

Merseyside Pension Fund

Actuarial Valuation as at 31 March 2001

Formal Report



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Summary

1. Funding Plan

Using the valuation basis that I have agreed with the Administering Authority:

- At the valuation date the liabilities of the Fund exceeded the assets by £198.5 million, giving a funding level of 94%.
- The Common Contribution Rate (i.e. the rate in respect of future service only) is 11.5% of Pensionable Pay. This rate allows for administrative expenses to be paid from the Fund. Employee contributions are payable in addition to this rate.
- If the deficit is removed over a 15 year period, the average employer contribution rate is 14.0% of Pensionable Pay per annum for the period, and reverts to 11.5% of Pensionable Pay at the end of the period. In practice, contribution rates will be reviewed regularly over this period so that, all other factors being neutral, a gradual revision of the average employer's contribution rate to the Common Contribution Rate may be expected.
- The recommended employer contribution rates for the period 1 April 2002 to 31 March 2005 are set out in the Certificate attached to this report.
- The next required actuarial valuation will be as at 31 March 2004, following which contribution rates will be revised with effect from 1 April 2005. Contribution rates may be revised prior to 1 April 2005 in certain circumstances, as prescribed by the Regulations governing the Local Government Pension Scheme. In particular, the contribution rates payable by "best value" admitted bodies may be subject to more frequent review.

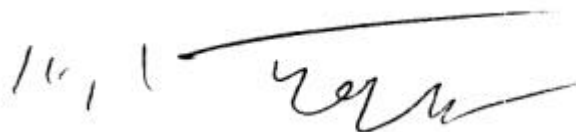
2. Maximum Funding Check

Contributions may be restricted, or other corrective action required, if there is an excessive surplus based on the prescribed assumptions under the Income and Corporation Taxes Act 1988. The valuation does not reveal an excessive surplus.

3. Funding Risk

The investment strategy pursued by the Administering Authority and reflected in the Statement of Investment Principles involves an element of risk. This risk arises due to the nature of the liabilities of the Fund, which are fundamentally fixed in real terms, and are effectively guaranteed. The assets of the Fund are predominantly made up of equity-type investments, and therefore are not matched to the nature or profile of the liabilities. We recommend that the investment objectives and strategy of the Fund should be reviewed regularly.

In the months since the valuation date, changes in investment markets and in real interest rates are likely to have acted to reduce the funding position, compared to that which would otherwise be expected. However, it should be borne in mind that the funding strategy is set by reference to a long-term timeframe reflecting the nature of the liabilities. The actual investment performance and experience of the Fund against the 2001 valuation assumptions, over the 3 year period following the valuation date, will be taken into account at the next actuarial valuation as at 31 March 2004.



Signature:

.....
S K Jacquest

Date of signing:

.....
27 March 2002

Qualification:

Fellow of the Institute of Actuaries

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Certificates

Contribution Certificate

Surplus Certificate

1. Results

Funding basis

- 1.1 Shown below are the results of the valuation using actuarial assumptions based on financial market yields on the valuation date ("current yield basis") and the longer term actuarial assumptions I have used to develop the Common Contribution Rate ("nominal yield basis") as appropriate.

Future service

- 1.2 The calculations in respect of future service are used to determine the Common Contribution Rate as required under the LGPS Regulations. The future service calculations take no account of any surplus or deficit in the Scheme.

The Common Contribution Rate, including an allowance for administrative expenses, is 11.5% of Pensionable Pay.

Past service

- 1.3 The position for service accrued to date is then determined on the funding basis:-

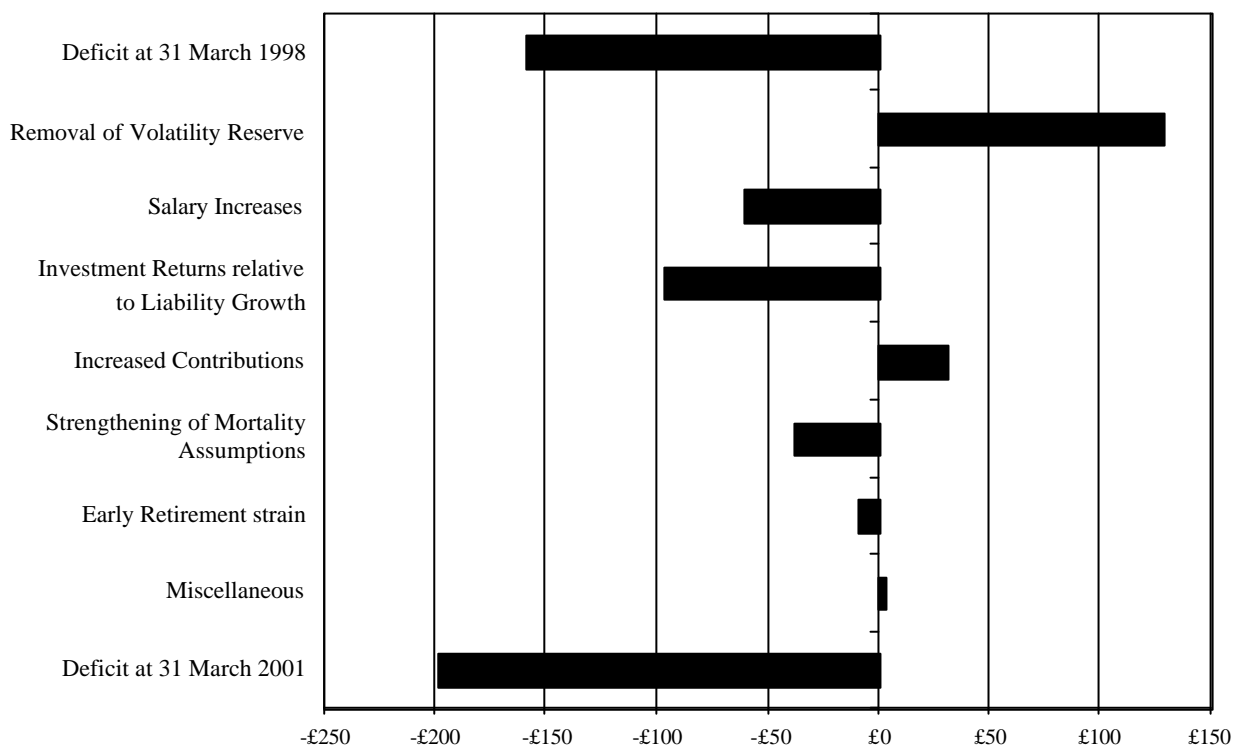
| | £000s |
|--|------------------|
| Value of liabilities: | |
| (a) active members' accrued benefits | 1,335,779 |
| (b) deferred pensioners | 278,893 |
| (c) pensioners (including dependants) | 1,597,209 |
| (d) all members [(a) + (b) + (c)] | <u>3,211,881</u> |
| (e) market value of assets (excluding AVC funds) | 3,013,352 |
| Deficit = (e) - (d) | 198,529 |
| Funding Level = (e) / (d) | 94% |

- 1.4 Each employer's position is separately assessed. Our certificate confirming the individual employer contribution rates payable is at the end of this Report.

