

AGENDA

Meeting: Wiltshire Pension Fund Committee
Place: The West Wiltshire Room - County Hall, Trowbridge BA14 8JN
Date: Wednesday 27 September 2017
Time: 10.30 am

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

Press enquiries to Communications on direct lines (01225) 713114/713115.

This Agenda and all the documents referred to within it are available on the Council's website at www.wiltshire.gov.uk

Chairman's Briefing:	Date	Time	Place
	27 September	9:30am	West Wilts

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

RECORDING AND BROADCASTING NOTIFICATION

Wiltshire Council may record this meeting for live and/or subsequent broadcast on the Council's website at <http://www.wiltshire.public-i.tv>. At the start of the meeting, the Chairman will confirm if all or part of the meeting is being recorded. The images and sound recordings may also be used for training purposes within the Council.

By entering the meeting room you are consenting to being recorded and to the use of those images and recordings for broadcasting and/or training purposes.

The meeting may also be recorded by the press or members of the public.

Any person or organisation choosing to film, record or broadcast any meeting of the Council, its Cabinet or committees is responsible for any claims or other liability resulting from them so doing and by choosing to film, record or broadcast proceedings they accept that they are required to indemnify the Council, its members and officers in relation to any such claims or liabilities.

Details of the Council's Guidance on the Recording and Webcasting of Meetings is available on request.

Parking

To find car parks by area follow [this link](#). The three Wiltshire Council Hubs where most meetings will be held are as follows:

County Hall, Trowbridge
Bourne Hill, Salisbury
Monkton Park, Chippenham

County Hall and Monkton Park have some limited visitor parking. Please note for meetings at County Hall you will need to log your car's registration details upon your arrival in reception using the tablet provided. If you may be attending a meeting for more than 2 hours, please provide your registration details to the Democratic Services Officer, who will arrange for your stay to be extended.

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

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 **Scheme Regulatory and Legal Update** (Pages 17 - 22) **10:40am**

A report from the Head of Pensions updates the Committee on the latest regulatory and legal updates for the LGPS

9 **Local Pension Board Annual Report and Update** (Pages 23 - 68) **10:50am**

A report presents the Local Pension Board Annual Report for Committee approval.

Also attached are the minutes, and recommendations arising, from the Local Pension Board meeting held on 13 July 2017 for the Committee's consideration.

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

10 **External Audit Report** (Pages 69 - 108) **11:00am**

A report by KPMG presenting the Final Audit report on the 2016-17 Annual Report for the Wiltshire Pension Fund for information.

11 **Annual Report 2016-17** (Pages 109 - 196) **11:10am**

A report presents the Annual Report for financial year 2016-17 for approval.

12 **Budget Monitoring 2017-18 Report** (Pages 197 - 198) **11:20am**

A report on the latest budget monitoring position for the Wiltshire Pension Fund is circulated for information.

13 **Key Performance Indicators** (Pages 199 - 204) **11:30am**

The Head of Pensions provides an update on the Fund's Administration Key Performance Indicators.

14 **Pension Fund Risk Register** (Pages 205 - 212) **11:40am**

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

15 **MiFid 2 Election to Professional Status** (Pages 213 - 216) **11:55am**

A report from the Head of Pension recommends the Committee resolve to seek professional status for its investment ahead of the implementation of MiFid 2.

16 **Date of Next Meeting**

To note that the next regular meeting of the Committee will be held on 23 November 2017, please note this meeting has been brought forward from 7 December 2017.

17 **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.

18 **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 19 – 23 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

19 **Brunel Pension Partnership Update** **12:15pm**

A verbal update by the Head of Pensions on the progress of the Brunel Pension Partnership for the pooling of Local Government Pension Scheme assets.

20 **Investment Strategy Update** *(Pages 217 - 224)* **12:20pm**

Confidential papers outline the high-level asset allocation review undertaken by Mercers and outline the proposed focus for the next 12 months as proposed by the Investment Sub Committee.

21 **Investments Quarterly Progress Report** *(Pages 225 - 276)* **12:30pm**

Three confidential reports are circulated updating the Committee on the performance of the Fund's investments as to the end of June 2017. These were considered by the Investment Sub-Committee at its meeting on 13 September 2017 are circulated for information only.

22 **Minutes and Key Decisions of the Investment Sub-Committee** 12:35pm
(Pages 277 - 282)

To consider the confidential minutes and key decisions of the Investment Sub Committee meeting held on 13 September.

23 **Minutes** (Pages 283 - 290) 12:40pm

To confirm the Part 2 (confidential) minutes of the meeting held on 28 June 2017.

Close

WILTSHIRE PENSION FUND COMMITTEE

**PART 1 MINUTES OF THE WILTSHIRE PENSION FUND COMMITTEE MEETING
HELD ON 28 JUNE 2017 AT THE KENNET ROOM - COUNTY HALL,
TROWBRIDGE BA14 8JN.**

Present:

Stuart Dark, Cllr Tony Deane (Chairman), Cllr Gordon King, Linda Stuart and
Cllr Roy While (Vice Chairman)

Also Present:

Mr Jim Edney, Michael Hudson and Cllr Philip Whitehead

28 Membership

The following changes had been made to the membership of the Committee:

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

The Chairman expressed his disappointment that so many apologies had been sent for this meeting.

Resolved:

To note the changes to the membership.

29 Attendance of non-members of the Committee

Cllr Philip Whitehead (Cabinet Member for Finance and IT) was in attendance.

30 Apologies

Apologies were received from Mike Pankiewicz, Sue Eley, Cllr Simon Jacobs, Cllr Christopher Newbury and Cllr Steve Weisinger.

31a Minutes of the Previous Meeting

Resolved:

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

31b Minutes and Key Decisions of the Local Pension Board

The Head of Pensions updated on items discussed at the Local Pension Board meeting on 6 April 2017 including: Key Performance Indicators, the Fund's Communication Strategy and Risk Register. It was explained that the Board had recommended the Fund consider developing a graduate recruitment programme and that this recommendation was being explored by officers. The Board had also reviewed the Fund's dispute resolution process and deferred a decision on whether to purchase indemnity insurance. It was highlighted that a survey reviewing Local Pension Boards was shortly to be released which the Board and the Committee would be able to respond to, overall it was considered that the system worked well in Wiltshire.

Resolved:

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

31c Minutes and Key Decisions of the Investment Sub-Committee

The Head of Pensions summarised matters discussed at the Investment Sub Committee in March 2017 including: the quarterly update on investments, equity and Liability Driven Investment (LDI) protection strategies. The Sub Committee had requested further exploration of leverage options for LDI and this would be presented to their next meeting the following week.

The Chairman highlighted the need for the Fund to be aware of the environmental implications of its investing and to invest responsibly.

Resolved:

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

32 Chairman's Announcements

The Chairman advised the Committee that the Strategic Pension Manager was leaving her role to take up employment elsewhere; members wished the officer well in her new role.

The Head of Pensions advised that dates for an LGPS Fundamentals training course had been released and encouraged Committee members to attend.

33 **Declarations of Interest**

There were no declarations of interest.

34 **Public Participation**

There were no members of the public present.

35 **Appointment of the Investment Sub Committee**

Nominations were sought for positions on the Investment Sub Committee in accordance with the Terms of Reference. The Committee Secretary explained that positions were allocated to the Chairman and Vice Chairman of the Committee, one to a Wiltshire Councillor member of the Committee according to the rule of political proportionality, and one to a co-opted member on the Committee. It was noted that there was a long-standing convention that the co-opted member be a Swindon Councillor to represent the second largest employer body within the Fund. Cllr Steve Weisinger, although not present, had confirmed in writing that he could continue in his role on the Sub Committee if required.

Resolved:

To make the following appointments to the Investment Sub Committee as voting members: Cllr Tony Deane, Cllr Roy While, Cllr Gordon King and Cllr Steve Weisinger

36 **SWAP Internal Audit Report**

A report presented the internal audit report on key controls for Members to note; the report had been updated only slightly since it was last reviewed by Committee. It was highlighted that the Fund had been given 'Reasonable Assurance' which was a positive outcome as no major concerns had been identified. Minor issues arising from the Audit were in respect of reconciliations and the Pensions Team were working to address these, including comparing their data to that held by HMRC as part of a GMP reconciliations exercise.

Resolved:

To note the updated SWAP internal audit report.

37 **Pension Fund Administration Outturn Statement 2016-17**

The Head of Pensions presented the Fund's outturn statement for the last financial year which identified that overall the Fund had underspent compared to its projected budget. It was highlighted that the Fund had paid increased fees to investment managers however this was a positive as it was a result of excellent performance by the assets. Other overspends were due to increased cost of actuarial services and establishing Brunel Pension Partnership (BPP). In response to questions, it was confirmed that expenditure to set up BPP would

be recovered overtime as part of projected savings, and that in 2016-17 overspends in some budgets had been offset by savings in investment custodial and related services.

Resolved:

To note the Fund's outturn statement for 2016-17.

38 **Draft Statement of Accounts**

The Committee was presented with the draft Statement of Accounts outlining financial transactions during 2016-17. The Statement of Accounts was to be included in the final Wiltshire Council Statement of Accounts.

Resolved:

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

39 **Annual General Meeting Feedback**

The Head of Pensions presented feedback on the Fund's first AGM which had been held on 21 June 2017. The officer advised that an AGM was an opportunity to improve communication with members and was recommended by CIPFA. The attendance from the first AGM had been 25, with a mixture of employer and scheme members present. It was considered that the meeting had been a success and would be promoted further next year with officers aspiring to have 100 attendees present.

The AGM had included presentations from officers, the Actuary, Mercer, Baillie Gifford and had featured an open forum for members to ask questions. The feedback from the event had been very positive, a priority for next year was to work on the balance between items of interest for employers and scheme members. The Treasurer to the Fund suggested that other AGMs in the public and private sector be attended by officers to identify best practice for AGMs. The Fund intended to hold the 2018 AGM in September/October of that year, inline with the finalisation of the Annual Report.

Resolved:

To note the update on the Annual General Meeting.

40 **Pension Fund Risk Register**

The Head of Pensions updated on changes to the Fund's Risk Register. PEN011 'Lack of expertise of Pension Fund Officers & PEN012 'Over-reliance on key officers' had been raised to a red risk despite mitigation action as the Strategic Pension Manager has resigned, meaning a considerable loss of expertise. The Pension team roles were being considered for realignment as a result of this change and also the development of Brunel Pension Partnership.

PEN026 'Impact of MiFid II Regulations' had been added as a risk to reflect the current concerns over the implementation of the regulations which would mean the Fund would be classified as a 'retail' investor. PEN 020 'Pooling of LGPS assets' remained a red risk due to the significant resource required by officers to progress the project to implementation stage.

In response to questions it was confirmed that the structure of the Pensions team would be reviewed in light of the vacancy for Strategic Pension Manager and this was expected to be finalised within 8 weeks. Councillors expressed concern that the Fund was unable to recruit suitable candidates due to the limits of the Wiltshire Council pay structure, officers were confident they would recruit if the jobs were graded at the appropriate level. The Treasurer to the Fund confirmed that salaries were reviewed approximately every 12 months however the flexibility of working and office location were also important to staff and the service had received good responses from the 2017 staff survey. Members questioned whether market supplements could be offered; these could be offered only when there were vacancies in the structure that couldn't be back-filled. Concern was expressed as to the impact of vacancies on the workload of other staff. The Fund's Independent Advisor was impressed that Committee was monitoring staffing and was reassured significant issues could be prevented as a result of this support.

Resolved:

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

41 **Date of Next Meeting**

The next ordinary meeting of the Committee was to be held on 27 September 2017.

42 **Urgent Items**

There were no urgent items.

43 **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 Number 44-47 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.

44 **Brunel Pension Partnership Update**

The Treasurer to the Pension Fund presented proposals to allow the progression of Brunel Pension partnership for Committee consideration.

Resolved:

To

- a) Note the progress of the Brunel Pension Partnership project;**
- b) Agree the approval of the attached legal documents listed below:**
 - i. The Articles of Association**
 - ii. The Shareholders' Agreement**
 - iii. The Services Agreement**
 - iv. Business Plan**
 - v. The Terms of Reference of the Oversight Board**
 - vi. The Terms of Reference of the Client Group**
 - vii. The Terms of Reference of Audit, Risk and Compliance Committee**
 - viii. The Terms of Reference of the Remuneration Committee**
 - ix. The Remuneration Policy**
- c) Agree the delegation to the Associate Director, Finance and Chief Legal Officer in consultation with the Chairman of the Pension Fund Committee to approve any minor amendments prior to final signing;**
- d) Approve the delegation to the Associate Director, Finance to authorise signing and sealing the final legal documents attached relating to the incorporation of Brunel Pension Partnership Limited; as amended in accordance with c) above;**
- e) Agree the shareholder's representatives as outlined in the table in paragraph 24 of the report; and**
- f) The Committee delegates authority to Wiltshire Council's Monitoring Officer and Associate Director, Finance to complete a lease agreement for the lease of a building space in Bristol to be sub-let to BPP Limited on or after 19 July 2017. That is subject to those officers securing a back to back indemnity from the other nine funds engaged in the partnership over this lease to which the Committee delegate authority for Wiltshire Pension Fund to enter.**

45 **Request for Admitted Body Status - Brunel Pension Partnership**

A report presented an application from Brunel Pension Partnership to obtain Admitted Body status within the Wiltshire Pension Fund for the new Local Authority Company.

Resolved:

To approve the applications for the Brunel Pension Partnership Limited to join the Wiltshire Pension Fund, preferably as an Admitted Body, subject to written confirmation that the 10 Founding Funds provide a guarantee to its pension liabilities.

46 **Investment Quarterly Progress Report**

The Committee was updated on the performance of the Fund's investments.

Resolved:

To note the investment reports and the update provided by officers and advisers at the meeting.

47a **Minutes**

Resolved:

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

47b **Minutes and Key Decisions of the Investment Sub-Committee and Local Pension Board**

Resolved:

To note the Part 2 minutes of the meetings of the Investment Sub Committee and Local Pension Board held on 1 March and 6 April 2017.Y

(Duration of meeting: 10.30 am - 12.20 pm)

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

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

This page is intentionally left blank

WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
27 September 2017

Scheme, Fund, Regulatory & Fund Update

Purpose of the Report

1. The purpose of this report is to highlight the latest legal, regulatory and Fund updates.

Background

2. The attached appendix outlined the current and recent scheme and regulatory changes. The purpose is to keep the Committee abreast at a high level of the latest changes and developments involving the Local Government Pension Scheme.
3. The Head of Pensions will provide a verbal update on these changes at this meeting for discussion with the Committee.

Considerations for the Board

4. To note the discussions in relation to the latest scheme and regulatory updates as listed in the table in the appendix.

Environmental Impact of the Proposal

5. There is no known environmental impact of this proposal.

Safeguarding Considerations/Public Health Implications/Equalities Impact

6. There are no known implications at this time.

Financial Considerations & Risk Assessment

7. There is no financial consideration resulting from this proposal.

Proposals

8. The Board is asked to note the changes highlighted within this report.

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

APPENDIX 1

Organisation	Subject	Link	Comments	Risk
HM Treasury	Pensions scams: consultation response	https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/638844/Pension_Scams_consultation_response.pdf	On 21 August 2017 the Government published its response to its consultation on pension scams issued in December 2016. As part of this response it has confirmed it intends to bring forward legislation banning cold calling in relation to pensions (to include texts and email) when Parliamentary time allows.	
	Indexation and equalisation of GMP in public service pension schemes	https://www.gov.uk/government/consultations/indexation-and-equalisation-of-gmp-in-public-service-pension-schemes	Although closed on 20 February 2017 we are still awaiting further comment from Government on how to address the implications of State Pension reforms for Guaranteed Minimum Pensions (GMP) of public servants below State Pension age. It is unclear when such clarification will be forthcoming.	
	Reforms to public sector exit payments: response to the consultation	https://www.gov.uk/government/consultations/further-consultation-on-limiting-public-sector-exit-payments	<p>The latest understanding is that a further consultation on the exit payment cap and exit payment recovery elements of the Government's reform of public sector exit payment provisions is expected in the 'autumn' of this year.</p> <p>There is no further update on the third element of the Government's reform package covering the wider rules on exit payment provisions. Thus, we still await detail from DCLG as to what this will mean for the local government sector.</p>	
HM Revenues & Customs	Revenue and Customs Brief 14 (2016): VAT, Deduction of VAT on pension fund management costs following Court of Justice of the European Union decision in PPG	https://www.gov.uk/government/publications/revenue-and-customs-brief-14-2016-vat-deduction-of-vat-on-pension-fund-management-costs-following-court-of-justice-of-the-european-union-decision	Changes to the reclamation of VAT on fund management costs may affect LGPS funds once pooling is in place. These changes were originally due with effect from 1st January 2017 but have now been pushed back to at least 1st January 2018. Project Brunel will be keeping an eye on how it is evolving and take appropriate advice.	
DCLG	Local government pension scheme statistics	https://www.gov.uk/government/collections/local-government-pension-scheme	This collection brings together all statistics on the local government pension scheme in England and Wales	
	LGPS Regulations: Best Value & Fair Deal consultation	https://www.gov.uk/government/consultations/local-government-pension-scheme-regulations	There has been no further movement with regard to the introduction of new Fair Deal into the LGPS since the last update. We still await the further consultation on how the changes to Fair Deal, introduced in 2013, will be applied across the	

Organisation	Subject	Link	Comments	Risk
			employers in the LGPS (excluding academies for whom the new Fair Deal applied with immediate effect).	
	Guidance on Preparing and Maintaining an Investment Strategy Statement' (ISS)	https://www.gov.uk/government/publications/local-government-pension-scheme-guidance-on-preparing-and-maintaining-an-investment-strategy-statement	<p>Following the High Court ruling on 23rd June that elements of the Governments Statutory Guidance on preparing and maintaining an Investment Strategy Statement was unlawful the Government subsequently published updated guidance removing the offending clauses - that funds should not pursue policies that are contrary to UK foreign policy or UK defence policy.</p> <p>The Government has been given leave to appeal the High Court decision, so further updates will be given once the outcome of any appeal is known.</p>	
The Pension Regulator (TPR)	Public Sector pensions website update	http://www.thepensionsregulator.gov.uk/public-service-schemes.aspx	The Regulator dedicated public sector web pages provides a wealth of information regarding its Code of Practice 14 and public service toolkit. The toolkit which provides a foundation to effective scheme governance and administration has been updated and additional guides and checklist have been published.	
	Annual survey of public sector schemes	http://www.thepensionsregulator.gov.uk/docs/public-service-research-2017.pdf	<p>Now that we have successfully completed the despatch of the 2017 annual benefit statements the Fund is able to turn its attention to the findings of the Regulator's 2016 annual survey results and any actions we require to implement relating to governance, internal controls, record keeping and member communication.</p> <p>We will be bringing forward recommendations for any changes required in the coming weeks and months.</p>	
	Record Keeping Guide	http://www.thepensionsregulator.gov.uk/docs/record-keeping-quick-guide.pdf	A quick guide designed to understand why record keeping is important and steps needed to take to ensure records are complete and accurate.	
	Self Assessment Tool for Public Service Pension Schemes	http://www.thepensionsregulator.gov.uk/docs/PS-assessment-tool.xls	The TPR toolkit for Funds to complete to check their own compliance with the Code of Practice is available for Committee and Pension Board members to use.	

Organisation	Subject	Link	Comments	Risk
Information Commissioners Office	General Data Protection Regulations (GDPR)	https://ico.org.uk/for-organisations/data-protection-reform/overview-of-the-gdpr/	<p>Comes into effect in May 2018 and replaces the Data Protection Act 1998. Introduces new obligations on data controllers. The Fund is both a data controller and a data processor and needs to ensure that it has appropriate processes in place in order to comply with the changes being introduced.</p> <p>Wiltshire Pension Fund is working closely with a group of LGPS Funds in developing project plans, template notifications and policies, together with all other necessary solutions required in order to successfully comply with GDPR by May 2018. We are also feeding the work undertaken with this group into Wiltshire Council's GDPR project team.</p>	
Government Actuaries Department (GAD)	No updates have been issued by GAD since the last Pension Board meeting			
Financial Conduct Authority (FCA)	CP16/29: Markets in Financial Instruments Directive II (MIFID2)	https://www.fca.org.uk/publications/consultation-papers/cp16-29-mifid-ii-implementation http://www.lgpsboard.org/index.php/schemedata/mifidii	<p>In early July, the FCA published their final policy statement on the implementation of the EU's Markets in Financial Instruments Directive II (MIFID2) from January 2018.</p> <p>Upon coming into force, MIFID2 will re-designate local authorities as 'retail' investors from their current status as 'professional' investors. The policy statement confirmed significant revisions to the criteria via which a local authority pension fund will be able to opt up to professional status and follows detailed discussions undertaken by the SABEW with the FCA.</p> <p>Further information on the implications of MIFID2 on LGPS administering authorities can be found on the Scheme Advisory Website. Wiltshire Pension Fund is in the process of reviewing this guidance and the steps required to opt up to professional status and a paper on this agenda will request the Committee agree to request an opt up to "professional" investor status with its investment managers and advisers.</p>	

Organisation	Subject	Link	Comments	Risk
Scheme Advisory Board (SAB)	Academies' review	http://www.lgpsboard.org/index.php/structure-reform/review-of-academies http://www.lgpsboard.org/index.php/structure-reform/review-of-academies	<p>SAB in support of its work plan for 2016/17, invited proposals from interested parties to assist it in developing options with regard to the plan to convert all schools to academies and what this would mean for LGPS pension funds and their host authorities.</p> <p>The resulting PwC report "Options for Academies in the LGPS" commissioned by the Board is published in May 2017. The report identified and highlighted problems/issues experienced by stakeholders. No recommendations were made in the report, although the potential benefits of new approaches to the management of academies within the LGPS were highlighted.</p> <p>SAB has said that it will continue to gather relevant evidence before developing specific proposals and recommendations for submission to Ministers for their consideration</p> <p>Wiltshire Pension Fund is currently reviewing the way it deals with academies in the Fund, to ensure there is a consistent approach taken and clear lines of communication with the academies themselves.</p>	
	Investment fees - Code of Transparency	http://www.lgpsboard.org/index.php/structure-reform/cost-transparency	<p>The move toward investment fee transparency and consistency is seen by the Board as an important factor in the LGPS being perceived as a value led and innovative scheme. Transparency is also a target for the revised CIPFA accounting standard issued for inclusion in the statutory annual report and accounts and included in the government's criteria for pooling investments.</p> <p>To assist LGPS funds in obtaining the data they require in order to report costs on a transparent basis SAB has published its Code of Transparency in May 2017. The Code is voluntary and asset managers who sign up will demonstrate their commitment to transparent reporting of costs. SAB will procure a third party to monitor compliance of those who sign up.</p>	

Organisation	Subject	Link	Comments	Risk
	LPB Survey	http://www.lgpsboard.org/survey.php	This was launched in May, with a closing date of the end of July 2017, although this was extended to 29 September due to a lack of responses received. The aim was to assess the effectiveness and compliance of local pension boards. Wiltshire Pension Fund responded to the survey, the findings of which will be reported to SAB in October 2017, although it is still unclear whether recommendations will then be made to Ministers.	
	Tier 3 employers	http://www.lgpsboard.org/index.php/board-publications/invitation-to-bid	Covers those Fund employers with no tax raising powers or guarantee. SAB is keen to identify the risk to LGPS Funds of default by such employers. There are currently two concurrent phases of work involved – collating data and identification of issues. SAB will then assess the risks to Funds and consider next steps.	
CIPFA	No updates have been issued by CIPFA since the last Pension Board meeting			
Wiltshire Pension Fund	Update on Insurance Indemnity Issue		Further guidance isn't expected from Scheme Advisory Board. Therefore, following review the Local Pension Board have agreed to obtain a minimum level of cover.	
	Ill Health Liability Insurance		<p>The Fund launched ill health liability for most scheme employers with effect from 1 August 2017 (Wiltshire and Swindon Councils together with a small number of other larger employers are not included). The insurance is financed via the employer contribution rate and provides cover for each employer covered by the policy against the significant strain costs that can result from either a tier 1 ill health retirement.</p> <p>All new employers joining the Fund will automatically be covered by the insurance.</p>	

WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE

27 September 2017

LOCAL PENSION BOARD ANNUAL REPORT FOR 2016-17

Purpose of the Report

1. The purpose of this report is to present the attached Local Pension Board Annual Report to Members of the Pension Fund Committee.

Background

2. The Local Pension Board has a requirement under the Public Service Pension Act 2013 and its Terms of Reference to provide an annual update to the Scheme Manager (Wiltshire Council) on its activities.
3. The Annual Report contains details of the activities, workplans, training and budgets of the Local Pension Board for the year to 31 March 2017.
4. A link to the Local Pension Board Annual Report will be included in the Pension Fund Annual Report also on this agenda and it will also be published on the Wiltshire Pension Fund website.

Risk Assessment

5. There are no material risks associated with approval of the Local Pension Board Annual Report.

Financial Considerations

6. These are considered in the Local Pension Board Annual Report. The costs incurred by the Local Pension Board are included in the operational costs of the Wiltshire Pension Fund and reported in the Fund's Annual Report.

Legal Implications of the Proposals

7. There are none.

Environmental Impact of the Proposals

8. There are none.

Safeguarding Considerations/Public Health Implications/Equalities Impact

9. There are no known implications at this time.

Proposals

10. Members are asked to note the Local Pension Board Annual Report 2016-17 and agree to its publication.

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

This page is intentionally left blank



WILTSHIRE
PENSION FUND

Local Pension Board Annual Report

4 July 2017

Wiltshire Council
Where everybody matters

Contents

Chairman’s introduction	2
Legal basis of LPB and annual reporting	3
Recruitment and appointment process of LPB members.....	5
LPB members register and declarations of interests.....	7
LPB approved training plan and members training logs.....	8
LPB Year 2 Work plan and outcomes	11
Outcomes and LPB recommendations made to the Administering Authority (Pension Committee)..	13
LPB Actions log.....	23
Review of LPB compliance with the Pension Regulator’s Code of Practice No.14	24
Summary of LPB communications outlining links to the website.....	26
LPB operational costs for 2015-16 & Budget for 2016-17	28
Assurance of the LPB Annual Report	29
Assessing the Impact of the LPB	30
LPB forward look to 2016-17 and proposed work plans	33

Chairman's introduction

Welcome to the second Annual Report of the Local Pension Board (LPB) of Wiltshire Pension Fund.

The Board, which comprised 7 members recruited by Wiltshire Council, was established in 2015.

This report covers the period from 1st April 2016 to 31st March 2017 during which the Board has held 4 meetings over this period.

The focus of the LPB during 2016-17 has been on ensuring

a) the LPB governance complies with the statute and LGPS regulations that apply to it and best practice guidance issued by the national LGPS Advisory Board.

b) its members are fully conversant with their duties and responsibilities for example on the requirements of the Pensions Regulator.

c) the Wiltshire fund is fulfilling its statutory duties.

I am delighted to say that with the support of the officers and advisors to the Wiltshire Pension Fund the LPB has made good progress in fulfilling its terms of reference in its second year.

The LPB has made a number of recommendations to the Pensions Committee (see pages 13 to 20). One example being in respect of some enhancements to its risk register and business planning which have been accepted and are being implemented.

One of the most important reviews the LPB has undertaken is the funds compliance with the Pensions Regulators Code of Practice 14 (see page 22 onwards). The LPB welcomes the actions being implemented by the fund to ensure it fully complies with the Code.

The LPB has also reviewed the Pension Funds communications and stressed the need for information to be kept up to date and the importance of the fund website to fund members

Looking ahead the LPB will seek to assist and support the Wiltshire Pension Fund in respect of minimising potential governance and other risks arising from the Governments proposed asset pooling in 2018.

Last not least could I thank my fellow Board members for their commitment to their roles on the LPB and I commend this report to you.

Howard Pearce

Independent Chair

Legal basis of LPB and annual reporting

The Local Government Pension Scheme Regulations 2013 (“the Regulations”) establish Wiltshire Council as the administering authority for the Wiltshire Pension Fund, with responsibility for managing and maintaining the Fund. The Regulations further require that Wiltshire Council in its capacity as administering authority, and in accordance with the Public Service Pensions Act 2013, establish a Local Pension Board for the purposes of assisting it;

- to secure compliance with the LGPS Regulations, other legislation relating to the governance and administration of the LGPS, and the requirements imposed by the Pension Regulator in relation to the LGPS; and
- to ensure the effective and efficient governance and administration of the LGPS

The functions of the Local Pension Board do not sit neatly within the typical arrangements that apply to local authority committees, including those that apply to the Wiltshire Pension Fund’s Pension Committee. Importantly, the Local Pension Board cannot be delegated to carry out the functions and responsibilities that legally pertain to the administering authority. This sometimes leads to people describing the local pension board as having no decision making authority.

The creation of a Local Pension Boards does not change the core role of the administering authority or the way it delegates its pension functions. Instead the local pension board operates outside of the usual local authority committee structure and serves an advisory and compliance role for the Fund. The role of the Local Pension Board is sometimes likened to that of a “critical friend”.

The Regulations require that the Local Pension Board must be constituted of at least 4 members, two of whom must represent the membership of the fund and two of who must represent the fund’s employers. Employer and Scheme member representatives are required to have the capacity to represent their respective constituencies. While it is permissible for the local pension board to contain “independent” members i.e. those who are neither member nor employer representatives, such members are not permitted to vote.

The Wiltshire Pension Fund Local Pension Board is comprised of;

- 3 scheme member representatives, and
- 3 employer representatives, and
- 1 non-voting Independent Chair

The Regulations do permit an administering authority to combine its Local Pension Board with the pension committee to which it has delegated some or all of its decision making responsibilities in respect of the maintenance of the fund. Such a combined committee and board may only be created with the express permission of the Secretary of State for the Department of Communities and Local Government.

Wiltshire Council have chosen not to operate a combined local pension board and pension committee.

In addition to making Local Pension Boards a mandatory part of the LGPS governance the Public Service Pensions Act 2013 also brought about a new role for The Pensions Regulator. The Regulator

now has the role of overseeing good governance within all Public Service Schemes, which includes the LGPS. The Regulator can issue enforcement notices where it believes that LGPS Funds are not complying with certain pension legislation, including, in respect of Local Pension Boards, matters such as representation and ensuring that conflicts of interest do not exist on Boards.

While there is no statutory obligation for the Local Pension Board to publish a report, it is recognised as best practice for the Board to report on its activities for the year and its future plans.

The Public Service Pensions Act 2013 does require an administering authority to publish information about its pension board. The administering authority is required to publish a governance compliance statement which, in addition to information on the governance of the Fund, should include details of the terms, structure and operational procedures relating to its Local Pension Board.

The Board is accountable solely to the Administering Authority for the effective operation of its functions and reports to the Pension Committee at least annually and more often if deemed necessary. The subject of the Board's reports shall include;

- a) a summary of the work undertaken since the last report
- b) the work plan for last year and the programme for the next 12 months
- c) areas raised to the Board to be investigated since the last report and how they were dealt with
- d) any risks or other areas of potential concern it wishes to raise
- e) details of training received since the last report and planned
- f) details of all expenses and costs incurred over the past 12 months and projected for the next year
- g) details of any conflicts of interest identified since the last report and how they were dealt with

The Governance Compliance Statement of the Wiltshire Pension Fund can be found <http://www.wiltshirepensionfund.org.uk/governance-compliance-statement-2015.pdf>

Recruitment and appointment process of LPB members

The Council has put in place processes for the recruitment and appointment of representatives to the Wiltshire Pension Board.

Member representatives

The role of member representative was advertised on the Fund's website and the Wiltshire Council job vacancy website. Adverts contained the Board's Terms of Reference as well as additional information on the expectations of the role.

Applications were scored against the role criteria in order to produce a shortlist.

Shortlisted nominees were invited to an interview by the Administering Authority's Associate Director – Legal and Democratic Services and the Administering Authority's Associate Director – Finance (or their nominated representatives). A recommendation was then made to full council for the appointment to the Board of three nominees, two of whom represent nominations from a recognised trade union based on published criteria relating to ability to meet the capacity requirements of the role.

Full council approved the appointment of the three member representatives on 14 July 2015.

Employer representatives

In order to ensure that employer representatives are truly representative of the employers within the Fund, while at the same time providing equal opportunity for representation to all groups, the Local Pension Board employer representatives are drawn from the following three Groups;

Group 1: Wiltshire Council;

Group 2: Swindon Borough Council and Wiltshire Police; and

Group 3: all other employer organizations' within the Fund.

Every employer within each of the Groups was provided with information about the role of the Local Pension Board including Terms of Reference, details of the employer representative role, a nomination form and instructions for application. Each employer was invited to put forward one suitable nominee based on the criteria provided.

Applications were scored against the role criteria in order to produce a shortlist.

Shortlisted nominees were invited to an interview by the Administering Authority's Associate Director – Legal and Democratic Services and the Administering Authority's Associate Director – Finance (or their nominated representatives). A recommendation was then made to full council for the appointment to the Board of three nominees.

Full council approved the appointment of the three member representatives on 14 July 2015.

Independent Chair

In this respect the term independent means having no pre-existing employment, financial or other material interest in either the Administering Authority or any scheme employer in the Fund and not being a member of the Fund, or a Wiltshire Councilor.

The role of the Independent Chair was advertised on the Fund's website and the Wiltshire Council job vacancy website. Adverts contained the Board's Terms of Reference as well as well as additional information on the expectations of the role.

Applications were scored against the role criteria in order to produce a shortlist.

Shortlisted nominees were invited to an interview by the Administering Authority's Associate Director – Legal and Democratic Services and the Administering Authority's Associate Director – Finance (or their nominated representatives). A recommendation was then be made to full council for the appointment of an Independent Chair.

Full council approved the appointment of the Independent Chair on 12 May 2015 subject to the subsequent approval of the majority of the employer and scheme member representatives. Such approval was given at the meeting of 16 July 2015.

