

## AGENDA

---

**Meeting:** Wiltshire Pension Fund Committee  
**Place:** Kennet Room - Wiltshire Council Offices, County Hall,  
Trowbridge  
**Date:** Thursday 20 September 2018  
**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](mailto: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](http://www.wiltshire.gov.uk)

---

<b>Chairman's Briefing:</b>	<b>Date</b>	<b>Time</b>	<b>Place</b>
	20 September 2018	9.30am	Kennet Room

---

### **Membership:**

#### **Voting Membership**

##### Wiltshire Council Members:

Cllr Tony Deane (Chairman)  
Cllr Gordon King  
Cllr Christopher Newbury  
Cllr Tom Rounds  
Cllr Roy While (Vice-Chairman)

##### Substitute Members

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

##### Swindon Borough Council Members

Cllr Steve Allsopp  
Cllr Timothy Swinyard

##### Employer Body Representatives

Mrs Diane Hall  
Mrs Linda Stuart

#### **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. Our privacy policy can be found [here](#).

### **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

## Items to be considered

Time

### PART I

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

- 1 **Welcome** 10:30am

To welcome those present and note any changes to the membership of the Committee.

- 2 **Apologies for Absence**

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

- 3 **Minutes** (*Pages 7 - 14*)

To confirm the minutes of the meeting held on 21 June 2018.

- 4 **Declarations of Interest**

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

- 5 **Chairman's Announcements**

To receive any announcements through the Chairman.

- 6 **Public Participation**

The Council welcomes contributions from members of the public.

#### Statements

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

#### Questions

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

Those wishing to ask questions are required to give notice of any such questions in writing to the officer named on the front of this agenda no later than 5pm on **Thursday 13<sup>th</sup> September** in order to be guaranteed of a written response. In order to receive a verbal response questions must be submitted no later than 5pm on **Monday 17<sup>th</sup> September**. Please contact the officer named on the front of this agenda for further advice. Questions may be asked without notice if the Chairman decides that the matter is urgent.

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

7 **Minutes and Key Decisions of the Local Pension Board**  
(Pages 15 - 24)

To consider the Part 1 (public) minutes, and recommendations arising from the Local Pension Board meeting held on 12 July 2018.

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

8 **Scheme, Legal, Regulatory and Fund Update** (Pages 25 - 30) **10.30am**

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

9 **Pension Fund Risk Register** (Pages 31 - 44) **10.40am**

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

10 **Draft Annual Report** (Pages 45 - 134) **10.50am**

The Committee is asked to approve the draft annual report.

11 **Employer Charging Policy** (Pages 135 - 142) **11.10am**

The Committee is asked to approve a new employer charging policy.

12 **Revised Employer Cessation Policy** (Pages 143 - 154) **11.20am**

The Committee is asked to approve a revised Employer Cessation Policy.

13 **Key Performance Indicators** (Pages 155 - 164) **11.30am**

The Committee is asked to note the latest Key Performance Indicators for Q2 period.

14 **Local Pension Board Annual Report** (Pages 165 - 194) **11.40am**

The Committee is asked to approve the latest Local Pension Board Annual Report.

15 **Training Plan** **11.50am**

A verbal update by the Governance and Performance Manager.

16 **Date of Next Meeting**

Members are asked to note that the next regular meeting of the Committee will be held on Thursday, 12 December 2018 at Swindon Borough Council offices.

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 – 24 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** **12.00pm**

A verbal update by the Interim Investment Manager on the progress of the implementation of the Brunel Pension Partnership.

20 **Investment Quarterly Progress Report** *(Pages 195 - 248)* **12.10pm**

Three confidential reports are circulated updating the Committee on the performance of the Fund's investments as to 31 March 2018. These were considered by the Investment Sub-Committee at its meeting on 7 June 2018 and are circulated for information only.

21 **Investment Sub-Committee** **12.20pm**

There are no new minutes to consider. A verbal update on matters considered at the Investment Sub Committee meeting on 13 September 2018 will be given.

22 **Procurement of Actuarial Contract** *(Pages 249 - 250)* **12.30pm**

A report outlining the procurement options available.

- 23 **Procurement of Independent Governance Advisor Contract:** 12.40pm  
*(Pages 251 - 254)*

A report outlining the procurement options available.

- 24 **Minutes** *(Pages 255 - 262)*

To consider the Part 2 (confidential) minutes of the meeting held on 21 June 2018.

## **WILTSHIRE PENSION FUND COMMITTEE**

---

### **PART 1 MINUTES OF THE WILTSHIRE PENSION FUND COMMITTEE MEETING HELD ON 21 JUNE 2018 AT THE KENNET ROOM - COUNTY HALL, TROWBRIDGE BA14 8JN.**

#### **Present:**

Cllr Steve Allsopp, Jim Edney, Cllr Gordon King, Cllr Christopher Newbury, Mike Pankiewicz,  
Cllr Tom Rounds, Linda Stuart and Cllr Roy While (Vice-Chairman, in the Chair)

#### **Also Present:**

Cllr Philip Whitehead

---

#### **20 Membership**

The Committee was advised the following changes had been made to the membership:

Cllr Simon Jacobs was replaced by Cllr Tom Rounds  
Cllr Steve Weisinger was replaced by Cllr Tim Swinyard  
Cllr Jon Hubbard was replaced as a substitute by Cllr Gavin Grant.

#### **21 Apologies for Absence**

Apologies for absence had been received from Cllr Tony Deane, Diane Hall,  
Tim Swinyard and Stuart Dark.

#### **22 Minutes**

##### **Resolved:**

**To confirm the Part 1 minutes of the meeting held on 15 March 2018**

#### **23 Declarations of Interest**

Cllr While declared he was a member of the Fund.

#### **24 Chairman's Announcements**

There were no Chairman's Announcements.

25 **Public Participation**

There were no members of the public present.

26 **Membership of the Investment Sub Committee**

**Resolved:**

**To ratify the constitution of the Investment Sub Committee in accordance with its Terms of Reference, with the following membership:**

**Cllr Tony Deane, Cllr Roy While, Cllr Gordon King and Cllr Tim Swinyard.**

27 **Minutes and Key Decisions of the Local Pensions Board**

The Committee considered the recommendations arising from the Local Pension Board meeting on 15 March.

**Resolved:**

**To note the minutes and recommendations arising from the Local Pension Board.**

28 **Scheme Regulatory and Legal Update**

The Head of Pensions Administration and Relations gave a Scheme, Regulatory and Legal update to the Committee. The update included that consideration of Public Sector Exit Payments was to go to Parliament as a Private Members Bill. Officers advised the LGPS Regulations had been changed in respect of cessation payments and there had been an alignment of the age members could take their benefits. It was highlighted the General Data Protection Regulation was now in force and the Fund was working towards compliance.

Other updates included that Section 13 of the Public Services Act 2013 required GAD to review the funding valuations and employer contribution rates across the LGPS, the results were expected in summer 2018 and it was not anticipated that any concerns would be raised against the Fund. The Scheme Advisory Board (SAB) was considering the impact of academies on LGPS funds in respect of contribution rates and which funds they should be in, and also their impact on fund administration. SAB had three new projects on separation, guidance, and data which were planned for the future and detailed in the report. The Committee heard officers had recently signed a new contract for their administration software which would help the Fund deliver Business Plan priorities.



**Resolved:**

**To note the updates and changes highlighted in the report.**

29 **Pension Fund Risk Register**

Officers explained the changes that had been made to the Fund's Risk Register since the last report to Committee. PEN012 'Over-reliance on Key Officers' had been reduced to an amber risk since a number of key officer roles had been filled. PEN020 'Pooling of LGPS assets' remained a red risk due to the significant amount of officer resource that continued to be required to support pooling. A new risk has been added PEN027 'Significant structural change to LGPS Funds or our Fund' in response to the scope of reviews being undertaken by SAB and the on-going environment of shared service and LGPS Fund mergers.

In response to questions, officers advised to mitigate the risks of pooling they were engaging in the Brunel Client Group and were in the process of recruiting a permanent Investment Manager to oversee the transition. Members discussed the current economic environment for academies within the fund, acknowledging academies would likely reduce their support staff over the coming years, therefore reducing the active members in the Fund. It was also probable there would be more Multi Academy Trusts. In respect of GDPR the Fund's Governance and Performance Advisor explained the Fund was a data controller and considered admitted bodies as joint data controllers; information had also been issued to employers about their respective roles in data controlling and processing.

**Resolved:**

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

30 **Local Pension Board Code of Conduct & Conflict of Interest Policy**

The Head of Pensions Administration and Relations recommended a change to the Local Pension Board Code of Conduct and Conflict of Interest Policy, endorsed by the Board, that it be reviewed every two years, or upon any material change to the relevant guidance and regulations. Questions were raised over the form for registering interests in respect of the following:

- The legal need to declare 'none' where no interests exist
- Whether interests members were legally obliged to declare could be explicitly identified from other requests
- Whether the interests of the member and their spouse, civil partner or cohabitee need be separated

**Resolved:**

**To request the Fund's legal advisors consider the questions raised as detailed above and possible revisions to the document.**

31 **Governance Compliance Statement**

The Head of Pensions Administration and Relations advised the Governance Compliance Statement was a legal requirement and would be included in the Fund's Annual Report.

**Resolved:**

**To approve the Governance Compliance Statement.**

32 **Internal Audit Report**

The Head of Pensions Administration and Relations advised South West Audit Partnership had given the Fund a 'Reasonable Assurance' audit opinion. Officers had taken action on the recommendations arising from the audit and a statement would be made to confirm when reconciliation work had been completed.

**Resolved:**

**To note the update and attached SWAP Internal Audit Report and recommendations and management's response to these recommendations.**

33 **Pension Fund Administration Outturn Statement 2017/18**

The Interim Investment Manager presented the Fund's Outturn Statement, it was explained the variance between planned and actual expenditure was mostly due to higher performance fees for investment managers and actuarial costs. The Actuary had provided additional resource to support the Fund during a period of high staff turnover. It was explained that a national comparison existed and officers could present this to Committee if considered useful.

**Resolved:**

**To note the Administration Outturn Statement and offer to present national comparisons in future reports.**

34 **Draft Statement of Accounts**

The Interim Investment Manager explained the production of the Fund's accounts had been a challenge for 2017-18 due to staff changes and the change of custodian as a result of asset pooling. It was considered the Fund

was now well placed for a smoother process the following year as staff were fully trained. The Committee was advised the lead auditor was confident with the Fund's accounts and the audit was expected to go well.

**Resolved:**

**To approve the draft Wiltshire Pension Fund Financial Statements 2017/18, subject to the completion of the audit and to refer the accounts to the Audit Committee to consider as part of the Wiltshire Pension Fund Committee accounts.**

**To thank officers for their hard work in producing the accounts over a challenging transition period.**

35 **Investment Strategy Statement**

The Committee considered an updated Investment Strategy for the Fund and it was suggested reference to the Flight Path and risk management tools could be made earlier in the document to contextualise details provided. It was also recommended further detail be provided on Brunel Pension Partnership.

Members commented the cover report for the Investment Strategy Statement stated there were no environmental implications of the policy, however the policy itself gave a broad statement on Environment Social and Governance issues and the Fund considered ESG implications as part of its investments.

**Resolved:**

**To approve the 2018 Investment Strategy Statement, subject to amendments to include further detail on Brunel and the Flight Path/risk management; the wording of such amendments to be delegated to officers. And to request the Committee is updated on changes at a future meeting.**

**To request future cover reports for the Investment Strategy Statement include a statement in respect of ESG issues.**

36 **Date of Next Meeting**

**The next meeting was to be held on 20 September 2018.**

37 **Urgent Items**

There were no urgent items.

38 **Exclusion of the Public**

**Resolved:**

**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 Minute Numbers 39-44 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.**

39 **Employer Investment Strategies - Progress Update**

Catherine McFadyen and Barry Dodds from Hymans-Robertson LLP presented on separate employer investment strategies for the Fund.

**Resolved:**

**To endorse the approach set out by Hymans and delegate to officers to implement the proposal and develop a detailed timeline to plan actions for the next four quarters.**

**To request an update on progress with investment strategies in September and case study examples of the impact on employers of switching out of the main strategy.**

40 **Brunel Pension Partnership update**

The Interim Investment Manager gave an update on the progress of Brunel Pension Partnership.

**Resolved:**

**To note the verbal update on the progress of Brunel Pension Partnership.**

41 **Investment Quarterly Progress Report**

An update on the Fund's investment performance was provided.

**Resolved:**

**To note the reports and performance of the Fund's investments.**

42 **Minutes and Key Decisions of the Investment Sub Committee**

The Committee considered the recommendations arising from the Investment Sub Committee, and noted key decisions in respect of risk management that would link into the investment strategies work led by Hymans.

**Resolved:**

**To note the minutes and key decisions of the Investment Sub Committee held on 7 June 2018.**

**To recommend an amendment to minute 27 to clarify a reference to investment advisors.**

43 **Minutes**

**Resolved:**

**To confirm the Part 2 minutes of the meeting held on 15 March 2018.**

44 **Urgent Item**

Representatives from Hymans Robertson and Jim Edney, Independent Advisor, left the meeting due to a conflict of interest.

The Committee was invited to consider the contracts for the Fund's investment adviser, independent adviser and actuary.

**Resolved:**

**To note that officers would make the necessary procurement arrangements for an actuarial contract, and would update the Committee on progress. And to endorse the recommendation that the optimum time be found for the contract to come to an end during the valuation cycle, however to also note that decisions are subject to procurement law.**

**To note the Investment Advisor contract would be reviewed in 2019, closer to the expiry date of the contract.**

**To request a proposal on the contract for an Independent Governance Advisor be brought to the next meeting.**

(Duration of meeting: 10.30 am - 12.40 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](mailto:libby.johnstone@wiltshire.gov.uk)

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

## **LOCAL PENSION BOARD**

---

### **PART 1 MINUTES OF THE LOCAL PENSION BOARD MEETING HELD ON 12 JULY 2018 AT SALISBURY ROOM - WILTSHIRE COUNCIL OFFICES, COUNTY HALL, TROWBRIDGE.**

#### **Present:**

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

---

#### **23 Membership**

There were no changes to the membership of the Board. It was noted the Board was still carrying a vacancy following the resignation of Lynda Croft, and was in the process of going out to advert for the second time.

#### **24 Apologies**

Apologies for absence had been received from David Bowater.

#### **25 Minutes**

The Chairman introduced the minutes from the previous meeting and advised that whilst the benchmarking of the Fund against other Funds in Brunel Pensions Partnership did not feature on the action tracker, it was included in the Fund's Work Plan.

#### **26 Declarations of Interest**

There were no declarations of interest.

#### **27 Chairman's Announcements**

The Chairman reminded members of the remit of the Local Pension Board to provide oversight of the Fund's governance and administration processes.

Other announcements included a recent CIPFA Guide for Local Pension Boards that would be a useful resource for members, and the Chairman had recently

attended at CIPFA conference for Local Pension Boards. Discussions at the conference had centred on the representation of funds within asset pools, the imminent Government Actuaries Department (GAD) report on the funding viability of the LGPS, and that the Pensions Regulator (tPR) was increasing its resources.

## 28 **Public Participation and Councillors Questions**

There were no members of the public present.

## 29 **Election of Vice Chairman**

Nominations were sought for the position of Vice Chairman.

**Resolved:**

**To appoint Sarah Holbrook as Vice Chairman for the forthcoming year.**

## 30 **Minutes and Key Decisions of the Wiltshire Pension Fund Committee**

The Board considered the minutes of the recent Wiltshire Pension Fund Committee meeting and noted it had referred the Board's Code of Conduct for review to seek further legal advice on which elements of the Register of Interest form were a statutory requirement. Officers advised if only minor changes were recommended this could go straight to the Wiltshire Pension Fund Committee, material changes would need to go to the LPB for consideration. It was recommended the Conflict of Interest Policy be compared to the Pensions Regulator guidance.

**Resolved:**

**To note the minutes and key decisions of the Wiltshire Pension Fund Committee and to recommend the Conflict of Interest Policy be reviewed against the Pensions Regulator guidance.**

## 31 **Draft Statement of Accounts**

The Board discussed the Fund's Statement of Accounts for which it was expecting a clean external audit. Questions were raised on investment manager performance fees and it was confirmed these were agreed upon appointment and checked when the invoice came in. The Chairman commented the Fund may require additional resource in the next year to support the CIPFA disclosure requirements and requested an update on the process for the appointment of a new external auditor at the next meeting.

The Board members recommended technical changes to the accounts as detailed below.



**Resolved:**

**To note the draft Wiltshire Pension Fund Financial Statements for 2017-18, and to recommend the following amendments:**

- **Under ‘Local Pension Board’ include a reference that the LPB also has an oversight function to ensure the Fund is compliant with the Pensions Regulator.**
- **Split the figures for cash and derivatives, or remove the figures for derivatives in the accounts where this is zero.**
- **Remove zero figures in the accounts.**
- **Under ‘Basis of Preparation’, wording to be updated to reflect the regulatory status of the approach taken.**
- **Include Brunel Pension Partnership, Local Pension Board transactions and key management remuneration in ‘related party transactions’ in the accounts. The note the CIPFA guidance recommends more disclosure over these transactions.**
- **AVCs be included in the accounts, and the wording in accounts be amended to reflect this since there are specific requirements about which AVCs that should be disclosed.**

**To request an update on the process for the appointment of a new external auditor at the next meeting.**

**To recommend the compliance with the CIPFA disclosure agreement is factored into the 2018/19 accounts.**

## **32 Training item: GDPR**

Richard Bullen, Fund Governance and Performance Manager, gave a high-level summary of the Fund’s actions to achieve compliance with the General Data Protection Regulations. The Fund had mapped the data it held, sent out Privacy Notices, appointed a Data Protection Officer, issued training, updated policies and been in regular communication with employers. Next steps would include a review of service provider contracts and arranging for audits to verify processes were being followed correctly.

It was explained the Fund was working with all of its partners, managers, and employers in the fund to check their own processes were sound. Employers within the fund would have their respective obligation to review their policies, procedures and communications with employees.

It was discussed whether employers could request their data back from the Fund where they were no longer a participating employer. The extra administration burden on the Fund arising from GDPR was discussed, it was acknowledged it was a significant piece of work, however considered it would make the fund more efficient moving forward due to data cleansing and improved processes.

**Resolved:**

**To note the update on the Fund's actions to ensure GDPR compliance and to recommend it reviews its actions against the advice of the Scheme Advisory Board on its interpretation of GDPR, to ensure the Fund focuses on the important and sensitive data it holds.**

### 33 **GDPR Progress Update**

The Board considered this update in conjunction with the previous agenda item. The complexities of the data mapping exercise and integration of policies and procedures with those of third parties was discussed.

**Resolved:**

**To note the Fund's progress on the implementation of GDPR.**

### 34 **Local Pension Board Annual Report**

The Board considered its annual report and noted the requirement on members to advise officers of training events they had attended so this could be recorded. Members were pleased to learn the Annual Benefit Statement exercise was on target to be completed on time this year. The Chairman recommended an additional Section be added to the annual report to record whether recommendations of the Board had been adopted by the Committee/Fund.

**Resolved:**

**To approve the Local Pension Board Annual Report subject to the addition of a section to record the implementation of LPB recommendations, the wording of this was delegated to officers, in consultation with the Chairman.**

### 35 **The Pensions Regulator Code of Practice 14 Record Keeping Compliance**

Officers presented a report which tested the Fund's compliance against the Pension Regulators Code of Practice 14 Record Keeping Regulations, the specification of the review was set out by an independent questionnaire originally provided by Aon Consulting and covered the Fund's internal controls. Overall the Fund was well managed, two areas had been improved since the last review, 13 others required improvement and one new risk had been added.

The report set out an action plan to improve the risks identified. It was explained that a number of the risks related to communication of the Independent Dispute Resolution Process to members, and once this was resolved, a number of risks would be addressed.

**Resolved:**

**To note the self-assessment undertaken by officers and to request an update on progress at a future meeting within the next 6 months.**

36 **Internal Audit report**

The Board was presented with the Fund's internal audit report which had given a "Reasonable Assurance" opinion. There were no significant findings in the report, with one new priority 3 risk identified and two more priority 3 risks remaining from the 2016-2017 year (one of which was not due until December 2019). In addition, there was one advisory recommendation.

The new priority 3 risk related to the Fund Investment & Accounting Manager ensuring that she can demonstrate she has verified reconciliations prepared by the Accounting Technician; this check was now in place and occurring monthly. For the two other risks, the monthly reconciliations of New Pensioners and New Dependents between the Altair Pension system and SAP Pension Payroll was currently being put in place while the full reconciliation between all Altair and Pension Payroll records was planned to start towards the end of 2018, once the first stage of the GMP Reconciliation project is complete.

The Board were reassured to hear SWAP were following up on their audit recommendations and requested an update on action taken at a future meeting. Members sought assurance the Fund paid for the internal audit, rather than Wiltshire Council as part of their contract, officers agreed to check on this and report back.

**Resolved:**

**To note the update, SWAP Internal Audit report and response to recommendations, and request an update on progress against recommendations at a future meeting.**

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

A report outlined the current and recent scheme and regulatory changes. Key updates included: the reforms to public sector exit payments were delayed, amendments to the LGPS regulations had been made in May, and the Pensions Dashboard was still only in early development. New updates from the Scheme Advisory Board had been added in respect of a Separation Project to consider separation between host authority and scheme manager role. Another project in the early stage was one to identify regulations which may be better sited within

statutory guidance, and to propose the necessary amendments and assist HMCLG with the drafting of guidance. Likewise, the SAB was launching a project to assist authorities in meeting the tPR data management requirements.

The Chairman highlighted the SAB was looking for volunteer authorities to be involved in these projects and it would be an opportunity for the Fund to steer the outcome. It was heard that CIPFA was bringing out a number of new publications over the next year the Fund should be updated on.

**Resolved:**

**To note the changes highlighted in the report and to request a section for relevant CIPFA updates.**

**38 Risk Register Update**

Since the last report to the Board, officers had downgraded PEN012 'Over-reliance on key officers' as a number of key staffing roles had been filled. Officers advised that most operational and strategic decisions were made by the Head of Pensions Administrations and Relations or the Investment Manager, therefore the s151 vacancy did not impact on the running of the Fund day to day. The Board however expressed concern the Fund would suffer in the long term from lack of strategic direction if this vacancy was not filled on a permanent basis.

PEN010 'Failure to keep records up to date and accurate' had been raised and would be addressed when the Fund was better resourced, PEN020 'Pooling of LGPS assets' remained red risk. A new risk had been added PEN027 'Significant structural change to LGPS or our Fund' due to the environment of shared service and fund mergers.

**Resolved:**

**To note the Risk Register and measures being taken to mitigate risks and recommend the Committee regularly review PEN012 due to the outstanding permanent vacancy for the Treasurer/Section 151 officer to the Fund.**

**39 Quarterly Update on Key Performance Indicators**

The Head of Pensions Administration and Relations presented a report on the Fund's performance against key indicators. The report now included the indicators recommended by the Pensions Regulator, it was noted the Fund planned to develop KPIs for employers and late payment of contributions.

The implication of the Fund using 'common data' as recommended by tPR was discussed, it was noted it was difficult to draw comparisons between the Funds

due to likely inconsistencies in the methodologies that funds would use. A key priority for officers moving forward would be to involve its data quality analysts posts to improve the Fund's data and improve KPIs. Questions were raised over why KPIs on pension fund 'leavers to deferred' and 'refund of contributions' stood out from other performance metrics. It was explained the poor performance of 'leavers to deferred' was due to lack of resource within that area of the team and also difficulty in obtaining accurate data from employers. In respect of contribution refunds, these were of lower priority, and ultimately could only be speeded once vacancies were filled and further technological and process improvements were implemented.

**Resolved:**

**To note the Fund's performance against Key Performance Indicators.**

**40 Review Fund Communication: Employers and Members**

The Fund's new Communications Manager explained she planned to inject a more bold approach into the Fund's branding so as to clearly identify it. Examples of new branding were shown. The Board also heard the Fund had launched its new website which was based on the popular platform offered by Hymans Robertson, the next priority was to work on a member self-service portal in November 2018; this would be a staged roll-out.

**Resolved:**

**To note the update on the Fund's Communication Strategy and the date for the next Annual Conference as 14<sup>th</sup> November.**

**41 Investment Strategy Statement**

Officers advised the Fund's Investment Strategy Statement had recently been updated in respect of the de-risking of strategic asset allocation due to the triggering of the Flight Path when the funding level increased. The document had also been updated to reflect the current approach to decision making with Brunel Pension Partnership.

Mike Pankiewicz requested the policy be updated, and added to, in respect of the Fund's approach to fossil fuel divestment and the Environment, Social and Governance (ESG) approach of the Fund. It was highlighted that investment managers considered ESG ratings in their investments, and the Committee should monitor Brunel's approach to decarbonisation. Officers agreed this recommendation would be factored in for the next review.

**Resolved:**

**To note the Investment Strategy Statement agreed for final publication.**

**To recommend, upon next review of the Investment Strategy Statement by Committee, that:**

**a) reference is made to ESG policy and that ESG policy is reviewed in light of a forthcoming government consultation paper on final salary pension schemes in respect of ESG;**

**b) an annex be included to illustrate the Fund's compliance with Regulation 7.**

**42 LPB Training Strategy Update 2018**

The Fund Governance and Performance Manager advised Hymans Robertson had developed training exercises for Board and Committee members on the subject of pensions knowledge and understanding, confidence and member effectiveness. Members would be invited to feedback on this and the training strategy would be tailored accordingly. Officers were confident the Board's training plan was compliant with the obligations upon members, however were planning to develop a more comprehensive training strategy. The Chairman advised the Pensions Regulator was offering member training sessions and suggested the Fund take advantage of this.

**Resolved:**

**To note the Fund's progress in implementing an updated training and development strategy.**

**To recommend officers contact the Pensions Regular about the offer of training events.**

**43 How did the Board do?**

The Chairman thanked officers for their work supporting the Board.