Reconciliation to previous valuation

- 1.5 The previous actuarial valuation was carried out as at 31 March 1998. On the funding basis adopted at that time, the value of the accrued liabilities exceeded the value of the assets, and there was therefore a deficit in the Fund of £159.0 million.
- 1.6 The principal reasons for the change in the position between the two valuations are as follows:

Contribution to deficit (£m)



Statutory constraints

Maximum basis

- 1.7 The Inland Revenue require the funding position of the Fund to be assessed on a prescribed basis to ensure that it is not excessively funded. The surplus cannot exceed 5% of the liabilities on this prescribed basis without unfavourable taxation treatment being incurred.
- 1.8 The surplus at 31 March 2001 measured on the prescribed basis does not exceed 5% of the liabilities and no corrective action is needed. My certificate confirming the position is enclosed.

2. Purpose of the Valuation

- 2.1 I am the actuary to the Merseyside Pension Fund ("the Fund"). This is a report to the Administering Authority of the Fund on my actuarial valuation of the assets and liabilities of the Fund as at 31 March 2001. The last actuarial valuation of the Fund was at 31 March 1998.
- 2.2 The valuation has been undertaken in accordance with the Local Government Pension Scheme Regulations 1997 (as amended) ("the Regulations"). Under the Regulations, the contribution rates set for the various participating employers are determined by the Actuary. The purpose of the valuation is to review the employers' contribution rates taking account of the funding objectives agreed with the Administering Authority.
- 2.3 The calculations in the report use methods and bases appropriate for the purpose described above. Figures required for other purposes, such as employer accounting, should be calculated in accordance with the specific requirements for such purposes and it should not be assumed that the figures provided here are appropriate. The report may be disclosed to other parties with the consent of the Administering Authority or under the disclosure legislation and regulations. Such parties may rely upon the results for the purpose described above or any other purpose agreed with the actuary at the time of disclosure. However, the report does not grant any rights either to members or third parties. William M. Mercer does not accept liability to any other third parties in respect of the contents of this report.
- 2.4 This report complies with the requirements in the appropriate version of Guidance Note 9 - 'Retirement Benefit Schemes - Actuarial Reports' (insofar as it applies to Local Government Schemes) issued jointly by the Institute of Actuaries and the Faculty of Actuaries. This report does not deal with the position of the Fund were it to be discontinued, given the statutory framework of the Local Government Pension Scheme.

3. Valuation Objectives and Method

Valuation Objectives

- 3.1 It is convenient to define a valuation objective in order to monitor the contribution requirement. This usually means setting a long-term funding target and adjusting the funding rate to meet that target. The funding target set out below is in line with the approach set out in the Regulations.

Funding target: assets equal to the present value of benefits based on completed service but with provision for the effects of future salary growth and inflation up to the assumed retirement age.

- 3.2 This valuation objective is designed to represent a balance between providing a reasonable level of security in respect of accrued pension rights, and ensuring that the employer contributions to the Fund are realistic without being excessive.

Valuation Method

- 3.3 I have continued to use the same actuarial method, namely the Projected Unit method, at this valuation. The Projected Unit method is consistent with the long term funding target and is in common use for funding pension schemes in the United Kingdom.

- 3.4 The recommended contribution under the Projected Unit method consists of two parts:

3.4.1 The **Common Contribution Rate** required to meet the cost of benefits accruing for service after the valuation. The rate is calculated as the value of benefits expected to accrue to the membership in respect of one year's service based on projected pensionable salaries, with appropriate allowance for administrative expenses and members' contributions,

plus

3.4.2 The **contribution adjustment** required to correct (over an agreed future period) any imbalance between the assets of the Fund and the funding target.

- 3.5 For a given set of actuarial assumptions, the method has the following characteristics:

3.5.1 if the membership profile remains stable in terms of age, sex and average salary and the valuation assumptions are unchanged, then the Common Contribution Rate (as a percentage of Pensionable Pay) will remain stable. The method therefore implicitly allows for new entrants;

- 3.5.2 if the supply of new entrants to the Fund is cut off or declines, then the Common Contribution Rate will tend to rise at future valuations.

Selection of Assumptions

Common Contribution Rate

- 3.6 As described above, the Common Contribution Rate is based on the value of benefits expected to accrue to the membership in respect of one year's service based on projected pay. Theoretically, this value should take account of the investment return and other financial conditions at the time the contributions are invested. However, these will not be known at the valuation date and the actuary must make appropriate assumptions.
- 3.7 I have used longer-term actuarial assumptions ("nominal yield basis") rather than yields available in the market at the valuation date in order to calculate the Common Contribution Rate. This reflects the requirement in the Regulations to aim for a stable contribution rate.

Contribution adjustment

- 3.8 As described above, an adjustment is made to the Common Contribution Rate to correct (over an agreed future period) any imbalance between the assets of the Fund and the funding target (i.e. the present value of benefits based on completed service but with provision for the effects of future salary growth and inflation up to the assumed retirement age). To determine the adjustment, assets and liabilities must be calculated on a consistent basis.
- 3.9 I have used current yield assumptions to calculate the funding target and have measured the assets at market value (which is, by definition, consistent with current yields). This approach has the advantage of using an easily understood value for the assets.

4. Valuation Assumptions

- 4.1 The valuation results depend on the assumptions used. There are two broad categories of assumptions -
- financial assumptions - such as the investment return that will be earned in the future and the rates at which earnings and pensions will increase; and
 - demographic assumptions - such as rates of mortality, retirement, and withdrawal from the Fund.

- 4.2 The financial and demographic assumptions are considered separately below. A number of changes have been made to the assumptions used for the last actuarial valuation. These have been noted below.

Financial Assumptions

- 4.3 I have prepared the valuation results on a market related basis as described in section 3.
- 4.4 I have derived the financial assumptions for past service from the long-term yield on Government bonds in the market at the valuation date (the "**current yield**").
- 4.5 In deriving the other financial assumptions there are two subjective elements of the basis as follows:
- The extent to which the Fund's investments are expected to outperform a portfolio of Government bonds ("asset outperformance assumption" - AOA) An AOA of 1% per annum has been assumed.
 - The expected rate of Pensionable Pay increase above price inflation ("real Pensionable Pay growth"). This has been assumed to be 1% per annum.

Future Service

- 4.6 In deriving the assumptions to be used for assessing the future service contribution rate (the Common Contribution Rate), I have taken account of the fact that contributions will be invested in market conditions applying at future dates which are unknown at the present time and which are not directly linked to market conditions at the valuation date. Further, the future service liabilities for which these contributions will be paid have a longer average duration than the past service liabilities. It is therefore appropriate to take a "long-term" view in setting the future service basis ("**nominal yield**") and to adopt a somewhat more optimistic stance.