LPB members register and declarations of interests

Local Pension Board as at 31 March 2016

Role	Member	Number of meetings attended (maximum 4)
Independent Chairman	Howard Pearce	4
Employer Member Representatives	Lynda Croft	4
	Sarah Holbrook	4
	Cllr. Christopher Newbury	2
Scheme Member Representative	David Bowater	3
	Mike Pankiewicz	4
	Barry Reed	3

Biographies of the Local Pension Board Members

Independent Chairman:

Howard Pearce, former Head of Pension Fund Management, Environment Agency.

Employer Member Representatives:

Sarah Holbrook, Finance Operations Manager, Office of the Police and Crime Commissioner

Lynda Croft, Director of Finance, Wiltshire College

Christopher Newbury, Wiltshire Councillor

Scheme Member Representative:

David Bowater, Wiltshire Council employee, active member

Barry Reed, Unison representative, retired member

Mike Pankiewicz, Unison representative, active member

Full biographies for all Board Members can be found here

<http://www.wiltshirepensionfund.org.uk/local-pension-board/local-pension-board-personal-biographies.htm>

The register of interests for members of the Local Pension Board can be found here

<http://cms.wiltshire.gov.uk/ieListMeetings.aspx?CId=1280&Year=0>

LPB approved training plan and members training logs

The Public Service Pensions Act 2013¹ requires that members of local pension boards have an appropriate level of knowledge and understanding in order to carry out their role. Any individual appointed to a local pension board must be conversant with;

- The regulations of the Local Government Pension Scheme, including historical regulations and transitional provisions, to the extent that they still affect members; and
- any document recording policy about the administration of the scheme

Local Pension Board members must also have knowledge and understanding of-

- the law relating to pensions, and
- such other matters as may be prescribed in other legislation

The degree of knowledge and understanding required Board members is that appropriate for the purposes of enabling the individual properly to exercise the functions of a member of the Local Pension Board.

The Wiltshire Pension Fund is committed to supporting Local Pension Board members to achieve the level of knowledge and understanding they require by providing the appropriate level of training and assistance.

Degree of Knowledge and Understanding

Members of the local pension board are expected to be conversant with the rules of the LGPS and the policies of the Fund. "Being conversant with" implies a working knowledge of what is relevant to the subject under discussion. A Board member should be have an understanding of what is relevant to their role and be able to identify and challenge a failure to comply with;

- the LGPS Regulations;
- other legislation relating to the governance and administration of the scheme;
- requirements imposed by the Pensions Regulator; and
- any failure to meet the standards and expectations set out in any relevant code of practice issued by the Pensions Regulator

Areas of Knowledge and Understanding

The areas in which Local Pension Board Members would be expected to be conversant include, but are not limited to –

- Scheme approved policies (e.g. managing conflicts of interest, reporting breaches of the law or record keeping)
- Risk assessment and management
- Scheme booklets and other members' communications
- The role of Local Pension Board Members and the scheme manager (Wiltshire Pension Fund)
- Policies in relation to the exercise of discretions

¹ The Public Service Pensions Act 2013 made amendments to the Pensions Act 2004 (see s248A)

- Communications with scheme members and employers
- Key policy documents on administration, funding, and investment (e.g. the administration strategy, funding statement Strategy or statement of Investment principles)

Achieving the required level of knowledge and skills

At its meeting of 16 July 2015, the Board agreed to develop a training strategy and plan for acquiring the necessary level of knowledge and skills. Among the recommendations were;

- That all Local Pension Board members complete a self-assessment form in order to identify any areas on which they require immediate further training.
- To use the results of the self-assessment to develop a training programme.
- That Board members attend a 3 day LGPS Pensions Fundamentals Course presented by the Local Government Association. The course covers all the key areas of the LGPS and provides a thorough understanding of the scheme, its legislation and an appreciation of the different areas of work.
- That Board members complete the Pension Regulator’s on-line toolkit designed to provide a sound understanding of the roles and responsibilities of public service pension board members.
- To continue to receive regular training as part of Local Pension Board meetings and to supplement knowledge by attendance at relevant seminars and conferences.

The Local Pension Board’s training plan can be viewed here [Wiltshire Local Pension Board Training Plan](#)

This year the Local Pension Board has received the following training sessions:

Date of meeting	Topics Covered	HP	MP	DB	BR	CN	LC	SH
7 April 2016	Triennial Valuation 2016							
20 July 2016	Investment Pooling & the Brunel Pension Partnership							
20 October 2016	2016 Valuation update							
6 April 2017	Data Protection & Quality Standards							
N/A	TPR On-line Toolkit							

The following were joint training sessions with the pension committee:

Date of meeting	Topics Covered	HP	MP	DB	BR	CN	LC	SH
9 June 2016	Members Investment Training Away Day							
14 October 2016	Brunel Pension Partnership Engagement Day							

The following were additional training opportunities undertaken by Board Members:

Date of meeting	Topics Covered	HP	MP	DB	BR	CN	LC	SH
13 April 2016	LGPS Asset Pooling Conference							
17 May 2016	PLSA Local Government Conference							
6 June 2016	Responsible Investor EU 2016							
27 July 2016	LGPS Communications Training							
10 August 2016	Investment Pooling Q&A sessions							
6 September 2016	LGC Investment Conference							
29 September 2016	GAD LGPS Section 13 Training Event							
7 October 2016	Responsible Investment ESG Manager Selection – LGPS pooling							
13 October 2016	Unison Regional Forum for Local Pension Board Members							
17 November 2016	SPS LGPS Fund event							
12 December 2016	Unison LGPS Annual Frum							
19 January 2017	Unison Regional Forum for Local Pension Board Members							

Key:

HP – Howard Pearce, Independent Chair

MP – Mike Pankiewicz, Member Representative

DB – David Bowater, Member Representative

MP – Barry Reed, Retired Member Representative

CN – Councillor Newbury, Employer Representative

LC – Lynda Croft, Employer Representative

SH – Sarah Holbrook, Employer Representative

LPB Year 2 Work plan and outcomes

The primary function of the Local Pension Board is to assist the Administering Authority in securing compliance with the LGPS Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme. In the pursuit of this aim it is for the Local Pension Board to set its own work plan.

The Local Pension Board's terms of reference require that it develop and report to the Wiltshire Pension Fund Committee, at least annually, on its work plan for the year. Examples of the areas that the Local Pension Board may wish to consider include (but are not limited to) the following;

- Review regular compliance monitoring reports which shall include reports to and decisions made under the Regulations by the Committee.
- Review management, administrative and governance processes and procedures in order to ensure they remain compliant with the Regulations, Relevant legislation and in particular the Pension Regulator's Code of Practice No. 14.
- Review the compliance of scheme employers with their duties under the Regulations and relevant legislation.
- Review such documentation as is required by the Regulations, including the Governance Compliance Statement, Funding Strategy Statement and Statement of Investment Principles.
- Review scheme members and employers' communications as required by the Regulations and relevant legislation.
- Monitor complaints and performance on the administration and governance of the scheme.
- Review the Internal Dispute Resolution Process and Pensions Ombudsman cases.
- Review the arrangements for the training of Board members and those elected members and officers with delegated responsibilities for the management and administration of the Scheme.
- Review the complete and proper exercise of employer and administering authority discretions.
- Review the outcome of internal and external audit reports.
- Review draft accounts and Fund annual report.

The second core function of the Local Pension Board is to ensure the effective and efficient governance and administration of the Scheme. Again, the Local Pension Board may determine the areas it wishes to consider, including but not restricted to:

- Monitor performance of administration, governance and investments against key performance targets and indicators.
- Review the effectiveness of processes for the appointment of advisors and suppliers to the Administering Authority.
- Monitor investment costs including custodian and transaction costs.
- Monitor internal and external audit reports.
- Review the risk register as it relates to the scheme manager function of the Administering Authority
- Review the outcome of actuarial reporting and valuations.

- Provide advice and make recommendations when required to the Committee on areas that may improve the effectiveness and efficient operation and governance of the Fund.

The Local Pension Board's agreed workplan for 2015/16 – 2017/18 can be found here under Item 19.

[Agenda for the Local Pension Board, Thursday, 6th April 2017](#)

Outcomes and LPB recommendations made to the Administering Authority (Pension Committee)

Decisions about the running of the Pension Fund are made by the Wiltshire Pension Fund Committee and Investment Sub-Committee which are delegated to carry out that function by Wiltshire Council in its capacity as the Administering Authority for the Wiltshire Pension Fund.

The creation of the Local Pension Board does not change the core role of the Administering Authority nor the way it delegates its pension functions to the Pensions Committee or Investment Sub-Committee. The role of the Local Pension Board is to oversee decisions made by the Administering Authority and to make recommendations to improve the efficient and effective administration and governance of the pensions function, including funding and investments.

This year the Local Pension Board has fulfilled its role in the following ways;

	Area	Action	Outcome
All meetings	Pension Committee and Investment Sub-Committee decision making	The Local Pension Board actively scrutinises all Pension Committee and Investment Sub-Committee papers and minutes.	Being done at each meeting
7 April 2016	Scheme, Legal, Regulatory and Fund update	Resolved: To note the updates from the Head of Pensions. To request that a report on insurance cover for the Local Pension Board be brought to the next meeting.	Insurances being considered
7 April 2016	The current Risk Register for the Wiltshire Pension Fund for review.	Resolved: To note the Risk Register and measures being taken to mitigate risks. To recommend that the Fund include the academisation of schools as a risk on the register.	Added to Risk Register & implications to be considered by Committee
7 April 2016	The officers review of the Wiltshire Pension Fund's compliance with the Regulators Code of Practice.	Resolved: To note the outcome from the review of the tPRs Code of Practice No. 14 and recommend the implementation of the proposed actions to the Pension Fund Committee to ensure the Fund secures full compliance with this guidance.	Proposed actions noted and updates to be provided

	Area	Action	Outcome
7 April 2016	The current Governance Compliance Statement for review	Resolved: To endorse the statement and recommend that lay membership and voting rights be reviewed following the proposed asset pooling as part of the compliance process and pooling arrangements.	To be considered as part of Governance Compliance review
7 April 2016	The audit plans for 2016 for review	Resolved: To note the audit process and proposed plans for 2016. To recommend that the Fund be prepared and audited against the 2014 LGPS Regulations, Pensions Statement of Recommended Practice (SORP 2014 edition), CIPFA 2014 guidance on LGPS funds annual reports, and LGPS funds 2015/16 accounting disclosures.	Internal Audit report included compliance check against statutory requirements
7 April 2016	The current Communications Strategy and the Fund's website.	Resolved To note the Communications Strategy.	Noted
7 April 2016	The potential performance indicators that could be used to measure the impact and performance of the Board for consideration.	Resolved: To agree the initial proposals for Key Performance Indicators and request that these be further refined, in particular that further consideration be given to the measures of engagement and communications and cost-effectiveness, and reported to the next meeting. To recommend that the Board's annual statutory report be included as an annex to the Fund's annual report.	KPIs being implemented as agreed by the Committee Link to be included in Fund's Annual Report
20 July 2016	Scheme, Legal Regulatory and Fund update	Resolved: To note the proposed draft response to the LGPS amending regulations consultation. To note the legal advice that the absence of insurance indemnity cover presented minimal risk to Local Pension Board members. To await further guidance from the Scheme Advisory Board on the issue of insurance	Indemnity insurance now be considered by Board

	Area	Action	Outcome
		indemnity and to consider this at the next ordinary meeting.	
20 July 2016	Risk Register	Resolved: To note the current Risk Register and recommend that PEN020 'Pooling of LGPS assets' be coded red to reflect a high risk of resource pressures arising from asset pooling.	Included in Risk Register for Committee
20 July 2016	Review of the Wiltshire Pension Fund Statement of Accounts	Resolved: To note the draft Wiltshire Pension Fund Financial Statements 2015-16, approved for publication by the Wiltshire Pension Fund Committee subject to the completion of the audit.	Accounts published on completion of audit
20 July 2016	Internal and External Audits for 2016	Resolved: To note the update on the progress of the external audit from KPMG for 2016 and the internal audit report and agreed action plan. To request that an update is provided at the January meeting on the actions taken following the outcome of the internal audit and that external auditors also report to this meeting in the instance of material recommendations arising from that audit. To request that redundancy costs be considered at the October meeting in the instance of such issues arising from the audit.	Updated provided Board updated
20 July 2016	Statement of Investment Principles	Resolved: To note the updated Statement of Investment Principles	SIP published
20 July 2016	Update on the Business Plan	Resolved: To note the update on the Business Plan and to recommend to the Wiltshire Pension Fund Committee that it reviews the priorities or supports the recruitment of additional resource if necessary to achieve the priorities.	Priorities reviewed and reconsidered by Committee
20 July 2016	Assessing the Impact of the Local Pension Board	Resolved:	Still to be reported on

	Area	Action	Outcome
		To agree the proposed Key Performance indicators and request they be included in the Board's Annual report.	
20 July 2016	Local Pension Board Annual Report	Resolved: To approve the Local Pension Board Annual Report. To request that a benchmarking exercise of LPB annual reports be undertaken in comparison with other Boards in early 2017	Done Completed and reviewed
20 July 2016	Brunel Pension Partnership and Investment Pooling 2016	Resolved: To note the update and the joint submission of the Brunel Pension Partnership as the Fund's detailed proposal to the Government's consultation on investment reforms approved by the Wiltshire Pension Fund Committee on 30 June 2016. To endorse the need for an independent review of the Brunel Pension Partnership Business Case and to recommend that overall risks of the new manager are reviewed. To recommend that further detail is provided in the Business Case on the member and employer representation in the governance arrangements of the new pool. To recommend that a low-cost exit strategy for the Fund is negotiated and that detail be provided on the process of transferring to a new pool. To recommend that external resource is recruited to support asset pooling as necessary.	Recommendations to Committee consider when approving the Brunel Pension Partnership Business Plan and updating the Fund's Risk Register
20 Oct 2016	Scheme Legal, Regulatory and Fund update	Resolved: To note the update on scheme, legal, regulatory and fund matters in the report. To request that officers circulate the CIPFA guidance notes on investment pooling to members.	Completed

	Area	Action	Outcome
		<p>To request that the tPR checklist on publishing scheme information is used for the next Annual Report.</p> <p>To request that Cllr Newbury submit his concerns with the Code of Conduct and Conflict of Interest Policy in writing to the Chairman of Board so that a comparison with the policies of other Local Pension Boards may be undertaken and that legal advice on the policy document may be sought in respect of these concerns prior to review by the Committee.</p> <p>To request that references to the Scheme Advisory Board in the Code of Conduct and Conflict of Interest Policy are updated.</p>	<p>Added to Board Annual Report for 2017</p> <p>Completed</p> <p>Completed</p>
20 Oct 2016	Annual Benefit Statement Update	<p>Resolved:</p> <p>To note the update on the Annual Benefit Statement exercise and strategy agreed for 2017.</p>	Revised plan implemented by Officers
20 Oct 2016	Risk Register	<p>Resolved:</p> <p>To note the Risk Register and measures being taken to mitigate risks.</p>	
20 Oct 2016	2016 Valuation Update	<p>Resolved:</p> <p>To note the update on the valuation process provided by the Head of Pensions.</p> <p>To request that the presentation delivered to employers at the meeting on 13 October be circulated to attendees at that event to assist them in relaying the information to colleagues</p>	Completed
20 Oct 2016	Review of the Pension Fund Annual Report and Financial Statements	<p>Resolved:</p> <p>To request that an update be provided to the next meeting on late employer contributions and measures that could be taken to manage this.</p> <p>To note the Annual Report and Financial Statements and to recommend the following stylistic changes:</p>	Update provided

	Area	Action	Outcome
		<p>References to 'Wiltshire County Council' be amended to 'Wiltshire Council'.</p> <p>Paragraphs in the 'Local Pension Board' sections be brought forward to page 6 of the report.</p> <p>To recommend that the Fund's Annual Report and Local Pension Fund Annual Report be separate documents on the website.</p>	<p>Actioned</p> <p>Actioned</p>
20 Oct 2016	Review of External Audit Report	<p>Resolved:</p> <p>To note the Fund is audited against accounting standards and guidance for local authority audits, and on this basis, to note the External Audit Report 2015-16.</p>	
20 Oct 2016	Training Plans Update	<p>Resolved:</p> <p>To note the progress of the implementation of the current Board Training Plans and to revisit training plans at the January meeting</p> <p>To request that the Training Handbook be published online and that members are encouraged to make use of this resource.</p> <p>That members notify the Head of Pensions of training sessions they have attended and events they are invited to in the future.</p> <p>That Board members complete the Pensions Regulator toolkit before the end of 2016 and update the Head of Pensions accordingly.</p> <p>That at least one member of the Board attend the LGE LGPS 'Trustees' Training Fundamentals three-day course and to ask members to express their interest to the Head of Pensions.</p>	<p>Done</p> <p>Done</p> <p>One member to complete</p> <p>To complete</p>
20 Oct 2016	Review of Funding Strategy Statement	<p>Resolved:</p> <p>To note the Funding Strategy Statement and confirm that the approval of the Statement complies with the Scheme's requirements.</p>	Noted

	Area	Action	Outcome
		To request that members feedback further comments following the publication of CIPFA guidance.	
20 Oct 2016	Brunel Pension Partnership Update	Resolved: To note the update provided by the Head of Pensions. To request that the legal assurances on Brunel are released with the Business Case. To request that the consequence of asset pooling proposals on staffing and the auditing arrangements within the Fund be considered with the Business Case.	Incorporated within Business Case Considered at high level
20 Oct 2016	Minutes and Key Decisions of the Wiltshire Pension Fund Committee and Investment Sub Committee	Resolved: To note the minutes and key decisions of the Wiltshire Pension Fund Committee and Investment Sub Committee meetings. To encourage the Fund to engage in dialogue with the Scheme Advisory Board in respect of funding metrics.	
25 Jan 2017	Scheme, Legal, Regulatory and Fund update	Resolved: To note the recent scheme and regulatory changes highlighted within the report and to recommend that items on the consultation update are colour-categorised to correspond with the Wiltshire Pension Fund Risk Register. To recommend that the Pensions Regulator toolkit on data management be added to the consultation update. To recommend that the update on Scheme, Regulatory, Legal and Fund matters is also presented to meetings of the Wiltshire Pension Fund Committee.	Incorporated into update table Included Incorporated as standing item on Committee agendas
25 Jan 2017	Code of Conduct and Conflict of Interest Policy Update	Resolved: To note the updated Code of Conduct and Conflict of Interest Policy Guidelines and the request for members to review their Register of Interest and notify the Board Secretary of any changes.	Completed

	Area	Action	Outcome
25 Jan 2017	Triennial Valuation 2016	Resolved: To note the verbal update provided on the position of the 2016 Triennial Valuation.	
25 Jan 2017	Risk Register update	Resolved: To note the attached Risk Register and measures being taken to mitigate risks and to recommend that the risk of reduced resource in the Accountancy team be added to the register, due to the potential impact on the production of the accounts by June 2017.	Added to Risk Register
25 Jan 2017	Internal Audit report on the Fund's compliance with tPR Code of Practice Code 14, progress of actions from 2016 Key Controls report and audit plan for 2017	Resolved: To note the update and attached Internal Audit Report and updated Action Plan. To request that an update on actions arising from the Audit be provided to the next meeting and an example of tracking late contributions be brought to the October meeting. To request that SWAP benchmark the fund against other similar funds in a future audit report.	Pending
25 Jan 2017	Update on Training Plans	Resolved: To note the current progress of the Members training plan and to request that training undertaken by members in their capacity as employer members also be included. To recommend that officers investigate potential training to be provided by Investec. To request that when training events are offered to members, these are accompanied with a priority recommendation by officers. To request that Local Pension Board members be invited to the Brunel Pension Partnership engagement event, employer member events, and recommend that if	Done Being considered On-going Board members invited to engagement days

	Area	Action	Outcome
		<p>feasible a networking session for Local Pension Boards within Brunel be organised.</p> <p>To request that a benchmarking exercise be carried out against the training undertaken by Board members of other Funds.</p>	
25 Jan 2017	Investment Strategy Statement update	<p>Resolved:</p> <p>To note the progress of consulting on and developing an Investment Strategy Statement.</p>	Investment Strategy Statement completed and approved by Committee
25 Jan 2017	Local Pension Board Proposed Budget	<p>Resolved:</p> <p>To recommend the draft budget for the Board to the Wiltshire Pension Board and recommend that the Committee delegate authority to the Treasurer of the Fund to authorise expenditure in addition to the agreed budget and between budget headings if required between meetings of the Committee, subject to ratification at the next available meeting.</p>	Approved by Committee
25 Jan 2017	Business Plan update	<p>Resolved:</p> <p>To note the updated position from the Business Plan to date and to recommend that officers review 'low priority' actions to evaluate if they should be either de-prioritise or upgraded to a higher priority level, and establish a process by which the Committee reconsiders deadlines for actions where they are not addressed within 12 months.</p>	Business Plan reviewed and revised by Committee
25 Jan 2017	CIPFA Pension Administration Benchmarking Report	<p>Resolved:</p> <p>To note the report on the CIPFA benchmarking club results for 2016.</p> <p>To request that officers confirm details of the 'other work' that contributed to the total figure for the administration cost of the LGPS in the CIPFA benchmarking report at the next meeting.</p>	Board updated

	Area	Action	Outcome
25 Jan 2017	Brunel Pension Partnership update	Resolved: To note the update provided by the Head of Pensions on the progression of the Brunel Pension Partnership.	

LPB Actions log

At its meeting of the 22 October 2015 the Local Pension Board agreed that an Actions Log should be developed in order to track the progress of actions. The Actions Log forms part of the Board's minutes and is considered at every meeting.

The most recent action log can be found here under Item 4.

[Agenda for the Local Pension Board, Thursday, 6th April 2017](#)

Review of LPB compliance with the Pension Regulator's Code of Practice No.14

From April 2015 the Pensions Regulator assumed a new oversight responsibility in respect of Public Service Pension Schemes, including the LGPS. To assist schemes in understanding the Regulator's expectations they have issued Code of Practice No. 14 that applies specifically to the governance and administration of public service pension schemes setting out the legal requirements in these specific matters. It also provides practical guidance and sets out standards of conduct and practice expected of those who exercise functions in relation to the legal requirements. This guidance can be viewed on the following link;

[Governance and administration of public service pension schemes | The Pensions Regulator](#)

One of the key responsibilities of the Local Pension Board is to assist the Administering Authority, Wiltshire Council, to ensure compliance with any requirements imposed by the Pensions Regulator in relation to the Scheme.

On 25 January 2017, A report from the South West Audit Partnership presented their external review of the Wiltshire Pension Fund's compliance with the Regulators Code of Practice which had been undertaken at the request of the Fund.

Representatives from South West Audit Partnership outlined that the Fund had been audited for compliance with the Pension Regulators Code of Practice No 14 and a 'Reasonable Assurance' opinion had been given. They found generally a high degree of compliance recording only the following exceptions all of which are considered to have only a low impact on the scheme:

- the code specifies the measures that the scheme is required to adopt to ensure that pension board members acquire the appropriate knowledge and understanding of scheme matters and relevant law to undertake their roles but the audit found minor omissions in the schemes framework in this respect
- not all Pension Board members have completed conflict of interest declarations
- not all member record address details are complete (although this is a known issue and there is a continual data cleansing and completeness review being undertaken by the scheme database administrator)
- Some employer contributions and deficit instalments paid to the scheme were seen to be overdue but had not been reported to the regulator (although we appreciate only 'material' overdue sums require reporting)
- not all 2015 and 2016 Annual Benefit Statements were issued within the regulatory timescale
- not all features of the scheme's documented dispute resolution procedures required by the code are in place in the documents of the scheme
- Scheme documents do not record the 'reasonable period' by which responses to disputes will be made (although we appreciate that the code does not expressly state this as a requirement)

All the above areas are being addressed by Officers and the Board is monitoring their implementation.

The full review can be viewed under Item 13 on the following agenda: [Local Pension Board Agenda, 25 January 2017](#)

This above report followed on from 7 April 2016 where the Local Pension Board received a report from officers of the Wiltshire Pension Fund setting out the work that had been done in undertaking a self-assessment of how well the Fund complies with the requirements of the Code of Practice.

The assessment was similar and measured the performance in fulfilling its legal obligations as well the areas of the Code that function as practical guidance. The Code is broken down into 4 sections;

- Governing your scheme
- Managing risks
- Administration
- Resolving issues

The Board learned that officers felt the Fund, at the time, was fully compliant with all the requirements set out under Governing your Scheme, Managing Risk and Resolving Issues and partially compliant with the requirements under Administration. The two areas where further work was needed to be carried out where;

i. Scheme Record Keeping

The Fund was reviewing data against the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014 ('the Record Keeping Regulations') as part of its on-going data cleansing process. The formal monitoring of performance against the targets in the Record Keeping Regulations needed to be formalised along with data improvement plans currently being worked on. There is also a need for a more formal approach to employer data audits to ensure the accuracy and timeliness of the information being received by employers and measuring this against the targets set out in the Pension Administration Strategy. This work is on-going and the Fund has now introduced KPIs and undertook data cleansing as part of the 2016 triennial valuation exercise.

ii. Provision of information to scheme members

The issuing of Annual Benefit Statements by the 31 August remained a challenging deadline and work continued to ensure this statutory date will be met. The format of the deferred statement needs to be amended to ensure it meets the legal requirements under the Regulations and a project implemented to ensure all member types receive a statement. The Fund was trying to implement Key Performance Indicators (KPIs) to allow the more accurate monitoring of workloads and compliance with the timeframes outlined in Regulation.

The focus for officers has been to undertake a review and careful project plan to ensure compliance with the statutory deadlines.

The full officers Regulators Compliance check can be found here; <https://cms.wiltshire.gov.uk/ieListDocuments.aspx?CId=1280&MId=9433&Ver=4>

Summary of LPB communications outlining links to the website

At its meeting of 7 April 2016 the Local Pension Board reviewed the Fund's Communication Strategy and website.

Under the LGPS Regulations each Fund must produce a statement setting out how it will manage communications with its members, member's representatives, prospective members and the many employers who participate in the fund.

The Board noted the usefulness of the information provided to members by the Fund and emphasised the need to keep it up to date.

There was also consideration of the use of electronic communications and how these might be used to improve the information to members and achieve savings. While there is presently a low take up of electronic member communication options it was felt that employers should encourage their employees to adopt electronic communications. It was suggested that electronic annual benefit statements would be one area where considerable efficiencies and improved member experiences could be achieved.

The complete Communications Strategy can be seen here;

<http://www.wiltshirepensionfund.org.uk/communications-policy-2015.pdf>

www.wiltshirepensionfund.org.uk

[@WiltsPensions](#)



The Fund also has a requirement to publish certain information about the Local Pension Board and to communicate this to its members. The table overleaf shows the Fund's full compliance with this checklist.

Local Pension Board

Communication and Publishing Local Pension Board Information - the Pension Regulator Checklist

Publishing	Yes	No	Comments
who the pension board members are	√		Published on the website
representation on the pension board	√		Published on the website
matters for which the pension board is responsible	√		Published on the website
the pension board's terms of reference	√		A link on the website
the pension board appointment process	√		This was published on the website. Full details can be found in the Terms of
who each pension board member represents	√		Member biographies are published on the website
employment and job title (where relevant and any other relevant position held by each board member	√		Published under the member biographies
any specific roles and responsibilities of individual pension board members	√		Published on the website

Communication to members	Yes	No	Comments
maintaining information on a website that members can access	√		Page dedicated to the local pension board kept up to date on the website
displaying the information in notices at employers offices	√		Information is published in the Electric Wire which employers make available to employees
including information in regular communication to members	√		Information sent to home addresses in annual newsletters, AGM held annually
LPB information available to scheme members	√		Page dedicated to the LPB available to scheme members on the website, information at AGM
Contact name provided	√		Contact names available on the website
details on how the information is made available	√		This information is made available in the Terms of Reference

LPB operational costs for 2015-16 & Budget for 2016-17

The cost of the Wiltshire Pension Fund Local Pension Board is part of the overall running costs of the Fund and should be seen in the context of its role in assisting with the good governance and administration of the Fund.

The budget for the Local Pension Board is approved by the Pension Fund Committee as part of the process of setting the Fund's budget for the year. Any expenditure in excess of the agreed budget must be approved by the Wiltshire Council Associate Director, Finance.

The budget for 2016-17 and 2017 – 18 can be seen below.

	2016-17 Budget £	2016-17 Actual £	2017-18 Budget £
Independent Chair Remuneration	9,214	9,216	9,214
Independent Advisor Fees	7,000	5,000	7,000
Training	12,000	5,000	6,000
Printing	1,000	0	1,000
Committee Services Recharge	3,000	2,067	3,000
Travel & Subsistence & costs	800	331	800
Catering	400	0	400
Total	33,414	21,614	27,414

The main change in the budget reflects a change in the phasing of training costs. A sum of £6,000 was provided for pre-appointment training for Board members in 2016-17 but this has not been used in year and this has not been provided for again in 2017-18.

Assurance of the LPB Annual Report

It is the role of the Local Pension Board to assist Wiltshire Pension Fund as the Administering Authority for the Wiltshire Pension Fund to secure compliance with;

- The LGPS Regulations and related legislation
- The requirements of the Pensions Regulator; and
- to ensure the effective and efficient governance and administration of the Scheme

The Local Pension Board is not intended to replace existing bodies such as the Wiltshire Pension Fund Committee or Investment Sub-Committee. Nor is the Board responsible for the auditing of the Wiltshire Pension Fund.

In carrying out its role, the Local Pension Board has;

- Considered the minutes of the Pension Fund Committee and Investment Sub-Committee
- Considered the main policies and documents of the Wiltshire Pension Fund
- Considered the Funds Business Plan, Audit Report and Risk Management Strategy
- Received a report on the Fund's compliance with the Pension Regulator's Code of Practice No. 14
- Received legal and regulatory updates on LGPS matters
- Received training from external advisers and Fund officers.

The funds external auditors have reviewed the LPB annual report as part of their annual audit of the Wiltshire Pension Fund but they do not provide any assurance over its contents.

This Report is intended for the information of Wiltshire Council and the Scheme members and employers who participate in the Wiltshire Pension Fund. This Report has been formally noted by the Wiltshire Pension Fund Committee at their meeting of **[27 September 2017]**

Assessing the Impact of the LPB

The purpose of these measures and key performance indicators (KPIs) is to measure and assess the performance, impact, and achievements of the LPB.

	Topic	Description of measure	How assessed	Assessment April 2016 to April 2017
1	Conflicts of interest	LPB members have no or only minimal conflicts of interest with any fund investments or pensions paid by the fund	All LPB members conflicts of interest are disclosed on the LPB public register	Achieved
2	Participation and engagement	Attendance at quarterly meetings and valued inputs to the fund management between meetings	Full attendance at LPB meetings. Comments made on meeting papers. Other contributions to LPB and fund business between meetings by email or phone.	Partly achieved Some meeting absences.
3	Pensions knowledge	LPB members level of understanding of the LGPS, the fund objectives, the fund compliance, and its relative performance	All LPB members passed all modules of the TPR public sector pensions training, attended LGPS fundamentals and all in-house fund training at LPB meetings, and all LPB training logged	Partly achieved Member training underway.
4	Work planning	LPB members contribute to the development of the LPB work plan and its implementation	LPB has a defined work plan for at least one year ahead which is reviewed at each meeting and updated accordingly	Achieved
5	Influence	LPB members recommendations to positively contribute to the development of the overall fund strategy and policies drawing on their collective and individual	Recommendations made by LPB acted upon by the fund and used in redrafting of policies or to adapt processes to assist with the internal implementation and	Achieved

		experience and expertise.	communication of the fund compliance and stewardship.	
6	Compliance	LPB work ensures compliance with the TPR code of practice on enforcement	LPB members agreed breaches policy and reviewed fund compliance against TPR code.	Achieved
7	Governance	LPB work ensures fund complies with statutory governance standards	Fund governance compliance statement and its achievement based on DCLG standard and assessment measures and refers to role of the LPB.	Achieved
8	Administration	Fund participation in annual CIPFA LGPS funds annual administration survey	LPB work encourages fund administration to adopt best LGPS practice	Achieved. Fund compared its charges made to non-complying employers with other funds.
9	Efficiency and Effectiveness	LPB work encourages fund to actively benchmark its performance	LPB assessment of fund governance, administration, investment, and costs per member being within the range of similar sized LGPS funds	Achieved
10	Value for money	Costs of LPB	LPB actual spend less than budgeted spend	Achieved
11	Communications and reporting	LPB meetings, papers, minutes and annual reports	All available and published on fund website	Achieved
12	Enhanced fund reputation	Input by LPB members help funds external reputation to be enhanced	Positive feedback on fund and LPB in meetings, in letters, or in the news media, or Pension	Partly achieved Too early to assess

			Fund Awards. Improving rank position in relation to other LGPS funds in national surveys.	
13	Succession planning for LPB members	Fund have high quality people saying they want to be future members of LPB	Ease of external recruitment of new or replacement LPB members based on number and suitability of future applicants.	Not achieved Too early to assess

LPB forward look to 2016-17 and proposed work plans

The Board's workplan for 2016-17 can be found here;

<http://www.wiltshirepensionfund.org.uk/local-pension-board-forward-plan-july-2016.pdf>

LOCAL PENSION BOARD

PART 1 MINUTES OF THE LOCAL PENSION BOARD MEETING HELD ON 13 JULY 2017 AT THE NORTH WILTSHIRE ROOM - COUNTY HALL, TROWBRIDGE BA14 8JN.

Present:

Cllr Richard Britton, Lynda Croft, Sarah Holbrook, Mike Pankiewicz, Howard Pearce (Chairman) and Barry Reed

26 Membership

The Chairman welcomed Cllr Britton to the meeting, Cllr Britton had replaced Cllr Christopher Newbury on the Board.