**44 Urgent items**

There were no urgent items.

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

The next meeting of the Board was to be held on 11 October 2018.

46 **Exclusion of the Public**

**Resolved:**

**That in accordance with Section 100A(4) of the Local Government Act 1972 to exclude the public from the meeting for the business specified in Minute Numbers 46-49 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.**

47 **LPB Insurance Indemnity Policy update**

The Board considered the extension of an insurance indemnity policy.

**Resolved:**

**To recommend, and delegate to officers, to arrange a continuation of an insurance policy for the Board. The outcome of this exercise would be reported back to the next meeting for information, however in the event a material difference in costs or coverage was proposed this would be brought back to the Board for further consideration.**

48 **Brunel Pension Partnership update**

**Resolved:**

**To note the update on the progress of Brunel Pension Partnership and request an update in 2019 on whether the pool was on track with forecasting savings and transactions.**

49 **Minutes and Key Decisions of the Wiltshire Pension Fund Committee, Investment Sub-Committee and Brunel Oversight Board**

**Resolved:**

**To note the minutes of the Wiltshire Pension Fund Committee, Investment Sub Committee, and Brunel Oversight Board.**

50 **Minutes**

**Resolved:**

**To confirm the Part 2 minutes of the meeting held on 15 March 2018.**

(Duration of meeting: 10.30 am - 1.20 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](mailto:libby.johnstone@wiltshire.gov.uk)

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



**APPENDIX 1**

Organisation	Subject	Link	Status	Comments	Risk
HM Treasury	Pensions scams: consultation response	<a href="https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/638844/Pension_Scams_consultation_response.pdf">https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/638844/Pension_Scams_consultation_response.pdf</a>	No change since the last meeting	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, to consider making it harder for fraudsters to open dubious pension schemes and to limit the statutory right to transfer to some occupational pension schemes.	
	Indexation and equalisation of GMP in public service pension schemes	<a href="https://www.gov.uk/government/consultations/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</a>	No change since the last meeting	Following the Government's consultation on how to address the implications of State Pension reforms for Guaranteed Minimum Pensions (GMP) of public servants below State Pension age, on 22 January 2018 the Government decided to extent the temporary arrangements which initially came into force for the period 2016 to 2018. The temporary arrangements effectively mean that for pensioners who reach state pension age between 6 April 2016 and 5 April 2021, any GMP element of the member's pensions receive the same pension increase amounts as the non-GMP element of a member's pension. The Government has extended the temporary arrangement as it has still not decided what to do in the long-term in this area.	
	Reforms to public sector exit payments: response to the consultation	<a href="https://www.gov.uk/government/consultations/further-consultation-on-limiting-public-sector-exit-payments">https://www.gov.uk/government/consultations/further-consultation-on-limiting-public-sector-exit-payments</a>	Updated	The Bill was presented to Parliament on Tuesday 5 September 2017 and there was no debate and it is now scheduled to have its second reading on 26 October 2018 (note the second reading has already been delayed a number of times). It is a Private Member's Bill, which are often not printed until close to the second reading debate and hence no text is still available.	
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	<a href="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-">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-</a>	No change since the last meeting	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.	

Organisation	Subject	Link	Status	Comments	Risk
		<a href="#">the-european-union-decision</a>			
<b>DCLG</b>	Guidance on Preparing and Maintaining an Investment Strategy Statement' (ISS)	<a href="https://www.gov.uk/government/publications/local-government-pension-scheme-guidance-on-preparing-and-maintaining-an-investment-strategy-statement">https://www.gov.uk/government/publications/local-government-pension-scheme-guidance-on-preparing-and-maintaining-an-investment-strategy-statement</a>	No change since the last meeting	<p>Following the High Court ruling on 23rd June 2017 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 Department of Work and Pensions (DWP)	Pension dashboard project	<a href="https://pensionsdashboardproject.uk/industry/about-the-pensions-dashboard-project/">https://pensionsdashboardproject.uk/industry/about-the-pensions-dashboard-project/</a>	Updated	<p>The purpose of the Pension Dashboards project is to enable members of the public to view details of all their pensions together (all private, public and state pensions).</p> <p>DWP is leading this project and the intention was to 'go live' during 2019. However, the Financial Times reported at the end of August 2018 that DWP were considering abandoning the project. The DWP has said it would publish its feasibility report "in due course".</p>	
<b>Government Actuaries Department (GAD)</b>	Section 13 of the Public Services Act 2013 requires GAD to review the funding valuations and employer contribution rates across the LGPS	<a href="https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/651721/GAD_E-news_issue_29_Oct_2017.pdf">https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/651721/GAD_E-news_issue_29_Oct_2017.pdf</a>	Updated	<p>GAD has revised its release date of its Section 13 report. It is now due by the end of September.</p> <p>We do not anticipate that report will have any impact on Wiltshire Pension Fund.</p>	
<b>Financial Conduct Authority (FCA)</b>	CP16/29: Markets in Financial Instruments Directive II (MIFID2)	<a href="https://www.fca.org.uk/publications/consultation-papers/cp16-29-mifid-ii-implementation">https://www.fca.org.uk/publications/consultation-papers/cp16-29-mifid-ii-implementation</a>	Completed	<p>In early July 2017, 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>On coming into force, MIFID2 re-designated 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</p>	

Organisation	Subject	Link	Status	Comments	Risk
		<a href="http://www.lgpsboard.org/index.php/schemedata/mifidii">http://www.lgpsboard.org/index.php/schemedata/mifidii</a>		<p>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 has opted up to professional status. All investment managers and Brunel Pension Partnership have been notified.</p>	
<b>Scheme Advisory Board (SAB)</b>	Academies' review	<a href="http://www.lgpsboard.org/index.php/structure-reform/review-of-academies">http://www.lgpsboard.org/index.php/structure-reform/review-of-academies</a>	No change since the last meeting	<p>SAB commission PwC to produce a report on "Options for Academies in the LGPS" commissioned and the report was 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. The proposals were wide ranging from minor alterations to academies being grouped together in a single LGPS Fund.</p> <p>SAB's work is still on-going and Bob Holloway from the LGA previously stated that a wide range of options in both work streams are still be considered. For example, changing the administration arrangements or putting academies into their own Fund etc. However, a consultation will be released on any changes proposed before they are put into force.</p>	
	Investment fees - Code of Transparency	<a href="http://www.lgpsboard.org/index.php/structure-reform/cost-transparency">http://www.lgpsboard.org/index.php/structure-reform/cost-transparency</a>	No change since the last meeting	<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	Status	Comments	Risk
	Tier 3 employers	<a href="http://www.lgpsboard.org/index.php/board-publications/invitation-to-bid">http://www.lgpsboard.org/index.php/board-publications/invitation-to-bid</a>	No Change	Covers those Fund employers with no tax raising powers or guarantee (excludes academies). SAB is keen to identify the issues and risks related to these employers' participation in the LGPS and to see if any improvements/changes can be made. 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. Aon Hewitt have been commissioned to produce a report on this area, the outcome of the report has not been released as at the time of writing.	
	Separation Project	<a href="http://www.lgpsboard.org/images/PDF/BoardFeb18/PaperBItem50218.pdf">http://www.lgpsboard.org/images/PDF/BoardFeb18/PaperBItem50218.pdf</a>	Updated since the last meeting	The objective of the Separation Project is to identify both the issues deriving from the current scheme administrative arrangements and the potential benefits of further increasing the level of separation between host authority and the scheme manager role.  KPMG produced a report in 2015 which outlined options ranging from removing the potential conflicts of interest for the S151 role to complete separation (i.e. each Fund would become a standalone company).  On 21 August 2018, the SAB put out a 'proposal for assistance' from an appropriate bidder to take the project forward.	
	Guidance Project	<a href="http://www.lgpsboard.org/images/PDF/BoardFeb18/PaperBItem50218.pdf">http://www.lgpsboard.org/images/PDF/BoardFeb18/PaperBItem50218.pdf</a>	No Change	The Guidance project will identify regulations which may be better sited within statutory guidance and to both propose the necessary amendments and assist HMCLG with the drafting of guidance.  Similarly, this project is at an early stage and no further information is available at this time.	
	Data Project	<a href="http://www.lgpsboard.org/images/PDF/BoardFeb18/PaperBItem50218.pdf">http://www.lgpsboard.org/images/PDF/BoardFeb18/PaperBItem50218.pdf</a>	No Change	The SAB describes this project as: The Data project will aim to assist administering authorities in meeting the Pension Regulators requirements for monitoring and improving data and include the identification of scheme specific conditional data and the production of guidance for authorities and employers.  No further information is currently available from the SAB. However, the SAB did consult on a common set of data points for the part of the project relating to scheme specific conditional data over the last couple of months before deciding to postpone implementation until 2019, in time for the 2019 tPR Scheme Return.	



This page is intentionally left blank

## **WILTSHIRE COUNCIL**

WILTSHIRE PENSION FUND COMMITTEE  
20 September 2018

---

### **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 has been no changes to the risk categories or levels since the last meeting
5. One remaining red risk remains: ***PEN020: Pooling of LGPS assets.***
6. Work continues to mitigate where possible the risks above along with the other remaining medium risks highlighted on the risk register.

#### **Financial Implications**

7. No, direct implications.

#### **Legal Implications**

8. There are no known implications from the proposals.

#### **Environmental Impacts of the Proposals**

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

#### **Safeguarding Considerations/Public Health Implications/Equalities Impact**

10. There are no known implications at this time.

#### **Proposals**

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

ANDY CUNNINGHAM  
Head of Pensions Administration and Relations

Report Author: Andy Cunningham, Head of Pensions Administration and Relations

---

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			
							Impact	Likelihood	x	Level of risk				Impact	Likelihood	x	Level of risk
PEN001	Failure to process 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.	Andy Cunningham	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. When work loads are high, payments to members are prioritised above other work.	2	2	4	Low	None	N/A	N/A	2	2	4	Low
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	Andy Cunningham	Business Continuity Plan reviewed in Dec 2016 and in place. Another review is planned for early October 2018. 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 mostly paperless office.	4	1	4	Low	None	N/A	N/A	4	1	4	Low
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	Andy Cunningham	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	N/A	N/A	4	1	4	Low
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.	Andy Cunningham	The Fund has done an Equality Risk Assessment and has an Equality Implementation Plan in place	2	1	2	Low	None	N/A	N/A	2	1	2	Low
PEN021	Ability to Implement the Public Sector Exit Cap	Benefits Administration	Introduction of exit cap will require an additional burden on the administration team as is likely to effect all redundancy calculations.	Changes need to be communicated to individuals and employers and systems adapted once the revised regulations have been approved	Andy Cunningham	Currently monitoring the progress of the developments to allow adequate time to take any actions necessary. We are not anticipating any changes to occur quickly and, depending on the final outcomes, WPF will set up a project cover: discussions with employers and changes to employer discretions policies, benefit and systems calculations and the associate communications.	2	2	4	Low	None	Andy Cunningham	N/A	1	3	3	Low
PEN022	Risks related to reconciliation of GMP records (increase in staff resource & reputational)	Benefits Administration	From 1 April 2016, State Second Pension ceases and HMRC no longer provides GMP data on members to Funds.	If GMP records for members are inaccurate there is the potential for incorrect liabilities being paid by the Fund.	Andy Cunningham	Large project is still ongoing and software from Heywood's is being used to process amendments to Altair on bulk. Progress has been delayed due to resources being: *Focussed on other, more urgent areas; *The time HMRC takes to respond to queries; and *By Funds trying to engage with Government to agree on a nation wide approach.	2	4	8	Medium	Working with other south-west Funds to try to agree on a common approach and present it to Government Departments. Implementation of a overpayments policy.	Richard Bullen	Dec-18	1	3	3	Low

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			
							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.	Nick Weaver	Funding Strategy Statement, Investment Strategy, Triennial Valuations, membership of Club Vita, modelling of future cash flows.	2	2	4	Low	This is factored into the Strategic Asset Allocation review, which will commence in October 2017, when the new Investment & Accounting Manager is in place. Both the Fund Investment Consultant and Fund Actuary will be closely involved in the work.	Nick Weaver	May-19	4	1	4	Low
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.	Andy Cunningham	Longevity and bond yields are generally beyond the control of the Fund although the Investment Sub-committee is currently considering certain risk management techniques such as Liability Driven Investments. Furthermore, the Fund and each employer must have a Discretions Policy in place to help control discretionary costs (e.g. early retirements, augmented service, etc).	2	1	2	Low	None	Andy Cunningham	N/A	2	2	4	Low
PEN006b	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.	Andy Cunningham	As above	2	2	4	Low	As above	Andy Cunningham	N/A	2	2	4	Low
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	Nick Weaver	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 employers. In February 2018 Mercer recommended the Fund go to market for a single provider to manage all aspects of risk management. Further training, open to all Committee and Board members, will take place in the next couple of months, to allow a recommendation to be brought to the June meeting.	Nick Weaver	N/A	2	1	2	Low

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			
							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	Nick Weaver	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. It will be continuously reviewed, as part of the updating of the Investment Strategy Statement.	Nick Weaver	N/A	2	2	4	Low
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	Andy Cunningham	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. A new, revised cessation policy is being presented to Committee on 20 September 2018 to address: *Regulatory changes which came into force in May 2018 and; *Certain scenarios which have arisen which the existing policy did not cover adequately.	2	2	4	Low	*The Employer Relationship Manager is putting in place an early warning system for cessations to try to address likely financial and risk issues before they occur. *The Fund will need to review its Funding Strategy Statement before the next triennial valuation to help ensure that the cessation policy is consistent with the FSS.	Andy Cunningham	Dec-18	2	1	2	Low
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	Nick Weaver	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.	Roz Vernon	N/A	3	1	3	Low
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.	Nick Weaver	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	The markets and weightings are closely monitored as part of the "fightpath" and "rebalancing" processes. A single provider to manage all aspects of risk management, is also under consideration.	Nick Weaver	On-going	3	1	3	Low
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.	Nick Weaver	Wiltshire Fund Fund is now being treated as a Professional Client, having followed due process.	2	2	4	Low	None.	Nick Weaver	Completed	3	1	3	Low

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			
							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.	Nick Weaver	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	2	4	Low	Implemented. Reconciled to the bank account every month and monitored in dedicated monthly meeting, by management. From 1 April 18 will be regularly reported to the Committee. Will also be included in the 18/19 statutory accounts.	Roz Vernon	Nov-18	2	2	4	Low
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	Andy Cunningham	*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. *KPIs against statutory standards *Imbedding checks and controls into all processes.	2	2	4	Low	The Funds has undertaken a self-assessment against tPR Code of Practice no 14 to identify a gaps in compliance and is currently closing off the gaps identified.	Andy Cunningham	On-going	2	2	4	Low
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.	Andy Cunningham	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. The Fund has produced a new suite of procedures and controls following the introduction of GDPR.	3	3	9	Medium	Further reviews and changes in relation to the GDPR.	Andy Cunningham	On-going	2	1	2	Low
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.	Andy Cunningham	Data & 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.	3	2	6	Medium	The Fund is currently addressing new data issues identified by a review of the tPR two key data standards. The Fund needs to continue to tackle the issues identified and to put in place a formal data improvement strategy.	Mark Anderson	Dec-18	2	1	2	Low
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.	Andy Cunningham	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 Governance & Performance Manager has formulated annual Training Plans and Relevant officers are also reviewed against the CIPFA Knowledge & Skills Framework to ensure adequate expertise exists.	3	3	9	Medium	A new, permanent Investment Manager is due to start on 24 September 2018. The Council is re-advertising for the Finance Director vacancy that currently exists and which is presently filled on an interim basis.	Andy Cunningham	Feb-19	2	1	2	Low

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				
							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 large knowledge gap could be left behind.	Andy Cunningham	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. In August 2018, the Pension Fund officers (Admin & Relations) undertook a Key Person Dependencies exercise to identify areas where knowledge needed to be shared more widely. Officers are currently sharing the identified areas to reduce the risk of knowledge being lost.	3	3	9	Medium	Recruitment to the Director of Finance post and further imbedding of the new restructure.	Ian Duncan	01/01/2019	2	1	2	Low
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 Funds to 'Comply or Explain' within their Annual Report on the skills knowledge of members of the Committee	Andy Cunningham	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 Governance & Performance Manager is now rolling out a new self-assessment exercise to identify gaps in Committee knowledge and will discuss this further at the 20 September 2018 Committee.	Richard Bullen	Dec-18	2	1	2	Low
PEN019	Maintenance of Local Pension Board & Investment Sub-Committee	Regulatory & Governance	Failure of Wiltshire Council to maintain a Local Pension Board, from finding suitable representatives and the officer time required to support the Board and 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.	Andy Cunningham	Mechanisms are in place to recruit to vacancies as they arise.	2	2	4	Low	None. 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 Reports has shown how its been effective.	Andy Cunningham	N/A	1	3	3	Low
PEN020	Pooling of LGPS assets	Regulatory & Governance	The Fund needs to pool its LGPS assets with other Funds using the Brunel Pensions Partnership.	Poor implementation could be costly in terms of additional fees and poor investment returns.	Nick Weaver	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.	Nick Weaver	Ongoing	1	3	3	Low

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			
							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.	Andy Cunningham	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 is still being monitored through work planning and appraisals.	3	3	9	Medium	Further imbedding of the restructure is necessary and service improvements need to be made to allow senior officers to spend more time on meeting the recommendations of the Board and the requests of the Committee.	Andy Cunningham	N/A	1	2	2	Low
PEN025	Academisation of Schools, the possibility of MAT breakups and cross fund movements.	Regulatory & Governance	Potential for further schools to convert to academy status, MATs to breakdown	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.	Andy Cunningham	Regular communications with schools to understand their intentions. Revised cessation policy aims to address some of the risks relating to MAT breakups.	2	3	6	Medium	The Fund is monitoring the SAB review of academies roles in the LGPS and will take actions (e.g. respond to consultations) as necessary to try to mitigate this risk further.	Andy Cunningham	N/A	1	1	1	Low
PEN027	Significant structural change to LGPS Funds or to our Fund	Regulatory & Governance	A merger, takeover from another Fund or of another Fund. Significant changes to how certain employer categories participate in the Fund - for example Tier 3 employers or academies.	Depending on its nature and scale: a major impact on employer numbers, governance, control and operational matters.	Andy Cunningham / Nick Weaver	To keep abreast of any national development and respond to consultations when they occur. To take appropriate opportunities to increase the membership and the numbers of employer of the Fund. For example, where a multi academy Trust wishes to consolidate its cross-Fund operations within a single Fund.	4	2	8	Medium	None	Andy Cunningham / Nick Weaver	N/A	3	1	3	Low
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.	Andy Cunningham	The Fund has a Communications Manager and Employer Relationship Manager posts 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	None	Denise Robinson/Ashleigh Salter	N/A	1	1	1	Low

Direction  
of Travel

↑

↑

↑

Page 39

↑

↑

↑

Direction  
of Travel

↑

↑

↑

↑



Direction  
of Travel

↑

↑

↑

↑

↑

Direction  
of Travel

↑

↑

↑  
Page 42

↑

↑

Direction  
of Travel

↑

↑

Page 43

↑

↑

Direction  
of Travel

↑

↑

↑  
Page 44

↑

## **WILTSHIRE COUNCIL**

WILTSHIRE PENSION FUND COMMITTEE

20 September 2018

---

### **DRAFT ANNUAL REPORT FOR 2017-18**

#### **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 2017-18 were approved at the 21 June 2018 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 2018 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.
6. This is the draft copy for approval of content. The final version will be formatted and designed prior to publication.
7. The Independent Auditor, KPMG, has issued its Opinion, which is attached.

#### **Risk Assessment**

8. There are none.

#### **Financial Considerations**

9. These are considered in the Annual Report.

#### **Legal Implications of the Proposals**

10. There are none.

#### **Environmental Impact of the Proposals**

11. There are none.

#### **Safeguarding Considerations/Public Health Implications/Equalities Impact**

12. There are no known implications at this time.

## **Proposals**

13. Members are asked to approve the draft Wiltshire Pension Fund Annual Report 2017-18 for publication.

Ian Duncan  
Treasurer to the Pension Fund

Report Author: Nick Weaver, Interim Fund Investment & Accounting Manager

---

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

# **WILTSHIRE PENSION FUND**

**Report & Accounts**  
**For the year ended 31 March 2018**

# WILTSHIRE PENSION FUND

## REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018

### CONTENTS

1. Chairman's foreword	3
2. Scheme Management and Governance	5
3. Governance	8
4. Fund overview	14
5. Risk	21
6. Training report	27
7. Administration report	31
8. Investment report	42
9. Financial Performance	52
10. Actuarial position	56
11. Statement of Responsibilities for the Financial Statements	58
13. Statement of accounts	60
14. IAS26 statement	84
15. Further information & contacts	86



## 1. 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 190 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 new Academies setting up.

The Fund has seen an increase of 600 contributing members to 21,800, while the number of retired employees receiving regular payments has increased by around 800 to 16,300. The average pension paid was £4,189. The number of deferred members has increased by around 1,200. 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 £211 million to £2,398 million as at 31 March 2018 reflecting strong asset returns across all asset classes.

Interim monitoring reports show the funding level of 86% as at 31 March 2018. In 2017-18 the Fund had overall returns of 9% against a universal average 4.5%.

Over the 12 month period to 31 March 2018 growth assets performed well with good returns. This was tempered by a correction to Equity markets in the first quarter of 2018 due to a shift in market sentiment; driven by rising trade tensions between the US and China which fuelled volatility and other geopolitical tensions both in the Korean peninsular and Middle East. The Fund is continuing to monitor the impact of Brexit and there is continued uncertainty regarding the possibility of a future trade deal issues surrounding the Irish Border.

During the year up to March 2018 there have been some changes to the membership of the Pension Fund Committee. Councillor Sheila Parker and Tony Gravier have left the Committee and we thank them for their contribution over the years and wish them 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. Councillor Christopher Newbury joins the Committee, bringing experience from the Local Pension Board, and Councillor Simon Jacobs contributes a business background. Stuart Dark has also joined the Committee as an observer from Unison.

The Committee is also responsible for the administrative performance of the Fund which is administered by key officers, namely Ian Duncan (Interim Treasurer to the Pension Fund), Andy Cunningham (Head of Pensions Administration and Relations) and Nick Weaver (Interim Investment 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.

During the year we have continued to work with nine other Administering Authorities to implement the Government's requirement to pool the management and investment of our assets with other LGPS Funds and have established the Brunel Pension Partnership Ltd. (Brunel). Brunel was launched as a new company on 18<sup>th</sup> July 2017 and has obtained authorisation from the Financial Conduct Authority. Brunel will be responsible for implementing the Strategic Asset Allocation of all ten client Funds. The Fund is both a shareholder and client of Brunel.

As part of the transition to pooling, all ten funds within the Brunel Pool will be moving their custodian to State Street. This will enable the first assets to start moving over to Brunel in July 2018.

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**  
**24th July 2018**



## 2. Scheme Management and Governance

### Administering authority

Wiltshire Council  
County Hall  
Trowbridge  
Wiltshire BA14 8JN

### Pension fund committee as at 31 March 2018

#### Wiltshire Council members

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

#### Swindon Borough Council members

Councillor Steve Allsopp  
Councillor Steve Weisinger

#### Employee observers

Mike Pankiewicz (observer) – Wiltshire Council  
Stuart Dark (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

Ian Duncan – Interim Treasurer to Pension Fund  
Andy Cunningham – Head of  
Pensions Administration and Relations  
Nick Weaver – Interim Investment Manager

#### 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

State Street

#### 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 addition, a separate Investment Sub Committee meets periodically to review specific issues relating to Fund investments. The role of the pension board is 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](#):

## Local Pension Board

The Wiltshire Pension Fund Committee is overseen by a Local Pension Board which is 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/wiltshire-pension-fund/about-us/local-pension-board/>

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-2018.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](http://www.wiltshirepensionfund.org.uk) The Fund's Governance Compliance Statement can be viewed on page 8.

## **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 State Street who replaced BNY Mellon as custodian to the Fund during the year 2017/18. State Street 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*".