4.7 The following set of financial assumptions has therefore been adopted:

| | Past Service | Future Service |
|-------------------------------------|---------------------|-----------------------|
| Rate of discount | 5.6% per annum | 6.5% per annum |
| Rate of Pensionable Pay inflation * | 3.3% per annum | 3.5% per annum |
| Rate of price inflation | 2.3% per annum | 2.5% per annum |

* plus salary scale for certain employees.

Investment Strategy

- 4.8 In setting the financial assumptions described above, I have assumed that the Fund will continue to invest a significant portion of the assets in UK and overseas equities and that these will produce a future investment return that exceeds the current yield available on Government bonds.
- 4.9 Alternative investment strategies could be followed that, at least in theory, would minimise the risk of deterioration in the funding position. Such a strategy could be to invest the assets primarily in long-term fixed and index-linked bonds, substantially reducing the risk that changing economic conditions may cause a deterioration in the funding position and increases in employer contributions. It would also tend to produce a more stable contribution rate but at an overall level higher than I have recommended.
- 4.10 If such a strategy were adopted, this would lead directly to higher recommended contribution rates since it would no longer be appropriate to anticipate a higher investment return in excess of current bond yields. In common with most UK schemes, the Fund currently follows a higher risk equity based investment strategy, in the hope of reducing long-term contribution requirements.
- 4.11 I recommend that the Fund's investment objectives and strategy are reviewed regularly, having regard to the nature of the liabilities of the Fund. The broad purpose of such reviews should be to confirm the investment strategy remains appropriate, or otherwise to act as a stimulus for change.

Demographic Assumptions

- 4.12 As well as the financial assumptions, it is necessary to make a number of assumptions regarding membership movements such as retirements, deaths and other matters. The most important demographic assumptions are discussed below. An analysis of the actual experience as compared to some of the demographic assumptions adopted at the last valuation is set out in Appendix E.

4.13 The non-financial actuarial assumptions made to complete the valuation calculations include:

- Rates of early retirement
- Rates of ill health retirement
- Rates of mortality for pensionable employees in service, for preserved pensioners prior to retirement, and for pensioners and spouses in receipt of benefits
- Rates of withdrawal from active membership
- Proportions married
- Age difference between husband and wife

Early Retirement

4.14 Early Retirement Costs incurred prior to 31 March 2001

At the 1998 valuation of the Fund, certain employers made an allowance in their contribution rate to fund for anticipated non-ill health early retirement costs over the 3 years from 1 April 1999. This allowance was to be funded over a period of 15 years. Therefore, at the 2001 valuation, all other things equal, the allowance would not be fully funded for a number of years in the future. For the purposes of the valuation, I have assumed that any costs incurred, but not yet funded, will be recovered over a further 15 years.

Some employers are paying for excess non-ill health early retirement costs via capital payments over 5 years because they have exceeded their allowance on the Rates and Adjustments Certificate from the 1998 valuation. I have allowed for these sums by offsetting them against the equivalent liabilities incurred up to the valuation date. The 2001 valuation results assume, therefore, that these excess payments will continue for the balance of the 5 year period.

4.15 Future early retirement allowances

A specific allowance has been included for early retirements occurring over the period covered by the Rates and Adjustments Certificate attached to this report on the basis that the cost of such retirements will be met through the employer's contribution rate. The allowance for each employer is shown on the Schedule to the Rates and Adjustment Certificate and each employer will be monitored against its own allowance by the Administering Authority.

Retirement in Ill Health

4.16 Having reviewed the ill-health experience to date, and taking account of the likely future policy on granting ill health retirement, I have decided to maintain the same assumption as was used at 1998.

Mortality - Increased Longevity

- 4.17 Recent investigations suggest mortality rates are falling more quickly than previously anticipated. This means that schemes have to pay pensions for longer than before which in turn increases the liabilities of the Fund. The basis adopted incorporates some allowance for improved longevity for non-retired members.

Other Assumptions

- 4.17 The other demographic assumptions adopted for this valuation are the same as those used for the last valuation of the Fund.

5. Valuation Data and Trends

5.1 The valuation is based on three key items of data:

- the membership of the Fund at the valuation date;
- the benefits promised by the Fund as set out in the Regulations; and
- the amount of assets held by the Fund on the valuation date.

Membership

5.2 Data in relation to members in service, former employees with deferred pensions and current pensioners were obtained from computerised records maintained by the Administering Authority.

5.3 A summary of the membership data at the valuation date, with figures at the previous valuation date, shown for comparison, is included as Appendix A. A split of the membership between the employers is shown as Appendix B.

5.4 An analysis of the Fund's actual experience in relation to the demographic assumptions adopted at the last valuation is set out in Appendix E.

Benefits

5.5 The benefits provided by the Fund are set out in the Regulations. There have been a number of amendments made to the Regulations since the last valuation, but there have been no significant changes in the benefits payable.

5.6 UK and European law require pension schemes to provide equal benefits to men and women in respect of service after 17 May 1990 (the date of the "Barber" judgement). There is still no general agreement on whether this applies to inequalities caused by guaranteed minimum pensions (GMPs) and, if it does, what adjustments have to be made to scheme benefits to correct these inequalities. The valuation makes no allowance for equalisation of inequalities. It is consequently possible that additional funding will be required for equalisation once the law has been clarified.

Assets

5.7 Details of the assets held by the Fund and audited accounts covering the period ended 31 March 2001 were supplied by the Administering Authority. Details of the assets are given in Appendix C, with a summary of income and expenditure in Appendix D.

Appendix A

Summary of Membership Data

The valuation as at 31 March 2001 has been based on the following data (see also Appendix B for a distribution of membership by employing bodies):-

| Pensionable Employees | At 31.3.1998 | At 31.3.2001 | Increase (%) |
|------------------------------|---------------------|---------------------|---------------------|
| Number | 47,178 | 46,050 | (2.4) |
| Annual Pensionable Pay (£) | 570,145,760 | 605,538,508 | 6.2 |
| Average Pensionable Pay (£) | 12,085 | 13,150 | 8.8 |

| Preserved Pensioners * | At 31.3.1998 | At 31.3.2001 | Increase (%) |
|---|---------------------|---------------------|---------------------|
| Number | 11,796 | 18,740 | 58.9 |
| Annual Pensions Inclusive of Pension Increase (£) | 14,075,730 | 23,892,897 | 69.7 |
| Average Pension Including Pension Increase (£) | 1,193 | 1,275 | 6.9 |

* including frozen refunds and leavers options pending

| Current Pensioners | At 31.3.1998 | At 31.3.2001 | Increase (%) |
|---|---------------------|---------------------|---------------------|
| Number | 27,855 | 29,644 | 6.4 |
| Annual Pensions Inclusive of Pension Increase (£) | 93,476,770 | 108,363,152 | 15.9 |
| Average Pension Including Pension Increase (£) | 3,356 | 3,655 | 8.9 |

| Current Widow/Widower Pensioners | At 31.3.1998 | At 31.3.2001 | Increase (%) |
|---|---------------------|---------------------|---------------------|
| Number | 6,077 | 6,083 | 0.1 |
| Annual Pensions Inclusive of Pension Increase (£) | 11,024,180 | 12,060,244 | 9.4 |
| Average Pension Including Pension Increase (£) | 1,814 | 1,983 | 9.3 |

In addition there were 338 current dependant pensioners as at 31 March 2001.