Resolved:

To note the change to the membership as detailed above.

27 Attendance of non-members of the Board

Officers from the Wiltshire Pension Fund were in attendance.

28 Apologies

Apologies for absence were received from David Bowater.

29 Minutes

The minutes of the previous meeting and the Board's action log were presented.

The Board considered the action log and it was requested that action 6.21 in respect of feedback on CIPFA guidance could be set to complete and action 8.12 to review the Investment Strategy Statement be set to an April 2018 deadline. It was understood that action 6.8 was soon to be completed as the tPR checklist on publishing scheme information would be included in the Fund's Annual Report.

Resolved:

To confirm the minutes of the meeting held on 6 April 2017.

To note the action log and to update actions 6.21, 8.12 and 6.8 as detailed above.

30 Declarations of Interest

There were no declarations of interest.

31 Chairman's Announcements

The Chairman updated that himself and the Vice Chairman had recently attended a CIPFA conference at which there had been much discussion around new information from the Pensions Regulator and insurance indemnity for Board members. Advisers at the conference had recommended that funds purchase insurance for their Board members, since they were non-Council committees and therefore were not covered by their insurance policy. It was noted other Funds had not developed their Local Pension Boards and risk management to the same extent as Wiltshire.

Resolved:

To note the update from the Chairman.

32 Public Participation and Councillors Questions

There were no members of the public present.

33 Election of the Vice-Chairman

Nominations were sought for the position of Vice Chairman, the Vice Chairmanship of the Board was to alternate each year between the employer and scheme member representatives.

Resolved:

To appoint Mike Pankiewicz as Vice Chairman for 2017-18.

34 Key Decisions of the Wiltshire Pension Fund Committee

The Head of Pensions updated on the key decisions from the Wiltshire Pension Fund Committee held in June; the Committee had agreed the legal documentation for Brunel Pension Partnership and agreed to its Admitted Body Status in the Wiltshire Pension Fund. A further update was to be provided under Part 2 of the agenda.

Resolved:

To note the update from the Wiltshire Pension Fund Committee.

35 Training Item- Complaints and Dispute Handling

The Fund's Benefits Manager provided a training session on complaints and dispute handling within the Fund. It was explained that once a dispute was raised with the Fund, officers would try to resolve this, if the matter couldn't be resolved it would be referred to an independent adjudicator, and following that to the Associate Director for Finance with support from Hymans Robertson. Should a dispute progress pass these stages, the final stages were referral to the Ombudsman and then the courts. The Fund's complaints process was similar in that officers would initially try and resolve complaints, they would then be referred to the Head of Pensions, following that to independent complaints officers at Wiltshire Council, and then to the Ombudsman. Following both disputes and complaints, the Fund would always analyse the events to see where lessons could be learnt to prevent similar issues in the future.

Details were provided as to when the Fund would consider making Distress and Inconvenience payments, it was highlighted this was recompense when the Fund recognised it had made an error. Members heard that employers were required to provide details of the adjudicators they used in disputes, the Fund had requested these details and recently provided employers with further guidance, particularly in respect of ill health retirement cases. Approximately 30 employers had submitted details of their adjudicators to date

In response to questions it was confirmed what over the last 3 years, only 6 disputes had reached stage 1, and 2 at stage 2, none had gone to the Ombudsman, no complaints had progressed to independent review.

Resolved:

To thank Craig Payne for the informative training session.

36 Scheme, Legal, Regulatory and Fund update

The Head of Pensions provided Board members an update on Fund, Scheme, Legal and Regulatory matters.

A key update included a recent High Court decision which ruled that Government guidance that funds should not pursue policies contrary to UK defence or foreign policy was unlawful. The ruling would impact on guidance for preparing an Investment Strategy Statement. The implication of the Markets in Financial Instruments Directive II (MiFid II) consultation paper was discussed, the Fund had responded to the consultation and an update on the matter would be brought to the next meeting. The Board also heard that PwC had produced a

report 'Options for Academies in the LGPS', which highlighted issues experienced by stakeholders, recommendations on the matter would be progressed by the Scheme Advisory Board (SAB). In respect of the Wiltshire Pension Fund, it was heard that officers were in the process of introducing an ill-health liability insurance for scheme employers, this was to be available from August 2017.

Resolved:

To note the Fund, Scheme, Legal and Regulatory update.

37 **Risk Register Update**

The Board was presented with the latest Risk Register for the Fund. PEN011 'Lack of expertise of Pension Fund Officers & PEN012 'Over-reliance on key officers' had been raised to a red risk, despite mitigation action, as the Strategic Pension Manager had resigned, meaning a considerable loss of expertise. Two further resignations had recently been received at the administrator level. The Pension team roles were being considered for realignment as a result of this change and also the development of Brunel Pension Partnership.

PEN026 'Impact of MiFid II Regulations' had been added as a risk to reflect current concerns over the implementation of the regulations which would mean the Fund would be classified as a 'retail' investor. PEN 020 'Pooling of LGPS assets' remained a red risk due to the significant resource required by officers to progress the project to implementation stage.

Members discussed the staff turnover at the Fund, it was acknowledged that at present turnover was high, however staffing had been stable for a long time prior to this. Officers considered the recent changes were due to an increase in the scale and complexity of the work staff were required to undertake and the difficulty the Fund had in matching salaries offered in the private sector. The Board recommended administrative support for the Fund remain in house and the Fund should review staffing to ensure it firstly supported the statutory requirements of the Fund. It was acknowledged that poor performance in meeting statutory obligations could lead to complaints/disputes and thus further cost and resource pressures on the Fund.

Resolved:

To note the Risk Register and recommend that the Fund review resource allocated to fulfilling its statutory requirements.

38 **Review of the Wiltshire Pension Fund Statement of Accounts**

The Strategic Pension Manager introduced the Fund's Statement of Accounts for 2016-17 which would form part of the Annual Report and also Wiltshire Council's accounts. The Chairman recommended that wording in the Statement

of Accounts be amended to reflect the remit of the Board to provide advice and support to the administering authority. It was also noted that section 17 of the report referred to Related Party Disclosures and recommended the Fund look into the new requirement to disclose the names of key management personnel. The Strategic Pension Manager advised these changes would be made to future reports.

Resolved:

To note the Wiltshire Pension Fund Statement of Accounts.

To recommend future reports contain the details of key management personnel and wording describing the role of the Local Pension Board be amended as detailed above.

39 Internal Audit

A summary of the Internal Audit Report was provided; the report had given the Fund a 'reasonable assurance' rating with only two medium priority recommendations in respect of GMP, Altair and payroll reconciliations.

Members noted the risks identified by the audit were the same as in the previous year and recommended resource be invested to ensure they be addressed. The Head of Pensions advised he had two staff working on reconciliations and an update on progress would be provided to a future meeting. It was explained that employers paid for reconciliation work through their contribution rates and the Fund did this in-house to reduce costs. The Chairman also recommended resource be directed to ensure the Fund's compliance with the General Data Protection Regulation which was to come into force in 2018. Officers noted data management was an important issue and would bring a report on data management to a future meeting. The Head of Pensions advised he would report on the implementation of audit recommendations in 6 months' time, the auditor would also monitor this.

Resolved:

To note the Internal Audit report and recommend that resource be directed to address the risks in respect of reconciliations and data management.

40 Feedback from the Wiltshire Pension Fund Annual General Meeting

The Head of Pensions presented feedback on the Fund's first AGM which had been held on 21 June 2017. The officer advised that an AGM was an opportunity to improve communication with members and was recommended by CIPFA. The attendance from the first AGM had been 25, with a mixture of employer and scheme members present. It was considered the first AGM had been a successful event.

The AGM had included presentations from officers, the Actuary, Mercer, Baillie Gifford and had featured an open forum for members to ask questions. Feedback from the event had been very positive, a priority for next year was to work on the balance between items of interest for employers and scheme members. The Board supported the idea of holding the 2018 AGM in September/October, inline with the finalisation of the Annual Report. It was also suggested thought be given to whether to split the AGM into two halves, one for employers, one for members.

Resolved:

To note the update from the AGM and support a move to hold this later in the year to coincide with the publication of the Annual Report.

To recommend officers review the format of the AGM in response to the needs of employers and scheme members.

41 Review of Governance Compliance Statement

Members were presented with the Fund's Governance Compliance Statement which set out the delegations from Wiltshire Council around the operation of the Fund. Officers advised the details of the Local Pension Board would be included as an appendix. The Chairman advised the DCLG guidance referenced in the Governance Compliance Statement was out of date and DCLG would need to renew this.

Resolved:

To note the Governance Compliance Statement.

42 Local Pension Board Annual Report and Benchmarking

The Head of Pensions presented the LPB Annual Report and results of benchmarking undertaken to compare the report to that of other Funds. The Board was advised there were very limited LPB Annual Reports in the South West, and where reports existed nationally they had varying degrees of content. It was considered that Wiltshire's Board had the most full and comprehensive report in comparison to others. Members considered that the Board had made material recommendations to the Fund over the last 12 months and was now well established.

It was recommended the Annual Report include a 'RAG status' or similar means to indicate where Board recommendations had been implemented, likewise to track compliance with the Pensions Regulator Code of Practice. The Head of Pensions advised that the tPR checklist of compliance would be included.

It was commented that the Board's response to the SAB survey on the operation of Local Pension Boards should make reference to the benchmarking of annual reports and that the Fund could explore the idea of regional LPB reports.

Resolved:

To note the Annual Report and to delegate authority to officers, in consultation with the Chairman, to amend the document to track tPR compliance and the implementation of Board recommendations.

43 The Pensions Regulator Code of Practice 14 Survey Results

The summary results of the Pensions Regulator's survey were presented and it was considered the Fund has responded positively and ensured improvement plans were in place. Currently the Fund was investigating software through which data submitted by employers would be reviewed before submission to the Fund to ensure only quality data was included.

Members made the point that summary results did not allow for differentiation between LGPS and national schemes, and some of the questions had been unclear which could have affected the results.

Resolved:

To note the results of the Pensions Regulator Code of Practice 14 Survey.

44 Proposed Response to Scheme Advisory Board Local Pension Board Survey

The Chairman presented a proposed response from the Board to the SAB's survey on the operation of Local Pension Boards nationally. Members were in agreement with the Chairman's proposal and recommended that comments requesting more collaboration and benchmarking between Boards be included.

The outcome of the SAB survey would be reported to a future meeting.

Resolved:

To agree the proposed response to the survey, with the addition of comments to support more collaboration and benchmarking between Boards.

45 Review of Wiltshire Pension Fund Website

At its last meeting, the Board had received a presentation on the Fund's website by the Communications Manager. The Chairman invited members to submit feedback on the site before the next meeting in October.

Resolved:

To request that members submit their feedback on the Wiltshire Pension Fund website prior to the October Local Pension Board meeting.

46 Implementation of Costs Transparency

The Strategic Pension Manager explained that recent SAB Guidance and CIPFA Accounting Standards recommended investment managers disclose their fees to allow for transparency and consistency in the industry. The disclosure was entirely voluntary, however that it would hopefully promote a culture change in the market, 3 of the Fund's managers had signed up to the Code. The Chairman of the SAB was promoting this new standard for funds to adopt as a policy.

The Board expressed support for costs transparency and recommended it be factored into Wiltshire Pension Fund and Brunel Pension Partnership manager appointments.

Resolved:

To note the update on the implementation of costs transparency and recommend it be factored into the Wiltshire Pension Fund and Brunel Pension Partnership manager appointment process.

47 How did the Board do?

The Chairman led a discussion on the operation of the Board and current workplan. The merits of reducing the number of meetings was discussed and it was agreed that, where possible, reports should come to the Board in advance of the Committee to allow the LPB to input into reports and for their recommendations to be considered by the Committee. It was considered the Risk Register should continue to be reviewed quarterly and that training items were important to maintain. It was noted that the outcome of the SAB survey may highlight issues to be reviewed.

Resolved:

To review the timetabling and work plan of Board meetings following consideration of the SAB survey results.

48 Urgent items

There were no urgent items.

49 **Date of next meeting and forward plan**

The next meeting was to be held on 18 October.

In light of the discussion about the Board's workload it was agreed that an item on external audit was not required at the next meeting.

Resolved:

To remove the item on external audit from the work plan for the next meeting.

50 **Exclusion of the Public**

To consider passing the following resolution:

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 51- 54 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.

51 **Local Pension Board Insurance Indemnity**

The Head of Pensions presented proposals for an insurance indemnity policy for the Local Pension Board.

Resolved:

To approve the purchase of an insurance indemnity policy for the Board for the minimum amount (£1m) at the least cost, and to review the issue in 12 months.

52 **Brunel Pension Partnership and Investment Pooling**

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

Resolved:

To note the update on the progression of Brunel Pension Partnership.

53 Key Decisions of the Wiltshire Pension Fund Committee and Investment Sub Committee

There were no further confidential updates arising from the recent Wiltshire Pension Fund Committee and Investment Sub-Committee meetings.

54 Minutes

Resolved:

To confirm the Part 2 minutes of the meeting held on 6 April 2017.

(Duration of meeting: 10.30 am - 1.10 pm)

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

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

WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
27 September 2017

FINAL EXTERNAL AUDIT REPORT

Purpose of the Report

1. The purpose of this report is to present the Final Audit Report for the Wiltshire Pension Fund prepared by KPMG.

Background

2. There is a requirement for a separate annual audit to be carried out on the Wiltshire Pension Fund. The audit has been carried out by Wiltshire Council's external auditor, KPMG.
3. KPMG completed an interim audit visit in March 2017 but did not issue an interim report as there were no significant issues arising from this work. Over the summer they have carried out the main audit and again no significant issues were raised. Therefore, as there are no issues to report the resulting Final Audit Report has been included within the main one for Wiltshire Council (see attached). This report was presented and approved on the 26 July 2017 meeting of the Audit Committee.
4. KPMG's final audit opinion and certificate on the Wiltshire Pension Fund Annual Report is due to be provided once they complete work on the Whole of Government Account by the end of September 2017. The draft Wiltshire Pension Fund Financial Statements for 2016-17 was approved by this committee at the meeting on 28 June 2017. The draft Pension Fund Annual Report is on today's agenda.

Considerations for the Committee

5. The attached draft Final Audit Report (page 17) states KPMG anticipate issuing an unqualified opinion on the Pension Fund Annual Report at the same time as the opinion on the Statement of Accounts.

Environmental Impact of the Proposal

6. There is no known environmental impact of this proposal.

Safeguarding Considerations/Public Health Implications/Equalities Impact

7. There are no known implications at this time.

Financial Considerations & Risk Assessment

8. There are no financial consideration resulting from this proposal and the paper reviews risk as part of the audit.

Proposals

9. The Committee is asked to note the attached Final Audit Report.

MICHAEL HUDSON
Treasurer to the Pension Fund

Report Author: Chris Ashton, Fund Investment & Accounting Manager (Maternity Cover)

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



External audit report 2016/17



Wiltshire Council

—

July 2017

Summary for the Audit Committee

Financial statements This document summarises the key findings in relation to our 2016-17 external audit at Wiltshire Council ('the Authority'), along with our audit of the Wiltshire Pension Fund.

This report focusses on our on-site work which was completed in March 2017 and July 2017 on the Authority's significant risk areas, as well as other areas of your financial statements. Our interim audit findings are presented on pages 4-9, with the final audit work on pages 10-21.

Subject to all outstanding queries being resolved to our satisfaction we anticipate issuing an unqualified audit opinion on the Authority's financial statements on 26 July 2017 (which is nine weeks before the statutory deadline of 30 September 2017).

We also anticipate issuing an unqualified audit opinion in relation to the Pension Fund's financial statements on 26 July 2017.

We have identified three audit adjustments with a total net value of £33.9 million. See page 16 and appendix 3 for details.

Based on our work, we have raised one recommendation. Details on our recommendations can be found in Appendix 1.

We are now in the completion stage of the audit and anticipate issuing our completion certificate and Annual Audit letter in line with statutory deadlines.

Value for Money We have completed our risk-based work to consider whether in all significant respects the Authority has proper arrangements to ensure it has taken properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We therefore anticipate issuing an unqualified value for money opinion.

See further details on pages 22-26.

Control Environment (including IT controls) Your organisational control environment is effective overall. However, we noted that the controls implemented by the Authority in order to manage the risk of inappropriate super user access to the SAP financial accounts system had ceased operating early in the financial year. Whilst we have not identified any instances of unauthorised access we are unable to place reliance upon the IT controls in operations to prevent such access. As a result, our ability to rely upon SAP automated controls was significantly reduced and additional work was required in relation to our financial statements audit.

In addition, we identified that improvements were required in relation to the access controls over the Northgate revenues and benefits system dataset, with a higher than expected number of users being able to directly edit the data.

We have summarised the outcomes of our IT controls work at page 7 and have issued a separate report to management setting out the full details of our findings and the resulting recommendations. Management have indicated that work is underway to resolve the issues identified.

Acknowledgements We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

We ask the Audit Committee to note this report.

Contents

2	Summary for Audit Committee
4	Section one: interim audit
10	Section two: financial statements
22	Section three: value for money
	Appendices
28	One: Key issues and recommendations
30	Two: Follow-up of prior year recommendations
31	Three: Audit differences
32	Four: Materiality and reporting of audit differences
33	Five: Declaration of independence and objectivity
35	Six: Audit fees

The key contacts in relation to our audit are:

Darren Gilbert

Director

KPMG LLP (UK)

0292 046 8205

darren.gilbert@kpmg.co.uk

Adam Bunting

Manager

KPMG LLP (UK)

0117 905 4470

adam.bunting@kpmg.co.uk

Duncan Laird

Manager – Pension Audit

KPMG LLP (UK)

0117 905 4253

duncan.laird@kpmg.co.uk

This report is addressed to Wiltshire Council (the Authority) and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website (www.psaa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Darren Gilbert, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers (on 0207 694 8981, or by email andrew.sayers@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3H.

Section one

Interim Audit



This section summarises the key findings arising from our work completed in March 2017 as part of our interim testing for the 2016/17 Financial Statements.

This covered:

- review of the Authority's general control environment, including gaining an understanding of the Authority's IT systems and testing general IT controls;
- testing of certain controls over the Authority's key financial systems; and
- review of relevant internal audit work which we are seeking to rely upon.



Organisational Control Environment

Your organisational control environment is effective overall. However, there are significant weaknesses over the current IT control environment.

Work performed

Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses this would have implications for our audit.

We obtain an understanding of the Authority’s overall control environment and determine if appropriate controls have been implemented. We do not complete detailed testing over all of these controls.

Key Findings

We consider that your organisational controls are generally effective overall. However, there are significant issues identified in the General IT controls over the Authority’s financial system (SAP) and the Revenue and Benefits system (Northgate).

Due to the nature of the IT issues identified, we issued a separate detailed report to management outlining their full extent and the resulting recommendations. A summary of the issues has been included on page 7 and in appendix one.

Aspect	Our Assessment	
	2016/17	2015/16
Organisational controls	3	3
Management’s philosophy and operating style	3	3
Culture of honesty and ethical behaviour	3	3
Oversight by those charged with governance	3	3
Risk assessment process	3	3
Communications	3	3
Monitoring of controls	3	3
IT control environment (see page 7)	1	2

- Key:
- 1 Significant gaps in the control environment.
 - 2 Deficiencies in respect of individual controls.
 - 3 Generally sound control environment.

IT Control Environment

We have been unable to rely on automated controls when performing our audit work because of significant deficiencies identified in the operating of the IT control environment relating to the controls over super users. There are improvements required over system access and permissions.

Work performed

The Authority relies on information technology (IT) to support both financial reporting and internal control processes. In order to satisfy ourselves that we can rely on the use of IT, we test controls over access to systems and data, system changes and maintenance, system development and computer operations over the SAP (General Ledger) and Northgate (Revenues & Benefits) environments.

Key Findings

Over recent years we have identified ongoing concerns in relation to the control exercised over SAP super user accounts (those making use of the SAP_ALL access profile), particularly those used by the system provider. During 2015/16 we noted that the Authority had made significant progress in relation to this issue in implementing new controls designed to monitor and control the use of these accounts. However, due to staffing changes in August 2016 the completion of these controls ceased. These accounts enable the user to change system parameters, alter individual transactions and delete the resulting audit trails.

There are also a high number of Northgate accounts which have direct access to the system’s underlying database. Whilst we flagged this in our 2015/16 Report to Those charged with Governance, we have clarified the extend of the changes that could be undertaken through these accounts and confirmed that they include the ability to delete underlying data and change reporting functionality without testing or approval.

Due to the sensitive nature of these issues, we have issued a separate report to management detailing the full impact of the IT failures, which management have responded to.

We have therefore been unable to rely on the Authority’s IT environment during the year. As a result, we had to undertake specific additional substantive procedures and lower the testing and sensitivity thresholds applied throughout our final audit visit. Consequently, we will be agreeing an additional charge with management to cover the cost of this additional work.

Aspect	Our Assessment	
	2016/17	2015/16
Access to systems and data	1	2
System changes and maintenance	1	2
Development of new systems and applications	3	3
Computer operations and end- user computing	3	3

- Key:
- 1 Significant gaps in the control environment.
 - 2 Deficiencies in respect of individual controls.
 - 3 Generally sound control environment.

Review of Internal Audit

Following our assessment of Internal Audit, we were able to place reliance on their work (as per agreed coverage) although an element of top up testing was required.

Background

United Kingdom Public Sector Internal Audit Standards (PSIAS) apply across the whole of the public sector, including local government. These standards are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of internal audit across the public sector. Additional guidance for local authorities is included in the Local Government Application Note on the PSIAS.

Work performed

The scope of the work of your internal auditors and their findings informs our audit risk assessment.

We work with your internal auditors to assess the control framework for certain key financial systems and seek to rely on relevant work they have completed to minimise unnecessary duplication of work. Our audit fee is set on the assumption that we can place full reliance on their work.

Where we intend to rely on internal audit's work in respect of the Authority's key financial systems, auditing standards require us to complete an overall assessment of the internal audit function and to evaluate and test aspects of their work.

The Public Sector Internal Audit Standards define the way in which the internal audit service should undertake its functions. Internal audit completed a self-assessment against the PSIAS in 2015/16.

We reviewed internal audit's work on the key financial systems and re-performed a sample of tests completed by them. We only review internal audit work that has relevance to our audit responsibilities, to effectively scope out other internal audit work from our findings. Our review of internal audit work does not represent an external review against PSIAS, as required at least every five years.

Key findings

Based on the self-assessment performed by internal audit, our assessment of their files, attendance at Audit Committee and regular meetings during the course of the year, we did not identify any significant issues which would prevent us from relying on internal audit's work for 2016/17.

We have, however, identified a number of areas for further development:

- Internal audit have reduced their sample sizes in areas such as Treasury Management and Housing & Council Tax Benefits. In order for us to rely on the work, we have had to perform additional top up testing; and
- Internal audit have relied on prior year evidence in areas where there have not been any previously reported errors. Whilst we have been able to rely on these for 2016/17, additional testing would be required in 2017/18 based on our methodology.

Controls over Key Financial Systems

The controls over the key financial systems are generally sound. However, our testing over controls has been impacted due to the IT control issues identified.

Internal audit have raised a number of recommendations during the year. We have confirmed that these do not have a significant impact on our audit.

Work performed

We review the outcome of internal audit’s work on the financial systems to influence our assessment of the overall control environment, which is a key factor when determining the external audit strategy.

We also work with your internal auditors to update our understanding of some of the Authority’s key financial processes where these are relevant to our final accounts audit.

Where we have determined that this is the most efficient audit approach to take, we test selected controls that address key risks within these systems. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

Our assessment of a system will not always be in line with the internal auditor’s opinion on that system. This is because we are solely interested in whether our audit risks are mitigated through effective controls, i.e. whether the system is likely to produce materially reliable figures for inclusion in the financial statements.

Key Findings

Based on our work, and the work of your internal auditors, in relation to those controls upon which we will place reliance as part of our audit, the key financial systems are generally sound.

However, we were unable to rely on many of the controls as a result of the identified IT weaknesses.

The following ratings are based on the design and implementation of the controls in operation at the Authority. In regards to payroll costs internal audit identified missing starter and leaver forms, with IT not always being informed over a leaver. The Council Tax and NNDR outcome relates to internal audit identifying that better evidencing of credit reviews by management was needed.

Aspect	Our Assessment	
	2016/17	2015/16
Payroll costs	2	2
Cash and cash equivalents	3	2
Housing Benefits	3	3
General Ledger	3	3
Council Tax and NNDR	2	2
Purchases	3	3
HRA	3	3

- Key:
- 1 Significant gaps in the control environment.
 - 2 Deficiencies in respect of individual controls.
 - 3 Generally sound control environment.

Section two

Financial Statements



We anticipate issuing an unqualified audit opinion on the Authority's 2016/17 financial statements and the Pension Fund by 26 July 2017. We will also report that your Annual Governance Statement complies with the guidance issued by CIPFA/SOLACE (*'Delivering Good Governance in Local Government'*) published in April 2016.

For the year ending 31 March 2017, the Authority is reporting a deficit of £3.6m (post-audit). The impact on the General Fund is a £0.3m increase in the General Fund.



Significant audit risks

Our *External Audit Plan 2016/17* sets out our assessment of the Authority’s significant audit risks. We have completed our testing in these areas and set out our evaluation following our work:

Significant audit risks	Work performed
<p>Significant changes in the pension liability due to LGPS Triennial Valuation</p>	<p>Why is this a risk?</p> <p>During the year, the Pension Fund has undergone a triennial valuation with an effective date of 31 March 2017 in line with the <i>Local Government Pension Scheme (Administration) Regulations 2013</i>. The share of pensions assets and liabilities for each admitted body is determined in detail, and a large volume of data is provided to the actuary to support this triennial valuation.</p> <p>There is a risk that the data provided to the actuary for the valuation exercise is inaccurate and that these inaccuracies affect the actuarial figures in the accounts. Most of the data is provided to the actuary by Wiltshire Council, which administers the Pension Fund.</p> <p>Our work to address this risk</p> <p>We have reviewed the process used to submit payroll data to the Pension Fund and have found no issues to note. We have also tested the year-end submission process and other year-end controls. The assumptions used by your actuary have been compared to industry standards, as well as being reviewed by our internal actuarial team. We have also substantively agreed the total figures submitted to the actuary to the ledger with no issues to note. We have also engaged with our colleagues in the Pension Fund audit team to gain assurance over the pension figures.</p> <p>No issues were identified as a result of the above work.</p>

Considerations required by professional standards

Fraud risk of revenue recognition

Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.

In our *External Audit Plan 2016/17* we reported that we do not consider this to be a significant risk for Local Authorities as there is unlikely to be an incentive to fraudulently recognise revenue.

This is still the case. Since we have rebutted this presumed risk, there has been no impact on our audit work.



Management override of controls

Professional standards require us to communicate the fraud risk from management override of controls as significant because management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Our audit methodology incorporates the risk of management override as a default significant risk. We have not identified any specific additional risks of management override relating to this audit.

In line with our methodology, we carried out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.

There are no matters arising from this work that we need to bring to your attention.

Other areas of audit focus

We identified three areas of audit focus. These are not considered as significant risks as they are less likely to give rise to a material error. Nonetheless these are areas of importance where we carry out substantive audit procedures to ensure that there is no risk of material misstatement.

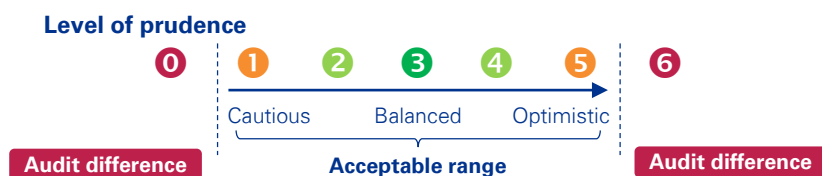
Other areas of audit focus	Our work to address the areas
Disclosures associated with retrospective restatement of CIES, EFA and MiRS	<p>Background</p> <p>CIPFA has introduced changes to the 2016/17 Local Government Accounting Code ("the Code"):</p> <ul style="list-style-type: none">— Allowing local authorities to report on the same basis as they are organised by removing the requirement for the Service Reporting Code of Practice (SeRCOP) to be applied to the Comprehensive Income and Expenditure Statement (CIES); and— Introducing an Expenditure and Funding Analysis (EFA) which provides a direct reconciliation between the way local authorities are funded and prepare their budget and the CIES. This analysis is supported by a streamlined Movement in Reserves Statement (MiRS) and replaces the current segmental reporting note. <p>The Authority was required to make a retrospective restatement of its CIES (cost of services) and the MiRS. New disclosure requirements and restatement of accounts require compliance with relevant guidance and correct application of applicable accounting standards.</p> <p>What we have done</p> <p>We have obtained an understanding of the methodology used to prepare the revised statements and the prior period restatement. We have also agreed figures disclosed to the Authority's general ledger and found no issues to note.</p> <p>Whilst we initially identified three required notes that had not been included in the draft financial statements, these have been incorporated into subsequent drafts.</p>
Valuation of Housing Stock	<p>Background</p> <p>The DCLG published revised guidance in relation to the valuation of housing stock. The guidance included revisions to the approved regional discount rates for valuing council housing.</p> <p>What we have done</p> <p>We have agreed through the valuation schedules provided by the valuer through to the fixed asset register. The independence and competence of the valuer has been assessed, with the assumptions used compared against DCLG guidelines. We have also performed analytical reviews over expected revaluations.</p> <p>As a result of the above work we identified that the valuer had used the previous social housing adjustment factor, meaning that the value of the Authority's housing stock was materially understated by £34.0 million (including an understatement of £1.6 million in relation to PFI housing assets). The Authority has corrected this in the latest financial statements.</p> <p>As the valuation is undertaken as at 31 March 2017 there is no impact upon the depreciation charged during the year.</p>

Other areas of audit focus (continued)

Other areas of audit focus	Our work to address the areas
3. IT control failures	<p data-bbox="446 364 582 389">Background</p> <p data-bbox="446 410 1339 551">Our audit approach is designed to place reliance upon key financial controls in order to reduce the level of substantive testing required and provide audit evidence. Where these controls are automated by way of the Authority's IT systems we are required to undertake testing over the Authority's general IT controls in order to gain assurance that such automated controls can be relied upon throughout the year.</p> <p data-bbox="446 571 672 596">What we have done</p> <p data-bbox="446 617 1352 725">As set out on page 7, our testing of general IT controls was undertaken during February 2017 and highlighted significant concerns in relation to the controls operating over super user accounts in SAP (those making use of the SAP_ALL access profile) and the number of users with direct access to the Northgate database.</p> <p data-bbox="446 745 1339 886">As a result of these issues we were unable to place reliance upon automated and partially automated controls operating within SAP and Northgate. This includes controls around the posting and authorisation of journals. We have reduced the threshold against which we designed our audit procedures and completed additional substantive where we could not rely on controls.</p> <p data-bbox="446 907 1339 965">Management have informed us that they are already in the process of implementing changes to address the weaknesses identified through our audit.</p>

Judgements

We have considered the level of prudence within key judgements in your 2016/17 financial statements and accounting estimates. We have set out our view below across the following range of judgements.



Subjective areas	2016/17	2015/16	Commentary
Provisions (excluding NDR)	3	3	The provisions balance (excluding NDR) has increased by £0.1million, mainly due to reductions in Legal Claims and Land Charges being offset by three additional provisions recognised during the year. No concerns have been identified as a result of our work.
NDR provisions	2	2	In 2013/14, local authority funding arrangements meant that the Authority became responsible for a proportion of successful rateable value appeals. Wiltshire Council has provided for a fixed 2.5% of outstanding appeals in accounting for the potential liability. The NDR provision has moved to £1.9m from £1.7m, with the 2015/16 provision fully used in the year. The Authority still remains towards the cautious side of the prudence range and is considered to have sufficient provisions in place. Despite this, the Authority may wish to review its Non-Domestic Rates (NDR) provisions to ensure it remains in line with applicable accounting guidance and reflects the most appropriate methodology. In doing so, the Authority could make use of historic data on the level of successful appeals since 2013/14.
PPE: HRA assets	0	3	The Authority continues its use of the beacon methodology in line with the DCLG's <i>Stock Valuation for Resource Accounting</i> published in November 2016. The Authority has utilised an external valuation expert to provide valuation estimates. We have reviewed the instructions provided and deem that the valuation exercise is in line with the instructions. The resulting increase of 6.88% is in line with industry standard indices. We have also compared the regional adjustment factor used as part of the Beacon Valuation methodology to the DCLG guidance. The valuer has used the previous regional adjustment factor of 31%, rather than the 35% indicator suggested in the latest DCLG guidance. This has caused a material difference, understating HRA Assets by £32.6 million. This is corrected in the final version of the financial statements, resulting in the final position being within our acceptable range.
PPE: Non HRA Assets	3	3	The Authority has a three year rolling programme of assets to be revalued. In 2016/17, the assets revalued included secondary schools, car parks, public conveniences and cemeteries. There were also other various miscellaneous buildings and new additions that had been revalued during the year. We have assessed the competence of the valuer used and have confirmed that the 3 year rolling programme ensures coverage over the Authority's asset base.
Pension Liability	4	3	The change in pension liability is largely drive by a change in assumptions applied by the actuary, reflecting movements in the changing economic climate. Judgements are complex and numerous. These assumptions have been compared to a PWC review of the actuary, as well as KPMG's own actuarial specialists. The assumptions for RPI Inflation, Salary Increased and Discount rate were within our expectations. The actuary has reduced salary increase rate from 4.2% per annum to 2.7% per annum which is a larger than expected movement. Whilst we believe this is still an acceptable figure, this has meant a more optimistic valuation is used than the prior year.

Proposed opinion and audit differences

Subject to all outstanding queries being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion on the Authority's 2016/17 financial statements following approval of the Statement of Accounts by the Audit Committee on 26 July 2017.

