies

Academy of St Francis
Arena & Convention Centre Liverpool
Belvedere Academy
Birkenhead Sixth Form College
Burton Manor Residential College
Carmel College
Enterprise South Liverpool Academy
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 Valuation Tribunal
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 College
St. Helens M.B.C.
Whiston Town Council
Wirral Council
Wirral Metropolitan College

Admission Bodies

Age UK - Liverpool
Arriva North West
arvato Public Sector Services Limited
Association of Police Authorities
Balfour Beatty Workplace Ltd
Beechwood and Ballantyne Housing Assoc.
Berrybridge Housing Ltd
Birkenhead Market Services Ltd
Birkenhead School (2002)
Capita Symonds (Sefton)
Care Quality Commission
Catholic Children's Society
CDS Housing
Cobalt Housing Ltd
COLAS
Compass (Scolarest) Liverpool Schools
Compass (Scolarest) Wirral Schools
Comtechsa Limited
Crime Reduction Initiatives
Enterprise Liverpool Cleansing
Enterprise (Liverpool Highways) Ltd
Enterprise Liverpool Neighbourhood Grounds
Geraud Markets Liverpool Ltd
Glendale (Liverpool Parks Services) Ltd
Glenvale Transport Ltd/Stagecoach.
Graysons Restaurants Ltd
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
Lairdside Communities Trust
Lee Valley Housing Association Ltd
Liberata (UK) Ltd.
Liverpool Association for the Disabled
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 Deaf People
Merseyside Welfare Rights
Merseyside Youth Association
Mott Macdonald (M.I.S.)
Mouchel (2020 Knowsley Ltd)
Mouchel (2020 Liverpool/Parkman)
North Huyton New Deal New Future
North Liverpool Citizens Advice Bureau
Novas Group
Nugent Care
One Vision Housing Ltd.
Partners Credit Union
Port Sunlight Village Trust
Sefton Education Business Partnership
Sefton New Directions Ltd.
South Liverpool Housing Ltd
Southern Neighbourhood Council
Taylor Shaw Catering (St Wilfred's RC School)
University of Liverpool
Vauxhall Neighbourhood Council
Veolia ES Merseyside & Halton
Village Housing Association Ltd
Wavertree Citizens Advice Bureau
Welsh Local Government Association
Wirral Autistic Society
Wirral Citizens Advice Bureau
Wirral Council for Voluntary Service
Wirral Partnership Homes Ltd

Appendix B
Pensions Committee Items

28 June 2010

Appointment of Vice-Chair

Local Government Chronicle Investment Conference

Engaged Investor Trustee Awards

June Training Event

LGPS - Reform Update

Representation on Outside Bodies

Treasury Management Annual Report 2009/10

Audit Commission Fees

Investment Performance 2009-10

Governance & Risk Working Party

Transferee Admission Body Application - Graysons Restaurants

Management of Alternatives Portfolio

MPF Accounts - Year Ended 31 March 2010

Audit Commission Progress Report

IMWP Minutes 9/6/2010

Merseyside Special Investment Fund

27 September 2010

Accounts 2009-2010

Draft Annual Report

Audit Commission Annual Governance Report

October Training Event

Annual Employers' Conference

LAPFF Conference Bournemouth
Public Sector Pensions Commission Altair IT Hardware

Committee Membership

LGPS Reform

Knowledge and Skills Framework

LGPS Trustee Training Fundamentals

Banking Contract - Item Deferred
FRC Stewardship Code

Management of Japanese Equities

Management of Asia/Pacific Equities

Management of Emerging Market Equities

Provision of Pension Administration Services to London Borough

Non Recovery of Sum on Closure of Admission Body - Green Apprentices

Merseyside Special Investment Fund

Transferee Admission Body Application - Computacenter (UK)

Acquisition of Supermarket Store

Investment Monitoring Working Party Minutes 8/9/2010

16 November 2010

Asset Allocation

LGC Pension Fund Investment Conference

Statement of Investment Principles

Public Service Pensions Commission

Restricting Pensions Tax Relief through Existing Allowances

Funding Strategy Statement
Actuarial Valuation as at 31 March 2010

Minutes of Investment Monitoring Working Party 13/10/2010

Payment of Death Grant

11 January 2011

Pension Fund Budget 2011-12

Treasury Management Policy and Strategy 2011/12

Appointment of Property Asset Manager

Members Training 2011

Restricting Pensions Tax Relief

Audit Commission Audit Plan

Refurbishment at 241 Brooklands Road, Weybridge, Surrey

Governance and Risk Working Party

Public Service Pensions Commission

Passive Management

Staffing Structure

Investment Monitoring Working Party Minutes 24/11/2010

Review of Potential Unfunded Liabilities for Admission Bodies

Write off of Property Rental Arrears

Local Government (Discretionary Payments) (Injury Allowances) Regulations 2011

Tuesday, 29 March 2011

National Association of Pensions Fund Conference

LGPS Trustees Conference

CIPFA Annual Conference

Bank Signatories

Public Service Pensions Commission

LGPS Update

Members' Training

CIPFA Knowledge and Skills Framework - Interim

Compliance Statement

Extension of PIRC Contract

Charging Policy

Governance and Risk Working Party - Minutes

241 Brooklands Road, Weybridge, Surrey – Air Conditioning

Global Custodian Services

Private Equity Programme 2011-14

Tax Recovery

Investment Monitoring Working Party-Minutes 23/2/2011

Admission Body Application - Northgate Managed Services

Admission Body Application - Elite Cleaning and Environmental Services

Admission Body Application - Taylor Shaw

PIRC Contract Extension

Staffing Report

Lease of Part of Castle Chambers, Castle Street, Liverpool

Appendix C
Information Contacts

Position	Name	Telephone number
Head of Pension Fund	Peter Wallach	0151 242 1309
Principal Pensions Officer	Yvonne Caddock	0151 242 1333

Area	Name	Telephone number
Accounts	Patrick Dowdall	0151 242 1310
Investments	Leyland Otter	0151 242 1316
Members Services	Margaret Rourke/Sue Roberts	0151 242 1369
Benefits/Payroll	Barbara King	0151 242 1352
Operations (IT/Communications)	Guy Hayton	0151 242 1361

Resolution of Disputes		
Employer Decisions	Principal Pensions Officer	0151 242 1333
Fund Decisions	Director of Finance	0151 666 3056

Scheme Employers Contacts		
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Knowsley MBC	Yvonne Ashton	0151 443 4177
Liverpool City Council	Vanessa Duncan	0151 225 4128
Liverpool John Moores University	Jayne Brown	0151 231 8756
Merseyside Fire & Rescue Service	Helen Jones	0151 296 4219
Merseytravel	Linda Gedman	0151 330 1191
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

Merseyside
PENSION FUND

Report & Accounts 2010/11

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