Appendix B

Distribution of Membership by Employing Bodies

| Employing Body | Pensionable Employees | Preserved Pensioners | Pensioners | Widow(er)s |
|--|----------------------------------|---------------------------------|-------------------|-------------------|
| Merseyside County Council | 0 | 321 | 564 | 285 |
| Liverpool City Council | 11,642 | 6,665 | 9,817 | 1,961 |
| Knowsley Metropolitan Borough Council | 4,411 | 1,289 | 2,560 | 421 |
| St Helens Metropolitan Borough Council | 4,783 | 1,327 | 2,547 | 492 |
| Sefton Metropolitan Borough Council | 7,307 | 2,754 | 3,417 | 699 |
| Wirral Metropolitan Borough Council | 7,950 | 2,412 | 4,841 | 733 |
| Merseyside Passenger Transport Executive | 522 | 585 | 2,055 | 1,049 |
| Merseyside Residuary Body | 0 | 36 | 55 | 4 |
| Merseyside Fire & Civil Defence Authority | 316 | 47 | 130 | 11 |
| Merseyside Police Authority | 1,674 | 283 | 599 | 53 |
| National Probation Service - Merseyside | 598 | 187 | 252 | 29 |
| Merseyside Passenger Transport Authority | 316 | 46 | 167 | 37 |
| National Museums & Galleries on Merseyside | 0 | 27 | 27 | 14 |
| Waste Disposal Authority | 21 | 40 | 69 | 16 |
| City of Liverpool Community College | 284 | 76 | 106 | 5 |
| Knowsley Community College | 140 | 53 | 24 | 0 |
| St Helens Further Education College | 390 | 92 | 41 | 3 |
| Carmel Sixth Form College | 49 | 10 | 1 | 2 |
| Hugh Baird Further Education College | 161 | 55 | 14 | 4 |
| Southport Further Education College | 132 | 49 | 21 | 1 |
| King George V Further Education College | 42 | 6 | 1 | 0 |
| Wirral Metropolitan College | 247 | 179 | 128 | 5 |
| Birkenhead Sixth Form College | 28 | 1 | 3 | 0 |
| Calday Grange Grammar School | 30 | 4 | 7 | 0 |
| Wirral Grammar School (Boys) | 32 | 4 | 1 | 0 |
| St Thomas Beckett School | 11 | 0 | 2 | 0 |
| Our Lady of Fatima High School | 8 | 1 | 2 | 0 |
| St Margarets C of E High School | 15 | 0 | 2 | 0 |
| St Hilda's High School | 9 | 1 | 2 | 0 |
| Merseywaste Limited | 94 | 9 | 21 | 1 |

| Employing Body | Pensionable Employees | Preserved Pensioners | Pensioners | Widow(er)s |
|--|------------------------------|-----------------------------|-------------------|-------------------|
| King David Primary School | 9 | 0 | 1 | 0 |
| Prescot Town Council | 7 | 4 | 0 | 0 |
| Upton Hall Convent School | 15 | 2 | 1 | 0 |
| Merseyside Magistrates Courts Committee | 301 | 104 | 135 | 29 |
| St Gabriel's Community Home | 0 | 1 | 6 | 0 |
| University of Liverpool | 4 | 2 | 17 | 7 |
| Parkhaven Trust | 0 | 0 | 3 | 1 |
| Local Government Association | 119 | 73 | 31 | 2 |
| Nugent Care Society | 252 | 69 | 75 | 9 |
| Liverpool Council for Social Aid | 0 | 3 | 0 | 2 |
| Eccleston Parish Council | 0 | 0 | 1 | 0 |
| Bellerive Convent Grammar School | 0 | 0 | 1 | 0 |
| Bluecoat School | 12 | 2 | 5 | 0 |
| Sir Robert Jones Memorial Workshops | 3 | 0 | 4 | 1 |
| Indefatigable Sea Training School | 0 | 0 | 1 | 0 |
| Liverpool Housing Trust Limited | 0 | 1 | 2 | 1 |
| Liverpool Association for the Disabled | 0 | 0 | 2 | 0 |
| Liverpool Workshops for the Blind | 0 | 9 | 17 | 4 |
| Faulkner House Association | 0 | 0 | 1 | 0 |
| David Lewis Hotel & Club Association | 0 | 0 | 1 | 0 |
| Eton Lodge Training Home | 0 | 5 | 3 | 0 |
| Merseyside Arts Association | 0 | 1 | 0 | 0 |
| North West Tourist Board | 34 | 19 | 9 | 1 |
| ARRIVA North West Limited | 1,249 | 880 | 1,150 | 98 |
| River Crossens Drainage Board | 0 | 0 | 0 | 1 |
| Liverpool Polytechnic Students Union | 0 | 1 | 3 | 0 |
| Vauxhall Neighbourhood Council | 7 | 5 | 0 | 0 |
| Priority Area Development | 0 | 0 | 1 | 0 |
| Birkenhead School Limited | 24 | 2 | 5 | 0 |
| St Helens & District Society for the Deaf | 2 | 3 | 1 | 0 |
| Burton Manor Residential College | 12 | 9 | 14 | 2 |
| Birkenhead Council for Voluntary Service | 0 | 0 | 1 | 0 |
| Co-operative Development Services | 126 | 35 | 11 | 0 |
| Whiston Parish Council | 6 | 1 | 3 | 0 |
| Liverpool and Knowsley Family Service Unit | 9 | 7 | 0 | 0 |
| Wirral Methodist Housing Association | 0 | 0 | 1 | 0 |
| Halewood Parish Council | 9 | 9 | 5 | 0 |
| Merseyside Youth Association | 4 | 9 | 6 | 1 |
| Merseyside Society for Deaf People Limited | 24 | 4 | 2 | 1 |
| Wirral Autistic Society | 97 | 32 | 12 | 1 |
| Merseyside Valuation & Community Charge Tribunal | 7 | 3 | 1 | 1 |
| Community Technical Services | 5 | 2 | 0 | 1 |
| Age Concern - Liverpool | 35 | 9 | 8 | 0 |