Audit differences

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

The final materiality level for this year's audit was set at £12.0 million. Audit differences below £0.6 million are not considered significant. See Appendix 4 for more information on materiality.

We identified one material misstatement that has been corrected by the authority (see Appendix 3, item 3). We identified a limited number of further issues that have been adjusted by management but they do not have a material effect on the financial statements. These adjusted differences have been set out in Appendix 3.

The tables on the right illustrate the total impact of audit differences on the Authority's movements on the General Fund and HRA for the year and balance sheet as at 31 March 2017.

There is no net impact on the General Fund or HRA as a result of audit adjustments identified. The value of the Authority's assets and unusable reserves as at 31 March 2017 increases by £34.2 million however. This is the result of amendments as a result of the Authority's valuers using the incorrect regional adjustment factor when valuing the Authority's council housing stock.

In addition, we identified a number of presentational adjustments required to ensure that the accounts are compliant with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 ('the Code'). We understand that the Authority will be addressing these where significant.

Movements on the general fund and HRA 2016/17			
£m	Pre-audit	Post-audit	Ref ¹
Surplus/(Deficit) on the provision of services	(2.9)	(3.6)	2 & 3
Adjustments between accounting basis and funding basis under Regulations	10.4	11.1	2 & 3
Transfers (to)/from Earmarked Reserves	(4.5)	(4.5)	
Increase in General Fund and HRA	3.0	3.0	
Consisting of:			
Increase in General Fund	0.3	0.3	
Increase in HRA	2.7	2.7	

Balance sheet as at 31 March 2017			
£m	Pre-audit	Post-audit	Ref ¹
Property, plant and equipment	1,059	1,083	3
Other long term assets	36	36	
Current assets	131	131	
Current liabilities	(118)	(118)	1
Long term liabilities	(1,053)	(1,053)	
Net worth	45	79	
General Fund	(13)	(13)	
HRA Balance	(23)	(23)	
Other usable reserves	(76)	(76)	
Unusable reserves	67	33	3
Total reserves	(45)	(79)	

¹ See referenced adjustments in Appendix 3.

Section two: financial statements

Annual governance statement

We have reviewed the Authority's 2016/17 Annual Governance Statement and confirmed that:

- It complies with *Delivering Good Governance in Local Government: A Framework published by CIPFA/SOLACE*; and
- It is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

We have made a number of comments in respect of its format and content which the Authority has agreed to amend where significant.

Narrative report

We have reviewed the Authority's 2016/17 narrative report and have confirmed that it is consistent with the financial statements and our understanding of the Authority.

The Pension Fund

Subject to all outstanding queries being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion on the Pension Fund's 2016/17 financial statements following approval of the Statement of Accounts.

Pension fund audit

Our audit of the Fund also did not identify any material misstatements.

In addition, we identified a small number of presentational adjustments required to ensure that the accounts are compliant with the Code. We understand that the Fund will be addressing these where significant.

Annual report

We have not yet reviewed the Pension Fund Annual Report and as a result are yet to confirm that the financial and non-financial information it contains is not inconsistent with the financial information contained in the audited financial statements.

As we have not yet reviewed the Pension Fund Annual Report but we will withhold our audit certificate until the work on the Annual Report is completed.

Fund account as at 31 March 2017		
£m	Pre-audit	Post-audit
Opening net assets of the Fund	1,839	1,839
Contributions	99	99
Benefits	(84)	(84)
Management expenses	(11)	(11)
Return on investments	344	344
Closing net assets of the Fund	2,187	2,187

Net assets as at 31 March 2017		
£m	Pre-audit	Post-audit
Net investments	2,174	2,174
Net current assets	13	13
Net assets of the Fund	2,187	2,187

Accounts production and audit process

Our audit standards (*ISA 260*) require us to communicate our views on the significant qualitative aspects of the Authority's accounting practices and financial reporting.

We also assessed the Authority's process for preparing the accounts and its support for an efficient audit. The efficient production of the financial statements and good-quality working papers are critical to meeting the tighter deadlines.

KPMG Central

The Authority continues to use KPMG Central, which was first introduced to the audit process in 2014/15. KPMG Central has allowed the team to securely transfer large amounts of data between the Authority and the audit team. KPMG Central aligns to our Accounts Audit Protocol and allows the Authority's Closedown Team to efficiently share requested information. The use of this portal was limited in 2016/17 due to set up issues arising from the migration of the system to SharePoint 2013, although it is expected this will be used in full again for 2017/18.

Accounting practices and financial reporting

The Authority has prepared its accounts in accordance with an earlier deadline than required by statute since 2015/16. As a result, the Authority is well prepared for the changes to statutory deadlines for 2017/18.

We consider the Authority's accounting practices appropriate, except for the way the Authority has accounted for revaluations of investment properties. We have communicated this to management as part of the audit difference raised in appendix 3.

Completeness of draft accounts

We received a complete set of draft accounts on 2 June 2017, far ahead of the statutory deadline.

Quality of supporting working papers

We issued our *Accounts Audit Protocol 2016/17* ("Prepared by Client" request) in January 2017 which outlines our documentation request. This helps the Authority [and the Pension Fund] to provide audit evidence in line with our expectations.

We worked with management to ensure that working paper requirements are understood and aligned to our expectations. We are pleased to report that this has resulted in good-quality working papers with clear audit trails.



Section two: financial statements

Response to audit queries

We expect that where possible, audit enquires have a turnaround time of two working days. We are pleased to report that this was achieved by Officers, including those who are not part of the finance team. As a result of this, all our audit work is expected to be completed within the timescales agreed. At current, the following areas are ongoing:

- Completion of our final assessment of the assumptions used by the actuary;
- Updating our assessment of subsequent events;
- Receipt of the management representation letter; and
- Receipt and review of the final version of the financial statements.

Prior year recommendations

As part of our audit we have specifically followed up the Authority's progress in addressing the recommendations in last years ISA 260 report.

The Authority has implemented all non- IT related recommendations in our ISA 260 Report 2015/16. We will issue a separate report detailing the progress made against previous IT recommendations.

Appendix 2 provides further details.

Completion

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's 2016/17 financial statements.

Before we can issue our opinion we require a signed management representation letter.

Once we have finalised our opinions and conclusions we will prepare our Annual Audit Letter and close our audit.

Declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of Wiltshire Council and Wiltshire Pension Fund for the year ending 31 March 2017, we confirm that there were no relationships between KPMG LLP and Wiltshire Council and the Wiltshire Pension Fund, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 5 in accordance with ISA 260.

Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the Michael Hudson for presentation to the Audit Committee. We require a signed copy of your management representations before we issue our audit opinion.

Other matters

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- Significant difficulties encountered during the audit;
- Significant matters arising from the audit that were discussed, or subject to correspondence with management;
- Other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and
- Matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, opening balances etc.).

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report or our previous reports relating to the audit of the Authority's 2016/17 financial statements.



Section three

Value for money

Our 2016/17 VFM conclusion considers whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We have concluded that the Authority has made proper arrangements to ensure it took properly-informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

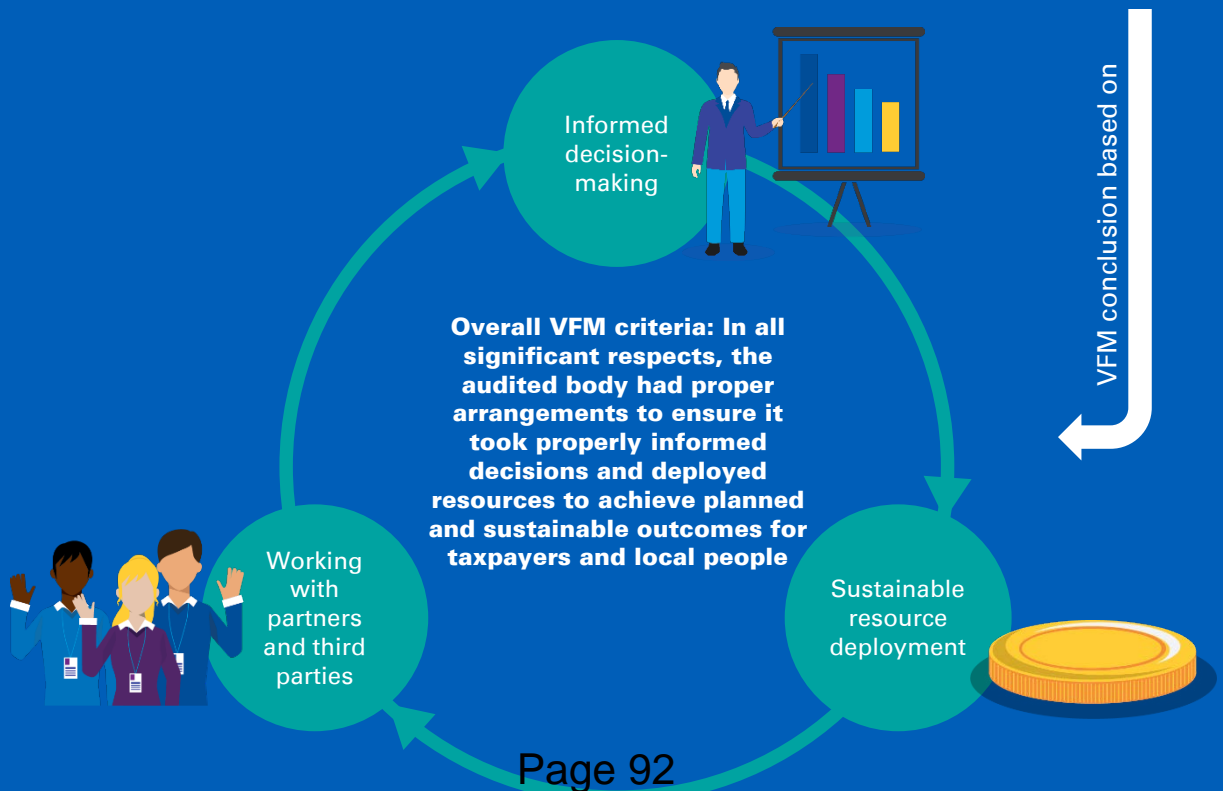
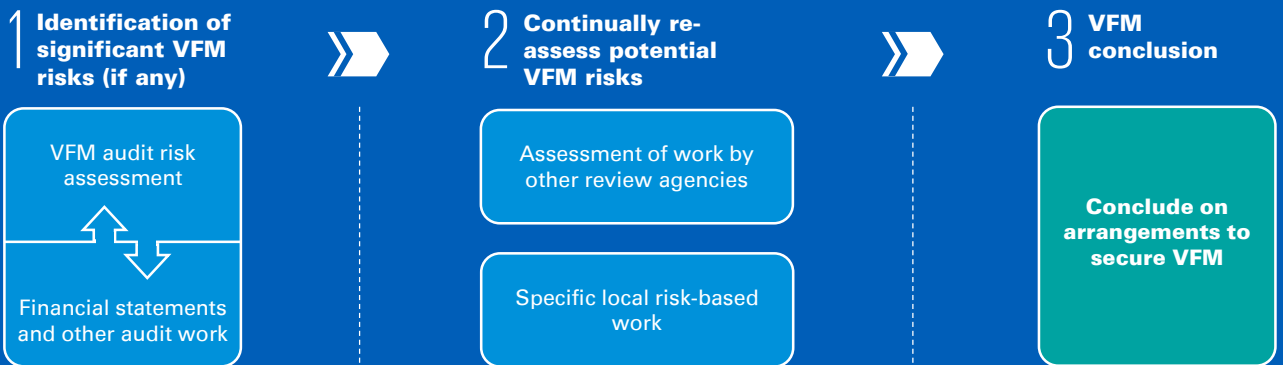
VFM conclusion

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

Our VFM conclusion considers whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We follow a risk based approach to target audit effort on the areas of greatest audit risk.



VFM conclusion - headline results

The table below summarises our assessment of the significant VFM audit risk identified against the three sub-criteria. This directly feeds into the overall VFM criteria and our value for money opinion.

VFM assessment summary			
VFM risk	Informed decision-making	Sustainable resource deployment	Working with partners and third parties
1. Delivery of Savings Plans	✓	✓	✓
Overall summary	✓	✓	✓

In consideration of the above, we have concluded that in 2016/17, the Authority has made proper arrangements to ensure it took properly-informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

In line with the risk-based approach set out on the previous page, and in our External Audit Plan we have :

- assessed the Authority’s key business risks which are relevant to our VFM conclusion;
- identified the residual audit risks for our VFM conclusion, taking account of work undertaken in previous years or as part of our financial statements audit; and
- Performed testing over the identified risk areas during our final audit visit.

Further details on the work done and our assessment are provided on the following pages.

Significant VFM risks

We identified one significant VFM risk, as communicated to you in our *2016/17 External Audit Plan*. We are satisfied that external or internal scrutiny provides sufficient assurance that the Authority’s current arrangements in relation to these risk areas are adequate.

Significant VFM risks **Work performed**

1. Delivery of Savings Plans **Why is this a risk?**

There has been a significant shift in the national outlook over the last 12 months, primarily driven by the outcome of the referendum on 23 June 2016 on the UK’s membership of the European Union. Consequently GDP growth forecasts have been revised downwards, which potentially reduces the level of any growth in business rates income. Inflationary pressures, service pressures, and a reduction in the local government finance settlement will impact on the Authority’s finances.

In October 2016, the Authority published a draft Medium Term Financial Plan (MTFP) 2017/18–2021/22 (which incorporates its Efficiency Plan) that sets out a balanced budget for 2017/18.

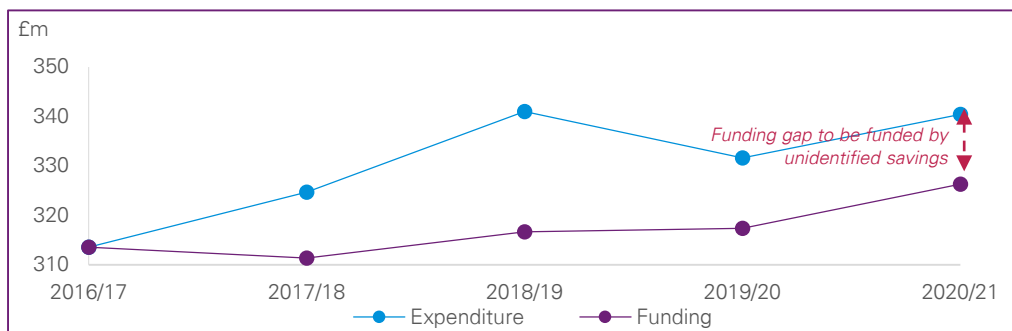
From 2018/19, the Authority has identified funding gaps; however it is confident that the targets in the Efficiency Plan are sufficient to bridge the forecast gap in the MTFP and are monitored by the management board. The Authority’s proposed arrangements include a 2% yearly increase in Council Tax and reducing the number of budget holders to ensure accountability.

Summary of our work

Like most of local government, the Authority faces a challenging future driven by funding reductions and an increase in demand for services. At a local level, this is compounded by the Authority’s financial pressures.

Post-audit, the Authority is reporting an overall £3.6 million deficit on its Provision of Services in 2016/17 after the increase of £4.5 million to the Earmarked reserves. This enabled the General Fund balance to return an additional £0.3 million for 31 March 2017.

The Authority’s MTFP details a balanced budget for 2017/18 including savings of £13.3 million in year, which have been partly identified. However, the MTFP details the increasingly difficult financial challenges faced each year, resulting in the need for ever rising savings which have yet to be identified, up to £24.3 million by 2018/19. We have reviewed the Medium Term Financial Plan and assessed its reasonableness. Whilst it is believed that the plan is broadly suitable, it will be challenging to deliver the transformational change needed to meet future savings targets. However, the Authority has continued to achieve savings targets for 2016/17 and therefore should be well positioned to achieve future requirements.



A close-up photograph of a stack of books on a wooden surface. The books have various colored covers, including a prominent red one. A silver pen lies horizontally in the foreground, its tip pointing towards the left. The background is softly blurred, showing more books and a warm, natural light source.




Appendices

Key issues and recommendations

Our audit work on the Authority's 2016/17 financial statements have identified a number of issues. The summary of these issues have been included here. However, due to the nature of the IT issues, we have issued a separate report to management further detailing our recommendations.

The Authority should closely monitor progress in addressing the risks, including the implementation of our recommendations. We will formally follow up these recommendations next year.


Each issue and recommendation have been given a priority rating, which is explained below.

-  **High priority** Issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.
-  **Medium priority** Issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.
-  **Low priority** Issues that would, if corrected, improve internal control in general but are not vital to the overall system. These are generally issues of good practice that we feel would benefit if introduced.

The following is a summary of the issues and recommendations raised in the year 2016/17.

2016/17 recommendations summary	
Priority	Total raised for 2016/17
High	1
Medium	0
Low	0
Total	1

Key issues and recommendations (continued)

Rating	Issue and Recommendation	Management Response
 <p>High priority</p>	<p>IT Control Failures</p> <p>As a result of our audit work over the Authority's IT systems we identified a number of significant weaknesses. As a result of this, we were unable to place reliance upon the automated controls operating within these systems and additional work was required in order to gain assurance over system reports. The control failings identified can be summarised as follows:</p> <p><i>SAP IT Issues</i></p> <p>The Authority had previously implemented a process to monitor the use of the extremely powerful SAP_ALL access profile. Due to staffing changes in August 2016, these accounts were not appropriately monitored during the year after that period.</p> <p>Therefore, there was a potential during the year to have unlimited access to change system parameters and alter audit trails without detection.</p> <p><i>Northgate IT Issues</i></p> <p>There are a high number of Northgate accounts which have access to systems underlying database. The testing performed in 2016/17 has confirmed that this includes the ability to delete records and change reporting functionality without testing or approval.</p> <p>These issues have meant that extensive additional testing had to be performed in the year, including lowering the performance materiality threshold and increased substantive testing over management provided reports.</p> <p>Due to the critical and sensitive nature of the issues identified, a separate IT report has been issued detailing the full range of SAP issues and our recommendations.</p> <p>Recommendation</p> <p>Ensure that the agreed recommendations set out in the separate IT report are actioned in a timely manner.</p>	<p><i>SAP IT Issues</i></p> <p>Point agreed and actions taken. All access was removed from all dialog SAP accounts at various points during the financial year, with the last one removed 5 January 2017. No dialog users therefore now have access to SAP-ALL. Action now complete, but area will be continually reviewed as part of normal controls procedures.</p> <p><i>Northgate IT Issues</i></p> <p>Point agreed and actions taken. Immediate action was taken to clear out all user accounts that have no need to access the domain at this level. Accounts were also removed during the 2016/2017 financial year. Action now complete, but area will be continually reviewed as part of normal controls procedures.</p> <p><i>Other</i></p> <p>The other medium and low risk IT issues have also been discussed and appropriate actions taken. Most have actions have already been completed.</p> <p>Responsible Officer</p> <p>Steve Vercella (Head of ICT)</p> <p>Deadline for Implementation</p> <p>High risk areas Complete. Most medium and low risk already complete, but final target 31/12/2017</p>

Follow-up of prior year recommendations

In the previous year, we raised nine recommendations which we reported in our *External Audit Report 2015/16 (ISA 260)*. The Authority has not implemented all of the recommendations. We re-iterate the importance of the outstanding recommendations and recommend that these are implemented by the Authority.


We have used the same rating system as explained in Appendix 1.

Each recommendation is assessed during our 2016/17 work, and we have obtained the recommendation’s status to date. We have also obtained Management’s assessment of each outstanding recommendation.

Below is a summary of the prior year’s recommendations.

2015/16 recommendations status summary (Non-IT)			
Priority	Number raised	Number implemented / superseded	Number outstanding
High	-	-	-
Medium	-	-	-
Low	1	-	-
Total	1	-	-

2015/16 recommendations status summary (IT)
 See Separate IT Report

Rating	Issue and Recommendation	Management Response
 Low priority	<p>2. Narrative Statement</p> <p>The is the first year under which the Authority must report a narrative statement at the beginning of the Statement of Accounts, this has replaced the explanatory foreword however it is intended to provide a greater focus upon the Authority’s operational performance throughout the year, including non-financial metrics. The draft narrative statement submitted by the Authority is largely a rolled forward explanatory foreword rather than a bespoke narrative statement.</p> <p>Recommendation</p> <p>The narrative statement should be rewritten for the 2016/17 statement of accounts to ensure that it fully adheres to the CIPFA Code guidance.</p>	<p>Management original response</p> <p>Agreed, guidance has just been issued by CIPFA and the s151 Officer has been engaged in the production of those notes and will draft an early template for 2016/17 based on the 2015/16 Accounts.</p> <p><i>Owner</i></p> <p>Michael Hudson (Associate Director of Finance)</p> <p><i>Original deadline</i></p> <p>7 April 2017</p> <p>KPMG’s July 2017 assessment</p> <div style="background-color: #008000; color: white; text-align: center; padding: 2px;">Fully implemented</div> <p>We have reviewed the Narrative Statement for 2016/17 and believe it is now much more comprehensive and in line with the CIPFA code guidance.</p>

Audit differences

We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance (which in your case is the Audit Committee). We are also required to report all material misstatements that have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities.

A number of amendments focused on presentational improvements have also been made to the 2016/17 draft financial statements. These have been communicated with management and we will confirm these have been changed once we receive the final set of financial statements.

Adjusted audit differences

The following table sets out the significant audit differences identified by our audit of Wiltshire Council’s financial statements for the year ended 31 March 2017. The current figures are provisional based on our current discussions with management. It is our understanding that these will be adjusted. However, we have not yet received a revised set of financial statements to confirm this.

Table 1: Adjusted audit differences (£'000)						
No.	Income and expenditure statement	Movement in reserves statement	Assets	Liabilities	Reserves	Basis of audit difference
1				Dr Sundry Creditors £6,903 Cr Local Authority Creditors (£6,903)		This was a misallocation in Note 28 Short Term Creditors for a balance owed to Swindon Borough Council.
2	Dr Net Cost of Service £1,109 Cr Financing and Investment Income (£744) Cr (Surplus) or Deficit on Revaluation of PPE (£365)	Dr Adjustments between Accounting Basis and Funding Basis (Unuseable Reserves) £365 Cr Adjustments between Accounting Basis and Funding Basis (Useable Reserves – General Fund) (£365)			Dr Revaluation Reserve £347 Cr Capital Adjustment Account (£347)	Per IPSAS 16, gains and losses arising from fair value adjustments should be immediately recognised as Financing and Investment Income through the CIES rather than the revaluation reserve. As this is not a not a proper charge to the General Fund, these revaluations are then reversed out to the Capital Adjustment Account. The Authority has recognised elements of the accounting treatment correctly, although adjustments were needed between the CIES categories and the reserve balances.

Audit differences (continued)

Table 1: Adjusted audit differences (£'000)						
No.	Income and expenditure statement	Movement in reserves statement	Assets	Liabilities	Reserves	Basis of audit difference
3	Dr Other Operating Expenditure £248 Cr (Surplus) or Deficit on Revaluation of PPE (£34,242)	Dr Adjustments between Accounting Basis and Funding Basis (Unuseable Reserves) £248 Cr Adjustments between Accounting Basis and Funding Basis (Useable Reserves - HRA) (£248)	Dr Property Plant and Equipment £33,994		DR Capital Adjustment Account £248 Cr Revaluation Reserve (£34,242)	The Authority uses an external valuer to value HRA and PFI Beacon properties. DCLG guidance states that an adjustment factor of 35% should be used to reflect the ratio between private and public sector rent and yields. However, the previous rate of 31% has instead been used. This has caused a material difference. As the valuation was undertaken as at 31 March 2017, there is no impact on the depreciation charges in the year.
	(£33,994)	-	£33,994	-	(£33,994)	Total impact of audit differences

Materiality and reporting of audit differences

The assessment of what is material is a matter of professional judgment and includes consideration of three aspects: materiality by value, nature and context.

Material errors by value are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements.

Errors which are material by nature may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff.

Errors that are material by context are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

We used the same planning materiality reported in our External Audit Plan 2016/17, presented to you in March 2017.

Materiality for the Authority's accounts was set at £12 million which equates to around 1.2 percent of gross expenditure. We designed our procedures to detect errors in specific accounts at a lower level of precision, set at £7.5 million for 2016/17. As set out in our *External Audit Plan*, this was set at a level lower than would normally be applied as a result of the IT issues encountered during the year.

Reporting to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any misstatements of lesser amounts to the extent that these are identified by our audit work.

Under *ISA 260*, we are obliged to report omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. *ISA 260* defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

ISA 450 requires us to request that uncorrected misstatements are corrected.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.6 million for the Authority.

Where management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

Materiality – Pension fund audit

The same principles apply in setting materiality for the Pension Fund audit. Materiality for the Pension Fund was set at £25 million which is approximately 1.1 percent of gross assets.

We design our procedures to detect errors at a lower level of precision, set at £18.5 million for 2016/17.

Declaration of independence and objectivity

Auditors appointed by Public Sector Audit Appointments Ltd must comply with the Code of Audit Practice (the 'Code') which states that:

"The auditor should carry out their work with integrity, objectivity and independence, and in accordance with the ethical framework applicable to auditors, including the ethical standards for auditors set by the Financial Reporting Council, and any additional requirements set out by the auditor's recognised supervisory body, or any other body charged with oversight of the auditor's independence. The auditor should be, and should be seen to be, impartial and independent. Accordingly, the auditor should not carry out any other work for an audited body if that work would impair their independence in carrying out any of their statutory duties, or might reasonably be perceived as doing so."

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Public Sector Audit Appointments Ltd Terms of Appointment ('Public Sector Audit Appointments Ltd Guidance') and the requirements of APB Ethical Standard 1 Integrity, Objectivity and Independence ('Ethical Standards').

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Public Sector Audit Appointments Ltd guidance requires appointed auditors to follow the provisions of *ISA (UK&I) 260 'Communication of Audit Matters with Those Charged with Governance'* that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor's objectivity and independence.
- The related safeguards that are in place.
- The total amount of fees that the auditor and the auditor's network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our Annual Audit Letter.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor's professional judgement, the auditor is independent and the auditor's objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor's objectivity and independence may be compromised and explaining the actions which necessarily follow from this. These matters should be discussed with the Audit Committee. Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Engagement Lead and the audit team.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP Audit Partners and staff annually confirm their compliance with our Ethics and Independence Manual including in particular that they have no prohibited shareholdings.

Our Ethics and Independence Manual is fully consistent with the requirements of the Ethical Standards issued by the UK Auditing Practices Board. As a result we have underlying safeguards in place to maintain independence through: Instilling professional values, Communications, Internal accountability, Risk management and Independent reviews.

We would be happy to discuss any of these aspects of our procedures in more detail.

Auditor declaration

In relation to the audit of the financial statements of Wiltshire Council and Wiltshire Pension Fund for the financial year ending 31 March 2017, we confirm that there were no relationships between KPMG LLP and Wiltshire Council and Wiltshire Pension Fund, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

Non-audit work and independence

Below we have listed the non-audit work performed and set out how we have considered and mitigated (where necessary) potential threats to our independence.

Summary of non-audit work			
Description of non-audit service	Estimated fee	Billed to date	Potential threat to auditor independence and associated safeguards in place
Review of the Medium Term Financial Plan	£25,000	£6,250	<p>Management threat: The nature of this work is to review the assumptions and conclusions as part of the Medium Term Financial planning process. The audit team do not have any direct involvement in the budgeting process and are not making any management decisions. Any recommendations raised as part of the review are ultimately up to the discretion of management whether to implement and is for advisory purposes only.</p> <p>The nature of this work is more detailed than that undertaken required to fulfil our responsibilities under the Value for Money element of our audit.</p> <p>We have determined that no actual independence threat arises.</p>
Grants Certification (Housing Benefits, Teachers Pensions Return and Pooling of Housing Capital Receipts)	£27,165	£21,165	<p>The certification of the Housing Benefits Subsidy return forms part of our contractual responsibilities as the Authority's appointed auditor. The Teacher's Pensions Agency return also formed part of these responsibilities until it was removed from the PSAA certification regime in 2013/14. The nature of these audit-related services is such that we do not consider it to create any independence threats.</p>
Total estimated fees		£27,410	
Total estimated fees as a percentage of the external audit fees		16%	

Appendix 6

Audit fees

Audit fees

As communicated to you in our External Audit Plan 2016/17, our scale fee for the audit is £167,420 plus VAT which is a consistent with the prior year. However, an additional fee will be required due to additional work undertaken in relation to the IT control failures. We are in the process of assessing the extent of additional work that was required in relation to this and will agree the additional fee with the Associate Director (Finance) by the end of July. This fee will also be subject to approval by PSAA. See table below for further detail.

Our work on the certification of Housing Benefits (BEN01) is planned for August 2017. The planned scale fee for this is £21,165 plus VAT (this is higher than the fee charged in 2015/16 as a result of PSAA's approach to determining these fees). Planned fees for other grants and claims which do not fall under the PSAA arrangements is £6,000 plus VAT in 2016/17, see further details below.

Fee table		
Component of audit	2016/17 (planned fee) £	2015/16 (actual fee) £
Accounts opinion and use of resources work		
PSAA scale fee (Wiltshire County)	167,420	167,420
PSAA scale fee (Wiltshire Pension Fund)	£24,246	£24,246
Additional work to conclude our opinions (relating to IT issues)	TBC	N/A
Subtotal	TBC	£191,666
Housing benefits (BEN01) certification work		
PSAA scale fee – planned for August 2017	£21,165	£16,916
Other grants certification work		
Teachers Pension Return – planned for August 2017	£3,000	£3,000
Pooling of Housing Capital Receipts Return – planned for August 2017	£3,000	£3,000
Total fee for the Authority	TBC	£214,585

All fees are quoted exclusive of VAT.



© 2017 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International



This page is intentionally left blank

WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE

27 September 2017

DRAFT ANNUAL REPORT FOR 2016-17

Purpose of the Report

1. The purpose of this report is to present the attached draft Wiltshire Pension Fund Annual Report to Members, the draft Pension Fund Financial Statements 2016-17 were approved at the 28 June 2017 Committee meeting.

Background

2. The Wiltshire Pension Fund has a requirement under the Local Government Pension Scheme Regulations 2013 (amended) SI 2015 No 755 to produce an Annual Report.
3. The Annual Report contains details of the accounts of the Wiltshire Pension Fund for the year to 31 March 2017 and is primarily aimed at the participating employer organisations within the Wiltshire Pension Fund.
4. It supplements the Statement of Accounts of the Council, a formal publication required under the Accounts and Audit Regulation 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom. As well as reporting the accounts, the opportunity is taken to cover matters of wider interest that affect the Fund, its investments and general pension provision.
5. Copies of the Annual Report are circulated to all employers of the Fund in an electronic format and available to all stakeholders on the Fund's website. Hard copies of the Annual Report are available along with the associated policies referenced upon request.
6. This is the draft copy for approval of content. The Audit Certificate will be issued along with the Council's certificate which is anticipated at the end of September. The final version will be formatted and designed prior to publication.

Risk Assessment

7. The audit of the Wiltshire Pension Fund is not yet finalised as KPMG are still working on the Whole of Government Accounts with a final deadline of the end of September. There are no outstanding issues with the Wiltshire Pension Fund audit.

Financial Considerations

8. These are considered in the Annual Report. The outturn for 2016-17 was reported to the June Committee.

Legal Implications of the Proposals

9. There are none.

Environmental Impact of the Proposals

10. There are none.

Safeguarding Considerations/Public Health Implications/Equalities Impact

11. There are no known implications at this time.

Proposals

12. Members are asked to approve the draft Wiltshire Pension Fund Annual Report 2016-17 for publication.

Michael Hudson
Treasurer to the Pension Fund

Report Author: Chris Ashton, Fund Investment & Accounting Manager (Maternity Cover)

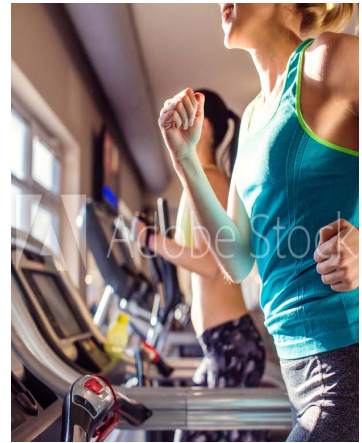
Unpublished documents relied upon in the production of this report: NONE



WILTSHIRE
PENSION FUND



REPORTS & ACCOUNTS
For the year ended 31st March **2017**



ANNUAL REPORT 2017

CONTENTS

REPORT AND ACCOUNTS

For the Year ended 31 March 2017

Chairman's foreword	4
Scheme Management and Governance	6
Governance	9
Fund overview	14
Risk	22
Training report	29
Administration report	33
Investment report	43
Financial Performance	52
Actuarial position	56
Statement of Responsibilities for the Financial Statements	58
Audit opinion	59
Statement of accounts	60
IAS26 statement	81
Further information & contacts	83



CHAIRMAN'S FOREWORD

It is with pleasure that I present this Annual Report of the Wiltshire Pension Fund.

Wiltshire Council, which administers the Fund, is one of the 175 Employer organisations which are members of the Fund. Swindon Council and Wiltshire Council are the two largest employer organisations of the Fund. The Fund has seen a further increase in employer member bodies over the last 12 months mainly as a result of the outsourcing of services from the two largest employers.

The Fund has seen a decrease of 600 contributing members to 21,200, while the number of retired employees receiving regular payments has increased by around 600 to 15,500. The average pension paid was £4,222. The number of deferred members has increased by around 1,500. The cashflow of the Fund continues to be broadly neutral for the year, this will be monitored closely.

The Fund's assets have increased by £348 million to £2,187 million as at 31 March 2017 reflecting strong asset returns across all asset classes. The results of the 2016 Valuation have now been received, and show that the funding level has increased to 82% from 71% (March 2013). The good performance of the Fund's assets over the period and the difference in the actual membership experience compared to the assumption used in the previous valuation were largely responsible for the increase.

