

AGENDA

Meeting: Wiltshire Pension Fund Committee
Place: The Kennet Room - County Hall, Trowbridge BA14 8JN
Date: Wednesday 28 June 2017
Time: 10.30 am

Please direct any enquiries on this Agenda to Libby Beale, of Democratic Services, County Hall, Bythesea Road, Trowbridge, direct line 01225 718214 or email elizabeth.beale@wiltshire.gov.uk

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Chairman's Briefing:	Date	Time	Place
	28 June 2017	09.30	Kennet Room

Membership:

Voting Membership

Wiltshire Council Members:

Cllr Tony Deane (Chairman)
Cllr Simon Jacobs
Cllr Gordon King
Cllr Christopher Newbury
Cllr Roy While (Vice Chairman)

Substitute Members

Cllr Derek Brown OBE
Cllr Sarah Gibson
Cllr Jon Hubbard
Cllr Bob Jones MBE
Cllr Fleur de Rhé-Philippe
Cllr Ian Thorn

Swindon Borough Council Members

Cllr Steve Allsopp
Cllr Steve Weisinger

Substitute Members

Cllr Timothy Swinyard

Employer Body Representatives

Mrs Linda Stuart
Mrs Diane Hall

Non-voting Membership

Observers

Mike Pankiewicz
Stuart Dark

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Public Participation

Please see the agenda list on following pages for details of deadlines for submission of questions and statements for this meeting.

For extended details on meeting procedure, submission and scope of questions and other matters, please consult [Part 4 of the council's constitution](#).

The full constitution can be found at [this link](#).

For assistance on these and other matters please contact the officer named above for details

Items to be considered

Time

PART I

Items to be considered when the meeting is open to the public

1 **Membership** 10.30

To note changes to the membership of the Committee including:

- Wiltshire Councillors Simon Jacobs and Christopher Newbury as elected member representatives replacing Sheila Parker and Charles Howard.
- Stuart Dark (Unison) as an Employee Member Observer replacing Tony Gravier.

2 **Attendance of non-members of the Committee**

To note the attendance of any non-members of the Committee.

3 **Apologies**

To receive any apologies for absence or substitutions for the meeting.

4a **Minutes of the Previous Meetings** (*Pages 7 - 16*)

To confirm the Part 1 (public) minutes of the meeting held on 23 March 2017.

4b **Minutes and Key Decisions of the Local Pension Board**
(*Pages 17 - 26*)

To consider the Part 1 minutes, and recommendations arising, from the Local Pension Board meeting held on 6 April 2017.

The Board's current Work Plan is available [here](#).

4c **Minutes and Key Decisions of the Investment Sub-Committee** (*Pages 27 - 32*)

To consider the Part 1 (public) minutes and recommendations arising from the Investment Sub-Committee meeting held on 1 March 2017.

5 **Chairman's Announcements**

To receive any announcements through the Chairman.

6 **Declarations of Interest**

To receive any declarations of disclosable interests or dispensations granted by the Standards Committee.

7 **Public Participation**

The Council welcomes contributions from members of the public.

Statements

If you would like to make a statement at this meeting on any item on this agenda, please register to do so at least 10 minutes prior to the meeting. Up to 3 speakers are permitted to speak for up to 3 minutes each on any agenda item. Please contact the officer named on the front of the agenda for any further clarification.

Questions

To receive any questions from members of the public or members of the Council received in accordance with the constitution.

Those wishing to ask questions are required to give notice of any such questions in writing to the officer named on the front of this agenda no later than **5pm on 21 June 2017** in order to be guaranteed of a written response. In order to receive a verbal response questions must be submitted no later than **5pm on 23 June 2017** Please contact the officer named on the front of this agenda for further advice. Questions may be asked without notice if the Chairman decides that the matter is urgent.

Details of any questions received will be circulated to Committee members prior to the meeting and made available at the meeting and on the Council's website.

8 **Appointment of the Investment Sub Committee** (Pages 33 - 36) **10.40**

A paper from the Head of Pensions requests nomination and approval of members of the Investment Sub-Committee.

9 **SWAP Internal Audit Report** (Pages 37 - 52) **10:45**

The Treasurer to the Pension Fund presents the internal audit report on key controls of the Wiltshire Pension Fund which formed part of the Wiltshire Council audit for Members' to note.

10 **Pension Fund Administration Outturn Statement 2016-17** **10.55**
(Pages 53 - 54)

A report presents the Fund's outturn statement for the last financial year.

- 11 **Draft Statement of Accounts** *(Pages 55 - 88)* **11.00**

A report presents the draft Statement of Accounts for information that outlines the financial transactions during 2016-17 and will be included within the Council's accounts.

- 12 **Annual General Meeting Feedback** **11.10**

A verbal update from the Head of Pensions on the feedback from the Fund's first AGM.

- 13 **Pension Fund Risk Register** *(Pages 89 - 96)* **11.15**

An update from the Head of Pensions on the Wiltshire Pension Fund Risk Register is circulated for Members' consideration.

- 14 **Date of Next Meeting** **11.30**

To note that the next regular meeting of the Committee will be held on 27 September 2017.

- 15 **Urgent Items**

Any other items of business which, in the opinion of the Chairman, should be considered as a matter of urgency. Urgent items of a confidential nature may be considered under Part II of this agenda.

- 16 **Exclusion of the Public**

To consider passing the following resolution:

To agree that in accordance with Section 100A(4) of the Local Government Act 1972 to exclude the public from the meeting for the business specified in Item Numbers 17-20 because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraphs 1 & 3 of Part I of Schedule 12A to the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public.

PART II

Item(s) during consideration of which it is recommended that the public should be excluded because of the likelihood that exempt information would be disclosed

- 17 **Brunel Pension Partnership Update** *(Pages 97 - 130)* **11.35**

A confidential report from the Treasurer to the Pension Fund presents an update on the Brunel Pension Project, including presentation of the legal documentation for the Committee's approval, to agree the shareholders' delegations and to delegate

authority to enable set up and implementation of the Company.

- 18 **Request for Admitted Body Status - Brunel Pension Partnership** (Pages 131 - 134) **12.15**

A confidential report presents the application from the Brunel Pension Partnership Project team to obtain Admitted Body status within the Wiltshire Pension Fund for the new Local Authority Company.

- 19 **Investment Quarterly Progress Report** (Pages 135 - 186) **12.30**

Three confidential reports from the Strategic Pension Manager and Mercers is circulated to the Committee for information only.

- 20a **Minutes** (Pages 187 - 196) **13.00**

To confirm the Part 2 (confidential) minutes of the meeting held on 23 March 2017.

- 20b **Minutes and Key Decisions of the Investment Sub-Committee and Local Pension Board** (Pages 197 - 212)

To consider the Part 2 (confidential) minutes and recommendations arising from the Investment Sub Committee meeting held on 1 March 2017.

To consider the Part 2 (confidential) minutes and recommendations arising from the Local Pension Board meeting held on 6 April 2017.

WILTSHIRE PENSION FUND COMMITTEE

PART 1 MINUTES OF THE WILTSHIRE PENSION FUND COMMITTEE MEETING HELD ON 23 MARCH 2017 AT THE KENNET ROOM - COUNTY HALL, TROWBRIDGE BA14 8JN.

Present:

Cllr Steve Allsopp, Cllr Tony Deane (Chairman), Cllr Charles Howard (Vice Chairman),
Cllr Gordon King, Mike Pankiewicz, Linda Stuart, Cllr Steve Weisinger and Cllr Roy While

Also Present:

Mr Jim Edney, Joanne Holden and Michael Hudson

1 Membership

There were no changes to the membership of the Committee.

2 Attendance of non-members of the Committee

There were no non-members of the Committee present.

3 Apologies for Absence

Apologies for absence were received from Cllr Sheila Parker, Sue Eley and Kerry Chisholm (South West Audit Partnership).

4 Minutes

Resolved:

To confirm the Part 1 minutes of the meeting held on 15 December 2016.

5 Declarations of Interest

Jim Edney, Independent Advisor to the Fund, advised that the contract for the Independent Advisor role was highlighted in the Business Plan as due for review in July 2018. There was no decision to be made at this meeting, the timeframe was just for note, therefore Mr Edney declared this only for transparency purposes.

Cllr Charles Howard later made a declaration under item 134 below.

6 **Chairman's Announcements**

There were no Chairman's Announcements.

7 **Public Participation**

There were no members of the public present.

8 **Local Pension Board Update**

The Head of Pensions introduced the minutes and recommendations arising from the Local Pension Board meeting held on 25 January 2017. It was noted that members had discussed their Code of Conduct and the issue of indemnity insurance which was still being investigated by officers. The Board members had reviewed their training plans and Committee members were also encouraged to use the Pensions Regulator toolkit for training. It was highlighted that the Board had reviewed the risk register, regulatory update and internal audit report which were also presented before the Committee. The Committee discussed the remit of the Board as a 'critical friend' and understood the Scheme Advisory Board would soon issue a survey on how the new governance arrangements were working. The Board's recommendation on its budget was noted along with a proposed £6,000 reduction in training budget.

Resolved:

To note the minutes and recommendations of the Local Pension Board meeting held on 25 January 2017.

9 **SWAP Audit Report**

The Committee was presented with reports updating on the latest two audits from SWAP on TPR compliance and key controls, along with an update on the implementation of recommendations from the previous audits. The Committee heard that SWAP had given the Fund a 'Reasonable Assurance' opinion, there were no significant findings in the report with only two medium risks identified. Of the two medium risks, the outstanding reconciliations between Altair and SAP were now back up to date, the reconciliation between Altair and Pension Payroll remained and was being addressed as part of the GMP reconciliation project. In respect of compliance with the Pension Regulator's Code of Practice No.14 there were no significant findings and the Fund was found to be fully compliant in publishing information about the scheme and managing risk, with only a few low priority recommendations.

The Chairman congratulated officers on a good audit report however expressed concern over overdue payments owed to the Fund. The Head of Pensions reassured members that this was a materially small figure, details of which

would be broken down in the Annual Report which would be presented to the next meeting. Members discussed the potential benefits or complications of schools joining Multi Academy Trusts (MATs) on the administration of the Fund, this could mean the fund would have fewer individual employers to manage however it could also complication valuations. The Chairman requested that officers and members consider the potential risks associated with MATs and update at the next meeting, it was noted that the situation was currently fluid and so a full paper on this would not be brought until later in the year.

Resolved:

To note the update and attached SWAP Internal Audit Reports and updated Action Plan.

To request that an initial update on the potential impact on the Fund of Multi Academy Trusts is reported to the next meeting in advance of a full report at a later meeting.

10 **Regulatory Update**

A report updated on the latest developments in respect of the LGPS scheme. In particular members discussed the Markets in Financial Instruments Directive II (MiFID II) which would take effect on 3 January 2018. The main concern for the Fund was that it would be treated as a 'retail' investor instead of 'professional' client, with implications for investment opportunities available to the Fund and on investment pooling. Members were updated that a response to the consultation had been sent on behalf of Brunel Pension Partnership.

Resolved:

To note the recent scheme and regulatory changes.

11 **Treasury Management Strategy**

A report on Treasury Management was presented to the Committee, the report identified that the Fund was in a cash neutral position, with any surplus cash being deployed into investments. Members understood there had been no changes to the Annual Treasury Management Strategy from the previous year.

Resolved:

To approve the Treasury Management Strategy for the Wiltshire Pension Fund.

12 **Investment Strategy Statement**

The Committee was presented with the draft Investment Strategy Statement for the Fund, and attention was drawn to the Agenda Supplement which contained

an amended version in response to consultation feedback which was also included. The Head of Pensions advised that the Investment Sub Committee, Local Pension Board and employer members had been consulted with, the draft Statement had also been available on the Fund's website for public comment. The Fund's Independent Advisor highlighted he had input into the statement following consideration at the Investment Sub Committee meeting.

The officer advised that the Investment Strategy Statement would replace the Statement of Investment Principles and include the financial and non-financial issues of investing. It was expected that the statement would be updated in the next 12-18 months as a result of asset pooling since this triggered a significant material change in the governance of the Fund. In response to questions, it was confirmed that most other Funds hadn't had a consultation on their respective statements and that Wiltshire welcomed feedback to allow a more robust Statement to be developed.

Resolved:

To note the consultation feedback and to approve the 2017 Investment Strategy Statement for final publication.

13 **Pension Fund Risk Register**

A report presented the latest Risk Register for review which highlighted two risks increasing from green to amber since the last report: PEN011: Lack of expertise of Pension Fund Officers and PEN012: Over-reliance on key officers. The Fund had been unable to recruit to the Pension Fund Accountant post to cover maternity leave, the Investment Officer had recently left the Fund and the Systems Manager and Senior Systems Officer had both resigned to take up other roles externally. It was also explained that the Strategic Pension Manager was committed to the Brunel Pension Partnership for 3 days a week.

The Head of Pensions advised that the Strategic Pension Manager would be available to the Fund for two weeks in April for the close of the accounts and the Fund Development Manager was covering the Systems roles. The Systems team would be reviewed with a view to developing a better staff structure. The Committee discussed that there was a general shortage in the industry of Systems and Software staff and expressed concern that the Fund was not able to pay the market rate to attract candidates due to being constrained by the Wiltshire Council salary bands. Concerns were raised over the potential impact of Financial Instruments Directive II (MiFid II) on the Fund from January 2018 and it was agreed this should be a specific risk on the register.

Resolved:

To note the attached Risk Register and measures being taken to mitigate risks.

To add Financial Instruments Directive II (MiFid II) regulation as a specific risk to the Risk Register.

14 **Business Plan Update**

A report updated on the implementation of actions in the Business Plan and suggested amendments to the plan. It was explained that the Business Plan was coded to reflect the risk associated with items and priority. The Triennial Valuation, performance reporting and GMP reconciliations were identified as high priority with medium resource risk. It was proposed that some items on the Business Plan be deferred to allow the focus of work to be on more critical areas. In response to a question on asset pooling, it was confirmed that the Finance and Legal Advisory Group in Brunel Pension Partnership would look at staffing for the company, recommendations would go to the Oversight Board and then to the Committee.

Resolved:

To note the updated position from the Business Plan and agree the revised target dates and priority order.

15 **Wiltshire Pension Fund Administration 2016-17 Budget Monitoring**

Members received the projected outturn of the Wiltshire Pension Fund Administration Budget for 2016/17. The Strategic Pension Manager highlighted that although the Fund was £581,000 overspent, this was mostly due to a high performance fee from Baillie Gifford, thus was not of concern. On discussion of manager fees it was understood these were difficult to estimate, they usually came in under budget, and often an overspend was positive as it represented increased asset values from good performance. The benefit of separating the investment budget from the administration budget was discussed and it was agreed a separation would be useful for future reports to show the differentiation between more 'controllable' operational costs and those related to financial markets.

Resolved:

To note the projected outturn of the Wiltshire Pension Fund Administration Budget 2016/17.

To recommend that future reports separate the budget for investment manager fees, investment and administration costs.

16 **Wiltshire Pension Fund Administration Budget 2017 -2020**

A report outlined the proposed Administration budget for 2017-18 and planned expenditure in 2018-19 and 2019-20 which was broadly the same as in previous years. The Treasurer to the Fund explained that the budget contained

controllable costs and non-controllable costs, such as fore investment manager fees. It was noted that budget increases were proposed in some areas due to joining Brunel Pension Partnership and increased use of consultants. It was proposed that a delegation be made to allow the Treasurer to approve variations to the budget between meetings of the Committee to ensure time critical decisions could be made, subject to ratification at the next meeting of the Committee, it was explained that in particular working capital may be needed to support the progression of Project Brunel.

The Committee discussed the Fund's administration cost per member which appeared high in comparison to the figures CIPFA produced for other Funds, in response to this it was explained that Funds measured the costs in different ways and the key fact to consider was that Wiltshire's costs had not changed materially year on year.

Resolved:

To:

- a) **Approve the Pension Fund Administration Budget for 2017/18 shown in the Appendix totalling £10.169m.**
- b) **Note the indicative budget allocations for 2018-19 and 2019-20.**
- c) **Approve that variations against the budget will be monitored and that authority is delegated to the Treasurer to the Pension Fund Committee to approve variations to the budget where these are urgent or very significant, and that this be reported to the Committee retrospectively for ratification. That no more than £100,000 additional capital be deployed to progress Brunel Pension Partnership under this delegation.**

17 **CIPFA Benchmarking Report**

The Committee was presented with the annual CIPFA Pension Administration Benchmarking results. In response to discussion over the benefit of comparison to other Funds it was considered that although Pension Funds had different structures and therefore different measures, the comparison was useful to spot anomalies and general trends. The Fund's Independent Advisor also highlighted that Section 5 of the report related to performance of the Fund which was a useful and positive measure. In response to questions it was confirmed that Wiltshire included recharges and overheads in the figures submitted to CIPFA however other Funds may submit different figures.

Resolved:

To note the annual CIPFA benchmarking results.

18 **Pension Fund Administration Key Performance Indicators (KPIs)**

The Head of Pensions introduced Key Performance Indicators officers would use to monitor the Fund's performance of its administration of pension benefits. The officer explained that it had been challenging to develop these indicators since it was difficult to distinguish whether delays in processes were due to the Fund or a hold up due to the employer or scheme member. Officers were pleased to introduce the indicators to identify where bottlenecks in processes occurred, where efficiencies could be made, or where more resource was needed. The KPIs were the first step to monitor performance and a further report would be brought to the Committee later in the year.

The Committee questioned what consultation had been undertaken on the Fund's performance from an employer or member perspective and was advised that feedback was sought on individual Fund responsibilities such as those outlined in the Administration Strategy, rather than on performance as a whole. There was also a facility on the website where members could submit general comments to the Fund; officers also confirmed that feedback was sought when issuing documents like the Annual Benefits Statements.

Resolved:

To note the proposed KPIs for measuring the summary of the Fund's performance against its key performance indicators.

19 **Date of Next Meeting**

The next meeting of the Committee was to be held on 28 June 2017.