| Employing Body | Pensionable Employees | Preserved Pensioners | Pensioners | Widow(er)s |
|--|------------------------------|-----------------------------|-------------------|-------------------|
| National Meteorological Co-ordination Unit | 0 | 1 | 0 | 0 |
| Liverpool Hope University College | 21 | 5 | 25 | 2 |
| Merseyside Arts Trust | 0 | 16 | 2 | 0 |
| Merseyside Development Corporation | 0 | 44 | 26 | 2 |
| St Francis Xavier College | 17 | 4 | 3 | 1 |
| METEL Limited | 0 | 2 | 1 | 0 |
| Merseyside Improvements Limited | 0 | 0 | 0 | 1 |
| Groundwork Trust Limited | 41 | 28 | 2 | 0 |
| RC Archdiocese of Liverpool | 0 | 1 | 0 | 0 |
| MTUCU Resource Centre | 22 | 8 | 5 | 0 |
| St Helens TUCU Resource Centre | 0 | 6 | 2 | 0 |
| The Villages Housing Association Limited | 5 | 4 | 8 | 1 |
| Shrewsbury Diocesan Society | 6 | 1 | 1 | 0 |
| Diocese of Liverpool | 0 | 1 | 0 | 0 |
| Merseyside Equal Opportunities Project | 0 | 1 | 0 | 0 |
| Merseyside Enterprise Board | 0 | 1 | 0 | 2 |
| Merseyside Innovation Centre | 0 | 1 | 1 | 0 |
| Central Youth Club Limited | 1 | 0 | 0 | 0 |
| National Mobility Services | 0 | 2 | 0 | 0 |
| Merseyside Lieutenancy | 2 | 0 | 0 | 0 |
| Liverpool Airport plc | 1 | 86 | 73 | 6 |
| Liverpool John Moores University | 1,230 | 507 | 318 | 28 |
| Birkenhead Citizens Advice Bureau | 8 | 1 | 0 | 0 |
| Local Government International Bureau | 20 | 17 | 4 | 0 |
| LACOTS | 21 | 11 | 4 | 0 |
| Knowsley Parish Council | 5 | 2 | 2 | 0 |
| Cornerstone Care Limited | 14 | 23 | 38 | 0 |
| Wirral Council for Voluntary Services | 20 | 4 | 0 | 0 |
| Merseyside Welfare Rights | 6 | 4 | 0 | 0 |
| Speke Citizens Advice Bureau | 0 | 2 | 2 | 0 |
| Southern Neighbourhood Council | 2 | 1 | 0 | 0 |
| Liverpool Community Rights | 1 | 0 | 0 | 0 |
| Walton Citizens Advice Bureau | 2 | 0 | 0 | 0 |
| Liverpool Citizens Advice Bureau | 1 | 0 | 0 | 0 |
| Anfield Citizens Advice Bureau | 1 | 0 | 0 | 0 |
| Netherley Citizens Advice Bureau | 1 | 0 | 0 | 0 |
| Liverpool 8 Law Centre | 1 | 0 | 0 | 0 |
| Kensington Citizens Advice Bureau | 1 | 0 | 0 | 0 |
| Drug Free | 8 | 0 | 1 | 0 |
| Old Swan Citizens Advice Bureau | 2 | 0 | 0 | 0 |
| St Helens Careers Services Limited | 46 | 5 | 4 | 0 |
| Rainhill Parish Council | 1 | 0 | 0 | 0 |
| Career Decisions Limited | 170 | 7 | 7 | 1 |

| Employing Body | Pensionable Employees | Preserved Pensioners | Pensioners | Widow(er)s |
|---|------------------------------|-----------------------------|-------------------|-------------------|
| Career Connections Limited | 104 | 54 | 6 | 0 |
| Speke Garston Development Corporation | 4 | 0 | 0 | 0 |
| Rainford Parish Council | 2 | 0 | 0 | 0 |
| South Liverpool Housing Ltd | 30 | 2 | 2 | 0 |
| Port Sunlight Village Trust | 9 | 0 | 0 | 0 |
| Interserve FM Ltd | 496 | 22 | 37 | 0 |
| Unicorn | 56 | 0 | 0 | 0 |
| Lorne Stewart plc | 78 | 0 | 1 | 0 |
| Holst Facilities Management Ltd | 6 | 1 | 3 | 0 |
| Speke Garston Education Action Zone | 3 | 0 | 0 | 0 |
| Dingle, Granby, Toxteth Education Action Zone | 1 | 0 | 0 | 0 |
| West Lancashire District Council Recharge | 0 | 0 | 3 | 3 |
| Warrington District Council Recharge | 0 | 0 | 3 | 2 |
| National Health Service Recharge | 0 | 0 | 32 | 14 |
| North West Water Recharge | 0 | 0 | 12 | 32 |
| Total: | 46,050 | 18,740 | 29,644 | 6,083 |

Note: The above summary shows, where applicable, all pensionable employees who have transferred to a new employer in the Fund as part of a best value outsourcing contract both as a pensionable employee in their new employer and a deferred member in their previous body. This is because where a member has not elected to aggregate their service up to transfer to their new employment a deferred pensioner record has been provided.

Appendix C

Summary of Assets

Based on the audited accounts, the market value of the assets of the Fund at the valuation date is made up as follows:-

| | £000s | % |
|---------------------------|------------------|------------|
| Fixed Interest Securities | 195,420 | 6.5 |
| Index Linked Securities | 325,702 | 10.8 |
| Equities | 1,778,978 | 59.0 |
| Managed or Unitised Funds | 317,116 | 10.5 |
| Properties | 242,850 | 8.1 |
| Short Term Deposits | 126,800 | 4.2 |
| Other Net Assets | 26,486 | 0.9 |
| Total | <u>3,013,352</u> | <u>100</u> |

Additional Voluntary Contributions (AVC) investments have been excluded for the purposes of the valuation.

At the 1998 valuation, the market value of the Fund was taken as £2,570,146,000. However the audited accounts for 1998/99 showed an asset value of £2,569,382,000 as at 31 March 1998. Therefore, the market value of the assets of the Fund has risen by 17.3 per cent over the three year period.

The average investment return (net of investment expenses) obtained based on assets at market value has been approximately 6.7 per cent per annum.