Since the last formal valuation, real bond yields have fallen placing a higher value on liabilities. The effect has been broadly offset by strong asset returns. Interim monitoring reports show the funding level of 80% as at 31 March 2017.

Over the 12 month period both growth and defensive asset classes have posted strong positive returns. These strong returns came about despite bouts of volatility following the surprise result of the UK's referendum in June 2016, when the electorate voted to leave the European Union, and the unexpected victory for Donald Trump in the US Presidential Election in November 2016. Returns over the longer term remain positive with the rolling 5 year return for the Fund achieving 10.2%; 0.3% ahead of its consolidated benchmark of 9.9%. The Committee continues to monitor investment manager performance and a high level Investment Strategy review is due to take place October 2017. The Fund is also closely monitoring the impact of Brexit, in particular on its investment strategy keeping the focus on the long term returns during this uncertain period.

During the year up to March 2017 there was only one change of membership to the Pension Fund Committee. Councillor Mark Packard was replaced by Councillor Gordon King. We would like to thank him for his contribution over the years and wish him well for the future. Councillor Charles Howard also stepped down from the role of Vice-Chairman of the Wiltshire Pension Fund Committee at the end of the financial year, Charles was paramount to the development of the investment strategy of the Fund and we wish him well.

The Committee is also responsible for the administrative performance of the Fund which is administered by key officers, namely Michael Hudson (Treasurer to the Pension Fund), David Anthony (Head of Pensions) and Catherine Dix (Strategic Pension Manager) following the requirements set out in the Local Government Pension Scheme (LGPS) Scheme Regulations and the principles laid down by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Fund is also regularly audited by both the South West Audit Partnership (internal audit) and KPMG (external audit) while performance is analysed by CIPFA through their benchmarking club. These processes reflect the primary need for a high standard of management and good governance arrangements to be a better performing fund, and these reports demonstrate this is currently being achieved.

On 25th November the Department of Communities and Local Government (DCLG) issued a consultation titled "Investment Reform Criteria and Guidance" inviting administering authorities to submit by 19th February 2016 their initial proposals for pooling LGPS assets into six 'British Wealth Funds' from April 2018 onwards, each containing at least £25bn of assets with the intention to reduce investment management costs while improving the net performance.

Officers continue to make progress with the pooling of assets programme – Project Brunel. The project has made significant progress in setting up an FCA authorised company to be named Brunel Pension Partnership. An update was provided to the Department of Communities and Local Government (DCLG) in July 2016, covering the following issues.

- The LGPS Funds participating in the pool.
- The governance structure of the pool
- The business model, including shared principles, accountability, decision making and reporting.
- The timetable for establishing the pool and moving assets into the pool.
- A detailed estimate of current investment costs, transition and implementation costs for the pool, and an estimate of savings over the next 15 years.
- The ambition of the pool to increase investment in infrastructure

Following the July 2016 submission, a detailed business case was prepared for all the 10 Funds participating. Following the break even point it is anticipated that annual savings of £2 million per annum will be generated for Wiltshire Pension Fund. This was approved by all participating administering authorities in the period December 2016 to February 2017.

Recruitment to the company has now commenced with the Chair to the Board appointed in April 2017. Recruitment will now focus on the executive board and non-executive directors. The legal agreements have been drawn up and will need to be agreed by all ten administering authorities. Once the agreements are finalised and approved the administrator contract can be awarded to ensure the custody and safe keeping of assets.

The Fund continues to adapt to these challenging times ensuring resources are appropriate and aligned to implement these changes. However, this continues to be a challenge and our focus remains on attaining a sustainable pension fund for our members.

Tony Deane, Chairman

On behalf of the Wiltshire Pension Fund Committee
7th July 2017



SCHEME MANAGEMENT AND GOVERNANCE

Administering authority	Wiltshire Council County Hall Trowbridge Wiltshire BA14 8JN
Pension fund committee as at 31 March 2017	
Wiltshire Council members	Councillor Tony Deane (Chairman) Councillor Charles Howard (Vice Chairman) Councillor Gordon King Councillor Roy While Councillor Sheila Parker
Swindon Borough Council members	Councillor Steve Allsopp Councillor Steve Weisinger
Employee observers	Mike Pankiewicz (observer) – Wiltshire Council Tony Gravier (observer) – Swindon Unison Branch
Admitted bodies	Mrs Diane Hall/Sue Eley – Selwood Housing Association
Education scheduled bodies	Mrs Linda Stuart – Hardenhuish Academy
Officers, advisors & managers at 31 March 2017	
Wiltshire Council officers	Michael Hudson – Treasurer to Pension Fund David Anthony – Head of Pensions
Investment managers	Baillie Gifford & Co CBRE Global Multi Manager Loomis Sayles Legal & General M&G Financing Fund Partners Group Barings Asset Management Investec Asset Management
AVC providers	Equitable Life Assurance Society Clerical Medical Funds NPI Funds Prudential
Investment consultant	Mercers
Actuary	Hymans Robertson
Independent adviser	Jim Edney, Independent Pension Fund Adviser
Auditor	KPMG LLP
Custodian	BNY Mellon
Legal adviser	Osborne Clarke
Bankers of the Fund	HSBC

Management

The Wiltshire Pension Committee meets at regular quarterly intervals to review the affairs of the Fund, to review Fund performance and to plan the implementation of policy. In 2016 there was an additional meeting to consider the outcome of the 2016 triennial valuation. In addition a separate Investment Sub Committee meets periodically to review specific issues relating to Fund investments. Finally, in response to the Public Service Pensions Act 2013 all LGPSs are required to set up a local pension board. The role of the pension board will be to ensure that the management of fund administration and investments complies with the relevant regulations and legislation and that the Fund is managed in the best interests of its stakeholders.

Investment Sub-Committee

The Investment Sub-Committee (ISC) met 4 times during the year. The role of the ISC is to implement and monitor investment manager performance while considering and making recommendations to the main committee on changes in the investment strategy of the Fund. This is in addition to the consideration of any potential investments that might utilise the Fund's opportunistic strategic asset allocation (5% of its total assets).

The ISC consists of four members of the main committee, being the Chairman, Vice-Chairman, along with another elected member from Wiltshire Council and an additional co-opted Member from the Wiltshire Pension Fund Committee.

All Members of the main committee are invited to attend the ISC as observers. The minutes and any decisions made are reported back to the next available main committee meeting.

Details of the meetings and minutes can be found at the following link:

Investment Sub-Committee meetings and minutes you can find this information on the Wiltshire Council website.

Local Pension Board

Following Lord Hutton's review of public service pensions published in March 2011 legislation was introduced to "make public service pension schemes more transparent". The Public Sector Pension Act (2013) along with the Local Government Pension Scheme (Governance) Regulations 2015 required each LGPS administering authority to establish a new body known as a LPB to assist the Council in running the Wiltshire Pension Fund.

A key aim of the reform is to raise the standard of management and administration of public service pension schemes and to achieve more effective representation of employer and employee interests in that process. Therefore, although it will have no decision making powers the LPB will be responsible for:

- securing compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme and;
- ensuring the effective and efficient governance and administration of the Scheme.

To fulfil its obligations under the legislation, Wiltshire Council approved the Terms of Reference for the LPB at its meeting on 24 February 2015 to ensure the LPB had been established by 1 April 2015.

The LPB consists of an independent chairman, 3 employer representatives, and 3 scheme member representatives and meets four times per year.

Further information related to the Local Pension Board including its Terms of Reference and Members Biographies can be found on the Wiltshire Pension Fund website on the following link

<http://www.wiltshirepensionfund.org.uk/local-pension-board.htm>

The Annual Report from the Local Pension Board summarises its role, activities, costs, and future work plans. This can be found on the following link:

<http://www.wiltshirepensionfund.org.uk/local-pension-board-annual-report-2016.pdf>

Policy documents

The Fund's Governance Policy Statement and its Communications Policy Statement are available upon request or can be viewed at www.wiltshirepensionfund.org.uk The Fund's Governance Compliance Statement can be viewed on page 9.

Investments

All investments held by Wiltshire Pension Fund are managed by external investment managers.

Fund assets are managed as follows:-

- Global overseas equity exposure is managed by Baillie Gifford
- Global bond exposure is managed by Loomis Sayles
- UK and European property funds are managed by CBRE Global Investment Partners
- The UK financing fund is managed by M&G
- Legal & General manage passive UK equities, passive UK gilts, passive global fundamentals and passive global equities.
- Loomis Sayles manage exposure to Multi Asset Credit and Absolute Return Bond Fund
- Barings manages the Dynamic Asset Absolute Return Fund
- Investec manages the Emerging Markets Multi Asset Fund
- Partners manages the Global Infrastructure mandate

Custodial arrangements

Fund assets are held by BNY Mellon who handles all custodial arrangements of the Fund. The custodian is also able to carry out stock lending on behalf of the Fund. Fund assets are held under the legal name "*Wiltshire County Council Pension Fund*".

GOVERNANCE

Governance policy statement

AREA	PRINCIPLE	LEVEL OF COMPLIANCE	REASON FOR NON-COMPLIANCE
A) Structure	a) The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	FULL – The Council’s constitution (Part 3, para 2.5) says that the Committee will “exercise the functions of the Council as Administering Authority under the Local Government Superannuation Act and Regulations and deal with all matters relating thereto”. The Wiltshire Pension Fund Committee has the power to “...make decisions on matters of significant policy...” (Part 3B, para 4).	N/A
	b) That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	FULL – There are two voting representatives from Swindon Borough Council, two voting representatives from Admitted Bodies and 2 UNISON Observers (representing active, deferred and pensioner members), all of whom are members of the main committee. There is an Investment Sub-Committee (ISC) to deal with the on-going monitoring of investment managers, appointment of new managers, review any emerging investment opportunities and to consider and determine opportunistic investments to the value of 5% of the Fund’s total assets. This consists of 4 voting members, namely the Chairman, Vice-Chairman, one Wiltshire Council elected member from the main committee and one co-opted member of the main committee. All members of the main committee may be an observer.	N/A

AREA	PRINCIPLE	LEVEL OF COMPLIANCE	REASON FOR NON-COMPLIANCE
	c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	FULL – All minutes of meetings and decisions taken by the ISC are reported back to the next main committee meeting.	N/A
	d) That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	FULL – At least 4 members of the ISC sit on the main committee.	N/A
B) Representation	a) That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include: <ul style="list-style-type: none"> i. employing authorities (including non-scheme employers, e.g., admitted bodies); ii. scheme members (including deferred and pensioner scheme members); iii. independent professional observers; and iv. expert advisors (on an ad-hoc basis). 	<p>FULL – Four representatives in total, two from Swindon Borough and two from Admitted Bodies. The non-elected members will hold their office for a maximum of 4 years before a re-election process needs to take place.</p> <p>FULL – Two representatives from UNISON, who represent active, deferred and pensioner members.</p> <p>FULL – Our Independent Pension Adviser, who attends all meetings, fulfils this role and feeds back any observations to the Chief Finance Officer and/or Head of Pensions.</p> <p>FULL – Mercers (the Fund's Investment Consultant) and Hymans Robertson (the Fund's Actuary) attends all meetings where expert advice is required.</p>	<p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p>

	b) That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.	FULL – All members of the Committee are given equal access to papers, meetings and training and are able to fully participate in debates.	N/A
C) Selection and Role of Lay Members	a) That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	FULL – Full Induction Training and Governance is given and each member is given a Members' Handbook outlining their responsibilities amongst other information.	N/A
	b) That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.	FULL – This is a standard part of committee procedure.	N/A
D) Voting	a) The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	FULL – The Committee has afforded each of its members voting rights, except the UNISON Observers who represent members. Being a statutory pension scheme, the local committee has very little influence over benefits and the members are fully protected by statute. Therefore, there is very little that scheme members (or their representatives) can influence on the committee that has any direct impact upon them. Further, giving voting rights to the observers would mean increasing the size of the Committee, because the Administering Authority must legally be able to maintain a majority.	N/A

AREA	PRINCIPLE	LEVEL OF COMPLIANCE	REASON FOR NON-COMPLIANCE
E) Training/Facility Time/Expenses	a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	FULL – There is a Members’ Training Plan which is updated regularly and fully implemented. All members (including observers) have full access to all training opportunities and are allowed to claim all reasonable expenses.	N/A
	b) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	FULL – see Members Training Plan.	N/A
F) Meetings - Frequency	a) That an administering authority’s main committee or committees meet at least quarterly.	FULL – The Committee meets four times per year, plus ad-hoc for special issues (e.g. valuation, tenders).	N/A
	b) That an administering authority’s secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	FULL – The ISC meets two times per year, with a potential two further meetings scheduled should they be required.	N/A
	c) That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	FULL – From 1 April 2015, Wiltshire Council in its role of Administering Authority will establish a Local Pension Board. This will consist of 6 voting members (3 employer and 3 member representatives) along with a non-voting independent chair. The purpose of this Board is to review and ensure the Wiltshire Pension Fund secures compliance with the Scheme regulations and all other relevant legislations.	N/A

G) Access	a) That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	FULL – All members of the Committee (including non voting and substitute members) receive all the papers for every meeting, including the confidential ones.	N/A
H) Scope	a) That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	FULL – All matters in relation to the Fund, whether Benefits, Governance, Investments, Communications, Employers, Financial, etc., are covered by the governance arrangements.	N/A
I) Publicity	a) That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	FULL – The Governance Compliance Statement is available on the Wiltshire Pension Fund Website and in the Wiltshire Pension Fund Annual Report. This statement is approved by the main committee which is held as a meeting open to public participation.	N/A

PENSIONS COMMITTEE AS AT 31 MARCH 2017

The Wiltshire Pension Fund Committee met 5 times in 2016-17. Below shows the attendance of the Members of this Committee:

Members	Number of meetings attended (max 5)
Councillor Tony Deane	5
Councillor Charles Howard	5
Councillor Sheila Parker	3
Councillor Roy White	5
Councillor Gordon King	3
Councillor Steve Allsopp	5
Councillor Steve Weisinger	2
Mike Pankiewicz	5
Tony Gravier	0
Sue Eley/Diane Hall	3
Linda Stuart	4



FUND OVERVIEW

Legal framework

The Local Government Pension Scheme (LGPS) is governed by the Superannuation Act 1972. The current scheme rules are contained within the LGPS Regulations 2013, the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 and the LGPS (Amendment) Regulations 2015. The Regulations are fixed on a national basis; however the Scheme is administered by 89 designated Administering Authorities throughout England and Wales.

Wiltshire Council is responsible for administering Wiltshire Pension Fund for the benefits of employees of Wiltshire Council and the employees of scheme employers and admissions bodies. A list of participating scheme employers is shown on page 20.

The LGPS is currently a contracted out scheme and this enables most scheme members to benefit from paying a lower rate of National Insurance Contribution, until April 2016.

The LGPS is granted “exempt approval” status by HM Revenue and Customs (HMRC) for the purposes of Income and Corporation Taxes Act 1988. The LGPS is also classified as a Registered Pension Scheme under Part 4 of Chapter 2 of the Finance Act 2004.

The Regulations specify the type and amounts of pension and other benefits payable in respect of Scheme members, and also specifies the member contribution rates payable. Members have the freedom to opt out of the Scheme and make alternative arrangement. Scheme members currently pay a contribution rate of 5.5% to 12.5%, based on their actual pensionable pay.

Employer contribution rates are set by the Fund’s Actuary every 3 years following a valuation of the Fund, this ensures the solvency of the Fund. New rates were set by the Actuary from 1 April 2017 following the 2016 Actuarial Valuation.

Scheme benefits

The Local Government Pension Scheme (LGPS) provides the following benefits for its members:

- An inflation protected pension with the option to convert part of the pension to a lump sum payment (subject to HMRC limits). Since April 2014 benefits are accrued on a Career Average Revalued Earnings basis;
- Early payment of pension benefits due to ill-health;
- Early payment of pension if aged 55 or over if:
 - Made redundant;
 - Retired through business efficiency;

- o Taken flexible retirement;
- A lump sum death grant payable to the nominated beneficiary or the most appropriate recipient deemed by Wiltshire Pension Fund, plus an inflation protected dependant's pension if death occurs before retirement;
- An inflation protected dependant's pension for death after retirement and a guaranteed lump sum death grant if death occurs within 10 years of retirement (depending on eligibility).

For leavers not entitled to the immediate payment of benefits.

- An inflation protected deferred pension to be paid at normal retirement age or at any time before age 75; or
- An opportunity to transfer to another pension scheme provider; or
- A refund (depending on eligibility criteria but generally if scheme membership is less than 2 years).

The ability to increase personal benefits is available as follows:

- Purchase of extra pension by means of Additional Voluntary Contributions (AVC's) through the Fund's approved AVC provider;
- Purchase of additional pension through Additional Pension Contributions (APC's) arrangements.

Statistics

Financial Summary

	2016-17 £000	2015-16 £000	2014-15 £000	2013-14 £000	2012-13 £000
Contributions and Benefits					
Contributions receivable	95,901	89,449	85,529	79,128	77,083
Employers Additional Capital Contributions	0	0	0	0	0
Individual transfers	3,604	2,491	1,785	2,902	4,551
	99,505	91,940	87,314	82,030	81,634
Benefits payable	-78,814	-76,841	-74,067	-76,669	-68,351
Payments to and on account of leavers	-4,808	-3,948	-31,249	-4,789	-4,156
	-83,622	-80,789	-105,316	-81,458	-72,507
Management Expenses	-11,181	-9,336	-8,610	-4,679	-4,911
	4,702	1,815	-26,612	-4,107	4,216
Returns on Investments					
Investment Income	10,076	11,764	21,443	18,377	24,774
Change in market value of investments	334,031	-27,521	212,608	136,981	120,124
Net returns on investments	344,107	-15,757	234,051	155,358	144,898
Net increase in the fund during the year	348,809	-13,942	207,439	151,251	149,114

Membership Summary

	2016-17	2015-16	2014-15	2013-14	2012-13
Contributors	21,245	21,831	21,606	21,655	20,193
Pensioners and Dependants	15,523	14,905	14,200	13,729	12,879
Deferred Pensioners	28,087	26,517	23,789	22,262	21,178

Income (i.e. contributions from employers and employees together with dividends and interest earned by investments, but excluding profits on sales of investments) has consistently exceeded expenditure. During 2016/17 cashflow (excluding investment income) was broadly neutral; this continues to be monitored closely.

Administration Management Performance

Wiltshire Pension Fund (WPF) has been a member of the CIPFA Pensions Administration benchmarking club since 2010 principally to gain a better understanding of how WPF's service compares to those of its peers.

The club compares the Fund against the other LGPS authorities within the club. It is however important to remember this survey merely reviews costs and processes but does not test or have a measure for 'quality' of service.

The 2016 CIPFA Pension Administration benchmarking club report, issued in August 2016, compares the performance of WPF in 2015/16 with 37 local authorities who administer the Local Government Pension Scheme. The key benchmark for Pension Administration is the cost of administering the LGPS per member and the Fund's cost for 2015/16 was £20.34 (2014/15: £19.83) compared to the average of £18.33 (2014/15: £19.17).

The table below provides an analysis from the CIPFA benchmarking report of the Funds cost per member compared with the average cost for the authorities in the benchmarking club.

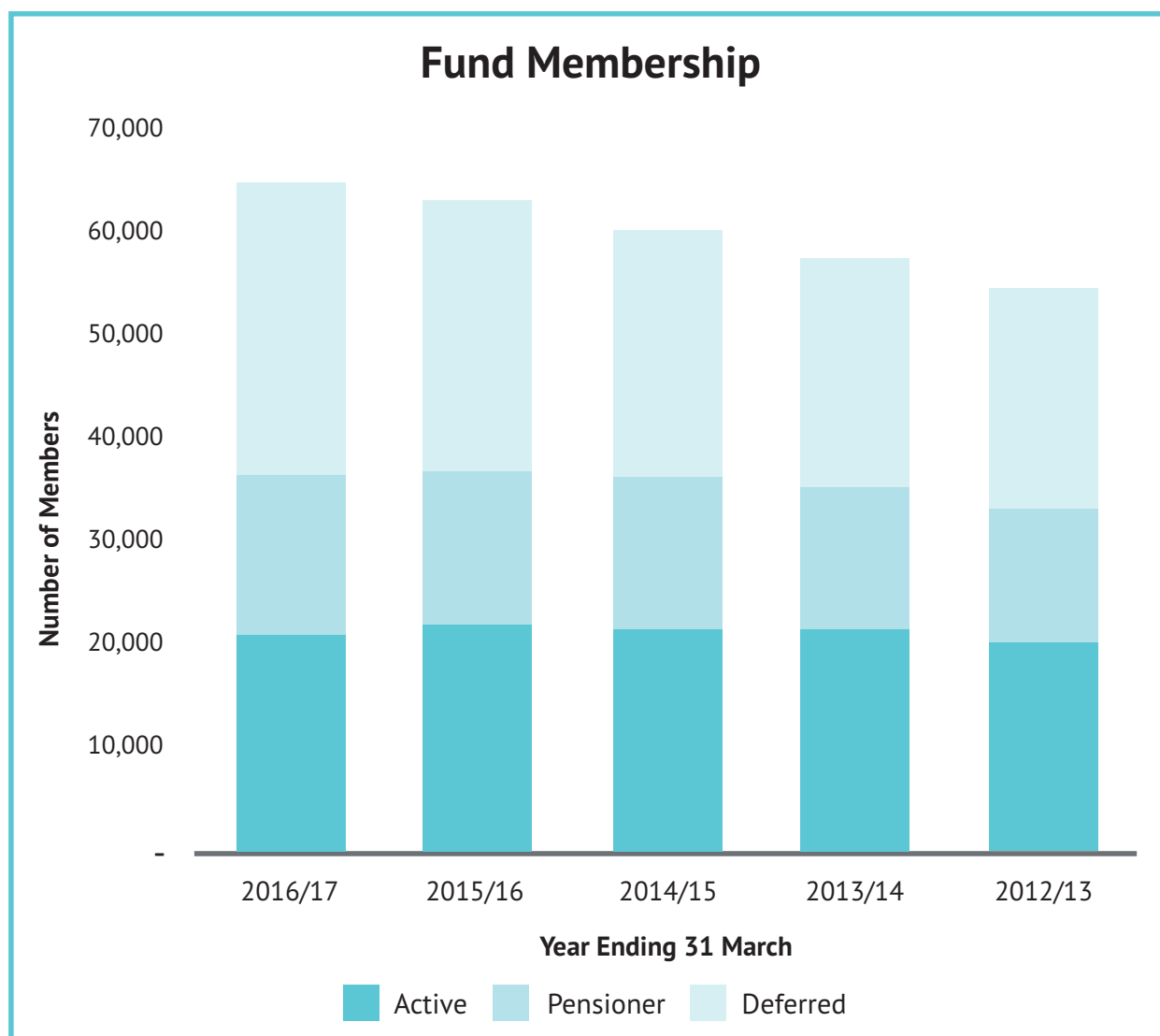
Cost per member 2015/16	Wiltshire Pension Fund	Average
	£	£
Staff	8.41	8.96
Payroll	2.37	1.06
Direct costs e.g. communications and actuarial fees	3.66	2.38
Overheads e.g. IT, accommodation, central charges	6.33	6.34
Income	-0.43	-0.41
Net cost per member	20.34	18.33

Scheme membership

The membership of the scheme at the beginning and end of the year and changes during the year are set out below:

	2016-17	2016-17
Active Members		
Active membership at start of year	21,831	21,606
New Entrants	3,868	3,630
Linked deferred members		
Unfrozen actives		
<i>Leavers and exits during the year:</i>		
Retirements	-289	-412
Death	-6	-17
Deferred members	-225	-1,116
Refunds / Transfer outs / opt outs	-104	-198
Undecided	-1,972	-427
Other	-1,858	-1,235
Active membership at end of year	21,245	21,831
Pensioners		
In payment at start of year	14,905	14,200
<i>New pensioners in year resulting from:</i>		
Retirement of active members	289	412
Retirement of deferred members	408	396
Cessation of benefits	-384	-379
Other	305	276
In payment at end of year	15,523	14,905
Deferred members		
At start of year	26,517	23,789
New deferred pensioners	225	1,116
<i>Cessation of deferred pensions resulting from:</i>		
Retirements	-408	-396
Linked to active records	0	0
Full commutations	0	0
Transfers-out	-106	-70
Deaths	-26	-28
Other	1,885	2,106
At end of year	28,087	26,517

5 year analysis of fund membership



5 Year Analysis of Fund Membership Data

	2017	2016	2015	2014	2013
Active members	21,245	21,831	21,606	21,655	20,193
Deferred Beneficiaries					
Deferred Members	28,087	26,517	23,789	22,262	21,178
Frozen Refunds					
Pensions in Payment	15,523	14,905	14,200	13,729	12,879
Total Membership	64,855	63,253	59,595	57,646	54,250

Age profile of fund membership at 31 March 2017

Age Band Years	Pensioner Type % of members			
	Active	Defred	Pension	Total
<20	226	12	121	359
20 - 24	860	402	28	1,290
25 - 29	1,372	1,465	1	2,838
30 - 34	1,670	2,013	4	3,687
35 - 39	2,195	2,682	11	4,889
40 - 44	2,882	3,722	19	6,623
45 - 49	3,591	5,459	53	9,103
50 - 54	3,731	5,923	129	9,783
55 - 59	2,834	4,513	589	7,936
60 - 64	1,506	1,697	2,844	6,047
65 - 69	313	151	4,360	4,824
70 - 74	64	39	3,157	3,261
75 - 79	-	8	1,833	1,841
80 - 84	-	1	1,315	1,316
85 - 89	-	-	746	746
>90	-	-	312	312

Employer and Employee contributions

Employer Name	TOTAL ERS	TOTAL EES	Employer Name	TOTAL ERS	TOTAL EES
Wiltshire Council	30,194,311.40	7,063,185.13	Somerset Care Ltd	19,805.13	5,057.67
Swindon Borough Council	16,756,643.90	4,685,432.34	Colebrook Infants Academy	32,067.62	7,279.96
SBC - Agincare	21,415.30	6,276.19	Dorcan Technology Academy	190,649.46	49,694.88
New College	831,745.92	231,431.29	Enara	8,623.62	2,680.85
Swindon College	1,291,849.68	291,865.29	Leonard Cheshire	16,461.58	4,120.32
Wiltshire College	1,868,900.27	462,679.21	Woodford Valley Academy	41,513.89	9,867.29
Town & Parish Councils	1,237,029.79	387,061.42	St Edmund's Salisbury Academy	196,886.17	46,217.56
Wiltshire Police	4,888,735.11	1,559,860.25	Somerset Care Pt 2 (Selwood)	9,070.76	2,131.54
Wiltshire Fire	903,135.58	237,237.04	Great Western Hospitals	3,377.50	1,271.98
Swindon Academy	384,229.33	133,203.02	John of Gaunt Academy	221,750.91	53,163.47
Aster Group	165,882.60	17,383.26	Bybrook Valley Academy	28,986.81	8,248.51
Aster Property Management	90,456.15	19,051.65	The Mead Primary Academy	255,761.90	72,310.51
Aster Living	44,501.64	2,066.16	Holy Trinity Calne Academy	42,748.97	9,603.61
Sarsen Housing	333,935.09	13,704.43	Sevenfields Academy	84,540.37	25,368.52
Capita Business	6,341.17	1,710.25	Innovate Services	1,260.58	344.92
CIPFA	2,108,540.73	264,144.23	Collaborative Schools	13,682.17	3,743.79
Community First	77,275.25	8,719.01	Oxford Health NHS Trust	8,700.60	2,395.32
DC Leisure	62,929.44	29,029.41	White Horse Federation	917,668.63	260,500.90
Devizes Museum	21,000.00	0.00	King William Academy	45,064.78	11,030.00
FOCSA	80,388.81	7,949.91	Wiltshire & Swindon Sports Partnership	42,068.69	10,529.21
Devizes Museum	21,000.00	0.00	Etior UK plc	8,407.44	2,079.66
English Landscapes	486.89	0.00	Devizes Academy	183,486.02	46,926.63
FOCSA	81,801.56	8,373.38	Excalibur Academy	332,698.47	79,944.31
Order of St John	694,794.08	34,068.85	Holy Family Academy Swindon	75,343.72	18,730.97
Salisbury Museum	47,480.62	9,816.74	St Catherine's Academy Swindon	43,016.40	9,410.31
Selwood Housing Society	589,721.10	116,906.93	Wansdyke Academy	45,637.92	10,231.73
Swindon Dance	11,540.51	2,448.60	Education Fellowship	198,692.17	50,477.05
Westlea	516,883.59	0.00	Longmeadow Academy	30,553.24	7,766.98
Direct Cleaning	1,927.50	384.10	Rowde Academy	45,045.99	10,194.53
Salisbury City Council	207,818.70	62,435.14	Malmesbury Primary Academy	108,971.47	25,937.97
Wellington Academy	186,747.52	74,720.63	Atkins Limited	77,146.53	23,153.90
Swindon Commercial Services	108,868.57	35,199.26	GLL	43,521.90	13,697.86
Hardenhuish School Ltd	337,031.78	83,488.64	Host	241.37	58.74
Goddards Park Community Prim Schl Academy	165,332.12	68,287.57	Crime Reduction Initiatives	6,597.96	1,856.52
Sarum Academy	114,539.08	34,956.84	Lifeways	30,373.08	8,145.62
Caterlink	1,723.52	398.28	Reach	38,054.57	9,854.88
Lavington Academy	116,043.83	29,488.68	Hazelwood Academy	62,583.00	13,034.43
South Wilts Grammar Academy	126,629.78	43,875.54	Dauntsey Primary Academy	25,908.17	7,088.74
Bishop Wordsworth	133,174.95	37,711.03	Morgan Vale & Woodfalls Academy	16,615.81	4,230.42
Corsham Primary Academy	107,294.68	31,129.19	Christian Malford Academy	227,048.32	51,269.49
Corsham Secondary Academy	238,284.01	71,574.36	Millbrook Academy	106,706.45	29,134.79

Employer and Employee contributions – contd.

Employer Name	TOTAL ERS	TOTAL EES	Employer Name	TOTAL ERS	TOTAL EES
Sheldon Academy	269,556.04	69,562.28	Peatmoor Primary Academy	52,754.85	12,455.49
Wootton Bassett School	222,994.59	62,747.05	Westlea Academy	93,062.74	22,969.34
Pewsey Vale Academy	84,946.14	20,312.96	Whitesheet Academy	295,170.84	64,864.01
Highworth Warneford	199,664.63	52,542.56	Shawridge Academy	76,390.92	19,776.96
Commonweal Academy	313,476.79	78,952.55	Mears Care Ltd	109,697.28	26,187.97
Holy Rood Infants Academy	79,466.74	19,045.31	All Saints (Netheravon) Academy	22,023.96	5,834.14
Holy Rood Junior Academy	63,516.79	16,141.76	Pewsey Primary Academy	43,791.16	11,718.87
Lethbridge Academy	102,627.51	27,892.36	Balfour Beatty (WC)	144,002.05	31,917.93
Lydiard Academy	264,219.91	56,118.74	Salisbury 6th Form College	13,575.78	8,701.24
Ridgeway Academy	195,728.67	47,823.83	4 Children (Swindon)	3,782.54	1,522.22
St Joseph's Academy	359,149.97	92,057.47	Queens Crescent Academy	58,427.79	13,585.27
St Mary's Academy Swindon	81,782.71	19,677.45	Twigmarket	20,607.14	7,405.93
Kingdown Academy	355,412.85	103,280.27	Churchill Services	6,588.85	1,802.92
St Laurence Academy	221,236.19	64,253.34	Direct Cleaning (Wansdyke)	819.29	290.71
Kingsdown Academy Swindon	310,007.95	75,757.68	UTC Swindon	27,167.46	3,522.99
St Josephs Devizes Academy	29,656.95	7,336.37	Somerset Road Academy	356,684.87	79,485.07
Holy Trinity CE Primary Academy	27,728.89	6,674.79	Wiltshire CCG	4,656.84	1,042.80
St Augustines Academy	153,909.26	37,605.91	Uplands Education Trust	26,609.60	7,346.01
Churchfield Academy	178,652.65	40,388.82	ATOM	588,490.85	123,563.61
St Edmund's Calne Academy	42,350.16	10,283.88	Greenwich Leisure Limited (Part 2)	181,278.11	71,551.37
Eastrop Infants Academy	25,427.13	6,002.97	Create Studios	23,523.05	8,080.95
Southfield Junior Academy	40,629.82	9,644.36	Athelstan Trust Braden Forrest	530,267.19	135,974.95
Seqol - Care & Support Swindon	389,901.54	105,454.49	The Landscape Grp15	138,532.54	46,504.24
Visit Wiltshire	14,987.61	4,646.74	South Wiltshire UTC	55,173.13	17,421.07
St Leonards Primary Academy	21,270.92	5,046.24	Swindon Wildcats	6,029.76	1,289.28
Springfields Academy	274,954.23	74,956.05	Spurgeons	5,516.56	1,419.39
John Bentley Academy	181,736.24	47,240.65	Salisbury Plain MAT	150,363.20	37,247.90
			Total Contributions	76,744,991.46	19,156,061.26



RISK

Risk Management

The Administering Authority has an active risk management programme in place. Controls are in place to cover the following risks.

Financial/Funding Risk

This is essentially the risk that the funding level drops and/or contribution rates have to rise due to one or more of the following factors:

- Investment Risk – This is the risk that the investments assets underperform the level assumed in the Triennial Actuarial Valuation. This can occur due to poor economic/market conditions, the wrong investment strategy or poor selection of investment managers.
- Liability Risk – This is the risk that there is a fall in the so-called “risk free” returns on Government bonds, which form the basis of assumptions about future investment returns. The assumed future investment return is used to “discount” future liabilities (i.e. over the next 0-80 years) back to today’s values (net present value). Therefore, falling bond yields means higher liabilities.
- Inflation Risk – Notwithstanding other factors, Pension Fund liabilities increase in line with inflation, because the CPI is applied to pensions annually. Therefore, rising inflation causes the liabilities to increase.
- Insufficient Funds Risk - This is the risk that there is insufficient money in the Fund to pay out pensions as they become due. As mentioned earlier, this is not an immediate concern for a relative immature fund such as Wiltshire.