20 **Urgent Items**

The Chairman advised that Cllr Charles Howard was to stand down as a councillor at the May 2017 election. The Committee and officers expressed their thanks to the Vice Chairman, for his dedication and contribution over the years to the Wiltshire Pension Fund.

21 **Exclusion of the Public**

Resolved:

That in accordance with Section 100A(4) of the Local Government Act 1972 to exclude the public from the meeting for the business specified in Minute Numbers 133-138 because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraphs 1 & 3 of Part I of Schedule 12A to the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public.

22 **Triennial Valuation Update**

The Head of Pensions updated on the Fund's Triennial Valuation and the agreement of contribution rates with employers.

Resolved:

To note the Valuation update provided, the 2016 Valuation report and the proposed finalised employer contribution rates for 2017-2020 as shown in the Appendix that will form the Rates and Adjustment certificate for the 2016 Triennial Valuation.

To provide the Scheme Advisory Board with the Fund's valuation funding level based on their bespoke assumptions.

23 **Brunel Pension Partnership Update**

Cllr Charles Howard declared a non-pecuniary interest due to potential future involvement in Brunel Pension Partnership. It was noted that the councillor was standing down in the forthcoming election, therefore would have no further involvement as a member of the Wiltshire Pension Fund Committee from May 2017.

The Treasurer to the Pension Fund updated on the progress of Brunel Pension Partnership.

Resolved:

To confirm a delegation to the Chief Legal Officer and Chief Finance Manager (Treasurer to the Fund) to take such actions necessary to progress Brunel Pension Partnership between meetings of the Committee. For the avoidance of doubt, this delegation includes the ability to inject up to £100,000 of additional capital into Brunel Pension Partnership as detailed under Minute 127 above.

To note the potential need to call an additional meeting of the Wiltshire Pension Committee in May or June.

24 **Liability Driven Investments Update**

A report from Mercers presented a high level review on the options for LDI and proposed an amendment to the current passive gilts allocation for Committee approval.

Resolved:

To approve the restructuring of its passive over 5 years Index linked gilts to two longer dated index linked gilt holdings to provide more hedging as outlined in the report from Mercer.

25 **Investment Quarterly Progress Report**

An update on the performance of the Fund's investments was circulated for members to note.

Resolved:

To note the performance of the Fund's investments as to the end of December 2016

26 **Investment Sub-Committee Update**

The Part 2 minutes and recommendations of the Investment Sub Committee meeting held on 1 March were available to the Committee.

Resolved:

To note the minutes and recommendations arising from the Investment Sub-Committee meeting held on 1 March 2017.

27 **Minutes**

Resolved:

To confirm the Part 2 minutes of the meeting held on 15 December 2016.

(Duration of meeting: 10.30 am - 1.00 pm)

The Officer who has produced these minutes is Libby Beale, of Democratic Services, direct line 01225 718214, e-mail elizabeth.beale@wiltshire.gov.uk

Press enquiries to Communications, direct line (01225) 713114/713115

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LOCAL PENSION BOARD

MINUTES OF THE LOCAL PENSION BOARD MEETING HELD ON 6 APRIL 2017 AT THE KENNET ROOM - COUNTY HALL, TROWBRIDGE BA14 8JN.

Present:

David Bowater, Lynda Croft, Cllr Christopher Newbury, Mike Pankiewicz, Howard Pearce (Chairman) and Barry Reed

Also Present:

Cllr Tony Deane

1 Membership

There were no changes to the membership of the Board.

2 Attendance of non-members of the Board

Cllr Tony Deane (Chairman of the Pension Fund Committee) and Ian Colvin (Hymans Robertson) were in attendance.

3 Apologies

Apologies for absence were received from Sarah Holbrook and Cllr Christopher Newbury who later joined the meeting on discussion of item 15.

4 Minutes

Members discussed the minutes of the previous meeting and attached action log. The Head of Pensions confirmed details of the 'other work' that contributed to the total figure for the administration cost of the LGPS in the CIPFA benchmarking report, namely officer time in overseeing investments and accounting. Following questions on the action log, it was confirmed that Investec had offered to run a training course for the Board, Committee members would also be invited. It was noted that one Board member had yet to complete the Pensions Regulator Toolkit.

Resolved:

To confirm the Part 1 minutes of the meeting held on 25 January 2017.

To note the Board's action log.

5 **Declarations of Interest**

Members were reminded to review their Register of Interest form to ensure it was up to date.

An interest was later declared under item 22 below.

6 **Chairman's Announcements**

The Chairman advised the Fund's Annual General Meeting was to be held on 21st June, 10am in Trowbridge, and was open to employers, members of the Fund, and other interested stakeholders.

Board members were also encouraged to attend a Pensions and Lifetime Savings Association course 16th-17th May, and a CIPFA Local Pension Board annual event on 28th June. It was understood that a three day LGPS Fundamentals course would be advertised soon and members were encouraged to look out for it.

7 **Public Participation and Councillors Questions**

There were no members of the public present.

8 **Minutes and Key Decisions of the Wiltshire Pension Fund Committee and Investment Sub-Committee**

The Board considered the minutes and key decisions for recent meetings of the Wiltshire Pension Fund Committee and Investment Sub Committee. It was noted that the Committee had considered a regulatory update, Treasury Management Plan, and approved a budget for the Fund with flexibility to allow variations to be approved by the Treasurer between meetings. The Committee, on considering the Fund's outturn report, had requested that future reports distinguish between controllable and non-controllable costs in respect of administration and investment costs. It was noted that the Committee had agreed to release a bespoke funding level metric to the Scheme Advisory Board (SAB) and approved a change in gilt allocations to allow the Fund to take first steps towards Liability Driven Investing.

Resolved:

To note the minutes and key decisions of the Wiltshire Pension Fund Committee and Investment Sub Committee.

9 **Scheme Legal, Regulatory and Fund update**

The Head of Pensions advised that the scheme, legal, regulatory and fund update had been colour-coded to reflect the Fund's Risk Register. The impact of the Markets in Financial Instruments Directive II (MiFid II) consultation was discussed since it would impact on asset pooling and the investments the Fund

could make due to potentially re-classifying the Fund as a 'retail investor'. It was understood that the Local Government Association was taking advice on this impact of MiFid II and that Funds would seek status as a 'professional investor', however this could be difficult to achieve since it required appropriately qualified people supporting the Fund, and for the Fund to be completing a minimum number of trade transactions per quarter.

The Board discussed the SAB Code of Transparency for investment fees, it was explained that there was no published timeline for this however the LGPS was already quite far advanced in working in this way.

The Chairman noted that the SAB Chair had recently issued a statement about asset pooling and recommended this be circulated to Board members. It was also considered that statements from Government Ministers and the Pensions Regulator should be monitored as they may indicate a future direction of travel that Funds should be aware of.

Resolved:

To note the changes highlighted in the Scheme, Legal, Regulatory and fund update.

To circulate the SAB Chairman's recent statement about investment pooling.

To recommend that officers monitor Ministerial national LGPS Scheme Advisory Board (SAB) and Pensions Regulator statements and include this in updates to the Board when appropriate.

10 **Data Protection and Quality Standards**

Ian Colvin, Hymans Robertson, presented a training session on the Fund's requirements for data protection and quality standards in line with the Pension Regulator Code of Practice and latest guidance.

The advisor explained the importance of clean data as an asset to the Fund and the importance of a policy for the retention of records, data cleansing and reconciliations. The definitions of common, conditional and numerical data were explained, and members understood a paper would be brought to a future meeting on data management specific to the Fund. Common issues with data management, and the impact of data on the valuation experience and pension liabilities was discussed.

The Board recognised the issue of members not notifying the Fund of a cohabiting partner who should receive their pension benefits. Officers confirmed the Wiltshire Pension Fund reminded members via the Annual Benefit Statement to update details, and it was suggested that individual employers could also remind their employees to do this by way of a notice on their payslip.

The role of the Information Commissioners Office was discussed and it was questioned who the named Data Protection Officer was for the Fund. In summary, the Head of Pensions advised that a report would be brought to a future meeting of the Board on the Fund's adherence to data standards, plans for improvement and data cleansing, the Chairman requested this report cover key data risks.

Resolved:

To thank Ian Colvin for the informative presentation.

To note the requirements for data protection and quality standards in line with the Pension Regulator Code of Practice.

To request that officers establish who the named Data Protection Officer is for the Wiltshire Pension Fund.

To note that a report on data protection and quality standards would be presented to a future meeting and request this report include key risks for data management.

11 **Wiltshire Pension Fund Administration Key Performance Indicators**

A report updated the Board on the implementation of Key Performance Indicators for the Fund in respect of its administration service. The Head of Pensions explained performance was difficult to measure since it also relied on employer and employee members supplying information to the Fund, this often resulted in delays outside of the Fund's control. It was requested that statutory timescales for processes be factored into the KPIs so that it would be shown if the Fund had not met these.

The Board discussed future plans for Key Performance Indicators and it was highlighted that once the Fund has worked to these, similar indicators would be extended to employers. Members considered the merits of comparing the Board's achievement of KPIs compared to other Funds and agreed it should be a priority for the future, it was also noted that it would be useful to see the cost of each process to the Fund. Members were aware that CIPFA benchmarked Wiltshire against other Funds on an administrative basis, this was a useful tool but more of an approximation since funds measured processes and costs with different types of data. The Head of Pensions concluded that officers would now use the KPIs to start collecting data and would present quarterly reports to the Board.

Resolved:

To note the proposed KPIs for measuring the summary of the Fund's performance against key performance indicators and to request that statutory timeframes for administration processes are factored into the KPIs.

To recommend that once the KPI process is established it is developed to allow comparisons to be made against other Funds and to identify the administration costs associated with each process.

12 **Risk Register update**

A report presented the current Risk Register for the Fund which highlighted two risks increasing from green to amber since the last report: PEN011: Lack of expertise of Pension Fund Officers and PEN012: Over-reliance on key officers. The Fund had been unable to recruit to the Pension Fund Accountant post to cover maternity leave, the Investment Officer had recently left the Fund and the Systems Manager and Senior Systems Officer had both resigned to take up other roles externally. It was also explained that the Strategic Pension Manager was committed to the Brunel Pension Partnership for 3 days a week.

The Head of Pensions advised that the Strategic Pension Manager would be available to the Fund for two weeks in April for the close of the accounts and the Fund Development Manager was covering the Systems roles. The Fund was also being supported by consultants from Hymans Robertson. It was noted that the Committee had requested that Financial Instruments Directive II (MiFid II, and the impact of an increasing number of Multi Academy Trusts, be added to the Risk Register. On discussion of succession planning for staff, it was noted that the Apprenticeship Levy would be a tool for the Fund to train new staff, however it was suggested that the Fund may also benefit from a graduate recruitment scheme.

Resolved:

To note the report and measures being taken to mitigate risks.

To recommend that consideration is given in the future to developing a graduate recruitment programme for the Fund.

13 **Internal Audit Key Controls report and update on actions from previous audits**

A report from both the Head of Pensions and the South West Audit Partnership presented the Key Controls report for the Wiltshire Pension Fund and provided an update of the actions from the previous reports. SWAP had given the Fund a 'Reasonable Assurance' opinion, there were no significant findings in the report with only two medium risks identified. Of the two medium risks, the outstanding reconciliations between Altair and SAP were now back up to date, the reconciliation between Altair and Pension Payroll remained and was being addressed as part of the GMP reconciliation project. In respect of compliance with the Pension Regulator's Code of Practice No.14 there were no significant findings and the Fund was found to be fully compliant in publishing information about the scheme and managing risk.

The impact of asset pooling on auditing arrangements was discussed and it was considered that the Fund's auditors would need to collaborate with the auditors for Brunel Pension Partnership (BPP); officers were considering the client relationship between the Fund and BPP.

Resolved:

To note the attached SWAP internal audit report.

14 **Review of Investment Strategy Statement**

It was summarised that the Fund's Investment Strategy Statement (ISS) had been approved by the Committee on 23 March 2017 following a consultation process opened up to the Board, Committee members, employers and also scheme members. A summary of the feedback was attached to the agenda and the Head of Pensions explained the reasons why the Fund was required to publish an Investment Strategy Statement.

On considering the process for setting the ISS, Board members congratulated officers on the consultation process and in achieving the regulatory requirements of the document. The Board considered it sensible that the document be reviewed in 12-18 months in light of asset pooling.

Resolved:

To note the Investment Strategy Statement and associated future review process in 12-18 months time in light of asset pooling.

15 **Business Plan update**

A report presented an updated Business Plan with revised target dates and priorities, as requested by the Board. Members considered high resource risk items such as establishing Brunel Pension Partnership. It was noted that although the tender process for appointing an Actuary was a high priority it was not yet time critical. It was explained that the Business Plan would be reviewed in 2018 and would also include priorities in respect of Brunel Pension Partnership.

Resolved:

To note the updated Business Plan, including revised dates and priorities.

16 **Review of Fund Communication**

Communication Manager, Zoe Stannard, updated the Board on the Fund's current communications strategy. It was explained that the strategy had been developed in 2015 and included various mediums of communication to all types of members and stakeholders of the fund including: website updates, Annual Benefit Statements and Newsletters. The officer highlighted that the team

offered Pension Clinics for members of the Fund to meet with officers, these meetings had proven very popular and further dates were being offered. The Communication Manager was also able to give presentations to groups of staff in their place of employment upon request. Latest developments in the Fund's communications methods included the Fund's first AGM which had been scheduled for 21st June 10am, Wiltshire Pension Fund also now had a Twitter account to communicate messages.

In response to questions, it was confirmed that the number of visitors to the Fund's website could be measured, however this was upon request due to capacity restraints within the Web team. It was suggested that a notice could be put on the Fund's phone system to redirect queries to the website; it was explained that phone calls and queries submitted via the website were processed in the same way. The Board concluded it was very happy with the communication strategy, especially due to the pressure on resources as a result of Brunel Pension Partnership.

Resolved:

To thank Zoe Stannard for the informative presentation.

17 **How did the Board do?**

Members were satisfied with the progress of the Board meetings.

18 **Urgent items**

There were no urgent items.

19 **Date of next meeting and Forward Plan**

It was noted that the next meeting was to be held on 13th July 2017, at which officers would be able to feedback on the outcome of the AGM and the Board would also review the Governance Compliance Statement.

20 **Exclusion of the Public**

Resolved:

That in accordance with Section 100A(4) of the Local Government Act 1972 to exclude the public from the meeting for the business specified in Item Numbers 21-25 because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraph 3 of Part I of Schedule 12A to the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public.

21 **Review of Internal Dispute Procedures**

A report outlined the process for Internal Dispute Resolution for the Board to review.

Resolved:

To note the IDR process and the update provided on latest developments.

To recommend the complaint form be amended to clarify applicability in respect of spouses and co-habiting partners.

22 **Brunel Pension Partnership update**

The Board received an update on the progression of Brunel Pension Partnership.

Howard Pearce declared that he had applied for a position as a Non-Executive Director of Brunel Pension Partnership, the Board confirmed it was satisfied this did not warrant a conflict of interest requiring the Chairman to leave the meeting.

Resolved:

To note the update on the progress of Brunel Pension Partnership and request a future briefing on the fund's revised governance structures in light of asset pooling.

23 **Local Pension Board Indemnity Insurance Update**

Members considered the purchase of an indemnity policy for the Board.

Resolved:

To defer the decision on insurance indemnity to the next meeting to allow for consultation with other Funds within Brunel Pension Partnership.

24 **Minutes and Key Decisions of the Wiltshire Pension Fund Committee and Investment Sub Committee**

Members were presented with the confidential minutes of the Wiltshire Pension Fund Committee held on 23 March 2017 and Investment Sub Committee held on 1 March 2017.

Resolved:

To note the minutes and key decisions of the Wiltshire Pension Fund Committee and Investment Sub-Committee.

25 **Minutes**

Resolved:

To confirm the Part 2 minutes of the meeting held on 25 January 2017

(Duration of meeting: 11.00 am - 1.35 pm)

The Officer who has produced these minutes is Libby Beale of Democratic Services,
direct line 01225 718214, e-mail elizabeth.beale@wiltshire.gov.uk

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INVESTMENT SUB-COMMITTEE

PART 1 MINUTES OF THE INVESTMENT SUB-COMMITTEE MEETING HELD ON 1 MARCH 2017 AT THE LACOCK ROOM - COUNTY HALL, TROWBRIDGE BA14 8JN.

Present:

Cllr Tony Deane, Jim Edney, Joanne Holden, Cllr Charles Howard, Cllr Gordon King and Cllr Steve Weisinger

Also Present:

Mike Pankiewicz

34 Membership

There were no changes to the membership of the Sub Committee.

35 Attendance of non-members of the Committee

Members of the public were in attendance.

36 Apologies

There were no apologies for absence.

37 Minutes

Resolved:

To confirm the Part 1 (public) minutes of the meeting held on 24 November 2016.

38 Declarations of Interest

There were no declarations of interests.

39 Chairman's Announcements

There were no Chairman's Announcements.

40 **Public Participation and Councillors Questions**

The Chairman welcomed members of the public to the meeting.

41 **Investment Strategy Statement**

Teresa Fallon, a scheme member, made a statement in respect of the Investment Strategy Statement (ISS), suggesting further ways it could be extended to secure 'greener' investing and further management of the risks posed by climate change. Ms Fallon also encouraged that scheme members be involved in discussions on the ISS.

The Chairman thanked Ms Fallon for her statement and invited the Head of Pensions to introduce the Investment Strategy Statement. The officer explained that the ISS would replace the Statement of Investment Principles as a result of the Government's new investment regulations which were amended to allow investment pooling. It was proposed that the draft ISS presented before the Sub-Committee would go out to consultation prior to approval by the Wiltshire Pension Fund Committee on 23 March. It was explained that the Statement considered financial and non-financial issues (such as climate change) to investing and noted that it would be reviewed in 12-18 months time as a result of the Fund's investment in Brunel Pension Partnership, since this presented a material change to the governance of the Fund.