Appendix D

Summary of Income and Expenditure

| Year ending 31 March: | | | | |
|--|--------------------------|-----------------------|-----------------------|--------------------------|
| INCOME | 1999 £000s | 2000 £000s | 2001 £000s | Summary £000s |
| Fund at beginning of period | 2,569,382 ⁽¹⁾ | 2,687,853 | 3,166,524 | 2,570,146 |
| Contributions to Fund: | | | | |
| Employees | 33,100 | 34,555 | 35,298 | 102,953 |
| Employers | 55,358 | 62,827 | 72,748 | 190,933 |
| Early Retirement Funding | 6,024 | 5,982 | 8,065 | 20,071 |
| Transfer values received | 10,666 | 17,476 | 17,667 | 45,804 |
| Investment income plus change in market value of investments | 160,057 | 503,209 | (121,052) | 542,214 |
| TOTAL: | 2,834,582 | 3,311,902 | 3,179,250 | 3,471,537 |

| Year ending 31 March: | | | | |
|--|-----------------------|-----------------------|-----------------------|--------------------------|
| EXPENDITURE | 1999 £000s | 2000 £000s | 2001 £000s | Summary £000s |
| Retirement and spouses' benefits | 113,093 | 117,698 | 123,866 | 354,657 |
| Retiring allowances and death gratuities | 15,832 | 16,666 | 27,387 | 59,885 |
| Refunds of contributions & CEPs | 572 | 499 | 558 | 1,629 |
| Transfer values paid | 13,554 | 7,135 | 10,384 | 31,073 |
| Investment expenses | 719 | 421 | 360 | 1,500 |
| Administration expenses | 2,959 | 2,959 | 3,343 | 9,261 |
| Fund at end of period | 2,687,853 | 3,166,524 | 3,013,352 | 3,013,352 |
| TOTAL: | 2,834,582 | 3,311,902 | 3,179,250 | 3,471,357 |

(1) This is the asset value as at 31 March 1998 shown in the audited accounts for 1998/99. This is different from the asset value of £2,570,146,000 used for the purpose of the 1998 valuation.

All the above figures exclude AVC transactions.

Appendix E

Experience Analysis of the Membership of the Fund during the period from 1 April 1998 to 31 March 2001

1. Ill Health Retirements

| | Actual | Expected |
|---------|---------------|-----------------|
| Males | 592 | 573 |
| Females | 933 | 959 |
| Total: | 1,525 | 1,532 |

2. Withdrawals

| | Refund | Transfers | Preserved | Total Actual | Expected (excluding transfers) |
|---------|---------------|------------------|------------------|---------------------|---------------------------------------|
| Males | 1,383 | 95 | 2,333 | 3,811 | 857 |
| Females | 4,062 | 152 | 2,942 | 7,156 | 2,997 |
| Total: | 5,445 | 247 | 5,275 | 10,967 | 3,854 |

3. Deaths

| | Active Members | | Pensioners | |
|---------|-----------------------|-----------------|-------------------|-----------------|
| | Actual | Expected | Actual | Expected |
| Males | 75 | 177 | 1,911 | 1,536 |
| Females | 90 | 146 | 1,906 | 1,402 |
| Total: | 165 | 323 | 3,817 | 2,938 |

Local Government Pension Scheme Regulations 1997

Rates and Adjustments Certificate issued in accordance with Regulation 77

Regulation 77(3)

I hereby certify that, in my opinion, the Common Rate of employer's contributions payable in each year of the period of three years beginning 1 April 2002 should be at the rate of 11.5 per cent of Pensionable Pay.

I hereby certify that, in my opinion, the amount of the employer's contribution rate payable in each year of the period of three years beginning with 1 April 2002, as set out above, should be individually adjusted by the rate per cent of Pensionable Pay set out in the attached Schedule.

Regulation 77(7)

I have also shown on the attached Schedule for each employer the number and expected liabilities of non-ill health early retirements expected to arise over the period of three years beginning with 1 April 2002 taken into account when setting the employer's contribution rate. The additional liabilities anticipated have been assessed using the method and assumptions set out in this report.



A handwritten signature in black ink, appearing to be 'M. L. [unclear]', written over a horizontal dotted line.

Signature

27 March 2002

Date of signing

Schedule to the Rates and Adjustments Certificate Dated 27 March 2002

| Scheduled Bodies | 2002/03 | | 2003/04 | | 2004/05 | | Non-ill health early retirement allowance included for the 3 years 2002/05 |
|---|-------------------------|---------------------------|-------------------------|---------------------------|-------------------------|---------------------------|--|
| | Individual Adjustment % | Total Contribution Rate % | Individual Adjustment % | Total Contribution Rate % | Individual Adjustment % | Total Contribution Rate % | Amount £ |
| Liverpool City Council | 5.4 | 16.9 | 6.5 | 18.0 | 7.6 | 19.1 | 6,000,000 |
| Knowsley Metropolitan Borough Council | 1.8 | 13.3 | 2.4 | 13.9 | 2.9 | 14.4 | 4,006,747 |
| St Helens Metropolitan Borough Council | 3.7 | 15.2 | 3.7 | 15.2 | 3.7 | 15.2 | 450,000 |
| Sefton Metropolitan Borough Council | 1.1 | 12.6 | 1.1 | 12.6 | 1.1 | 12.6 | 2,700,000 |
| Wirral Metropolitan Borough Council | 2.8 | 14.3 | 2.8 | 14.3 | 2.8 | 14.3 | 5,000,000 |
| Merseyside Passenger Transport Executive | (11.3) | 0.2 | (11.3) | 0.2 | (11.3) | 0.2 | 200,000 |
| Merseyside Fire & Civil Defence Authority | 1.2 | 12.7 | 1.8 | 13.3 | 2.4 | 13.9 | - |
| Merseyside Police Authority | 1.7 | 13.2 | 2.6 | 14.1 | 3.5 | 15.0 | 665,000 |
| National Probation Service – Merseyside | (0.4) | 11.1 | 0.3 | 11.8 | 0.3 | 11.8 | 135,000 |
| Merseyside Passenger Transport Authority | (2.4) | 9.1 | (2.4) | 9.1 | (2.4) | 9.1 | 150,000 |
| Waste Disposal Authority | (11.5) | 0.0 | (11.5) | 0.0 | (11.5) | 0.0 | - |
| City of Liverpool Community College | 3.8 | 15.3 | 3.8 | 15.3 | 3.8 | 15.3 | 92,500 |
| Knowsley Community College | 0.4 | 11.9 | 0.4 | 11.9 | 0.4 | 11.9 | - |
| St Helens Further Education College | 1.2 | 12.7 | 1.2 | 12.7 | 1.2 | 12.7 | - |
| Carmel Sixth Form College | tba | tba | tba | tba | tba | tba | tba |
| Hugh Baird Further Education College | 0.1 | 11.6 | 0.1 | 11.6 | 0.1 | 11.6 | - |

| Scheduled Bodies | 2002/03 | | 2003/04 | | 2004/05 | | Non-ill health early retirement allowance included for the 3 years 2002/05 |
|------------------|-------------------------|---------------------------|-------------------------|---------------------------|-------------------------|---------------------------|--|
| | Individual Adjustment % | Total Contribution Rate % | Individual Adjustment % | Total Contribution Rate % | Individual Adjustment % | Total Contribution Rate % | Amount £ |