### 3. 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.	<b>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).</b>	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.	<b>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.</b>  <b>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,</b>	N/A

AREA	PRINCIPLE	LEVEL OF COMPLIANCE	REASON FOR NON-COMPLIANCE
		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.	
	c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	<b>FULL – All minutes of meetings and decisions taken by the ISC are reported back to the next main committee meeting.</b>	<b>N/A</b>
	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.	<b>FULL – At least 4 members of the ISC sit on the main committee.</b>	<b>N/A</b>
<b>B) Representation</b>	<p>a) That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:</p> <ul style="list-style-type: none"> <li>i. employing authorities (including non-scheme employers, e.g., admitted bodies);</li> <li>ii. scheme members (including deferred and pensioner scheme members);</li> </ul>	<p><b>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.</b></p> <p><b>FULL – two representatives from UNISON, who represent active, deferred and pensioner members</b></p>	<p><b>N/A</b></p> <p><b>N/A</b></p>

AREA	PRINCIPLE	LEVEL OF COMPLIANCE	REASON FOR NON-COMPLIANCE
	<p>iii. independent professional observers; and</p> <p>iv. expert advisors (on an ad-hoc basis).</p> <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.</p>	<p><b>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</b></p> <p><b>FULL – Mercers (the Fund’s Investment Consultant) and Hymans Robertson (the Fund’s Actuary) attends all meetings where expert advice is required</b></p> <p><b>FULL – All members of the Committee are given equal access to papers, meetings and training and are able to fully participate in debates.</b></p>	<p>N/A</p> <p>N/A</p>
C) Selection and Role of Lay Members	<p>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.</p> <p>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.</p>	<p><b>FULL – Full Induction Training and Governance is given and each member is given a Members’ Handbook outlining their responsibilities amongst other information.</b></p> <p><b>FULL – this is a standard part of committee procedure.</b></p>	<p>N/A</p>
D) Voting	<p>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.</p>	<p><b>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</b></p>	<p>N/A</p>



AREA	PRINCIPLE	LEVEL OF COMPLIANCE	REASON FOR NON-COMPLIANCE
		<p>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.</p>	
E) Training/Facility Time/Expenses	<p>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.</p>	<p><b>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.</b></p>	<p><b>N/A</b></p>
	<p>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.</p>	<p><b>FULL – see Members Training Plan</b></p>	<p><b>N/A</b></p>
F) Meetings - Frequency	<p>a) That an administering authority’s main committee or committees meet at least quarterly.</p>	<p><b>FULL – The Committee meets four times per year, plus ad-hoc for special issues (e.g. valuation, tenders)</b></p>	<p><b>N/A</b></p>
	<p>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.</p>	<p><b>FULL – The ISC meets two times per year, with a potential two further meetings scheduled should they be required.</b></p>	<p><b>N/A</b></p>

AREA	PRINCIPLE	LEVEL OF COMPLIANCE	REASON FOR NON-COMPLIANCE
	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.	<b>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.</b>	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.	<b>FULL – All members of the Committee (including non voting and substitute members) receive all the papers for every meeting, including the confidential ones</b>	N/A
H) Scope	a) That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	<b>FULL – All matters in relation to the Fund, whether Benefits, Governance, Investments, Communications, Employers, Financial, etc, are covered by the governance arrangements.</b>	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.	<b>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</b>	N/A

### Pensions Committee as at 31 March 2018

The Wiltshire Pension Fund Committee met 4 times in 2017-18. Below shows the attendance of the Members of this Committee:

Members	Number of meetings
	attended (max 5)
Councillor Tony Deane	4
Councillor Simon Jacobs	3
Councillor Christopher Newbury	3
Councillor Roy While	4
Councillor Gordon King	4
Councillor Philip Whitehead	2
Councillor Steve Allsopp	2
Councillor Steve Weisinger	0
Mike Pankiewicz	2
Stuart Dark	2
Diane Hall	3
Linda Stuart	3

## 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 101 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.

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;
  - 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

	2017-18 £000	2016-17 £000	2015-16 £000	2014-15 £000	2013-14 £000
<b>Contributions and Benefits</b>					
Contributions receivable	100,221	95,901	89,449	85,529	79,128
Employers Additional Capital Contributions	0	0	0	0	0
Individual transfers	3,798	3,604	2,491	1,785	2,902
	104,019	99,505	91,940	87,314	82,030
Benefits payable	-83,315	-78,814	-76,841	-74,067	-76,669
Payments to and on account of leavers	-4,003	-4,808	-3,948	-31,249	-4,789
	-87,318	-83,622	-80,789	-105,316	-81,458
Management Expenses	-9,081	-11,181	-9,336	-8,610	-4,679
	<b>7,620</b>	<b>4,702</b>	<b>1,815</b>	<b>-26,612</b>	<b>-4,107</b>
<b>Returns on Investments</b>					
Investment Income	11,701	10,076	11,764	21,443	18,377
Change in market value of investments	191,688	334,031	-27,521	212,608	136,981
<b>Net returns on investments</b>	<b>203,389</b>	<b>344,107</b>	<b>-15,757</b>	<b>234,051</b>	<b>155,358</b>
<b>Net increase in the fund during the year</b>	<b>211,009</b>	<b>348,809</b>	<b>-13,942</b>	<b>207,439</b>	<b>151,251</b>

### Membership Summary

	2017-18	2016-17	2015-16	2014-15	2013-14
Contributors	21,781	21,245	21,831	21,606	21,655
Pensioners and Dependants	16,273	15,523	14,905	14,200	13,729
Deferred Pensioners	29,253	28,087	26,517	23,789	22,262

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 2017/18 cashflow (excluding investment income) was broadly neutral; this continues to be monitored closely.

### **Cost benchmarking**

The Fund benchmarks its administrative costs against the SF3 data collected annually by the Department for Communities and Local Government. The most recent data is that for the financial year 2016/17 and is available on the following link

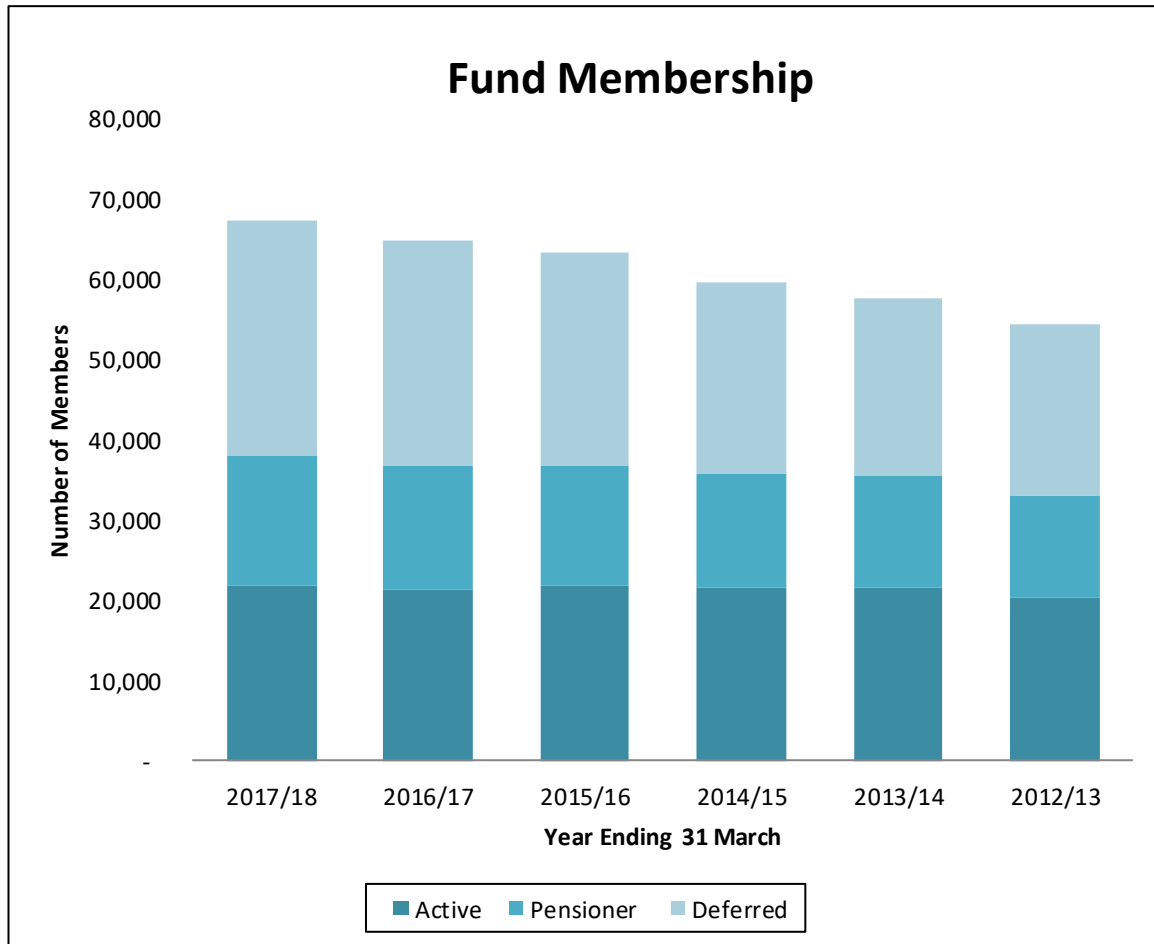
[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/631710/SF3\\_2016-17\\_v1.0.xlsx](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/631710/SF3_2016-17_v1.0.xlsx)

## Scheme membership

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

	2017/18	2016/17
<b>Active Members</b>		
<b>Active membership at start of year</b>	<b>21,245</b>	<b>21,831</b>
New Entrants	4,399	3,868
Linked deferred members		
Unfrozen actives		
<i>Leavers and exits during the year:</i>		
Retirements	-175	-289
Death	-11	-6
Deferred members	-39	-225
Refunds / Transfer outs / opt outs	-86	-104
Undecided	-2,600	-1,972
Other	-952	-1,858
<b>Active membership at end of year</b>	<b>21,781</b>	<b>21,245</b>
<b>Pensioners</b>		
<b>In payment at start of year</b>	<b>15,523</b>	<b>14,905</b>
<i>New pensioners in year resulting from:</i>		
Retirement of active members	175	289
Retirement of deferred members	524	408
Cessation of benefits	-429	-384
Other	480	305
<b>In payment at end of year</b>	<b>16,273</b>	<b>15,523</b>
<b>Deferred members</b>		
<b>At start of year</b>	<b>28,087</b>	<b>26,517</b>
New deferred pensioners	39	225
<i>Cessation of deferred pensions resulting from:</i>		
<i>Retirements</i>		
Linked to active records	0	0
Full commutations	0	0
Transfers-out	-178	-106
Deaths	-29	-26
Other	1,858	1,885
<b>At end of year</b>	<b>29,253</b>	<b>28,087</b>

5 year analysis of fund membership



5 Year Analysis of Fund Membership Data

	2018	2017	2016	2015	2014
Active members	21,781	21,245	21,831	21,606	21,655
Deferred Beneficiaries					
Deferred Members	29,253	28,087	26,517	23,789	22,262
Frozen Refunds					
Pensions in Payment	16,273	15,523	14,905	14,200	13,729
<b>Total Membership</b>	<b>67,307</b>	<b>64,855</b>	<b>63,253</b>	<b>59,595</b>	<b>57,646</b>



Age profile of Fund Membership at 31 March 2018

Age Band Years	Pensioner Type % of members			
	Active	Deferred	Pensioner	Total
<20	219	7	129	355
20 - 24	892	341	25	1,258
25 - 29	1,403	1,436	-	2,839
30 - 34	1,728	2,034	2	3,764
35 - 39	2,305	2,796	10	5,111
40 - 44	2,866	3,547	15	6,427
45 - 49	3,654	5,492	70	9,216
50 - 54	3,737	6,244	113	10,094
55 - 59	2,896	5,117	595	8,608
60 - 64	1,655	1,992	2,835	6,482
65 - 69	344	187	4,380	4,911
70 - 74	83	50	3,569	3,701
75 - 79	-	7	2,017	2,024
80 - 84	-	2	1,305	1,307
85 - 89	-	-	815	815
>90	-	-	395	395

## Employer and Employee Contributions

Employer Name	TOTAL ERS	TOTAL EES	Employer Name	TOTAL ERS	TOTAL EES
Wiltshire County Council	29,737,955.67	7,564,583.60	Woodford Valley Acad	41,089.26	9,573.76
Swindon Borough Council	18,875,365.43	4,823,467.42	Smrst Care Pt2 Selwd	0.00	1,732.53
SBC - Agincare	20,916.95	5,315.52	Great Western Hosptl	2,546.52	959.04
New College	944,803.21	258,031.18	John of Gaunt Acadmy	243,094.18	56,747.79
Swindon College	1,177,906.03	247,879.89	Bybrook Valley Acadm	31,797.91	8,677.30
Wiltshire College	1,964,316.80	497,813.21	The Mead Primary Aca	302,671.19	83,961.67
TPCouncils	1,370,016.04	413,697.48	Holy Trinity Calne A	44,427.76	9,635.41
Wiltshire Police	4,676,329.13	1,630,985.53	Sevenfields Academy	106,191.03	31,162.52
Wiltshire Fire	764,192.44	223,351.12	Collaborative School	17,933.76	4,996.27
Swindon Academy	390,790.52	139,414.90	Oxford Health NHS Tr	9,043.39	2,489.66
ABM Catering Ltd	3,000.00	0.00	White Horse Federati	1,406,758.56	389,868.64
Action for the Blind	374,000.00	0.00	King William Academy	44,763.88	10,634.42
Aster Group	250,003.56	10,294.49	Wilts&Swin Sprts Prt	29,323.75	10,409.70
AsterPropMgmt	75,117.72	18,280.75	Elior UK plc	7,624.87	1,821.35
Aster Living (Old)	5,864.76	1,615.32	Excalibur Academy	401,942.06	91,672.16
Sarsen Housing	288,344.92	13,497.32	Holy Family Academy	78,903.75	19,423.94
Capita Business	6,404.13	1,727.26	St Catherine's Acad	43,734.10	9,804.46
CIPFA	2,125,279.40	207,124.40	Wansdyke Academy	51,887.75	11,177.73
Community First	57,912.96	8,670.84	Education Fellowship	238,360.87	53,178.86
DC Leisure	241,122.64	24,216.21	Longmeadow Academy	37,531.59	8,649.41
Devizes Museum	21,000.00	0.00	Rowde Academy	54,500.01	11,294.84
FOCSA	0.00	7,693.14	Malmesbury Prim Acad	105,523.71	25,437.28
Order of St John	674,383.96	29,416.51	Atkins Limited	66,781.49	19,927.09
Salisbury Museum	46,837.32	8,808.22	GLL	52,223.45	19,968.75
SelwoodHsgSoc	613,820.60	115,016.89	Crime Reduction Init	0.00	1,907.23
Swindon Dance	11,508.36	2,442.12	Lifeways	20,165.40	4,203.30
Westlea	509,000.00	0.00	Reach	37,553.36	8,446.26
Direct Cleaning	1,859.27	382.58	Hazelwood Academy	60,173.59	13,361.99
Salisbury City Council	220,203.98	67,319.65	Dauntsey Primary Aca	30,330.66	7,923.24
Wellington Academy	248,193.41	89,779.26	Morgan Vale&Woodfall	21,908.66	4,794.56
Swindon Commercl Srv	160,575.62	44,197.67	Christian Malford Ac	230,972.55	57,802.00
Hardenhuish Schl Ltd	357,385.12	86,655.90	Millbrook Academy	120,538.16	30,155.35
Goddards Park PS	195,796.38	68,439.95	Peatmoor Primary Aca	49,370.46	11,844.77
Sarum Academy	87,304.53	22,289.73	Westlea Academy	100,832.53	24,731.02
Caterlink	0.00	402.33	Whitesheet Academy	295,688.22	67,697.26
Lavington Academy	131,645.51	31,707.99	Shawridge Academy	78,436.20	20,405.52
S.Wilts Grammar Acad	164,624.84	45,823.19	Mears Care Ltd	87,600.32	11,313.12
Bishop Wordsworth	149,420.82	38,100.81	All Saints (Netherav	29,663.76	7,031.71
Corsham Primary Acad	42,010.54	10,024.20	Pewsey Primary Acade	46,083.26	10,956.40
Corsham Secondary Ac	251,390.35	67,236.87	Salisbury 6th Form C	20,915.29	9,656.74
Sheldon Academy	271,756.93	63,176.78	Queens Crescent Acad	20,903.71	4,636.14
Wootton Bassett Scho	354,469.76	88,626.47	Twigmarket	17,388.61	6,131.69
Pewsey Vale Academy	85,925.21	20,475.00	Churchill Services	10,506.98	1,828.76
Highworth Warneford	196,497.72	45,944.23	Direct Cleaning(Wan)	1,569.37	291.12
Commonweal Academy	327,566.18	79,612.85	UTC Swindon	16,704.67	4,522.38
Holy Rood Infants Ac	90,675.64	21,402.73	Somerset Road Academ	358,959.64	80,021.96
Holy Rood Junior Aca	60,132.40	14,555.37	Wiltshire CCG	4,792.55	1,153.41
Lethbridge Academy	118,631.96	29,993.04	Uplands Education Tr	19,449.45	6,864.90
Lydiard Academy	284,467.60	62,712.62	ATOM	672,831.30	135,735.57
Ridgeway Academy	75,972.61	20,022.26	Greenwich Leisure Li	214,576.68	57,082.95
St Joseph's Academy	371,187.81	94,632.67	Create Studios	19,907.65	2,778.86
St Mary's Academy Sw	83,954.86	20,112.94	Exclusive Contracts	3,472.70	0.00
Kingdown Academy	442,705.95	120,839.41	Athelstan Trst BradF	367,054.17	87,022.46
St Laurence Academy	280,306.75	63,409.11	Idverde	350,807.29	128,917.83
Kingsdown Academy Sw	312,459.81	76,070.82	South Wiltshire UTC	44,334.17	14,362.98
St Josephs Dev Acadm	27,574.73	6,653.35	Swindon Wildcats	4,355.53	966.96
Holy Trinity CE P Ac	28,844.30	6,989.44	Blue Kite Academy	221,151.02	59,908.79
St Augustines Acadmy	159,190.91	44,343.08	Spurgeons	7,146.05	1,498.81
Churchfield Academy	82,706.41	17,698.57	Salisbury Plain MAT	285,907.67	56,473.58
St Edmunds Calne Aca	43,339.37	10,496.70	Ringway	146,986.02	32,599.63
Eastrop Infants Acad	28,789.89	6,656.65	BPP - Brunel Pension	108,970.79	60,255.82
Southfield Junior Ac	39,807.98	8,917.53	Mears Care East 2	13,261.80	2,650.32
Visit Wiltshire	12,375.94	3,805.98	Mears Care North 1	16,755.09	3,695.10
St Leonards P Acadmy	23,677.95	5,447.43	Mears Care West 1	26,251.99	5,043.65
Springfields Academy	350,733.66	70,023.30	First City Nursing	54,774.05	11,300.08
John Bentley Academy	180,712.52	45,104.54	Edwards & Ward Ltd -	1,291.78	315.77
Somerset Care Ltd	0.00	5,305.34	Edwards & Ward S.Pet	3,980.18	882.23
Colebrook Infants Ac	33,232.09	7,714.12	Pickwick Academy Tru	229,898.84	54,092.57
Dorcan Technology Ac	188,231.33	50,013.74	Magna Learning Partn	475,797.71	117,033.46
				<b>80,161,205.91</b>	<b>20,059,962.35</b>

## 5. 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 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.
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 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 generally 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.
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). The Fund undertakes quarterly monitoring as stated above. The 2016 Valuation will set employer rates for the 3 years from April 2017 and new employers are set employer rates based on up to date financial data and actuarial assumptions

Ref.	Risk	Impact	Controls
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, fines from the Information Commissioner, reputational risk of failure to meet Data Protection legislation.	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.
PEN010	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.
PEN011	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.
PEN012	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.
PEN013	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.
PEN014	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

Ref.	Risk	Impact	Controls
PEN015	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.
PEN016	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.
PEN017	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.
PEN019	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.
PEN020	Pooling of LGPS assets	Poor implementation 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.
PEN021	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.
PEN022	Reconciliation of GMP records	If GMP records for members is inaccurate there is the potential for incorrect liabilities being paid by the Fund.	Large on-going project is currently in place using 2 Data Quality Analysts to assist with resources. Additional software from Heywood's to process amendments in bulk has been purchased.
PEN023	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.
PEN024	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.

<b>Ref.</b>	<b>Risk</b>	<b>Impact</b>	<b>Controls</b>
PEN025	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.
PEN026	Impact of MiFid II Regulations	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.	The Fund is awaiting national guidance as LGA discuss implications for LGPS with FCA.



## 6. 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 covered the following topics:

---

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

---

This current Members Training Plan runs from April 2015 to December 2018, 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.

### **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.

**Ian Duncan**  
**Interim Treasurer of Pension Fund**  
**24 July 2018**

# MEMBERS' TRAINING PLAN – April 2015-2018

TRAINING NEED	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-Learning (e.g.. Webcasts, Videos)	One-to-One Briefing with an officer	
<b>GENERAL TRAINING</b>								
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
<b>SPECIFIC ISSUES IDENTIFIED FROM MEMBERS SELF ASSESSMENTS</b>								
<b>General Pension Framework</b>								
<ul style="list-style-type: none"> <li>Terms of Reference for Pension Committee, Investment Sub-Committee &amp; Local Pension Board</li> </ul>	✓		✓					July 2015
<ul style="list-style-type: none"> <li>LGPS discretions policies</li> </ul>			✓					July 2015
<ul style="list-style-type: none"> <li>Update following Government's response to consultation on the review of the LGPS</li> </ul>		✓		✓	✓			September 2015
<ul style="list-style-type: none"> <li>Review of the Fund's communication policy &amp; tools</li> </ul>	✓			✓				May 2016
<b>Pensions Legislation &amp; Governance:</b>								
<ul style="list-style-type: none"> <li>Role of the Pension Regulator, National Scheme Advisory Board &amp; Local Pension Board</li> </ul>	✓			✓				December 2018
<ul style="list-style-type: none"> <li>Review of the importance on data quality and implications of the end of contracting out in 2016</li> </ul>	✓			✓				December 2018
<ul style="list-style-type: none"> <li>Overview of all the relevant sources of legislation that impact on the Fund</li> </ul>	✓							July 2018
<b>Pension Accounting &amp; Auditing standards:</b>								
<ul style="list-style-type: none"> <li>Update on the new reporting requirements for the Fund's Annual Report</li> </ul>			✓					December 2018
<b>Financial Services procurement:</b>								
<ul style="list-style-type: none"> <li>Current public procurement policy &amp; procedures</li> </ul>	✓							July 2018
<ul style="list-style-type: none"> <li>Brief overview of UK &amp; EU procurement legislation</li> </ul>	✓							July 2018
<ul style="list-style-type: none"> <li>Awareness of support services suppliers and contract monitoring</li> </ul>	✓			✓				July 2018
<b>Investment Performance &amp; Risk Management:</b>								
<ul style="list-style-type: none"> <li>Monitoring asset returns relative to liabilities and monitoring funding level risk</li> </ul>	✓	✓		✓	✓			September 2015
<ul style="list-style-type: none"> <li>Understanding the purpose of "flight paths" &amp; asset liability matching</li> </ul>		✓		✓	✓			September 2015 / January 2017
<ul style="list-style-type: none"> <li>Implications of setting different investment strategies for employers</li> </ul>				✓				April 2016
<ul style="list-style-type: none"> <li>Investment Pooling / Brunel Pension Partnership updates</li> </ul>				✓	✓			June 2016 / October 2016
<b>Financial markets &amp; products knowledge:</b>								
<ul style="list-style-type: none"> <li>Review of asset allocation and investment strategy</li> </ul>		✓		✓				June 2015 / 2016 / 2017
<ul style="list-style-type: none"> <li>Limits placed by regulation on investment activities in the LGPS</li> </ul>	✓			✓				September 2016
<ul style="list-style-type: none"> <li>Environmental, Social and Governance considerations for investing</li> </ul>				✓				September 2017
<ul style="list-style-type: none"> <li>Specific investment opportunities</li> </ul>		✓		✓	✓			As required
<b>Actuarial methods, standards and practices:</b>								
<ul style="list-style-type: none"> <li>Review purpose of the Funding Strategy Statement / Investment Strategy Statement</li> </ul>		✓						January 2017
<ul style="list-style-type: none"> <li>Triennial Valuation refresher</li> </ul>			✓	✓				April 2016
<ul style="list-style-type: none"> <li>Considerations in relation to outsourcings and bulk transfers</li> </ul>	✓			✓				July 2018
<b>CHAIRMAN / VICE CHAIRMAN TRAINING</b>								
<ul style="list-style-type: none"> <li>Strategic forward planning</li> </ul>							✓	on-going
<ul style="list-style-type: none"> <li>Stakeholder feedback</li> </ul>		✓					✓	on-going
<ul style="list-style-type: none"> <li>Appreciation of changes to scheme rules</li> </ul>		✓			✓			Invite to be circulated to relevant ones

## 7. Administration report

### Recent developments

#### Implementation: Approach to Asset Pooling

We have worked with nine other Administering Authorities to implement Government's requirement to pool the management and investment of our assets with other LGPS Funds, and have established Brunel Pension Partnership Ltd. (Brunel). Brunel was launched on 18 July 2017 as a new company wholly owned by the ten Administering Authorities. Brunel obtained authorisation from the Financial Conduct Authority (FCA) in March 2018 to act as an investment manager and an Investment advisor.

Brunel has made excellent progress since launch, with key milestones being:

- Appointment of State Street as Custodian and Administrator of the partnership.
- Establishing and moving into new offices at 101 Victoria Street, Bristol
- Recruitment of some 25 members of staff in addition to the executive directors.
- Agreed the 24 outcome driven investment portfolios and made first investment manager appointment of Legal and General as equity passive manager.
- Establishing a clear Brunel culture: making long-term sustainable investments; protecting the interests of Brunel partner funds and their beneficiaries; and helping to forge better futures by investing for a world worth living in.
- Appointed a range of service providers including tax advisor, internal and external auditors, technology support.
- Establishing its Responsible Investment policy and being the first LGPS pool to join the UN-backed Principles for Responsible Investment.
- Development and launch of its private markets proposition to cover areas such as property and infrastructure.

The arrangements for asset pooling for the Brunel pool have been formulated to meet the requirements of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and Government guidance. Importantly, Brunel has met the Government's requirement for the Pool to become operational from April 2018 and the transition of assets to start. Regular reports have been made to Government on progress towards the pooling of investment assets, and Brunel has received positive feedback on its progress so far.

It is anticipated that investment assets will be transitioned across from our existing investment managers to the portfolios managed by Brunel between June 2018 and March 2020 in accordance with a timetable that will be agreed with Brunel, starting with passive equities. Until such time as transitions take place, we will continue to maintain the relationship with our current investment managers and oversee their investment performance, working in partnership with Brunel where appropriate.

The Fund, through the Pensions Committee, retains the responsibility for setting the detailed Strategic Asset Allocation for the Fund and allocating investment assets to the portfolios provided by Brunel. We are also able to suggest new portfolios to Brunel and engage with Brunel on the structure and nature of existing portfolios.

Brunel will be responsible for implementing the detailed Strategic Asset Allocations of its ten Client Funds by providing and implementing a suitable range of outcome focused investment "portfolios". In particular, it will research and select the professional external investment managers responsible for making the day to day investment decisions at the portfolios. In some cases, a portfolio will have a single external manager who provides the fund structure for a portfolio. In other cases, Brunel will allocate to a number of different externally managed funds. For active equities Brunel is sponsoring the creation of an authorised

contractual scheme (ACS), in conjunction with an external fund operator, as this structure in these markets offers significant cost and tax benefits. Brunel will be the investment manager of the ACS and as above will delegate to its chosen sub managers.

The Fund is both a shareholder and a client of Brunel. As a client we have the right to expect certain standards and quality of service. A detailed service agreement has been agreed which will set out the duties and responsibilities of Brunel, and our rights as a client. It includes a duty of care of Brunel to act in its clients' interests.

The governance of the Brunel partnership is of the utmost important to us to ensure our assets are invested well and our needs and those of our beneficiaries are met. Governance controls exist at several levels within Brunel:

- As shareholders in Brunel we entered into a shareholder agreement with the company and the other shareholders. This gives us considerable control over Brunel – several matters, including significant changes to the operating model, are reserved matters requiring the consent of all shareholders.
- An Oversight Board comprising representatives from each of the Administering Authorities has been established. Acting for the Administering Authorities, it has a primary monitoring and oversight function. Meeting quarterly, it can request papers from Brunel or interrogate its management. However, it cannot take decisions requiring shareholder approval, which will be remitted back to each Administering Authority individually.
- The Oversight Board is supported by the Client Group, comprised primarily of pension investment officers drawn from each of the Administering Authorities, but also drawing on finance and legal officers from time to time. It will have a leading role in reviewing the implementation of pooling by Brunel, and provide a forum for discussing technical and practical matters, confirming priorities, and resolving differences. It will be responsible for providing practical support to enable the Oversight Board to fulfil its monitoring and oversight function.
- A separate level of governance is provided by the Board of Directors at Brunel, which are appointed by ourselves and the other shareholders. It comprises four highly experienced and independent non-executive directors, chaired by Denise Le Gal and four executive directors.
- Finally, as an authorised firm, Brunel has to meet the extensive requirements of the Financial Conduct Authority, which cover areas such as training and competency, policy and process documents, and internal controls.

Following the completion of the transition plan outlined above, it is envisaged that all of our assets will be invested through Brunel. However, the Fund has certain commitments to long term illiquid investment funds which will take longer to transition across to the new portfolios to be set up by Brunel. These assets will be managed in partnership with Brunel until such time as they are liquidated, and capital is returned.

#### First trigger of flightpath was reached

The principle of a Flight Path is to reduce the level of risk which the Fund is exposed to, as and when it becomes affordable to do so. It is triggered by the funding position - as it improves risk reduction steps can be taken.

The Wiltshire Flight Plan has been developed over recent years:

2014 - High level initial discussions on the principles.

2015 - Further discussions / proposal, and implementation plan

2016 - Updated funding levels, agreed with the Fund Actuary.

The trigger levels are:

86.5% funding - 5% from UK Equity to Gilts

The funding level at 31 December 2017 was 88.1% triggering the first 5% switch from passive UK Equity to Gilts.

## Employer Activity

This year we have 9 new employers who joined the Fund, (2 of the new employers were new academies), and 5 ceasing bringing the total number of employers to 190. 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 20.

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 web addresses:

<https://www.wiltshirepensionfund.org.uk/wiltshire-pension-fund/about-us/employers/>

<https://www.wiltshirepensionfund.org.uk/wiltshire-pension-fund/about-us/forms-and-publications/>

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](mailto:Denise.Robinson@Wiltshire.gov.uk) (01225 713505).

## Member Scheme Contributions

The contribution bandings due from 1 April 2018 are shown in the table below.

Pensionable Pay Contribution	Gross Contribution after Tax Relief*
Up to £14,100	5.5% 4.40%
£14,101 - £22,000	5.8% 4.64%
£22,001 - £35,700	6.5% 5.20%
£35,701 - £45,200	6.8% 5.44%
£45,201 - £63,100	8.5% 5.10%
£63,101 - £89,400	9.9% 5.94%
£89,401 - £105,200	10.5% 6.30%
£105,201 - £157,800	11.4% 6.84%
More than £157,801	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/](http://www.lgps2014.org/)

## 2016 Triennial Valuation

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)
<b>Funding Level</b>	<b>71%</b>	<b>82%</b>

The improvement in funding position between 2013 and 2016 was 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). This trend continued during 2017/18.

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.



Next year will see the 2019 triennial valuation exercise with the results known in October which will set employer contribution rates from April 2020 onwards. The Fund is extremely conscious of the cost pressures facing employers and their ability to absorb future increases for what will be another challenging valuation exercise and we will try to work with them to manage any changes.

## **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/media/3308/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.

The Wiltshire Pension Fund FSS was approved by this Committee on 29 September 2016. 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/media/3178/funding-strategy-statement.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.wiltshirerensionfund.org.uk/media/3391/investment-strategy-statement.docx>

## **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:

<https://www.wiltshirepensionfund.org.uk/wiltshire-pension-fund/about-us/forms-and-publications/>

## **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. The policy can be viewed at the following link:

<http://www.wiltshirepensionfund.org.uk/media/3811/cessation-policy.pdf>

## **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:

<https://cms.wiltshire.gov.uk/documents/s91960/Wiltshire%20Pension%20Fund%20Business%20Plan%202015-18.pdf>

## **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 can be viewed on the Wiltshire Pension Fund website at:-

<http://www.wiltshirepensionfund.org.uk/media/3183/communications-policy.pdf>

### **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.

### **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 ten voting members. This consists of six Wiltshire Council members, including the Chairman, two members from Swindon Borough Council as the second largest employer and two employer representatives.

During the year, there have been several changes to the Wiltshire Pension Fund Committee. Councillor Sheila Parker and Tony Gravier left and Councillor Christopher Newbury and Simon Jacobs joined. Councillor Charles Howard stepped down from the role of Vice-Chairman. Stuart Dark has joined the Committee as an independent observer and replaces Tony Gravier in this capacity.

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 four times last year for regular business. 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 and roles:

**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 twelve members of staff.

**The Data & 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 eight 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 Strategy. 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. This role also supports employer communications and helps ensure that all team members are trained accordingly.

**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.

**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 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 Governance and Performance Manager** is responsible for supporting the Wiltshire Pension Fund Committee and Local Pension Board, including with overseeing governance training and supporting governance recruitment. The role is also responsible for overseeing Fund administration and service performance, including the performance of various service providers.

**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 four members of staff.

## 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 2017-18, the Fund received three applications under the Stage 1 process. None of these applications have moved to stage 2 following the determination by Muse Consultancy.

### **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 3% increase effective from 6 April 2018. This is based on the Consumer Price Index (CPI) as at September the previous year.

### **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/media/3556/wiltshire-pension-fund-discretions-policy.pdf>

Each employer in the Fund must have completed their own discretions policy which guides the Fund as to how to process their employee 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:

<https://www.wiltshirepensionfund.org.uk/media/3476/employer-discretions-policy-and-template.docx>

### **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.

## 8. 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:-

<https://www.wiltshirepensionfund.org.uk/media/3178/funding-strategy-statement.pdf>

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 considered 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 2018 the Fund's strategic allocation was to be invested 55% in Equities, 20.5% 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. The first flight path trigger was reached in January which resulted in a 5% transfer of Fund assets from Equities to Bonds.

## **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 £230 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 as at 31 March 2018 was as follows:

Asset Allocation	%
Equities:	
Long-Only	
UK*	7.50%
Overseas (Global)**	27.50%
Absolute Return (Lower Volatility)	10.00%
Emerging Market Multi Asset	<u>10.00%</u>
	55.00%
Bonds	20.50%
Property	13.00%
Alternatives:	
Infrastructure	5.00%
M&G Financing Fund	1.50%
Opportunistic Investment	<u>5.00%</u>
	11.50%
	100.00%

\* (sits at approximately 9.0% if including the UK element of the global mandates. This is based on where equities are domiciled and not where revenues are from)

\*\* (includes active and fundamental indexation)

The allocation of mandates to managers as at 31 March 2018 was as follows:

<b>MANAGER/MANDATE ALLOCATION</b>	<b>%</b>
<b>Baillie Gifford</b>	
Global Equities	15.0%
<b>Legal &amp; General</b>	
Passive UK Equities**	7.5%
Passive Global Equities*	0.0%
Passive Fundamental Equities	12.5%
Passive Index-Linked Bonds (UK)**	10.0%
<b>Barings</b>	
Absolute Return Fund	10.0%
<b>Loomis Sayles</b>	
Multi Asset Credit	4.2%
Absolute Return Bonds	6.3%
<b>Investec</b>	
Emerging Market Multi Asset Mandate	10.0%
<b>CBRE Global Multi Manager</b>	
Property Fund of Funds (UK & Europe)	13.0%
<b>Partners Group</b>	
Infrastructure	5.0%
<b>M&amp;G Investment Management</b>	
UK Companies Financing Fund	1.5%
<b>Opportunistic Investment*</b>	5.0%
<b>TOTAL</b>	<b>100.0%</b>

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

\*\* Activation of first flight path trigger in January 2018 led to a 5% transfer from passive uk equities to passive UK Index-Linked Bonds

## Investment as at 31 March 2018

During the year, the managers transacted purchases of £1,039.4 million (£1,039.4 m 31 March 2017) and sales of £1,018.8 million (£1,018.8m 31 March 2017). The value of assets under management at 31 March 2018 was £2,174.1 million (£2,174.1m 31 March 2017), broken down by managers as follows:

<b>Legal &amp; General</b>	£876.3 million *
<b>Baillie Gifford</b>	£372.5 million
<b>CBRE Global Multi Manager</b>	£314.7 million
<b>Loomis Sayles</b>	£276.1 million
<b>Barings Asset Management</b>	£242.2 million
<b>Investec</b>	£252.4 million
<b>Partners Group</b>	£ 35.7 million
<b>M&amp;G Financing Fund</b>	£ 2.1 million
<b>Cash held at custodian</b>	£ 9.4 million
<b>Long-term investment – Brunel Pension Partnership</b>	£0.8 million
	<b><u>£2,382.22 million</u></b>

\* 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 State Street. Securities in the beneficial ownership of the Council to a value of £52.1 million (2.2% of the total) were on loan at 31 March 2018. Collateral for these securities is held in a pooled form, the Wiltshire Pension Fund's share (0.019%) representing a value of £55.9 million (107.28%). Income earned from this programme amounted to £0.306 million in the year.

## Investment markets

Over the 12 month period to 31 March 2018, growth assets generally performed well against a backdrop of broad economic expansion, while defensive assets saw lower returns. Over the first quarter of 2018, however, equity markets experienced a correction. This shift in market sentiment was largely a reaction to a combination of escalating trade and geo-political tensions along with expectations of monetary tightening, especially in the US.

Even though economic activity and business, as well as consumer, confidence improved significantly over the year, concerns have started to surface that some economies, most notably the US, might be starting to overheat which would accelerate the tightening cycle by central banks. Persistent geopolitical tensions over the year, both on the Korean peninsula and in the Middle East, as well as rising trade tensions between the US and China in the first quarter of 2018 also weighed on financial markets and fuelled a resurgence in volatility, which had been abnormally low in the prior year.

In the UK, Brexit continues to remain at the forefront of investors' minds. Since the triggering of Article 50 in March 2017 by Prime Minister Theresa May, some progress has been made but, complex negotiations with regards to a future trade deal and the Irish border lie ahead. The UK economy has held up reasonably well over 2017 with real GDP growth of 1.4% while the consensus forecast for 2018 is for 1.6% growth.

An increase in inflation over the year prompted the Bank of England to increase the base rate in November 2017 for the first time in 10 years; the Consumer Price Index reached 3.0% at the end of the year even though inflation seemed to have peaked in November 2017 at 3.1% and has fallen back to 2.5% in March 2018. Currency volatility was a feature of the 12 month period, with sterling rallying against the yen and dollar, but falling against the Euro.

## 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.

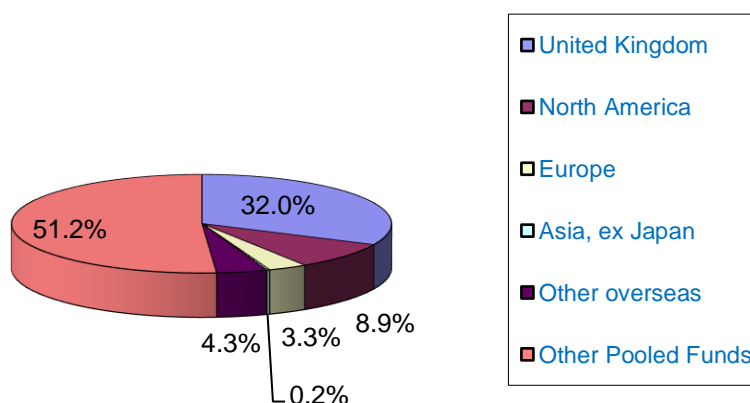
## Distribution of investments

### Analysis of investments as at 31 March 2018

#### Geographical analysis

	£000	% of Fund total
United Kingdom	762,727	32.0
North America	212,347	8.9
Europe	78,566	3.3
Asia, ex Japan	5,943	0.2
Other overseas	102,160	4.3
Other Pooled Funds	1,220,480	51.2
	<b>2,382,224</b>	<b>100.00</b>

### Investment by region/country

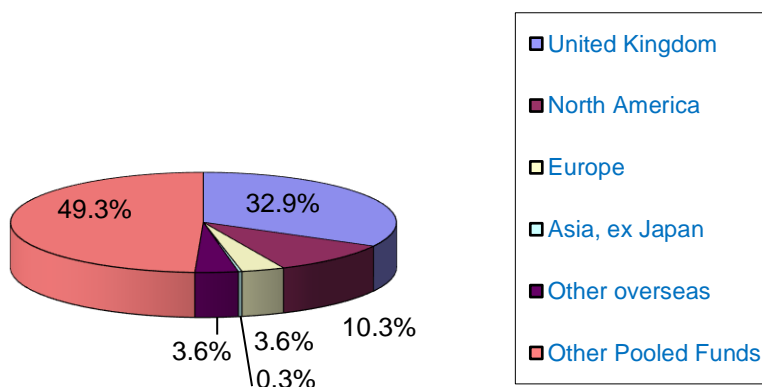


## Analysis of investments as at 31 March 2017

### 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
	<b><u>2,174,105</u></b>	<b><u>100.00</u></b>

### Investment by region/country

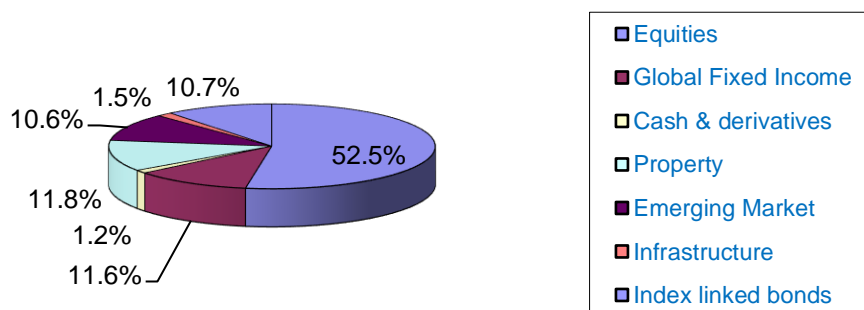


## Analysis of investments by sector as at 31 March 2018

### Sector analysis

	£000	% of Fund total
Long-term investment - Brunel Pension Partnership	840	0.0
Equities	1,251,642	52.5
Global Fixed Income	276,116	11.6
Cash & derivatives	29,086	1.2
Property	281,427	11.8
Emerging Market	252,365	10.6
Infrastructure	35,656	1.5
Index linked bonds	255,092	10.7
	<b>2,382,224</b>	<b>100.00</b>

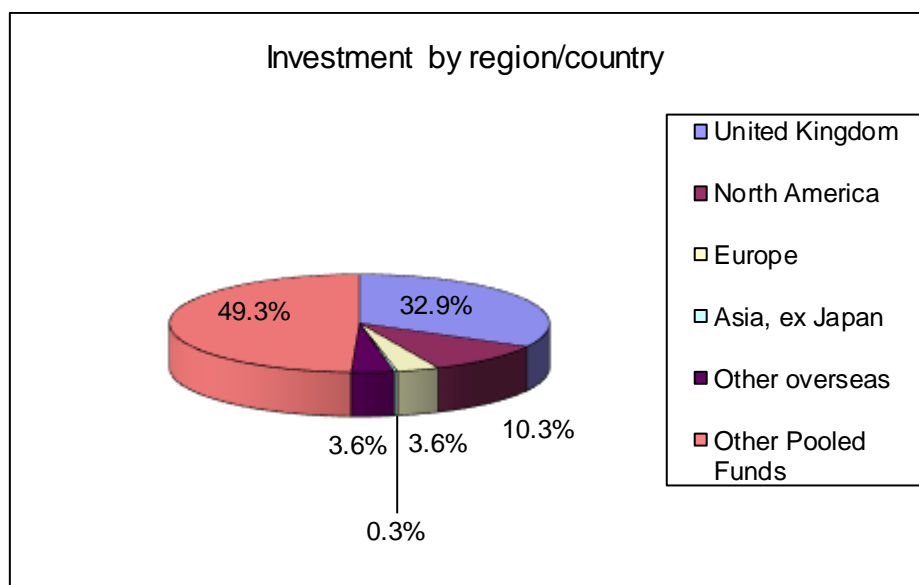
### Investment by sector



## 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
	<b>2,174,105</b>	<b>100.00</b>



### Twenty largest holdings at 31 March 2018

1 Legal & General - Rafi Equity	324,477	13.62
2 Investec - Emerging Markets	252,365	10.59
3 Barings - Dynamic Asset Allocation Fund	242,173	10.17
4 Legal & General Equity Index Fund	171,423	7.20
5 Loomis Sayles Alpha Bond Fund	160,878	6.75
6 LSAA 2068 Index Linked Gilts	127,873	5.37
7 LUAB 2062 Index Linked Gilts	127,219	5.34
8 Legal & General World Equity Index	125,350	5.26
9 Loomis Sayles World Credit Fund	115,238	4.84
10 CBRE GIP Global Alpha Fund	48,797	2.05
11 Amazon.com	35,907	1.51
12 Tencent Holdings Ltd	33,048	1.39
13 Industrial Property Investment Mutual Fund	26,496	1.11
14 Alibaba Group Holdings Ltd	26,382	1.11
15 Illumina Inc	26,013	1.09
16 Schroders UK Real Estate	24,352	1.02
17 Facebook Inc	23,741	1.00
18 Partners Group Global Infrastructure	22,141	0.93
19 Tesla Motors Inc	18,649	0.78
20 CBRE UK Property PAIF	18,232	0.77

---

**1,950,754**

---

**81.89**

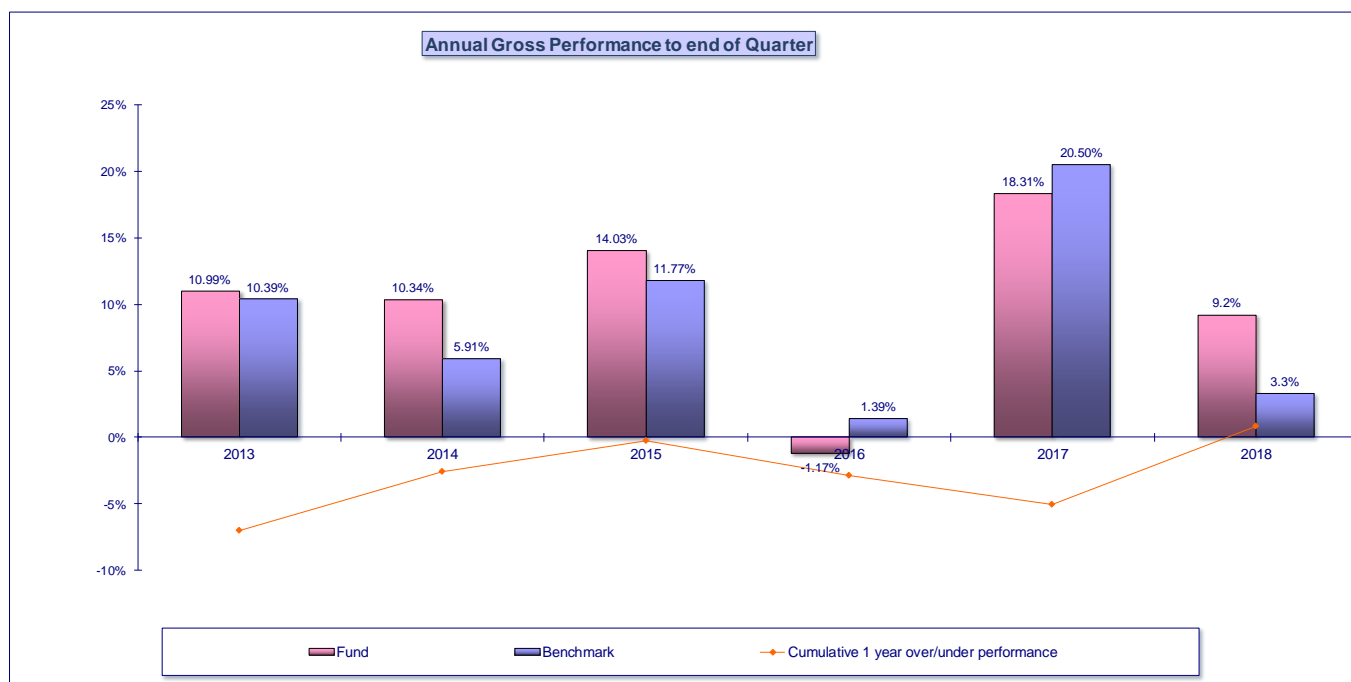


## Twenty largest holdings at 31 March 2017

	£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 Diseno Textil	15,695	0.72
19 Alphabet Inc	14,899	0.69
20 Airport Industrial	13,689	0.63
	<b>1,370,455</b>	<b>63.04</b>

## Investment Performance

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



## 9. 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 and there have been strong asset returns, particularly during 2016/17. Both events are of broadly similar magnitude with regards to the impact on the funding position.

### 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

<b>Fund Account</b>	<b>2017/18</b>	<b>2016/17</b>	<b>Notes</b>
	<b>£000</b>	<b>£000</b>	
Net Contributions	16,701	15,883	Increased contributions in 2017/18
Return on Investments	203,389	344,107	Strong years for growth assets in 2016/17 and 2017/18
<b>Net increase in the Fund</b>	<b>220,090</b>	<b>359,990</b>	

<b>Net Asset Statement</b>	<b>2017/18</b>	<b>2016/17</b>	<b>Notes</b>
	<b>£000</b>	<b>£000</b>	
Long Term Investments - Brunel	840	-	Inception of Brunel Pension Partnership
Fixed Interest	-	-	
Indexed-linked	-	-	
Equities	388,220	372,221	Growth in Assets
Pooled Funds	1,682,651	1,519,157	Growth in Assets
Property	281,427	262,758	Positive Returns
Cash	28,614	19,799	
Other	472	170	
<b>Total Net Investments</b>	<b>2,382,223</b>	<b>2,174,105</b>	

### Analysis of Pension Contributions

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

	<b>Total</b>	<b>On time</b>		<b>Late</b>	
	<b>£000</b>	<b>£000</b>	<b>%</b>	<b>£000</b>	<b>%</b>
Employee	20,060	19,519	97.3%	541	2.7%
Employer	80,161	78,573	98.0%	1,589	2.0%
<b>Total</b>	<b>100,221</b>	<b>98,092</b>	<b>97.9%</b>	<b>2,130</b>	<b>2.1%</b>

In total 53 monthly contribution payments were received late of which 47 were received within the month, 6 received between 1 and 3 months late and 0 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 2018.

Fund Account	2018/19	2017/18		2016/17	
	Forecast £000	Forecast £000	Actual £000	Forecast £000	Actual £000
Contributions	105,059	100,503	104,019	92,859	99,505
Payments	- 88,191	- 83,622	- 87,318	- 80,789	- 83,622
Management expenses	- 9,172	- 10,169	- 9,081	- 10,201	- 11,181
Net investment income	11,000	10,000	11,701	12,000	10,076
Change in market value	210,857	119,889	191,688	99,903	334,031
<b>Net increase in the Fund</b>	<b>229,553</b>	<b>136,601</b>	<b>211,009</b>	<b>113,772</b>	<b>348,809</b>

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	2018/19	2017/18		2016/17	
	Forecast £000	Forecast £000	Actual £000	Forecast £000	Actual £000
Equities	1,327	1,163,933	1,252	1,163,933	1,266,793
Fixed income	546	312,784	531	312,784	356,249
Cash	29	21,082	29	21,082	19,799
Property	294	240,878	281	240,878	262,758
Alternatives	312	185,057	288	185,057	268,336
Other	18	14,831	18	14,831	13,535
<b>Total Investment Assets</b>	<b>2,525</b>	<b>1,938,564</b>	<b>2,398</b>	<b>1,938,564</b>	<b>2,187,470</b>

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%
<b>Total</b>	<b>5.6%</b>

#### Operational expenses

	2018/19 Budget £000	2017/18 Budget £000	Actual £000	2016/17 Budget £000	Actual £000
<b>Fund Investment</b>					
<b>Investment Management Fees</b>	<b>8,645</b>	<b>7,897</b>	<b>9,128</b>	<b>7,955</b>	<b>8,617</b>
Investment Administration Recharge	135	120	119	113	112
Investment Custodial & Related Services	23	23 -	246	30 -	304
Investment Professional Fees	94	149	116	107	222
Corporate Governance Services	40	40	34	40	38
Performance Measurement	37	37	40	40	31
<b>Investment Administration Costs</b>	<b>329</b>	<b>369</b>	<b>63</b>	<b>330</b>	<b>99</b>
<b>Scheme Administration</b>					
Pension Scheme Administration Recharge	1,817	1,590	1,573	1,514	1,556
Actuarial Services	173	173	274	234	373
Audit	33	33	28	58	33
Legal Fees	20	20	38	20	8
Committee and Governance Recharge	95	87 -	26	90	57
<b>Scheme Administration Costs</b>	<b>2,138</b>	<b>1,903</b>	<b>1,887</b>	<b>1,916</b>	<b>2,028</b>
<b>Grand Total (Exc Invest Man Fees)</b>	<b>2,467</b>	<b>2,272</b>	<b>1,950</b>	<b>2,246</b>	<b>2,127</b>
<b>Grand Total (Inc Invest Man Fees)</b>	<b>11,112</b>	<b>10,169</b>	<b>11,078</b>	<b>10,201</b>	<b>10,744</b>

#### Cash Flow

Officers continue to monitor the cashflow position of the Fund to ensure sufficient resources are available to pay benefits as they fall due. The position for 2017/18 is shown below:

	Year ending 31 March 2018 £m
Receipts	98.6
Payments	(92.1)
Surplus/ (Deficit)	6.5
Funds sent to Investment Managers	4.3

This shows that excluding investment income, cashflow is broadly neutral for the year. This will continue to be closely monitored.

## 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.

	2017/18	2016/17	2015/16	2014/15	2013/14
	£000	£000	£000	£000	£000
Overpayments recovered	29	29	19	28	14
Overpayments not recovered	12	12	10	9	7
<b>Total</b>	<b>41</b>	<b>41</b>	<b>29</b>	<b>37</b>	<b>21</b>
Annual Payroll	68,165	65,540	63,698	62,118	59,388
Write offs as a % of Payroll	0.02%	0.02%	0.02%	0.02%	0.01%
Number of cases - not recovered	167	185	151	106	106
Number of cases - recovered	52	41	35	24	24
Number of cases - In process of recovery	9	11	6	-	-

## 10. 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.

### Principal Actuarial Assumptions and Method used to value the liabilities

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

#### Method

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

#### Assumptions

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

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

<b>Financial assumptions</b>	<b>31 March 2016</b>
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:

	<b>Males</b>	<b>Females</b>
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 and there have been strong asset returns, particularly during 2016/17. Both events are of broadly similar magnitude with regards to the impact on the funding position.

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

Barry Dodds FFA  
For and on behalf of Hymans Robertson LLP  
25 April 2018

Hymans Robertson LLP  
20 Waterloo Street, Glasgow, G2 6DB

## 11. 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 2015.

### Associate Director of Finance

The Director of Finance & Procurement 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 2018. 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 2018.

**Ian Duncan**  
**Interim Director Finance & Procurement**  
**Wiltshire Pension Fund**  
**24<sup>th</sup> July 2018**



## 12. Audit opinion

To be added

## 13. Statement of accounts

### Fund Account

For the year ended 31 March 2018

	Notes	2017-18 £000	2016-17 £000
<b>Contributions and benefits</b>			
Contributions receivable	5	100,221	95,901
Individual transfers		3,798	3,604
		<b>104,019</b>	<b>99,505</b>
Benefits payable	6	-83,315	-78,814
Payments to and on account of leavers	7	-4,003	-4,808
		<b>-87,318</b>	<b>-83,622</b>
Management Expenses	8 & 12	-9,081	-11,181
		<b>7,620</b>	<b>4,702</b>
<b>Returns on investments</b>			
Investment income	9	11,701	10,076
Change in market value of investments	11	191,688	334,031
		<b>203,389</b>	<b>344,107</b>
		<b>211,009</b>	<b>348,809</b>
Net increase in the fund during the year			
Add opening net assets of the funds restated		2,187,470	1,838,661
<b>Closing net assets of the scheme</b>		<b>2,398,479</b>	<b>2,187,470</b>

### Net Asset Statement

At 31 March 2018

	Notes	31-Mar-18 £000	31-Mar-17 £000
<b>Long Term Investments</b>			
Brunel Pension Partnership		840	0
		<b>840</b>	<b>0</b>
<b>Investment assets</b>			
	11		
Fixed interest securities		0	0
Index linked securities		0	0
Equities		388,220	372,221
Pooled investment vehicles		1,682,650	1,519,157
Property		281,427	262,758
Cash held on deposit		28,614	19,799
Other investment balances		473	170
		<b>2,382,224</b>	<b>2,174,105</b>
<b>Investment liabilities</b>			
	11		
Derivatives liabilities		0	0
<b>Total net investments</b>		<b>2,382,224</b>	<b>2,174,105</b>
Current assets	13	19,767	17,047
Current liabilities	14	-3,512	-3,682
<b>Net assets of the scheme at 31 March</b>		<b>2,398,479</b>	<b>2,187,470</b>

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 2017/18 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

IAS26 requires the actuarial present value of promised benefits to be disclosed. A separate report has been prepared by Hymans Robertson and is enclosed below after note 19.

The 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 2018 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 2018.

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 56). 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 2018 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 2018, the fund had a balance of £19.8m for debtors (£1.9m 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

	2017-18 £000	2016-17 £000
<b>Employer</b>		
- Normal	65,373	61,280
- Augmentation	1,976	1,401
- Deficit funding*	12,812	14,064
<b>Members</b>		
- Normal	19,846	18,959
- Additional contributions	214	197
	<b>100,221</b>	<b>95,901</b>

### Analysis of contributions receivable

	2017-18 £000	2016-17 £000
<i>Contributions from employees (Including Additional Contributions)</i>		
- Wiltshire Council	7,565	7,063
- Other scheduled bodies	11,582	11,123
- Admitted bodies	914	970
	<b>20,061</b>	<b>19,156</b>
<i>Contributions from employers (Including Augmentations)</i>		
- Wiltshire Council	29,737	30,194
- Other scheduled bodies	43,461	40,188
- Admitted bodies	6,962	6,363
	<b>80,160</b>	<b>76,745</b>
Total contributions receivable	<b>100,221</b>	<b>95,901</b>

\* Deficit funding contributions are being paid by the employer for the three years commencing from 1 April 2017 with a minimum specified in the Rates and Adjustment Certificate dated 31 March 2017 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

	2017-18 £000	2016-17 £000
Pensions	68,166	65,540
Commutation and lump sum retirement benefits	13,412	11,141
Lump sum death benefits	1,737	2,133
	<hr/> 83,315	<hr/> 78,814

### Analysis of benefits payable

	2017-18 £000	2016-17 £000
<i>Pensions payable</i>		
- Wiltshire Council	35,824	34,940
- Other scheduled bodies	25,578	24,200
- Admitted bodies	6,763	6,400
	<hr/> 68,165	<hr/> 65,540
<i>Retirement and Death grants payable</i>		
- Wiltshire Council	5,831	5,651
- Other scheduled bodies	7,751	6,186
- Admitted bodies	1,568	1,437
	<hr/> 15,150	<hr/> 13,274
Total benefits payable	<hr/> 83,315	<hr/> 78,814

## 7. Payments to and on account of leavers

	2017-18 £000	2016-17 £000
Individual transfer out to other schemes	3,690	4,394
Bulk transfers out to other schemes	0	2
Refunds to members leaving service	259	269
State Scheme Premiums	54	143
	<hr/> 4,003	<hr/> 4,808

## 8. Management expenses

	2017-18 £000	2016-17 £000
Administration costs	2,773	1,955
Investment Management expenses	6,173	9,117
Oversight & Governance	135	109
	<hr/> 9,081	<hr/> 11,181

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 £1.6m of performance-related fees paid to the fund's investment managers (2016/17: £2.3m).

## 9. Investment income

	2017-18 £000	2016-17 £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	146	545
- Overseas equities	1,099	999
<i>Pooled investment vehicles</i>		
- Overseas equities	62	-
- UK property	8,944	8,616
- Global property	89	-
- Infrastructure	1,226	-
<i>Cash held on deposit</i>		
- Sterling cash	50	77
- Overseas cash	85	161
	<b>11,701</b>	<b>10,076</b>

## 10. Stock lending

The Council participates in a securities lending programme administered by State Street. Securities in the beneficial ownership of the Council to a value of £52.1 million (2.2% of the total) were on loan at 31 March 2018. Collateral for these securities is held in a pooled form, the Wiltshire Pension Fund's share (0.019%) representing a value of £55.9million (107.28%). Income earned from this programme amounted to £0.306 million in the year.

	2017-18 £m	2016-17 £m
WC securities on loan	52.1	77.8
<i>(percentage of total)</i>	2.2%	3.6%
WC collateral share of pool	0.02%	0.01%
Value of WC pooled share	55.9	84.9
Percentage of securities on loan	107.3%	109.1%
Income earned in year	0.306	0.367



## 11. Investments

### Reconciliation of investments held at beginning and end of year

	Value at 1 April 2017	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market Value	Value at 31 March 2018
	£000	£000	£000	£000	£000
Long term investments					
- Brunel Pension Partnership	0	840	0	0	840
Fixed interest securities	0	0	0	0	0
Index linked securities	0	0	0	0	0
Equities	372,221	32,081	-110,464	94,382	388,220
Pooled funds					
- Other	1,519,157	437,221	-360,730	87,002	1,682,650
- Property	262,758	45,107	-37,085	10,647	281,427
Derivative assets					
- Futures	0	0	0	0	0
- Options	0	0	0	0	0
- Forward FX	0	0	0	0	0
	<b>2,154,136</b>	<b>515,249</b>	<b>-508,279</b>	<b>192,031</b>	<b>2,353,137</b>
Cash deposits	19,799			-349	28,614
Other Investment balances	170			6	473
	<b>2,174,105</b>			<b>191,688</b>	<b>2,382,224</b>

	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					
- Other	1,252,637	459,029	-486,619	294,110	1,519,157
- Property	230,505	63,985	-30,907	-825	262,758
Derivative assets					
- Futures	0	0	0	0	0
- Options	0	0	0	0	0
- Forward FX	1,246	163,377	-117,950	-46,673	0
	<b>1,805,236</b>	<b>725,545</b>	<b>-719,742</b>	<b>343,097</b>	<b>2,154,136</b>
Cash deposits	20,977			-9,086	19,799
Other Investment balances	179			20	170
	<b>1,826,392</b>			<b>334,031</b>	<b>2,174,105</b>

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 2018 £000	31 March 2017 £000
<b>Long term investments</b>		
Brunel Pension Partnership	840	0
<b>Investment assets</b>		
<i>Fixed interest securities</i>		
- UK fixed interest government bonds	0	0
- UK fixed interest corporate bonds	0	0
- Overseas fixed interest government bonds	0	0
- Overseas fixed interest corporate bonds	0	0
- Emerging markets government bonds	0	0
	<b>0</b>	<b>0</b>
<i>Index linked securities</i>		
- UK index linked corporate bonds	0	0
	<b>0</b>	<b>0</b>
<i>Equities</i>		
- UK equities	24,939	23,851
- Overseas equities	363,281	348,370
	<b>388,220</b>	<b>372,221</b>
<i>Pooled investment vehicles</i>		
- UK equities	171,423	285,230
- Overseas equities	691,999	609,342
- Global fixed income	276,116	231,301
- UK index linked government bonds	255,092	124,948
- Property	281,427	262,758
- Emerging Market Debt	100,946	93,038
- Emerging Market Equities	151,419	139,557
- Infrastructure	35,655	35,741
	<b>1,964,077</b>	<b>1,781,915</b>
<i>Cash held on deposit</i>		
- Sterling cash	14,966	17,561
- Overseas cash	13,648	2,238
	<b>28,614</b>	<b>19,799</b>
<i>Other investment balances</i>		
- Derivatives assets		
- Outstanding dividend entitlements	304	4
- Recoverable tax	169	166
	<b>473</b>	<b>170</b>
<i>Investment liabilities</i>		
- Derivatives liabilities	0	
<b>Total of investments held</b>	<b>2,382,224</b>	<b>2,174,105</b>
<b>Net current assets &amp; liabilities</b>		
Current assets	19,767	17,047
Current liabilities	-3,512	-3,682
<b>Total net current assets</b>	<b>16,255</b>	<b>13,365</b>
	<b>2,398,479</b>	<b>2,187,470</b>

## 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 2018

	Designated as Fair value through Profit and Loss £000	Loans and Receivables £000	Financial liabilities at amortised cost £000
<b>Long Term Investments</b>			
Brunel Pension Partnership	840	0	0
	<b>840</b>	<b>-</b>	<b>-</b>
<b>Financial assets</b>			
Fixed interest securities	0	0	0
Index linked securities	0	0	0
Equities	386,131	2,089	0
Pooled investment vehicles	1,682,651	0	0
Property	281,427	0	0
Derivative assets	0	0	0
Cash held on deposit	0	36,324	0
Other Investment balances	473	0	0
Debtors	0	12,057	0
	<b>2,350,682</b>	<b>50,470</b>	<b>0</b>
<b>Financial Liabilities</b>			
Derivative Liabilities	0	0	0
Creditors	0	-3,512	0
	<b>0</b>	<b>-3,512</b>	<b>0</b>
	<b>2,351,522</b>	<b>46,958</b>	<b>0</b>

As at 31 March 2017

	Designated as Fair value through Profit and Loss £000	Loans and Receivables £000	Financial liabilities at amortised cost £000
<b>Financial assets</b>			
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
	<b>2,149,749</b>	<b>41,403</b>	<b>0</b>
<b>Financial Liabilities</b>			
Derivative Liabilities	0	0	0
Creditors	0	-3,682	0
	<b>0</b>	<b>-3,682</b>	<b>0</b>
	<b>2,149,749</b>	<b>37,721</b>	<b>0</b>

## Net gains/(losses) on financial instruments

	2018 £000	2017 £000
<b>Financial assets</b>		
Fair value through profit and loss	191,688	327,104
Loans and receivables	-334	-9,079
<b>Financial liabilities</b>		
Fair value through profit and loss	0	0
Loans and receivables	0	0
<b>Total</b>	<b>191,354</b>	<b>318,025</b>

## 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 State Street (apart from a small amount of legacy assets which are due to be transferred from the Fund's previous custodian bank, 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 because 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 2018 and 2017 by the amounts shown below.

<b>As at 31 March 2018</b>	<b>Value £'000</b>	<b>Volatility of return</b>	<b>Increase £000</b>	<b>Decrease £000</b>
Baillie Gifford - Global Equity	372,482	17.90%	66,674	-66,674
CBRE Global Multi Manager - Property	314,744	14.10%	44,379	-44,379
Legal & General - Equity	171,423	15.60%	26,742	-26,742
Legal & General - Gilts	255,092	9.60%	24,489	-24,489
Legal & General - Global Equity	125,349	15.60%	19,554	-19,554
Legal & General - Rafi Equity	324,477	15.60%	50,618	-50,618
Barings - Dynamic Assets Allocation	242,173	10.20%	24,702	-24,702
Partners Group - Infrastructure	35,655	14.30%	5,099	-5,099
Investec - Emerging Markets	252,365	18.60%	46,940	-46,940
Loomis Sayles - Multi Asset Credit	115,238	4.70%	5,416	-5,416
Loomis Sayles - Absolute Return Bond Fund	160,878	4.70%	7,561	-7,561
M&G - Financing Fund	2,089	0.00%	0	0
Cash held at custodian	9,419			
Long-term investment - Brunel Pension Partnership	840			
	<b>2,382,224</b>		<b>322,174</b>	<b>-322,174</b>

<b>As at 31 March 2017</b>	<b>Value £'000</b>	<b>Volatility of return</b>	<b>Increase £000</b>	<b>Decrease £000</b>
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
	<b>2,174,105</b>		<b>322,418</b>	<b>(322,418)</b>

## 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 2018 and 2017 are provided below.

	<b>31 March 2018</b>
	<b>£000</b>
Cash held on deposit	28,614
Fixed Interest Securities	276,116
Loans	2,089
	<b><u>306,819</u></b>

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

### 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.

	<b>Value</b>	<b>Change in net assets</b>		
		<b>£000</b>	<b>£000</b>	<b>£000</b>
			<b>+100 BP</b>	<b>-100 BP</b>
<b>As at 31 March 2018</b>				
Cash held on deposit	28,614	286	-286	
Fixed Interest Securities	276,116	-9,149	9,149	
Loans	2,089	0	0	
	<b><u>306,819</u></b>	<b><u>-8,863</u></b>	<b><u>8,863</u></b>	
<b>As at 31 March 2017</b>				
Cash held on deposit	19,799	198	-198	
Fixed Interest Securities	231,301	-6,676	6,676	
Loans	4,557	0	0	
	<b><u>255,657</u></b>	<b><u>-6,478</u></b>	<b><u>6,478</u></b>	



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.

#### 2018

	<b>US Dollar</b>	<b>Euro</b>	<b>Yen</b>
Benchmark Weights	12.21%	2.79%	0.00%
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Net Currency Exposure</b>	<b>290,850</b>	<b>66,428</b>	<b>0</b>

#### 2017

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

### 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 2018 and 31 March 2017 would have increased or decreased the net assets by the amount shown below.

## 2018

	Assets Held at Fair Value £'000	Change in net assets	
		+10% £'000	-10% £'000
US Dollar	290,850	29,085	-29,085
Euro	66,428	6,643	-6,643
Yen	0	0	0
<b>Net Currency Exposure</b>	<b>357,278</b>	<b>35,728</b>	<b>-35,728</b>

## 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
<b>Net Currency Exposure</b>	<b>345,945</b>	<b>34,595</b>	<b>-34,595</b>

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, State Street, 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 2018 and 2017 is the carrying amount of the financial assets.

## 2018

	<b>£'000</b>
Global Fixed Income Pooled	276,116
Cash held on deposit	28,614
Other investment balances	473
Current assets	<u>19,767</u>
	<b><u>324,970</u></b>

## 2017

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

### 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 2018 and 2017, grouped into relevant maturity dates.

#### 2018

	<b>Carrying Amount £'000</b>	<b>Less than 12 months £'000</b>	<b>Greater than 12 months £'000</b>
Accounts Payable	107	107	0
Benefits Payable	539	539	0
Sundry Creditors	2,866	2,866	0
	<b>3,512</b>	<b>3,512</b>	<b>0</b>

#### 2017

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

### 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 2018 and 31 March 2017, 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 State Street for the period ending 31 March 2018 and the Fund's old custodian, BNY Mellon for the period ending 31 March 2017.

**2018**

	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Brunel Pension Partnership	840	0	0	840
Fixed Interest Securities	0	0	0	0
Index Linked Securities	0	0	0	0
Equities	384,770	0	3,450	388,220
Pooled Funds:	0	0	0	0
- Other	0	1,646,995	35,655	1,682,650
- Property	0	111,402	170,025	281,427
Derivative assets	0	0	0	0
- Futures	0	0	0	0
- Options	0	0	0	0
- Forward FX	0	0	0	0
	<b>385,610</b>	<b>1,758,397</b>	<b>209,130</b>	<b>2,353,137</b>
Cash Deposits	28,614	0	0	28,614
Other Investment balances	473	0	0	473
	<b>414,697</b>	<b>1,758,397</b>	<b>209,130</b>	<b>2,382,224</b>

**2017**

	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
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
	<b>365,698</b>	<b>1,590,340</b>	<b>198,098</b>	<b>2,154,136</b>
Cash Deposits	19,799			19,799
Other Investment balances	170			170
	<b>385,667</b>	<b>1,590,340</b>	<b>198,098</b>	<b>2,174,105</b>

During 2017/18 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 2018 and 31 March 2017.

**2018**

	<b>£000</b>
Opening balance	198,098
Total gains/losses	10,373
Purchases	42,242
Sales	-41,583
Transfer out of Level 3	0
Closing balance	<b>209,130</b>

## 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	<u>198,098</u>

The following table shows the sensitivity of assets valued

### Sensitivity of assets valued at level 3

	Assessed Valuation range (+/-)	Value at 31 March 2018 £'000	Value on increase £'000	Value on decrease £'000
Pooled Property	14.10%	171,386	195,551	147,221
M&G Financing Fund	0.00%	2,089	2,089	2,089
Infrastructure	14.30%	35,655	40,754	30,556
		<b>209,130</b>	<b>238,394</b>	<b>179,866</b>

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

Security	31 March 2018	
	Market value £m	% of total market value
Legal & General - Rafi Equity	324.5	13.6
Investec - Emerging Markets	252.4	10.6
Barings - Dynamic Asset Allocation Fund	242.2	10.2
Legal & General Equity Index Fund	171.4	7.2
Loomis Sayles Alpha Bond Fund	160.9	6.8
LSAA 2068 Index Linked Gilts	127.9	5.4
LUAB 2062 Index Linked Gilts	127.2	5.3
Legal & General World Equity Index	125.4	5.3
	<b>1531.9</b>	<b>64.4</b>

## 12. Investment management expenses

	<b>2017-18</b> <b>£000</b>	<b>2016-17</b> <b>£000</b>
Manager & Investment Admin Fees	6,074	9,047
Custody and Performance	99	70
	<u><b>6,173</b></u>	<u><b>9,117</b></u>

### 13. Current assets

	<b>31 March 2018</b> <b>£000</b>	<b>31 March 2017</b> <b>£000</b>
Contributions due from other authorities and bodies		
- Employees	1,570	1,536
- Employers	5,590	5,199
Income due from external managers and custodians	-	-
Debtors (Magistrates)	1,930	2,895
Other	2,967	1,748
Cash balances	7,710	5,669
	<u><b>19,767</b></u>	<u><b>17,047</b></u>
Less:		
Long Term debtors (Magistrates)	- 1,930	- 2,895
Net current assets	<u><b>17,837</b></u>	<u><b>14,152</b></u>

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

On 8<sup>th</sup> 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 £2.895m, of this the following year's instalment (£0.965m) is classified as a debt repayable in one year, and the remaining balance £1.930m is a long term debtor.

### 14. Current liabilities

	<b>31 March 2018</b> <b>£000</b>	<b>31 March 2017</b> <b>£000</b>
Managers / custody fees	1,646	1,510
HMRC	722	717
Other	1,144	1,455
	<u><b>3,512</b></u>	<u><b>3,682</b></u>

### 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
<b>Equitable Life Assurance Society</b>	
- With Profits Fund	0.471
- Unit Linked Managed Fund	0.145
- Building Society Fund	-
<b>Clerical Medical Funds</b>	
- With Profits Fund	0.178
- Unit Linked Managed Fund	0.900
<b>NPI Fund</b>	
- Managed Fund	0.012
- With Profits Fund	0.097
- Global Care Unit Linked Fund	0.062
- Cash Deposit Fund	0.024
<b>Prudential</b>	
- 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
	<hr/> <b>4.422</b> <hr/>

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 £1.472m (2016/2017: £1.430m) 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 2017/2018 (2016/2017: £30m). A balance of £0.9m 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 2018, the fund had an average investment balance of £7.6m (31 March 2017: £5.6m), earning interest of £21k (2016/2017: £21k) in these funds.

## Governance

There are five members of the Pension Fund Committee that are active members of the Pension Fund, two of these individuals are the employer bodies representatives. Councillor Roy White is also a pensioner member of the Pension Fund.



## 18. Guaranteed minimum pension

The Guaranteed Minimum Pension (GMP) Reconciliation project has been split into a number of stages for Local Government Pension Schemes (LGPS). The Fund has nearly completed Stage 2, entitled "Review data inconsistencies, raise with HMRC & agree outcome" with more than 85% of the work completed. With HMRC extending the GMP reconciliation project with them to December 2018 the Fund is on track to complete this work.

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. Stage 3 entitled "Rectification" whereby LGPS pensions will be amended with the reconciled Stage 2 GMP information will take place following completion of Stage 2.

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 05/04/2021. We await further confirmation from the Government detailing how GMPs will be increased for those members whose SPA is after 05/04/2021.

## 19. Contingent Liabilities and Contractual Commitments

Outstanding capital commitments (investments) at 31 March 2018 totalled Euro 15.2m and USD 42.5m; representing GBP 43.59m

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.

## 14. IAS26 statement

### Pension Fund Accounts Reporting Requirement

#### Introduction

CIPFA's Code of Practice on Local Authority Accounting 2017/18 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 2018	31 March 2017
Active members (£m)	1,469	1,349
Deferred members (£m)	848	853
Pensioners (£m)	1,116	1,163
<b>Total (£m)</b>	<b>3,433</b>	<b>3,365</b>

The promised retirement benefits at 31 March 2018 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2016. 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 2018 and 31 March 2017. I estimate that the impact of the change in financial assumptions to 31 March 2018 is to decrease the actuarial present value by £67m. There is no impact from any change in the

demographic and longevity assumptions because they are identical to the previous period.

### Financial assumptions

Year ended (% p.a.)	31 March 2018	31 March 2017
Pension Increase Rate	2.4%	2.4%
Salary Increase Rate	2.7%	2.7%
Discount Rate	2.6%	2.5%

### 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 a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	22.5 years	24.9 years
Future pensioners (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 2018	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.5% p.a. increase in the Pension Increase Rate	8%	284
0.5% p.a. increase in the Salary Increase Rate	1%	46
0.5% p.a. decrease in the Real Discount Rate	10%	349

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 2018 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:-

Barry Dodds FFA

27 April 2018

For and on behalf of Hymans Robertson LLP

## 15. 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](http://www.wiltshirepensionfund.org.uk) or by emailing [pensionenquiries@wiltshire.gov.uk](mailto: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:

**Ashleigh Salter**  
Fund Communications Manager  
Tel: 01225 713605  
Email: [Ashleigh.Salter@wiltshire.gov.uk](mailto:Ashleigh.Salter@wiltshire.gov.uk)

**Andy Cunningham**  
Head of Pensions Administration & Relations  
Tel: 01225 718296  
Email: [Andy.Cunningham@wiltshire.gov.uk](mailto:Andy.Cunningham@wiltshire.gov.uk)

**Nick Weaver** Investment Manager (Interim)

Email: [Nick.Weaver@wiltshire.gov.uk](mailto:Nick.Weaver@wiltshire.gov.uk)

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

### **Opinion**

We have examined the pension fund financial statements for the year ended 31 March 2018 which comprise the Fund Account, Net Asset Statement and the related notes, including the accounting policies in note 2.

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 2018 and comply with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

### **Respective responsibilities of the Chief Financial Officer and the auditor**

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities the Chief Financial Officer 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 2017/18.

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 2017/18.

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, the purpose of our audit work and to whom we owe our responsibilities.

### **Matters on which we are required to report by exception**

The Code of Audit Practice requires us to report to you if we have exercised our responsibilities in respect of the pension fund in the following areas:

- any matters 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;
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;
- an application has been made to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014;
- an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects



**Jonathan Brown**

**For and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

66 Queen Square

Bristol

BS1 4BE

24 July 2018

This page is intentionally left blank

## WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE  
20 September 2018

---

### Employer Charging Policy

#### Purpose of the Report

1. The purpose of this report is to present to Wiltshire Pension Fund Committee a revised employer charging policy (see Appendix). The Committee is requested to consider and approve the proposed Employer Charging Policy.

#### Background

2. The Fund has had an informal employer charging policy in place for a number of years as a page on its website. The new employer charging policy largely formalises the existing policy and aims to provide greater clarity on the breakdown of costs and the split between direct and indirect charges.
3. The original charging policy was produced in response to the significant increase in the level of Fund's actuarial and legal costs in relation to outsourcing, reorganisations and academisations within the last 10 years.
4. In Officers' opinions, it seemed unreasonable that these new costs were shared across all employers, where they primarily related to a sub-set of employers. Furthermore, by charging directly for these additional costs, it would allow employers to appreciate the true costs involved in implementing such arrangements.

#### Considerations for the Committee

5. The charging policy distinguishes between the following types of employer costs: standard costs, non-standard costs and other costs related to performance, complaints and legislative matters. Standard costs are defined as costs which occur in running the Fund on a day-to-day basis, normally apply to all Employers and employers are required to pay (i.e. they have no discretion over).
6. As standard costs are out of the employers' control and are broadly proportional to an employer's size, it seems reasonable for these to be continue to be paid for out of employer contributions.
7. Non-standard and other costs, general relate to an employer action (or inaction) and hence it seems reasonable that these costs are paid by the relevant employer concerned. This principle has been applied in the creation of this policy.

#### Environmental Impact of the Proposal

8. There are no known environment implications from this report.

#### Financial Considerations & Risk Assessment

9. The application of the policy has a significant impact on the Fund's ability to operate within the administration budget which has been set.

**Legal Implications**

10. There are no known legal implications from this report.

**Safeguarding Considerations/Public Health Implications/Equalities Impact**

11. There are no known implications at this time.

**Reasons for Proposal**

12. There are no known implications at this time.

**Proposal**

13. The Committee is recommended to approve the current policy with immediate affect.

ANDY CUNNINGHAM  
Head of Pensions Administration and Relations

Report Authors: Andy Cunningham, Head of Pensions Administration and Relations

---

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



### 1. Introduction

This is the policy of Wiltshire Pension Fund (“the Fund”) for charging its participating employers (“Employer”) for services provided by the Fund. It covers what charges apply, which Employer(s) is liable, when charges should be paid and how much. The purpose of this policy is to restrict the level of participating Employers cross-subsidies that occur within the administration costs of the Fund and to hence to provide greater clarity as to the standard costs. This policy splits costs into three, initial categories:

- ‘Standard costs’: Costs which occur in running the Fund on a day-to-day basis, normally apply to all Employers and employers are required to pay (i.e. they have no discretion over).
- ‘Non-standard costs’: Costs which normally result from an optional or ad-hoc employer action and tend to just affect some Employers.
- Administrative Performance, Complaints and Legislative recharges

Immaterial non-standard costs (e.g. less than £500) will not normally be recharged to individual Employers due to the inefficiencies involved invoicing for relatively small payments.

The Policy has been prepared by the Administering Authority and was approved by the Wiltshire Pension Fund Committee on 20 September 2018. This Policy replaces all previous policies on Employer charges and is effective from its date of approval.

The policy applies to all past, current and future Employers participating in the Fund.

A full breakdown of costs is shown in Appendix 1.

### 2. Terminology

**LGPS:** Local Government Pension Scheme

**Regulations:** The LGPS Regulations 2013

**‘Participating Employer’, ‘Scheme Employer’ or ‘Employer’:** All Schedules bodies, Designating/Resolution bodies and Admitted bodies which currently participate within the Wiltshire Pension Fund (with each term as defined with the LGPS Regulations 2013)

**Admission Agreement:** An agreement outlines the terms of admission for an Admitted Body.

**Transferor Employer:** If a group of staff transfer across to another employer under TUPE, the original or source employer.

### 3. Regulatory Framework & Contractual Context

The LGPS Regulations 2013 outline the general framework for employees and employers participating in the LGPS in England and Wales and defines Wiltshire Council as the administering authority for the Wiltshire area, and uses the term Wiltshire Pension Fund to distinguish between the Council’s role as an employer and as the Fund. As part of administering the LGPS, the Fund will incur a variety of costs which can normally be classified as legal, actuary, governance, investment

and administration costs. Where indicated under this policy, the Fund will invoice individual employers as and when required.

For some admitted bodies, the admission agreement is explicit on which party is responsible for fees incurred; if the agreed terms of the admission agreement contradict a part of this policy, then the admission agreement terms shall apply. The Fund will not abide by any agreements which it is not a party to.

#### **4. Categories of charges**

##### **a). Standard Costs**

Most Fund costs will continue to be absorbed centrally by the Fund and then apportioned to all employers according to their size thus forming a portion of each Employer's contribution rate. Employers have no choice in incurring these costs and the benefits are received by all Employers, approximately proportionate to their size and hence the Fund considers this approach to be appropriate for costs which broadly affect all Employers.

Costs included in this category are:

- All Governance costs: Including the running of the Local Pension Board and Wiltshire Pension Fund Committee;
- Staffing, systems and other general running costs;
- Actuarial fees associated with completing the triennial valuation;
- All investment related costs;
- Most other administrative and Communications work and officer's time; and
- Ill Health strain costs\*

\*Note: The Fund offers Employers an option to take out ill-health strain costs insurance. For ill-health insurance participants, a portion of each Employers' contributions relates to the insurance premium. For non-participants, the actuary makes an allowance for an expected number of ill-health retirements and the Employer takes the risk that the true cost will be higher or lower than predicted. However, in each scenario, the Fund does not charge separately for this service which is why this is treated as a standard cost.

##### **b). Non-standard costs (see appendix 1 for a list of current fees)**

i). Contribution rates and Unitisation adjustments: When a new Employer joins the Fund, the Fund's actuary will normally need to calculate and employer contribution rate and perform a unitisation calculation. If the new Employer has joined the Fund following a transfer of staff from an existing employer, the Fund will charge all costs to the Transferor Employer, with the exception of transfers of staff from a Local Authority to an Academy whereby the Academy will be responsible for all the costs incurred relating to their transfer.

If a new Employer body has applied and been accepted to join the Fund without a transfer of staff, the new Employer body will pay all fees applying.

ii). Admission Agreement (including accompanying guarantee and bond arrangements): An Admission Agreement is required for all Admitted Bodies. Where a transfer of staff has occurred, all costs incurred in completing an Admission Agreement to the point of signature will be passed to the Transferor Employer. For all other types of new Admitted Body, the new Employer will be required to pay the fees.

iii). Other Guarantee or Security Arrangements: If the Fund needs to draft a guarantee or security arrangement outside of the normal process for setting up an Admission Agreement, including all renewals, these costs will be charged to the employer which requires the arrangement to be put in place.

iv). Cessations Fees: When an Admitted Body leaves active participation of the Fund, our actuary is required to calculate if a deficit or surplus exists and what payments are required to be made by the Admitted Body or the Fund to the other party. If the ceasing body entered the Fund as an Admitted Body following a TUPE transfer, then the Transferor Employer will be responsible for the costs. In all other cases, including for academies, the ceasing employer will pay the costs.

v). FRS102 and similar: Accounting Reports are supplied by the Fund Actuary once a year at each Employer's accounting year end date. Bespoke quotes will be issued at the time.

vi). Mergers and Demergers (within the Fund): Any actuarial and legal costs relating to these exercises will be equally shared by the employers concerned.

vii). Bulk transfers (within the Fund): Any actuarial and legal costs related to transfer from one employer to another will be the responsibility of the ceding employer.

viii). Bulk transfer calculations (between different Funds): As required under Regulations 103, and if necessary under Regulation 98, of the LGPS Regulations 2013, where a bulk transfer of assets occurs the Fund's actuary will be required to agree a transfer value with an actuary from another Fund. In such circumstances, Wiltshire Pension will recharge all actuarial costs to the Scheme Employer concerned (which is either transferred out or in the staff).

ix). Additional Valuation and modelling work: Every 3 years, the Fund is revalued and new employer contribution rates are issued for the following 3 years. The valuation work is paid for as mentioned above in the standard charging. However, any additional work requested and incurred by the Fund, including during the triennial valuation cycle, will be charged to the employer requesting it.

x). Strain Costs: All Employers have certain benefits administration discretions available to them which include:

- Redundancy (for members aged over 55)
- Augmentation (granting additional service or pension)
- Waiver of actuarial reductions\*

These costs will arise from an Employer exercising one of its discretions, which should be covered by their Employer Discretion Policy and will be charged on an Ad Hoc basis.

xi) Employer movements across Funds: If an employer wishes to change LGPS Funds, the Fund will charge for all direct costs involved including an estimate for officer time.

**Administrative performance, complaints & legislative recharges:**

**i). Poor administration recharges (as identified by the Fund):** Where the Fund considers that it has incurred additional costs (including officer's time) as a result of an employer's poor level of administrative performance, Regulation 22 of the Local Government Pension Scheme Administration Regulations 2013 allows the Fund to recover these costs. The Fund's general approach to dealing with employers which are not performing their responsibilities, as outlined in its administration strategy and in legislation, is to work closely with that employer to make the necessary improvements. If the employer is unwilling or unable to make the necessary changes, the Fund reserves to the right to charge employers accordingly if it feels it has exhausted all other avenues to resolve the situation. Further details are available in the Administration Strategy, including the current hourly rate.

**ii). Internal Dispute Resolution Procedure (IDRP):** If a Scheme Member enters into a dispute with the Fund and this dispute is taken down the IDRP route to be resolved, the Fund will need to incur costs to refer the matter on to third party to review the matter independently. If the dispute mainly relates to a Scheme Employer action or inaction, then the Fund may recharge the costs involved to the Scheme Employer concerned. If the dispute relates to the actions or inaction by the Fund, then the Fund will absorb the costs.

**iii). Fines by a third party relating to an employer's performance:** If the Fund is fined by a third party mainly for the action or inaction of one or more employers, the Fund at its absolute discretion will invoice the employers concerned accordingly.

## **5. How and when employers will be charged (non-standard costs)**

When an employer requests for a service to take place, which falls under a non-standard cost, the Fund will ask the employer concerned to raise a purchase order number. Once the service is complete, the Fund will issue an invoice containing the purchase order number provided.

The Fund's normal invoice payment terms are 30 days from the date of issue. If payment is not received the Fund will follow the recovery processes set by Wiltshire Council. If payment is still not received the Fund will reserve the right to charge the outstanding debt against unitisation pot of the employer concerned and included an allowance for any costs incurred by trying to recover the amounts due.

### **Further Information**

If you have any further questions or comments about this charging policy, please contact Denise Robinson, the Fund's Employer Relationship Manager: Telephone: 01225 713505 Email: [denise.robinson@wiltshire.gov.uk](mailto:denise.robinson@wiltshire.gov.uk)

**Policy approved by Wiltshire Pension Fund Committee on 20 September 2018.**

## Appendix 1

**Table of Charges 2018/2019 relating to sections 4b and 4c:** Where the costs involved are relatively consistent over time from case to case, we will charge a fixed fee as outlined below. Where costs can be highly variable, we will provide a quote before the work commences and inform the appropriate Employer accordingly.

Section	Charge	Amount	Payment due date	Who is responsible for paying?
4b)i	*Employer Contribution Rates and Unitisation report	£4,000 + VAT	30 days from the date of invoice	If a transfer, the Transferor Employer unless a local authority to academy transfer, in which case the academy. For other new Employers, the new Employer.
4b)j	*Actuary Work when joining the Pension Fund – Unitisation Report only	£2,500 + VAT	30 days from the date of invoice	When an Academy is expanding and taking on new schools, if there is not a material difference to the Academy a Unitisation report may be produced and the contribution rate will remain the same. This fee will be paid for by the Academy inheriting the schools.
4b)ii	*Admission Agreement – Legal Work	£2,000 + VAT	30 days from the date of invoice	Transferor Employer if relevant, otherwise the new Employer.
4b)iii	Guarantee & security Arrangements	Variable. A quote will be provided at the time.	30 days from the date of invoice	The Employer which requires the guarantee agreement to be put in place.
4b)iv	*Cessations	£4,000 + VAT (this does not include and deficit payment, these will be invoiced separately)	30 days from the date of invoice	If the admitted body following a staff transfer, the transferor Employer for all other cases the ceasing Employer.
4b)v	FRS102 Accounting Report	Variable. A quote will be provided at the time.	30 days from the date of invoice	The Employer commissioning the report
4b)vi	Mergers and Demergers (within the Fund)	Variable. A quote will be provided at the time.	30 days from the date of invoice	Costs will be split evenly between the parties concerned
4b)vii	Bulk transfers (within the Fund)	£2,500 + VAT	30 days from the date of invoice	Costs will be due from the ceding employer
4b)viii	Bulk Transfers In/Out (between different Funds)	Variable. A quote will be provided at the time.	30 days from the date of invoice	The Wiltshire Pension Fund employer either undertaking a bulk transfer in or out.
4b)ix	Additional Valuation & Modelling work	Variable. A quote will be provided at the time.	30 days from the date of invoice	The Employer making the request.
4b)x	Strain Costs (e.g. redundancy or efficiency 55 to 59)	Variable. A quote will be provided at the time.	30 days from the date of invoice	The Employer exercising its discretion
4b)xi	Employer movements between Fund	Variable. A quote will be provided at the time.	30 days from the date of invoice	The Employer joining or leaving the Fund.

4c)i	Poor administration performance	Variable. A quote will be provided at the time	30 days from the date of invoice	The Employer concerned
4c)ii	IDRP	£3000-£5000+ VAT	30 days from the date of invoice	The Employer concerned
4c)iii	Fines	Variable. A quote will be provided at the time	30 days from the date of invoice	The Employer concerned

\*If the Fund is a party to an admission agreement which states an alternative approach to charging these costs, the terms of the admission agreement shall apply.

DRAFT

## WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE  
20 September 2018

---

### Employer Cessation Policy

#### Purpose of the Report

1. The purpose of this report is to present to Wiltshire Pension Fund Committee an updated Employer Cessation Policy (see Appendix). The Committee is asked to consider and approve the proposed Employer Cessation Policy.

#### Background

2. The Fund has had a cessation policy in place for a number of years and the current version was approved on 10 March 2016.
3. Following recent Regulatory changes, which require the Fund to repay any cessation surpluses ('Exit Credits') to employers ceasing participation in the Fund, parts of the existing policy have become out of date.
4. Furthermore, certain scenarios concerning the merger, debrokering and cessation of academies and multi-academy trusts are not covered adequately by the existing policy and hence the proposed policy has been updated to also address these areas and provide clarity and transparency to employers over how the Fund will deal with these scenarios.
5. This policy helps address risk PEN015: *Failure to collect payments from ceasing employers*.

#### Considerations for the Committee

6. The new policy aims to address all of the deficiencies identified above. Changes will also be required to the Funding Strategy Statement to address some of the same points. The Funding Strategy Statement will be reviewed later this year.
7. This policy has been produced in consultation with the actuary, Hymans-Robertson LLP as the policy contains certain actions the actuary would be required to undertake.

#### Environmental Impact of the Proposal

8. There are no known environment implications from this report.

#### Financial Considerations & Risk Assessment

9. The application of this policy aims to reduce the risk that the Fund enters into a dispute with an employer over how to settle an employer's exit position, which could have significant financial and legal consequences to resolve.
10. The policy also looks to limit the number of scenarios whereby an employer ceases and leaves 'orphaned liabilities', even if the liabilities are fully funded at the point of exit.

### **Legal Implications**

11. There is no legal requirement to produce a cessation policy, but the application of a policy reduces the risk of significant legal costs needing to be incurred upon cessation.

### **Safeguarding Considerations/Public Health Implications/Equalities Impact**

12. There are no known implications at this time.

### **Reasons for Proposal**

13. There are no known implications at this time.

### **Proposal**

14. The Committee is recommended to approve the proposed policy with effect from 1 October 2018.

ANDY CUNNINGHAM  
Head of Pensions Administration and Relations

Report Authors: Andy Cunningham, Head of Pensions Administration and Relations

---

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



## **WILTSHIRE PENSION FUND – CESSATION POLICY**

### **1. Introduction**

This is the policy of Wiltshire Pension Fund (“the Fund”) as regards the treatment of employers on termination of their participation in the Fund. It covers the methodology for calculation and payment of any deficit or refund of surplus on leaving the Fund (via a “cessation valuation”). It applies independently from any risk-sharing which has been agreed bilaterally between a Scheme Employer and an exiting Scheme Employer.

It has been prepared by the Administering Authority, with input from the Fund’s Actuary, Hymans Robertson LLP. This policy relates to all employers in the Fund.

This policy replaces all previous policies on employer termination and is effective from 1 October 2018.

This policy applies to all past, current and future employers participating in the Fund. In exceptional circumstances, the Fund reserves the right to differ from the contents of this policy if the particular circumstances of an Exiting Employer mean that the application of this policy is not appropriate or goes against the spirit of the principles applied here.

### **2. Terminology**

The following terms all have the same meaning as defined in the Local Government Pension Scheme Regulations 2013 (“the 2013 Regulations”), as amended from time to time: Scheme Employer, Administering Authority, Exiting Employer, Exit Credit, Exit Date, Rate and Adjustment Certificate and Related Employer.

### **3. Regulatory framework**

The 2013 Regulations outline the general framework for employees and employers participating in the Local Government Pension Scheme in England and Wales. The regulations that are most relevant to employers leaving the Fund are as follows;

- Regulation 64 (2) – where an employer ceases to be a Scheme Employer, the Administering Authority is required to obtain an actuarial valuation of the liabilities of current and former employees as at the Exit Date. Furthermore, it requires the Rates and Adjustments Certificate to be amended to show the Exit Payment due from the exiting employer or the Exit Credit due to the exiting employer.
- Regulation 64(2ZA) – where a Scheme Employer exits the Fund in surplus the Administering Authority must pay the surplus amount (“Exit Credit”) to the exiting Scheme Employer within 3 months of the date that employer ceases to be a Scheme Employer (or such longer period as agreed by both parties).
- Regulation 64 (2A) & (2B) – the Administering Authority, at its discretion, may issue a suspension notice to suspend payment of an exit amount for up to three years, where it reasonably believes the exiting employer is to have one or more

active members within the period of the suspension notice.

- Regulation 64 (3) – in instances where an exit payment is due but it is not possible to obtain additional contributions from the employer leaving the Fund or from the bond/indemnity or a guarantor, the contribution rate(s) for the appropriate Scheme Employer or remaining Fund employers may be amended.
- Regulation 64 (4) – where it is believed a scheme employer may cease at some point in the future, the Administering Authority may obtain a certificate from the Fund actuary revising the contributions for that employer, with a view to ensuring that the assets increase by an amount broadly equivalent to the exit payment that will be due.
- Regulation 64 (5) – following the payment of an Exit Payment to the Fund, no further payments are due to the Fund from the Exiting Employer.

In addition to the 2013 Regulations summarised above, Regulation 25A of the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (“the Transitional Regulations”) gives the Fund the ability to levy a cessation debt on employers who have ceased participation in the Fund (under the previous regulations) but for whom a cessation valuation was not carried out at the time. This policy document describes how the Fund expects to deal with any such cases.

#### **4. Policy reviews**

This policy will be reviewed at least every three years following triennial valuations or following changes to the regulations pertaining to employers leaving the Fund.

It should be noted that this statement is not exhaustive and individual circumstances may be taken into consideration where appropriate. Any queries should be directed to Andy Cunningham, Head of Pensions Administration and Relations in the first instance at [Andy.Cunningham@wiltshire.gov.uk](mailto:Andy.Cunningham@wiltshire.gov.uk) or 01225 718296.

#### **5. Cessation events**

The purpose of a cessation valuation is to determine the level of any surplus or deficit in an employer’s share of the Fund as at the date the employer leaves the Fund and the manner in which they will be processed.

##### **5.1. Current cessations**

There are a number of scenarios that may lead to an employer leaving the Fund;

##### **a). Contractors participating in the Fund under an admission agreement (previously referred to as Transferee Admission Bodies).**

- A cessation event will occur when either a contract comes to a pre-arranged end date (the period of which will be defined in the admission agreement), a contract is terminated early or the employer has no remaining active members in the Fund.
- Action will be taken by the Fund to determine the level of any cessation debt owed by, or exit credit owed to, the exiting employer. The Fund will then seek to recover any debt from the exiting employer or alternative bond or guarantor in

place, or refund any surplus.

- Regardless of the success of recovering any cessation debt in respect of the exiting employer, or the amount of any exit credit refunded, all active, deferred and pensioner liabilities of the contractor will automatically transfer back to the Awarding Authority, along with the notional value of assets held by the ceased employer.
- If the contract is re-let, a new admission agreement will be set-up between the Awarding Authority and the new employer which may lead to some or all the original active members transferring to the new employer.

#### **b). Academies and Multi-Academy Trusts (MATs)**

- A cessation event will occur if a current Academy or Multi-Academy Trust ceases to exist as an entity or as an employer with the Fund.
- If the cessation event occurs due to an academy or MAT merging with or being taken over by another academy or MAT within the Wiltshire Pension Fund, all active, deferred and pensioner liabilities from each of the merging entities will be combined, along with the notional value of assets held by the bodies concerned, and the responsibility for the payment of all current and future liabilities will become the responsibility of the newly merged entity<sup>1</sup>. In these circumstances the Actuary, in consultation with the Fund, will determine if an Exit Payment or Exit Credit is required or if these funding variations should be addressed as part of future employer's contributions relating to the newly merged entity.
- If the academy or MAT is "debrokered"/split into more than one either new or existing employers with the Wiltshire Pension Fund then the Actuary will split the notional assets and liabilities relating to all active, deferred and pensioner liabilities of the exiting employer between the employers which are inheriting responsibility for the debrokered academy or MAT<sup>1</sup>. In consultation with the administering authority, the Actuary will use his or her professional judgement to determine an appropriate and fair methodology for undertaking this split. Furthermore, the Actuary, in consultation with the Fund, will determine if an Exit Payment or Exit Credit is required or if these variations should be addressed as part of future employers' contributions.
- If the Fund is unable to recover any cessation debt from an academy or MAT then it will seek to recover the debt from the Department for Education (DfE) as outlined in the DfE's parliamentary minute from 2 July 2013.
- In all other circumstances, following the payment of any cessation debt or the receipt of any cessation surplus, responsibility for all the remaining deferred and pensioner liabilities will be ring-fenced until the final liability ceases and then the liabilities and assets will be shared amongst all remaining active employers in the Fund, unless another Scheme Employer (or group of employers) provides a guarantee that requires them to inherit responsibility for the exiting employer's notional assets and liabilities.

#### **c). All other employers.**

---

<sup>1</sup> <sup>1</sup>This approach is consistent with the wording of paragraph 9 of the [DfE parliamentary minute published on 2 July 2013](#)

- A cessation event will typically occur due to an employer having no remaining active members in the Fund.
- Following payment of any cessation debt or the receipt of any cessation surplus, responsibility for all remaining deferred and pensioner liabilities will be shared amongst all remaining active employers in the Fund, unless another Scheme Employer (or group of employers) provides a guarantee that requires them to inherit responsibility for the exiting employer's notional assets and liabilities.

The calculation of the cessation position will depend on which scenario applies. See section 6 for details.

## **5.2 Suspending payment of exit amounts**

At the absolute discretion of the Administering Authority, a suspension notice may be awarded to an exiting employer. This may be for a period of up to three years after the cessation event (the maximum period permitted by the Regulations).

Any application for the Administering Authority to grant a suspension notice will normally only be considered if the following criteria apply;

- The employer can provide evidence that it is likely to admit one or more new active members to the Fund within the period of the suspension notice
- The employer is not a closed Admitted Body, as under the existing admission agreement no new active members would be permitted to join the Fund.
- Any application for the Administering Authority to grant a suspension notice is made within three months of the cessation event.

The Administering Authority reserves the right to withdraw a suspension notice if it is of the opinion that the terms of any agreement to award a suspension notice are not being upheld by the employer.

If a suspension notice is awarded, the cessation valuation will be deferred until the earlier of 1) the end of suspension period or 2) the point at which the suspension notice is withdrawn (for any reason). If one or more new active members are admitted to the Fund, the employer's full participation in the Fund will resume, including the ongoing responsibility for historic liabilities. If no new active members are admitted to the Fund it will seek to recover any cessation debt as per 5.1.

During the period of any suspension notice, the employer must continue to make such contributions to the Fund as certified in the Rates and Adjustments certificate.

## **5.3 Future cessations**

If an employer is aware that it will be leaving the Fund in the future, it should alert the Administering Authority and request an indicative cessation valuation.

If this valuation indicates that a surplus position is likely, then the Actuary will be able to advise the Administering Authority whether a contribution reduction (before the employer ceases) is appropriate. Alternatively, if this calculation indicates a deficit position is likely then the Actuary will be able to advise of any required increase in contributions over the

remaining period of membership. In either case, the Administering Authority has discretion over the funding basis to be used for this calculation.

#### **5.4 Historic cessations**

As required under Regulation 25A of the Transitional Regulations, the Administering Authority reserve the right to levy a cessation debt on employers who have ceased participation in the Fund under previous LGPS regulations, but for whom a cessation valuation was not carried out at the time. In such circumstances, the appropriate approach would be taken in line with the contents of this policy document depending on the relevant circumstances of each case.

### **6. Calculation Basis for cessation events: Crystallisation of cessation amount**

It is the Fund's policy that (unless a suspension notice has been awarded) the determination of any surplus or deficit on termination will be carried out as at the date that the final active member leaves active service/retires. The policy aims to minimise, as far as is practicable, the risk that the remaining, unconnected employers in the Fund have to make contributions in the future towards meeting the past service liabilities of current and former employees of employers leaving the Fund.

In each of the following scenarios, the cessation amount is crystallised. This means that once the cessation debt or surplus has been determined, this amount will not be reviewed in future to allow for future events such as market movements or demographic change, although in the event of an exit payment being due, it may be used as a reference point to agree upon a payment plan as per section 7 (if applicable).

#### **6.1 Contractors participating in the Fund under an admission agreement (previously referred to as Transferee Admission Bodies).**

The Fund's policy is to carry out the cessation valuation in this situation in line with the 'ongoing' actuarial valuation basis from the previous valuation (updated for market conditions at the date of exit).

The Regulations require that the contribution rate for the Scheme Employer who awarded the original contract is amended on termination should there be any unfunded liabilities remaining. This may occur if the certified cessation debt due from the ceased employer has not been paid or any amount received from any bond in place has not been sufficient to meet the full cessation debt.

In this case, the original awarding employer is the ultimate 'guarantor' for any legacy liabilities in respect of the ceased employer's liabilities.

If the admission agreement is terminated earlier than the contract period set out in the agreement, then the Administering Authority reserves the right to perform the cessation valuation on an alternative basis as agreed with the original awarding authority.

#### **6.2 All other employers (including Scheme Employers, Designated Bodies, other Admission Bodies)**

##### **(a) No Guarantor Exists**

In the case of an Exiting employer where no guarantor exists, since the Regulations suggest that any unfunded liabilities (at the point of cessation or after the cessation

date) should be met via increased contributions from all other employers in the Fund, the Administering Authority wishes to protect the interests of the other unconnected employers.

The cessation valuation in such a case will be performed on a 'minimum risk' basis (i.e. a gilts basis which does not allow for any outperformance above gilts from other assets such as equities, and with an increased allowance for future mortality improvements above those adopted for the ongoing funding basis at the last actuarial valuation).

If, in the judgement of the Administering Authority, there is a risk of pushing the exiting employer into insolvency by adopting the 'minimum risk' basis, even after allowing for the spreading period (see section 7 below), the Head of Pensions Administration and Relations, with the prior agreement of the Chairman and Vice Chairman of the Pensions Committee and the Chief Financial Officer, may allow the cessation valuation to be performed on a set of financial assumptions that are less prudent than the 'minimum risk' basis. In these circumstances, the asset outperformance assumption will be no greater than half of the asset outperformance used at the previous formal actuarial valuation. In this situation, there will be an increased allowance for future mortality improvements beyond that adopted for the ongoing funding basis at the previous formal actuarial valuation.

(b) Exiting employer has a guarantor

If a scheme employer guarantor does exist or if the exiting employer is able to obtain a legally binding guarantee from a Scheme Employer on cessation which states the guarantor is prepared to absorb the exiting employer's responsibilities on an ongoing funding basis, then the Actuary will calculate the cessation valuation using the ongoing funding basis adopted at the last actuarial valuation (updated for market conditions). This approach is subject to the guarantor Scheme Employer being deemed by the Administering Authority to be sufficiently large and financially secure that the cessation deficit for the exiting employer is not material to the ongoing funding position of the guarantor Scheme Employer.

(c) Treatment of pass-through employers

In the case where the admission agreement with the Fund specifies a full pass-through arrangement, a nil cessation amount will be certified. If an employer enters into an arrangement regarding risk-sharing or pass-through with another Scheme Employer that is not reflected in the employer admission agreement, then a cessation amount will be calculated according to (a) or (b) above and charged to or credited to the exiting employer. The exiting employer will be entirely responsible for claiming from the other Scheme Employer any monies to which the exiting employer is entitled as a result of arrangements not reflected in the admission agreement.

## **7. Payment of any Deficit**

If the actuary determines that there is a deficit at the cessation date and the exiting employer is required to make a payment to the Fund, the Administering Authority will advise the exiting employer of the amount required.

The Fund's policy is for any deficit on cessation to be recovered through a single lump sum payment to the Fund, where possible. The Administering Authority may consider

permitting an Exiting employer to spread the payment over an agreed period, where it considers that this does not pose a material risk to the solvency of the Fund.

This repayment period will not exceed the deficit recovery period that applies for any guarantor, or in the absence of a guarantor, that for non-tax raising bodies within the Fund (currently 14 years) and will incorporate within the repayment profile the unwinding of the discount rate implicit in the final deficit payment as agreed with the Fund Actuary. If, however, the proposed repayment period is to exceed 7 years then the Head of Pensions Administration and Relations must obtain the agreement of the Chairman and Vice Chairman of the Pensions Committee and the Director of Finance.

If no guarantor will be in place for the length of time of which the deficit is recovered, the Fund will seek to obtain security which matches or exceeds the level of the outstanding deficit at all times during the period of time it is recovered (i.e. a decreasing amount over time). The form of financial security must be acceptable to the Administering Authority at its absolute discretion. Approved forms of security include a bond with a financial institution, a charge over assets or a Scheme Employer who will act as guarantor for the cessation debt over the extended cessation period.

The first port of call for payment of the deficit is the exiting employer itself and only in the final event of failure to recover from this source would other scenarios be explored.

Unless the cost of doing so is deemed to outweigh the likely recovery to the Fund, the Administering Authority will pursue an Exiting employer (including the liquidator, receiver, administrator or successor body if appropriate) for any deficit. In the event of non-payment, the Administering Authority will also pursue any bond or indemnity provider or guarantor, for payment where appropriate. For academies, this may include seeking to activate the Department for Education's guarantee as outlined within the parliamentary minute from 2013.

In the normal course of events (i.e. where the process above has been adhered to), the exiting employer will not normally be exposed to interest rate, investment or other funding risks after the cessation date. Any late deficit payment will include the addition of interest at the level of the base rate plus 5% per annum between the cessation date and the final payment date(s). However, exceptions to this may need to be made depending on the circumstances of the cessation and must be agreed by the Chairman and Vice Chairman of the Pensions Committee and the Director of Finance.

## **8. Payment of any Exit Credit**

If the actuary determines that there is a surplus at the cessation date and the Administering Authority is required to make a payment to the Existing employer, the Administering Authority will advise the exiting employer of the amount due to be repaid and seek to make the payment within three months of the Exit Date. However, in order to meet the three-month timeframe, the Administering Authority requires prompt notification of an employers' exit and all data requested. The Administering Authority is unable to make any Exit Credit payment until it has received all data requested.

At the time this policy was produced, the Fund has been informed by HMRC that Exit Credits are not subject to tax, however all exiting employers must seek their own advice on the tax and accounting treatment of any Exit Credit.

## **9. Extended Cessation Arrangements: Non-crystallisation of cessation calculation (only applicable where no guarantor exists)**

The methodology set out in sections 5, 6 and 7 of this policy is the Fund's preferred treatment of exiting employers. Extended arrangements for cessation valuations including delaying the calculation or payment of a cessation debt beyond the date the last active leaves active service within the Fund, other than in the circumstances set out in Section 5.2, may be considered and if approved (at the Administering Authority's absolute discretion), will be managed as set out below.

This section of policy is based on our current understanding of the Regulations and clarification provided to us by MHCLG.

- (1) A cessation debt will be calculated at the date of the cessation event on the Fund's 'ongoing' actuarial basis and this amount will be due from the exiting employer immediately. The same terms for repayment of this debt will apply as in specified in 6.
- (2) The Fund Actuary will calculate the value at risk after the 'ongoing' cessation debt payment arrangements are made, by assessing the potential cessation deficit that may arise on the 'minimum risk' basis over the next 3 years.
- (3) The exiting employer must provide an appropriate form of financial security to Wiltshire Council as administering authority to the Wiltshire Pension Fund for the amount of the value at risk. The form of financial security must be acceptable to the Administering Authority at its absolute discretion. Approved forms of security include a bond with a financial institution, a charge over assets or a Scheme Employer who will act as guarantor for the cessation debt over the extended cessation period.
- (4) The value at risk will be re-calculated at each triennial valuation and the security arrangements reviewed to ensure the outstanding value at risk is covered.
- (5) A contribution plan targeting full payment of the outstanding cessation debt calculated on the 'minimum risk' basis by a fixed date not later than the deficit recovery period that applies for non-tax-raising bodies within the Fund (currently 14 years) after the original cessation event will be assessed at the cessation event and re-calculated at each triennial actuarial valuation by the Fund Actuary taking account of all previous payments. The Administering Authority shall require the exiting employer to enter into such agreements and other documents in the Administering Authority's standard form as are (in the Administering Authority's opinion) required to effect the extended cessation arrangement.
- (6) The extended cessation arrangement will be terminated (at the "termination date") and the full amount of any outstanding cessation debt calculated on the minimum risk basis on the termination date will become due immediately in any of the following circumstances:
  - a. At a termination date requested by the exiting employer with a minimum notice period of 1 month;
  - b. If the exiting employer fails to meet contributions under the contribution plan;



- c. If the exiting employer is no longer able to provide appropriate security to the value required; or
- d. At a date, notified to the exiting employer with a minimum notice period of 3 months by the Administering Authority, which will be not later than 14 years after the original cessation event.

(7) All legal and actuarial costs incurred by the Fund in the process of maintaining the above extended cessation arrangements will be met by the exiting employer.

Any employer entering into extended cessation arrangements will be exposed to funding risks after the date of the cessation event. Employers could end up paying more to the Fund than the 'minimum risk' cessation amount calculated as at the cessation date.

## **10. Ongoing Management of liabilities after settlement of cessation debts**

It is the policy of the Fund to avoid 'orphaned' liabilities and assets which can occur in the following situations:

- a) The former employer no longer exists; or
- b) The former employer still exists, but they have paid off a cessation valuation in full, so there is no further recourse to them.

In these situations, the issue remains of where the former employer's liabilities (which don't cease until the last pensioner dies) and investment assets reside within the Pension Fund's unitised structure. The approach for dealing with this is as follows:

- a) Where there is a guarantor which is also an employer within the Fund, it is the Fund's policy that they will take the legacy (deferred and pensioner) liabilities and assets into their own valuation group for the purposes of future actuarial valuations. This can also be a way of spreading the cost of any remaining deficit that the guarantor may be picking up, because the liabilities (and assets) become merged with the guarantor's existing liabilities/assets for valuation and contribution rate purposes.
- b) Where there is no guarantor, another existing employer within the Fund, such as the original ceding employer (in the case of old Community Admission Bodies) or some other organisation with close links to the former employer will be sought to similarly absorb the legacy (deferred and pensioner) liabilities and assets.
- c) If no other employer within the Fund has links to the former employer, the former employer's assets will be ring-fenced until the last pensioner dies and any emerging deficit or surplus will be allocated across all current employers in the Fund at that date in proportion to their liabilities.

**Approved at Wiltshire Pension Fund Committee on 20 September 2018**

This page is intentionally left blank

## WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE  
20 September 2018

---

### **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.
5. As discussed at previous meetings, Officers will continue to expand its range of reportable KPIs and, accordingly, The Pension Regulator (tPR) KPIs are now shown in Appendix 2 and will be reported semi-annually to the Committee as part of this item. tPR related KPIs are becoming increasingly important as they will now form part of the Scheme Annual Return (next due in October 2018).

#### **Considerations for the Board**

##### **Benefits Administration KPIs**

6. The following KPIs are reported on and shown on the attached Appendix 1 for 2018-19 Quarter 1 along with a trend analysis for the previous 3 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.

7. 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.
8. Separately the Fund is currently developing its reporting capability to provide splits between employer and Fund performance and also to provide comparisons against statutory disclosure timelines and the Fund's administration strategy.

#### tPR KPIs

9. tPR defines data as either Common Data, data that it would expect all schemes to hold, and Conditional/Scheme Specific data, data that is relevant and important to that particular Scheme.
10. The Fund has calculated Common and Conditional/Scheme Specific percentages in line with the tPR guidance document '*A quick guide to measuring your data*'. However, the Scheme Specific measurement methodology is still subject to completion of consultation exercise by the Scheme Advisory Board (SAB) and hence the methodology used in this report may need to change. Furthermore, there is a lack of clarity in how tPR expects each percentage should be calculated which we lead to difficulties in making any like with like comparisons across Funds. We have highlighted these issues to SAB.

#### Conclusions

##### Benefits Administration KPIs

11. The general trend for Qtr 1 2018/19 is a downward one with the total number of completed cases falling from 1854 (in Qtr 4 17/18) to 1356. Although the quarter saw an increase in **benefit estimates** completed to a new high of 252 cases. The biggest falls over the quarter were **deferred** and **refund cases**, deferreds down 40% from 735 in Qtr 4 17/18 to 434 cases while refunds dropped 54% from 363 to 165 cases over the same period. (see Chart 1).
12. The **Active to retirement** metric has seen a fall this quarter in meeting the target timeframe although Qtr 3 saw a slight recovery which continued into Qtr 4 (see chart 1). The number of active retirement cases completed was at its lowest level over the four quarters (see chart 2).
13. **Deferred to retirement** and **death cases** both saw slight drops against target. Although deferred into retirement case volume was at it's highest level over the four quarters.
14. During the period, the Fund was carrying a number of vacancies in key operational positions and also had other some other officers on mid-term sick leave. Although operational levels vacancies have now been filled, a mixture of internal promotions and external appointments, levels of productivity will be lower than normal until the team develop into their roles over the next few months. One mid to long-term sick leave situation remains. However, no staff has left the service in 2018 and it is hoped that by promoting staff internal has and will have the benefit of increasing staff retention rates, and productivity rates will improve accordingly.
15. Furthermore, in recognition of the difficulties faced, the Fund has recently starting rolling out an overtime plan which is targeting the **Deferred to retirement** area of work and also another area which is not directly shown within these KPIs (aggregation) but which

indirectly affects the other KPIs. The Fund is able to use the financial savings created by carrying vacancies to finance this plan and is looking to expand it further if it proves effective.

16. Furthermore, the Fund is currently in the process of procuring a key piece of automation software (I-Connect) and is starting to use another piece of automation software (process automation) to make other improvements. Other plans are in place to undertake a more detailed process review to identify further efficiencies although this is not likely to start until 2019.
17. Officers expect to start seeing some of the benefits on KPIs towards the end of 2018 with further improvement occurring in 2019.

#### tPR KPIs

18. As at 31 March 2018, Wiltshire Pension Fund had an approximate Common data measurement of 95% and a Conditional/Scheme Specific data measurement of 88%. The target for both measurements is 100%. The main reasons for the failures and high level summary of planned actions is outlined in Appendix 2. Revised percentages will be calculated for the purpose of the Scheme Return.
19. The Fund will be implementing a data improvement plan to address these deficiencies and will continue to work with stakeholders to improve data quality and liaise with other Funds and Regulators to agree on the appropriate methodology.

#### **Environmental Impact**

20. There is no environmental impact from this report.

#### **Financial Considerations**

21. There are no immediate financial considerations resulting from the reporting of the Fund's performance against its key performance indicators.

#### **Risk Assessment**

22. There are no direct risks to the Fund associated with this reporting.

#### **Legal Implications**

23. There are no immediate legal implications arising from this report.

#### **Safeguarding Considerations/Public Health Implications/Equalities Impact**

24. There are no implications at this time.

#### **Proposals**

25. The Committee is requested to note the Fund's performance against its key performance indicators.

ANDY CUNNINGHAM  
Head of Pensions Administration and Relations

Report Authors:  
Mark Anderson, Systems and Data Manager;  
Andy Cunningham – Head of Pensions Administration and Relations

---

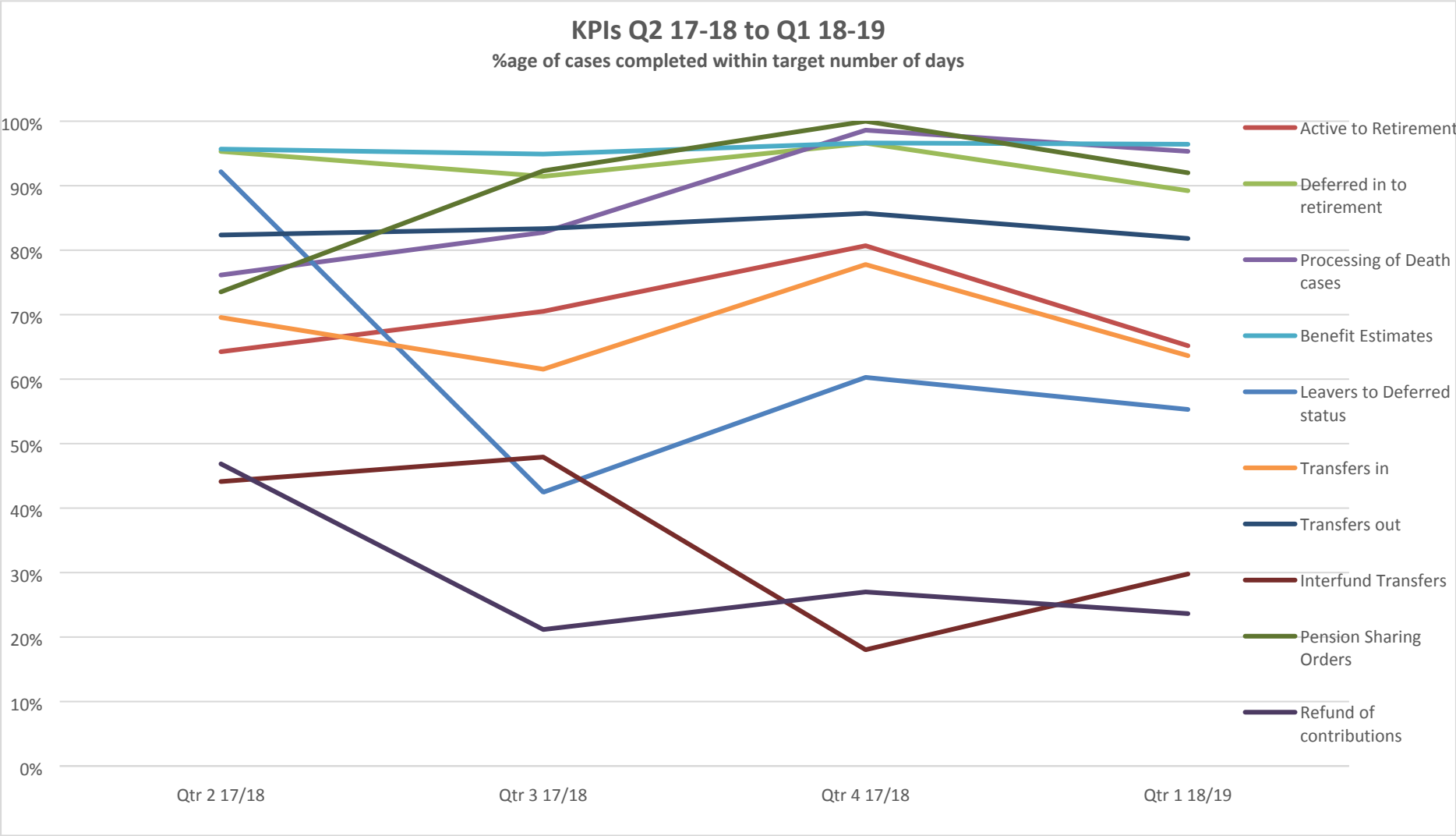
## APPENDIX 1 (Table 1)

### Wiltshire Pension Fund

#### Benefit Administration Key Performance Indicators

Period **01/04/2018** to **30/06/2018**

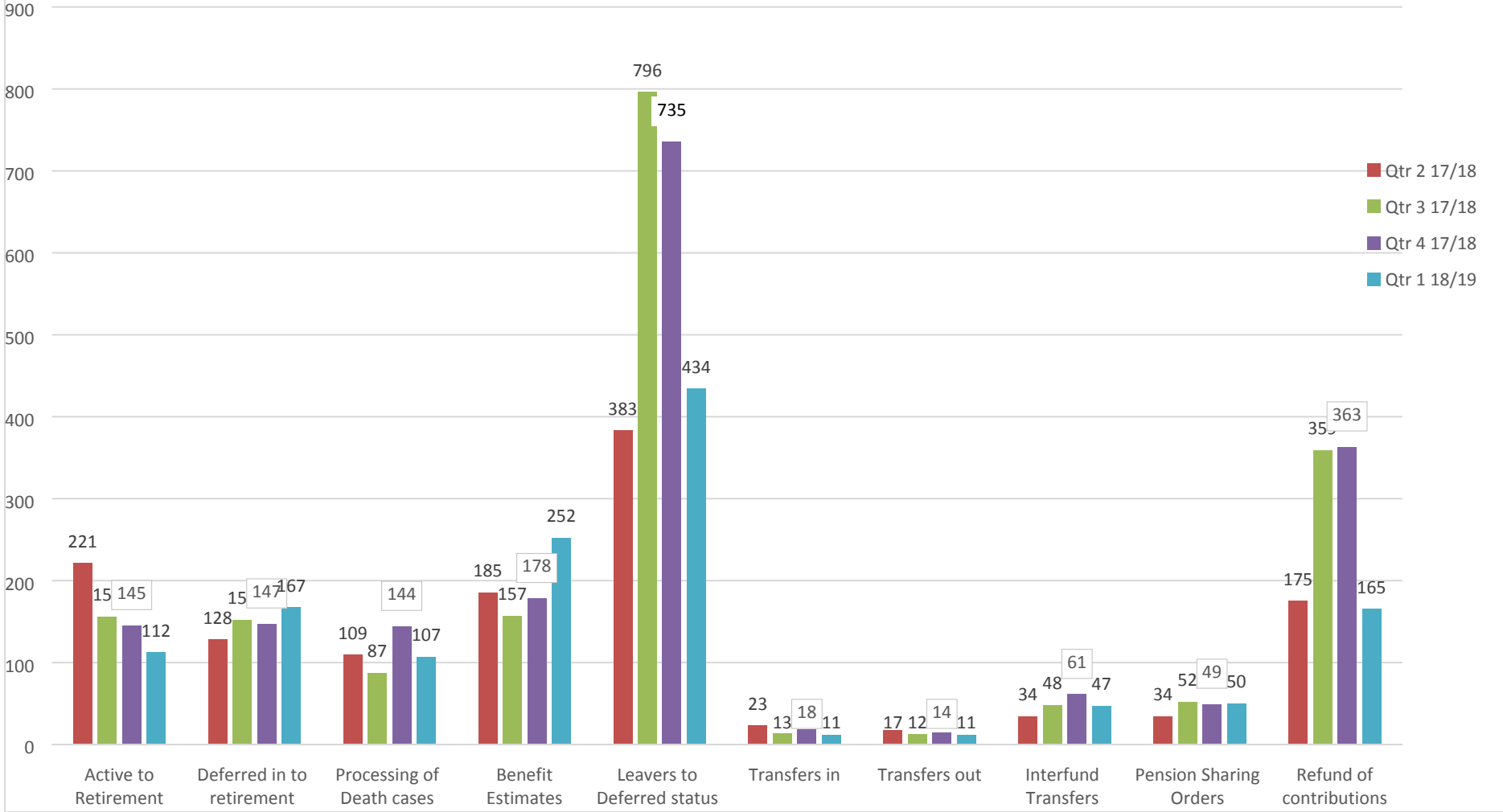
Type of case	Time to complete						Total	Timescales % on target	Timescales working days
	0 - 5 days	6 - 10 days	11 - 15 days	16 - 20 days	20 - 40 days	40 days +			
Active to Retirement	12	31	12	18	19	20	112	65%	20
Deferred in to retirement	66	39	34	10	10	8	167	89%	20
Processing of Death cases	80	18	3	1	5	0	107	95%	20
Benefit Estimates	85	71	31	30	26	9	252	96%	40
Leavers to Deferred status	55	28	24	44	89	194	434	55%	40
Transfers in	0	1	1	0	5	4	11	64%	40
Transfers out	7	2	0	0	0	2	11	82%	30
Interfund Transfers	7	2	2	2	1	33	47	30%	40
Pension Sharing Orders	32	9	2	0	3	4	50	92%	30
Refund of contributions	22	9	6	2	19	107	165	24%	20
<b>Grand Total</b>	<b>366</b>	<b>210</b>	<b>115</b>	<b>107</b>	<b>177</b>	<b>381</b>	<b>1356</b>		
<b>Percentage</b>	<b>27%</b>	<b>15%</b>	<b>8%</b>	<b>8%</b>	<b>13%</b>	<b>28%</b>			





**APPENDIX 1 (Chart 2)**

KPI Totals Qtr 2 17/18 to Qtr 1 18/19  
 Number of cases completed during period



## APPENDIX 2: tPR measurements

### Wiltshire Pension Fund

The Pension Regulator: Common and Conditional/Scheme Specific data measurement as at 31 March 2018:

Measurement	Percentage	Key reasons for shortfall <sup>3</sup> (Percentage failure rate)	Planned actions <sup>4</sup>
<b>Common<sup>1</sup></b>	<b>95%</b>	*Incorrect membership status (3.5%) *Addresses (1.5%)	*Incorrect membership status failures are mainly due to a backlog in deferring member processing. Additional staff are being recruited to tackle this issue and overtime has been offered to staff. *Address data quality issues are an on-going issue as a result of deferred and pensioner members not telling us when they move house. We use tracing agents to help identify these members but addresses are likely to be an on-going issue.
<b>Conditional/Scheme Specific<sup>1,2</sup></b>	<b>88%</b>	*Post 88 GMP (6.4%) *Transfer details (5.7%) *CARE data (3.8%) *Pre 88 GMP (1.4%) *FTE salary (1.3%) (Note: Many of the failures are interrelated and more than one may exist on a single record and hence the above errors add up to more than 12%)	*GMP data quality will improve once the GMP reconciliation work is completed and bulk updated to records. *CARE & FTE data issues are largely a timing issue but will be addressed as part of end of year.

**Notes:**

1). Both measurements have been calculated based on Officers interpretation of current tPR guidance, as outlined in the document “*A quick guide to measuring your data*”. As the guidance is brief, a number of areas are open to interpretation.

2). The exact list of scheme specific data items is a matter to be agreed by each Scheme. Due to the multi-Fund nature of the LGPS, the Scheme Advisory Board, in consultation with Funds and the LGA, is seeking to come to an agreement on the list of required data items. At the time of writing, no agreement has been reached and thus the above percentage has been calculated based on a prudent assumption of which data items should be included and what methodology to apply.

3). Some of the failures established are ‘technical’ failures in that they relate to the inconsistent way data is held on Altair. Some of the reasons for these inconsistencies are historical in nature due to the way records were migrated across from legacy systems. There are significant complications in calculating these percentages and to establish the difference between technical failures, which could potentially be excluded, and real data failures.

4). The guidance is also not clear on how to take account of timing issues. For example, inevitably there is a time lag in processing between a deferred benefit and the date a member left. During this lag, the member is arguably not held on the correct membership status however, it is unclear on whether or not this should be classed as a failure and if some level of lag is acceptable, how long. Similar scenarios apply concerning updating pay figures.

This page is intentionally left blank

## WILTSHIRE COUNCIL

### WILTSHIRE PENSION FUND COMMITTEE

20 September 2018

---

#### **LOCAL PENSION BOARD ANNUAL REPORT FOR 2017-18**

##### **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 for approval.

##### **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 2018.
4. The draft annual report can be found in the appendix to this paper. It was approved, subject to minor amendments which have since been made, at the last Local Pension Board meeting on 12 July 2018.
5. 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**

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

##### **Financial Considerations**

7. 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**

8. There are none.

##### **Environmental Impact of the Proposals**

9. There are none.

##### **Safeguarding Considerations/Public Health Implications/Equalities Impact**

10. There are no known implications at this time.

##### **Proposals**

11. Members are asked to note the Local Pension Board Annual Report 2017-18 and agree to its publication.

Andy Cunningham

## Head of Pension Administration and Relations

Report Author: Richard Bullen, Fund Governance & Performance Manager

---

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



WILTSHIRE  
PENSION FUND

# Local Pension Board Annual Report

---

12 July 2018

Wiltshire Council  
Where everybody matters

## Contents

Chairman’s introduction .....	2
Legal basis of LPB and annual reporting .....	3
LPB members register and declarations of interests.....	5
LPB approved training plan and members training logs.....	6
LPB Year 3 Work plan and outcomes.....	9
Outcomes and LPB recommendations made to the Administering Authority (Pension Committee) .....	10
LPB Actions log .....	21
Review of LPB compliance with the Pension Regulator’s Code of Practice No.14 .....	22
Summary of LPB communications outlining links to the website.....	24
LPB operational costs for 2017-18 & Budget for 2018-19 .....	25
Assurance of the LPB Annual Report .....	26
LPB forward look to 2018-19 and proposed work plans .....	27



## Chairman's introduction

Welcome to the third 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 2017 to 31st March 2018 during which the Board has held 4 meetings over this period. The focus of the LPB during 2017-18 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 the LPB's statutory duties and responsibilities such as the requirements of the Pensions Regulator.

c) the Wiltshire fund continues to fulfil 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 third year.

The LPB made a number of recommendations to the Pensions Committee (see pages 11 to 17).

Perhaps the most important was in respect of management of resource risks in connection with the pooling of the funds asset with the Brunel Pensions Partnership and the increasing administration pressures on the fund arising from the requirements of the TPR and growth in new employers, especially academies, joining the fund.

The LPB was pleased that the Administering Authority has addressed these concerns in the development of a new staffing structure for the fund which will help future proof it.

The LPB has undertaken a review of the compliance with the Pensions Regulators Code of Practice 14. 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 website and stressed the need for information to be kept up to date and the new fund website being user friendly for fund members and employers to increase its usage.

Looking ahead the LPB will seek to assist and support the Fund in respect of increased data quality requirements from the Pensions Regulator and the risks & opportunities arising from the next stages of pooling of the Fund's assets in the Brunel Pensions Partnership 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 Board 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. Details of how the Chair and members of the Local Pensions Board were and are appointed can be found in the terms of reference <http://www.wiltshirepensionfund.org.uk/media/3560/terms-of-reference-local-pension-board.pdf>

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 Ministry of Housing, Communities and Local Government.

Wiltshire Council has 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 structure 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/media/4115/governance\\_compliance\\_statement.pdf](http://www.wiltshirepensionfund.org.uk/media/4115/governance_compliance_statement.pdf)

## LPB members register and declarations of interests

### Local Pension Board as at 31 March 2018

Role	Member	Date of Appointment	Date Left	Number of meetings attended (maximum 4)
<b>Independent Chairman</b>	Howard Pearce	12/05/2015		4
<b>Employer Member Representatives</b>	Lynda Croft	14/07/2015	05/03/2018	3
	Sarah Holbrook	23/02/2016		2
	Cllr. Richard Britton	16/05/2017		2
	Cllr. Christopher Newbury	14/07/2015	16/07/2017	1
<b>Scheme Member Representative</b>	David Bowater	14/07/2015		3
	Mike Pankiewicz	14/07/2015		4
	Barry Reed	14/07/2015		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

Richard Britton, 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/wiltshire-pension-fund/about-us/local-pension-board/>

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 2013<sup>1</sup> 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 by Board members is appropriate for the purposes of enabling the individual to properly 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 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

---

<sup>1</sup> 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 Strategy Statement or Investment Strategy Statement)

### 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	RB
06/04/2017	Data Protection & Quality Standards	✓	✓	✓	✓	✓	✓		
13/07/2017	Complaints & Dispute Handling	✓	✓		✓		✓	✓	✓
20/07/2017	General Data Protection Regulations	✓							
18/10/2017	Fraud Prevention & Mitigation	✓	✓	✓			✓	✓	
15/03/2018	Annual Reporting Requirements	✓	✓	✓	✓				✓

The following were joint training sessions with the pension committee:

Date of meeting	Topics Covered	HP	MP	DB	BR	CN	LC	SH	RB
22/05/2017	LGPS, Investment Strategy, Governance & the Brunel Pensions Partnership	✓	✓	✓			✓	✓	

The following were additional training opportunities undertaken by Board Members:

Date of meeting	Topics Covered	HP	MP	DB	BR	CN	LC	SH	RB
16/05/2017	PSLA Local Government Conference		✓						
21/06/2017	Fund AGM	✓	✓						
08/09/2017	LGPS Investment training	✓	✓						
01/11/2017	Fund Investment Away day		✓						
08/11/2017	LGA training workshop								✓
10/11/2017	LGPS Summit	✓							
15/11/2017	Brunel Pensions Partnership engagement	✓	✓					✓	✓
07/02/2018	CIPFA LPB training	✓							
01/03/2018	LGC Investment Conference		✓						
26/03/2018	CIPFA LPB training	✓							
27/03/2018	Scheme Advisory Board LPB/PC Forum	✓							

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

RB – Richard Britton, Employer Representative

## LPB Year 3 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 Investment Strategy Statement.
- 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 – 2018/19](#)  
[Agenda for the Local Pension Board, Thursday, 12 July 2018](#)



## 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	Minute	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.	Minuted in LPB minutes
6 April 2017	Administration Key Performance Indicators	<p>The LPB welcomed the proposed KPIs for measuring the summary of the Fund's performance against key performance indicators and to request that statutory timeframes for administration processes are factored into the KPIs.</p> <p>The LPB <u>recommended</u> that once the KPI process is established it is developed to allow comparisons to be made against other Funds and to identify the administration costs associated with each process.</p>	<p>The restructure of the Pensions Dept. has delayed the introduction of a comprehensive suite of KPIs to measure the Fund's performance.</p> <p>Implementation will continue on completion of the restructure</p>
6 April 2017	Risk Register update	The LPB noted that the Pensions Committee had requested that Financial Instruments Directive II (MiFid II), and the impact of an increasing number of Multi Academy Trusts, be added to the Risk Register. On discussion of succession planning for staff, it was noted that the Apprenticeship Levy would be a tool for the Fund to train new staff, however it was suggested that the Fund may also benefit from a graduate recruitment scheme.	<p>MiFid II &amp; the impact of an increasing number of Multi Academy Trusts has been added to the risk register was noted.</p> <p>The need for succession planning was noted along with graduate a recruitment programme which &amp; has been a considered by staff as part of the restructure within the Pensions Dept.</p>

	Area	Minute	Outcome
		The LPB noted the measures being taken to mitigate risks, and <u>recommended</u> that consideration is given in the future to developing a graduate recruitment programme for the Fund.	
6 April 2017	Internal Audit Key Controls report and update on actions from previous audits	<p>The LPB noted that SWAP internal audit report had given the Fund a 'Reasonable Assurance' opinion, and there were no significant findings in the report with only two medium risks identified. Of the two medium risks, the outstanding reconciliations between Altair and SAP were now back up to date, the reconciliation between Altair and Pension Payroll remained and was being addressed as part of the GMP reconciliation project. In respect of compliance with the Pension Regulator's Code of Practice No.14 there were no significant findings and the Fund was found to be fully compliant in publishing information about the scheme and managing risk.</p> <p>The LPB discussed the impact of asset pooling on the funds auditing arrangements and it was <u>recommended</u> that in future the Fund's auditors would need to collaborate with the auditors for Brunel Pension Partnership (BPP).</p>	<p>Guidance from the LGA on the treatment of GMPs in relation to the reconciliation of the Pension Payroll remains outstanding.</p> <p>The recommendation of changes to the audit arrangements have been noted and will be raised with the new Auditor's Deloitte's.</p>
6 April 2017	Review of Investment Strategy Statement	The LPB noted note the updated Investment Strategy Statement and the need for a future review process in 12-18 months-time in light of asset pooling.	Committee approved changes to the 2018 Investment Strategy Statement (21 <sup>st</sup> June 2018), subject to amendments to include further detail on Brunel and the Flight Path, risk management & a statement in respect of ESG issues
6 April 2017	Business Plan update	The LPB noted the revised target dates and priorities, as previously requested by the Board. Members considered the highest risk items in terms of resourcing were	Actions relating to the appointing of a Scheme Actuary & prioritising BBP were note by Officers

	Area	Minute	Outcome
		establishing the Brunel Pension Partnership. It was noted that although the tender process for appointing a fund actuary was a high priority it was not yet time critical. The LPB noted that the Business Plan would be reviewed in 2018 and would also include priorities in respect of Brunel Pension Partnership.	
6 April 2017	Review of Fund Communication	<p>The LPB noted that the strategy had been developed in 2015 and included various mediums of communication to all types of members and stakeholders of the fund including: website updates, Annual Benefit Statements and Newsletters. The team offered Pension Clinics for members of the Fund to meet with officers, these meetings had proven very popular and further dates were being offered.</p> <p>The Board concluded it was content with the current communication strategy, especially due to the pressure on resources as a result of Brunel Pension Partnership.</p>	No action required
13 July 2017	Chairman's Announcements	The Chairman and the Vice Chairman 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.	No action required
13 July 2017	Election of the Vice-Chairman	The LPB appointed Mike Pankiewicz as Vice Chairman for 2017-18	No action required

	Area	Minute	Outcome
13 July 2017	Key Decisions of the Wiltshire Pension Fund Committee	The LPB noted the Committee had agreed the legal documentation for Brunel Pension Partnership and agreed to its Admitted Body Status in the Fund	No action required
13 July 2017	Training Item- Complaints and Dispute Handling	<p>The LPB noted that once a dispute was raised with the Fund, officers try to resolve it, if the matter cannot 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</p> <p>The LPB noted that fund 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</p>	The LPB thanked the Technical & Compliance Manager for his training session. No action required.
13 July 2017	Scheme, Legal, Regulatory and Fund update	<p>The LPB noted that 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.</p> <p>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</p>	Officers confirmed ill health liability insurance has been provided to those Scheme Employers choosing to take it out

	Area	Minute	Outcome
		were in the process of introducing an ill-health liability insurance for scheme employers.	
13 July 2017	Risk Register Update	The Board noted the risk register and <u>recommended</u> administrative support for the Fund to remain in house and the Fund should review staffing resources to ensure it supported the statutory requirements of the Fund.	Board considerations where noted which recommended that the Fund review resource allocated to fulfilling its statutory requirements
13 July 2017	Review of the Statement of Accounts	The LPB noted the Wiltshire Pension Fund Statement of Accounts and <u>recommended</u> future reports should disclose details of key management personnel, and wording describing the role of the Local Pension Board be amended.	Board considerations noted. Details of key management personnel will form part of the changes
13 July 2017	Internal Audit	The LPB notes the Internal Audit report and recommended that resource be directed to address the risks in respect of reconciliations and data management	Implementation of a strategy of reconciliations & data management has commenced. A Data Improvement Plan will form part of future meeting packs
13 July 2017	Feedback from the Wiltshire Pension Fund Annual General Meeting	The LPB noted the update from the AGM and support a move to hold this later in the year to coincide with the publication of the Funds Annual Report.  The LPB <u>recommended</u> officers review the format of the AGM in response to the needs of employers and scheme members	In light of feedback received the AGM has been rebranded as the Wiltshire Pension Fund Conference & moved to the fourth quarter of the calendar year.
13 July 2017	Review of Governance Compliance Statement	The Chairman advised the DCLG guidance referenced in the Governance Compliance Statement was several years out of date and DCLG would need to renew this to update it for asset pooling.  The LPB noted the updated Governance Compliance Statement	No action required
13 July 2017	Local Pension Board Annual Report and Benchmarking	The LPB noted the Annual Report and delegated authority to officers, in consultation with the Chairman, to amend the document to track tPR compliance and the	No action required

	Area	Minute	Outcome
		implementation of Board recommendations	
13 July 2017	The Pensions Regulator Code of Practice 14 Survey Results	The LPB noted the summary results of the Pensions Regulator's Code 14 survey 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. The LPB made the point that summary results did not allow for differentiation between LGPS and other national schemes, and some of the questions had been unclear which could have affected the results	Board considerations noted. Officers are looking at the possibility of aligning the summary results with other LGPSs, however ensuring that the basis & metrics on which those results are produced are consistent with other Funds is an ongoing exercise.
13 July 2017	Proposed Response to Scheme Advisory Board Local Pension Board Survey	The LPB agreed the proposed response to the SAB survey, with the addition of comments to support more collaboration and benchmarking between Boards.	Board comments noted
13 July 2017	Review of Wiltshire Pension Fund Website	The LPB were requested to submit their feedback on the Wiltshire Pension Fund website prior to the October Local Pension Board meeting	The Board provided their feedback & the new website hosted by Hyman Robertson is now live
13 July 2017	Implementation of Costs Transparency	The LPB noted the update on the implementation of the code on investment costs transparency and recommended it be factored into the Wiltshire Pension Fund and Brunel Pension Partnership manager appointment process.	Board guidance is under review by the Fund's Investment Manager
13 July 2017	How did the Board do?	The LPB agreed to review the timetabling and work plan of Board meetings following consideration of the SAB survey results once published	Board considerations noted
18 Oct 2017	Training Item: Fraud Prevention and Mitigation	The LPB noted the key focus of the funds fraud prevention work and safeguard was on: cyber-fraud, fraud by scheme members, and fraud committed by employees working for the Fund. It was confirmed the Fund safeguarded against fraudulent investments by	The training item on Fraud Prevention & Mitigation was noted by the Board

	Area	Minute	Outcome
		employing an external auditor and custodian to check on investments held. Similar arrangements would also be in place for Brunel Pension Partnership. It was noted scheme members were at risk of being tricked into transferring out of the Fund and making poor investments by rogue companies, the Fund warned members against transferring out of the Fund, however was not able to stop them. In respect of employer members in the Fund, it was noted they had a requirement to ensure accurate employee records were submitted to the Fund.	
18 Oct 2017	Scheme Legal, Regulatory and Fund update	The LPB noted two items which were categorised as high risk were the implementation of the General Data Protection Regulations in May 2018 and the Markets in Financial Instruments Directive II. In preparation for the GDPR the Fund was developing a project plan to ensure its data controller and data processor practices were compliant with the new regulations and was sharing best practice with other funds to ensure its practice was pension- specific. In response to MiFid II the Fund was in the process of opting up to 'professional' investor status and had sent letters to its investment managers.	It is noted that the GDPR project plan has been implemented & the Fund's practices are compliant with the new legislation. An independent audit of the implementation of GDPR will be undertaken. In respect of MiFid II letters have been sent to Investment Managers.
18 Oct 2017	Risk Register Update	The LPB noted the Risk Register and measures being taken to mitigate risks, and that a report on WPF compliance with GDPR would be presented to its April 2018 meeting.	With the April meeting rescheduled, the report was submitted to the Board at their July meeting.
18 Oct 2017	Administration Key Performance Indicators	The LPB noted the Fund's performance against its Key Performance Indicators and that future reports would include performance against legally defined deadlines. The LPB commented that the KPIs identified that Active to Retirement cases had	Officers to develop a comprehensive performance strategy

	Area	Minute	Outcome
		seen a fall each quarter in meeting the target timeframe due to resourcing issues. Refund of contributions had also seen a fall in terms of meeting targets. It could be useful to compare performance and costs with other funds. It was confirmed the costs were compared in the CIPFA benchmarking report, however performance comparisons were difficult to make as they were not like for like. The Chairman mentioned that inter-fund transfers were low relative to the target and this was perhaps an area to monitor in the future.	
18 Oct 2017	External and Internal Audit Update	The LPB noted the Final Audit Report and the verbal update on the appointment of the Fund's external auditor. The LPB <u>recommended</u> the Fund be audited against the Pensions Regulator Code of Practice 14 as part of the 2018 internal audit plan.	Completed
18 Oct 2017	Guaranteed Minimum Pension (GMP) Project update	The LPB noted the progress of the GMP reconciliations project and request any risks arising for the Fund be reviewed in December 2018	Officers to provide an update in December 2018
18 Oct 2017	Annual Benefit Statement Publication Review	The LPB noted the report on the publication of the Annual Benefit Statement. The LPB <u>recommended</u> that in 2018 if employers have not submitted complete and correct data to the Fund over a three-year period, they be contacted to investigate the route cause, and if there is no resolution, consideration be given to reporting them to the Pension Regulator	The performance of Employers will form part of the comprehensive performance strategy
18 Oct 2017	Employers Contributions Review	The LPB noted late contributions were reducing for the Fund, and of those, most were received within the month. Officers explained the Fund required a robust internal control system in place to monitor contributions now an increasing number of employers were within the Fund. The Fund was investing	Board considerations noted, but consideration of the impact on long term employer relationships are also being considered by Officers



	Area	Minute	Outcome
		<p>more into monitoring late contributions and providing a clear process of initial warning to employers, with this escalating to a fine and reporting a breach to the Board if the matter was not resolved.</p> <p>The LPB encouraged the Fund to charge employers for late contributions in accordance with the current WPF policy</p>	
18 Oct 2017	Local Pension Board Feedback on the Wiltshire Pension Fund Website	The LPB noted the comments received on the content and style of the Fund's website, and members were requested to visit other Fund websites to feedback and inform the design of the Wiltshire site. The Board was advised that Hymans Robertson would provide and manage a new off-the-shelf website which would be more attractive to members, the Fund intended to progress this as a short-term solution until a bespoke site could be developed	With the appointment of a new Communications Manager website development continues to be under review by Officers.
15 Mar 2018	Training Item	The LPB welcomed the Head of Pensions Administration and Relations who presented a training session on WPF Annual Reporting Requirements. The LPB <u>recommended</u> benchmarking the performance of the fund against other funds within BPP be included in the LPB work plan.	The Board thanked the Head of Pensions Administration & Relations on his presentation
15 Mar 2018	Annual Business Plan Update	The LPB noted the progress of implementing items on the Annual Business Plan and to recommend item 12 be upgraded to medium priority. The LPB <u>recommended</u> that future Business Plan updates include new items which have occurred since the business plan was first produced, and include on-going work items that have rolled-forward from previous plans, to capture the full picture of existing and new work.	Changes to the Business Plan are to be made
15 Mar 2018	Local Pension Board Budget	The LPB noted the budget had been updated to include provision	Completed

	Area	Minute	Outcome
		for an extension of the indemnity insurance policy	
15 Mar 2018	Scheme Legal, Regulatory and Fund update	The LPB noted that the Scheme Advisory Board want to start 3 projects in 2018 relating to improving member data to meet the Pensions Regulator requirements, identifying regulations requiring statutory guidance and the drafting of such guidance, and the potential benefits of further increasing the level of separation between the host authority and scheme manager role.	The Head of Pensions Administration & Relations advised the Board that discussion was ongoing concerning the criteria for Conditional member data which should form part of the statistical definition on which improvement will be measured
15 Mar 2018	Pension Fund Risk Register	The LPB noted that in respect of PEN021, the register should be updated to reflect the latest review date and PEN019 be updated to reflect the establishment of the LPB	Changes to the risk register will be made
15 Mar 2018	Administration Key Performance Indicators	The LPB noted the Fund's performance against Key Performance Indicators and the improvement work taking place. It was confirmed the Fund aspired to compare its KPIs against other funds, however this would not be a simple comparison as funds used different measures. The Chairman suggested CIPFA should be requested to update their guidance. Officers confirmed the team working to support key tasks were trained to complete this specialist work and there was a good level of resilience within the service.	Officers to develop a comprehensive performance strategy
15 Mar 2018	Review of the LPB Code of Conduct and Conflict of Interest Policy	The LPB endorsed the Code of Conduct and Conflict of Interest Policy Guidelines to the Wiltshire Pension Fund Committee and agreed one amendment that the guidelines be reviewed and approved by the Committee at least every two years, or upon any material changes to the Regulations, relevant legislation and scheme guidance.	No action required

	Area	Minute	Outcome
15 Mar 2018	Governance Compliance Statement	<p>The LPB noted the updated Governance Compliance Statement and made the following <u>recommendations</u>:</p> <ul style="list-style-type: none"> <li>• That section 1A be updated to reflect the delegation of asset management to Brunel Pension Partnership</li> <li>• That a hyperlink be added to the Board’s Terms of Reference.</li> <li>• In section Fc) TPR requirements be added at the end</li> </ul> <p>The LPB advised that officers seek clarity on any requirement for the Pension Fund Committee to report into the Audit Committee, prior to consideration of the Governance Compliance Statement by the Committee.</p>	Completed

## 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, 12<sup>th</sup> July 2018](#)

## 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.

A full external review of the Wiltshire Pension Fund's compliance with the Regulators Code of Practice was undertaken by the South West Audit Partnership on 25<sup>th</sup> January 2017.

Outlined in the South West Audit Partnership report was 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. The Auditors representatives 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 agreed to monitor their implementation.

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

During 2017 progress was made in some of the areas highlighted in the auditor's report. In particular;

- The meeting minutes record Board Members declaring their conflicts of interest and the register of interests being updated
- The 2017 Annual Benefit Statements were issued within the regulatory timescale
- That further work had been undertaken concerning the Fund's data cleansing process in line with the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014 ('the Record Keeping Regulations'). Namely, the Guaranteed Minimum Pension reconciliation exercise with HMRC'S records.
- It has been recognised that due to a restructure within the Pensions Department & following the departure of key officers to new roles the strategy framework relating to Board members knowledge & understanding had not been immediately implemented following the South West Audit Partnership report. The Chairman of the Board & new Officers are now reviewing the training strategy framework and have agreed to implement an externally co-ordinated self-assessment training review superseding the review undertaken in 2015, along with a Board effectiveness review. A report of the results of this independent survey will be prepared by the Consulting Actuary's to the Fund for submission to the Board.

A report of an independent survey will be reported to the Board of the Wiltshire Pension Fund setting out the work that had been done in undertaking a further assessment of the Fund's compliance with the requirements of the Code of Practice 14 report.

The assessment will be similar to an external audit and measure the performance in fulfilling the Fund's 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 focus for Officers is to continue to undertake a review of the compliance requirements and carefully project plan to ensure compliance with any 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 communicate 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/media/3183/communications-policy.pdf>

In the first quarter of 2018 Members of the Local Pension Board were given access to a new Wiltshire Pension Fund website supported by the Actuarial Consultants & gave their feedback of the design & content of the new website. In April 2018, the existing website was replaced by the new design.

[www.wiltshirepensionfund.org.uk](http://www.wiltshirepensionfund.org.uk)

[@WiltsPensions](https://twitter.com/WiltsPensions) 

## LPB operational costs for 2017-18 & Budget for 2018-19

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 2017-18 and 2018 – 19 can be seen below.

	<b>2017-18 Budget £</b>	<b>2017-18 Actual £</b>	<b>2018-19 Budget £</b>
Independent Chair Remuneration	9,214	9,216	9,214
Independent Advisor Fees	7,000	4,905	7,000
Training	6,000	640	4,200
Printing	1,000	0	0
Committee Services Recharge	3,000	3,000	3,000
Travel & Subsistence & costs	800	1,053	800
Catering	400	87	400
Insurance	-	2,800	2,800
<b>Total</b>	<b>27,414</b>	<b>21,701</b>	<b>27,414</b>



## 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 20<sup>th</sup> September 2018

## LPB forward look to 2018-19 and proposed work plans

[The Board's workplan for 2017-18](#)

[The Board's workplan for 2018-19](#)

By virtue of paragraph(s) 1, 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) 1, 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) 1, 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) 1, 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) 1, 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