The Head of Pensions advised that stakeholders (employers within the funds, the Pension Fund Committee, Pension Board and member representatives on these bodies) would be invited to feedback on the draft ISS, which would also be available to scheme members and the public to view on the Fund's website. It was noted that the Statement incorrectly referenced the approval of the full business case for Brunel Pension Partnership by Wiltshire Council as taking place on 21 March, it was confirmed this had in fact been agreed on 21 February and officers advised the draft Statement would be amended to reflect this.

Resolved:

To approve the draft 2017 Investment Strategy Statement for consultation and submission to the Pension Fund Committee on 23 March 2017.

To note the requirement to review the Investment Strategy Statement as and when material changes occur, such as the progression of Brunel Pension Partnership.

42 **Investment Themes and Opportunities 2017**

Jo Holden, Mercer, presented on the investment themes and opportunities the firm expected for Wiltshire Pension Fund and the wider markets for the next 12

months. It was noted that macroeconomic events would affect the market and it was expected that economic policy would become more protectionist in some countries. It was expected that globally, inflation would increase and interest rates would rise. The advisor highlighted that the Fund should use its assets for various reasons, such as diversification, rather than just to generate returns. In terms of structural change for the future, the Fund needed to consider an ageing population, new technological advances and the risks and opportunities posed by climate change.

Members discussed the significance of the Fund's level of maturity, it was explained that this would impact upon cashflow, as benefits would increasingly need to be paid and the cost of this would increase with inflation. Following questions on index-link gilts it was explained that these were used to value liabilities and, although gilts were expensive, they had the benefit of providing cash flow.

Resolved:

To note the report from Mercer on the latest developments and thoughts on investments for the Sub-Committee.

43 Date of next meeting

The Chairman highlighted that the next meeting was to be held on 6th July, correcting an error in the published agenda.

44 Urgent items

There were no urgent items.

45 Exclusion of the public

Resolved:

That in accordance with Section 100A(4) of the Local Government Act 1972 to exclude the public from the meeting for the business specified in Minute items 46-51 because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraphs 3 of Part I of Schedule 12A to the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public.

46 Minutes

Resolved:

To confirm the Part 2 (confidential) minutes of the Investment Sub Committee meeting held on 24 November 2016.

47 **Update on the Government's proposals on pooling of investments and Brunel Pension Partnership**

The Head of Pensions provided an update on the progress of Brunel Pension Partnership.

Resolved:

To note the update provided by the Head of Pensions.

48 **Investment Quarterly Progress Report**

Catherine Dix, Strategic Pension Manager, presented an Investment Quarterly Progress Report for the Fund.

Resolved:

To note the report and update provided at the meeting.

49 **Introduction to Liability Driven Investing and Structure Equity**

Officers and advisors explained the benefits of Liability Driven Investing and Structure Equity to protect the fund against its liabilities which would increase with inflation, interest rate changes and increasing life expectancy of pensioners

Resolved:

To request that officers undertake further development and detailed consideration of these products to enable a recommendation for future implementation if they are deemed to be beneficial to the Fund.

To recommend to the Wiltshire Pension Fund Committee that the Fund take its first step towards Liability Driven Investing by the restructuring of its passive over 5 year index linked gilts to two longer dated index linked gilt holdings to provide more hedging from interest and inflation risk and this costed option be presented to the next meeting.

50 **L&G Liability Driven Investing**

Chris Lyons and Anna-Marie Cunnold from Legal and General presented on the benefits of Liability Driven Investing.

Resolved:

To note the presentation provided by Legal and General and to request that a worked example of the leverage option be provided to the Committee.

51 **Schroders- Equity Protection**

Representatives from Schroders presented on the benefits of an equity protection strategy for the Fund.

Resolved:

To note the presentation from Schroders and to request that officers look into equity protection options to present to a future Sub-Committee meeting for further consideration

(Duration of meeting: 10.30 am - 1.45 pm)

The Officer who has produced these minutes is Libby Beale, of Democratic Services, direct line 01225 718214, e-mail elizabeth.beale@wiltshire.gov.uk

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APPENDIX B

TERMS OF REFERENCE

Wiltshire Pension Fund Investment Sub-Committee (ISC)

Purpose and functions of the ISC:

The role of the Wiltshire Pension Fund Investment Sub-Committee shall be to consider, in detail matters relating to the investment of the assets within the strategic investment framework and performance of investment managers in achieving the Fund's investment objectives.

It will also be responsible for considering and determining opportunistic investments for assets limited in cumulative value to 5% of the Fund's strategic allocation, using its delegated powers to agree whether to make an investment and to select an appropriate investment vehicle when necessary following a selection process.

The ISC may also be occasionally requested to by the Wiltshire Pension Fund Committee to undertake research and report back on a specific investment areas.

All decision taken and recommendations will be reported back to the next available ordinary meeting of the Wiltshire Pension Fund Committee in the form of the minutes of the ISC.

The ISC, will be responsible for:

- 1 Reviewing strategic and emerging opportunities outside the strategic asset allocation and make recommendations to the Committee.
- 2 Reporting regularly to Committee on the performance of investments and matters of strategic importance
- 3 Monitor investment managers' investment performance and recommend decision to terminate mandates on performance grounds to Committee.
- 4 Researching and providing a report back to the Wiltshire Pension Fund Committee on any specific investment areas requested.

The ISC will have delegated authority to:

- 5 Approve and monitor tactical positions within strategic allocation ranges.
- 6 Implement investment management arrangements in line with strategic policy, including the setting of mandate parameters and the appointment of managers.
- 7 Approve amendments to investment mandates within existing return and risk parameters.
- 8 Delegate specific decisions to officers as appropriate.
- 9 In relation to the opportunistic investing of a cumulative value of 5% of the total Fund assets, the ISC will:
 - 9.1 Review proposals put forward by either the Fund's adviser, officers or the Wiltshire Pension Fund Committee in regards to potential opportunistic investments;

- 9.2 Consider only investments that have the potential to deliver more favourable returns than global passive equities which will be the benchmark for success;
- 9.3 Consider only investment that have between a 3 to 7 year time horizon and investments must be redeemable after 7 years as a maximum;
- 9.4 Make decision to invest in an investment that meets the criteria listed in point 9.1 - 9.3;
- 9.5 Agreeing the most appropriate procurement process for delivering an agreed investment outlined in 9.4;
- 9.6 Making an appointment in the relevant investment fund on conclusion of a robust process for selection;
- 9.7 Reporting the outcome of the use of any delegated powers or to make recommendation (where appropriate) to the next meeting of the Wiltshire Pension Fund Committee;
- 9.8 Making a decision to disinvest in any investment appointed by the ISC with any realised assets being either re-invested in another appropriate vehicle that complies with 9.4 or to be held with the passive global equities allocation;

In order to achieve this the ISC will

1. Receive reports from either the Investment Adviser, officers, Independent Governance Adviser and where applicable be circulated to all Members of the Wiltshire Pension Fund Committee;
2. Receive advice from Investment Advisers, Independent Governance Adviser, officers or any other product specialist invited by the ISC to the meeting;
3. Receive monitoring reports when appropriate on investments to inform decision making;
4. Work within the framework set by the Council's Constitution;
5. Report to the Wiltshire Pension Fund Committee as necessary on its activities and use of delegated powers;
6. Investigate other specific areas of investment when requested by the Wiltshire Pension Fund Committee.

Composition:

Voting Members:

- (i) Chairman of the Wiltshire Pension Fund Committee (or in their absence another Wiltshire Council member of the Wiltshire Pension Fund Committee appointed by the Head of Democratic Services)
- (ii) Vice-Chairman of the Wiltshire Pension Fund Committee (or in their absence another Wiltshire Council member of the Wiltshire Pension Fund Committee appointed by the Head of Democratic Services)
- (iii) An elected Wiltshire Council Member of the Wiltshire Pension Fund Committee as co-opted by the Wiltshire Pension Fund Committee. The appointment of Wiltshire Councillor to the ISC is subject to the rules of political proportionality of the Council (and in their absence another member of the Wiltshire Pension Fund Committee appointed by the Chairman and Vice Chairman).
- (iv) A Member of the Wiltshire Pension Fund Committee as co-opted by the Wiltshire Pension Fund Committee. The intention is this will be the same person for each meeting (or in their absence another member of the Wiltshire Pension Fund Committee appointed by the Chairman and Vice Chairman). The member will be appointed for 1 year.

Non-Voting Members

- (i) Investment Adviser to the Wiltshire Pension Fund Committee
- (ii) Independent Governance Adviser to the Wiltshire Pension Fund Committee
- (iii) Director of Finance, Wiltshire Council
- (iv) Head of Pensions, Wiltshire Council
- (v) Strategic Pension Manager, Wiltshire Council

Observers

- (i) Any member from the Wiltshire Pension Fund Committee is invited to attend in a non-voting capacity as relevant to the subject matter.

Quorum:

The Quorum is three voting members.

Authority:

To make recommendation and to discharge the functions of the Wiltshire Pension Fund Committee as outlined in the Terms of Reference.

Frequency of meetings:

The ISC shall meet at least quarterly ahead of the Committee meeting.

Additional ad hoc formal meetings will be held as merited in order to utilise the delegated powers in terms of opportunistic investments to make a decision, with informal meetings as required discussing background issues / seeking clarification prior to any decision being taken.

All meetings will be subject to 5 clear days notice of meeting and access by the public to part 1 and part 2 items as applicable.

Rules of procedure

As a committee of the Council, the Rules of Procedure at part 4 of the Council's constitution apply to meetings of the ISC.

Public access to ISC meetings and information

The ISC is subject to the Access to Information Procedure Rules in Part 5 of the Council's constitution.

WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
28 June 2017

INTERNAL AUDIT UPDATE

Purpose of the Report

1. This report updates the Committee on the 2016-17 key controls final report by the SWAP internal audit team.

Background

2. The internal audit of Pensions has been completed by SWAP in accordance with an agreed Internal Audit plan. This supports the annual audit undertaken by KPMG (the external auditors).

Key Considerations for the Board

Internal Audit of Key Controls 2016-17

3. The internal audit of the key controls for 2016-17 is now finalised. This takes a risk based approach to ensure the key financial system controls are operating effectively for the Wiltshire Pension Fund and that fraud, error or corruption is minimised. The Terms of Reference for this audit which outlines the scope and coverage is also attached at the end of this report for the Committee's information.
4. SWAP has given the Fund a "Reasonable Assurance" opinion. There were no significant findings in the report, with two priority 3 risks identified.
5. Of the two medium risks, the reconciliations of New Pensioners and New Dependents between the Altair Pension system and SAP Pension Payroll will commence once resources are in place. The reconciliation between Altair and Pension Payroll records are on-going.
6. The management responses to these areas are outlined in the report and officers will work to ensure these are implemented.

Risks Assessment

7. The risks reflected in this Internal Audit report are included in the Risk Register which is updated quarterly and presented to this Committee.

Financial Implications

8. The internal audits fees are based on an annual recharge from Wiltshire Council. The fee for the 2016-17 external audits by KPMG is £24,604 and a direct charge to the Fund.

Legal Implications

9. None have been identified as arising directly from this report.

Safeguarding Considerations/Public Health Implications/Equalities Impact

10. There are no known implications at this time.

Proposals

11. The Committee is asked to note this update and the attached SWAP Internal Audit Report and recommendations.

MICHAEL HUDSON
Treasurer to the Pension Fund

Report Author: Catherine Dix, Strategic Pension Manager

Unpublished documents relied upon in the production of this report: NONE


Wiltshire Pension Fund

Final Report




Issue Date: 28 May 2017




Executive Summary

-  This section provides an overview for senior management to understand the main conclusions of this audit review, including the opinion, significant findings and a summary of the corporate risk exposure.

Findings and Outcomes

-  This section contains the more detailed findings identified during this review for consideration by service managers. It details individual findings together with the potential risk exposure and an action plan for addressing the risk.

Appendices:

-  Audit Framework Definitions
-  Support and Distribution
-  Statement of Responsibility

Executive Summary

Overview

As part of the 2016/17 Internal Audit Plan for Wiltshire Council, an audit has been undertaken to assess the adequacy of the key financial controls and procedures in place for Wiltshire Pension Fund.

As confirmed from annual reporting for the fund in respect of 2015/16, the Wiltshire Pension Fund administer the Local Government Pension Scheme (LGPS) on behalf of around 169 participating employers, including Councils, Schools, Police and Fire Authorities, other public bodies, charities and private sector companies. As at 31 March 2016, total membership was reported at over 63,000 (including active and deferred members and pensioners) with holdings of over £1.8bn of investments assets.

Given the materiality of balances, the fund is subject to an annual internal audit as part of the Wiltshire Council's key financial controls assurance process.

Objective

To ensure key financial system controls are operating effectively for The Wiltshire Pensions Fund, and that fraud, error or corruption is minimised.

Significant Findings

Risk:	Impact
No Significant Risks Reported.	

Audit Opinion:

Reasonable

I am able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

This opinion reflects that the recommendation in respect of reconciliation between pensions Payroll and Altair has been restated. This is because there have been notable delays in reconciliation of new dependents and pensioners. We do, however, note that the resultant impact of risk is considered moderately low given other compensating factors and controls.

We also highlight that other reconciliations have been brought up date, although management will need to continue to monitor this position given that the responsible Pension Fund Accountant has been on maternity leave since February 2017.

Well Controlled Areas of the Service

Systems and processes haven again been proven to be well embedded with associated key financial controls operating satisfactorily in respect of:

- Review and Authorisation of Benefits Calculations;
- Production and independent Review of Pensions Payroll Exception Reports; and
- Authorisation of Starters and Leavers (Members and Pensioners).

Corporate Risk Assessment

Risks	Inherent Risk Assessment	Manager's Initial Assessment	Auditor's Assessment
1. The Wiltshire Pension Fund suffers financial loss because contributions received and payments to pensioners are incorrect.	Medium	Low	Low
2. The Wiltshire Pension Fund's financial records are compromised by the inaccurate reporting of balances and resultant material misstatements.	Medium	Low	Low
3. The Wiltshire Pension Fund suffers financial and reputation loss at it is not compliant with LGPS regulations.	Medium	Low	Low
4. The Wiltshire Pension Funds records are put at risk of fraud and error because access to the Pensions system application is not restricted to authorised users.	Medium	Low	Low
5. The Council is exposed to greater risk because previous audit recommendations have not been implemented.	Medium	Low	Low

Findings and Outcomes

Method and Scope

This audit has been undertaken using an agreed risk based audit. This means that:

- the objectives and risks are discussed and agreed with management at the outset of the audit;
- the controls established to manage risks are discussed with key staff and relevant documentation reviewed;
- these controls are evaluated to assess whether they are proportionate to the risks and evidence sought to confirm controls are operating effectively;
- at the end of the audit, findings are discussed at a close-out meeting with the main contact and suggestions for improvement are agreed.

Prior year reporting has highlighted that systems and processes are proven to be well embedded and associated key financial controls operate satisfactorily in respect of:

- Review and Authorisation of Benefits Calculations
- Production and independent Review of Pensions Payroll Exception Reports
- Authorisation of Starters and Leavers (Members and Pensioners)

Thus, for these areas, a lighter touch approach has been adopted this year. The level of detailed sample testing has been reduced and the effectiveness of the principles of control has instead been confirmed from observational walkthrough of example cases.

At the request of the Chair of the Local Pension Board, a high level review has also been undertaken to determine whether the content of the Annual Report for the Pension Fund is accordant with regulatory requirements.

The scope of review has not included processes which are subject to Wiltshire Council's corporate system of control including:

- Bank reconciliation arrangements
- Setting up New Starters and Processing Leavers on the SAP Payroll system.

These areas are reported separately in consolidated reporting on Wiltshire Council's key financial controls 2016/17.

1.1	1. The Wiltshire Pension Fund suffers financial loss because contributions received and payments to pensioners are incorrect.	Low
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1.1.1 Finding and Impact

Review and Authorisation for Calculation of Benefits

Observational walkthrough of recent sample cases confirmed that appropriate controls are operated and evidenced in respect of the review and authorisation process for calculations of benefits on death, retirees and transfers out.

1.1.2 Finding and Impact

Production and independent Review of Pensions Payroll Exception Reports

There is appropriate production and review of exception reporting in respect of the pensions payroll on a regular, monthly basis.

Appropriate evidence is retained of checks undertaken with:

- Individual entries ticked to denote they have been confirmed as correct;
- Reports signed and dated by the Payroll Officer to confirm her sign off; and
- A copy of scanned, signed reports retained on the secure server to support each month's checks.

1.1.3 Finding and Impact

Authorisation of Starters

Checks of example new starter cases confirmed that starter details had been transferred completely and accurately to Altair from forms and the employer starter spreadsheet.

Review of supporting Approved Signatories forms confirmed that starter records had been approved by a recognised, authorised officer by means of confirmatory email.

1.1.4 Finding and Impact

Authorisation of Leavers

As reported under benefit payments above, observational walkthrough of recent sample cases confirmed that appropriate controls are operated and evidenced in respect of the review and authorisation process of leavers to the scheme (i.e. through processing of benefits on death, retirees and transfers out).

1.2 2. The Wiltshire Pension Fund's financial records are compromised by the inaccurate reporting of balances and resultant material misstatements.

Low

1.2.1 Finding and Impact

Reconciliation of the pension payroll system to the general ledger

New Pensioners and New Dependants

Review of the last reconciliations undertaken for New Pensioners and New Dependants confirmed that these had been undertaken in accordance with the agreed procedure. However, whilst these should normally be undertaken quarterly, the Pensions Fund Development Manager confirmed that the last full reconciliation was undertaken in April 2016 in respect of data to the end of March 2016. This was also verified from review of the last reconciliation provided.

Review of the latest reconciliations checklist provided by the Pension Fund Accountant highlighted that these reconciliations have been removed from the latest version. As a result, progress is not transparently reported as over-due.

It is also noted that, as reported in 2015-16, that a full reconciliation of the two systems has not yet been undertaken and that checks instigated since the last full check in 2011 have not been cumulative. This is, in part due to an outstanding decision on whether an integrated Altair payroll module will be added to the system.

Given delays in checks undertaken between new pensioners and new dependants, there is a risk that discrepancies between Altair and SAP GL records will not be identified and dealt with promptly resulting in over- or under-payment of benefits.

Thus one recommendation from 2015-16 reporting is updated with another re-stated.

However, the impact of this risk is considered to be moderately low given a number of compensating controls and factors.

Any new pensioner or dependent records are only set up on SAP once they have been added to Altair and a new starter form is raised and authorised to confirm addition to the Pensions Payroll.

Changes normally only occur after initiation of pensioner / dependent payments including:

- cessation due to death
- cessation or changes in the proportion of dependants' entitlement

Other than these changes, only an annual uplift (PI) is applied, increasing entitlement from 1st April each year.

A number of compensating control checks are also applied to ensure that any subsequent changes to pensioner payroll records affecting entitlement align with Altair (or vice versa) including:

- WPF staff checking payroll reporting on deaths
- Payroll staff checking closed bank accounts reported by WPF staff
- Payroll staff undertaking checks of exception reporting
- WPF Finance staff checking totals paid out to employers including a monthly analysis of balances for employers including flagging of balances fluctuating more than 5% tolerance from one month to the next prompting investigation.

Follow up of 2015-16 Findings - Additional Payroll Costs Reconciliation

The last completed reconciliations were reviewed for:

- Lump Sum (GL Code 100421)
- Trivial Commutation (GL Code 956303)
- Underpayments (GL Code 100401)

From this it was confirmed that they have been undertaken in accordance with agreed procedures, balances were supported by system reporting and verified copies had been saved by the Pension Fund Accountant (annotated with her initials as required).

The Pension Fund Accountant confirmed that, although reconciliations had been undertaken on a regular monthly basis, there had been delays, until more recently, in verifying these given available staff resource.

General review of the checklist confirmed this with delays in verifying reconciliations reported up until August 2016 (averaging between 55 and 93 days). Since then, there have been improvements and, although there were delays in undertaking verifications of October, this was less notable than in prior periods (averaging 44 days after the period end date). Additionally, verification of the

November reconciliations was underway at the time of the audit review. Thus no further recommendation is made in this respect.

However, we do note for information that this should be closely monitored by management given that the Fund Accountant will be on maternity leave from February 2016. Unless this resource is replaced, there will a potential impact on progress made to date. We acknowledge that this has been transparently reported issue being monitored by the Local Pension Board.

1.2.1a Proposed Outcome: Priority 3

It has been agreed that reconciliations of New Pensioners and New Dependants between the Altair Pension system and SAP Pensions Payroll are undertaken on a monthly basis.

Action Plan:

Person Responsible:	Head of Pensions	Target Date:	September 2017
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Management Response: Agreed that monthly reconciliations would be preferable for the New Pensioners and New Dependants reconciliations. The Fund currently experiencing high levels of staff turnover as flagged on its risk register, and is looking to develop its data quality team to picked up these specific reconciliations in future.

1.2.1b Proposed Outcome: Priority 3

It has been agreed that an updated full reconciliation be undertaken between Altair and SAP Payroll to provide further assurance that payments made to pensioners cast. This should provide the basis for a monthly reconciliation of cumulative balances.

Action Plan:

Person Responsible:	Head of Pensions	Target Date:	December 2019
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Management Response: The Guaranteed Minimum Pension (GMP) reconciliation project is currently on-going which is due to finish in December 2018 with the timescales being dictated by HMRC. As this reconciliation is in part a reconciliation of the SAP payroll to Altair, officers' view is this is being undertaken to a certain extent with a full reconciliation of the two systems to be prioritised after this date.

1.2.2 Finding and Impact

Bank Reconciliations

Please note that this area is considered out of scope at it is subject to central, corporate process operated by Wiltshire Council. This is reviewed separately under **General Ledger and Financial Account Key Financial Controls 2016/17** and will be reported separately in consolidated reporting for Key Financial Controls.

1.2.3 Finding and Impact

Evidence of Regular Discussions with Governors and the Actuary - Fund Valuation Position

Review confirmed that there has been regular quarterly reporting to the Board on the fund position for 2016-17 to date.

There is also appropriate evidence of members' consideration of the latest actuarial tri-annual valuation with an update on progress provided by the Head of Pensions in the last meeting held in December 2016.

1.3.1 Finding and Impact

Annual Reporting - Accordance with the requirements of LGPS and other Relevant Regulations

On request by the Chair of the Local Pension Board, a high level review was also undertaken to determine whether the Annual Report for the Pension Fund contained the requisite regulatory sections. From this it was confirmed the report for 2015/16, meets the requirements of LGPS Regulations 2013, 57(1) by including (or linking to) a:

- Management and Financial Performance Report;
- Investment Policy & Performance Report;
- Scheme Administration Report;
- Actuarial Report on Funds;
- Governance Compliance Statement;
- Fund Account, Net Assets Statement and Notes;
- Pensions Administration Strategy Report;
- Funding Strategy Statement;
- Statement of Investment Principles;
- Communications Policy Statement;
- Discretionary Material; and
- Material required by the LGPS Scheme Advisory Board to publish their Scheme Annual Report.

Although, an advisory recommendation has been made in respect of information required of best practice which has not been included in respect of the following discretionary content recommended under CIPFA Guidance:

- KPI data on staffing efficiency (management and performance reporting); and
- Reporting on the manner employer discretions have been exercised in the reporting period a glossary of commonly used pension terms to aid readers (again categorised as discretionary).

Discussion with the Head of Pensions and the Chair of the Local Pension Board has also confirmed that future internal audit work may include more detailed focus on the content of the various reports and statements listed above to ensure they are compliant with the requirements of various other LGPS regulations.

Compliance with CIPFA Code of Accounting Practice Requirements for Annual Reporting

Discussion with fund management confirmed that the external auditors routinely request that management provide evidence of the checks they have made against the disclosure checklist published by CIPFA to ensure compliance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom in respect of fund accounts, disclosures and notes (included in the annual report). Review confirmed that a copy had been retained by the service management to confirm the checks and confirmations sought.

As this checklist is recognised as a tool rather than an official document, there is no official, evidential sign off of the checklist by KPMG or management. An exception reporting basis is instead adopted with the external auditors confirming any necessary updates to the statement of accounts required where applicable.

Review of the annual audit report (extract from the report presented to audit committee in July 2016) confirmed that no material misstatements were identified. Although 'a small number of presentational adjustments were required' these were noted in the LPB minutes of July 2016 as only being stylistic corrections needed to the accounts.

At the time of issue of the Annual Audit Report it was still to be established whether the annual report was compliant with LGPS regulations. The subsequent audit letter issued by KPMG does not explicitly confirm that such assurances were sought. However, as nothing of further significance was reported and the External Auditors confirmed that the Annual Report and Final Accounts were unqualified, this implies such checks were completed (else this would have represented a significant, material, reportable issue).

Additionally, the external auditor's opinion given within the Annual Pensions Fund Report confirms: 'the pension fund financial statements [reported within]... comply with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.'

However, noting the expectations of the Chair of the Local Pensions Board for explicit physical evidence of actual compliance checks undertaken in this respect, more detailed future audit review against this checklist may be considered to provide further assurance that the content of the annual report is compliant with the Code of Practice.

1.4	4. The Wiltshire Pension Funds records are put at risk of fraud and error because access to the Pensions system application is not restricted to authorised users.	Low
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1.4.9 Finding and Impact

System Access & Password Controls

General principles control applied for user access management are sound.

Review of the current listing of users confirmed that higher level access had been granted where appropriate on the basis of roles and responsibilities.

Although there have been no reported leavers, the Benefit Manager account had been disabled as appropriate.

Comparison to current County Password Policy confirmed that password settings are generally in accordance, although a minimum of 6 characters is required (rather than the 8 stipulated by County). Although, this is not of great concern as, in compensation, additional Citrix passwords are also required to access the system.

Audit Framework and Definitions

Assurance Definitions

None	The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Partial	In relation to the areas reviewed and the controls found to be in place, some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Reasonable	Most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Substantial	The areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.

Definition of Corporate Risks

Risk	Reporting Implications
High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.
Medium	Issues which should be addressed by management in their areas of responsibility.
Low	Issues of a minor nature or best practice where some improvement can be made.

Categorisation of Recommendations

When making recommendations to Management it is important that they know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. No timeframes have been applied to each Priority as implementation will depend on several factors, however, the definitions imply the importance.

Priority 5	Findings that are fundamental to the integrity of the unit's business processes and require the immediate attention of management.
Priority 4	Important findings that need to be resolved by management.
Priority 3	The accuracy of records is at risk and requires attention.

Priority 2 and 1 Actions will normally be reported verbally to the Service Manager.

Report Authors

This report was produced and issued by:

Kerry Chisholm, Senior Auditor

Support

We would like to record our thanks to the following individuals who supported and helped us in the delivery of this audit review:

Howard Pierce, Chair of the Local Pensions Board

David Anthony, Head of Pensions

Catherine Dix, Strategic Pension Manager

Roz Vernon, Pension Fund Accountant

Mark Anderson, Fund Development Manager

Martin Downes, Systems Manager

Craig Payne, Benefits Manager

Sue Tompkins, Accounting Technician

Janine Davis, Payroll Assistant

Distribution List

This report has been distributed to the following individuals:

David Anthony, Head of Pensions

Catherine Dix, Strategic Pension Manager

Working in Partnership with

Devon & Cornwall Police & OPCC Somerset County Council

Dorset County Council

South Somerset District Council

Dorset Police & OPCC

Taunton Deane Borough Council

East Devon District Council

West Dorset District Council

Forest of Dean District Council

West Somerset Council

Herefordshire Council

Weymouth and Portland Borough Council

Mendip District Council

Wiltshire Council

North Dorset District Council

Wiltshire Police & OPCC

Sedgemoor District Council

Statement of Responsibility

Conformance with Professional Standards

SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Auditing Standards.

SWAP Responsibility

Please note that this report has been prepared and distributed in accordance with the agreed Audit Charter and procedures. The report has been prepared for the sole use of the Partnership. No responsibility is assumed by us to any other person or organisation.

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WILTSHIRE PENSION FUND BUDGET 2016-17 - FINAL OUTTURN

	2016/17			Explanations
	Budget £000	Projected Outturn £000	Variance £000	
<u>Fund Investment Management Fees</u>				
Segregated Funds	5,172	5,817	645	Mainly due to Increased performance fees from exceeding targets for Baillie Gifford.
Pooled Funds *	2,783	3,211	428	Includes Invisible (or non direct charged) fees adjustment for higher asset base and investment in direct infrastructure.
Total FUND INVESTMENT FEES	7,955	9,028	1,073	

* pooled costs paid through investment holdings

Fund Investment Costs

1 Investment Administration	113	112	-1	
2 Investment Custodial & Related Services	30	-304	-334	Increased Security Lending income in year relevant to the particular equities being held at the time.
3 Investment Consultancy	107	222	115	Mainly relates to additional expenditure on Brunel Project in respect of investment pooling.
4 Corporate Governance Services	40	38	-2	
5 Performance Measurement	40	31	-9	
	<u>330</u>	<u>99</u>	<u>-231</u>	

Fund Scheme Administration

6 Pension Scheme Administration	1,514	1,556	41	Additional costs arising from acting posts and Microfiche digitalisation project ahead of schedule, offset by delay in proposed implementation of employers and employee self service software.
7 Actuarial Services	234	373	139	Increased costs resulting from the Fund valuation, on-going employer issues and additional team support.
8 Audit	58	33	-25	
9 Legal Advice	20	8	-12	
10 Committee & Governance	89	57	-32	
	<u>1,916</u>	<u>2,028</u>	<u>112</u>	
Total FUND COSTS	2,246	2,127	-119	

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WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
28 June 2017

DRAFT STATEMENT OF ACCOUNTS FOR 2016-17

Purpose of the Report

1. The purpose of this report is to present the attached draft Wiltshire Pension Fund Financial Statements 2016-17 to Members for approval.

Background

2. As last year the Financial Statements will be presented today at the June meeting and the Complete Annual Report will be presented to the September Committee.
3. The Pension Financial Statements will also go to the Audit Committee on 26 July 2017.
4. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/2017 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. Enhancements have been made in some areas to take account of established practices such as those set out in the 2007 Pension SORP (Statement of Recommended Practice) issued by PRAG (Pension Research Accountants Group) and guidance such as CIPFA guidance Accounting for Local Government Pension Scheme Management Costs.
5. The Pension Fund Financial Statements are included within the Statement of Accounts of the Council as well as the Pension Fund Annual Report.

Risk Assessment

6. The audit of the Wiltshire Pension Fund is not yet finalised and therefore the Audit Opinion and Certificate had not been issued at the time this report was prepared. The Final Audit Report will be presented at the September Committee meeting.

Financial Considerations

7. These will be considered in the Annual Report. The outturn for 2016-17 is detailed elsewhere on the agenda.

Legal Implications of the Proposals

8. There are none.

Environmental Impact of the Proposals

9. There are none.

Safeguarding Considerations/Public Health Implications/Equalities Impact

10. There are no known implications at this time.

Proposals

11. Members are asked to approve the draft Wiltshire Pension Fund Financial Statements 2016-17 for publication, subject to the completion of the audit.

Michael Hudson
Treasurer to the Pension Fund

Report Author: Catherine Dix, Strategic Pension Manager

Unpublished documents relied upon in the production of this report: **NONE**

Wiltshire Pension Fund

The Fund is administered by Wiltshire Council for local authorities within Wiltshire and other local government associated organisations. It meets the cost of pension benefits due to current and former employees of these organisations. The current membership as at 31 March 2017 included 21,245 active members, 15,523 pensioners and 28,087 deferred members.

Responsibility for the Report

Wiltshire Council

The Council has to arrange for the proper administration of the Wiltshire Pension Fund. In particular, it needs to ensure an economic, efficient and effective use of resources in carrying out this administration and that the Fund's investments are safeguarded.

The Council has delegated this responsibility to the Wiltshire Pension Fund Committee. It also, however, has to ensure that one of its officers has responsibility for the financial aspects of that administration, this being the Associate Director Finance.

Wiltshire Pension Fund Committee

There are seven elected members of the Committee, comprising five Wiltshire Councillors and two Swindon Borough Council members. In addition, there are two representatives of the admitted bodies and two observers representing staff interests. Details of the membership of the Committee in 2016/2017 are shown in the Wiltshire Pension Fund Annual Report.

Included amongst the powers delegated by the Council to the Committee are requirements to:

- arrange and keep under review the investments of the Fund through one or more properly authorised investment managers, and to
- appoint investment managers and external advisers as necessary to support the work of the Committee.

Local Pensions Board

The Local Pension Board was established in April 2015 to assist the Committee in securing compliance with the scheme regulations and the effective and efficient governance and administration of the Fund. It is made up of 3 scheme members' representatives and 3 scheme employers' representatives along with a non-voting independent chairman

The Fund will liaise closely with the Local Pension Board, so they can fulfil their duties and form appropriate opinions.

Chief Finance Officer

The Chief Finance Officer is responsible for preparing the financial statements of the Wiltshire Pension Fund, which must show the financial position of the Fund at the accounting date and its income and expenditure for the year.

In preparing the statements, suitable accounting policies must be selected and applied consistently and judgements and estimates made where necessary that are reasonable and prudent and comply with the appropriate accounting Code of Practice.

Proper accounting records must be maintained and kept up to date and all reasonable steps must be taken to prevent and detect fraud and other irregularities. An anti-fraud and corruption and whistle blowing policy has been implemented for the Fund.

Actuarial Statement

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated September 2016. In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the Fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members' /dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

The FSS sets out how the administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable.

Funding Position as at the last formal valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2016. This valuation revealed that the Fund's assets, which at 31 March 2016 were valued at £1,831 million, were sufficient to meet 82% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2016 valuation was £415 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS. Individual employers' contributions for the period 1 April 2017 to 31 March 2020 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Methods used to value the liabilities

Full details of the methods and assumptions used are described in the 2016 valuation report.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2016 valuation were as follows:

Financial Assumptions 31 March 2016

Discount rate	4.0%
Salary increase assumption	2.4%
Benefit increase assumption (CPI)	2.1%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Funds VitaCurves with improvements in line with the CMI_2013 model, assuming the current rate of improvements has reached a peak and will converge to a long term rate of 1.25%p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	22.5 years	24.9 years
Future Pensioners*	24.1 years	26.7 years

*Aged 45 at the 2016 Valuation

Copies of the 2016 valuation report and Funding Strategy Statement are available on request from Wiltshire Council, the administering authority to the Fund.

Experience over the period since 31 March 2016

Since the last formal valuation, real bond yields have fallen placing a higher value on the liabilities. The effect of this has been broadly offset by strong asset returns. Both events have roughly cancelled each other out in terms of the impact on the funding position as at 31 March 2017.

The next actuarial valuation will be carried out as at 31 March 2019. The Funding Strategy statement will also be reviewed at that time.

Audit

KPMG LLP act as the external auditor of the Council, and therefore the pension fund.

Investment Management Policy

Overall responsibility for investment policy lies with the Wiltshire Pension Fund Committee, which reports directly to Wiltshire Council.

The Investment Strategy is revised annually by the Fund.

The current strategy has the dual aim of increasing returns and reducing risk by increasing diversification and alternative approaches. Details of the strategy are provided in the Fund's Statement of Investment Principles (SIP) for the period up to 31 March 2017 and in the Investment Strategy Statement (ISS) for the period from 1 April 2017– these documents can be supplied upon request or viewed at www.wiltshirepensionfund.org.uk.

The full list of managers as at 31 March 2017 were:

Company	Mandate	Share of Fund
Baillie Gifford	Global Equity	15.0%
CBRE Global Multi Manager	Property	13.0%
Loomis Sayles	Fixed Income	10.5%
Barings	Absolute Return Fund	10.0%
Legal & General	Passive UK Equity	12.5%
Legal & General	Global Equities	5.0%
Legal & General	Government Bonds	5.0%
Legal & General	Fundamental Equities	12.5%
Investec	Emerging Market Multi Asset	10.0%
Partners Group	Infrastructure	5.0%
M&G Investment Management	UK Companies Financing Fund	1.5%

During the year, the managers transacted purchases of £1039.4 million (£539.9m 2015/2016) and sales of £1,025.8 million (£523.4m 2015/2016). The value of assets under management at 31 March 2017 was £2,174.1 million, broken down by managers as follows:

Legal & General	£808.8 million
Baillie Gifford	£356.1 million
CBRE Global Multi Manager	£291.7 million
Barings Asset Management	£210.7 million
Loomis Sayles	£231.3 million
M&G Investment Management	£5.8 million
Partners Group	£37.1 million
Investec	£232.6 million
Total	£2,174.1 million

	£ million	% of Fund total
Geographical analysis		
United Kingdom	714.5	32.9
North America	223.6	10.3
Europe	78.3	3.6
Asia, ex Japan	6.5	0.3
Other - Overseas	78	3.6
Other - Pooled Funds	1073.2	49.3
	2,174.1	100.0
Sector analysis		
Equities	1266.8	58.3
Fixed interest bonds	231.3	10.6
Cash & Derivatives	20.0	0.9
Property	262.8	12.1
Long-Short Hedge Fund	0.0	0.0
Emerging Market	232.6	10.7
Infrastructure	35.7	1.6
Index linked bonds	124.9	5.8
	2,174.1	100.0

Comparative figures for 2015/2016 are shown below.

		£ million	% of Fund total
Geographical analysis	United Kingdom	614.0	33.6
	North America	172.8	9.5
	Europe	67.8	3.7
	Asia, ex Japan	6.2	0.3
	Other - Overseas	60.6	3.3
	Other - Pooled Funds	905	49.6
		1,826.4	100.0
Sector analysis	Equities	1098.0	60.1
	Fixed interest bonds	202.2	11.1
	Cash & Derivatives	22.4	1.2
	Property	230.5	12.6
	Long-Short Hedge Fund	0.0	0.0
	Emerging Market	153.0	8.4
	Infrastructure	17.9	1.0
	Index linked bonds	102.4	5.6
		1,826.4	100.0

Safe custody of all investments is the responsibility of BNY Mellon and as such, they are registered in the name of, and are held by, its nominee companies or, alternatively, by overseas agents.

The Wiltshire Pension Fund

Fund Account	Notes	2016/2017	2015/2016
For the year ended 31 March		£000	£000
Contributions and benefits			
Contributions receivable	5	95,901	89,449
Individual transfers		3,604	2,491
		99,505	91,940
Benefits payable	6	(78,814)	(76,841)
Payments to and on account of leavers	7	(4,808)	(3,948)
		(83,622)	(80,789)
Management Expenses	8&12	(11,181)	(9,336)
		4,702	1,815
Returns on investments			
Investment income	9	10,076	11,764
Change in market value of investments	11	334,031	(27,521)
		344,107	(15,757)
Net returns on investments		348,809	(13,942)
Net Increase in the fund during the year		348,809	(13,942)
Opening Net Assets of the Fund		1,838,661	1,852,603
Closing Net Assets of the Fund		2,187,470	1,838,661

The Wiltshire Pension Fund

Net Asset Statement
At 31 March

	Notes	31 March 2017	31 March 2016
		£000	£000
INVESTMENT ASSETS	11		
Equities		372,221	320,848
Pooled investment vehicles		1,519,157	1,252,637
Property		262,758	230,505
Derivative assets		0	4,170
Cash held on deposit		19,799	20,977
Other investment balances		170	179
		<u>2,174,105</u>	<u>1,829,316</u>
INVESTMENT LIABILITIES	11		
Derivatives liabilities		0	(2,924)
Total net investments		<u>2,174,105</u>	<u>1,826,392</u>
Current assets	13	17,047	16,183
Current liabilities	14	(3,682)	(3,914)
Net assets of the Fund at 31 March		<u>2,187,470</u>	<u>1,838,661</u>

The accounts summarise the transactions of the Fund and deal with the net assets at the disposal of Wiltshire Council. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Fund year. The actuarial position of the Fund, which does take account of such obligations, is dealt with in the actuarial statements and these accounts should be read in conjunction with these.

Notes

Related notes form an integral part of these financial statements

1. Basis of Preparation

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/2017 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

IAS26 requires the actuarial present value of promised benefits to be disclosed. A separate report has been prepared by Hymans Robertson and is enclosed below after note 19. The Chancellor's budget statement on 22 June 2010 declared that future pension increases should be linked to the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). The report after note 19 has been prepared on the CPI basis.

The accounts have been prepared on an accruals basis except where otherwise stated, i.e. income and expenditure is accounted for as it is earned or incurred, rather than as it is received and paid.

2. Accounting Policies

The principal accounting policies of the Fund are as follows:

Contributions

Contributions are received from employer bodies in respect of their own and their pensionable employees' contributions. Employers' contributions (for both Normal and Deficit Funding) are prescribed in the Actuary's Rates and Adjustment Certificate following the review of the Fund's assets and liabilities during the triennial valuation. The Employees' contributions are included at the rates prescribed by the Local Government Pension Scheme Regulations.

Employer augmentation contributions are accounted for in accordance with the agreement under which they are being paid.

Benefits and Refund of Contributions

The benefits payable and refunds of contributions have been brought into account on the basis of all valid claims approved during the year.

Transfers to and from Other Schemes

No account is taken of liabilities to pay pensions and other benefits after the year end. Transfer values, which are those sums paid to, or received from, other pension schemes relating to previous periods of employment, have been brought into account on a cash basis.

Investment Income

Dividends, interest and coupon receipts have been accounted for on an accruals basis. Income on pooled investments is accumulated and reflected in the valuation of units.

Valuation of Investments

Investments are shown in the accounts at market value, determined on the following basis:

- (i) **Quoted securities**
Quoted Securities have been valued at 31 March 2017 by the Fund's custodian using the bid price where a quotation was available on a recognised stock exchange or unlisted securities market.
- (ii) **Unquoted securities**

Unquoted securities have been valued according to the latest trades, professional valuation, asset values or other appropriate financial information.

(iii) **Pooled investment vehicles**

Pooled investments are stated at bid price for funds with bid/offer spreads, or single price/net asset value where there are no bid/offer spreads, as provided by the investment manager.

(iv) **Fixed Interest Stocks**

Segregated fixed interest stocks are valued on a clean basis. Accrued income is accounted for within investment income.

(v) **Derivative Contracts**

Derivatives are stated at market value. Exchange traded derivatives are stated at market values determined using quoted prices. For exchange traded derivative contracts which are assets, market value is based on quoted bid prices. For exchange traded derivative contracts which are liabilities, market value is based on quoted offer prices.

Over the Counter (OTC) derivatives are stated at market value using pricing models and relevant market data as at the year end date.

Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.

All gains and losses arising on derivative contracts are reported within 'Change in Market Value'.

Reported changes in the market value of investments over the year of account include realised gains or losses arising upon the disposal of investments during the year.

Foreign Currency Translation

All investments held in foreign currencies are shown at market value translated into sterling using the WM 4PM rate on 31 March 2017.

Foreign currency transactions are accounted for on the basis of the equivalent sterling value of the underlying transactions, by applying the relevant exchange rate ruling at the time. Where overseas securities are acquired with currency either previously purchased directly or accruing from the sale of securities, the sterling book cost of the new security will be based on the exchange rate ruling at the time of the purchase of that security. Any profit or loss arising on currency transactions either realised or unrealised, will be reflected in the Net Asset Statement.

Management Expenses

The Fund discloses its management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Costs.

Investment management expenses are based on the quarter end market value of the investments held. The fees paid are determined by the agreed fee scales for each individual manager.

Where a management fee notification has not been received by the time of preparing the accounts, an estimate based upon the market value of the mandate is used for inclusion in the Fund account.

Acquisition Costs of Investments

Transaction costs are charged as part of investment management expenses. These include costs charged directly to the fund such as fees, commissions, stamp duty and other fees.

Administration Expenses

A proportion of the relevant officers' salaries, salary on-costs and general overheads, have been charged to the Fund on the basis of time spent on Fund administration.

Taxation

The Fund is a registered pension scheme for tax purposes and as such is not liable for UK income tax on investment income, nor capital gains tax. As Wiltshire Council is the administering authority, VAT input tax is recoverable on all expenditure.

Income earned from investments in stocks and securities in the USA is exempt from US tax and is not subject to withholding tax. Most tax deducted from income on European investments is also recoverable.

Additional Voluntary Contributions (AVCs)

The accounts of the Fund in accordance with regulation 5 (2) (C) of the Pension Scheme (Management and Investment of Funds) Regulations 1998 do not include transactions in respect of AVCs. These are money purchase arrangements made by individual Fund members under the umbrella of the Local Government Pension Scheme, to enhance pension benefits.

3. Critical Judgement in Applying Accounting Policies**Pension Fund Liability**

The Pension Fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in the actuarial position statement (on page 126). This estimate is subject to significant variances based on changes to the underlying assumptions.

4. Assumptions made about the Future and Other Major Sources of Estimation Uncertainty

The Statements of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the net asset statement at 31 March 2017 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Debtors	At 31 March 2017, the fund had a balance of £17.0m for debtors (£2.9m relate to a long term debtor). A review of significant balances suggested that no impairment is currently necessary. However, in the current economic climate, it is not certain that all debts will be paid.	If collection rates deteriorate it may be necessary for an allowance to be included in the accounts for doubtful debts.

5. Contributions Receivable

	2016/2017 £000	2015/2016 £000
Employer		
- Normal	61,280	55,708
- Augmentation	1,401	1,068
- Deficit Funding*	14,064	13,344
Members		
- Normal	18,959	19,100
- Additional Contributions	197	229
	95,901	89,449
Analysis of contributions receivable		
	2016/2017 £000	2015/2016 £000
<i>Contributions from employees (Including Additional Contributions)</i>		
- Wiltshire Council	7,063	7,693
- Other scheduled bodies	11,123	10,335
- Admitted bodies	970	1,301
	19,156	19,329
<i>Contributions from employers (Including Augmentations)</i>		
- Wiltshire Council	30,194	27,882
- Other scheduled bodies	40,188	35,163
- Admitted bodies	6,363	7,075
	76,745	70,120
Total contributions receivable	95,901	89,449

* Deficit funding contributions are being paid by the employer for the three years commencing from 1 April 2014 with a minimum specified in the Rates and Adjustment Certificate dated 31 March 2014 in order to improve the Fund's funding position. The recovery period at the last valuation over which the deficit funding is recovered is mainly 20 years for scheduled bodies and 14 years or the length of the employer's contract (whichever is the shorter) for admitted bodies.

6. Benefits payable

	2016/2017 £000	2015/2016 £000
Pensions	65,540	63,698
Commutation and lump sum retirement benefits	11,141	11,495
Lump sum death benefits	2,133	1,648
	78,814	76,841
Analysis of benefits payable		
	2016/2017 £000	2015/2016 £000
<i>Pensions payable</i>		
- Wiltshire Council	34,940	34,705
- Other scheduled bodies	24,200	23,018
- Admitted bodies	6,400	5,975
	65,540	63,698
<i>Retirement and Death grants payable</i>		
- Wiltshire Council	5,651	4,832
- Other scheduled bodies	6,186	6,154
- Admitted bodies	1,437	2,157
	13,274	13,143
Total benefits payable	78,814	76,841

7. Payments to and on account of leavers

	2016/2017 £000	2015/2016 £000
Individual transfer out to other schemes	4,394	3,577
Bulk transfer out to other schemes	2	0
Refunds to members leaving service	269	258
State Scheme Premiums	143	113
	4,808	3,948

8. Management Expenses

	2016/2017 £000	2015/2016 £000
Administration costs	1,955	1,496
Investment Management expenses	9,117	7,731
Oversight & Governance	109	109
	11,181	9,336

The Fund has applied CIPFA's guidance Accounting for Local Government Pension Scheme Management Costs.

The guidance requires the reporting of external investment management fees that are deducted from asset values (rather than invoiced and paid directly). These are now shown gross. Wherever possible, these figures are based on actual costs disclosed by the manager; where actual costs were not available, best estimates have been made using other available information. It is important to note that this is a change in reporting only and does not represent

an actual increase in costs, nor a decrease in Fund's resources available to pay pension benefits.

Investment Management expenses includes £2.3m of performance-related fees paid to the fund's investment managers (2015/2016: £1.8m).

9. Investment Income

	2016/2017 £000	2015/2016 £000
<i>Quoted securities</i>		
- UK fixed interest bonds (coupon receipts)	0	0
- Overseas fixed interest bonds (coupon receipts)	0	0
- UK index linked bonds (coupon receipts)	0	0
- UK equities	545	587
- Overseas equities	999	1,089
<i>Pooled Investment Vehicles</i>		
- Overseas equities	0	0
- UK property	8,616	10,018
- Infrastructure	0	0
<i>Cash held on deposit</i>		
- Sterling Cash	77	66
- Overseas Cash	-161	4
	10,076	11,764

10. Stock Lending

The Council participates in a securities lending programme administered by BNY Mellon. Securities in the beneficial ownership of the Council to a value of £77.8 million (3.6% of the total) were on loan at 31 March 2017. Collateral for these securities is held in a pooled form, the Wiltshire Pension Fund's share (0.014%) representing a value of £84.9 million (109.1%). Income earned from this programme amounted to £0.367 million in the year.

	2016/2017 £ million	2015/2016 £ million
WPF Securities on loan	77.8	5.7
(percentage of total)	3.60%	0.30%
WPF Collateral share of pool	0.01%	0.01%
Value of WPF pooled share	84.9	6.2
Percentage of securities on loan	109.1%	108.6%
Income earned in year	0.367	0.03

11. Investments

Reconciliation of investments held at beginning and end of year

	Value at 01 April 2016	Purchases at cost & derivative payments	Sales Proceeds and derivative receipts	Change in Market Value	Value at 31 March 2017
	£000	£000	£000	£000	£000
Fixed interest securities	0	0	0	0	0
Index linked securities	0	0	0	0	0
Equities	320,848	39,154	(84,266)	96,485	372,221
Pooled funds:					
- Other	1,252,637	459,029	(486,619)	294,110	1,519,157
- Property	230,505	63,985	(30,907)	(825)	262,758
Derivative assets					
- Futures	0	0	0	0	0
- Options	0	0	0	0	0
- Forward FX	1,246	163,377	(117,950)	(46,673)	0
	1,805,236	725,545	(719,742)	343,097	2,154,136
Cash deposits	20,977	313,901	(305,993)	(9,086)	19,799
Other Investment Balances	179	0	(29)	20	170
	1,826,392	1,039,446	(1,025,764)	334,031	2,174,105

	Value at 01 April 2015	Purchases at cost & derivative payments	Sales Proceeds and derivative receipts	Change in Market Value	Value at 31 March 2016
	£000	£000	£000	£000	£000
Fixed interest securities	0	0	0	0	0
Index linked securities	0	0	0	0	0
Equities	342,126	56,753	(93,423)	15,392	320,848
Pooled funds:					
- Other	1,289,293	56,877	(61,734)	(31,799)	1,252,637
- Property	191,695	52,576	(28,845)	15,079	230,505
Derivative assets					
- Futures	0	0	0	0	0
- Options	0	0	0	0	0
- Forward FX	(1,531)	121,548	(94,942)	(23,829)	1,246
	1,821,583	287,754	(278,944)	(25,157)	1,805,236
Cash deposits	15,383	252,183	(244,205)	(2,384)	20,977
Other Investment Balances	431	0	(272)	20	179
	1,837,397	539,937	(523,421)	(27,521)	1,826,392

The PRAG guidance, Accounting for Derivatives in Pension Schemes, recommends that derivatives are set out separately in the investment reconciliation table for reasons of clarity and are reconciled on a 'net' basis as opposed to 'gross' as reported in the Net Assets Statement.

Transaction costs have been debited through the Fund Account and have been disclosed as part of the Investment Management Expenses. Costs are also borne by the Fund in relation to transactions in pooled investment vehicles.

Details of investments held at year end

	31 March 2017 £000	31 March 2016 £000
INVESTMENT ASSETS		
<i>Equities</i>		
- UK equities	23,851	31,597
- Overseas equities	348,370	289,251
	372,221	320,848
<i>Pooled Investment Vehicles</i>		
- UK equities	285,230	233,029
- Overseas equities	609,342	544,173
- Overseas fixed income	231,301	202,162
- UK index linked Government bonds	124,948	102,399
- Property	262,758	230,505
- Emerging Market Debt	93,038	84,601
- Emerging Market Equities	139,557	68,385
- Infrastructure	35,741	17,888
	1,781,915	1,483,142
<i>Cash held on deposit</i>		
- Sterling Cash	17,561	20,730
- Overseas Cash	2,238	247
	19,799	20,977
<i>Other Investment Balances</i>		
- Derivatives Assets	0	4,170
- Outstanding dividend entitlements	4	5
- Recoverable tax	166	174
	170	4,349
INVESTMENT LIABILITIES		
- Derivatives Liabilities	0	(2,924)
Total of investments held	2,174,105	1,826,392
NET CURRENT ASSETS & LIABILITIES		
Current Assets	17,047	16,183
Current Liabilities	(3,682)	(3,914)
Total net current assets	13,365	12,269
	2,187,470	1,838,661

Derivative Contracts

Objectives and Policies

The Wiltshire Pension Fund Committee have authorised the use of derivatives by their investment managers as part of the investment strategy for the Fund.

The main objective for the use of key classes of derivatives and the policies followed during the year are summarised as follows:

Options – The Fund allows its managers to invest in options as part of their portfolio construction to assist them in achieving performance targets. These options are limited to ‘Over-the-Counter’ contracts purchased on major exchanges and must not exceed specified limits. Option exposures are limited and hedged through the use of futures.