| | | | | | | | |
|--|-------|------|-------|------|-------|------|-----------|
| Southport Further Education College | 0.8 | 12.3 | 0.8 | 12.3 | 0.8 | 12.3 | 74,000 |
| King George V Further Education College | (0.8) | 10.7 | (0.4) | 11.1 | 0.0 | 11.5 | - |
| Wirral Metropolitan College | 3.8 | 15.3 | 3.8 | 15.3 | 3.8 | 15.3 | 111,000 |
| Birkenhead Sixth Form College | (0.9) | 10.6 | 0.0 | 11.5 | 0.9 | 12.4 | - |
| Merseywaste Limited | (7.5) | 4.0 | (7.2) | 4.3 | (6.9) | 4.6 | - |
| Prescot Town Council | (1.4) | 10.1 | (0.8) | 10.8 | (0.1) | 11.4 | - |
| Merseyside Magistrates Courts Committee | 1.7 | 13.2 | 2.6 | 14.1 | 3.5 | 15.0 | - |
| Whiston Parish Council | (7.8) | 3.7 | (7.8) | 3.7 | (7.8) | 3.7 | - |
| Halewood Parish Council | (7.5) | 4.0 | (7.5) | 4.0 | (7.5) | 4.0 | - |
| Merseyside Valuation & Community Charge Tribunal | (9.5) | 2.0 | (9.5) | 2.0 | (9.5) | 2.0 | - |
| Liverpool John Moores University | (0.3) | 11.2 | 0.2 | 11.7 | 0.7 | 12.2 | 1,110,000 |
| Knowsley Parish Council | 3.5 | 15.0 | 3.5 | 15.0 | 3.5 | 15.0 | - |
| Rainhill Parish Council | 5.8 | 17.3 | 5.8 | 17.3 | 5.8 | 17.3 | - |
| Rainford Parish Council | 1.0 | 12.5 | 1.4 | 12.9 | 1.7 | 13.2 | - |
| Speke Garston Education Action Zone | 3.0 | 14.5 | 3.0 | 14.5 | 3.0 | 14.5 | - |

| Admitted Bodies | 2002/03 | | 2003/04 | | 2004/05 | | Non-ill health early retirement allowance included for the 3 years 2002/05 |
|--|-------------------------|---------------------------|-------------------------|---------------------------|-------------------------|---------------------------|--|
| | Individual Adjustment % | Total Contribution Rate % | Individual Adjustment % | Total Contribution Rate % | Individual Adjustment % | Total Contribution Rate % | Amount £ |
| University of Liverpool | (11.5) | 0.0 | (11.5) | 0.0 | (11.5) | 0.0 | - |
| Local Government Association | (6.2) | 5.3 | (3.8) | 7.7 | (1.5) | 10.0 | 55,500 |
| Nugent Care Society | 2.0 | 13.5 | 2.0 | 13.5 | 2.0 | 13.5 | - |
| Sir Robert Jones Memorial Workshops | (2.4) | 9.1 | (1.2) | 10.3 | (0.1) | 11.4 | - |
| North West Tourist Board | (2.3) | 9.2 | (1.7) | 9.8 | (1.1) | 10.4 | 20,000 |
| ARRIVA North West Limited | (8.0) plus £390,000* | 3.5 plus £390,000 * | (8.0) plus £400,000* | 3.5 plus £400,000* | (8.0) plus £415,000* | 3.5 plus £415,000* | - |
| Vauxhall Neighbourhood Council | 1.5 | 13.0 | 2.9 | 14.4 | 4.2 | 15.7 | - |
| Birkenhead School Limited | 5.7 | 17.2 | 6.6 | 18.1 | 7.4 | 18.9 | 17,500 |
| St Helens & District Society for the Deaf | (5.7) | 5.8 | (4.4) | 7.1 | (3.0) | 8.5 | - |
| Burton Manor Residential College | 0.3 | 11.8 | 1.1 | 12.6 | 1.8 | 13.3 | - |
| Co-operative Development Services | 1.2 | 12.7 | 1.2 | 12.7 | 1.2 | 12.7 | - |
| Liverpool and Knowsley Family Service Unit | (3.8) | 7.7 | (2.7) | 8.8 | (1.7) | 9.8 | - |
| Merseyside Youth Association | 2.0 | 13.5 | 2.0 | 13.5 | 2.0 | 13.5 | - |
| Merseyside Society For Deaf People Limited | 1.5 | 13.0 | 2.8 | 14.3 | 4.0 | 15.5 | - |
| Wirral Autistic Society | 1.5 | 13.0 | 2.0 | 13.5 | 2.5 | 14.0 | - |
| Community Technical Services | 0.5 | 12.0 | 1.2 | 12.7 | 1.8 | 13.3 | - |
| Age Concern - Liverpool | 3.6 | 15.1 | 4.1 | 15.6 | 4.5 | 16.0 | - |
| Liverpool Hope University College | 9.0 | 20.5 | 10.0 | 21.5 | 10.9 | 22.4 | 128,358 |
| Groundwork Trust Limited | (0.9) | 10.6 | (0.9) | 10.6 | (0.9) | 10.6 | - |
| The Villages Housing Association Limited | 3.3 | 14.8 | 3.9 | 15.4 | 4.5 | 16.0 | - |
| Shrewsbury Diocesan Society | (5.7) | 5.8 | (3.8) | 7.7 | (2.0) | 9.5 | - |
| Central Youth Club Limited | (2.4) | 9.1 | (1.1) | 10.4 | 0.1 | 11.6 | - |
| Merseyside Lieutenancy | 1.1 | 12.6 | 2.0 | 13.5 | 2.8 | 14.3 | - |
| Liverpool Airport plc | (11.5) | 0.0 | (11.5) | 0.0 | (11.5) | 0.0 | - |
| Birkenhead Citizens Advice Bureau | 1.7 | 13.2 | 2.0 | 13.5 | 2.3 | 13.8 | - |
| Local Government International Bureau | 4.7 | 16.2 | 4.7 | 16.2 | 4.7 | 16.2 | - |
| * Amount will be recharged to Merseyside Passenger Transport Executive | | | | | | | |