Demographic Risk

This is the risk of that the pensioners live longer and therefore the liabilities of the Fund increase.

Regulatory Risk

This risk could manifest itself in a number of ways. For example, it could be the risk that the liabilities will increase due to the introduction of an improved benefits package, or that investment returns will fall due to tighter regulation being placed on what can be invested in.

It could also arise through a failure to comply with LGPS or other regulations.

Governance Risk

This is the risk that governance arrangements of the Fund are sub-optimal. For example, this could arise through a lack of expertise on the Committee arising from insufficient training. Another possibility is that potential conflicts of interest between the Fund and the Council are not managed sufficiently well.

Employer Risk

This is the risk that an employer is unable to meet its financial obligations to the Fund, either during its membership of the Fund, or at its ceasing when the last contributing member leaves. Where a guarantor is in place they will pick up the cost of any default, but where there is not one, the cost has to be spread across all employers in the Fund.

Management Risk

This risk can manifest itself in a number of ways:

- Failure to process pensions
- Failure to collect contributions
- Failure to have proper business continuity plans in place
- Fraud or misappropriation
- Failure to maintain up-to-date and accurate data and hold it securely
- Failure to maintain expertise or over-reliance on key staff
- Failure to communicate effectively with members and employers
- Failure to provide the service in accordance with sound equality principles

A Risk Register was formally adopted by the Wiltshire Pension Committee in May 2009 and a report of the key highlights is reported to the Committee at each quarterly meeting. The risks highlighted in this report are shown in the table on the following pages.

Other risks concerning the Fund are disclosed in the Funding Strategy Statement and note 11 of the Statement of Accounts relating to Financial Instruments.

Third party risks

Contribution payments are monitored closely for accuracy and timeliness. A reporting process is in place to escalate any late/inaccurate payments to ensure all payments are received.

In respect of Investment Managers, internal control reports (AAF 01/06 and SSAE16) are received and reviewed regularly for any non-compliance issues. These are also reviewed by our internal and external auditors.

Risk Register

Ref.	Risk	Impact	Controls
PEN001	Failure to process pension payments and lump sums on time	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.	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.
PEN002	Failure to collect and account for contributions from employers and employees on time	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.	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.
PEN003	Insufficient funds to meet liabilities as they fall due	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.	Funding Strategy Statement, Investment Strategy, Triennial Valuations, membership of Club Vita, modelling of future cash flows.
PEN004	Inability to keep service going due to loss of main office, computer system or staff	Temporary loss of ability to provide service.	Business Continuity Plan reviewed in Dec 2015 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.
PEN005	Loss of funds through fraud or misappropriation	Financial loss to the Fund.	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.
PEN006a	Significant rises in employer Employer contributions for secure employers due to increases in liabilities	Employer contribution rates become unacceptable, causing upward pressure on Council Tax and employers' costs.	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.

Risk Register – contd.

Ref.	Risk	Impact	Controls
PEN006b	Significant rises in employer contributions for non-secure employers due to increases in liabilities	Employer contribution rates become unacceptable, causing upward pressure on Council Tax and employers' costs.	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.
PEN007a	Significant rises in employer contributions for secure employers due to poor/negative investment returns	Poor/negative investment returns, leading to increased employer contribution rates.	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.
PEN007b	Significant rises in employer contributions for non-secure employers due to poor/negative investment returns	Poor/negative investment returns, leading to increased employer contribution rates.	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.
PEN008	Failure to comply with LGPS and other regulations	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.	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.
PEN009	Failure to hold personal data securely	Poor data, lost or compromised.	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.

Risk Register – contd.

Ref.	Risk	Impact	Controls
PEN0010	Failure to keep pension records up-to-date and accurate	Incorrect records held, leading to incorrect estimates being issues to members and incorrect pensions potentially being paid.	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.
PEN0011	Lack of expertise of Pension Fund Officers and Service Director, Finance	Bad decisions made may be made in relation to any of the areas on this register, but particularly in relation to investments.	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.
PEN0012	Over-reliance on key officers	If someone leaves or becomes ill, a big knowledge gap if less behind.	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.
PEN0013	Failure to communicate properly with stakeholders	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.	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.
PEN0014	Failure to provide the service in accordance with sound equality principles	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.	The Fund has done an Equality Risk Assessment and has an Equality Implementation Plan in place.
PEN0015	Failure to collect payments from ceasing employers	Failure to collect cessation payments means the cost of funding future liabilities will fall against the Wiltshire Pension Fund.	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.

Risk Register – contd.

Ref.	Risk	Impact	Controls
PEN0016	Treasury Management	Exposure to counterparty risk with cash held with external deposit holders could impact of Funding level of the Fund.	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.
PEN0017	Lack of expertise on Pension Fund Committee	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.	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.
PEN0018	Establishment of Local Pension Board & Investment 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.	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.
PEN0019	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.	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.
PEN0020	Ability to Implement the Public Sector Exit Cap	Changes need to be communicated to individuals and employers and systems adapted once the revised regulations have been approved.	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.
PEN0021	Reconciliation of GMP records	If GMP records for members is inaccurate there is the potential for incorrect liabilities being paid by the Fund.	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.

Risk Register – contd.

Ref.	Risk	Impact	Controls
PEN0022	Resources of Officers and Members to meet the expansion of business items	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.	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.
PEN0023	Impact of EU Referendum	A vote to exit the EU may produce short term volatile market movements which could impact on asset performance.	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.
PEN0024	Academisation of Schools	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.	Regular communications with schools to understand their intentions. Questionnaires recently sent to Schools.



TRAINING REPORT

Approach

As an administering authority of the Local Government Pension Scheme, this council recognises the importance of ensuring that all staff and members of the Pension Fund Committee and Investment Sub Committee charged with the financial management and decision making with regard to the pension scheme are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them. The Fund provides and arranges training for staff and members of the pension committees to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills.

The Wiltshire Pension Fund's training plan sets out how we intend the necessary pensions finance knowledge and skills are to be acquired, maintained and developed. The three year plan reflects the recommended knowledge and skills level requirements set out in the CIPFA Pensions Finance Knowledge and Skills Framework.

A separate plan for the training of the Local Pension Board is also in place and outlined in its annual report.

The Treasurer to the Pension Fund is responsible for ensuring that these training plans and strategies are implemented.

Background

The promotion of good governance in the public sector decision making bodies has been led by CIPFA and SOLACE over recent years. In light of this work and that of the Department for Communities and Local Government, specific guidance has led to the requirement for pension funds to produce governance statements and encouragement to follow best practices identified from various studies.

This initiative has been developed further with CIPFA producing guidance on the knowledge and skills elected representatives and fund officers need to have when involved in the work of the Pension Fund committee. This links to the Myners principles on best practice in managing investment funds.

In particular, Principle 1 'effective decision making' states:

Administering Authorities should ensure that:

- Decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor implementation; and
- Those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.

The CIPFA *Knowledge and Skills Framework* identifies the elements pension fund committee members should have in order to collectively fulfil the roles envisaged they have in effective decision making. This Members Training Plan, in line with recommended practice is reviewed and updated on a rolling basis ensuring it's aligned to the Fund's medium term priorities.

Assessments & Training Undertaken

Members of the Committee

The previous Members Training Plan for the Wiltshire Pension Fund Committee ran from 2011 and covered the following topics:

Topic:	Delivered by:
General:	
<ul style="list-style-type: none"> • Overview of the LGPS • Individual Members needs • Specific committee agenda items 	<ul style="list-style-type: none"> • Members' handbook • Briefing notes, one to one session & external conferences • Briefing notes & short seminars
General Pension Framework:	
<ul style="list-style-type: none"> • LGPS discretions & policies • Implications of Hutton Review 	<ul style="list-style-type: none"> • Short seminar • Briefing note, internal training & conferences
Pension Legislation & Governance:	
<ul style="list-style-type: none"> • Roles of the tPR, TPAS & PO • Review of Myners Principles 	<ul style="list-style-type: none"> • Internal training • Internal training
Pension Accounting & Auditing Standards:	
<ul style="list-style-type: none"> • Accounts & Audit regulations & legislative requirements 	<ul style="list-style-type: none"> • Short seminar
Financial Services Procurement:	
<ul style="list-style-type: none"> • Current public procurement policy & procedures • UK & EU procurement legislation 	<ul style="list-style-type: none"> • Internal training • Internal training
Investment Performance & Risk Management:	
<ul style="list-style-type: none"> • Monitoring asset returns & liabilities • Performance management & Myners • Setting targets for committee 	<ul style="list-style-type: none"> • Internal training • Internal training • Internal training
Financial markets & product knowledge:	
<ul style="list-style-type: none"> • Refresh the importance of setting investment strategy • Understanding the operations of a fixed income manager • Understanding Alternative asset classes 	<ul style="list-style-type: none"> • Short seminar • External training – site visit • Internal training
Actuarial methods, standards and practices:	
<ul style="list-style-type: none"> • Triennial Valuation refresher 	<ul style="list-style-type: none"> • Short seminar

During June 2014, Members of the committee agreed to undertake a further 'self –assessment' exercise that rated their knowledge in the areas covered by the CIPFA Pension Finance Knowledge & Skills Framework to identify key areas for development. These results were then used to inform and update the latest Members Training Plan.

This current Members Training Plan runs from April 2015 to December 2017, with a focus on the 2016 triennial valuation and potential new Members of the Committee from local elections. It also incorporated the ideas, themes and preferences identified in the self-assessment exercise.

The plan is being delivered through a number of different methods. The expectation is that 'in-house' training days are held, complemented by 'short seminars' at Committee meetings on subjects pertinent to the forthcoming agenda. When applicable, external conferences are recommended to Members by officers if they are deemed to contain appropriate content. Briefing notes are also emailed to Members when applicable and occasionally webcasts and videos are made available if deemed specific enough. In addition the Fund provides an educational 'away-day' off-site training to review the Fund's investment strategy. Both members of the Pension Committees and Local Pension Board are encouraged to attend these sessions.

The Members Training Plan for 2015-17 was approved by the Committee on 12 March 2015 and is outlined at the end of this section.

Officers to the Pension Fund Committee

There is a framework in place for monitoring officers' performance and identifying training needs. Wiltshire Council's policy is that all officers receive an appraisal once a year with an interim review on a half yearly basis. They have their needs assessed and training plans are formulated accordingly.

The publication of the CIPFA Pension Finance Knowledge and Skills Framework for practitioners in 2010 also forms an additional reference source and framework for assessing and identifying key competencies in the relevant areas of the pension fund. This assists in recognising training needs to be incorporated into learning and development plans ensuring the requisite knowledge and skills are obtained.

As the officer responsible for ensuring that the Fund's training policies and strategy are implemented, the Director of Finance can confirm that the officers and Members charged with the financial decision making for the pension scheme collectively possess the requisite knowledge and skills necessary to discharge these duties and make decisions required during the reported period.

Michael Hudson

Treasurer of Pension Fund
19 July 2017

WILTSHIRE PENSION FUND COMMITTEE – MEMBERS’ TRAINING PLAN – APRIL 2015-2017

TRAINING NEEDED	PROPOSED DELIVERY METHODS							COMPLETION TARGET DATE (Shaded shows completed)
	Member's Handbook	Members' Briefing Notes (Electronic)	Short Seminars (Before Committee Meeting)	Internal Training Events (Internal & External Speakers)	External Conferences & Training Seminars (e.g. Webcasts Videos)	E-Learning	One-to-One Briefing with an Officer	
GENERAL TRAINING								
General overview of LGPS	✓							June 2017
Members' Individual needs on specific areas arising during the year		✓			✓	✓	✓	As required - notify Head of Pensions
New Members induction session				✓			✓	June 2017
Specific items on committee agendas		✓	✓					As required
SPECIFIC ISSUES IDENTIFIED FROM MEMBERS SELF ASSESSMENTS								
General Pension Framework								
• Terms of Reference for Pension Committee, Investment Sub-Committee & Local Pension Board	✓		✓					July 2015
• LGPS discretions policies			✓					July 2015
• Update following Governments response to consultation on the review of the LGPS		✓		✓	✓			September 2015
• Review of the Funds communication policy & tools	✓			✓				May 2016
Pensions Legislation & Governance:								
• Role of the Pension Regulator, National Scheme Advisory Board & Local Pension Board	✓			✓				December 2017
• Review of the importance on data quality and implications of the end of contracting out in 2016	✓			✓				December 2017
• Overview of all the relevant sources of legislation that impact on the Fund	✓							July 2017
Pension Accounting & Auditing standards								
• Update on the new reporting requirements for the Funds Annual Report			✓					December 2017
Financial Services procurement:								
• Current public procurement policy & procedures	✓							July 2017
• Brief overview of UK & EU procurement legislation	✓							July 2017
• Awareness of support services suppliers and contract monitoring	✓			✓				July 2017
Investment Performance & Risk Management:								
• Monitoring asset returns relative to liabilities and monitoring funding level risk	✓	✓		✓	✓			September 2015
• Understanding the purpose of "flight paths" & asset liability matching		✓		✓	✓			September 2015/January 2017
• Implications of setting different investment strategies for employers				✓				April 2016
• Investment Pooling/Brunel Pension Partnership updates				✓	✓			June 2016/October 2016
Financial markets & products knowledge:								
• Review of asset allocation and investment strategy		✓		✓				June 2015/2016/2017
• Limits placed by regulation on investment activities in the LGPS	✓			✓				September 2016
• Environmental Social and Governance considerations for investing				✓				September 2017
• Specific investment opportunities		✓		✓	✓			As required
Actuarial methods, standards and practices:								
• Review purpose of the Funding Strategy Statement/Investment Strategy Statement		✓						January 2017
• Triennial Valuation refresher			✓	✓				April 2016
• Considerations in relation to outsourcing and bulk transfers	✓			✓				July 2017
CHAIRMAN / VICE CHAIRMAN TRAINING								
• Strategic forward planning							✓	on-going
• Stakeholder feedback		✓					✓	on-going
• Appreciation of changes to scheme rules		✓			✓			Invite to be circulated to relevant ones



ADMINISTRATION REPORT

Recent developments

Investment Pooling / Brunel Pension Partnership

In 2015 the Government announced that they wanted the 89 Local Government Pension Scheme funds to pool their investments into larger pools to achieve savings in investment management costs.

In response to the Government agenda, Project Brunel was set up to explore the options for pooling investment assets across ten Funds. The founding Funds include The Environment Agency Pension Fund, and the Local Government Funds of Avon, Buckinghamshire, Cornwall, Devon, Dorset, Gloucestershire, Oxfordshire, Somerset and Wiltshire. The collective assets of the pool are more than £25 billion.

The objective of pooling the assets is to achieve savings over the longer term from both lower investment management costs and more effective management of the investment assets. The pool will look to deliver the savings based upon the collective buying power the collaboration initiative will produce. Local accountability will be maintained as each individual fund will remain responsible for strategic decisions including asset allocation. The pooling of assets will only affect the implementation of the investment strategy in terms of manager appointments and monitoring of their performance.

The Wiltshire Pension Fund agreed produced a high-level submission in February 2016 with the other Members of the pool outlining the Fund's proposed direction of travel and its commitment to developing the Brunel Partnership. The Fund then submitted a further detailed proposal in July 2016 in line with the Government's requirements. The full business case was then considered and approved by Wiltshire Council in February 2017.

The full business case illustrates a combined £550m of investment savings that could be achieved over the next 20 years, representing £41m for the Wiltshire Pension Fund, the equivalent of £2m p.a.

Significant progress has been made by officers to set up a FCA regulated company called Brunel Pension Partnership. The key legal documents will be signed July 2017 formally establishing the company. Following this the FCA application will be submitted with the expected commencement date of pooling assets from April 2018.

Further information and the latest updates about the project can be found on the Brunel Partnership website at:

www.brunelpensionpartnership.org

Employer Activity

This year saw 11 new admitted bodies and academies joining and 5 ceasing the Fund bringing the total number of employers to 175. It's anticipated the total number of employers will continue to increase over the next few years due to further outsourcing of services and schools converting to academy status.

The full list of employers can be seen on page 21.

The Wiltshire Pension Fund employs an Employer Relationship Manager whose role is to act as an advocate for employers, help foster relationships and assist employers with any pension specific queries.

There is also an Employers' Guide available, including details of the Fund's discretions policy which can be found on the Fund's website. The policy was reviewed and updated during 2015-16 by the Pension Fund Committee. The website can be used as a substantive source of employer information, along with the regular technical newsletters and Employer Forums meetings. The Fund is keen to work alongside Employer organisations to assist and provide training on their pension responsibilities and is more than happy to undertake site visits to guide teams through the process and forms when required. This is particularly useful where changes in key staff at an employer have recently occurred.

Further information specific to employers can be found on the website at the following address:

<http://www.wiltshirepensionfund.org.uk/employer-area.htm>

As an employer organisation are you considering the following?

- undergoing a change to your corporate structure,
- undertaking an outsourcing or in sourcing of services,
- transferring staff to another employer,
- or considering changing staff access to the Local Government Pension Scheme

If this is the case, then this may have implications for your pension liabilities within the Wiltshire Pension Fund. In this situation, it's important to contact the Fund as early as possible to discuss the potential options and pension implications.

The Fund's Employer Relationship Manager is Denise Robinson and her contact details are:

Denise.Robinson@Wiltshire.gov.uk (01225 713505).

Local Government Pension Scheme 2014

The 1 April 2014 saw the new Local Government Pension Scheme 2014 come into force. As a reminder, the main provisions of the scheme are outlined in the table below:

LGPS 2014	
Basis of Pension	Career Average Re-valued Earnings (CARE)
Accrual Rate	1/49th
Revaluation Rate	Consumer Prices Index (CPI)
Normal Pension Age	Equal to the individual member's State Pension Age (minimum 65)
Contribution Flexibility	Members can opt to pay 50% contributions for 50% of the pension benefit
Death in Service Lump Sum	Lump Sum 3 x pensionable pay
Definition of Pensionable Pay	Actual pensionable pay - to include non contractual overtime and additional hours for part time staff
Vesting Period	2 years

LGPS 2014 is still a Defined Benefit Scheme

LGPS 2014 is still a Defined Benefit Scheme. The CARE scheme is like the previous Final Salary Scheme (LGPS 2008) in terms of its remaining a defined benefit scheme. This means that the scheme determines how much pension you will get by using a set formula rather than the performance of investments and cost of annuities used for defined contribution schemes.

The 50/50 Option

The LGPS 2014 contains an option for members to pay 50% of the contributions for a 50% pension whilst retaining the full value of other benefits of the scheme such as ill health, death in service and redundancy. This option is intended to retain members who suffer periods of financial difficulty.

Contributions based on actual pay for part time staff

All members will have contribution rates based on actual (not full time equivalent) pay which is not the case in the old scheme.

Member Scheme Contributions

The contribution bandings due from 1 April 2017 are shown in the table below.

Pensionable Pay	Gross Contribution	Contribution after Tax Relief*
Up to £13,700	5.5%	4.40%
£13,701 - £21,400	5.8%	4.64%
£21,401 - £34,700	6.5%	5.20%
£34,701 - £43,900	6.8%	5.44%
£43,901 - £61,300	8.5%	5.10%
£61,301 - £86,800	9.9%	5.94%
£86,801 - £102,200	10.5%	6.30%
£102,201 - £153,300	11.4%	6.84%
More than £153,301	12.5%	6.88%

**please note that the contribution rates after tax relief stated are approximate and will depend on individual members' circumstances.*

Further information on the LGPS 2014 scheme can be found at www.lgps2014.org/

2016 Triennial Valuation

The outcome of the 2016 Triennial Valuation was reported to the Pension Fund Committee and the Fund's employer organisations on 13 October 2016. At 31 March 2016, the Fund's actuary, Hymans Robertson measured all the assets and liabilities of the Wiltshire Pension Fund. Using this information for each employer organisation within the Fund, the actuary will set new employer contribution rates from April 2017 onwards.

The table below summaries the funding position of the Fund as at 31 March 2016 in respect of benefits earned by members up to this date (along with a comparison at the last formal valuation as at 31 March 2013).

Past Service Position	31 March 2013 (£m)	31 March 2016 (£m)
Past Service Liabilities	2.094	2.246
Market Value of Assets	1.484	1.831
Surplus/(Deficit)	(610)	(415)
Funding Level	71%	82%

The improvement in funding position between 2013 and 2016 is mainly due to strong investment performance over the inter-valuation period. The liabilities have also increased due to a reduction in the future expected investment return, although this has been partially offset by lower than expected pay and benefit growth (both over the inter-valuation period and continuing in the long term).

Details of the latest actuarial valuation results can be found in the [Actuarial Valuation Report](#) of Hymans Robertson. This report includes details of contribution rates required to be paid into the Fund by employer bodies for the three-year period commencing 1 April 2017.

Pension Administration Strategy

During 2015, the Fund reviewed its pension administration strategy which outlines the roles, responsibilities and expectations in terms of provision of data and service delivery of both the administration teams of the Wiltshire Pension Fund and the employer organisations. The new policy was approved by the Pension Fund Committee in December 2015 following consultation with employers.

This policy can be found at the following link:

<http://www.wiltshirepensionfund.org.uk/pension-administration-strategy-2015.pdf>

Funding Strategy Statement

Under the Local Government Pension Scheme Regulations, all funds have a statutory obligation to produce a Funding Strategy Statement (FSS). These are reviewed alongside the Triennial Actuarial Valuation.

This is the fifth FSS produced for the Wiltshire Pension Fund, the previous having been approved by this Committee on 19 September 2013. Although essentially a refresh, each version is adapted to fit in with the changing environment compared to the previous ones.

The FSS outlines how the Fund calculates employer contributions, what other amounts might be payable in different circumstances, and how this fits in with the investment strategy. The document follows CIPFA guidance (“Preparing and maintaining a funding strategy statement in the Local Government Pension Scheme 2016”).

The FSS was prepared in collaboration with the Fund’s Actuary, Hymans Robertson and forms an integral part of the framework within which they carry out triennial valuations to set employers’ contributions and to provide recommendations on funding decisions.

The report is split into three main areas:

- Basic Funding issues

- Calculating contributions for individual Employers
- Funding strategy and links to investment strategy

The FSS sets out the objectives of the funding policy main aim of which is trying to achieve a funding level of 100%, both at the whole Fund level and for the share attributable to individual employers, within a timescale that is prudent and affordable while ensuring there are sufficient liquid funds available to meet all benefits as they fall due for payment.

The FSS was approved by the Pension Fund Committee in September 2016 and published following a 30-day consultation with all the Fund's participating employers with any comments to be submitted within 30 calendar days.

The FSS can be viewed on the Wiltshire Fund website at the following link:

<http://www.wiltshirepensionfund.org.uk/funding-strategy-statement-2016.pdf>

Investment Strategy Statement

In November 2015, the Department for Communities and Local Government (DCLG) issued a consultation proposing revoking and replacing the LGPS (Management and Investment of Funds) Regulations 2009. Within this consultation, proposals were made removing the requirement to prepare a Statement of Investment Principles (SIP) and replacing with an Investment Strategy Statement (ISS).

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 came into force on 1 November 2016 with the requirement for administering authorities to publish the new ISS by 1 April 2017.

In March 2017, the Committee approved the first document in this format which replaces the SIP previously approved annually. The new investment regulations specifically states that the following areas must be included within the ISS:-

- A requirement to invest money in a wide variety of investments;
- The authority's assessment of the suitability of investments and types of investment;
- The authority's approach to risk, including the ways risk are to measured and managed;
- The authority's approach to pooling investments, including the use of collective investment vehicles and shared services;
- The authority's policy on how social, environmental or corporate governance considerations are considered in the selection, non-selection, retention and realisation of investments; and
- The authority's policy on the exercise of rights (including voting rights) attaching to investments.

The ISS must also set out the maximum percentage of the total value of all investments of fund money that it will invest in particular investments or classes of investment.

One of the main aims of the new investment regulations is to transfer decisions and their considerations more fully to the Fund within a new prudential framework. The Fund is therefore now responsible for setting its policies on areas such as asset allocation, risk and diversification.

In relaxing the regulatory framework for scheme investments, the Fund is expected to make investment decisions within a prudential framework with less central prescription. It is important therefore that the regulations include a safeguard to ensure the less prescriptive approach is used appropriately in the best long term interests of the scheme beneficiaries and taxpayers.

In line with the regulations the Fund had to consult such persons as it considers appropriate as to the proposed contents of its investment strategy. The statement is then published and then kept under review and revised from time to time, in particularly when there is a material change in risk, and at least every three years.

Prior to approval of the ISS, a consultation was held with its scheme members, scheme employers and Local Pension Board. The approved document can be viewed at the following link:

<http://www.wiltshirepensionfund.org.uk/investment-strategy-statement-final.pdf>

Treasury Management Strategy

This strategy was reviewed and approved in March 2017. The purpose is to outline the process and policies for the cash held by the Fund. Each month the Fund receives contributions and transfer in payments and pays out benefits and transfer out sums. The surplus is transferred monthly to the Fund's investment managers. A balance of between £3m to £4m is held by the Fund to manage short term cashflows.

The strategy aims to achieve the optimum return on the cash held commensurate with the high levels of security and liquidity required. These funds are invested separately from cash balances held by Wiltshire Council.

The current strategy outlines the maximum limits for a single counterparty which is currently £6m. This limits the risk to a single counter party but is large enough to ensure that if one is removed at short notice the limit wouldn't be breached.

The strategy can be viewed on the Wiltshire Pension Fund website at the following link:

<http://www.wiltshirepensionfund.org.uk/fund-information/treasury-management-strategy-2>

Cessation Policy

When an employer has no more active members in the Wiltshire Pension Fund scheme, it's deemed to have ceased. At this point a cessation valuation is undertaken by the Fund's actuary to calculate all the assets and liabilities allocated to the ceasing employer. The actuary will then assess any funding shortfall to ensure there are sufficient assets available to pay the future pension benefits.

The Fund's current Cessation Policy outlines the process and the flexibilities available to the Fund to work with employer organisations to pay off any cessation deficit payment. This policy was approved by the Pension Fund Committee in March 2016 and came into force from 1 April 2016. The policy can be viewed at the following link:

<http://www.wiltshirepensionfund.org.uk/employer-area/ceasing-employers.htm>

Business Plan

Every three years the Fund reviews its Business Plan to outline its priorities and the areas of services which are going to be developed. The latest Business Plan was approved by the Pension Fund Committee in December 2015, and outlines the planned activities of the Fund up to 2018. This plan can be viewed at the following link:

<http://www.wiltshirepensionfund.org.uk/fund-information/wiltshire-pension-fund-business-plan-2011-14>

Communications

The Fund continues to develop its communications to keep employers and employees updated with the latest changes affecting the scheme, options to increase pension entitlements through the purchase of additional pensions and notifying members of changes to legislation, in particularly the tax implications from the new thresholds to Annual and Lifetime Allowances.

This includes the Fund's stable publications to members which are the Annual Benefits Statements for active and deferred members; Annual Allowances statements to those who breach the limits, letters and presentations to high earners informing them of changes to the pension tax relief regimes, annual active members and pensioners' newsletters, induction presentations, pre-retirement presentations and early retirement seminars, and presentations to employers and their members.

The Fund continues its highly popular programme of Pension Clinics in locations around Wiltshire during the year as this provides scheme members with the opportunity to book 1-1 appointments with a member of the Benefits Team to discuss issues regarding their individual pension benefits.

The Fund's website is constantly being updated and reviewed to ensure the latest information is available for scheme members. This includes updated guides to the LGPS 2014 scheme, updated benefit calculator, and information on how pension tax relief affects members along with relevant calculators. The News Update section of the website is constantly changing to reflect important announcements and any other relevant news affecting members.

The Fund has also now set up a Twitter account to enable members to keep up to date with all the latest Fund and pension news. You can follow the Wiltshire Pension Fund by using the following link

<https://twitter.com/WiltsPensions>

The Fund's Communications Policy Statement outlines the provision of information and publicity about the Scheme to its members, representatives of members and employing authorities. The latest policy was approved by the Committee in June 2016 and the full document can be viewed on the Wiltshire Pension Fund website at:-

<http://www.wiltshirepensionfund.org.uk/fund-information/communication.htm>

AVC provider

Prudential is the Fund's current AVC provider. This facility allows members, if they wish, to top up their current LGPS pension provision by paying additional contributions into one of seven funds Prudential offer which best fit their risk profile. Members still making contributions to the closed schemes run by Clerical Medical, Equitable Life and NPI can continue paying into these funds or can decide to transfer their accumulated benefits into one of the new Prudential funds.

Prudential have run several presentations during 2016-17 at the Wiltshire Council hubs and are available and always willing, on request from employers, to undertake further presentations to its employees to promote their services and provide further information on certain pension topics such as pension tax relief.

Management of the scheme

The members who served on the Wiltshire Pension Fund committee during the year are listed on page 13.

The Wiltshire Pension Fund Committee has nine voting members. This consists of five Wiltshire Council members, including the Chairman, two members from Swindon Borough Council as the second largest employer with two employer representatives.

During the year, there was one change to the Committee. Councillor Mark Packard stood down and was replaced by Councillor Gordon King as a Wiltshire Council elected member.

The two Unison representatives observe on behalf of the employees, deferred, and pensioner members within the scheme to ensure their interests are considered at the Committee.

The Committee met five times last year for regular business, which included one special item meeting to the 2016 Triennial Valuation.

All decisions are taken by a simple majority with the Chairman having the casting vote.

Pension's section overview

The administration function of the Pensions team comprises of the following teams: -

The Benefits Team acts as the main point of contact for any membership enquiries. This team is responsible for setting up new members, monitoring and maintenance of pension member records, payment of benefits, transfer payments and AVCs. This team comprises of eleven members of staff.

The Systems Team is responsible for ensuring all the systems being used by the team are up to date, working correctly, and developed to ensure the most efficient and effective use of technology in delivering the administration services. This team is also responsible for monitoring and cleansing members' data to ensure it is fit for purpose and meets the requirements imposed on the Fund by the regulators. This team comprises of six members of staff.

Fund Communications are handled by the Fund Communications manager who deals with all aspects of scheme members communications and is responsible for the development and implementation of the Fund's Communications Policy. This includes areas such as scheme members' newsletters, issuing of Annual Benefit Statements, delivery of presentations, road shows and pension clinics, the Fund's website and the marketing of the Fund.

Technical and Compliance Manager provides the technical support to the Fund in respect of interpretation of the Scheme Regulations and associated legislations. The Technical and Compliance Manager is also responsible for ensuring the process and procedures are compliant with all the relevant regulations, and that all members of the team are trained in the relevant areas.

Employer Relationships are handled by the Employer Relationship Manager. This role acts as a conduit between the employers and the Fund to address any issues or problems that may arise. This role is also responsible for all the communications between the Fund and employers, including the issuing of newsletters and training sessions. This person is also responsible for and providing advice on new admission, transfers, employers ceasing membership and any other pension related issues facing employers.

The Fund Development Team is responsible for the development, co-ordination and management of projects to ensure the service is as effective as possible, in line with the latest legislation and utilising the latest technology in its process and procedures. This team comprises of two members of the Fund.

The Accounting and Investment Team is responsible for the accounting of all aspects of the Fund's activities and the monitoring of its investment activities. This includes the setting of the 3-year budget plans, reporting of the outturn position, production of the year end accounts and Annual Report, monitoring of investment managers' performance, review and retendering of contracts, and the provision of FRS17/ IAS19/ FRS102 information to employer organisations within the Fund. The team comprises of three members of staff.

Administration Benchmarking and Performance

The Fund is a member of the CIPFA benchmarking club which provides a guide as to how our services compares to those of its peers. The club currently compares the Fund against the other 37 LGPS authorities within the club.

Overall, for 2015-16, the total administration cost per member is £20.34 (£19.84 in 2015) which is slightly higher than the average (£18.37). This does provide an element of comfort that at a high level the cost of operating the scheme is in line with its peers.

The results of the CIPFA Benchmarking survey are presented to Committee each year and can be viewed on the following link under item 17 of the Committee papers:

<http://cms.wiltshire.gov.uk/ielistDocuments.aspx?CId=142&MId=11315&Ver=4>

Assurance Framework

The Fund is subject to an annual internal audit review which is now undertaken by South West Audit Partnership (SWAP). An annual audit plan is agreed with the Wiltshire Pension Fund looking to provide assurances over key controls and the systems being used. The outcomes of these audits are reported to the main committee and any action plans arising are reviewed on a periodical basis.

KPMG provides the external audit of the Fund as part of its main audit of the Wiltshire Council accounts.

The outcome of this audit is reported to Wiltshire Council's audit committee and to the Wiltshire Pension Fund committee in September. Any recommended actions are periodically reviewed by the pension committee.

Internal Dispute Resolution Procedure

The Wiltshire Pension Fund operates a two stage Internal Dispute Resolution Procedures (IDRP) if a scheme member or prospective member remains dissatisfied with a decision made.

Under Stage 1 of the process, the Wiltshire Pension Fund will appoint a "nominated person" to investigate a complaint concerning a pension. This person will review the dispute and decide as to whether the correct decision reached has been made in line with the scheme regulations. For Stage 1, Wiltshire Pension's nominated person is Muse Consultancy.

Once the determination has been made, should the member or prospective member remain dissatisfied with this outcome then they can make an application under the Stage 2 process asking the Associate Director, Finance at Wiltshire Council to reconsider the determination made by the nominated person.

Following the Stage 2 process, the member or prospective member if still dissatisfied may then take their dispute to the Pension Advisory Service and then onto the Pension Ombudsman.