Futures – The Fund allows a number of its managers to invest in futures, within specified exposure limits, as part of their overall portfolio construction to assist them in achieving performance targets.

Forward foreign exchange – In order to maintain an appropriate diversification of investments within the Fund and take advantage of overseas investment returns a proportion of the investment portfolio is invested overseas. To balance the risk of investing in foreign currencies a dynamic currency hedging programme, using forward foreign contracts, is in place to reduce the currency exposure of the overseas investments. The overseas equity investments are hedged this way.

The Fund did not have any derivative contracts outstanding at the year end.

Financial Instruments

Classification of financial instruments

The accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category and net asset statement heading. No financial assets were reclassified during the accounting period.

As at 31 March 2017

	Designated as Fair value through Profit and Loss	Loans and Receivables	Financial liabilities at amortised cost
	£000	£000	£000
Financial assets			
Fixed interest securities	0	0	0
Index linked securities	0	0	0
Equities	367,664	4,557	0
Pooled investment vehicles	1,519,157	0	0
Property	262,758	0	0
Derivative assets	0	0	0
Cash held on deposit	0	25,468	0
Other Investment balances	170	0	0
Debtors	0	11,378	0
	2,149,749	41,403	0
Financial Liabilities			
Derivative Liabilities	0	0	0
Creditors	0	(3,682)	0
	0	(3,682)	0
	2,149,749	37,721	0

As at 31 March 2016

	Designated as Fair value through Profit and Loss	Loans and Receivables	Financial liabilities at amortised cost
	£000	£000	£000
Financial assets			
Fixed interest securities	0	0	0
Index linked securities	0	0	0
Equities	311,049	9,799	0
Pooled investment vehicles	1,252,637	0	0
Property	230,505	0	0
Derivative assets	4,170	0	0
Cash held on deposit	0	24,962	0
Other Investment balances	179	0	0
Debtors	0	12,198	0
	<u>1,798,540</u>	<u>46,959</u>	<u>0</u>
Financial Liabilities			
Derivative Liabilities	(2,924)	0	0
Creditors	0	(3,914)	0
	<u>(2,924)</u>	<u>(3,914)</u>	<u>0</u>
	<u>1,795,616</u>	<u>43,045</u>	<u>0</u>

Net gains/(losses) on financial instruments

	2017 £000	2016 £000
Financial assets		
Fair value through profit and loss	327,104	(29,810)
Loans and receivables	(9,079)	(2,378)
Financial liabilities		
Fair value through profit and loss		(2,924)
Loans and receivables		
Total	<u>318,025</u>	<u>(35,112)</u>

Financial Risk Disclosure

As an LGPS Pension Fund, the Fund's objective is to achieve a relatively stable "real" return above the rate of inflation over the long term. In order to achieve this objective the Fund holds financial instruments such as securities (equities, bonds), property, pooled funds (collective investment schemes) and cash and cash equivalents. The Fund's activities expose it to a variety of financial risks including Market Risk, Credit Risk and Liquidity Risk.

All the Fund's investments are managed by appointed Investment Managers. All investments are held by BNY Mellon who act as custodian on behalf of the Fund. Each investment manager is required to invest the assets managed by them in accordance with the terms of a written investment mandate or pooled fund prospectus.

The Wiltshire Pension Fund Committee has determined that these managers are appropriate for the Fund and are in accordance with its investment strategy. The Committee obtains regular reports from

each investment manager and its Investment Consultant on the nature of investments made and associated risks.

The analysis below is designed to meet the disclosure requirements of IFRS 7.

a) Market Risk

Market risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in market prices. This could be as a result of changes in market price, interest rates or currencies. The objective of the Funds Investment strategy is to manage and control market risk exposure within acceptable parameters, while optimising the return.

In general excessive volatility in market risk is managed through diversification across asset class and investment manager. Each manager is also expected to maintain a diversified portfolio within their allocation.

1) Market Price Risk

Market price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting the market in general.

By diversifying investments across asset classes and managers, the Fund aims to reduce the exposure to price risk. Diversification of asset classes seeks to reduce correlation of price movements, whilst the appointment of specialist managers enables the Fund to gain from their investment expertise.

Market Price - Sensitivity Analysis

The sensitivity of the Fund's investments to changes in market prices has been analysed using the volatility of returns experienced by asset classes. The volatility data has been provided by the Fund's Investment Advisor (Mercers) and is broadly consistent with a one-standard deviation movement. The volatility is measured by the (annualised) estimated standard deviation of the returns of the assets relative to the liability returns. Such a measure is appropriate for measuring "typical" variations in the relative values of the assets and liabilities over short time periods. It is not appropriate for assessing longer term strategic issues. The analysis assumes that all other variables, in particular, interest rates and foreign exchange rates, remain constant.

Movements in market prices would have increased or decreased the net assets valued at 31 March 2017 and 2016 by the amounts shown below.

As at 31 March 2017	Value £000	Volatility of return	Increase £000	Decrease £000
Baillie Gifford - Global Equity	356,091	17.30%	61,604	(61,604)
CBRE - Property	291,670	14.50%	42,292	(42,292)
Legal & General - Equity	285,230	17.00%	48,489	(48,489)
Legal & General - Gilts	124,949	8.80%	10,996	(10,996)
Legal & General - Global Equity	96,098	17.00%	16,337	(16,337)
Legal & General - Fundamentals	302,496	17.00%	51,424	(51,424)
Barings - Dynamic Assets Allocation	210,749	11.90%	25,079	(25,079)
Partners Group - Infrastructure	37,111	15.00%	5,567	(5,567)
Investec - Emerging Markets	232,595	20.10%	46,752	(46,752)
Loomis Sayles - Multi Asset Credit	92,798	6.00%	5,568	(5,568)
Loomis Sayles - Absolute Return Bond Fund	138,504	6.00%	8,310	(8,310)
M&G - Financing Fund	5,807	0.00%	0	0
Berenberg Bank - Dynamic Currency Fund	7	0.00%	0	0
	<u>2,174,105</u>		<u>322,418</u>	<u>(322,418)</u>

As at 31 March 2016	Value £000	Volatility of return	Increase £000	Decrease £000
Baillie Gifford - Global Equity	299,625	17.30%	51,835	(51,835)
CBRE - Property	254,412	14.70%	37,399	(37,399)
Legal & General - Equity	233,029	17.30%	40,314	(40,314)
Legal & General - Gilts	102,399	8.50%	8,704	(8,704)
Legal & General - Global Equity	107,282	17.30%	18,560	(18,560)
Legal & General - Fundamentals	253,529	17.30%	43,861	(43,861)
Barings - Dynamic Assets Allocation	190,362	12.10%	23,034	(23,034)
Partners Group - Infrastructure	17,908	15.50%	2,776	(2,776)
Investec - Emerging Markets	152,985	21.50%	32,892	(32,892)
Loomis Sayles - Multi Asset Credit	82,208	6.00%	4,932	(4,932)
Loomis Sayles - Absolute Return Bond Fund	119,954	6.00%	7,197	(7,197)
M&G - Financing Fund	9,799	0.00%	0	0
Berenberg Bank - Dynamic Currency Fund	2,875	0.00%	0	0
Capital International - Global Equity	17	0.00%	0	0
Capital International - Absolute Income Grower	8	0.00%	0	0
	<u>1,826,392</u>		<u>271,504</u>	<u>(271,504)</u>

2) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's exposure to interest rate movements from its investments in cash & cash equivalents, fixed interest and loans at 31 March 2017 and 2016 are provided below.

31 March 2017	
£000	
Cash held on deposit	19,799
Fixed Interest Securities	231,301
Loans	4,557
	<u>255,657</u>

31 March 2016	
£000	
Cash held on deposit	20,977
Fixed Interest Securities	202,162
Loans	9,799
	<u>232,938</u>

Interest Rate – Sensitivity Analysis

The Pension Fund recognises that interest rates vary and can impact on the fair value of the assets. The sensitivity of the Fund's investments to changes in interest rates has been analysed by showing the effect of a 100 basis point (1%) change in interest rates. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

As at 31 March 2017	Value £000	Change in net assets	
		£000 +100 BP	£000 -100 BP
Cash held on deposit	19,799	198	(198)
Fixed Interest Securities	231,301	(6,676)	6,676
Loans	4,557	0	0
	<u>255,657</u>	<u>(6,478)</u>	<u>6,478</u>

As at 31 March 2016	Value £000	Change in net assets	
		£000 +100 BP	£000 -100 BP
Cash held on deposit	20,977	210	(210)
Fixed Interest Securities	202,162	(5,827)	5,827
Loans	9,799	0	0
	<u>232,938</u>	<u>(5,617)</u>	<u>5,617</u>

A 1% increase in interest rates will reduce the fair value of the relevant net assets and vice versa. The loans identified are part of the M&G Financing Fund. Borrowers pay a fixed annual interest rate agreed at the outset.

3) Currency Risk

Currency risk represents the risk that the fair value of financial instruments will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in a currency other than sterling. When sterling depreciates the sterling value of foreign currency denominated investments will rise and when sterling appreciates the sterling value of foreign currency denominated investments will fall.

Wiltshire Pension Fund moved from a dynamic hedging arrangement to a 50% passive hedge of overseas equities during the year.

The tables below show approximate exposures to each of the three major foreign currencies based on manager benchmarks and target allocations. This is based on the two global equity managers Baillie Gifford and Legal & General.

2017	US Dollar	Euro	Yen
Benchmark Weights	12.85%	3.04%	0.02%
	£'000	£'000	£'000
Net Currency Exposure	279,400	66,015	530

2016	US Dollar	Euro	Yen
Benchmark Weights	20.89%	4.86%	1.96%
	£'000	£'000	£'000
Net Currency Exposure	381,611	88,782	35,759

Currency Risk – Sensitivity Analysis

The sensitivity of the Fund's investments to changes in foreign currency rates has been analysed using a 10% movement in exchange rates in either direction. This analysis assumes that all variables, in particular interest rates, remain constant.

A 10% strengthening or weakening of Sterling against the various currencies at 31 March 2017 and 31 March 2016 would have increased or decreased the net assets by the amount shown below.

2017	Assets Held at Fair Value	Change in net assets	
		+10%	-10%
	£000	£000	£000
US Dollar	279,400	27,940	(27,940)
Euro	66,015	6,602	(6,602)
Yen	530	53	(53)
Net Currency Exposure	345,945	34,595	(34,595)

2016	Assets Held at Fair Value	Change in net assets	
		+10%	-10%
	£000	£000	£000
US Dollar	381,611	38,161	(38,161)
Euro	88,782	8,878	(8,878)
Yen	35,759	3,576	(3,576)
Net Currency Exposure	506,152	50,615	(50,615)

The Fund does hedge 50% of its overseas equity holdings therefore only a proportion of the gains/losses would be experienced. One important point to note is that currency movements are not independent of each other. If sterling strengthened generally it may rise against all the above currencies producing losses across all the currencies.

b) Credit Risk

Credit risk represents the risk that the counterparty to the financial instrument will fail to meet their obligations and the Fund will incur a financial loss.

The Fund is exposed to credit risk through its investment managers, custodian and its daily treasury management activities. Credit risk is minimised through the careful selection and monitoring of counterparties.

A securities lending programme is run by the Fund's custodian, BNY Mellon, who manage and monitor the counterparty risk, collateral risk and the overall lending programme. The minimum level of collateral for securities on loan is 102%, however more collateral may be required depending upon the type of transaction. This level is assessed daily to ensure it takes account of market movements. The current collateral Wiltshire Pension Fund accepts is AAA rated supranational debt, AA rated debt and FTSE 350

Equity DBV. Securities lending is capped by investment regulations and statutory limits are in place to ensure that no more than 35% of eligible assets can be on loan at any one time.

Another source of credit risk is the cash balances held internally or by managers. The Pension Fund's bank account is held at HSBC, which holds a AA- long term credit rating and it maintains its status as a well capitalised and strong financial institution. The management of the cash held in this account is managed by the Council's Treasury Management Team in line with the Fund's Treasury Management Strategy which sets out the permitted counterparties and limits. Cash held by investment managers is invested with the custodian in a diversified money market fund rated AAAM.

The Fund's exposure to credit risk at 31 March 2017 and 2016 is the carrying amount of the financial assets.

2017

	£000
Global Fixed interest pooled	231,301
Cash held on deposit	19,799
Other investment balances	170
Current assets	17,047
	<u>268,317</u>

2016

	£000
Global Fixed interest pooled	202,162
Cash held on deposit	20,977
Other investment balances	179
Current assets	16,183
	<u>239,501</u>

c) Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The main liabilities of the Fund relate to the benefits payable which fall due over a long period of time. The investment strategy reflects this and set out the strategic asset allocation of the Fund. Liquidity risk is mitigated by investing a proportion of the Fund in actively traded instruments in particular equities and fixed income investments. The Fund maintains a cash balance to meet operational requirements.

The following tables analyse the Fund's financial liabilities as at 31 March 2017 and 2016, grouped into relevant maturity dates.

2017	Carrying Amount £000	Less than 12 months £000	Greater than 12 months £000
Accounts Payable	143	143	0
Benefits Payable	493	493	0
Sundry Creditors	3,046	3,046	0
	<u>3,682</u>	<u>3,682</u>	<u>0</u>

2016	Carrying Amount £000	Less than 12 months £000	Greater than 12 months £000
Accounts Payable	51	51	0
Benefits Payable	500	500	0
Sundry Creditors	3,363	3,363	0
	3,914	3,914	0

Fair Value Hierarchy

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Unadjusted quoted prices in an active market for identical assets or liabilities that the Fund has the ability to access at the measurement date.
- Level 2: Inputs other than quoted prices under Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability used to measure fair value that rely on the Funds own assumptions concerning the assumptions that market participants would use in pricing an asset or liability.

The tables below analyse financial instruments, measured at fair value at the end of the reporting period 31 March 2017 and 31 March 2016, by the level in the fair value hierarchy into which the fair value measurement is categorised. This has been produced from analysis provided by our custodian BNY Mellon.

2017	£000 Level 1	£000 Level 2	£000 Level 3	£000 Total
Fixed Interest Securities				0
Index Linked Securities				0
Equities	365,698		6,523	372,221
Pooled Funds:				0
- Other		1,483,417	35,740	1,519,157
- Property		106,923	155,835	262,758
Derivative assets				0
- Futures				0
- Options				0
- Forward FX				0
	365,698	1,590,340	198,098	2,154,136
Cash Deposits	19,799			19,799
Other Investment balances	170			170
	385,667	1,590,340	198,098	2,174,105

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2016	£000 Level 1	£000 Level 2	£000 Level 3	£000 Total
Fixed Interest Securities				0
Index Linked Securities				0
Equities	307,771		13,077	320,848
Pooled Funds:				0
- Other		1,234,749	17,888	1,252,637
- Property		113,247	117,258	230,505
Derivative assets				0
- Futures				0
- Options				0
- Forward FX				0
	307,771	1,347,996	148,223	1,803,990
Cash Deposits	22,223			22,223
Other Investment balances	179			179
	330,173	1,347,996	148,223	1,826,392

During 2016/17 there were no transfers between level 1 and 2 of the fair value hierarchy.

The following tables present the movement in level 3 instruments for the year end 31 March 2017 and 31 March 2016.

2017	£000
Opening balance	148,223
Total gains/losses	2,618
Purchases	70,693
Sales	(23,436)
Transfer out of Level 3	0
Closing balance	198,098

2016	£000
Opening balance	87,727
Total gains/losses	24,358
Purchases	39,537
Sales	(3,399)
Transfer out of Level 3	0
Closing balance	148,223

The following table shows the sensitivity of assets valued**Sensitivity of assets valued at level 3**

	Assessed Valuation range (+/-)	Value at 31 March 2017 £'000	Value on increase £'000	Value on decrease £'000
Pooled Property	14.50%	157,801	180,682	134,920
M&G Financing Fund	0.00%	4,557	4,557	4,557
Infrastructure	15.00%	35,741	41,102	30,380
		<u>198,099</u>	<u>226,341</u>	<u>169,857</u>

The following investments represent more than 5% of the net assets of the scheme:

Security	31 March 2017	
	Market value £m	% of total market value
L&G UK Passive Equities	285.2	13.1
Investec - Emerging Market Mult Asset	232.6	10.7
Barings - Dynamic Asset Allocation Fund	210.7	9.7
Loomis Sayles Strategic Alpha Fund	138.5	6.4
	<u>867.0</u>	<u>39.9</u>

12 Investment management expenses

	2016/2017 £000	2015/2016 £000
Management & Investment Admin Fees	9,047	7,644
Custody & Performance Measurement	70	87
	<u>9,117</u>	<u>7,731</u>

13 Current assets

	31 March 2017	31 March 2016
	£000	£000
Contributions due from other authorities and bodies		
- Employees	1,536	1,390
- Employers	5,199	5,386
Income due from external managers and custodians	0	0
Debtors (Magistrates)	2,895	3,860
Other	1,748	1,562
Cash balances	5,669	3,985
	17,047	16,183
Less:		
Long term debtors (Magistrates)	2,895	3,860
Net Current Assets	14,152	12,323

Contributions due at the year end have been paid to the Fund subsequent to the year end in accordance with the Rates & Adjustment Certificate.

On 8 April 2011 Wiltshire Pension Fund received confirmation from the Government Actuary's Department that they agreed to make a payment to the Fund to cover the liabilities in respect of the Magistrates Courts. In the past active members employed by the Magistrates Courts were transferred out of the LGPS but pensioners/deferred members remained in. The payment would be in 10 instalments over the next 10 years. The total amount of the remaining debt is £3.86m, of this the following year's instalment (£0.965m) is classified as a debt repayable in one year, and the remaining balance £2.895m is a long term debtor.

14 Current Liabilities

	31 March 2017	31 March 2016
	£000	£000
Managers / Custody fees	1,510	1,873
HMRC	717	737
Other	1,455	1,304
	3,682	3,914

15. Additional Voluntary Contributions (AVCs)

Fund members paid contributions totalling £0.782 million (£0.649 million in 2015/2016) into their AVC funds during the year. At the year end, the value of funds invested on behalf of Fund members totalled £4.529 million (£3.700 million in 2015/2016), made up as follows:

	£ million
<i>Equitable Life Assurance Society</i>	
- With Profits Fund	0.486
- Unit Linked Managed Fund	0.216
- Building Society Fund	0
<i>Clerical Medical Funds</i>	
- With Profits Fund	0.160
- Unit Linked Managed Fund	0.939
<i>NPI Funds</i>	
- Managed Fund	0.012
- With Profits Fund	0.097
- Global Care Unit Linked Fund	0.062
- Cash Deposit Fund	0.024
<i>Prudential</i>	
- With Profits Cash Accumulation Fund	0.893
- Deposit Fund	0.444
- Diversified Growth Fund	0.422
- Equity Passive	0.059
- Long Term Growth Fund	0.340
- Pre-Retirement Fund	0.187
- Property Fund	0.188
	4.529

As mentioned earlier, AVC investments are not included in the Fund's financial statements.

16. Employer Related Assets

There are no employer related assets within the Fund.

17. Related Party Transactions

The Wiltshire Pension Fund is administered by Wiltshire Council. Consequently there is a strong relationship between the Council and the Pension Fund.

The Council incurred costs of £1.430m (2015/2016: £1.174m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The Council is also the single largest employer of members of the Pension Fund and contributed £30m to the Fund in 2016/2017 (2015/2016: £28m). A balance of £1.2m was owed by the Pension Fund to the Council at year end.

Part of the pension fund cash holdings are invested on the money markets by the treasury management operations of Wiltshire Council, through a service level agreement. During the year to 31 March 2017, the fund had an average investment balance of £5.6m (31 March 2016: £5m), earning interest of £21k (2015/2016: £27k) in these funds.

Governance

There are two members of the Pension Fund Committee D Hall and L Stuart that are active members of the Pension Fund. These individuals are the employer bodies' representatives. Councillor Roy While is also a pensioner member of the Pension Fund.

18. Guaranteed Minimum Pension

The Fund continues to make progress on updating the details of Guaranteed Minimum Pensions (GMP) that were not previously shown on member's records. The Fund is working with HMRC on the GMP reconciliation project where all records will need to be reconciled by March 2018.

GMP elements of member's LGPS pension whose State Pension Age (SPA) is prior to 06/04/2016 are not increased by the Fund for Pre 1988 GMP (in respect of the period 06/04/1978 to 05/04/1988). But for Post 1988 element (in respect of the period 06/04/1988 to 05/04/1997) it is increased by a maximum of 3%. The Government increase the State Pension for the member fully on the Pre 1988 GMP element and for Post 1988 GMP element it is only increased if CPI is above 3%.

The effect of LGPS pensions not showing the correct amount of GMP for its members would mean that their pension would be increased by more than it should be.

Although these overpayments are costs to the Fund they have been included as expenditure in previous pension fund accounts, therefore no restatement is necessary.

The Government has announced that future GMP increases will be met in full by the Fund where a member's SPA falls between 06/04/2016 and 05/12/2018. However, we are awaiting further confirmation from the Government as to how GMPs will be increased for those member's whose SPA is after 05/12/2018.

19. Contingent Liabilities and Contractual Commitments

Outstanding capital commitments (investments) at 31 March 2017 totalled Euro 24.9m and USD 48.2m; representing GBP 59.84m (31 March 2016: Euro 30.550m; GBP 24.193m).

These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the infrastructure part of the portfolio. The amounts 'called' are irregular in both size and timing from the original commitment.

Actuarial Statement in respect of IAS26 as at 31.03.2017**Introduction**

CIPFA's Code of Practice on Local Authority Accounting 2016/17 requires administering authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the Wiltshire Pension Fund ("the Fund").

The actuarial present value of promised retirement benefits is to be calculated similarly to the Defined Benefit Obligation under IAS19. There are three options for its disclosure in pension fund accounts:

- Showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- As a note to the accounts; or
- By reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Pension Fund's funding assumptions.

Present value of Promised Retirement Benefits

£m	Year ended	
	31 March 2017	31 March 2016
Active members	1,349	1,318
Deferred pensioners	853	558
Pensioners	1,163	881
Total	3,365	2,757

The promised retirement benefits at 31 March 2017 (2016) have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2016 (2013). The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of the benefit promises.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the Pension Fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2017 and 31 March 2016. I estimate that the impact of the change of assumptions to 31 March 2017 is to increase the actuarial present value by £505m. I estimate that the impact of the change in demographic and longevity assumptions is to decrease the actuarial present value by £42m.

Financial assumptions

Year ended (%p.a.)	31 Mar 2017	31 Mar 2016
Pension Increase Rate	2.4%	2.2%
Salary Increase Rate	2.7%	4.2%
Discount Rate	2.5%	3.5%

Longevity assumption

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI_2013 model, assuming the current rate of improvements has reached a peak and will converge to a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	22.5 years	24.9 years
Future Pensioners*	24.1 years	26.7 years

*Future pensioners (assumed to be aged 45 at the latest formal valuation)

Please note that the longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

Commutation assumptions

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

Change in assumptions for the year ended 31 March 2016	Approximate % Increase in liabilities	Approximate monetary amount (£m)
0.5% p.a. increase in the Pension Increase Rate	8%	282
0.5% p.a. increase in Salary Increase Rate	3%	90
0.5% decrease in Real Discount Rate	11%	379

The principal demographic assumption is the longevity assumption. For sensitivity purposes, I estimate that a 1 year increase in life expectancy would approximately increase the liabilities by around 3-5%.

Professional notes

This paper accompanies my covering report titled 'Actuarial Valuation as at 31 March 2017 for accounting purposes'. The covering report identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Robert McInroy FFA

3 May 2017

For and on behalf of Hymans Robertson LLP

Schedule of Employer Bodies**Scheduled/Resolution bodies**

Wiltshire Council
 Swindon Borough Council
 Wiltshire & Swindon Fire Authority
 Wiltshire Police PCC & CC
 Alderbury Parish Council
 Amesbury Parish Council
 Blunsdon St Andrews Parish Council
 Bradford-on-Avon Town Council
 Calne Town Council
 Chippenham Town Council
 Corsham Town Council
 Cricklade Town Council
 Devizes Town Council
 Haydon Wick Parish Council
 Highworth Town Council
 Malmesbury Town Council
 Marlborough Town Council
 Melksham Town Council
 Melksham Without Parish Council
 Mere Parish Council
 Purton Parish Council
 Redlynch
 Royal Wootton Bassett Town Council
 Salisbury City Council
 Steeple Ashton Parish Council
 Stratton St Margaret Parish Council
 Trowbridge Town Council
 Wanborough Town Council
 Warminster Town Council
 Westbury Town Council
 Wilton Town Council
 Wroughton Parish Council
 All Saints (Netheravon) Academy
 Acorn Academy
 ATOM
 Athelston Trust (Bradon Forest)
 Athelston Trust (Malmesbury Academy)
 Bishop Wordsworth Academy
 Blue kite Academy
 Bybrook Valley Academy
 Christian Malford Academy
 Churchfield Academy
 Colebrook Infants Academy
 Commonweal Academy
 Corsham Primary Academy
 Corsham Secondary Academy
 inc Corsham Regis
 Dauntseys Academy
 Devizes Academy
 Diocese of Bristol Academy Trust
 Diocese of Salisbury Academy Trust
 Dorcan Technology Academy
 Eastrop Infants Academy
 Education Fellowship
 Excalibur Academy
 Goddards Park Academy
 Gorse Hill Academy
 Hardenhuish School Ltd
 Hazelwood Academy
 Highworth Warneford Academy
 Holy Family Academy

Holy Rood Primary Academy
 Holy Cross Catholic Primary
 Holy Trinity Calne Academy
 Holy Trinity Devizes Academy
 John Bentley Academy
 John of Gaunt Academy
 King William Academy
 Kingsdown Academy
 Lavington Academy
 Lethbridge Academy
 Lydiard Academy
 Malmesbury Primary Academy
 The Mead Primary Academy
 inc Castle Mead Academy
 inc River Mead Academy
 Millbrook Academy
 Morgan Vale Academy
 New College
 Oasis Community Learning
 Peatmoor Primary Academy
 Pewsey Primary Academy
 Pewsey Vale Academy
 Queens Crescent Academy
 Rowde Academy
 Royal Wootton Bassett School
 Salisbury 6th Form Academy
 Sarum Academy
 Sevenfields Academy
 Shaw Ridge Academy
 Sheldon Academy
 Somerset Road Academy
 Southbroom Infants Academy
 South Wilts Grammar School
 South Wilts UTC
 Southfield Junior Academy
 Springfields Academy
 St Augustine's School
 St Catherine's Academy
 St Edmund's Calne Academy
 St Edmunds Girls Academy Salisbury
 St Joseph's Academy Devizes
 St Joseph's Academy Swindon
 St Laurence Academy
 St Leonard's Academy
 St Mary's Swindon Academy
 Swindon College
 The Parks Academy Trust
 United Learning Trust
 Uplands Education Trust
 UTC Swindon
 Wansdyke Academy
 Wellington Academy
 West Ashton Academy
 Westlea Academy
 White Horse Academies
 Wiltshire College
 Woodford Valley Academy

Admitted bodies

Agincare
 Aster Communities
 Aster Group
 Aster Living
 Aster Property Management
 Atkins Ltd
 Capita Business Services Ltd
 Care Home Select (CHS)
 Caterlink 1
 Caterlink 2
 Caterlink 3
 Churchill Services 1
 Churchill Services 2
 CIPFA
 Collaborative Schools
 Create Studios
 Community First
 Change Grow Live
 Devizes Museum
 Direct Cleaning
 Direct Cleaning Wansdyke
 Edwards and Wards
 Elior UK
 First City Nursing
 FCC Environment
 GLL
 Greenwich Leisure Limited pt2
 Great Western Hospital
 Greenwich Leisure Limited
 Innovate Services
 Idverde
 Lifeways
 Mears Care Ltd North 1
 Mears care Ltd West 1
 Mears Care East 2
 Places For People Leisure
 The Order Of St John Care Trust
 Oxford Health NHS Trust
 Ringway
 Reach
 Salisbury and South Wilts Museum
 Sarsen Housing
 Selwood Housing
 Sodexo
 Seren Group
 Somerset Care Ltd
 Southern Health NHS Foundation Trust
 Spurgeons
 Public Power Solutions
 Swindon Wildcats
 Swindon Dance
 The Cleaning Company
 Twigmarket
 Visit Wiltshire
 Greensquare (Westlea Housing Association)
 Wiltshire and Swindon Sports Partnership
 Wiltshire CCG

These accounts form a summary from the Wiltshire Pension Fund Annual Report and Financial Statements publication. This provides information on its activities and a full detailed statement of its accounts. Requests for this report, or any other queries arising from the Wiltshire Pension Fund Accounts, should be addressed to the Chief Financial Officer, County Hall, Bythesea Road, Trowbridge, BA14 8JN.

WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
28 June 2017

WILTSHIRE PENSION FUND RISK REGISTER

Purpose of the Report

1. The purpose of this report is to update the Committee in relation to changes to the Fund's Risk Register (see Appendix).

Background

2. The Committee approved a Risk Register for the Wiltshire Pension Fund at its meeting on 12 May 2009. Members requested that the highlights, particularly upward/downward movements in individual risks, be reported back to the Committee on a quarterly basis.

Key Considerations for the Committee / Risk Assessment

3. The significance of risks is measured by interaction of the likelihood of occurrence (likelihood) and the potential impact of such an occurrence (impact). This register uses the Council's standard "4x4" approach, which produces a risk status of Red, Amber or Green (RAG).
4. There are three risks increasing since the last report in June 2017.
5. **PEN011: Lack of expertise of Pension Fund Officers & PEN012: Over-reliance on key officers.** This has risen from amber to red although mitigation action has been prioritised to address this. At the moment the Technical & Compliance Manager is covering the Benefit's Manager maternity leave, and Hymans Robertson are providing additional technical support over the next 3 months. The Fund has now recruited the Pension Fund Accountant to cover maternity leave and found a replacement Investment Officer. The Systems Manager is currently being covered by the Fund Development Officer, leaving the Senior Systems Officer post still vacant. The Strategic Pension Manager has now resigned to take up another post in the private sector pensions market, which means a considerable loss of expertise. The Pension team roles are being considered for realignment to provide cover based on the changes and to take account of any changes to roles arising from the Brunel Pension Partnership.
6. **PEN026: Impact of MiFid II Regulations.** This is a new risk requested by this Committee to reflect the current concern of the implementation of MiFid II regulations from January 2018. This will categorise all LGPS Funds as "retail" investors and they will each have to opt up to "Professional" status otherwise they will not have access to the full range of current investments as its investment managers will be reluctant to deal with "retail" clients. In the worst case this may lead to a forced sale of assets. LGA are currently working with FCA on trying to obtain a workable solution, and whilst favourable comments have been forthcoming there is no confirmed position, therefore, this new risk is currently classified as amber.
7. **PEN020: Pooling of LGPS assets** remains a red risk. There has been a significant amount of resource required by officers to progress this project to implementation stage. This position will be kept under review, with mitigation options being considered as a

clearer understanding of the potential movement of staff out of the Fund to the Brunel pool should be known within the next 3 months.

8. Work continues to mitigate where possible the risks above along with the other remaining medium risks highlighted on the risk register.

Financial Implications

9. There are no known implications from the proposals.

Legal Implications

10. There are no known implications from the proposals.

Environmental Impacts of the Proposals

11. There is no known environmental impact of this report.

Safeguarding Considerations/Public Health Implications/Equalities Impact

12. There are no known implications at this time.

Proposals

13. The Committee is asked to note the attached Risk Register and measures being taken to mitigate risks.

MICHAEL HUDSON
Treasurer to the Pension Fund

Report Author: David Anthony, Head of Pensions

Unpublished documents relied upon in the production of this report: NONE

Wiltshire Pension Fund Risk Register							19-Jun-17			Current Risk Rating			Target Risk Rating						
Ref.	Risk	Risk Category	Cause	Impact	Risk Owner	Controls in place to manage the risk	Impact	Likelihood	x	Level of risk	Further Actions necessary to manage the risk	Risk Action Owner	Date for completion of action	Impact	Likelihood	x	Level of risk	Date of Review	Direction of Travel
PEN001	Failure to process pension payments and lump sums on time	Benefits Administration	Non-availability of ALTAIR pensions system, SAP payroll system, key staff, or error, omission, etc.	Retiring staff will be paid late, which may have implications for their own finances. It also has reputational risk for the Fund and a financial cost to the employers if interest has to be paid to the members.	David Anthony	Maintenance and update of ALTAIR and SAP systems, sufficient staff cover arrangements, sufficient staff training and QA checking of work. Adherence to Pension Administration Strategy and regular monitoring of performance. Documentation of processes and reconciliations.	2	2	4	Low	None	David Anthony		2	2	4	Low	19 Jun 17	→
PEN004	Inability to keep service going due to loss of main office, computer system or staff	Benefits Administration	Fire, bomb, flood, etc.	Temporary loss of ability to provide service	David Anthony	Business Continuity Plan reviewed in Dec 2016 and in place. The team have the ability to work from home or remotely if required. The pension system is also hosted by its supplier, which reduces the risk should Wiltshire Council's IT servers fail. The Fund also operates a paperless office.	4	1	4	Low	None	David Anthony		4	1	4	Low	19 Jun 17	→
PEN005	Loss of funds through fraud or misappropriation	Benefits Administration	Fraud or misappropriation of funds by an employer, agent or contractor	Financial loss to the Fund	David Anthony	Internal and External Audit regularly test that appropriate controls are in place and working. Regulatory control reports from investment managers, custodian, etc, are also reviewed by audit. Due Diligence is carried out whenever a new manager is appointed. Reliance is also placed in Financial Services Authority registration.	4	1	4	Low	None	Catherine Dix		4	1	4	Low	19 Jun 17	→
PEN014	Failure to provide the service in accordance with sound equality principles	Benefits Administration	Failure to recognise that different customers have different needs and sensitivities.	Some customers may not be able to access the service properly or may be offended and raise complaints. At worst case, this could result in a court case, etc.	David Anthony	The Fund has done an Equality Risk Assessment and has an Equality Implementation Plan in place	2	1	2	Low	Review procedures / policies to ensure compliant with Wiltshire Council Trans gender policy.	Craig Payne	Sep 17	2	1	2	Low	19 Jun 17	→
PEN021	Ability to Implement the Public Sector Exit Cap	Benefits Administration	Introduction of exit cap will require an additional burden on the administration team.	Changes need to be communicated to individuals and employers and systems adapted once the revised regulations have been approved	David Anthony	Currently monitoring the progress of the current consultations and responding where appropriate. Briefings being provided to team and stakeholders. Concern that further information is still pending from Government.	2	2	4	Low	Discussions with employers on how to implement. Training for the team on how to implement. Project to amend systems and letters to accommodate changes. Not anticipating implementation until Oct 2017.	Craig Payne	Sep-17	1	3	3	Low	19 Jun 17	→
PEN022	Reconciliation of GMP records	Benefits Administration	From 1 April 2016 SERPS will cease and HMRC no longer provide GMP data on members. Fund will be unable to check accuracy of its GMP records.	If GMP records for members is inaccurate there is the potential for incorrect liabilities being paid by the Fund.	David Anthony	Project has been set up and 2 Data Analysts employed to assist with resources. Additional software from Heywood's to process amendments in bulk has been purchased.	2	4	8	Medium	Reconciliation project on-going. Ahead of most LGPS Funds but reliant on HMRC responses. Need to agree policies for tolerances with Committee prior to any rectification phase.	Mark Anderson	Dec-17	1	3	3	Low	19 Jun 17	→

Ref.	Risk	Risk Category	Cause	Impact	Risk Owner	Controls in place to manage the risk	Current Risk Rating				Further Actions necessary to manage the risk	Risk Action Owner	Date for completion of action	Target Risk Rating				Date of Review	Direction of Travel
							Impact	Likelihood	x	Level of risk				Impact	Likelihood	x	Level of risk		
PEN003	Insufficient funds to meet liabilities as they fall due	Funding & Investments	Contributions from employees / employers too low, failure of investment strategy to deliver adequate returns, significant increases in longevity, etc.	Immediate cash injections would be required from the scheme employers. This shouldn't be an issue for the Fund but it looks likely that investment income might need to be used within the next 12 months.	David Anthony	Funding Strategy Statement, Investment Strategy, Triennial Valuations, membership of Club Vita, modelling of future cash flows.	2	2	4	Low	None	David Anthony		4	1	4	Low	19 Jun 17	→
PEN006 a	Significant rises in employer contributions for secure employers due to increases in liabilities	Funding & Investments	Scheme liabilities increase disproportionately as a result of increased longevity, falling bond yields, slack employer policies, etc. The current price of gilts lead to a worsening Funding Position.	Employer contribution rates become unacceptable, causing upward pressure on Council Tax and employers' costs.	David Anthony	Longevity and bond yields are really beyond the control of the Fund although some Funds have considered buying longevity insurance through the use of SWAPS. However, the Fund and each employer must have a Discretions Policy in place to help control discretionary costs (e.g. early retirements, augmented service, etc). Quarterly monitoring in liabilities movements is undertaken providing advance warning to employers.	2	1	2	Low	The Stabilisation Policy has limited increases for secure employer. This approach has been used for the 2016 Valuation.	David Anthony		2	2	4	Low	19 Jun 17	→
PEN006 b	Significant rises in employer contributions for non-secure employers due to increases in liabilities	Funding & Investments	Scheme liabilities increase disproportionately as a result of increased longevity, falling bond yields, slack employer policies, etc. The current price of gilts lead to a worsening Funding Position.	Employer contribution rates become unacceptable, causing upward pressure on Council Tax and employers' costs.	David Anthony	Longevity and bond yields are really beyond the control of the Fund although some Funds have considered buying longevity insurance through the use of SWAPS. However, the Fund and each employer must have a Discretions Policy in place to help control discretionary costs (e.g. early retirements, augmented service, etc). Quarterly monitoring as described above. The 2016 Valuation will set employer rates for the 3 years from April 2017.	2	2	4	Low	The rates for the 2016 Valuation were presented in October. The better than expected investment performance along with improving membership experience and reviewing of assumptions has meant most increases have not been significant.	David Anthony		2	2	4	Low	19 Jun 17	→
PEN007 a	Significant rises in employer contributions for secure employers due to poor/negative investment returns	Funding & Investments	Poor economic conditions, wrong investment strategy, poor selection of investment managers, poor consideration of all financial & non-financial risks including ESG issues.	Poor/negative investment returns, leading to increased employer contribution rates	David Anthony	Use of expert consultants in the selection of investment strategy and investment managers, regular monitoring of investment managers (1/4ly), regular reviews of investment strategy (annually). Monthly review of % of Fund held in each mandate. Also a flight path strategy implemented to take off risk as funding levels improve. Fund member of LAPFF & uses PIRC to proxy vote on shares in line with agreed policy for ESG issues. Compliance with Stewardship code.	2	1	2	Low	The implementation of the Stabilisation Policy limits increases for secure employer. This policy has continued in the 2016 Valuation. A new Investment Strategy Statement will be implemented by April 2017, following approval by this Committee in March.	David Anthony		2	2	4	Low	19 Jun 17	→
PEN007 b	Significant rises in employer contributions for non-secure employers due to poor/negative investment returns	Funding & Investments	Poor economic conditions, wrong investment strategy, poor selection of investment managers, poor consideration of all financial & non-financial risks including ESG issues.	Poor/negative investment returns, leading to increased employer contribution rates	David Anthony	Use of expert consultants in the selection of investment strategy and investment managers, regular monitoring of investment managers (1/4ly), regular reviews of investment strategy (annually). Monthly review of % of Fund held in each mandate. Also a flight path strategy implemented to take off risk as funding levels improve. Fund member of LAPFF & uses PIRC to proxy vote on shares in line with agreed policy for ESG issues. Compliance with Stewardship code.	2	2	4	Low	A risk based framework is now in place to review employers long term financial stability. This informs the policy for stepping in contribution rates to assist in affordability issues where requested by an employer. A new Investment Strategy Statement will be implemented by April 2017, following approval by the Committee in March.	David Anthony		2	2	4	Low	19 Jun 17	→

Ref.	Risk	Risk Category	Cause	Impact	Risk Owner	Controls in place to manage the risk	Current Risk Rating				Further Actions necessary to manage the risk	Risk Action Owner	Date for completion of action	Target Risk Rating				Date of Review	Direction of Travel
							Impact	Likelihood	x	Level of risk				Impact	Likelihood	x	Level of risk		
PEN015	Failure to collect payments from ceasing employers	Funding & Investments	When an employer no longer has any active members a cessation valuation is triggered and a payment is required if a funding deficit exists to meet future liabilities	Failure to collect cessation payments means the cost of funding future liabilities will fall against the Wiltshire Pension Fund	David Anthony	The Pension Fund Committee approved a new Cessation Policy in March 2016 to provide an updated agreed framework for recovery of payments. All new admitted bodies require a guarantor to join the Fund. It also provides additional flexibilities for the Fund dealing with employers cessation payments.	2	2	4	Low	Concern over ability for Head of Pensions to spend sufficient time covering the strategic employer issues with the on-going Brunel project. Additional time to be planned to assist in training Employer Relations Manager and new procedures being drafted.	David Anthony		2	1	2	Low	19 Jun 17	→→→
PEN016	Treasury Management	Funding & Investments	The Fund's treasury function is now segregated from Wiltshire Council. This includes the investment of surplus cash in money markets.	Exposure to counterparty risk with cash held with external deposit holders could impact of Funding level of the Fund	David Anthony	The Pension Fund will review an updated Treasury Management Strategy at the March meeting which follows the same criteria adopted by Wiltshire Council but limits individual investments with a single counterparty to £6m.	3	1	3	Low	The Council uses Sector's credit worthiness service using ratings from three rating agencies to provide a score. Surplus cash is transferred to the Custodian at month end ensuring cash balances are minimal.	Catherine Dix		3	1	3	Low	19 Jun 17	→→→
PEN024	Impact of EU Referendum	Funding & Investments	The impact of the EU referendum	A vote to exit the EU may produce short term volatile market movements which could impact on asset performance.	David Anthony	The Fund has liaised with its investment managers on the potential impact of an exit. The Fund has agreed to revert to a 50% overseas equities hedged position for the current timeframe to reflect the current weakness of sterling.	3	2	6	Medium	Markets have appeared to have settled since the BREXIT vote. Will monitor markets as exit negotiations begin. Risk mitigation tools be considered by Investment Sub Committee to protect Fund from future downside risk.	Catherine Dix	Sep-17	3	1	3	Low	19 Jun 17	→→→
PEN026	Impact of MiFid II Regulations	Funding & Investments	New MiFID 2 investment regulations from Jan 2018 will classify LGPS Funds as "retail" investors. They will need to opt up to professional status	If Wiltshire Pension Fund is unable to attain "professional" status it will limit the range of investments available and may lead to the forced sale of assets.	David Anthony	The Fund is awaiting national guidance as LGA discuss implications for LGPS with FCA.	3	3	9	Medium	Fund to liaise with its investment managers to understand currently which investments would be impacted.	Catherine Dix	Sep-17	3	1	3	Low	19 Jun 17	↑
PEN002	Failure to collect and account for contributions from employers and employees on time	Regulatory & Governance	Non-availability of SAP systems, key staff, error, omission, failure of employers' financial systems, failure to communicate with employers effectively. LGPS 2014	Adverse audit opinion for failure to collect contributions by 19th of month, potential delays to employers' FRS17 year-end accounting reports and to the Fund's own year-end accounts.	David Anthony	Robust maintenance and update of ALTAIR and SAP systems, sufficient staff cover arrangements, sufficient staff training and QA checking of work. We constantly work with employers to ensure they understand their responsibilities to pay by 19th of the month. The Breaches framework now require the Fund to log material late payments.	2	3	6	Medium	The amount of employers (170) to review and monitoring is too high for current resource level and in order to ensure compliance with TPR Code, need to ensure each missed payment is reported to Regulator after 90 days. A revised contributions framework is currently being implemented, but vacancies slowing implementation.	David Anthony	Sep-17	2	2	4	Low	19 Jun 17	→→→

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PEN008	Failure to comply with LGPS and other regulations	Regulatory & Governance	Lack of technical expertise / staff resources to research regulations, IT systems not kept up-to-date with legislation, etc	Wrong pension payments made or estimates given. Investment in disallowed investment vehicles or failure to comply with governance standards. Effect: Unhappy customers, tribunals, Ombudsman rulings, fines, adverse audit reports, etc	David Anthony	Sufficient staffing, training and regulatory updates. Competent software provider and external consultants. Technical & Compliance post reviews process and procedures and maintains training programme for the team. The Pension Regulator now has responsibility from 1 April 2015 for Public Sector Pension Schemes. Their code of practice includes a number of new requirements which the Fund has assessed itself against	2	2	4	Low	Work continues to ensure the Fund can comply fully with the tPR Code of Practice requirements but this may lead to areas of non-compliance in the short term. Any "material" non-compliance will be reported to the Regulator. An audit report on the Fund's compliance was presented to the last Committee which showed no material issues. Update on recommendations to next meeting.	David Anthony	Sep-17	2	2	4	Low	19 Jun 17	→
PEN009	Failure to hold personal data securely	Regulatory & Governance	Poor procedures for data transfer to partner organisations, poor security of system, poor data retention, disposal, backup and recovery policies and procedures.	Poor data, lost or compromised	David Anthony	Compliance with Wiltshire Council's Data Protection & IT Policies. Annual Data Protection training given to the team. On-going cleansing of data undertaken by Systems Team.	2	2	4	Low	The Fund needs to ensure it meets with the new data protection regulations coming into effect in 2018. Currently working with the Wiltshire Council corporate project team to review information assets and understand new requirements.	David Anthony		2	1	2	Low	19 Jun 17	→
PEN010	Failure to keep pension records up-to-date and accurate	Regulatory & Governance	Poor or non-existent notification to us by employers and members of new starters, changes, leavers, etc	Incorrect records held, leading to incorrect estimates being issues to members and incorrect pensions potentially being paid.	David Anthony	Systems Team constantly working to improve data quality, data validation checks carried out through external partners (e.g. the Fund's actuaries and tracing agencies), pro-active checks done through national fraud initiative.	2	3	6	Medium	From 1 April 2014, the Pension Regulator will require additional checks on data. Data cleansing is taking place to address this. Work continues with employers to ensure data is accurate. Key man risk due to team leavers.	Mark Anderson	Jun-17	2	1	2	Low	19 Jun 17	→
PEN011	Lack of expertise of Pension Fund Officers and Service Director, Finance	Regulatory & Governance	Lack of training, continuous professional development and continuous self assessment of skills gap to ensure knowledge levels are adequate to carry out roles to the best of their ability	Bad decisions made may be made in relation to any of the areas on this register, but particularly in relation to investments.	David Anthony	Officers ensure that they are trained and up-to-date in the key areas through attendance at relevant courses and seminars, reading, discussions with consultants and peers, etc. The Technical & Compliance Manager has formulated annual Training Plans and Relevant officers are also reviewed against the CIPFA Knowledge & Skills Framework to ensure adequate expertise exists.	3	4	12	High	The Benefits Manager maternity leave covered by Technical & Compliance Manager, support on technical issues by Hymans Robertson. Pension Fund Accountant maternity leave being covered. Senior Systems Officer role still vacant. Team structure needs further review following resignation of Strategic Pension Manager	David Anthony		2	1	2	Low	19 Jun 17	↑
PEN012	Over-reliance on key officers	Regulatory & Governance	The specialist nature of the work means that there are inevitably relatively experts in investments and the local authority pension regulations	If someone leaves or becomes ill, a big knowledge gap if less behind.	David Anthony	Key people in the team are seeking to transfer specialist knowledge to colleagues. In the event of a knowledge gap, however, we can call on our external consultants and independent advisors for help in the short-term.	3	4	12	High	Benefits Manager maternity leave covered by Technical & Compliance Manager. Hymans Robertson providing technical support to the Fund. Fund Development Officer covering Systems Manager role as well. Resignation of Strategic Pension Manager will require review of team structure earlier than planned.	David Anthony	Mar-17	2	1	2	Low	19 Jun 17	↑

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PEN017	Lack of expertise on Pension Fund Committee	Regulatory & Governance	Lack of structured training and continuous self assessment of skills gap to ensure knowledge levels are adequate to carry out roles to the best of their ability	Bad decisions made may be made in relation to any of the areas on this register, but particularly in relation to investments. There is also a requirement for Fund's to 'Comply or Explain' within their Annual Report on the skills knowledge of members of the Committee	David Anthony	Members are given Induction Training when they join the Committee, as well as subsequent opportunities to attend courses/seminars and specialist training at Committee ahead of key decisions. There is a Members' Training Plan and Governance Policy. Further training and advice can be called on from our consultants, independent advisors and investment managers too.	2	3	6	Medium	The new members training plan for 2015-17 was approved in March 2015. Induction training undertaken in May 2017.	David Anthony		2	1	2	Low	19 Jun 17	→
PEN019	Establishment of Local Pension Board & Investment Sub-Committee	Regulatory & Governance	Failure for Wiltshire Council to establish a Local Pension Board, from finding suitable representatives and the officer time required to support this Board and the newly formed pension sub-committee.	Reputational risk from a national perspective and failure to adhere to legislation resulting in action by the Government or the Pension Regulator. Ineffective operation of the Investment sub-Committee leading to bad decision making.	David Anthony	Local Pension Board, approved by Wiltshire Council on 24 February. Following. Recruitment has taken place and all places filled with first meeting scheduled for 16 July 2015, following induction session on 2 July 2015. These Boards will place additional demands on both Members, in particular the need to undertake training and the pension officers time in the support and provision of information.	2	2	4	Low	A review of the effectiveness of the Investment Sub-Committee was undertaken which indicates its effectiveness and positive contribution in considering investments in more detail and freeing up Pension Committee agenda time. The Local Pension Board Annual Report has shown how its been effective over the past 12 months in assisting in the effectiveness of administration of the Fund.	David Anthony		1	3	3	Low	19 Jun 17	→
PEN020	Pooling of LGPS assets	Regulatory & Governance	The Fund needs to respond to the Government's consultation for significantly ambitious proposals for pooling of LGPS assets	If not involved in forming proposals the Government may impose of pooling arrangement on the Fund over which it has not control. If implemented incorrectly this could be costly in terms of additional fees and poor investment returns.	David Anthony	The Fund is being proactive in exploring options with Project Brunel on the potential feasibility of setting up a pooling arrangement. Progress and updates regularly reported to Committee. The Fund approved the submission to Government in response to the consultation in July 2016. The full business case was approved by Council in February. The implementation phase now commences.	3	4	12	High	There is significant amount of resource required by officers to progress this project following approval of the full business case. Additional support is being provided by benefits consultants to provide extra resources over the next 3 months. A better understanding of the potential movement of staff out of the Fund to the pool will be known by mid 2017.	David Anthony	Sep-17	1	3	3	Low	19 Jun 17	→
PEN023	Resources of Officers and Members to meet the expansion of business items	Regulatory & Governance	The recent expansion of business items resulting from continued consultations, pooling of assets, and additional governance requirements.	It is increasingly more difficult for officers to thoroughly consider issues and to deliver concise agenda papers covering all the relevant issues, while members are faced with larger report packs trying to cover the pertinent details.	David Anthony	More use of web links within the Committee papers to reduce the size of the packs. The adequacy of officers resources to support the Fund's 3 committees, the on-going pooling agenda and the additional complexities arising from regulatory scheme changes will need to be monitored through work planning and appraisals.	2	4	8	Medium	Additional benefits consultant resource is being utilised in the short term to provide cover for officers supporting both Brunel and the on-going Fund workloads. This will be reviewed in 3 months time. Current level of vacancies within the Finance and Systems team puts pressure on delivery of Business Plan current targets & reviewed at this meeting	David Anthony	Jun-17	1	2	2	Low	19 Jun 17	→
PEN025	Academisation of Schools	Regulatory & Governance	The recent proposals from the Government to encourage all school to convert to academy status.	Additional governance and administration risk. If all schools were to convert then the number of employers in the Fund could jump from 170 to between 400 and 500.	David Anthony	Regular communications with schools to understand their intentions. Questionnaires recently sent to Schools.	2	3	6	Medium	PWC report issued on academies, identifies the issues but no recommendations. Need to review how academies are dealt with when MATs break-up and the additional governance involved.	Denise Robinson	Sep-17	1	1	1	Low	19 Jun 17	→

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PEN013	Failure to communicate properly with stakeholders	Communication	Lack of clear communications policy and action, particularly with employers and scheme members.	Scheme Members are not aware of the rights and privileges of being in the scheme and may make bad decisions as a result. Employers are not aware of the regulations, the procedures, etc, and so the data flow from them is poor.	David Anthony	The Fund has a Communications Manager and Employer Relationship Manager dedicated to these areas full-time, including keeping the website up-to-date, which is a key communications resource. The Fund also has a Communications Policy.	2	2	4	Low	Member communication continues to be developed and the current round of pension clinics are being held. Both Employer and Members newsletters have been sent out during March / April. Employer forums were held in April and September with an AGM being planned in June. The Fund now has a Twitter account.	Zoe Stannard / Denise Robinson		1	1	1	Low	19 Jun 17	→

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