| Admitted Bodies | 2002/03 | | 2003/04 | | 2004/05 | | Non-ill health early retirement allowance included for the 3 years 2002/05 |
|---|-------------------------|---------------------------|-------------------------|---------------------------|-------------------------|---------------------------|--|
| | Individual Adjustment % | Total Contribution Rate % | Individual Adjustment % | Total Contribution Rate % | Individual Adjustment % | Total Contribution Rate % | Amount £ |
| LACOTS | 2.9 | 14.4 | 2.9 | 14.4 | 2.9 | 14.4 | - |
| Cornerstone Care Limited | 6.7 | 18.2 | 8.4 | 19.9 | 10.0 | 21.5 | 10,000 |
| Wirral Council for Voluntary Services | 0.2 | 11.7 | 0.5 | 12.0 | 0.8 | 12.3 | - |
| Merseyside Welfare Rights | (0.9) | 10.6 | (0.6) | 11.0 | (0.2) | 11.3 | - |
| Southern Neighbourhood Council | (2.6) | 8.9 | (2.2) | 9.4 | (1.7) | 9.8 | - |
| Liverpool Community Rights | 5.6 | 17.1 | 7.1 | 18.6 | 8.5 | 20.0 | - |
| Walton Citizens Advice Bureau | 2.2 | 13.7 | 3.2 | 14.7 | 4.3 | 15.8 | - |
| Liverpool Citizens Advice Bureau | (3.9) | 7.6 | (3.3) | 8.2 | (2.7) | 8.8 | - |
| Anfield Citizens Advice Bureau | (0.2) | 11.3 | 0.7 | 12.2 | 1.6 | 13.1 | - |
| Netherley Citizens Advice Bureau | (3.3) | 8.2 | (3.3) | 8.2 | (3.3) | 8.2 | - |
| Liverpool 8 Law Centre | 5.5 | 17.0 | 5.5 | 17.0 | 5.5 | 17.0 | - |
| Kensington Citizens Advice Bureau | (4.9) | 6.6 | (3.9) | 7.6 | (2.8) | 8.7 | - |
| Old Swan Citizens Advice Bureau | 1.8 | 13.3 | 2.9 | 14.4 | 4.1 | 15.6 | - |
| Speke Garston Development Corporation | (0.4) | 11.1 | 0.5 | 12.0 | 1.4 | 12.9 | - |
| South Liverpool Housing | 5.5 | 17.0 | 5.5 | 17.0 | 5.5 | 17.0 | - |
| Port Sunlight Village Trust | 0.0 | 11.5 | 0.0 | 11.5 | 0.0 | 11.5 | - |
| Building & Property Ltd | 0.2 | 11.7 | 0.2 | 11.7 | 0.2 | 11.7 | - |
| Unicorn | 0.3 | 11.8 | 0.3 | 11.8 | 0.3 | 11.8 | - |
| Lorne Stewart plc | (0.2) | 11.3 | (0.2) | 11.3 | (0.2) | 11.3 | - |
| Holst Facilities Management Ltd | 1.6 | 13.1 | 1.6 | 13.1 | 1.6 | 13.1 | - |
| Dingle, Granby, Toxteth Education Action Zone | 2.5 | 14.0 | 2.5 | 14.0 | 2.5 | 14.0 | - |
| Greater Merseyside Connexions Partnership | (0.4) | 11.1 | (0.4) | 11.1 | (0.4) | 11.1 | - |
| Glenvale Transport Limited | (3.0) | 8.5 | (2.1) | 9.4 | (1.3) | 10.2 | - |
| Lairdsie Communities Trust | 3.5 | 15.0 | 3.5 | 15.0 | 3.5 | 15.0 | - |
| Drug Free | 0.5 | 12.0 | 0.5 | 12.0 | 0.5 | 12.0 | - |
| MTUCU Resource Centre | 1.9 | 13.4 | 3.0 | 14.5 | 4.0 | 15.5 | - |

Other interested bodies with no pensionable employees

It has been assumed that for these bodies with no pensionable employees, the proportion of pension increases stated below will continue to be recharged:-

| Former Employers | Proportion of Pension Increases to be Recharged % |
|--|--|
| Merseyside County Council | 0 |
| Merseyside Residuary Body | 0 |
| Parkhaven Trust | 100 |
| Liverpool Association for the Disabled | 50 |
| Liverpool Workshops for the Blind | 0 |
| Falkner House Association | 0 |
| Liverpool Polytechnic Students Union | 0 |
| Priority Area Development | 0 |
| Birkenhead Council for Voluntary Service | 0 |
| Merseyside Arts Trust | 0 |
| Merseyside Development Corporation | 0 |
| METEL Limited | 0 |
| Merseyside Improvements Limited | 0 |
| St Helens TUCU Resource Centre | 0 |
| Diocese of Liverpool | 0 |
| Merseyside Enterprise Board | 0 |
| Merseyside Innovation Centre | 0 |
| National Mobility Services | 0 |
| Speke Citizens Advice Bureau | 0 |
| National Museums & Galleries on Merseyside | 0 |
| St Gabriel's Community Home | 62 |
| Liverpool Council for Social Aid | 40 |
| Eccleston Parish Council | 100 |
| Bellerive Convent Grammar School | 100 |
| Indefatigable Sea Training School | 87 |
| Liverpool Housing Trust | 100 |
| David Lewis Hotel & Club Association | 100 |
| Eton Lodge Training Home | 100 |
| Merseyside Arts Association | 100 |
| River Crossens Drainage Board | 100 |
| Wirral Methodist Housing Association | 100 |
| National Meteorological Co-ordination Unit | 100 |
| RC Archdiocese of Liverpool | 100 |
| Merseyside Equal Opportunities Project | 100 |
| West Lancashire District Council Recharge | 100 |
| Warrington District Council Recharge | 100 |
| National Health Service Recharge | 100 |
| North West Water Recharge | 100 |

Notes:

1. The Administering Authority will monitor the additional liabilities arising in respect of non-ill health early retirements actually occurring over the 3 years beginning 1 April 2002 for each employer. Where the total liabilities for an employer which are not met directly by that employer exceed the allowance set out above, the Administering Authority will require the actuary to review that employer's contribution rate as set out in Regulation 78 of the 1997 Regulations.
2. Additional contributions may be paid on top of those set out above subject to the agreement of the Administering Authority and Actuary where warranted by the circumstances of the body in question.

Actuarial Certificate

Surplus Certificate

The certificate is given to the Commissioners of Inland Revenue for the purposes of paragraph 2 of Schedule 22 to the Income and Corporation Taxes Act 1988.

Name of Scheme

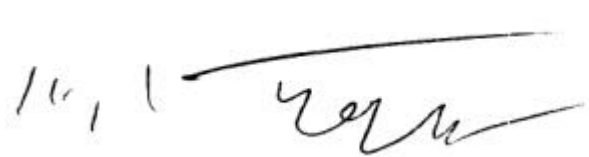
Merseyside Pension Fund

Inland Revenue Reference No.

PS49/1897

A. I hereby certify that

- (1) In my opinion as at 31 March 2001 the value of the assets of the Fund did not exceed 105% of the value of the liabilities of the Fund;
- (2) The assets and liabilities to which paragraph (1) refers have been determined in accordance with principles and requirements prescribed by the Pension Scheme Surpluses (Valuation) Regulations 1987.



Signature

Name

S K Jacquest

Date of signing

27 March 2002

Address

William M. Mercer Limited
30 Exchange Street East
Liverpool
L2 3QB

Qualification

Fellow of the Institute of Actuaries