During 2016-17, the Fund received two applications under the Stage 1 process. Following the determination by Muse Consultancy one of these cases moved to Stage 2. The Stage 2 appeal has now been finalised.

Automatic Enrolment

The implementation of Automatic Enrolment which commenced in October 2012 continues with further staging dates now being reached for most employers. Employers need to be aware of their increasing responsibility from the implementation of auto-enrolment. Under auto-enrolment the employer must enrol all eligible employees into a compliant scheme at least once every three years and maintain records of having done this. The implementation was phased in over five years, depending on the size of employer.

Although the implementation is not the Wiltshire Pension Fund's responsibility, we can, where possible offer guidance and support for employers in relation to their implementation and direct them to relevant sources of information.

More information has been provided to employers within our technical updates but please do contact the Pension Fund if you have any further queries.

Pension increase

Pensions in payment received a 1% increase effective from 6 April 2017. This is based on the Consumer Price Index (CPI) as at September the previous year and this was a negative value in September 2016.

Discretions Policies

Under the LGPS Regulations, the Fund has a certain number of discretions as the Administering Authority in the administration of benefits. Its current policy was reviewed and approved by the Committee on 10 December 2015 which can be viewed at the following link:

<http://www.wiltshirepensionfund.org.uk/wiltshire-pension-fund-discretion-policy-updated-oct-2016.pdf>

Each employer in the Fund must have completed their own discretions policy which guides the Fund as to how to process their employees benefits. This must be approved by the appropriate people within their organisation and is "published" and made available to its employees. Copies of these policies must be submitted to the Fund on approval along with any changes within one month of them becoming active.

The current policies for the Fund's scheme employers can be viewed at the following link:

<http://www.wiltshirepensionfund.org.uk/about-the-scheme/employer-discretions-policies.htm>

Other matters

The Fund continues to support its employers by co-ordinating the provision of FRS17/ IAS 19 and FRS102 accounting reports from the actuary, so that they can meet their obligations to show their pension liabilities relative to their pension assets in their annual accounts.



INVESTMENT REPORT

Funding policy

The basic objective of LGPS pension fund investment is to minimise the level of contributions paid into the Fund by employer bodies to ensure its solvency. Therefore, investment strategy is necessarily intrinsically linked with funding policy.

All LGPS funds are required to publish a document called a “Funding Strategy Statement” (FSS). The Wiltshire FSS was updated in connection with the 2016 triennial valuation and can be supplied upon request or viewed at:-

<http://www.wiltshirepensionfund.org.uk/fund-information/fund-investments.htm>

The former Office of the Deputy Prime Minister (ODPM) defined the purpose of the FSS as being:

- a) *“To establish a clear and transparent fund-specific strategy which will identify how employers’ pension liabilities are best met going forward;*
- b) *to support the regulatory framework to maintain as nearly constant employer contribution rates as possible; and*
- c) *to take a prudent longer-term view of funding those liabilities.”*

However, as CIPFA has noted in its guidance on the FSS, “there will be conflicting objectives which need to be balanced and reconciled”. For example, for most employers objective a) implies low contribution rates, because they would see pension liabilities being “best met” by gaining as much help as possible from the investment strategy over the long term, which would lead you towards an equity-biased investment strategy. By contrast, objectives b) and c) imply stability and prudence of employer contribution rates, which would lead you towards a bond biased investment strategy.

Therefore, the best that can be achieved is a sensible balance between low and stable employer contributions over the long term, accepting that triennial valuations are likely to lead to greater volatility if higher equity investment strategies are in place.

Investment Powers

These are set out in the Local Government Pension Scheme (Management and Investment of Funds) Regulation 2016, which outline the wide investment powers allowing committees to invest in line with its Investment Strategy Statement (ISS), with certain restrictions as long as proper advice has been taken.

The Secretary of State also now has the power to direct should an authority fail to act in accordance with the guidance issued under these regulations.

Risk control

The Committee believes that risk control is primarily achieved by the Fund's strategic asset allocation, and this has been taken into account in setting its overall investment strategy.

All risks are continually monitored and a high level asset allocation review is undertaken annually to check the appropriateness of the Fund's current strategy.

Investment goal

The Wiltshire Pension Fund's investment objective is to achieve a relatively stable "real" return above the rate of inflation over the long term, in such a way as to minimise and stabilise the level of contributions required to be paid into the Fund by employer bodies in respect of both past and future service liabilities.

Investment strategy

The Wiltshire Pension Fund Committee has put in place a strategy to achieve this goal through use of the following elements:

- a) a relatively large allocation to equity investment to achieve higher returns;
- b) allocations to more diversified and less correlated asset classes such as bonds, property, infrastructure and absolute return products to achieve stabilisation; and
- c) the achievement of some "alpha" (manager) returns independently of "beta" (market) returns, through high alpha equity strategies.

All Local Government Pension Scheme (LGPS) funds have to produce, consult on and publish an Investment Strategy Statement– this can be supplied upon request or viewed at :-

<http://www.wiltshirepensionfund.org.uk/news-update.htm>

Strategic asset allocation

The Committee regularly reviews the Fund's investment management arrangements. In broad terms, at 31 March 2017 the Fund's strategic allocation was to be invested 60% in Equities, 15.5% in Bonds, 13% in Property and 11.5% in Alternatives. More details are given in the section below summarising the Fund's investment management arrangements.

Environmental social governance policy

The Fund seeks to use its position as a shareholder to actively encourage good corporate governance practice in those companies in which it invests. It does this by contracting to Pensions & Investment Research Consultants Limited (PIRC) who provides a global proxy service for the Fund using PIRC Shareholder Voting Guidelines that are approved by the Fund. The Fund receives proxy research and voting recommendations for each company AGM and EGM holding the Fund has that can be voted.

It is also a member of the Local Authorities Pension Fund Forum (LAPFF), to enable it to act collectively with other local authorities on corporate governance issues. The Forum currently has over 70 member funds with assets of more than £200 billion. LAPFF's mission is to protect the long-term investment interests of beneficiaries by promoting the highest standards of corporate governance and corporate responsibility amongst investee companies.

The Fund has a fiduciary duty and therefore expects its investment managers to take account of financially material social, environmental and ethical considerations in the selection, retention and realisation of investments as an integral part of the normal investment research and analysis process. This is insofar as these matters are regarded as impacting on the current and future valuations of individual investments. The Fund believes taking account of such considerations forms part of the investment managers' normal fiduciary duty.

As such, the Fund has a commitment to ensuring that companies in which it invests adopt a responsible

attitude toward the environment, and adopt high ethical standards. Generally, such companies are expected to behave in a socially responsible manner by taking account of the interests of all stakeholders.

The Fund seeks to achieve this objective by raising issues with companies in which it invests, to raise standards in a way that is consistent with long term shareholder value either through its membership of LAPFF or individually.

The introduction of the Stewardship Code in July 2010 by the Financial Reporting Council strongly encouraged best practice in respect of investor engagement. The expectation is that institutional investors should publish a statement in respect of their adherence to the code. Compliance with the Code is currently on a voluntary basis. The Wiltshire Pension Fund published its statement of compliance with the code during 2011 and it is reviewed annually. All of our global equity managers comply fully with the code.

Investment management arrangements

The Fund's current asset allocation is as follows:

Asset Allocation	%
Equities:	
Long-Only	
UK*	12.5%
Overseas (Global)**	27.5%
Absolute Return (Lower Volatility)	10.0%
Emerging Market Multi Asset	<u>10.0%</u>
	60.0%
Bonds	15.5%
Property	13.0%
Alternatives:	
Infrastructure	5.0%
M&G Financing Fund	1.5%
Opportunistic Investment	<u>5.0%</u>
	11.5%
	100.0%

* (sits at approximately 14.7% if including the UK element of the global mandates)

** (includes active and fundamental indexation)

The allocation of mandates to managers is as follows:

MANAGER/MANDATE ALLOCATION	%
Baillie Gifford	
Global Equities	15.0%
Legal & General	
Passive UK Equities	12.5%
Passive Global Equities*	0.0%
Passive Fundamental Equities	12.5%
Passive Index-Linked Bonds (UK)	5.0%
Barings	
Absolute Return Fund	10.0%
Loomis Sayles	
Multi Asset Credit	4.2%
Absolute Return Bonds	6.3%
Investec	
Emerging Market Multi Asset Mandate	10.0%
CBRE Global Multi Manager	
Property Fund of Funds (UK & Europe)	13.0%
Partners Group	
Infrastructure	5.0%
M&G Investment Management	
UK Companies Financing Fund	1.5%
Opportunistic Investment*	5.0%
TOTAL	100.0%

*"Opportunistic" allocation held with L&G global equities until invested

Investment as at 31 March 2017

During the year, the managers transacted purchases of £1,039.4 million (£539.9m 31 March 2016) and sales of £1,018.8 million (£523.4m 31 March 2016). The value of assets under management at 31 March 2017 was £2,174.1 million (£1,826.4m 31 March 2016), broken down by managers as follows:

Legal & General	£808.8 million*
Baillie Gifford	£356.1 million
CBRE Global Multi Manager	£291.7 million
Loomis Sayles	£231.3 million
Barings Asset Management	£210.7 million
Investec	£232.6 million
Partners Group	£ 37.1 million
M&G Financing Fund	£ 5.8 million
Berenberg Bank	£ 0.0 million
	£2,174.1 million

*This temporarily exceeds the Fund's own limit of 30% for a single passive manager due to the opportunistic allocation being held here.

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 (109.09%). Income earned from this programme amounted to £0.367 million in the year.

Investment markets

Over the 12 month period to 31 March 2017, both growth and defensive asset classes generally posted strongly positive returns as the ultra-accommodative monetary policy measures adopted by the world's major central banks continued to support financial markets. These strong returns came about despite bouts of volatility following the surprise result of the UK's referendum in June 2016, when the electorate voted to leave the European Union, and the unexpected victory for Donald Trump in the US Presidential Election in November 2016. The latter event in particular served to support equities in developed markets, as investors perceived Trump's policies as being supportive for corporate earnings.

Sterling depreciated sharply against its major counterparts following the 'Brexit' vote and ended the year 13% lower against the US Dollar compared to the prior year. This led to material gains for investors in overseas assets, where the currency exposure was unhedged. Meanwhile, subdued growth expectations in the UK culminated in further loosening of monetary policy by the Bank of England in August 2016, and led to a downward shift in government bond yields. This augmented strong returns for defensive assets, notably index-linked gilts, where returns were further enhanced by rising inflation expectations in the light of Sterling's depreciation.

Financial markets continue to be sensitive to the actions of the world's major central banks. In the US, the Federal Reserve Bank ('the Fed') matched investors' expectations by increasing its target interest rate by 0.25% at its December 2016 meeting and then a further 0.25% at its March 2017 meeting. Elsewhere the European Central Bank ('ECB') announced in December 2016 that its extended quantitative easing programme would continue until December 2017 at the earliest, albeit at a slightly reduced pace of asset purchases. The ECB subsequently confirmed in the first quarter of 2017 that a further extension to this is unlikely to be needed in the near term. The Bank of Japan

announced an explicit shift to yield curve targeting in September 2016.

While significant political and economic uncertainty remains in the UK following the referendum vote, economists now forecast Real GDP growth for 2017 to be 1.7% (a reduction from 2.1% forecast before the vote but an increase from 0.7% from the forecast just after) whereas inflation, as measured by the change in the Consumer Price Index, is expected to increase to 2.6% (from a forecast of 1.6% before the vote) reflecting the depreciation of Sterling.

Fee structures

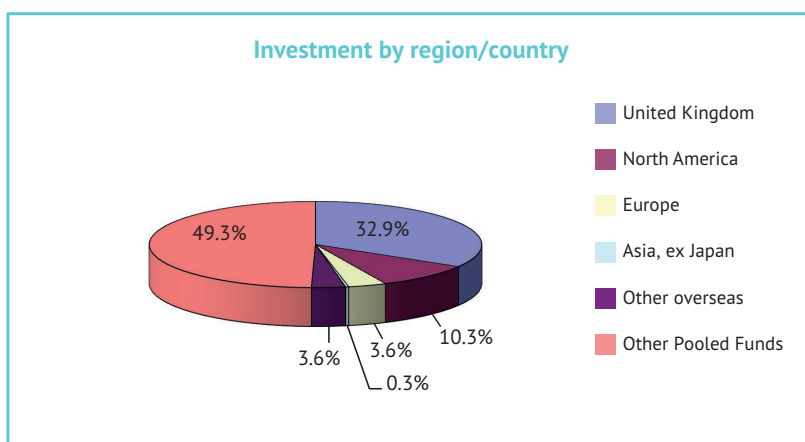
The Committee generally has an ad-valorem fee scale applied in respect of the investment management services it receives. This is generally accepted practice for passive tracking mandates and is easily understood. A performance related fee basis is sometimes set, however if it is believed to be in the overall financial interests of the Fund, particularly for active mandates where higher fees are paid for more consistent outperformance of market indices. The approach taken varies depending on the type of investment and the target being set.

The Fund is required to report in line with the CIPFA requirements under the Transparency Code and requires its investment managers to provide sufficient information to fulfil this requirement.

Distribution of investments

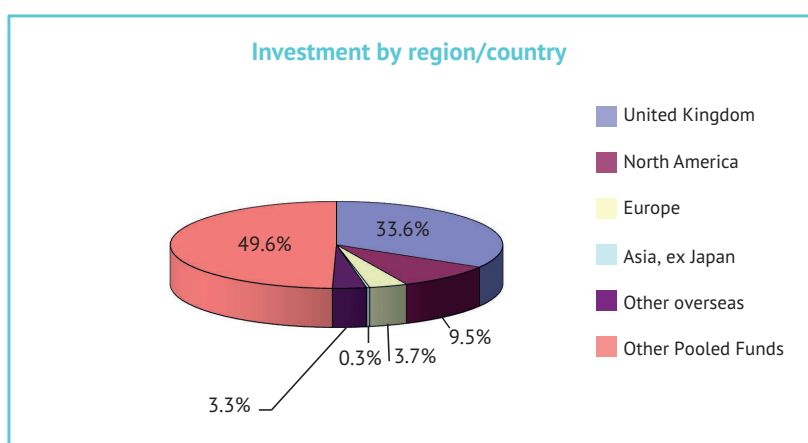
Analysis of investments as at 31 March 2017

Geographical analysis	£000	% of Fund total
United Kingdom	714,517	32.9
North America	223,585	10.3
Europe	78,315	3.6
Asia, ex Japan	6,441	0.3
Other overseas	78,009	3.6
Other Pooled Funds	1,073,238	49.3
	2,174,105	100.00



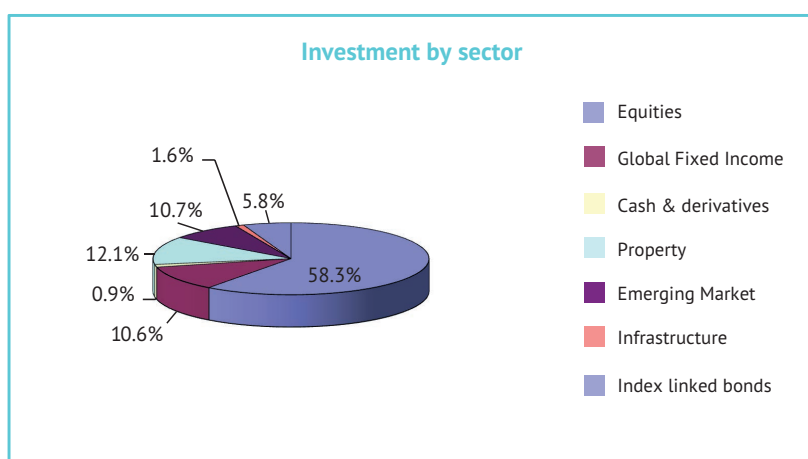
Analysis of investments as at 31 March 2016

Geographical analysis	£000	% of Fund total
United Kingdom	614,025	33.6
North America	172,806	9.5
Europe	67,766	3.7
Asia, ex Japan	6,167	0.3
Other overseas	60,648	3.3
Other Pooled Funds	904,980	49.6
	1,826,392	100.00



Analysis of investments by sector as at 31 March 2017

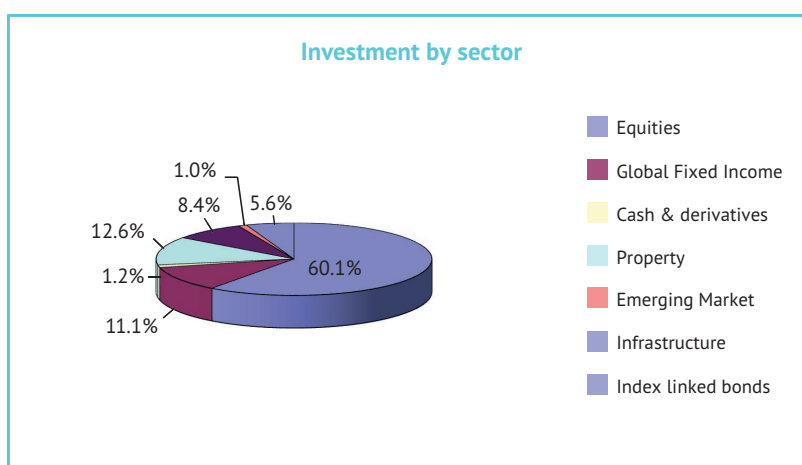
Sector analysis	£000	% of Fund total
Equities	1,266,793	58.3
Global Fixed Income	231,301	10.6
Cash & derivatives	19,968	0.9
Property	262,758	12.1
Emerging Market	232,595	10.7
Infrastructure	35,741	1.6
Index linked bonds	124,949	5.8
	2,174,105	100.00



Analysis of investments by sector as at 31 March 2016

Sector analysis

	£000	% of Fund total
Equities	1,098,050	60.1
Global Fixed Income	202,162	11.1
Cash & derivatives	22,402	1.2
Property	230,505	12.6
Emerging Market	152,986	8.4
Infrastructure	17,888	1.0
Index linked bonds	102,399	5.6
	1,826,392	100.00



Twenty largest holdings at 31 March 2017

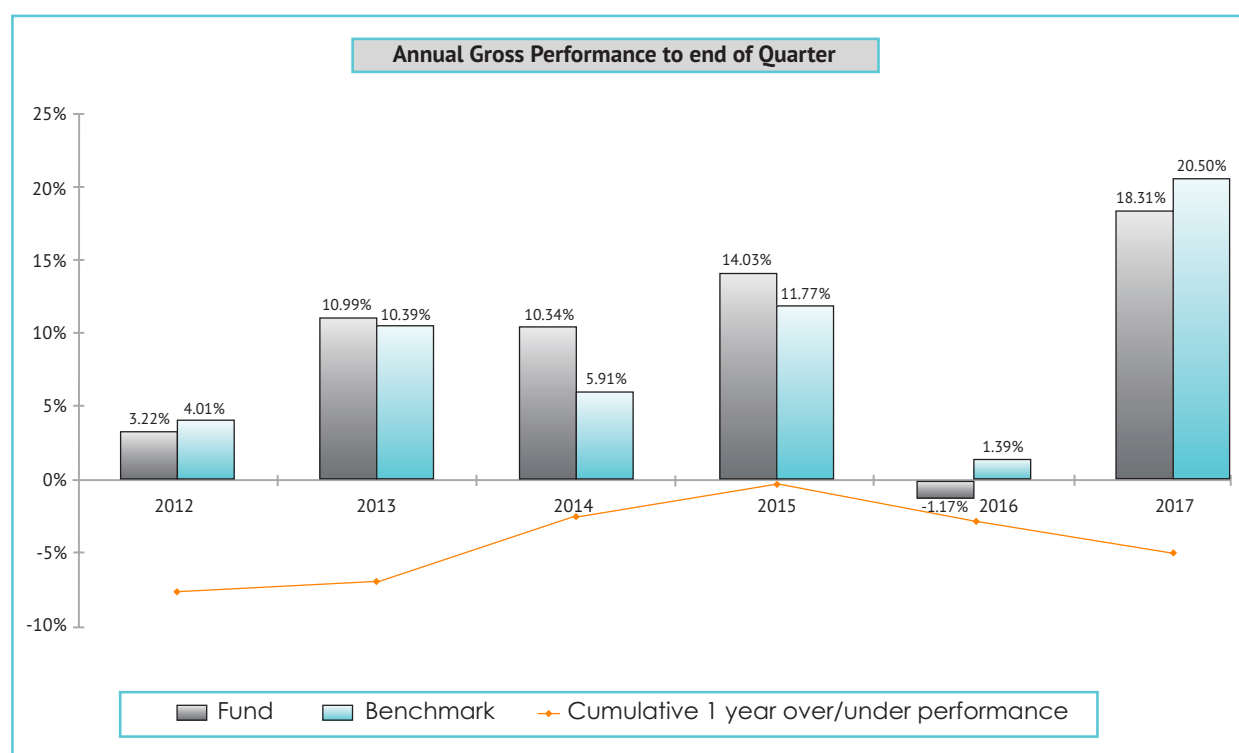
	£000	% of Fund total
1. Legal & General Equity Index Fund	285,230	13.12
2. Investec - Emerging Markets	232,595	10.70
3. Barings - Dynamic Asset Allocation Fund	210,749	9.69
4. Loomis Sayles Alpha Bond Fund	138,504	6.37
5. Legal & General World Equity Index	96,098	4.42
6. Loomis Sayles World Credit Fund	92,797	4.27
7. Amazon.Com Inc Com	33,069	1.52
8. Facebook Inc	29,192	1.34
9. Tencent Holdings Ltd	29,032	1.34
10. Tesla Motors Inc	26,738	1.23
11. Partners Group Global Infrastructure	26,495	1.22
12. Illumina Inc	25,878	1.19
13. Schroders UK Real Estate	22,672	1.04
14. Industrial Property IPIF Feeder	21,878	1.01
15. Alibaba Group Holdings Ltd	21,279	0.98
16. Baidu Inc	17,471	0.80
17. Curlew Student Trust	16,495	0.76
18. Industria De Diden Textil	15,695	0.72
19. Alphabet Inc	14,899	0.69
20. Airport Industrial	13,689	0.63
	1,370,455	63.04

Twenty largest holdings at 31 March 2016

	£000	% of Fund total
1. Legal & General Equity Index Fund	233,029	12.76
2. Barings Alpha Funds - Dynamic Asset Allocation Fund	190,362	10.42
3. Investec - Emerging Markets	152,986	8.38
4. Loomis Sayles Alpha Bond Fund	119,954	6.57
5. Legal & General World Equity Index	107,282	5.87
6. Loomis Sayles World Credit Fund	82,208	4.50
7. Amazon.Com Inc Com	24,845	1.36
8. Illumina Inc	23,333	1.28
9. Facebook Inc	22,684	1.24
10. Schroders GBP	22,479	1.23
11. Industrial Property Investment Fund	20,998	1.15
12. Baidu Inc	20,071	1.10
13. Tencent Holdings Ltd	19,499	1.07
14. Tesla Motors Inc	19,199	1.05
15. Partners Group Global Infrastructure	17,888	0.98
16. West End of London Property	15,403	0.84
17. Curlew Student Trust	15,221	0.83
18. Industria De Diden Textil	14,921	0.82
19. Ardstone UK Regional Office	14,043	0.77
20. UBS Global Asset Management Triton Property	13,094	0.72
	1,149,499	62.94

Investment Performance

The following table shows the performance of the Fund (gross of fees) relative to its strategic benchmark.



FINANCIAL PERFORMANCE

Movement in Assets and Liabilities

The funding level (i.e. the ratio of the assets to liabilities) at 31 March 2016 (last valuation) was 82% being valued at £1.831 million. Hymans Robertson's previous valuation at 31 March 2013 was 71%. This means that the total of the Funds assets 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.

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.

Analytical Review

The following tables show a brief review of key movements in the Fund Account and Net Asset Statement for the financial year.

Major movements in Fund Account and the Net Assets Statement for the financial year

Fund Account	2016/17	2015/16	Notes
	£000	£000	
Net Contributions	15,883	11,151	Increased contributions in 2016/17
Return on Investments	334,107	-15,758	Strong year for growth assets in 2016/17
Net increase in the Fund	359,990	-4,607	
Net Asset Statement	2016/17	2015/16	Notes
	£000	£000	
Fixed Interest	-	-	
Indexed-linked	-	-	
Equities	372,221	320,848	Growth in Assets
Pooled Funds	1,519,157	1,252,637	Growth in Assets
Property	262,758	230,505	Positive Returns
Derivatives	-	1,246	Dynamic Currency hedge program terminated in 2016/17
Cash	19,799	20,977	
Other	170	179	
Total Net Investments	2,174,105	1,826,392	

Analysis of Pension Contributions

The table below shows the value of contributions received on time and late.

	Total	On time		Late	
	£000	£000	%	£000	%
Employee	19,155	18,881	98.6%	275	1.4%
Employer	76,745	75,760	98.7%	985	1.3%
Total	95,900	94,641	98.7%	1,260	1.3%

In total 83 monthly contribution payments were received late of which 74 were received within the month, 6 received between 1 and 3 months late and 3 received more than 3 months late.

No interest was charged on any of the late payments.

Forecasts

The following table shows the forecast and outturn for the Fund Account and Net Asset Statement for the 2 years to 31 March 2017.

Fund Account	2017/18	2016/17		2015/16	
	Forecast £000	Forecast £000	Actual £000	Forecast £000	Actual £000
Contributions	100,503	92,859	99,508	88,187	91,940
Payments	-83,622	-80,789	-83,622	-86,947	-80,789
Management expenses	-10,169	-10,201	-11,181	-7,193	-9,336
Net investment income	10,000	12,000	10,076	20,000	11,764
Change in market value	119,889	99,903	334,031	224,186	-27,521
Net increase in the Fund	136,601	113,772	348,812	238,233	-13,942

Contributions and payments are based on current expectations, the administration and investment management expenses are based on current budgets; and the net investment income and change in market value are based on the long term forecast returns for each asset class.

Net Asset Statement	2017/18	2016/17		2015/16	
	Forecast £000	Forecast £000	Actual £000	Forecast £000	Actual £000
Equities	1,342,801	1,163,933	1,266,793	1,232,121	1,098,050
Fixed income	365,868	312,784	356,249	326,827	304,561
Cash	19,898	21,082	19,799	15,460	20,977
Property	274,582	240,878	262,758	202,238	230,505
Alternatives	290,608	185,057	268,336	187,956	170,874
Other	13,603	14,831	13,535	14,099	13,694
Total Investment Assets	2,307,359	1,938,564	2,187,470	1,978,701	1,838,661

The forecasts for total investment assets are based on the actual figures for 2016/17 multiplied by the forecast long term returns for each asset used at the last strategic asset allocation review in 2017. Net contributions less expenses are added to the cash figure to reflect new money into the Fund. No future changes in asset allocation have been taken into account as these are not known with any degree of certainty.

The long term asset return forecasts for each asset class are as follows:

Long-term forecast asset returns

Asset Class	Long term forecast return (%)
Equities	6.0%
Fixed Income	2.7%
Cash	0.5%
Property	4.5%
Alternatives	8.3%
Total	5.6%

Operational Expenses

	2017/18 Budget £000	2016/17 Budget £000	Actual £000	2015/16 Budget £000	Actual £000
Fund Investment					
Investment Management Fees	7,897	7,955	8,617	7,378	7,478
Investment Administration Recharge	120	113	112	108	105
Investment Custodial & Related Services	23	30	-304	56	22
Investment Professional Fees	149	107	222	153	107
Corporate Governance Services	40	40	38	39	39
Performance Measurement	37	40	31	46	40
Investment Administration Costs	369	330	99	402	313
Scheme Administration					
Pension Scheme Administration Recharge	1,632	1,514	1,556	1,459	1,276
Actuarial Services	123	234	373	111	194
Audit	33	58	33	58	10
Legal Fees	20	20	8	20	19
Committee and Governance Recharge	95	90	57	82	62
Scheme Administration Costs	1,903	1,916	2,028	1,730	1,562
Grand Total (Exc Invest Man Fees)	2,272	2,246	2,127	2,132	1,875
Grand Total (Inc Invest Man Fees)	10,169	10,201	10,744	9,510	9,353

Cash Flow

Officers continue to monitor the cash flow position of the Fund to ensure sufficient resources are available to pay benefits as they fall due. The position for 2015/16 is shown below:

Year ending 31 March 2017

£m

Receipts	94.3
Payments	(86.8)
Surplus/ (Deficit)	7.5
Funds sent to Investment Managers	6.5

This shows that excluding investment income, cash flow is broadly neutral for the year. This will be closely monitored as employer rates will increase again from 1 April 2017.

Analysis of Pension Overpayments

The table below shows an analysis of the pension benefits overpaid and recovered. These mainly relate to overpayment of pensioners between the date of their death and notification.

	2016-17 £000	2015-16 £000	2014-15 £000	2013-14 £000
Overpayments recovered	29	19	28	14
Overpayments not recovered	12	10	9	7
Total	41	29	37	21
Annual Payroll	65,540	63,698	62,118	59,388
Write offs as a % of Payroll	0.02%	0.02%	0.02%	0.01%
Number of cases - not recovered	185	151	106	106
Number of cases - recovered	41	35	24	24
Number of cases - In process of recovery	11	6	-	-

ACTUARIAL POSITION

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 funding 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.

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 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 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 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.

Robert McInroy FFA

For and on behalf of Hymans Robertson LLP
3 May 2017

Hymans Robertson LLP

20 Waterloo Street, Glasgow, G2 6DB

STATEMENT OF RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

Responsibility for the Financial Statements, which form part of this Annual Report, is set out below

Administration Authority

The Administering Authority is required to:

- Make arrangements for the proper administration of the financial affairs of the Pension Fund and to secure that an officer has the responsibility for those affairs. In this Authority, that officer is the Head of Finance.
- Prepare, approve and publish a statement in accordance with the Accounts and Audit Regulations 2011.

Associate Director of Finance

The Associate Director of Finance is responsible for the preparation of the Fund's financial statements, which in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. Based on International Reporting Standards (the Code), are required to present a true and fair view of the financial position of the Fund for the year ended 31 March 2017. This report includes the financial statements for the Pension Fund only.

In preparing these financial statements, the Associate Director of Finance has:

- Selected and applied consistently suitable accounting policies;
- Made judgements and estimate that were reasonable and prudent;
- Complied with the Code of Practice;
- Ensured proper accounting records are maintained;
- Ensured systems of internal control are in place.

Certificate

I hereby certify that the following Annual Report and Accounts give a true and fair view of the financial position of the Wiltshire Pension Fund for the financial year ending 31 March 2017.

Michael Hudson

Associate Director of Finance

Wiltshire Pension Fund

7th July 2017

12. AUDIT OPINION

Independent auditor's report to the members of Wiltshire Council on the pension fund financial statements published with the Pension Fund Report & Accounts

We have examined the pension fund financial statements for the year ended 31 March 2016 on pages 60 to 86.

Respective responsibilities of the Associate Director of Finance and the auditor

As explained more fully in the Statement of Responsibilities for the Financial Statements the Associate Director of Finance is responsible for the preparation of the pension fund financial statements in accordance with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Our responsibility is to report to you our opinion on the consistency of the pension fund financial statements included in the Pension Fund Report & Accounts with the pension fund financial statements included in the annual published statement of accounts of Wiltshire Council, and their compliance with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

In addition, we read the information given in the Pension Fund Report & Accounts to identify material inconsistencies with the pension fund financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Our report on the administering authority's annual published statement of accounts describes the basis of our opinion on those financial statements.

Opinion

In our opinion, the pension fund financial statements are consistent with the pension fund financial statements included in the annual published statement of accounts of Wiltshire Council for the year ended 31 March 2016 and comply with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

We have not considered the effects of any events between the date we signed our report on the full annual published statement of accounts on 27 July 2016 and the date of this report.

Matters on which we are required to report by exception

The Code of Audit Practice requires us to report to you if:

- the information given in the Pension Fund Report & Accounts for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters relating to the pension fund have been reported in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit.

We have nothing to report in respect of these matters.



Darren Gilbert

For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

66 Queen Square

Bristol

BS1 4BE

23 September 2016

STATEMENT OF ACCOUNTS

Fund Account

For the year ended 31 March 2017

	Notes	2016-17 £000	2015-16 £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	-9,335
		4,702	1,816
Returns on investments			
Investment income	9	10,076	11,764
Change in market value of investments	11	334,031	-27,522
		344,107	-15,758
		348,809	-13,942
Add opening net assets of the funds restated		1,838,661	1,852,603
Closing net assets of the scheme		2,187,470	1,838,661

Net Asset Statement

At 31 March 2017

	Notes	31-Mar-17 £000	31-Mar-16 £000
Investment assets			
	11		
Fixed interest securities		0	0
Index linked securities		0	0
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
		2,174,105	1,829,316
Investment liabilities			
Derivatives liabilities	11		-2,924
Total net investments		2,174,105	1,826,392
Current assets	13	17,047	16,183
Current liabilities	14	-3,682	-3,914
Net assets of the scheme at 31 March		2,187,470	1,838,661

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 20. 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 20 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 60). 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

	2016-17 £000	2015-16 £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

	2016-17 £000	2015-16 £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

	2016-17 £000	2015-16 £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		
<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

Benefits payable – contd.

Analysis of benefits payable – contd.

	2016-17 £000	2015-16 £000
<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

	2016-17 £000	2015-16 £000
Individual transfer out to other schemes	4,394	3,577
Bulk transfers 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

	2016-17 £000	2015-16 £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 (2015/16: £1.8m).

9. Investment income

	2016-17 £000	2015-16 £000
<i>Quoted securities</i>		
- UK fixed interest bonds (coupon receipts)	-	-
- Overseas fixed interest bonds (coupon receipts)	-	-
- UK index linked bonds (coupon receipts)	-	-
- UK equities	545	587
- Overseas equities	999	1,089
<i>Pooled investment vehicles</i>		
- Overseas equities	-	-
- UK property	8,616	10,018
- Infrastructure	-	-
<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 £84.9million (109.1%). Income earned from this programme amounted to £0.367 million in the year.

	2016-17 £million	2015-16 £million
WC securities on loan	77.8	5.7
<i>(percentage of total)</i>	3.6%	0.3%
WC collateral share of pool	0.01%	0.01%
Value of WC pooled share	84.9	6.2
Percentage of securities on loan	109.1%	108.6%
Income earned in year	0.367	0.030

11. Investments

Reconciliation of investments held at beginning and end of year

	Value at 1 April 2016	Purchases at cost and 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	0				
- 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	0				
- 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 Investments balances	179	0	-29	20	170
	1,826,392	1,039,446	-1,025,764	334,031	2,174,105

	Value at 1 April 2015	Purchases at cost and 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 balance	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
- Global 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
- Long-short hedge fund	0	0
- 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		4,170
- Outstanding dividend entitlements	4	5
- Recoverable tax	166	174
	170	4,349
<i>Investment liabilities</i>		
- Derivatives liabilities		-2,924
Total of investments held	2,174,105	1,826,392
<i>Net current assets & liabilities</i>		
- 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. Wiltshire Pension Fund moved from a dynamic hedging arrangement to a 50% passive hedge of overseas equities during the year.

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 instrument 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 £000	Loans and Receivables £000	Financial liabilities at amortised cost £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 £000	Loans and Receivable £000	Financial liabilities at amortised cost £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
	1,798,540	46,959	0
Financial Liabilities			
Derivative Liabilities	-2,924	0	0
Creditors	0	-3,914	0
	-2,924	-3,914	0
	1,795,616	43,045	0

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	318,025	-35,112

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 have 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 - Global Multi Manager - 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 - Rafi Equity	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
	2,174,105		322,418	(322,418)

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 - Global Multi Manager - 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 - Rafi Equity	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
	1,826,392		271,504	(271,504)

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-Mar-2017 £000
Cash held on deposit	19,799
Fixed interest securities	231,301
Loans	4,557
	255,657
	31-Mar-2016 £000
Cash held on deposit	20,977
Fixed interest securities	202,162
Loans	9,799
	232,938

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	£000
		+100 BP	-100 BP
Cash held on deposit	19,799	198	-198
Fixed interest Securities	231,301	-6,676	6,676
Loans	4,557	0	0
	255,657	-6,478	6,478

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

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.

Currently 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 2016 and 31 March 2015 would have increased or decreased the net assets by the amount shown below.

2017

	Assets Held at Fair Value £'000	Change in net assets	
		+10% £'000	-10% £'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 £'000	Change in net assets	
		+10% £'000	-10% £'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 an 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
	268,317

2016

	£'000
Global Fixed Interest Pooled	202,162
Cash held on deposit	20,977
Other investment balances	179
Current assets	16,183
	239,501

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 sets 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 analyses 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
	3,682	3,682	0

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 produced 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 Investments	170			170
	385,667	1,590,340	198,098	2,174,105

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 Investments	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 presents the movement in level 3 instruments for the year end 31 March 2017 and 31 March 16.

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
		198,099	226,341	169,857

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
	867.0	39.9

12. Investment management expenses

	2016-17 £000	2015-16 £000
Managers & Investment Admin Fees	9,047	7,644
Custody and Performance	70	87
	9,117	7,731

13. Current assets

	31 March 2017 £000	31 March 2016 £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	-	-
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 8th 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 £000	31 March 2016 £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 2015/16) 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 2015/16), made up as follows:

	£ Million
Equitable Life Assurance Society	
- With Profits Fund	0.486
- Unit Linked Managed Fund	0.216
- Building Society Fund	-
Clerical Medical Funds	
- With Profits Fund	0.160
- Unit Linked Managed Fund	0.939
NPI Fund	
- Managed Fund	0.012
- With Profits Fund	0.097
- Global Care Unit Linked Fund	0.062
- Cash Deposit Fund	0.024
Prudential	
- 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 (2015/16: £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 2016/17 (2015/16: £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 (2015/16: £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 White 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 members' 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 members 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.

20. Post Balance Sheet Event

On 25th November 2015 the Department of Communities and Local Government (DCLG) issued a consultation titled "Investment Reform Criteria and Guidance" inviting administering authorities to submit by 19th February 2016 their initial proposals for pooling LGPS assets into six 'British Wealth Funds' from April 2018 onwards, each containing at least £25bn of assets with the intention to reduce investment management costs while improving the net performance.

In response to the government agenda, Project Brunel was set up to explore the options for pooling investment assets across ten Funds. The founding Funds include The Environment Agency Pension Fund, and the Local Government Funds of Avon, Buckinghamshire, Cornwall, Devon, Dorset, Gloucestershire, Oxfordshire, Somerset and Wiltshire. The collective assets of the pool was approximately £23 billion as at March 2015.

Significant progress has been made by officers to set up a FCA regulated company called Brunel Pension Partnership. It is anticipated that key legal documents will be signed July 2017 formally establishing the company. Following this the FCA application will be submitted with the expected commencement date of pooling assets from April 2018.

IAS26 STATEMENT

Pension Fund Accounts Reporting Requirement

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 the 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 Fund's funding assumptions.

Present value of promised retirement benefits

Year ended	31 March 2017	31 March 2016
Active members (£m)	1,349	1,318
Deferred members (£m)	853	558
Pensioners (£m)	1,163	881
Total (£m)	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 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 in financial 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 March 2017	31 March 2016
Pension Increase Rate	2.4%	2.2%
Salary Increase Rate	2.7%	4.2%
Discount Rate	2.5%	3.5%

Longevity assumptions

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 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 (assumed to be aged 45 at the latest formal valuation)	24.1 years	26.7 years

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:

Sensitivity to the assumptions for the year ended 31 March 2017	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.5% p.a. increase in the Pension Increase Rate	8%	282
0.5% p.a. increase in the Salary Increase Rate	3%	90
0.5% p.a. decrease in the 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.

Prepared by:-

Robert McInroy FFA

3 May 2017

For and on behalf of Hymans Robertson LLP

FURTHER INFORMATION & CONTACTS

The Council produces a number of other publications, as well as this booklet to support its role as administering authority of the Wiltshire Pension Fund. You can request these from the Wiltshire Pension Fund at County Hall, Trowbridge, from our Website at www.wiltshirepensionfund.org.uk or by emailing pensionenquiries@wiltshire.gov.uk.

Guide to the Local Government Pension Scheme

This booklet explains the benefits available to employees and their dependants of being in the Fund.

Employers' guide

This is available on our website and specifically aimed at staff within employer bodies with responsibility for providing information to the Pensions Section in respect of Fund administration. The aim of the Guide is to provide Scheme Employers with all the information they need in order to fulfil their pension responsibilities correctly.

Starter packs

These contain information that has to be made available to new employees on their pension entitlements, together with supporting information.

Retirement packs

These contain information for every new pensioner about their pension and other supporting information.

Newsletters

Occasional newsletters are produced, both for participating Fund members and for pensioners, containing information of interest.

Annual benefit statements

Statements are automatically available for all full-time Fund members and those working regular part time hours, and also for deferred pensioners. Statements are also available on request for any Fund member at any time.

Other information

Various leaflets, posters and fact sheets explaining the Fund and highlighting its benefits are produced. The Pensions Section also has booklets available produced by Prudential on Additional Voluntary Contributions.

For further information contact:

Zoe Stannard

Fund Communications Manager

Tel: 01225 718054

Email: zoe.stannard@wiltshire.gov.uk

David Anthony

Head of Pensions

Tel: 01225 713620

Email: david.anthony@wiltshire.gov.uk



WILTSHIRE
PENSION FUND



WILTSHIRE PENSION FUND BUDGET 2017-18 - PROJECTED OUTTURN AS AT 31 JULY 2017

	2017-18			Explanations
	Budget £000	Projected Outturn £000	Variance £000	
<u>Fund Investment Management Fees</u>				
Segregated Funds	5,106	5,306	200	Increased Performance fee from Baillie Gifford due to exceptional investment returns
Pooled Funds *	2,791	2,791	0	
Total FUND INVESTMENT FEES	7,897	8,097	200	
* pooled costs paid through investment holdings				
<u>Fund Investment Costs</u>				
1 Investment Administration	120	120	0	Significant additional income from Securities Lending programme
2 Investment Custodial & Related Services	23	-66	-89	
3 Investment Consultancy	149	149	0	
4 Corporate Governance Services	40	40	0	
5 Performance Measurement	37	37	0	
	<u>369</u>	<u>280</u>	<u>-89</u>	
<u>Fund Scheme Administration</u>				
6 Pension Scheme Administration	1,632	1,610	-22	Slippage on implementation of employer and employee self services due to limited resource capacity.
7 Actuarial Services	123	123	0	
8 Audit	33	33	0	
9 Legal Advice	20	20	0	
10 Committee & Governance	95	95	0	
	<u>1,904</u>	<u>1,881</u>	<u>-22</u>	
Total FUND COSTS	2,273	2,161	-111	

This page is intentionally left blank

WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
27 September 2017

PENSION FUND KEY PERFORMANCE INDICATORS

Purpose of the Report

1. The purpose of this report is to present the Fund's performance against its key performance indicators (KPIs) in relation to the administration of benefits.

Background

2. As part of the Fund's 2015/18 Business Plan, the Fund has a commitment to introduce bi-annual performance reporting of KPIs in order to improve management information, assist with performance monitoring and increase transparency of the administration performance. This objective fits in with our overriding objectives to ensure the effective management and governance of the Fund and to provide an effective, customer friendly benefits administration service.
3. This commitment is also in line with the Pensions Regulator's increased focus on governance of public service pension schemes resulting from the extension of its remit to cover public service pension schemes via the Public Service Pension Act 2013 and the resulting *Code of Practice 14 - Governance and administration of public service pension scheme* which sets out the wide-ranging governance requirements the Regulator expects to see adhered to.
4. At its meeting on 23 March 2017, the Committee agreed a set of KPIs that the Fund would be measured against which are now attached to this report.

Considerations for the Committee

5. The following KPIs are reported on and shown on the attached APPENDIX for 2017-18 Quarter 1 along with a trend analysis for the previous 2 quarters:
 - Putting benefits into payment on retirement from active status;
 - Commencing payment of benefits for deferred members;
 - Provision of retirement estimates;
 - Provision of deferred benefit statements to members who leave before 55;
 - Processing of transfer payments into and out of the Fund;
 - Provision of cash equivalent values in cases of divorce;
 - Processing of refunds of contributions;
 - Processing of inter-LGPS Fund transfers; and
 - Payment of death grants and applicable survivor's pensions.
6. The data is subdivided into the time taken to complete each task into different tranches (0 to 5 days, 6 to 10 days, etc.), as well as setting out those instances where performance was outside of the statutory time limits. This information allows the Fund to look at trends and to provide a better understanding of any potential issues impacting the day-to-day administration of the Fund.

7. Separately the Fund will be introducing reporting on the performance of scheme employers, including Wiltshire Council, in the accurate deduction of employee and employer contributions and their timely payment over to the Fund. All employer organisations have been notified and a revised framework is being implemented from October 2017. We will also extend reporting on employer performance in due course to include the provision of information relating to retirements, early leavers and deaths in service.

Conclusions

8. This information provides short term analysis on the Fund's performance against key administrative tasks. As time passes, this will provide a greater insight into longer term trends and identify areas for improvements.
9. **Active to retirement** cases has seen a fall each quarter in meeting the target timeframe. This is related to resourcing issues at the Senior Pension Officer level, which has led to Pension Officers, who are responsible for these retirements, providing additional cover to maintain the service in **processing death cases**. Despite this, overall, the number of active retirement cases completed was at its highest level over the three quarters in Q1. The resourcing issues have also had a similar impact on **transfer outs** cases.
10. In a number of **Active to Retirement** cases that were not processed within 20 days, there are some cases that required clarification from the member's employer's payroll agents that further impacted on delays. The Fund is continually striving to work with employers to highlight and address educational issues to ensure processes are seamless in providing the very best service for the member.
11. **Refund of contributions** has also seen a fall in terms of meeting targets. The main reason for this reduction during this period is that the Pension Assistants were primarily focussing on processing **leavers to deferred status** ahead of the Annual Benefit Statement (ABS) exercise. This was prioritised as it's a statutory requirement for the Fund to provide all deferred members with an ABS. This is evidenced by the increase in performance of the **leavers to deferred status** cases from 81% in Q4 to 91% in Q1, and the number completed within timeframe rising from 215 in Q3, to 539 in Q1.
12. The current review of the pension team will aim to ensuring a better balance of resources at the correct levels to ensure targets are achieved moving forward.

Environmental Impact

13. There is no environmental impact from this report.

Financial Considerations

14. There are no immediate financial considerations resulting from the reporting of the Fund's performance against its key performance indicators.

Risk Assessment

15. There are no direct risks to the Fund associated with this reporting.

Legal Implications

16. There are no immediate legal implications arising from this report.

Safeguarding Considerations/Public Health Implications/Equalities Impact

17. There are no implications at this time.

Proposals

18. The Committee is requested to note the Fund's performance against its key performance indicators.

MICHAEL HUDSON
Treasurer to the Pension Fund

Report Author: David Anthony – Head of Pensions

APPENDIX

Wiltshire Pension Fund

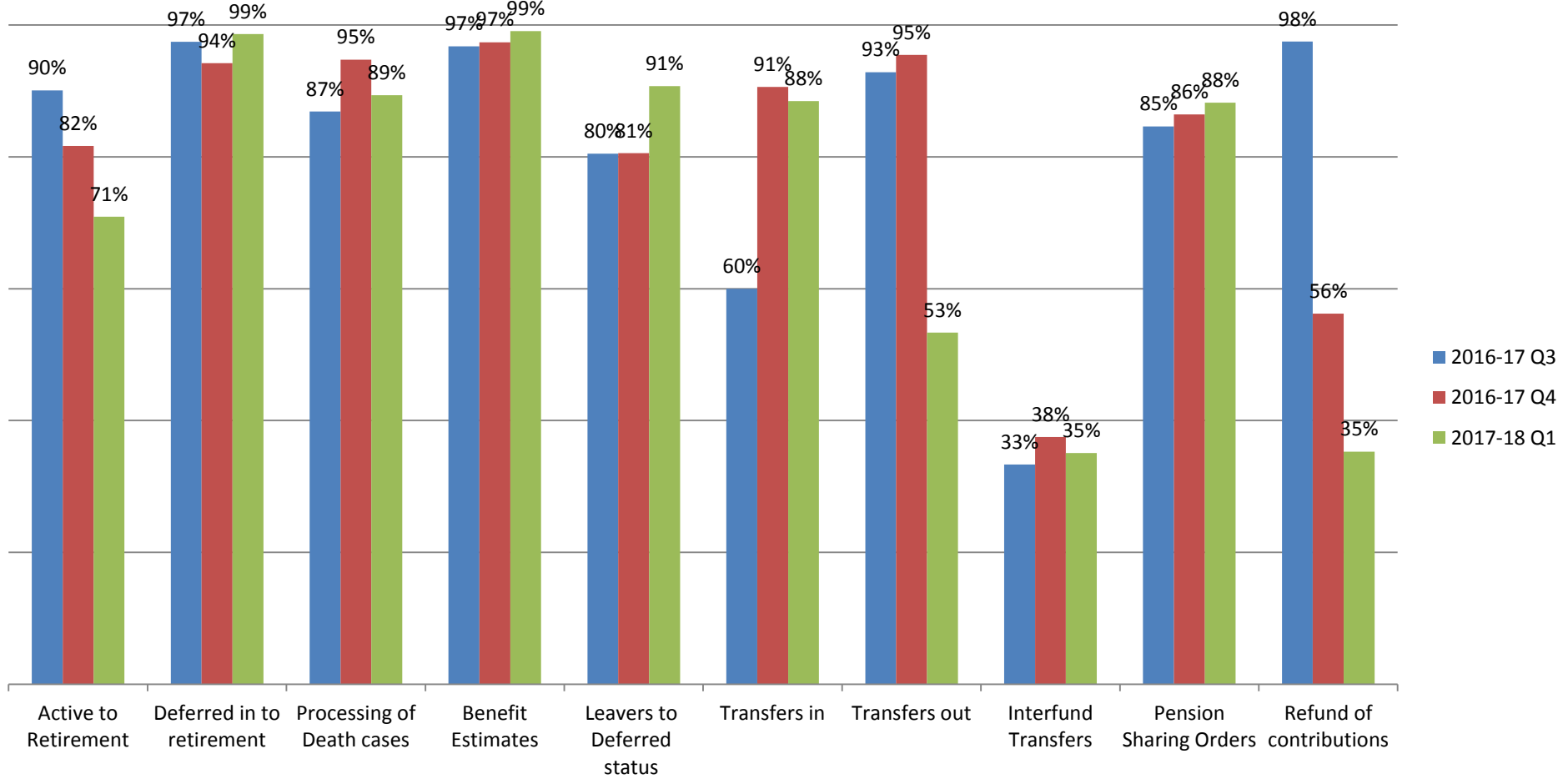
Benefit Administration Key Performance Indicators

Period 01/04/2017 to 30/06/2017

Type of case	Time to complete						Total	Timescales % on target	Timescales working days
	0 - 5 days	6 - 10 days	11 - 15 days	16 - 20 days	20 - 40 days	40 days +			
Active to Retirement	38	28	23	16	24	19	148	71%	20
Deferred in to retirement	116	22	6	0	1	1	146	99%	20
Processing of Death cases	43	40	15	11	3	10	122	89%	20
Benefit Estimates	96	47	38	16	16	2	215	99%	40
Leavers to Deferred status	247	261	24	7	28	58	625	91%	40
Transfers in	8	6	4	2	3	3	26	88%	40
Transfers out	4	0	3	0	1	7	15	53%	30
Interfund Transfers	11	3	1	2	3	37	57	35%	40
Pension Sharing Orders	18	11	1	5	10	6	51	88%	30
Refund of contributions	36	22	8	6	59	73	204	35%	20
Grand Total	617	440	123	65	148	216	1609		
Percentage	38%	27%	8%	4%	9%	13%			

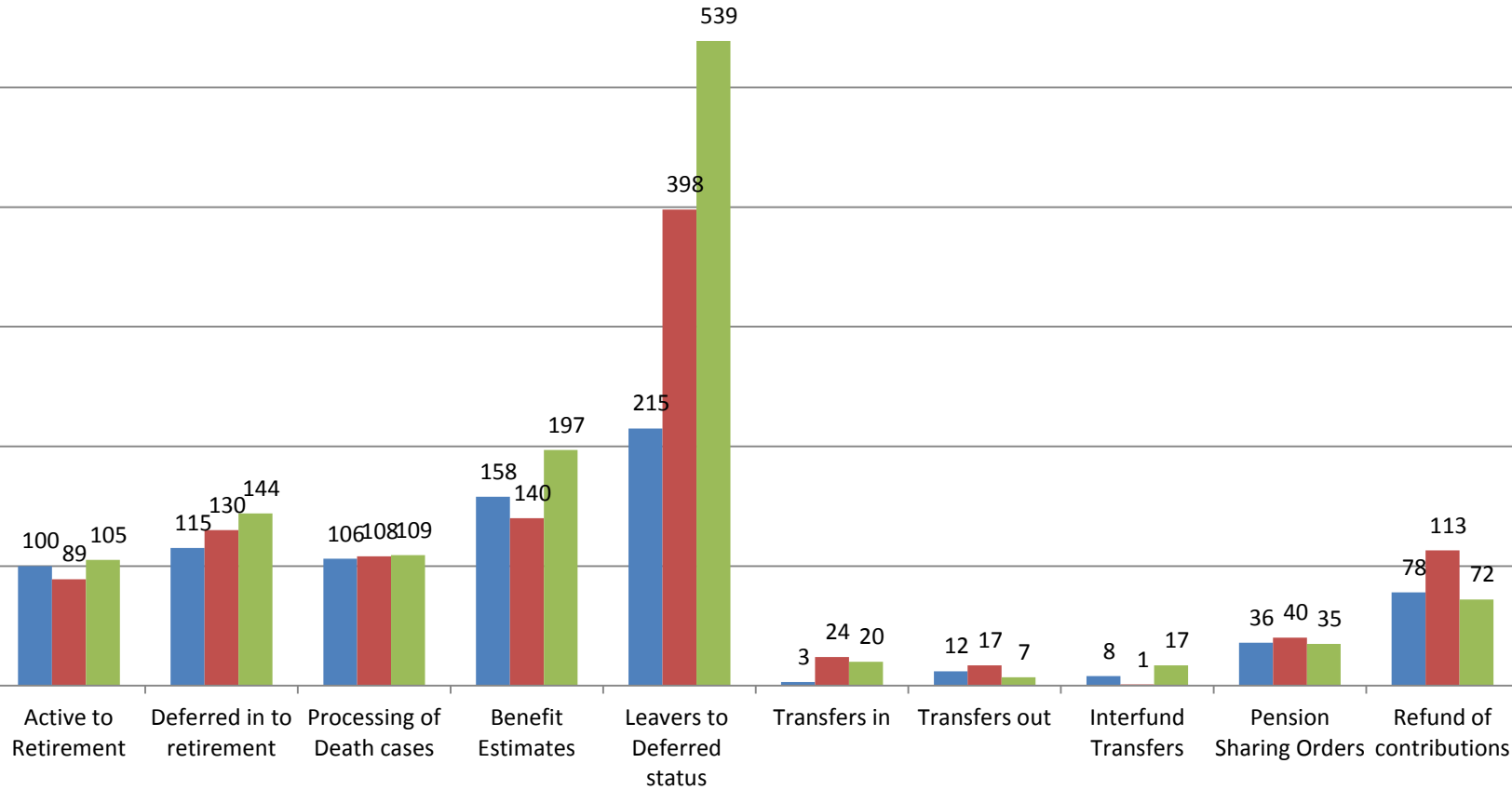
Working days from receipt of information from Employer/scheme member
Currently ignores quote work carried out beforehand

WPF KPIs 2016-17 Q3, Q4 & 2017-18 Q1
 %age of cases completed within target number of days



WPF KPIs 2016-17 Q3, Q4, & 2017-18 Q1
 Number of cases completed within target number of days

■ 2016-17 Q3
 ■ 2016-17 Q4
 ■ 2017-18 Q1



WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
27 September 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 two risks increasing since the last report in June 2017.
5. **PEN009: Failure to Hold Personal Data Securely:** This has risen from green to amber to reflect the increasing importance of prioritising resources to ensure the required changes to processes and documentation are implemented ahead on the new General Data Protection Regulations (GDPR) Act that come into force in May 2018. The Fund is currently one of several working together nationally to review the implications of the new act and to knowledge share solutions and approaches. The Fund is also working with Wiltshire Council's corporate project team to ensure they are updated of progress. Failure to meet the GDPR requirements could lead to significant fines along with the associated reputational risk. A review of the project plan is being undertaken to assess the key risks and resource implications for the Fund.
6. **PEN023: Resources of Officers and Members to Meet the Expansion of Business Items:** This has risen from amber to red with the resignation of the Head of Pensions who leaves at the end of November following this month's departure of the Strategic Pension Manager. This means in the short term, resource and knowledge to support the Committees and Board will be limited. Officers are considering both short and long term options to mitigate this risk as outlined below.
7. The current staffing levels mean that **PEN011: Lack of expertise of Pension Fund Officers**, **PEN012: Over-reliance on key officers** and **PEN020: Pooling of LGPS assets** all remain red risks. The pension team structure was already being reviewed to consider realignment of cover to take account of changes to roles arising from the Brunel Pension Partnership. This is now being finalised, with the intention to commence recruitment to the senior management roles shortly. As an interim measure, Hymans Robertson will continue to provide additional support to the Fund.

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 is a potential increase in staff costs as a result of any staffing review that will be funded from the Wiltshire Pension Fund administration budget.

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

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		
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	18 Sep 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	18 Sep 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	18 Sep 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	18 Sep 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 currently.	Craig Payne	Sep-17	1	3	3	Low	18 Sep 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	18 Sep 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	18 Sep 17	→
PEN006a	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	18 Sep 17	→
PEN006	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	18 Sep 17	→
PEN007a	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	18 Sep 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		
PEN007b	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	18 Sep 17	→
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	18 Sep 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.	Chris Ashton		3	1	3	Low	18 Sep 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. Investment Away day on 1 November will review further.	David Anthony	Sep-17	3	1	3	Low	18 Sep 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	LGE and Scheme Advisory Board now agreed standard templates for application of LGPS funds to opt up to "professional" status. On this agenda to agree application.	David Anthony	Sep-17	3	1	3	Low	18 Sep 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		
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 and effective from October 2017.	David Anthony	Sep-17	2	2	4	Low	18 Sep 17	→
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	18 Sep 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, fines from the Information Commissioner, reputational risk of failure to meet Data Protection legislation.	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	3	6	Medium	The Fund needs to ensure it meets with the new General Data Protection Regulations (GDPR) coming into effect in May 2018. Currently working with a number of other Funds to review implications and updating the Wiltshire Council corporate project team on position. Requires resources prioritised to avoid becoming a significant risk.	David Anthony	Apr-18	2	1	2	Low	18 Sep 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. Fund working with Heywood's software provider to review data and prioritise improvements.	Mark Anderson	Jun-17	2	1	2	Low	18 Sep 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.	Michael Hudson	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	Head of Pensions leaving 30 November, Strategic Pension Manager left during September. These posts to be advertised shortly once restructure of team agreed. Pension Fund Accountant being covered by internal Wiltshire Council accountant and consultancy support continues with Hymans Robertson to assist with skills gaps.	Michael Hudson	Nov-17	2	1	2	Low	18 Sep 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		
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.	Michael Hudson	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	Hymans Robertson continue to provide consultancy support. Head of Pensions leaves 30 November, and Strategic Pension Manager now left both need replacing. Currently restructure being finalised and posts will be advertised, along with vacancy System roles. Interim options also considered if required.	Michael Hudson	Nov-17	2	1	2	Low	18 Sep 17	→
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	18 Sep 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	18 Sep 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	Significant amount of resource still required by officers to progress this project as the Client group is established and until BPP Ltd can take on more staff. Transfer to new custodian needs to take place prior to end of calendar year and utilise officer experience.	David Anthony	Sep-17	1	3	3	Low	18 Sep 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		
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.	Michael Hudson	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.	3	4	12	High	With the Head of Pensions and Strategic Pension Manager leaving support available to service the Committees / Boards is limited. Looking to replace these posts as soon as possible, but may need more consultant resource in the short term to provide cover at this level.	Michael Hudson	Nov-17	1	2	2	Low	18 Sep 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. Fund is reviewing how academies are dealt with when MATs break-up and the additional governance involved with a report back to this Committee in December 2017.	Denise Robinson	Dec-17	1	1	1	Low	18 Sep 17	→
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. Annual Benefit Statement sent to members by 31 August.	Zoe Stannard / Denise Robinson		1	1	1	Low	18 Sep 17	→

WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
27 September 2017

IMPLEMENTATION OF THE MARKETS IN FINANCIAL INSTRUMENTS DERIVATIVE (MIFID II)

Purpose of the Report

1. This report outlines the impact of the implementation of the Markets in Financial Instrument Directive 2014/65 (“MiFID II”) and in particular the risk to the administering authority of becoming a retail client on 3 January 2018 and recommends that the committee agree that elections for professional client status should be made on behalf of the authority immediately.

Background

2. Under the current UK regime, local authorities are automatically categorised as ‘per se professional’ clients in respect of non-MiFID scope business and are categorised as ‘per se professional’ clients for MiFID scope business if they satisfy the MiFID Large Undertakings test. Local authorities that do not satisfy the Large Undertakings test may opt up to elective professional client status if they fulfil certain ‘opt-up criteria’.
3. Following the introduction of the Markets in Financial Instrument Directive 2014/65 (“MiFID II”) from 3 January 2018, firms will no longer be able to categorise a local public authority or a municipality that (in either case) does not manage public debt (“local authority”) as a ‘per se professional client’ or elective eligible counterparty (ECP) for both MiFID and non-MiFID scope business. Instead, all local authorities must be classified as “retail clients” unless they are opted up by firms to an ‘elective professional client’ status.
4. Furthermore, the FCA has exercised its discretion to adopt gold-plated opt-up criteria for the purposes of the quantitative opt-up criteria, which local authority clients must satisfy in order for firms to reclassify them as an elective professional client.

Consideration for Committee

Potential impact

5. A move to retail client status would mean that all financial services firms like banks, brokers, advisers and fund managers will have to treat local authorities the same way they do non-professional individuals and small businesses. That includes a raft of protections ensuring that investment products are suitable for the customer’s needs, and that all the risks and features have been fully explained. This provides a higher standard of protection for the client but it also involves more work and potential cost for both the firm and the client, for the purpose of proving to the regulator that all such requirements have been met.
6. Such protections would come at the price of local authorities not being able to access the wide range of assets needed to implement an effective, diversified investment strategy. Retail status would significantly restrict the range of financial institutions and instruments available to authorities. Many institutions currently servicing the LGPS are not authorised to deal with retail clients and may not wish to undergo the required changes to resources and permissions in order to do so.
7. Even if the institution secures the ability to deal with retail clients, the range of instruments it can make available to the client will be limited to those defined under

Financial Conduct Authority (FCA) rules as 'non-complex' which would exclude many of the asset classes currently included in LGPS fund portfolios. In many cases managers will no longer be able to even discuss ('promote') certain asset classes and vehicles with the authority as a retail client.

Election for professional client status

8. MiFID II allows for retail clients which meet certain conditions to elect to be treated as professional clients (to 'opt up'). There are two tests which must be met by the client when being assessed by the financial institution: the quantitative and the qualitative test.
9. The Local Government Pension Scheme Advisory Board (SAB) and the Local Government Association (LGA) along with the Department of Communities and Local Government (DCLG) and the Investment Association (IA) have successfully lobbied the FCA to make the test better fitted to the unique situation of local authorities.
10. The new tests recognise the status of LGPS administering authorities as providing a 'pass' for the quantitative test while the qualitative test can now be performed on the authority as a collective rather than an individual. A summary of and extracts from the FCA policy statement which set out these new tests can be seen via the attached link <http://www.lgpsboard.org/index.php/opting-up-process> as **APPENDIX 2**.
11. The election to professional status must be completed with all financial institutions prior to the change of status on 3 January 2018. Failure to do so by local authorities would result in the financial institution having to take 'appropriate action' which could include a termination of the relationship at a significant financial risk to the authority.
12. The SAB and the LGA have worked with industry representative bodies including the IA, the British Venture Capital Association (BVCA) and others to develop a standard opt-up process with letter and information templates. This process should enable a consistent approach to assessment and prevent authorities from having to submit a variety of information in different formats.
13. A flowchart of the process can be seen via the link in paragraph 10 as **APPENDIX 3** and the letter and information templates can be seen as **APPENDICES 4 and 5**.
14. Applications can be made in respect of either all of the services offered by the institution (even if not already being accessed) or a particular service only. A local authority may wish to do the latter where the institution offers a wide range of complex instruments which the authority does not currently use and there is no intention to use the institution again once the current relationship has come to an end, for example, if the next procurement is achieved via the Brunel Pension Partnership LGPS pool. It is recommended that officers determine the most appropriate basis of the application, either via full or single service.
15. Authorities are not required to renew elections on a regular basis but will be required to review the information provided in the opt-up process and notify all institutions of any changes in circumstances which could affect their status, for example, if the membership of the committee changed significantly resulting in a loss of experience, or if the relationship with the authority's investment advisor was terminated.

LGPS pools

16. LGPS pools (Brunel Pension Partnership Ltd) will be professional investors in their own right so will not need to opt up with the external institutions they use. Local authorities will however need to opt up with their LGPS pool in order to access the full range of services and sub-funds on offer.

17. In some circumstances, in particular where the pool only offers access to fund structures such as ACS, the pool could use 'safe harbour' provisions resulting from local authorities continuing to be named as professional investors in both the Financial Promotion Order (the "FPO") or in the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order (the "PCISO"). These provisions would enable the promotion and potential sale of units in fund structures to local authorities as retail investors.
18. Elections to professional status will be needed for every financial institution that the authority uses outside of the pool, both existing and new, together with a continuing review of all elections. If all new purchases are made via fund structures within the pool then no new elections will be required, only an ongoing review of the elections made with the pool and any legacy external institutions, the number of which would reduce as assets are liquidated and cash transferred.

Next steps

19. In order to continue to effectively implement the authority's investment strategy after 3 January 2018, applications for election to be treated as a professional clients should be submitted to all financial institutions with whom the authority has an existing or potential relationship in relation to the investment of the pension fund.
20. This process should commence as soon as possible in order to ensure completion in good time and avoids the need for appropriate action to be taken by institutions in relation to the authority's pension fund investments.
21. The officer named in the recommendations should be granted the necessary retrospective delegation to make applications on the authority's behalf and to determine the nature of the application on either full or single service basis.

Risk Assessment

22. The impact of the MiFid II regulations is identified under PEN026 of the risk register considered elsewhere on the agenda.

Financial Considerations

23. If the Fund does opt-up the range of investment opportunities to implement an effective, diversified investment strategy may be limited.

Legal Implications of the Proposals

24. There are none.

Environmental Impact of the Proposals

25. There are none.

Safeguarding Considerations/Public Health Implications/Equalities Impact

26. There are no known implications at this time.

Proposals

27. Members are asked to:

- Note the potential impact on investment strategy of becoming a retail client with effect from 3 January 2018.
- Agree to the immediate commencement of applications for elected professional client status with all relevant institutions in order to ensure it can continue to implement an effective investment strategy.
- In electing for professional client status, the committee acknowledges and agrees to forgo the protections available to retail clients as detailed in **APPENDIX 1** on attached link <http://www.lgpsboard.org/index.php/opting-up-process>
- Agree to approve delegated retrospective responsibility to Head of Pensions for the purposes of completing the applications and determining the basis of the application as either full or single service.

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

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank