

## AGENDA

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**Meeting:** Wiltshire Pension Fund Committee  
**Place:** The Kennet Room - County Hall, Trowbridge BA14 8JN  
**Date:** Thursday 21 June 2018  
**Time:** 10.30 am

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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)

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<b>Chairman's Briefing:</b>	<b>Date</b>	<b>Time</b>	<b>Place</b>
	21 June 2018	9:30am	Kennet Room

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### **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 Linda Stuart  
Mrs Diane Hall

#### **Non-voting Membership**

##### Observers

Mike Pankiewicz  
Stuart Dark

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### **Public Participation**

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

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

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

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

## **PART I**

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

1      **Membership**      **10:30am**

To note the following changes to the membership of the Committee:

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

2      **Apologies for Absence**

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

3      **Minutes** (*Pages 9 - 16*)

To confirm the Part 1 minutes of the meeting held on 15 March 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 14 June 2018** 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 18 June 2018**. 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 **Membership of the Investment Sub Committee**

To note the constitution of the Investment Sub Committee in accordance with the [Terms of Reference](#) and the membership:

Cllr Tony Deane  
Cllr Roy While  
Cllr Gordon King  
Cllr Tim Swinyard (Swindon Borough Council)

8 **Minutes and Key Decisions of the Local Pensions Board**  
*(Pages 17 - 26)*

To consider the Part 1 minutes, and recommendations arising, from the Local Pension Board meeting held on 15 March 2018.

9 **Scheme Regulatory and Legal Update** *(Pages 27 - 34)* **10:40am**

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

10 **Pension Fund Risk Register** *(Pages 35 - 42)* **10:50am**

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

11 **Local Pension Board Code of Conduct & Conflict of Interest Policy** *(Pages 43 - 58)* **11:00am**

The Committee is asked to consider an updated Code of Conduct and Conflict of Interest Policy for the Local Pension Board.

12 **Governance Compliance Statement** *(Pages 59 - 66)* **11:10am**

Members are asked to consider the Governance Compliance Statement for approval.

13 **Internal Audit Report** *(Pages 67 - 80)* **11:20am**

The Head of Pensions Administration & Relations presents a report from the South West Audit Partnership (SWAP) for Members to note on key controls of the Wiltshire Pension fund which formed part of the Wiltshire Council audit.

14 **Pension Fund Administration Outturn Statement 2017/18** **11:30am**  
*(Pages 81 - 82)*

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

15 **Draft Statement of Accounts** *(Pages 83 - 118)* **11:40am**

A report presents the draft Statement of Accounts for information that outlines the financial transactions during 2017-2018 and will be included within the Council's accounts.

The Committee is requested to review the accounts and refer them to the Audit Committee for approval.

16 **Investment Strategy Statement** *(Pages 119 - 160)* **11:50am**

A short report updating the 2017 version of the Investment Strategy Statement for recent changes and incorporating some additional information about Brunel.

17 **Date of Next Meeting**

To note that the next regular meeting of the Committee will be held on 20 September 2018.

18 **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.

19 **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 20-24 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**

- 20 **Employer Investment Strategies - Progress Update** (Pages 161 - 176) **12:00pm**

A presentation by Catherine McFadyen & Barry Dodds from Hymans-Robertson LLP on the introduction of separate employer investment strategies.

- 21 **Brunel Pension Partnership update** **12:30pm**

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

- 22 **Investment Quarterly Progress Report** (Pages 177 - 228) **12:40pm**

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.

- 23 **Minutes and Key Decisions of the Investment Sub Committee** (Pages 229 - 234) **12:50pm**

To consider the Part 2 (confidential) minutes and recommendations arising from the Investment Sub Committee meeting held on 7 June 2018.

- 24 **Minutes** (Pages 235 - 242)

To confirm the Part 2 (confidential) minutes of the meeting held on 15 March 2018.

**Close 13:00**

## **WILTSHIRE PENSION FUND COMMITTEE**

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### **PART 1 MINUTES OF THE WILTSHIRE PENSION FUND COMMITTEE MEETING HELD ON 15 MARCH 2018 AT THE USHER SUITE, TROWBRIDGE CIVIC CENTRE, ST STEPHEN'S PLACE, TROWBRIDGE BA14 8AH.**

#### **Present:**

Cllr Steve Allsopp, Stuart Dark, Cllr Tony Deane (Chairman), Jim Edney, Diane Hall, Cllr Simon Jacobs, Cllr Gordon King, Cllr Christopher Newbury, Mike Pankiewicz and Cllr Roy While (Vice-Chairman)

#### **Also Present:**

Cllr Richard Britton and Howard Pearce

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#### **1 Welcome**

The Chairman welcomed those present to the meeting.

#### **2 Apologies for Absence**

Apologies for absence were received from Linda Stuart and Cllr Steve Weisinger.

#### **3 Minutes**

Resolved:

To confirm the Part 1 minutes of the meeting held on 23 November 2017.

#### **4 Declarations of Interest**

Jim Edney, declared for transparency purposes, his role as the Independent Advisor to the Fund, the contract for which was referred to in the report on the Annual Business Plan.

#### **5 Chairman's Announcements**

The Chairman updated that efforts would be made to hold some future meetings of the Committee in Swindon.

It was also announced the Treasurer, Michael Hudson, was to step down from his role in May; the Chairman thanked Michael for his hard work supporting the Fund over the years.

## 6 **Public Participation**

There were no members of the public present.

## 7 **Scheme, Legal, Regulatory and Fund Update**

The Head of Pensions Administration and Relations presented the Fund, Scheme, Legal and Regulatory update for the Committee to consider. Key updates included the Government had extended the temporary arrangements on Guaranteed Minimum Pensions (GMP), and a Private Member's Bill on reforms to public sector exit payments was expected in May 2018. Members also heard it was now confirmed the age for auto-enrolment into the LGPS would be lowered to 18, this was to take effect from the mid-2020s. In response to questions, members were advised that employees could re-enrol after 3 years if they had previously declined and the obligation was on the employer to contact employees about auto-enrolment. The Officer also advised a pensions 'Dashboard' was planned for 2019 and this project was being led by the Department for Work and Pensions.

Following questions on preparations for the implementation of the General Data Protection Regulation, it was confirmed the Fund was working with Wiltshire Council and other LGPS Funds to share best practice and preparatory work. The Fund now had a Governance and Performance Manager, Richard Bullen, in post who would lead on this work.

The Committee discussed the Scheme Advisory Board's work on the impact of academies on the LGPS and noted Multi Academy Trusts cause complications for Fund administration due to the them crossing different funds and the need to absorb additional schools or academies or responding to a split. The Committee went on to discuss the Fund's current review of its Pension Administration Software to establish how best to use technology to meet longer-term goals in the Business Plan.

**Resolved:**

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

## 8 **Pension Fund Risk Register**

The Head of Pensions Administration and Relations updated he had decreased one risk in the Fund's Risk Register, PEN023 'Resources of Officers and Members to meet the expansion of business items' since a Fund Governance and Performance Manager was now in post to support the Committee and the Board. Two high risks remained: PEN012 'Over-reliance on key officers', due to



Treasurer leaving the Fund in May 2018, and PEN020: 'Pooling of LGPS assets' due to the resource required to produce the accounts and support Brunel Pension Partnership.

The Chairman advised he had highlighted the importance that the new Finance Director have LGPS knowledge to support their role as Treasurer to the Fund. Members of the Committee were invited to ask questions, in response to which it was understood officers were confident they now had sufficient resource to support asset pooling as an interim Investment Manager was in post and Mercers were also providing short term support. On discussion of member training, it was understood the new Fund Governance & Performance Manager would review training plans and all members of the Committee, substitute members, and Local Pension Board members would continue to be invited to training events. Members were also assured that officers considered the Fund would be well-placed to become compliant with the GDPR, and was working to cover high risk areas first. The Fund was currently working on data mapping, privacy notices and responding to guidance from within the LGPS.

**Resolved:**

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

**9 Annual Business Plan Update**

An update from the Head of Pensions Administration was provided on the progress of implementing items from the Annual Business Plan. Two actions were high priority and with medium resource risk, these related to the implementation of performance reporting and covenant reviews for employers and the GMP reconciliation project. These workstreams were both in progress and resources had been prioritised to ensure their completion.

It was explained some other, lower- priority, Business Plan actions had been delayed due to recent changes in personnel and vacancies in the structure. In particular, it was noted the contract review of the Independent Governance Adviser was considered low priority, and therefore delayed. The establishment of a formal process for reviewing the performance of advisors was also delayed since performance was already monitored informally. Further development of employer covenant reviews and KPIs was required and so a more realistic timeframe had been indicated in the report.

Officers advised the Pensions Regulator had updated its methodology on Record Keeping Requirements, in response to this the Fund would use software to reassess its level of compliance and put a data improvement plan in place if necessary. Following questions, it was confirmed a tender process for an investment consultant, and also for actuarial services would take place at the end of 2018. The Committee highlighted several items on the Business Plan had been delayed, to which the Treasurer advised the timescales for the GMP exercise had initially been underestimated. Members discussed the retender of

the Pension Administration Software contract and were advised the Fund prioritised the quality of an IT system as this could provide further efficiencies in administration. The Chairman questioned the final decision on the choice of Pension Administration Software, in response to which officers responded this decision was to be taken by officers. In response, the Chairman requested a business case be presented to the Committee.

**Resolved:**

**To note the updated position from the Business Plan and agree, where applicable, the revised target dates and priority order, with the inclusion of December 2018 deadlines for actions 12 and 17.**

**To request a business case outlining officers' considerations and analysis used in reaching a conclusion on the choice of Pension Administration software.**

10 **Administrative Key Performance Indicators**

An update was provided from the Head of Pensions Administration on the latest administrative KPIs for members to consider. The number of refunds of contributions and leavers to deferred status processes within target time had fallen, this was due to the Fund processing a high number of backlog cases, therefore affecting the short-term performance indicator. It was however noted that performance on the active to retirement metric was down on previous performance and improvement was need, therefore additional resources was to be deployed to these areas. The Head of Pensions Administration and Relations advised he planned to develop the methodology for KPIs to provide more detail on the cause of delays. The Chairman suggested it may also be useful to identify KPI trends on a line graph rather than a bar graph.

It was commented the Fund was usually successful at claiming back overpayment following the death of a member, since this could easily be done if the member's estate was still open. The Tell Us Once and National Fraud Initiative also helped the Fund mitigate against overpayments in these circumstances. As part of the existing administration strategy, a recharge could also be made against employers if the level of their general administration reporting was poor. Officers explained the number of active to retirement cases that met targets in the last quarter had reduced due to further clarification needing to be sought from the employers on certain data received, in particular in relation to pay data.

**Resolved:**

**To note the Fund's performance against its key performance indicators.**

## 11 **Fund Administration Budget**

The Fund's proposed administration budget was presented, with a £1.5m increase largely due to an increase in Investment Manager fees. Officers considered the costs per member were inline with other funds and it was important the Fund invested in its administration processes to meet Regulations. Costs associated with asset pooling, members training, and the Local Pension Board has been factored into the budget.

### **Resolved:**

**To approve the Pension Fund Administration Budget for 2018-19 shown in the Appendix totalling £11.703m;**

**To note the indicative budget allocations for 2019-20 and 2020-21; and**

**To agree variations against budget will be monitored and if they become very significant, the Treasurer to the Pension Fund will approve variations to the budget and report these to the Committee retrospectively for ratification.**

## 12 **Date of Next Meeting**

The next meeting of the Committee was to be held on 21 June 2018.

## 13 **Urgent Items**

There were no urgent items.

## 14 **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 15 – 19 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.**

15 **Report on investment performance including PIRC data/national comparisons**

The Interim Investment Manager provided a report on LGPS performance analytics from PIRC for the Committee to consider.

**Resolved:**

**To note the findings on the comparison of investment performance.**

16 **Brunel Pension Partnership Update**

The Interim Investment Manager updated on the progress of implementing asset pooling and minutes from the last meeting of Brunel Oversight Board were attached to the agenda.

**Resolved:**

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

17 **Investment Quarterly Progress Report**

Three confidential reports were circulated updating the Committee on the performance of the Fund's investments as to the end of December 2018.

**Resolved:**

**To note the attached investment reports.**

**To request officers feedback to State Street, the Committee's disappointment in the late report and incorrect references to Wiltshire County Council Pension Fund.**

**To agree the Fund move to a custodian-only report on investment in the future, once it is comfortable with the reporting arrangements.**

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

The Committee considered the minutes and recommendations arising from the Investment Sub Committee meeting held on 21 February 2018.

**Resolved:**

**To endorse the recommendations arising from the Investment Sub Committee meeting held on 21 February 2018.**

19 **Minutes**

**Resolved:**

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

(Duration of meeting: 10.30 am - 12.45 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

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## LOCAL PENSION BOARD

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### **PART 1 MINUTES OF THE LOCAL PENSION BOARD MEETING HELD ON 15 MARCH 2018 AT THE USHER SUITE, TROWBRIDGE CIVIC CENTRE, ST STEPHEN'S PLACE, TROWBRIDGE BA14 8AH.**

#### **Present:**

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

#### **Also Present:**

Cllr Tony Deane, Cllr Tony Jackson, Michael Hudson, Andy Cunningham, Richard Bullen and Jennie Green.

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#### **1 Welcome**

The Chairman welcomed those present to the meeting.

#### **2 Apologies**

Apologies for absence had been received from Sarah Holbrook.

The Chairman advised that Lynda Croft has resigned from the Board since she was no longer in post at Wiltshire College. The Board expressed their thanks to Lynda for her contribution to the work of the Board over the last 3 years.

#### **3 Minutes**

The minutes of the last meeting were presented, alongside the Board's Action Log.

#### **Resolved:**

**To confirm the minutes of the meeting held on 18 October 2018.**

**To make the following changes to the action log:**

- 4.7 is complete – remove
- 7.15 and 7.20 – defer until September
- 8.4 is complete – remove

- 8.5 – defer until April 2018 and further report in September 2018
- 8.6 is complete – remove
- 8.7 – include reference to statutory timeframes and defer until October 2018
- 8.8 – defer until April 2019
- 8.12 –defer until October 2018
- 9.5 – mark as complete
- 9.9 – defer until September 2018
- 9.13- defer until October 2018
- 10.5 – defer until September 2018
- 10.8 – mark as complete
- 10.9- mark as complete
- 10.11- defer until July 2018

#### 4 **Declarations of Interest**

There were no declarations of interest.

#### 5 **Chairman's Announcements**

The Chairman reminded members of the remit of the Local Pension Board and made the following announcements:

- The Pensions Regulator was to increase scrutiny of Funds and the Board would have a role supporting this;
- Board members should update Richard Bullen (Fund Governance and Performance Manager) on training they had undertaken and an update on training plans would be provided to the next meeting;
- The Pensions Advisory Service has been merged with the Pensions Ombudsman and it was recommended the fund update its Internal Dispute Resolution Process accordingly.

#### 6 **Public Participation and Councillors Questions**

There were no statements or questions from members of the public.

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

The Board considered the minutes of the last Committee meeting and was updated that at the meeting of the Committee earlier that morning, the Board's budget had been agreed as part of the wider Administration Budget.

**Resolved:**

**To note the minutes of the Wiltshire Pension Fund Committee meeting held on 23 November 2017 and verbal update from the meeting on 15 March 2018.**



## 8 **Training Item: WPF Annual Reporting Requirements**

The Head of Pensions Administration and Relations presented a training session providing an overview of Wiltshire Pension Fund's annual reporting requirements as detailed in the report.

The majority of reporting requirements were statutory, and the Board noted the requirement seemed to be increasing. It was agreed as Brunel Pension Partnership became established, the Fund should compare performance on statutory and periodic reporting against other funds within BPP.

### **Resolved:**

**To note the Fund's Annual Reporting Requirements and benchmarking the performance of the fund against other funds within BPP be included in the LPB work plan.**

## 9 **Annual Business Plan Update**

An update from the Head of Pensions Administration was provided on the progress of implementing items on the Annual Business Plan. Two actions were high priority and with medium resource risk, these related to the implementation of performance reporting and covenant reviews for employers and the GMP reconciliation project. These workstreams were both in progress and resources had been prioritised to ensure their completion. The first phase of the GMP reconciliations project was expected to be completed by the end of the year.

It was explained some other, lower- priority, Business Plan action had been delayed due to recent changes in personnel and vacancies in the structure. It was noted the contract review of the Independent Governance Adviser was considered low priority, and therefore had been delayed, since this was one of many different sources of advice for the Fund. The establishment of a formal process for reviewing the performance of other advisors was also delayed since performance was already monitored informally. The Chairman advised the Pensions Regulator expected advisors to be regularly reviewed and requested this be allocated a higher priority.

A question was raised as to why completed actioned remained on the Business Plan and it was confirmed this was to demonstrate that action had been taken. It was noted the Business Plan was to be reviewed for 2019 as the current Plan ran until the end of 2018. Officers acknowledged that preparations for the General Data Protection Regulations were not included in the Plan, however this was captured on the Fund's Risk Register and pensions team were taking steps to prepare.

The Board discussed a self-service portal for members, officers advised this had been delayed due to a need to link this work up with a review of pensions

administration software that was to be completed later in 2018. On discussion of item 35 in respect of ESG arrangements, the Interim Investment Manager explained this had been raised with the Responsible Investment Officer at Brunel, and the Committee would receive further training on this.

**Resolved:**

**To note the progress of implementing items on the Annual Business Plan and to recommend item 12 be upgraded to medium priority.**

**To request 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.**

#### 10 **Local Pension Board Budget**

It was explained the Board's total budget had been agreed earlier in the day by the Pension Fund Committee, and since publication of this agenda the budget had been updated to include provision for an extension of the indemnity insurance policy. Despite this change, the overall budget remained the same, the updated budget is attached to these minutes.

The Chairman encouraged members to make the most of the training budget.

**Resolved:**

**To note the Board's budget.**

#### 11 **Scheme Legal, Regulatory and Fund update**

The Head of Pensions Administration and Relations presented the Fund, Scheme, Legal and Regulatory update for the Committee to consider. Key updates included that the Government had extended the temporary arrangements on Guaranteed Minimum Pensions (GMP), and a Private Member's Bill on reforms to public sector exit payments was expected in May 2018. Members also heard it was now confirmed the age for auto-enrolment into the LGPS would be lowered to 18, this was to take effect from the mid-2020s. The Officer also advised a pensions 'Dashboard' was planned for 2019 and this project was being led by the Department for Work and Pensions.

Following questions on preparations for the implementation of the General Data Protection Regulation it was confirmed the Fund was working with Wiltshire Council and other LGPS Funds to share best practice and preparatory work. It was highlighted the Fund now had a Governance and Performance Manager, Richard Bullen, now in post who would lead on this work.

The Chairman advised the Scheme Advisory Board was 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.

**Resolved:**

**To note the changes highlighted within the report and request the three Scheme Advisory Board projects be included in future updates.**

## 12 Pension Fund Risk Register

The Head of Pensions Administration and Relations updated he had decreased one risk in the Fund's Risk Register, PEN023 'Resources of Officers and Members to meet the expansion of business items' since a Fund Governance and Performance Manager was now in post to support the Committee and the Board. Two high risks remained: PEN012 'Over-reliance on key officers', due to Treasurer leaving the Fund in May 2018, and PEN020: 'Pooling of LGPS assets' due to the resource required to produce the accounts and support Brunel Pension Partnership.

In respect of PEN021, it was noted the Risk Register should be updated to reflect the latest review date. It was also requested PEN019 be updated to reflect the establishment of the LPB.

**Resolved:**

**To note the Risk Register and request PEN021 and PEN019 be updated as detailed above.**

## 13 Administration Key Performance Indicators

An update was provided from the Head of Pensions Administration and Relations on the latest administrative KPIs for members to consider. The number of refund of contributions and leavers to deferred status processed within target time had fallen, this was due to the Fund processing a high number of backlog cases, therefore affecting the short-term performance indicator. It was however noted that performance on the active to retirement metric was down and improvement was need, therefore additional resources was to be deployed to these areas. The Head of Pensions advised he planned to develop the methodology for KPIs to provide more detail on the cause of delays by the October 2018 report, and would then progress work to link KPIs to statutory time limit requirements.

In response to questions, 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.

**Resolved:**

**To note the Fund's performance against Key Performance Indicators and the improvement work taking place.**

#### 14 **Review of the LPB Code of Conduct and Conflict of Interest Policy**

The Board was presented with its Code of Conduct and Conflict of Interest Policy which was due to be reviewed. No changes were proposed other than to review the document bi-annually instead.

**Resolved:**

**To endorse the Code of Conduct and Conflict of Interest Policy Guidelines to the Wiltshire Pension Fund Committee, subject to an amendment that these guidelines will 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.**

#### 15 **Governance Compliance Statement**

The Board was presented with the Fund's Governance Compliance Statement for review. It was suggested that information on the delegation of asset management to Brunel Pension Partnership be included, and also a link to the LPB Terms of Reference. Cllr Richard Britton suggested there was a requirement for the Pension Fund Committee to report into the Council's Audit Committee and recommended clarity on this matter be sought prior to final agreement of the Governance Compliance Statement.

**Resolved:**

**To note the Governance Compliance Statement and make the following recommendations to officers:**

- **That section 1A be updated to reflect the delegation of asset management to Brunel Pension Partnership**
- **That a hyperlink be added to the Board's Terms of Reference.**
- **In section Fc) TPR requirements be added at the end**

**To request 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.**

16 **How did the Board do?**

Members commented they were satisfied with the workplan of the Board.

17 **Urgent items**

There were no urgent items.

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

It was noted the next meeting was planned for 18 April 2018, subject to there being sufficient business. An updated Forward Look would be presented to the next meeting.

19 **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 Minutes Numbers 20-22 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.**

20 **Brunel Pension Partnership Update**

The Interim Investment Manager updated on the progress of implementing asset pooling and minutes from the last meeting of Brunel Oversight Board were attached to the agenda.

**Resolved:**

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

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

**Resolved:**

**To note the confidential update from the Wiltshire Pension Fund Committee, Investment Sub Committee and Brunel Oversight Board**

22 **Minutes**

**Resolved:**

**To confirm the Part 2 minutes from 18 October 2017.**

(Duration of meeting: 2.00 - 3.45 pm)

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## WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND LOCAL PENSION BOARD  
15 March 2018

### Local Pension Board Budget

#### Purpose of the Report

1. The purpose of this report is to present a proposed Local Pension Board Budget for 2018-19 for the Board to consider and recommend to the Pension Fund Committee for inclusion in the Wiltshire Pension Fund Administration Budget 2018-19.
2. The Wiltshire Pension Fund Committee will consider the Fund's Administration budget at its meeting on the morning of this meeting – 15th March 2018.
3. As such any decisions of the Board which require amendment to the budget will have to be subsequently reflected in the full Wiltshire Pension Fund Administration Budget at a later date.

#### Background

4. To ensure good governance, budgets are required to monitor the stewardship of the Fund's expenditure and financial plans assist in mitigating risks by allocating necessary resources to develop the service. The Wiltshire Pension Fund Committee approves the Pension Fund Administration budget each year.
5. The Scheme regulations state that the operational cost of the Local Pension Board must be borne as an expense to the administering Fund's budget.
6. Therefore, the Local Pension Board's budget is approved by the Pension Fund Committee when setting its budget for the year. Should any further expenditure be required beyond this, then approval must be obtained from the Wiltshire Council Associate Director, Finance.

#### Main Considerations for the Board

7. The main financial headings for the Local Pension Board Budget and key financial totals are presented in the table below.

#### Wiltshire Local Pension Board Proposed Budget 2018-19

	2016-17 Actual	2017-18 Budget	2017-18 Actual (Apr-Feb)	2017-18 Forecast	Changes	2018-19 Budget
	£	£	£	£	£	£
Independent Chair Remuneration	9,216	9,214	6,912	9,216	-	9,214
Independent Advisor Fees	5,000	7,000	3,205	4,905	-	7,000
Training	5,000	6,000	515	640	- 1,800	4,200
Printing	-	1,000	-	-	- 1,000	-
Committee Services Recharge	2,067	3,000	-	3,000	-	3,000
Travel & Subsistence & costs	331	800	790	1,053	-	800
Catering	-	400	87	87	-	400
Insurance	-	-	2,800	2,800	2,800	2,800
	21,614	27,414	14,309	21,701	-	27,414

8. The overall proposed budget for 2018-19 is £27,414, a continuation of the total budget for 2017-18.
9. The overall projection is for an underspend in 2017-18 circa £5,700.
10. During the year a Pensions Trustees Liability insurance premium including tax was paid totalling £2,800. As no provision was made in the budget for this it has been allocated a matching sum in the budget for 2018-19.
11. As the overall position seems to point to an underspend the insurance budget for 2018-19 has been made up from removing the Printing budget of £1,000 and reducing the training budget by £1,800.
12. We would propose retaining the £7,000 budget for an independent governance advice. The Terms of Reference entitles the Board to independent expert advice.

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

13. There are none.

### **Legal Implications**

14. There are no known implications at this time.

### **Financial Considerations & Risk Assessment**

15. In line with good governance practice, officers bring budget monitoring reports back to the Pension Fund Committee twice a year. In the interim, variations against budget will be monitored and if they become very significant, the Associate Director, Finance will approve variations to the budget and report these to Committee retrospectively for ratification.
16. a

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

17. There are no known implications at this time.

### **Reason for Proposal**

18. The recommendation of the Local Pension Board budget to the Pension Committee is in line with best practice and assists in mitigating a number of risks outlined in the Risk Register.

### **Proposal**

19. The Board is asked to agree the draft Local Pension Budget and recommend to the Pension Fund Committee that this is included in the Fund's Administration budget for 2018-19.

MICHAEL HUDSON  
Treasurer to Pension Fund

Report Author: Chris Ashton, Fund Accountant - Maternity

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



## WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE  
21 June 2018

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### **Scheme, Fund, Regulatory & Fund Update**

#### **Purpose of the Report**

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

#### **Background**

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

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

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

#### **Environmental Impact of the Proposal**

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

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

6. There are no known implications at this time.

#### **Financial Considerations & Risk Assessment**

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

#### **Proposals**

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

ANDY CUNNINGHAM,  
Head of Pensions Administration and Relations

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

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

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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	This Bill has been delayed and is now expected to have its second reading debate on 15 June 2018. It was presented to Parliament on Tuesday 5 September 2017 and there was no debate. It is a Private Member's Bill, which are often not printed until close to the second reading debate and was still not printed at the date of writing. The text is not available yet.	
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>			
MHCLG	Local Government Pension Scheme (Amendment) Regulations 2018	<a href="http://www.legislation.gov.uk/ukSI/2018/493/contents/made">http://www.legislation.gov.uk/ukSI/2018/493/contents/made</a>	New	<p>MHCLG made a number of changes to the LGPS Regulations which vary in importance from minor technical changes to some more significant points. Correcting amendments were backdated to 1 April 2014 while other changes apply from 14 May 2018.</p> <p>Noteworthy changes were:</p> <ul style="list-style-type: none"> <li>• A provision to allow cessation surpluses to be repaid to ceasing employers. Previously the Regulations were asymmetrical and only cessation deficits could be charged to employer while surpluses were absorbed by the Fund. In certain respects, this is a positive change for the Fund as it makes targeting a 100% cessation funding position easier.</li> <li>• An allowance for deferred members who left prior to 1 April 2014 to take their benefits from age 55 (with reductions to benefits applying)</li> </ul> <p>MHCLG delayed making the long-awaited changes to Fair Deal (below) to allow more time to consider the impact and decided against changing back the way that aggregation operates despite feedback from Funds that the current approach creates significantly administrative complications</p>	
	LGPS Regulations: Best Value & Fair Deal consultation	<a href="https://www.gov.uk/government/consultations/local-government-pension-scheme-regulations">https://www.gov.uk/government/consultations/local-government-pension-scheme-regulations</a>	Updated	<p>Due to changes in Fair Deal guidance, the MHCLG had planned to make changes to the LGPS Regulations to reflect this. However, as part of the release of the LGPS Amendments, MHCLG stated:</p> <p><i>“In view of the range and diversity of issues highlighted in the consultation responses, the Government consider that introducing the draft regulations which were consulted upon in May 2016 would not be in the best interests of LGPS administering authorities members or employers.....Nevertheless, we remain committed to introducing Fair Deal into the LGPS and intend to commence a consultation on new proposals for achieving Fair Deal in the LGPS by the end of the year”</i></p> <p>We will see what the new consultation proposes and then respond accordingly.</p>	

Organisation	Subject	Link	Status	Comments	Risk
	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 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)	Auto-enrolment changes	<a href="https://www.gov.uk/government/publications/automatic-enrolment-review-2017-maintaining-the-momentum">https://www.gov.uk/government/publications/automatic-enrolment-review-2017-maintaining-the-momentum</a>	No change since the last meeting	<p>On the 18 December 2017, DWP published report on <i>Automatic-enrolment review 2017: maintaining the momentum</i>. The report reviews the level of success of auto-enrolment to date and confirms the intention to: lower minimum age criteria from 22 years to 18 years, apply pension contributions from the first pound of earnings but maintain an earnings trigger of £10,000.</p> <p>The changes are not planned until the mid-2020s and are unlikely to have a significant effect on the LGPS and the Fund.</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>During the 2016 Budget, the government made the commitment that Pension Dashboards would be created by the pensions industry, enabling everyone to view details of all their pensions together (all private, public and state pensions).</p> <p>DWP has now taken over from HM Treasury in leading this project and the intention is to 'go live' during 2019.</p> <p>In April 2018, the Work and Pensions Committee called on the Government to compel all pension providers to supply the necessary information to the single pensions dashboard.</p>	
<b>Information Commissioners Office</b>	General Data Protection Regulations (GDPR)	<a href="https://ico.org.uk/for-organisations/data-protection-reform/overview-of-the-gdpr/">https://ico.org.uk/for-organisations/data-protection-reform/overview-of-the-gdpr/</a>	Updated	<p>GDPR came into force on 25 May 2018. Wiltshire Pension Fund complies with the key principles of GDPR but further work is still required on some of the details which will continue to take place over the coming months. This approach appears consistent with the ICO's expectations.</p>	

Organisation	Subject	Link	Status	Comments	Risk
<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	GAD has confirmed that it will issue final reports during the summer of 2018 to outline the outcome of its Section 13 review. We do not anticipate that this will have any impact on Wiltshire Pension Fund.	
<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>  <a href="http://www.lgpsboard.org/index.php/scheme-data/mifidii">http://www.lgpsboard.org/index.php/scheme-data/mifidii</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 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>	Updated	<p>SAB commissioned 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>On 17 July 2017, SAB issued a consultation on LGPS academy objectives which then closed on 29 September 2017.</p> <p>Following the consultation, the SAB, on 16 November 2017, has created two work streams to take the project forward which are based on a). Administration/overall service and b). Funding.</p> <p>SAB's work is still on-going and Bob Holloway from the LGA stated earlier this month that a wide range of options in both work streams are</p>	

Organisation	Subject	Link	Status	Comments	Risk
				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.	
	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>	
	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	<p>Covers those Fund employers with no tax raising powers or guarantee (excludes academies).</p> <p>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.</p> <p>Aon Hewitt have been commissioned to produce a report on this area. They are currently gathering feedback from Funds (we have contributed to this).</p>	
	Separation Project	<a href="http://www.lgpsboard.org/images/PDF/BoardFeb18/PaperBItem50218.pdf">http://www.lgpsboard.org/images/PDF/BoardFeb18/PaperBItem50218.pdf</a>	New	<p>The Separation Project objective 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.</p> <p>This project is at an early stage and no further information is available at this time.</p>	

Organisation	Subject	Link	Status	Comments	Risk
	Guidance Project	<a href="http://www.lgpsboard.org/images/PDF/BoardFeb18/PaperBItem50218.pdf">http://www.lgpsboard.org/images/PDF/BoardFeb18/PaperBItem50218.pdf</a>	New	<p>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.</p> <p>Similarly, this project is at an early stage and no further information is available at this time.</p>	
	Data Project	<a href="http://www.lgpsboard.org/images/PDF/BoardFeb18/PaperBItem50218.pdf">http://www.lgpsboard.org/images/PDF/BoardFeb18/PaperBItem50218.pdf</a>	New	<p>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.</p> <p>Similarly, this project is at an early stage and no further information is available at this time.</p>	
<b>Wiltshire Pension Fund</b>	Pension Administration Software review		Updated	<p>Further to the update at the last meeting in March 2018, Wiltshire Pension Fund is currently looking to confirm new software contract. The situation is on-going and the position is likely to change in the days leading up to the meeting on 21 June 2018 and hence a verbal update to these comments will be provided to Members at that meeting.</p>	



## WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE  
21 June 2018

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### 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. One risks has decreased since the last report in March 2018: **PEN012: Over-reliance on key officers:** (From Red to Amber) A number of key officer roles have now been filled and the new structure means there is greater resource in key management areas. However to further mitigate this risk, the Director of Finance & Investment Manager roles need to be filled on a permanent basis.
5. There remains one "red", high risk: **PEN020: Pooling of LGPS assets:** Significant amount of resource still required by officers to progress this project. However, the 17/18 financial year-end is going well, despite a new Custodian and limited staff experience.
6. One new risk has been added: **PEN027: Significant structural change to LGPS Funds or to our Fund:** This new risk has been added partly in response to the scope of reviews being undertaken by the Scheme Advisory (E.g. Tier 3 employer and Academies) but also in response to the on-going environment of shared-service and LGPS Fund mergers which are taking place in parts of the UK. This new risk has initially been assessed as "amber".
7. Work continues to mitigate where possible the risks above along with the other remaining medium risks highlighted on the risk register.

#### Financial Implications

8. There is a potential increase in staff costs as a result of any further staffing review that will be funded from the Wiltshire Pension Fund administration budget.

#### Legal Implications

9. There are no known implications from the proposals.

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

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

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

11. There are no known implications at this time.

### **Proposals**

12. 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

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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				Direction of Travel
							Impact	Likelihood	x	Level of risk				Impact	Likelihood	x	Level of risk	
PEN001	Failure to process pension payments and lump sums on time	Benefits Administration	Non-availability of Altair pensions system, SAP payroll system, key staff, or error, omission, etc.	Retiring staff will be paid late, which may have implications for their own finances. It also has reputational risk for the Fund and a financial cost to the employers if interest has to be paid to the members.	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.	2	2	4	Low	None	Andy Cunningham	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. The team have the ability to work from home or remotely if required. The pension system is also hosted by its supplier, which reduces the risk should Wiltshire Council's IT servers fail. The Fund also operates a paperless office.	4	1	4	Low	None	Andy Cunningham	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	Andy Cunningham	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	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.	2	2	4	Low	None at the moment. Not anticipating any change to occur quickly (2nd reading in the House of Commons is not due until 15 June 2018 before additional readings etc). 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.	Andy Cunningham	N/A	1	3	3	Low	→
PEN022	Reconciliation of GMP records	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 on-going project is currently in place to assist with resources. Additional software from Heywood's to process amendments in bulk has been purchased.	2	4	8	Medium	Reconciliation project is still on-going. We are ahead of most LGPS Funds but are reliant on HMRC responses to complete the first stage of comparing Altair records to those of HMRC which is taking time. We are waiting to see if a national agreement on tolerance limits and rectification is put in place before deciding on a localised approach for Stage 2.	Richard Bullen	Dec-18	1	3	3	Low	→
							Current Risk Rating				Target Risk Rating							
Ref.	Risk	Risk Category	Cause	Impact	Risk Owner	Controls in place to manage the risk	Impact	Likelihood	x	Level of risk	Further Actions necessary to manage the risk	Risk Action Owner	Date for completion of action	Impact	Likelihood	x	Level of risk	Direction of Travel

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	None	Nick Weaver	N/A	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		2	1	2	Low	→

							Current Risk Rating				Target Risk Rating							
Ref.	Risk	Risk Category	Cause	Impact	Risk Owner	Controls in place to manage the risk	Impact	Likelihood	x	Level of risk	Further Actions necessary to manage the risk	Risk Action Owner	Date for completion of action	Impact	Likelihood	x	Level of risk	Direction of Travel
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		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.	2	2	4	Low	The Employer Relationship Manager is currently contacting all employers which appear close to ceasing (e.g. because they have few active members remaining or their service contract coming to an end) to make them aware of the cessation process and consider ways to mitigate this risk. We are also considering making changes to our cessation policy and funding strategy statement to help mitigate the risk of a cessation deficit occurring following the breakup of failure of a Multi-Academy Trust (MAT).	Andy Cunningham	Aug 2018 - for contacting employers. Dec 2018 - to consider revisions to policies.	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		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	Jun-18	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	The Fund is awaiting national guidance as LGA discuss implications for LGPS with FCA.	2	2	4	Low	Guidance is being produced for LGPS funds and managers with regard to communications post Jan 2018 under MiFID II. Jeff Huston will be providing an update on progress at the LGC Investment Conference in early March 2018.	Nick Weaver	Jun-18	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			Direction of Travel		
							Impact	Likelihood	x				Level of risk	Impact	Likelihood		x	Level of risk
PEN002	Failure to collect and account for contributions from employers and employees on time	Regulatory & Governance	Non-availability of SAP systems, key staff, error, omission, failure of employers' financial systems, failure to communicate with employers effectively. LGPS 2014	Adverse audit opinion for failure to collect contributions by 19th of month, potential delays to employers' FRS17 year-end accounting reports and to the Fund's own year-end accounts.	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. The Pension Regulator now has responsibility from 1 April 2015 for Public Sector Pension Schemes. Their code of practice includes a number of new requirements which the Fund has assessed itself against	2	2	4	Low	A new Technical & Compliance Manager is now in place and as part of his remit he will be undertaking mini compliance audits to test our compliance, to produce an internal manual and update procedures as well as to act as the in-house technical expert. The Governance & Performance Manager role is also partially responsibility for ensuring compliance and that adequate controls are in place.  We are currently undertaking a self-assessment against tPR Code of Practice no 14 to identify a gaps in compliance.	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.	3	3	9	Medium	The Fund has processes and policies to mitigate against the risk of experiencing a data breach. As part of our implementation of the GDPR requirements, the Fund has issued privacy statements and reviewed its existing policies and contracts and is continuing to put further changes in place to strengthen its controls.	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 issued to members and incorrect pensions potentially being paid.	Andy Cunningham	Systems Team constantly working to improve data quality, data validation checks carried out through external partners (e.g. the Fund's actuaries and tracing agencies), pro-active checks done through national fraud initiative.	2	2	4	Low	The Fund is currently assessing itself against the tPR Common Data and Conditional Data targets and using this as a basis to identify areas where data quality needs to be improved. Once this analysis is complete, the Fund will put a data improvement plan in place.	Mark Anderson	Sep-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	Staff are now in place for all senior roles in the pension management structure, leaving only some junior roles vacant. However, the Director of Finance and Investment Manager are both currently filled on an interim basis while permanent staff are sought. Both roles have been advertised and it is hoped that this will result in permanent appointments by around October 2018.	Andy Cunningham	Oct-18	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			Direction of Travel		
							Impact	Likelihood	x				Level of risk	Impact	Likelihood		x	Level of risk
PEN012	Over-reliance on key officers	Regulatory & Governance	The specialist nature of the work means that there are inevitably relatively experts in investments and the local authority pension regulations	If someone leaves or becomes ill, a big knowledge gap if less behind.	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.	3	3	9	Medium	As per PEN011, a number of key roles have now been filled and the new structure means there is greater resource in key management areas. However to further mitigate this risk, the Director of Finance & Investment Manager roles need to be filled on a permanent basis.	Ian Duncan	Oct-18	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.  Two new Councillor members will join committee from 21 June 2018 and a recruitment process is currently taking place for the two employer representatives. A induction process will be put in place for all new members.  Despite the turnover of staff, other control mechanisms are in place such as the presence and availability of governance and investment advisers to reduce the risk of poor decisions being made. Furthermore, the Committee has had a long period of stability in the position of the Chairman.	Richard Bullen	Sep-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 in the effectiveness of administration of the Fund.	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. The next couple of months will be particularly challenging as the fund goes through the 17/18 financial year-end, with a new Custodian and limited staff experience.	Nick Weaver	Jun-18	1	3	3	Low	→

											Current Risk Rating			Target Risk Rating				
Ref.	Risk	Risk Category	Cause	Impact	Risk Owner	Controls in place to manage the risk	Impact	Likelihood	x	Level of risk	Further Actions necessary to manage the risk	Risk Action Owner	Date for completion of action	Impact	Likelihood	x	Level of risk	Direction of Travel
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 will need to be monitored through work planning and appraisals.	3	3	9	Medium	None. Following appointments to the Head of Pensions Administration, Investment Manager and Fund Governance & Performance Manager, the ability of officers to satisfactorily support members should be increased and continue to increase as resourcing levels elsewhere in the structure improve.	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. Questionnaires recently sent to Schools.	2	3	6	Medium	PWC report issued on academies, identifies the issues but no recommendations. Fund is reviewing how academies are dealt with when MATs break-up and the additional governance involved but we will wait for the outcome of the SAB review before making any significant changes.	Denise Robinson	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	New
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	Fund Communications Manager's role was filled in May 2018 and who is reviewing and looking to improve all of our communications. Both Employer and Members newsletters are sent out each year. Employer forums are held in April and September with an AGM being planned for later in the year. The Fund has a Twitter account and a new website. Annual Benefit Statement are sent to members by 31 August each year.	Denise Robinson/Ashleigh Salter	N/A	1	1	1	Low	→

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## WILTSHIRE COUNCIL

### WILTSHIRE PENSION FUND COMMITTEE

15 March 2018

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#### **Code of Conduct and Conflict of Interest Policy for the Local Pension Board**

##### **Purpose of the Report**

1. The purpose of this report is to request the Wiltshire Pension Fund Committee to approve the Local Pension Board (LPB) Code of Conduct and Conflict of Interest Policy for the Board.

##### **Background**

2. To ensure sound governance of the LPB, there are certain principles that LPB Members must follow, particularly in relation to code of conduct and conflicts of interest.
3. The Regulations, along with the Pension Regulators Code of Practice (no 14), and the Scheme Advisory Board's guidance, outline a duty on Wiltshire Council to satisfy itself that LPB Members do not have conflicts of interest on appointment or whilst they are Members of the LPB. LPB Members need to be made aware of their duties under a code of conduct.
4. To fulfil this obligation, officers, with assistance from Wiltshire Council legal services and Hymans Robertson, developed a Code of Conduct and Conflicts of Interest Policy which was agreed by the Wiltshire Pension Fund Committee in December 2015.
5. Training was provided to Board members as to its purpose and application of the policy document. In essence, the guidelines place a requirement on all LPB Members to act in accordance with the Seven Principles of Public Life and to notify Democratic Services of any potential conflict of interest arising as a result of their position on the Board.
6. It is stated in the Code of Conduct and Conflict of Interest Policy that the document will be reviewed at least annually by the Committee, in December 2016 the policy document was reviewed by the Committee following suggestions from the LPB, and updated with regards to its references to the status of the Scheme Advisory Board. The changes are available to view [here](#).
7. The LPB reviewed the policy at its meeting on the 15 March 2018 and endorsed it without any changes other than to recommend that it is reviewed and approved by Wiltshire Pension Fund Committee every two years in future.
8. The previous [report](#) to the Committee also addressed questions posed by Board members as to how the scope of the Policy Guidelines were proportionate to the statutory requirements, and the practical implications of the policy. A [benchmarking exercise](#) was undertaken comparing the Policy Guidelines to those of other Funds.

##### **Considerations for the Committee**

9. The Code of Conduct and Conflict of Interest Policy states it should be reviewed and approved by the Committee at least annually.

10. There have been no material changes to the Regulations and relevant legislation since the last review of the document therefore it is not considered that material changes to the content of the document are required.
11. It is however recommended the Policy Guidelines be amended to state they will 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.
12. There is no requirement to review the policy on a yearly basis, relevant legislation and Scheme Advisory Board Guidance states such a policy should be kept 'under regular review'. It is considered the proposal above accords with this requirement.

### **Environmental Impact of the Proposal**

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

### **Financial Considerations & Risk Assessment**

14. There are no significant financial implications from this report.
15. The Code of Conduct and Conflict of Interest Policy Guidelines will assist in mitigating the reputational risk should an issue arise which hasn't been identified or managed.

### **Legal Implications**

16. There are no material legal implications arising from this report. Legal Services have been consulted regarding the legislation referred to in this report.
17. The Policy Guidelines have been drafted to reflect the requirements of Wiltshire Council's constitution, legislation and the guidance of regulatory bodies including the Pension Regulator's Code of Practice No 14 and the Scheme Advisory Board guidance.
18. If the administering authority fails to ensure that each LPB member follows Policy Guidelines which fulfil the requirements of the constitution, legislation and guidance, the following risks may apply:
  - a) the LPB may actually act improperly or be perceived to have acted improperly;
  - b) there may be a challenge to the work carried out by the LPB, for instance, challenge by judicial review as a result of failure to comply with statutory obligations;
  - c) there may be intervention by the Regulator;
  - d) there may be adverse comment by the Scheme Advisory Board, and associated reputational harm.
19. Any individual LPB member who fails to follow Policy Guidelines adopted by the administering authority may be in breach of:
  - a) regulations 108(3) and (4) of the LGPS Regulations 2013; and
  - b) Protocol 2 of Wiltshire Council's constitution,

which may also lead to the risks set out at paragraph 16 above.

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

20. There are no known implications at this time.

### **Reasons for Proposals**

21. To ensure the LPB has an up to date policy to direct members' conduct and to address any conflicts of interest.
22. The Board has operated in accordance with this policy since December 2015 and is now well-established. It is considered an annual review of this policy is no longer required by the Administering Authority and the alternate proposal accords with statutory requirements to keep the document under regular review.

### **Proposals**

23. The Committee is requested to approve the attached Code of Conduct and Conflict of Interest Policy Guidelines, subject to an amendment that *these guidelines will 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.*

ANDY CUNNINGHAM  
Head of Pensions Administration and Relations

Report Author: Libby Johnstone, Senior Democratic Services Officer

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

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This document is not a part of the constitution and is a policy document for the Local Pension Board.

## Code of Conduct and Conflict of Interest Policy Guidelines for Members of the Wiltshire Pension Fund Local Pension Board

### Status of this document

The Terms of Reference for the Board set out:

- the Board's code of conduct requirement; and
- the Administering Authority's conflict of interest policy for the Board (the Conflict Policy):

#### Duties of the Board

7. The Board should at all times act in a reasonable manner in the conduct of its purpose. In support of this duty Board members should be subject to and abide by the code of conduct for Board members.

#### Conflicts of interest

54. All members of the Board must declare to the Administering Authority on appointment and at any such time as their circumstances change, any potential conflict of interest arising as a result of their position on the Board.

55. A conflict of interest is defined as a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the Board. It does not include a financial or other interest arising merely by virtue of that person being a member of the Scheme.

56. On each appointment to the Board and following any subsequent declaration of potential conflict, the Administering Authority shall ensure that any potential conflict is effectively managed in line with the internal procedures of the Administering Authority, the requirements of the 2013 Act, the requirements of the Code and the requirements of Relevant Legislation on conflict of interest for Board members.

This document contains the Committee's policy guidelines on conduct of Board members and conflicts of interest. These guidelines will be reviewed and approved by the Committee at least annually.

### Objectives of this document

1. To set out the principles and internal procedures that the Administering Authority and all Board Members are expected to follow in order to comply with the Terms of Reference, relevant legislation, codes of practice, government guidance and public law principles.
2. To ensure that all Board members are aware of their duty to act independently and carry out their roles to a high ethical standard.
3. To set out procedures for identifying, monitoring and managing potential conflicts to ensure they do not become actual or perceived conflicts of interest.
4. To ensure that a Register of Member Interests is kept, reviewed and published.
5. To remove any perception that the actions of a Board member have been influenced by a conflict of interest.
6. To ensure that public confidence in the governance of the Fund is maintained.

This document is not a part of the constitution and is a policy document for the Local Pension Board.

### Definitions used in this document

<b>“2011 Act”</b>	The Localism Act 2011 (as amended from time to time)
<b>“2013 Act”</b>	The Public Service Pensions Act 2013 (as amended from time to time)
<b>“Administering Authority”</b>	The administering authority for the Fund, Wiltshire Council. The Administering Authority is the scheme manager for the purposes of the 2013 Act.
<b>“Board”</b>	The Wiltshire Pension Fund Local Pension Board
<b>“Code”</b>	The Pensions Regulator’s Code of Practice no. 14: Governance and administration of public service pension schemes (as amended from time to time)
<b>“Committee”</b>	The Wiltshire Pension Fund Committee
<b>“Conflict Policy”</b>	The conflict of interest policy of the Board set out in the Terms of Reference (as amended from time to time)
<b>“Councillor”</b>	An elected or co-opted member of a local authority
<b>“Declaration of Interest Form”</b>	The form used to declare Relevant Interests as amended from time to time, currently as attached to this document at Appendix 1
<b>“Fund”</b>	The Wiltshire Pension Fund within the LGPS, managed and administered by the Administering Authority
<b>“Relevant Interest”</b>	Any company directorship, trusteeship, other post (whether remunerated or not), financial interest or personal interest belonging to a Board member or a Board member’s spouse, civil partner or cohabitee, where such interest is likely to be affected by, or relevant to, the work of the Board.
<b>“Register of Member Interests”</b>	The register of member interests kept by Democratic Services to record Relevant Interests. Democratic Services is the Board Secretary for the purposes of the Terms of Reference
<b>“Regulations”</b>	The Local Government Pension Scheme Regulations 2013 (as amended from time to time)
<b>“Scheme Advisory Board”</b>	The Local Government Pension Scheme Advisory Board set up under section 7 of the 2013 Act
<b>“SAB Guidance”</b>	Local Government Pension Scheme (LGPS): Guidance on the creation and operation of Local Pension Boards in England and Wales

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## 1. Code of Conduct for Board members

### Government guidance on conduct of local pension board members

The Scheme Advisory Board provides advice to administering authorities and local pension boards in relation to the effective and efficient administration and management of the LGPS and their pension funds. The Scheme Advisory Board will be adopting the Shadow SAB Guidance therefore the Administering Authority and the Board should have regard to the SAB Guidance to assist with the effective and efficient administration and management of the Fund. Section 7 of the SAB Guidance deals with conduct of local pension board members.

### Code of Conduct

Board members must have regard to the “Seven Principles of Public Life” (also known as the Nolan Principles). As members of a publicly-funded body involved in the discharge of public business, all Board members must comply with these principles in the exercise of their functions. The principles require the highest standards of conduct.

The Seven Principles of Public Life are:

**Selflessness** - Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other benefits for themselves, their family or their friends.

**Integrity** - Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.

**Objectivity** - In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

**Accountability** - Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

**Openness** - Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands it.

**Honesty** - Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

**Leadership** - Holders of public office should promote and support these principles by leadership and example.

Information provided to a Board member in the course of his or her duties is confidential and must only be used for the purposes of the Board. Board members must not disclose any information given to them in confidence without the written consent of a person who is authorised to give it, or unless required by law to do so. Board members must seek the advice of Democratic Services before disclosing any information given in confidence.

Board members should not accept any personal gifts or hospitality from any individual or organisation (including contractors and/or outside suppliers) which has or may have a specific interest in the work of the Board.

This document is not a part of the constitution and is a policy document for the Local Pension Board.

Regulation 107 of the 2013 Regulations allows Councillors to sit on a local pension board in certain circumstances. Councillors are subject to the separate code of conduct adopted by their local authority in accordance with the 2011 Act. This separate statutory requirement will continue to apply to any Board members who are Councillors in addition to the code of conduct above.

## 2. Conflict of Interest Policy Guidelines

### What is a Conflict of Interest?

The 2013 Act makes it a legal requirement that members of local pension boards do not have a conflict of interest. Section 5(5) of the 2013 Act defines a conflict of interest as;

*A financial or other interest which is likely to prejudice the person's exercise of functions as a member of the board (but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme)*

A conflict of interest may arise when a member of a local pension board:

- must fulfil their legal duty to assist the Administering Authority; and
- at the same time has:
  - a separate personal interest (financial or otherwise); or
  - another responsibility in relation to that matter,

giving rise to a possible conflict with their first responsibility as a local pension board member.

A possible conflict could also arise due to a member's partner, family member or close associate having a specific responsibility or interest in a matter.

The key issue for a Board member is to consider whether they are subject to a conflict of interest which prevents them from acting entirely independently in their capacity as Board member. It is recognised that from time to time a person may have interests or responsibilities which are not aligned with their responsibilities as a Board member, but these do not prevent the person from fulfilling their responsibilities as a Board member. This situation may occur when the separate interest is sufficiently immaterial and so does not conflict with the member's first obligation to the Board.

### Relevant Legislation

The Regulations effect the requirements of section 5 of the 2013 Act in relation to the LGPS.

Regulation 108 of the Regulations states:

#### **108 Local pension boards: conflict of interest**

(1) Each administering authority must be satisfied that any person to be appointed as a member of a local pension board does not have a conflict of interest.

(2) An administering authority must be satisfied from time to time that none of the members of a local pension board has a conflict of interest.

(3) A person who is to be appointed as a member of a local pension board by an administering authority must provide that authority with such information as the authority reasonably requires for



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the purposes of paragraph (1).

(4) A person who is a member of a local pension board must provide the administering authority which made the appointment with such information as that authority reasonably requires for the purposes of paragraph (2).

Regulations 108(1) and (3) prohibit conflicts and require information from each Board member at the time of their appointment, and regulations 108 (2) and (4) deal with the same requirements during office.

Regulation 107 allows for Councillors to sit on a local pension board in certain circumstances. The 2011 Act imposes a legal obligation on Councillors to disclose certain pecuniary interests in a register maintained by their local authority's monitoring officer. This separate statutory requirement will continue to apply to any Board members who are Councillors in addition to the relevant legislation, codes of practice and government guidance referred to in the Conflict Policy and these guidelines. Nothing in the Conflict Policy or these guidelines in any way supersedes or replaces the separate statutory requirements for Councillors.

### **The Pensions Regulator's Code: Conflicts of Interest**

The Pensions Regulator has responsibility for regulatory oversight of the governance and administration of public service pension schemes, including the LGPS. The Pensions Regulator has published guidance in the Code. Paragraphs 61 to 89 of the Code deal with conflicts of interest.

### **Other Guidance on Conflicts of Interest**

The Administering Authority and the Board should have regard to the SAB Guidance to assist with the effective and efficient administration and management of the Fund. Section 7 of the SAB Guidance deals with conflicts of interest.

### **Policy Guidelines**

#### **1. Identifying and monitoring Conflicts of Interest**

##### **The Board must:**

- identify, monitor and manage dual interests and responsibilities which are or have the potential to become actual or perceived conflicts of interest. In determining how to manage conflicts of interest the Board must comply with the 2013 Act, the Regulations, the Code and other relevant guidance from the Pensions Regulator, the Conflict Policy and these guidelines;
- ensure that conflicts of interest are considered at every Board meeting;
- ensure that a report is sent to the Administering Authority after each Board meeting and at other times upon the Administering Authority's reasonable request detailing declared interests and mitigation action taken;
- ensure that Democratic Services (the Board Secretary) is notified at the earliest opportunity of any declared interests;
- seek further advice from Democratic Services wherever the Board has any doubt about the duties set out in these guidelines;
- consider obtaining legal advice when assessing any option to prevent a potential conflict of interest becoming detrimental to the conduct or decisions of the Board.

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**All Board members must:**

- be familiar with the Conflict Policy, these guidelines, relevant legislation, the Code and the SAB Guidance;
- be conscious of the need to be open about potential, perceived and actual conflicts;
- before appointment to the Board, disclose to Wiltshire Council all Relevant Interests using the Declaration of Interest Form;
- during office, disclose to the Board all Relevant Interests as soon as they arise by submitting the Declaration of Interest Form to Democratic Services;
- during any meeting of the Board, disclose any Relevant Interest to the Board prior to the commencement of the Board's discussion of that matter. This requirement applies regardless of whether the interest is already recorded in the Register of Board Members' Interests. In cases of exceptional sensitivity, a Board member may make a notification of a Relevant Interest to the Chair of the Board rather than to the full Board;
- provide any information reasonably requested by the Administering Authority in connection with the Authority's duty to ensure that conflicts of interest do not exist.

**Democratic Services (the Board Secretary) will:**

- record declared interests in the Register of Member Interests;
- ensure that the Register of Member Interests (as updated from time to time) is published on the Board's webpage on the Administering Authority's website;
- ensure that the Register of Member Interests (as updated from time to time) is circulated to all Board members for review prior to each Board meeting;
- ensure that all Board meetings open with a standing item titled Declarations of Interest. This will allow Board members to notify existing and new Relevant Interests, so that potential conflicts can be considered for each agenda item and managed as set out below;
- minute any disclosure by a Board member made during a Board meeting together with all decisions of the Board relating to that disclosure;
- ensure that all Board meetings include a standing item titled Forward Work Plan, to consider decisions to be taken and work to be carried out by the Board over the next year. This will allow mitigations to be put in place so that potential conflicts can be managed as set out below.

**The Administering Authority must:**

- be satisfied that no potential Board member has a conflict of interest at appointment;
- be satisfied that no Board member has a conflict of interest during office;
- use an appointment process which considers all applications from potential Board members prior to approval in order to ensure that no conflict exists. The potential for a conflict to arise at some point in future will not in itself be reason to exclude an individual from membership of the Board, unless the Administering Authority considers that the likelihood of a conflict arising is so high or the conflict itself is likely to arise persistently and frequently enough that it is likely to compromise an individual's ability to participate meaningfully on the Board;

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- keep this document under regular review.

## **2. Managing Conflicts of Interest**

In the event that the Board is of the view that a potential conflict of interest may become an actual or perceived conflict in respect of one or more of its members, the Board must determine the appropriate mechanism for managing that conflict. The approach taken will depend on the nature and extent of the potential conflict. Some possible methods for the management of potential conflicts are given below:

- Requiring that the Board member for whom the conflict exists takes no part in discussions or votes in respect of the matter for which they are conflicted, or leave the meeting;
- If practical, the Board member may relinquish or divest themselves of a personal interest which is the source of a conflict of interest with their Board responsibilities;
- If the conflict is likely to be persistent and continue in such a way that it is likely to limit a Board member's meaningful participation in the Board, that member should consider resigning from their position.

The Administering Authority may remove any Board member where it considers there is an actual or potential conflict of interest which is impractical to manage.

## **3. Perceived Conflicts of Interest**

Board members should be aware that even if no actual conflict of interest exists, it is important to guard against the perception among, for example, Scheme members, the Pensions Regulator, elected members or the general public that a real conflict of interest exists.

If there is the possibility that a perceived conflict of interest may exist, it should be managed by the Board in the same way as a real conflict of interest.

## **4. Confidential Information**

A Board member may, by virtue of their employment by an employing authority within the Fund, have access to confidential information about their employer.

A Board member is not obliged to reveal this information as part of their role on the Board.

However, if an affected Board member considers that the information to which they are party may:

- a) adversely affect the Fund or an employer within the Fund;
- b) reasonably cause the Board to interpret a decision by the Pension Committee differently or act in a different way were the information to be known at the time; and
- c) the information will not be made available to the Board through some other means within such time as the Board is able fully to act upon it,

that Board member shall withdraw from all discussion in relation to that issue and notify the Board that a conflict of interest exists. The details of the conflict need not be disclosed.

This scenario may occur where a Board member is aware of legally confidential negotiations around, for example, the takeover of a Fund employer which may radically alter that business and have a corresponding effect on its participation in the Fund or the size of its liabilities.

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## **5. Adviser and Officer Conflicts**

The Board will be supported and advised by officers of the Fund in its day to day business. Similarly the Board may, if appropriate, seek independent or professional advice, for example legal advice or governance advice.

The Board must be confident that the advice it receives from officers and advisers is independent and truly in the best interests of the Fund. For this reason officers and advisers giving advice to the Board must also declare any situation where a potential, perceived or actual conflict exists, in order that it can be appropriately managed.

## **6. Examples of conflicts of interest**

The following are intended to be examples of potential conflicts for illustrative purposes. The list is not exhaustive and is not intended to provide all the scenarios in which a conflict of interest may arise.

### **Example 1**

There may be situations where a member of a local pension board who is also an officer for the relevant administering authority or some other employer in the LGPS pension fund faces conflicting priorities by virtue of their two roles. For example, as a local pension board member they may make or scrutinise a decision which requires the use of greater employer resource in order to improve the administration and efficiency of the relevant fund. However, at the same time they may be facing departmental pressure to cut budgets and spend less on pension administration matters.

### **Example 2**

A local pension board is reviewing a decision by an administering authority to levy an additional charge under the Regulations to a group of employers whose poor performance in carrying out their statutory functions in respect of the LGPS has caused the administering authority additional costs. Any employer representative on the local pension board who is employed by an employer who falls into this category would need to declare their interest and the resulting conflict of interest would need to be managed.

### **Example 3**

It is possible that a scheme member representative is also employed by a firm to whom an LGPS pension fund's administration has been outsourced. Such a member is likely to face a conflict of interest when the performance of that company in respect of their administration performance is discussed.

### **Example of where a declared interest may not constitute a conflict of interest**

A representative on a local pension board holds shares in a company that provides outsourced pension administration services as part of a varied portfolio. The shares are valued at a few hundred pounds and the company's value is many tens of millions. The local pension board is reviewing the decision to outsource the relevant LGPS pension fund's administration staff to that company.

In this case the local pension board may consider that on grounds of materiality, no conflict of interest exists. The local pension board is not responsible for the decision and the impact of the outsourcing will have no effect on the company's share price. The local pension board member in question should, however, still declare their interest.

### Appendix 1: Declaration of Interest Form

I, .....

a member of the Wiltshire Pension Fund Local Pension Board (the "Board") give notice that I, and to the best of my knowledge my spouse, civil partner, person with whom I live as husband or wife, or person with whom I live with as a civil partner have the following Relevant Interests as defined in the Committee's conflict of interest policy guidelines (Please state none where appropriate)

#### 1. Employment, office, trade, profession or vocation

You should disclose any employment, office (e.g. director or trustee), trade, profession or vocation carried on whether or not for profit or gain, including the name and address of the employer/appointor.

Member

Spouse/Civil Partner/Cohabitee

#### 2. Contracts

You should detail any current contract under which goods or services are to be provided or works are to be executed and where any other party to the contract may be affected by the work of the Board.

Member

Spouse/Civil Partner/Cohabitee

#### 2. Securities

You should detail any beneficial interest in securities which may be a Relevant Interest where either the total nominal value of the securities exceeds £25,000 or one hundredth of

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the total issued share capital, or one hundredth of the total issued share capital of any class of shares issued.

Member

Spouse/Civil Partner/Cohabitee

**3. Disclosure of Gifts and Hospitality**

You should reveal the name of any person from whom you have received a gift or hospitality with an estimated value of at least £50 which you have received in your capacity as a member of the Board.

Date of receipt of Gift/Hospitality	Name of Donor	Reason and Nature of Gift/Hospitality

**4. Other Interests which may be Relevant Interests under the Committee's Conflict of Interest Policy Guidelines**

Member

Spouse/Civil Partner/Cohabitee

**5. Changes to Registered Interests**

I understand that I must notify the Board Secretary at the earliest opportunity of any changes

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or additions to my Relevant Interests.

Signed:

Board Member

Date:

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WILTSHIRE PENSION FUND COMMITTEE  
21 JUNE 2018

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### **Review of Wiltshire Pension Fund Governance Compliance Statement**

#### **Purpose of the Report**

1. The purpose of this report is for Members to review and approve the Governance Compliance Statement for the Wiltshire Pension Fund.

#### **Background**

2. Under the Regulation 55 of the Local Government Pension Scheme (Administration) Regulations 2013, Local Government Pension Funds are required to set out a written statement outlining the delegations for the administration of the Fund and to keep this under review. The link to the Regulation 55 is below:

<http://www.legislation.gov.uk/ukxi/2013/2356/regulation/55/made>

3. This latest version of the Governance Compliance Statement was approved by the Pension Fund Committee on 17 March 2015.
4. The Governance Compliance Statement was last reviewed by the Local Pension Board on 15 March 2018 and where it was resolved to endorse the Statement subject to some minor amendments to reflect the role of the Brunel Pension Partnership and to link to the Board's terms of reference.

#### **Key Considerations for the Committee**

5. This document sets out whether Wiltshire Council delegates its functions, or part of its functions under these Regulations to a committee, a sub-committee or an officer of the authority and if so the terms, structure and operational procedures of the delegation including the frequency of any committee or sub-committee meetings.
6. It also needs to outline whether such a committee or sub-committee includes representatives of Scheme employers or members, and if so, whether those representatives have voting rights.
7. The attached Governance Compliance Statement is largely self-explanatory and is attached for Members' review. It is largely a factual statement, and shows the Fund is compliant with the principles of best practice guidance issued by DCLG.
8. This statement contains all the changes recommended by the Local Pension Board.

#### **Financial Considerations & Risk Assessment**

9. There are no financial implications of this Policy.
10. The review of the strategy ensures the Fund is mitigating *PEN008: Failure to comply with LGPS and other regulations with stakeholders* as shown in the Risk Register elsewhere on this agenda.

#### **Legal Implications and Environmental Impact of the Proposal**

11. There are no material legal or environmental impacts of these proposals.

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

12. There are no known implications at this time.

**Reasons for Proposals**

13. There is a legal requirement under the Local Government Pension Scheme Regulations for a policy and its best practice to refresh this on a regular basis. The review of this statement by the Board is part of the role with regard securing compliance with the Regulations.

**Proposals**

14. The Committee is asked to approve the Government Compliance Statement.

ANDY CUNNINGHAM  
Head of Pension Administration and Relations

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

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

## Wiltshire Pension Fund Governance Compliance Statement

Details of the terms, structure and operational procedures relating to the Local Pension Board can be found in the Wiltshire Local Pension Board [terms of reference](#).

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). In future Brunel Pension Partnership Limited will be responsible for the appointment of external investments managers to implement the Fund’s investment policy.</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.  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</b>	N/A

AREA	PRINCIPLE	LEVEL OF COMPLIANCE	REASON FOR NON-COMPLIANCE
		<p><b>opportunistic investments to the value of 5% of the Fund's total assets. This consists of 4 voting members, namely the Chairman, Vice-Chairman, one Wiltshire Council elected member from the main committee and one co-opted member of the main committee. All members of the main committee may be an observer.</b></p>	
	<p>c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.</p>	<p><b>FULL – All minutes of meetings and decisions taken by the ISC are reported back to the next main committee meeting.</b></p>	<p><b>N/A</b></p>
	<p>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.</p>	<p><b>FULL – At least 4 members of the ISC sit on the main committee.</b></p>	<p><b>N/A</b></p>
<p>B) Representation</p>	<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, eg, admitted bodies);</li> <li>ii. scheme members (including deferred and pensioner scheme</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>members);</p> <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</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</b></p>	<p>N/A</p>

AREA	PRINCIPLE	LEVEL OF COMPLIANCE	REASON FOR NON-COMPLIANCE
	main LGPS committees.	committee has very little influence over benefits and the members are fully protected by statute. Therefore, there is very little that scheme members (or their representatives) can influence on the committee that has any direct impact upon them. Further, giving voting rights to the observers would mean increasing the size of the Committee, because the Administering Authority must legally be able to maintain a majority.	
E) Training/Facility Time/Expenses	a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	<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>	N/A
	b) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	<b>FULL – see Members Training Plan</b>	N/A
F) Meetings - Frequency	a) That an administering authority’s main committee or committees meet at least quarterly.	<b>FULL – The Committee meets four times per year, plus ad-hoc for special issues (eg. valuation, tenders)</b>	N/A
	b) That an administering authority’s secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	<b>FULL – The ISC meets two times per year, with a potential two further meetings scheduled should they be required.</b>	N/A
	c) That administering authorities who do not include lay members in	<b>FULL –From 1 April 2015, Wiltshire Council in its role of Administering</b>	N/A

AREA	PRINCIPLE	LEVEL OF COMPLIANCE	REASON FOR NON-COMPLIANCE
	<p>their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.</p>	<p><b>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></p>	
G) Access	<p>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.</p>	<p><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></p>	N/A
H) Scope	<p>a) That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.</p>	<p><b>FULL – All matters in relation to the Fund, whether Benefits, Governance, Investments, Communications, Employers, Financial, etc, are covered by the governance arrangements.</b></p>	N/A
I) Publicity	<p>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.</p>	<p><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></p>	N/A

21 June 2018

Wiltshire Pension Fund Committee

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## **WILTSHIRE COUNCIL**

WILTSHIRE PENSION FUND COMMITTEE  
21 June 2018

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### **INTERNAL AUDIT UPDATE**

#### **Purpose of the Report**

1. This report updates the Committee on the 2017-18 key controls final report by the SWAP internal audit team.

#### **Background**

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

#### **Key Considerations for the Committee**

##### *Internal Audit of Key Controls 2017-18*

3. The internal audit of the key controls for 2017-18 is now finalised. This takes a risk-based approach to ensure the key financial system controls are operating effectively for the Wiltshire Pension Fund and that fraud, error or corruption is minimised. The Terms of Reference, which outlines the scope and coverage for this Audit, and the Final Report is attached at the end of this report for the Committee's information.
4. SWAP has given the Fund a "Reasonable Assurance" opinion. There were no significant findings in the report, with 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.
5. 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 is now in place and occurring monthly.
6. For the two other risks, the monthly reconciliations of New Pensioners and New Dependents between the Altair Pension system and SAP Pension Payroll is currently being put in place while the full reconciliation between all Altair and Pension Payroll records is planned to start towards the end of 2018, once the first stage of the GMP Reconciliation project is complete.
7. The management responses to these areas are outlined in the report and officers will work to ensure these are implemented.

#### **Risks Assessment**

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

#### **Financial Implications**

9. The internal audits fees are based on an annual recharge from Wiltshire Council.

**Legal Implications**

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

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

11. There are no known implications at this time.

**Proposals**

12. The Committee is asked to note this update, the attached SWAP Internal Audit Report and recommendations and management's response to these recommendations.

IAN DUNCAN  
Treasurer to the Pension Fund

Report Author: Andy Cunningham, Head of Pension Administration & Relations

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

## Terms of Reference

Client: Wiltshire Council  
 Assignment: Pension Funds – Key Financial Controls  
 Issued by: Paul Crandley, Principal Auditor  
 Date: 19<sup>th</sup> February 2018

## Purpose

The Terms of reference (ToR) sets out the scope and coverage of the audit of Wiltshire Pension fund. The brief described here should not be regarded as an exhaustive programme of work and the Auditor is expected to use initiative and discretion in completing the audit assignment.

The ToR is developed from our discussions risk identification meeting with management. We require management to sign a copy of the ToR as confirmation that the scope of the audit addresses the significant risks and covers the relevant areas.

## Objective & Scope

The audit review will be undertaken using our Risk Based Audit (RBA) approach whereby the controls will be identified, documented and evaluated in relation to the risks that could impact on the business objectives.

Our findings, conclusions and recommendations will be discussed with management prior to being included in a formal report. It is planned at this stage to issue the draft report to Andrew Cunningham, Head of Pensions Administration and Relations and Nick Weaver, Interim Investments Manager

The objective of the service and risks that could impact on the achievement of this objective were discussed and are identified below.

**Objective:** To ensure that key financial system controls are operating effectively for the Wiltshire pension fund and that fraud, error, or corruption are minimised.

Risk	Inherent Risk Assessment	Manager's Initial Assessment	Include in Scope
1. Pensions contributions and pensions payroll are incorrect.	Medium	Low	Yes
2. Council accounts are misrepresented due to inadequate accounting practices relating to the administration of the pension fund.	Medium	Low	Yes
3. The council is exposed to greater risk because previous audit recommendations have not been implemented.	Medium	Low	Yes

The audit will require interviews with service staff and access to the complete range of records and documents they maintain. Every endeavour will be made to minimise disruption to service staff.

## Timescale & Resources

Role	Auditor
Principal Auditor	Paul Crandley
Auditor	Andrew Adlam

It is expected that the audit will commence by 19<sup>th</sup> February 2018. The target dates for completion of the audit work are as follows

Milestone	Target Date	Notes
Completion of fieldwork	5 <sup>th</sup> March 2018	
Close Out Meeting	9 <sup>th</sup> March 2018	TBC
Draft Report	12 <sup>th</sup> March 2018	
Final Report	19 <sup>th</sup> March 2018	

The above timescale requires commitment from management, as well as audit, to consider and respond promptly to any issues raised in the audit.

## Client Agreement

Name & Position:

Signature:

Date:


# Wiltshire Pension Fund 2017-18

## Final Report




Issue Date: 18 April 2018




## Executive Summary

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

## Findings and Outcomes

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

## Appendices:

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

# Executive Summary

## Overview

As part of the 2017/18 Internal Audit Plan for Wiltshire Council, an audit has been undertaken to assess the adequacy of the key financial controls and procedures in place for Wiltshire Pension Fund.

The Wiltshire Pension Fund administer the Local Government Pension Scheme (LGPS) on behalf of around 175 participating employers, including Councils, Schools, Police and Fire Authorities, other public bodies, charities and private sector companies. As at 31<sup>st</sup> March 2017, total membership was reported in excess of 63k active, deferred members and pensioners with financial holdings in excess of £2.187bn of investment assets.

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

## Objective

To ensure key system controls for the pension fund are operating effectively and that fraud, error or corruption is minimised.

## Audit Opinion:

**Reasonable**

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

This opinion reflects that two recommendations from last year's audit both remain outstanding one was due by September 2017 and the other by December 2019. These are in relation to:

- Reconciling New Pensioners and New Dependants between the Altair Pension system and SAP Pensions Payroll monthly; and
- Carrying out a full reconciliation of Altair and SAP Payroll to provide further assurance that payments made to pensioners cast and provide the basis for a monthly reconciliation of cumulative balances.

An additional recommendation has also been made for the service to demonstrate that monthly reconciliations are verified, and an advisory recommendation has been made to ensure payment authorisations are always retained or recorded to show who approves each payment.

## Well Controlled Areas of the Service

Systems and processes prove to be well embedded with associated key financial controls operating satisfactorily in respect of:

- Review and Authorisation of Benefits Calculations;
- Authorisation of Starters and Leavers (Members and Pensioners);
- Production and independent Review of Pensions Payroll Exception Reports;
- Reconciliation of the pension payroll system to the general ledger;
- Ongoing and regular review by the Wiltshire Pension Fund Committee of the Fund investments between triennial Actuarial Valuation; and
- Continuing approval of IAS 19 assumptions applied to stating the Funds liabilities.

## Corporate Risk Assessment

Risks	Inherent Risk Assessment	Manager's Initial Assessment	Auditor's Assessment
1. Pensions contributions and pensions payroll are incorrect.	Medium	Low	Low
2. Council accounts are misrepresented due to inadequate accounting practices relating to the administration of the pension fund.	Medium	Low	Low
3. The Council is exposed to greater risk because previous audit recommendations have not been implemented.	Medium	Low	Low



# Findings and Outcomes

## Method and Scope

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

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

## 1. Pensions contributions and pensions payroll are incorrect.

Low

### 1.1. Review and authorisation process for calculations of benefit

The calculations of lump sum payments are reviewed by a separate officer than the person who made the calculation through the Altair system. The system records who carried out these tasks and when, however it does not record who has authorised the payment. The Payments Schedule produced by Altair, records who made the calculation and who checked it and relies on the authorising officer to physically sign it. The Pension Team Managers check the calculations and do not sign the Schedule. Instead they send the Payment Schedules to Pensions Payroll or Accounts Payable under a covering email. The email is intended to provide the authorisation.

From testing the work flow for 15 lump sum payments made this year, we found all have been calculated and checked by a different officer. We identified the authorising officer for 14 of the payments. These were made in accordance to a Payment Schedule and were supported by a covering email from which we can confirm that these instructions were sent by managers authorised to request the payments. In one case the Payment Schedule was not supported by a covering email to allow us to check who sent the instructions to Accounts Payable.

The Pensions Team stopped signing the notification / schedule three years ago to save time and resources. Audit made an advisory recommendation in 2015-16 for managers to consider whether efficiency gains from not retaining a record of authorisation in Altair outweigh the loss of being able to efficiently find managers' authorisations of payments.

Controls could be strengthened by ensuring that the authoriser for payment instructions can be easily identified. We do acknowledge the need for proportionality in controls and as such do not make a formal recommendation in this area. The Head of Pensions Administration & Relations has also confirmed that identification of authorisers in work flows is currently being considered.

## 2 Council accounts are misrepresented due to inadequate accounting practices relating to the administration of the pension fund.

Low

### 2.1. Reconciliation of the pension payroll system to the general ledger

The reconciliations for New Pensioners and New Dependents should be undertaken quarterly. The Fund System and Data Manager has confirmed that the New Pensioners reconciliation is currently

being carried out. We continue to recommend that the New Dependents reconciliation should also be carried during the financial year, thus the following agreed outcome from the previous audit remains outstanding:

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

Testing of additional payroll costs reconciliations confirmed these were prepared by the Accounting Technician and carried out promptly, they were cast and there were no material reconciling items. However, the Fund Investment & Accounting Manager's verification of the reconciliations is not evident.

2.1a Proposed Outcome: Priority 3

We recommend that the Fund Investment & Accounting Manager ensures that he can demonstrate that he has verified reconciliations prepared by the Accounting Technician by saving the spreadsheet with his name in the title and by ensuring the monthly checklist is completed.

Action Plan:

Person Responsible:	Fund Investment & Accounting Manager	Target Date:	May 2018
Management Response:	Agreed. An officer has recently returned from maternity leave meaning that additional resource is now available. Reconciliation verification and the monthly checklist will be completed moving forward.		

3. The Council is exposed to greater risk because previous audit recommendations have not been implemented. Low

3.1. Implementation of previously made Internal Audit recommendations

The Internal Audit report from 2015-16 records two agreed recommendations, both priority 3. Both relate to reconciliation of the payroll system to the general ledger. These were repeated from the previous year's audit (2015-16) because a full reconciliation of the two systems had not taken place by last year combined with reconciliations for New Pensioners and New Dependants not having been carried out quarterly.

Reconciliations for New Pensioners and New Dependants have not been carried out throughout the current financial year. The Fund System and Data Manager says they have started reconciling New Dependants from April up to December 2017, whilst New Pensioners is viewed as less of a risk.

The recommendations from last year's audit were scheduled for implementation by September 2017 and December 2019 respectively, these are:

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

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

These agreed recommendations have not yet been implemented and one is now over due for completion (it is acknowledged that an update on progress towards completing this recommendation has been provided).

# Audit Framework and Definitions

## Assurance Definitions

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

## Definition of Corporate Risks

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

## Categorisation of Recommendations

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

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

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

## Report Authors

This report was produced and issued by:

Andrew Adlam, Auditor  
Paul Crandley, Principal Auditor  
Ian Withers, Assistant Director

## Support

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

Mark Anderson, Fund Systems & data Manager  
Debbie Rawlings, Senior Pension Officer  
Chris Ashton, Fund Investment & Accounting Manager (Maternity)  
Janine Davis, Payroll Assistant, Payroll & Service Development  
David Marshall, Management Accountant, Finance & Procurement

## Distribution List

This report has been distributed to the following individuals:

Andy Cunningham, Head of Pensions Administration & Relations  
Nick Weaver, Investment Manager (Agency)

Draft Report

Michael Hudson – Director – Finance & Procurement

Final Report

Ian Duncan, Director – Finance & Procurement (Interim)



## Working in Partnership with

Cheltenham Borough Council	Sedgemoor District Council
Cotswold District Council	Somerset County Council
Devon & Cornwall Police & OPCC	South Somerset District Council
Dorset County Council	Taunton Deane Borough Council
Dorset Police & OPCC	West Dorset District Council
East Devon District Council	West Oxfordshire District Council
Forest of Dean District Council	West Somerset Council
Herefordshire Council	Weymouth and Portland Borough Council
Mendip District Council	Wiltshire Council
North Dorset District Council	Wiltshire Police & OPCC
Powys County Council	

# Statement of Responsibility

## Conformance with Professional Standards

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

## SWAP Responsibility

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

WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE  
21 June 2018

**PENSION FUND ADMINISTRATION BUDGET 2017-18 - FINAL OUTTURN**

	2017/18			Explanations
	Budget £000	Final Outturn £000	Variance £000	
<b><u>Fund Investment</u></b>				
Segregated Funds	5,106	5,982	876	Increased performance fees from exceeding targets for Baillie Gifford and Investec.
Pooled Funds *	2,791	3,146	355	Includes Invisible (or non direct charged) fees adjustment for higher asset base and investment in direct infrastructure.
<b>Total FUND INVESTMENT FEES</b>	<b>7,897</b>	<b>9,128</b>	<b>1,231</b>	
* pooled costs paid through investment holdings				
<b><u>Fund Investment Costs</u></b>				
1 Investment Administration	120	119	-1	
2 Investment Custodial & Related Services	23	-246	-269	Increased Security Lending income in year relevant to the particular equities being held at the time.
3 Investment Consultancy	149	116	-33	
4 Corporate Governance Services	40	34	-6	
5 Performance Measurement	37	40	3	
	<b>369</b>	<b>63</b>	<b>-306</b>	
<b><u>Fund Scheme Administration</u></b>				
6 Pension Scheme Administration	1,590	1,573	-17	
7 Actuarial Services	173	274	101	Cost of setting up new employers, on-going employer issues and additional team support.
8 Audit	33	28	-5	
9 Legal Advice	20	38	18	
10 Committee & Governance	87	-26	-113	Late recovery of BPP costs from 2016-17 as well as 2017-18.
	<b>1,903</b>	<b>1,887</b>	<b>-16</b>	
<b>Total FUND COSTS</b>	<b>2,272</b>	<b>1,950</b>	<b>-322</b>	
<b>TOTAL FUND EXPENDITURE (Costs &amp; Fees)</b>	<b>10,169</b>	<b>11,078</b>	<b>909</b>	

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## WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE  
21 June 2018

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### **DRAFT STATEMENT OF ACCOUNTS FOR 2017-18**

#### **Purpose of the Report**

1. The purpose of this report is to present the attached draft Wiltshire Pension Fund Financial Statements 2017-18 to Members for approval.

#### **Background**

2. As last year, the Financial Statements will be presented today at the June meeting and the Complete Annual Report will be presented to the September Committee.
3. The Pension Financial Statements will also go to the Audit Committee on 24 July 2018.
4. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/2018 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.
5. The Pension Fund Financial Statements are included within the Statement of Accounts of the Council as well as the Pension Fund Annual Report.

#### **Risk Assessment**

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

#### **Financial Considerations**

7. These will be considered in the Annual Report. The outturn for 2017-18 is detailed elsewhere on the agenda.

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

8. There are none.

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

9. There are none.

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

10. There are no known implications at this time.

## **Proposals**

11. Members are asked to approve the draft Wiltshire Pension Fund Financial Statements 2017-18 for publication, subject to the completion of the audit.

Ian Duncan  
Treasurer to the Pension Fund

Report Author: Nick Weaver, Investment Manager

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

## Wiltshire Pension Fund

The Fund is administered by Wiltshire Council for local authorities within Wiltshire and other local government associated organisations. It meets the cost of pension benefits due to current and former employees of these organisations. The current membership as at 31 March 2018 included 21,781 active members, 16,273 pensioners and 29,253 deferred members.

### Responsibility for the Report

#### Wiltshire Council

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

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

#### Wiltshire Pension Fund Committee

There are seven elected members of the Committee, comprising five Wiltshire Councillors and two Swindon Borough Council members. In addition, there are two representatives of the admitted bodies and two observers representing staff interests. Details of the membership of the Committee in 2017/2018 are shown in the Wiltshire Pension Fund Annual Report.

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

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

#### Local Pensions Board

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

The Fund will liaise closely with the Local Pension Board, so they can fulfil their duties providing support and advice to the Administering Authority.

#### Chief Finance Officer

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

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

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

**Actuarial Statement**

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

**Description of Funding Policy**

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

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

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

**Funding Position as at the last formal valuation**

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

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

**Principal Actuarial Assumptions and 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:

Financial Assumptions	31 March 2016
Discount rate	4.0%
Salary increase assumption	2.4%
Benefit increase assumption (CPI)	2.1%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2013 model, assuming the current rate of improvements has reached a peak and will converge to long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

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

\*Aged 45 at the 2016 Valuation

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

## Experience over the period since 31 March 2016

Since the last formal valuation, real bond yields have fallen placing a higher value on the liabilities 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.

## Audit

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

**Investment Management Policy**

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

The Investment Strategy is revised annually by the Fund.

The current strategy has the dual aim of increasing returns and reducing risk by increasing diversification and alternative approaches. Details of the strategy are provided in the Investment Strategy Statement (ISS) which can be supplied upon request or viewed at [www.wiltshirepensionfund.org.uk](http://www.wiltshirepensionfund.org.uk).

The full list of managers as at 31 March 2018 were:

<b>Company</b>	<b>Mandate</b>	<b>Share of Fund</b>
Baillie Gifford	Global Equity	15.0%
CBRE Global Multi Manager	Property	13.0%
Loomis Sayles	Fixed Income	10.5%
Barings	Absolute Return Fund	10.0%
Legal & General	Passive UK Equity	7.5%
Legal & General	Global Equities	5.0%
Legal & General	Government Bonds	10.0%
Legal & General	Fundamental Equities	12.5%
Investec	Emerging Market Multi Asset	10.0%
Partners Group	Infrastructure	5.0%
M&G Investment Management	UK Companies Financing Fund	1.5%

The value of assets under management at 31 March 2018 was £2,382.2 million, broken down by managers as follows:

	31-Mar-18	31-Mar-17
Legal & General	£876.3 million	£808.8 million
Baillie Gifford	£372.5 million	£356.1 million
CBRE Global Multi Manager	£314.7 million	£291.7 million
Barings Asset Management	£242.2 million	£210.7 million
Loomis Sayles	£276.1 million	£231.3 million
M&G Investment Management	£2.1 million	£5.8 million
Partners Group	£35.7 million	£37.1 million
Investec	£252.4 million	£232.6 million
Cash held at custodian	£9.4 million	
Long-term investment - Brunel Pension Partnership	£0.8 million	
<b>Total</b>	<b>£2,382.2 million</b>	<b>£2,174.1 million</b>

2018

		£ million	Fund total	% of
<b>Geographical analysis</b>	United Kingdom	762.7		32.0
	North America	212.3		8.9
	Europe	78.6		3.3
	Asia, ex Japan	5.9		0.2
	Other - Overseas	102.2		4.3
	Other - Pooled Funds	1,220.5		51.2
			<b>2,382.2</b>	
<b>Sector analysis</b>	Long term assets	0.8		0.0
	Equities	1,251.6		52.5
	Fixed interest bonds	276.1		11.6
	Cash & Derivatives	29.1		1.2
	Property	281.4		11.8
	Emerging Market	252.4		10.6
	Infrastructure	35.7		1.5
	Index linked bonds	255.1		10.7
		<b>2,382.2</b>		<b>100.0</b>

Comparative figures for 2016/2017 are shown below.

		£ million	Fund total	% of
<b>Geographical analysis</b>	United Kingdom	714.5		32.9
	North America	223.6		10.3
	Europe	78.3		3.6
	Asia, ex Japan	6.4		0.3
	Other - Overseas	78.0		3.6
	Other - Pooled Funds	1073.3		49.4
			<b>2,174.1</b>	
<b>Sector analysis</b>	Equities	1,266.8		58.3
	Fixed interest bonds	231.3		10.6
	Cash & Derivatives	20.0		0.9
	Property	262.8		12.1
	Emerging Market	232.6		10.7
	Infrastructure	35.7		1.6
	Index linked bonds	124.9		5.7
		<b>2,174.1</b>		<b>100.0</b>

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

## The Wiltshire Pension Fund

<b>Fund Account</b>	<b>Notes</b>	<b>2017/2018</b>	<b>2016/2017</b>
For the year ended 31 March		£000	£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	(12,646)	(11,181)
		<b>4,055</b>	<b>4,702</b>
<b>Returns on investments</b>			
Investment income	9	11,701	10,076
Change in market value of investments	11	195,253	334,031
<b>Net returns on investments</b>		<b>206,954</b>	<b>344,107</b>
<b>Net Increase in the fund during the year</b>		<b>211,009</b>	<b>348,809</b>
<b>Opening Net Assets of the Fund</b>		2,187,470	1,838,661
<b>Closing Net Assets of the Fund</b>		<b>2,398,479</b>	<b>2,187,470</b>



<b>Net Asset Statement</b> At 31 March	<b>Notes</b>	<b>31 March 2018</b>	<b>31 March 2017</b>
		<b>£000</b>	<b>£000</b>
<b>LONG TERM INVESTMENTS</b>			
Brunel Pension Partnership		840	0
<b>INVESTMENT ASSETS</b>	<b>11</b>		
Equities		388,220	372,221
Pooled investment vehicles		1,682,651	1,519,157
Property		281,427	262,758
Cash held on deposit		28,614	19,799
Other investment balances		472	170
		<u>2,381,384</u>	<u>2,174,105</u>
<b>INVESTMENT LIABILITIES</b>	<b>11</b>		
Derivatives liabilities		0	0
<b>Total net investments</b>		<u>2,382,224</u>	<u>2,174,105</u>
Current assets	<b>13</b>	19,767	17,047
Current liabilities	<b>14</b>	(3,513)	(3,682)
<b>Net assets of the Fund at 31 March</b>		<u><b>2,398,478</b></u>	<u><b>2,187,470</b></u>

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

**Notes****Related notes form an integral part of these financial statements****1. Basis of Preparation**

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

IAS26 requires the actuarial present value of promised benefits to be disclosed. A separate report has been prepared by Hymans Robertson and is enclosed below after note 20. The Chancellor's budget statement on 22 June 2010 declared that future pension increases should be linked to the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). The report after note 20 has been prepared on the CPI basis.

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

**2. Accounting Policies**

The principal accounting policies of the Fund are as follows:

**Contributions**

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

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

**Benefits and Refund of Contributions**

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

**Transfers to and from Other Schemes**

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

**Investment Income**

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

### Valuation of Investments

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

- (i) **Quoted securities**  
Quoted Securities have been valued at 31 March 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. 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

	2017/2018 £000	2016/2017 £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>
<b>Analysis of contributions receivable</b>		
	<b>2017/2018 £000</b>	<b>2016/2017 £000</b>
<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>
<b>Total contributions receivable</b>	<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

	2017/2018 £000	2016/2017 £000
Pensions	68,166	65,540
Commutation and lump sum retirement benefits	13,412	11,141
Lump sum death benefits	1,737	2,133
	<b>83,315</b>	<b>78,814</b>
<b>Analysis of benefits payable</b>	<b>2017/2018 £000</b>	<b>2016/2017 £000</b>
<i>Pensions payable</i>		
- Wiltshire Council	35,824	34,940
- Other scheduled bodies	25,578	24,200
- Admitted bodies	6,763	6,400
	<b>68,165</b>	<b>65,540</b>
<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
	<b>15,150</b>	<b>13,274</b>
Total benefits payable	<b>83,315</b>	<b>78,814</b>

## 7. Payments to and on account of leavers

	2017/2018 £000	2016/2017 £000
Individual transfer out to other schemes	3,690	4,394
Bulk transfer out to other schemes	0	2
Refunds to members leaving service	259	269
State Scheme Premiums	54	143
	<b>4,003</b>	<b>4,808</b>

## 8. Management Expenses

	2017/2018 £000	2016/2017 £000
Administration costs	2,773	1,955
Investment Management expenses	9,738	9,117
Oversight & Governance	135	109
	<b>12,646</b>	<b>11,181</b>

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 (2016/2017: £2.3m).

## 9. Investment Income

	2017/2018 £000	2016/2017 £000
<i>Quoted securities</i>		
- UK fixed interest bonds (coupon receipts)	0	0
- Overseas fixed interest bonds (coupon receipts)	0	0
- UK index linked bonds (coupon receipts)	0	0
- UK equities	146	545
- Overseas equities	1,099	999
<i>Pooled Investment Vehicles</i>		
- Overseas equities	62	0
- UK property	8,944	8,616
- Global property	89	0
- Infrastructure	1,226	0
<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 £55.8million (107.28%). Income earned from this programme amounted to £0.306 million in the year.

	2017/2018 £ million	2016/2017 £ million
WPF Securities on loan	52.1	77.8
(percentage of total)	2.19%	3.58%
WPF Collateral share of pool	0.02%	0.01%
Value of WPF 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 01 April 2017	Purchases at cost & 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	(110,404)	94,322	388,220
Pooled funds:					
- Other	1,519,157	437,221	(357,228)	83,500	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>(504,717)</b>	<b>188,469</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>188,126</b>	<b>2,382,224</b>

	Value at 01 April 2016	Purchases at cost & derivative payments	Sales Proceeds and derivative receipts	Change in Market Value	Value at 31 March 2017
	£000	£000	£000	£000	£000
Fixed interest securities	0	0	0	0	0
Index linked securities	0	0	0	0	0
Equities	320,848	39,154	(84,266)	96,485	372,221
Pooled funds:					
- Other	1,252,637	459,029	(486,619)	294,110	1,519,157
- Property	230,505	63,985	(30,907)	(825)	262,758
Derivative assets					
- Futures	0	0	0	0	0
- Options	0	0	0	0	0
- Forward FX	1,246	163,377	(117,950)	(46,673)	0
	<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**

	<b>31 March 2018</b>	<b>31 March 2017</b>
	<b>£000</b>	<b>£000</b>
<b>LONG TERM ASSETS</b>		
Brunel Pension Partnership	840	0
<b>INVESTMENT ASSETS</b>		
<b>Equities</b>		
- UK equities	24,939	23,851
- Overseas equities	363,281	348,370
	<b>388,220</b>	<b>372,221</b>
<b>Pooled Investment Vehicles</b>		
- UK equities	171,423	285,230
- Overseas equities	691,999	609,342
- Overseas 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	35,656	35,741
	<b>1,964,078</b>	<b>1,781,915</b>
<b>Cash held on deposit</b>		
- Sterling Cash	14,966	17,561
- Overseas Cash	13,648	2,238
	<b>28,614</b>	<b>19,799</b>
<b>Other Investment Balances</b>		
- Derivatives Assets	0	0
- Outstanding dividend entitlements	304	4
- Recoverable tax	168	166
	<b>472</b>	<b>170</b>
<b>INVESTMENT LIABILITIES</b>		
- Derivatives Liabilities	0	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.

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

**Financial Instruments****Classification of financial instruments**

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

**As at 31 March 2018**

	<b>Designated as Fair value through Profit and Loss</b>	<b>Loans and Receivables</b>	<b>Financial liabilities at amortised cost</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Long Term Investments</b>			
Brunel Pension Partnership	840	0	0
<b>Financial assets</b>			
Fixed interest securities	0	0	0
Index linked securities	0	0	0
Equities	386,131	2,088	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
	<u>2,350,682</u>	<u>50,469</u>	<u>0</u>
<b>Financial Liabilities</b>			
Derivative Liabilities	0	0	0
Creditors	0	(3,512)	0
	<u>0</u>	<u>(3,512)</u>	<u>0</u>
	<u>2,351,522</u>	<u>46,957</u>	<u>0</u>

As at 31 March 2017

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

**Net gains/(losses) on financial instruments**

	2018 £000	2017 £000
<b>Financial assets</b>		
Fair value through profit and loss	188,124	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
Total	<u>187,790</u>	<u>318,025</u>

**Financial Risk Disclosure**

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

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

The Wiltshire Pension Fund Committee has determined that these managers are appropriate for the Fund and are in accordance with its investment strategy. The Committee obtains regular reports from each investment manager and its Investment Consultant on the nature of investments made and associated risks.

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

**a) Market Risk**

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

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

**1) Market Price Risk**

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

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

**Market Price - Sensitivity Analysis**

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

Movements in market prices would have increased or decreased the net assets valued at 31 March 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%	67	(67)
CBRE Global Multi Manager - Property	314,744	14.10%	44	(44)
Legal & General - Equity	171,423	15.60%	27	(27)
Legal & General - Gilts	255,092	9.60%	24	(24)
Legal & General - Global Equity	125,350	15.60%	20	(20)
Legal & General - Rafi Equity	324,477	15.60%	51	(51)
Barings - Dynamic Assets Allocation	242,173	10.20%	25	(25)
Partners Group - Infrastructure	35,656	14.30%	5	(5)
Investec - Emerging Markets	252,365	18.60%	47	(47)
Loomis Sayles - Multi Asset Credit	115,238	4.70%	5	(5)
Loomis Sayles - Absolute Return Bond Fund	160,878	4.70%	8	(8)
M&G - Financing Fund	2,089	0.00%	0	0
Cash held at custodian	9,417	0.00%	0	0
Long-term investment - Brunel Pension Partner	840	0.00%	0	0
	<b><u>2,382,224</u></b>		<b><u>322</u></b>	<b><u>(322)</u></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 - Property	291,670	14.50%	42,292	(42,292)
Legal & General - Equity	285,230	17.00%	48,489	(48,489)
Legal & General - Gilts	124,949	8.80%	10,996	(10,996)
Legal & General - Global Equity	96,098	17.00%	16,337	(16,337)
Legal & General - Fundamentals	302,496	17.00%	51,424	(51,424)
Barings - Dynamic Assets Allocation	210,749	11.90%	25,079	(25,079)
Partners Group - Infrastructure	37,111	15.00%	5,567	(5,567)
Investec - Emerging Markets	232,595	20.10%	46,752	(46,752)
Loomis Sayles - Multi Asset Credit	92,798	6.00%	5,568	(5,568)
Loomis Sayles - Absolute Return Bond Fund	138,504	6.00%	8,310	(8,310)
M&G - Financing Fund	5,807	0.00%	0	0
Berenberg Bank - Dynamic Currency Fund	7	0.00%	0	0
	<b><u>2,174,105</u></b>		<b><u>322,418</u></b>	<b><u>(322,418)</u></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>306,818</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.

As at 31 March 2018	Value	Change in net assets	
	£000	£000	£000
		+100 BP	-100 BP
Cash held on deposit	28,614	286	(286)
Fixed Interest Securities	276,116	(9,149)	9,149
Loans	2	0	0
	<b>306,818</b>	<b>(8,863)</b>	<b>8,863</b>

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

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

2017	US Dollar	Euro	Yen
Benchmark Weights	12.85%	3.04%	0.02%
<b>Net Currency Exposure</b>	<b>£'000</b> <b>279,400</b>	<b>£'000</b> <b>66,015</b>	<b>£'000</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 a AA- long term fitch 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 interest pooled	231,301
Cash held on deposit	19,799
Other investment balances	170
Current assets	17,047
	<u><u>268,317</u></u>

**2017**

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

**c) Liquidity Risk**

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

The following tables analyse the Fund's financial liabilities as at 31 March 2018 and 2017, grouped into relevant maturity dates.



<b>2018</b>	<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	538	538	0
Sundry Creditors	2,866	2,866	0
	<b>3,511</b>	<b>3,511</b>	<b>0</b>

<b>2017</b>	<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 provided by our custodian State Street.

<b>2018</b>	<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	35,656	1,682,651
- 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>2,353,138</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>

<b>2017</b>	<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	0	0	0
Index Linked Securities	0	0	0	0
Equities	365,697	0	6,523	372,221
Pooled Funds:	0	0	0	0
- Other	0	1,483,417	35,741	1,519,158
- Property	0	106,923	155,835	262,758
Derivative assets	0	0	0	0
- Futures	0	0	0	0
- Options	0	0	0	0
- Forward FX	0	0	0	0
	<b>365,697</b>	<b>1,590,340</b>	<b>198,099</b>	<b>2,154,136</b>
Cash Deposits	19,799	0	0	19,799
Other Investment balances	170	0	0	170
	<b>385,666</b>	<b>1,590,340</b>	<b>198,099</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 present the movement in level 3 instruments for the year end 31 March 2018 and 31 March 2017.

<b>2018</b>	<b>£000</b>
Opening balance	198,100
Total gains/losses	10,373
Purchases	42,242
Sales	-41,583
Transfer out of Level 3	0
Closing balance	<b>209,132</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	<b>198,098</b>

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%	35,656	40,755	30,557
		<b>209,131</b>	<b>238,395</b>	<b>179,867</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>64.3</b>

**12 Investment management expenses**

	<b>2017/2018</b> <b>£000</b>	<b>2016/2017</b> <b>£000</b>
Management & Investment Admin Fees	9,639	9,047
Custody & Performance Measurement	99	70
	<b><u>9,738</u></b>	<b><u>9,117</u></b>

**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	5,589	5,199
Income due from external managers and custodians	0	0
Debtors (Magistrates)	1,930	2,895
Other	2,966	1,748
Cash balances	7,710	5,669
	<b><u>19,765</u></b>	<b><u>17,047</u></b>
Less:		
Long term debtors (Magistrates)	1,930	2,895
<b>Net Current Assets</b>	<b><u>17,835</u></b>	<b><u>14,152</u></b>

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

On 8 April 2011 Wiltshire Pension Fund received confirmation from the Government Actuary's Department that they agreed to make a payment to the Fund to cover the liabilities in respect of the Magistrates Courts. In the past active members employed by the Magistrates Courts were transferred out of the LGPS but pensioners/deferred members remained in. The payment would be in 10 instalments over the next 10 years. The total amount of the remaining debt is £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
	<b><u>3,512</u></b>	<b><u>3,682</u></b>

### 15. Additional Voluntary Contributions (AVCs)

Fund members paid contributions totalling £0.773 million (£0.782million in 2016/2017) into their AVC funds during the year. At the year end, the value of funds invested on behalf of Fund members totalled £4.421 million (£4.528 million in 2016/2017), made up as follows:

	£ million
<i>Equitable Life Assurance Society</i>	
- With Profits Fund	0.471
- Unit Linked Managed Fund	0.145
- Building Society Fund	0.000
<i>Clerical Medical Funds</i>	0.000
- With Profits Fund	0.178
- Unit Linked Managed Fund	0.900
<i>NPI Funds</i>	0.000
- Managed Fund	0.012
- With Profits Fund	0.097
- Global Care Unit Linked Fund	0.062
- Cash Deposit Fund	0.024
<i>Prudential</i>	0.000
- With Profits Cash Accumulation Fund	0.893
- Deposit Fund	0.444
- Diversified Growth Fund	0.422
- Equity Passive	0.059
- Long Term Growth Fund	0.340
- Pre-Retirement Fund	0.187
- Property Fund	0.188
	4.422

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

### 18. Guaranteed Minimum Pension

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

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

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

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

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

### **19. Contingent Liabilities and Contractual Commitments**

Outstanding capital commitments (investments) at 31 March 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.

**Actuarial Statement in respect of IAS26 as at 31.03.2018**

**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**

£m	Year ended	
	31 March 2018	31 March 2017
Active members	1,469	1,349
Deferred pensioners	848	853
Pensioners	1,116	1,163
<b>Total</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 Mar 2018	31 Mar 2017
Pension Increase Rate	2.4%	2.4%
Salary Increase Rate	2.7%	2.7%
Discount Rate	2.6%	2.5%

**Longevity assumption**

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2013 model, assuming the current rate of improvements has reached a peak and will converge to a long term rate of 1.25% p.a.. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	<b>Males</b>	<b>Females</b>
Current Pensioners	22.5 years	24.9 years
Future Pensioners*	24.1 years	26.7 years

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

Please note that the longevity assumptions have not 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 Salary Increase Rate	1%	46
0.5% decrease in 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%.



This paper accompanies my covering report titled 'Actuarial Valuation as at 31 March 2018 for accounting purposes'. The covering report identifies the appropriate reliance 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

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

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

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

**Admitted bodies**

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

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

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## **WILTSHIRE COUNCIL**

WILTSHIRE PENSION FUND COMMITTEE  
21 June 2018

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### **Investment Strategy Statement**

#### **Purpose of the Report**

1. This report presents the draft 2018 Investment Strategy Statement (ISS) for consideration and approval. It is an update to the 2017 ISS approved on 23 March 2017.

#### **Background**

2. The primary change is to reflect the de-risking of the Strategic Asset Allocation, as a result of the Flightpath being triggered twice, in the last 6 months.
3. The targeted return, set by the Fund Actuary, has also been updated, reducing it from c.4.0% to c.3.6% per annum. (The target is 1.8% per annum in excess of gilt yields)
4. Finally, some additional information has been added to clarify the Brunel Pension Partnership approach.

#### **Main Consideration for Committee**

5. Attached is the draft ISS for this Committee's review and approval.
6. The 2017 version has been updated for the changes detailed above.
7. The Committee is asked to consider the changes and approve the 2018 ISS.

#### **Financial Considerations**

8. The Financial considerations are considered within the attached draft ISS.

#### **Risk Assessment**

9. The risk associated with a change to the Strategic Asset Allocation is assessed, as part of the operational process and reported to the Investment sub-committee.
10. All the other changes are for information only, having been previously approved by this committee.

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

11. There are no known implications at this time.

#### **Reasons for Proposals**

12. To keep the Investment Strategy Statement up to date.

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

13. There are no known implications at this time.

**Proposal**

14. The Committee is asked to approve the 2018 ISS for final publication.

IAN DUNCAN  
Treasurer to the Wiltshire Pension Fund

Report Author: Nick Weaver, Interim Investment Manager

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

Wiltshire Pension Fund

# Investment Strategy Statement (Draft)



June 2018

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## **WILTSHIRE PENSION FUND (“the Fund”)**

### ***1. Introduction and Background***

#### **Outline of Local Government Pension Scheme**

The Local Government Pension Scheme (LGPS) is available to all local authority employees and the staff of certain other public and associated bodies, apart from police and fire officers and teachers, who have their own specific schemes.

The LGPS is a funded defined benefit scheme. It is based on statutory provisions, issued by the central government department - Communities and Local Government. The rate of contributions paid by Scheme members and the calculation of benefits paid to them are contained in the statutory provisions. Employer bodies also contribute to the cost of the Scheme.

#### **Role of the Administering Authority**

The LGPS is administered by individual “administering authorities”, these being prescribed in statute. Wiltshire Council is the administering authority for the County area of Wiltshire, including Swindon. It has delegated this function to the Wiltshire Pension Fund Committee (the Committee).

Administering authorities are responsible for the administration of a Pension Fund established on behalf of all employer bodies in their Scheme. The Funds are not separate legal entities from administering authorities and therefore are not covered by trust law. Nevertheless, the role of the administering authority is very similar to that of a trustee and members of the Committee therefore act in a quasi trustee role.

#### **Statutory Background**

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require administering authorities to formulate and to publish a statement of its investment strategy, in accordance with guidance issued from time to time by the Secretary of State. Links to the new regulations and guidance on preparing the ISS can be found at the links below:

[http://www.legislation.gov.uk/ukxi/2016/946/pdfs/ukxi\\_20160946\\_en.pdf](http://www.legislation.gov.uk/ukxi/2016/946/pdfs/ukxi_20160946_en.pdf)

<https://www.gov.uk/government/publications/local-government-pension-scheme-guidance-on-preparing-and-maintaining-an-investment-strategy-statement>

This ISS has been designed to be a living document and is an important governance tool for the Fund. This document sets out the investment strategy of the Fund, based on its current policies and provides transparency in relation to how the Fund investments are managed, acts as a risk register, and has been kept as short in order to be read in as user-friendly manner as is possible. This document replaces the Fund's Statement of Investment Principles.

This statement will be reviewed by the Wiltshire Pensions Committee at least triennially or more frequently should any significant change occur. The Wiltshire Pension Fund is currently involved in the Brunel Pension Partnership (BPP) for investment pooling which is due to commence implementation in April 2018. Therefore, it's anticipated the ISS will be reviewed at this point to ensure its operational policies are aligned.

## ***2. Investment of Money in a wide variety of investments***

### **Objectives of the Pension Fund**

The primary objective of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death before or after retirement for their dependants, in accordance with LGPS Regulations, whilst at the same time seeking to minimise the contributions that need to be paid in to the Fund by employer bodies.

The level of employer contribution is assessed every three years through an actuarial valuation of the Fund. This valuation establishes the solvency position of the Fund, that is, the extent to which the assets of the Fund are sufficient to meet the Fund's pension liabilities accrued to date. The objective is that the Fund should be at least 100% funded on an ongoing basis, taking account of any additional contributions paid by employer bodies to cover any past service deficit. The projection is full funding is achieved over a 20 year time frame.

### **Funding Strategy Statement**

The Funding Strategy Statement (FSS) and Investment Strategy Statement are intrinsically linked and together aim to deliver stable contribution rates for employers and a reduced reliance on employer contributions over time. The FSS can be viewed on the link below:

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

All Local Government Pension Scheme (LGPS) funds have to produce, consult on and publish a document called a "Funding Strategy Statement" (FSS). The purpose of the FSS is:

- 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, 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 these different objectives.

### **Investment Powers**

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

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.

### **Responsibility for Decisions**

The Committee is responsible for overall investment policy and for the implementation of appropriate investment management arrangements. In carrying out this role, the Committee receives advice from independent external advisors (Mercers) and from the Head of Pension / Treasurer to the Pension Fund and the Committee is supported by its Independent Adviser (Jim Edney). It appoints external investment managers to implement investment policy, who are therefore responsible for day to day investment decisions. In future Brunel Pension Partnership Limited ("the pool") will be responsible for the appointment of external investments managers to implement the Fund's investment policy.

The Committee believes these arrangements strike the right balance between their own overall responsibilities in acting in a quasi trustee role and having decisions taken with the most appropriate level of expertise available.

### **Types of Investments held**

The Committee has freedom to operate within the Regulations and its policy outlined below. Its expectation, however, is that the majority of assets are invested in major stock markets, where the underlying investments can be easily traded if required.

The Fund therefore invests in quoted UK and overseas securities (equities, government and corporate fixed interest and index linked bonds), pooled funds managed by properly authorised organisations (property, equities, infrastructure, currency and long-short equity hedge funds) and sterling and overseas cash deposits. The Fund also hedges a proportion of its overseas currency exposure to equities. It may also invest in futures and options, as well as limited investment in direct property.

### **Balance between the Various Types of Investments**

An explanation of the relative amount to be invested in each type of investment is provided in below on the strategic benchmark adopted by the Committee. However, that does not mean that these percentages need to be rigidly maintained and ranges are shown to outline the maximum and minimum investments.

The Fund invests 30% on a passive (index tracking) basis and 70% on an active basis (to outperform the benchmark).

### **Expected Returns on Investments**

The Committee recognises that the past is not a reliable guide to the future in respect of predicted returns on investment. In addition, it recognises that the range of expected returns is greater for some asset classes than others and that the prospect of higher returns is usually accompanied by higher levels of risk. The target return set by the actuary at the valuation is 1.8% per annum in excess of gilt yields. This is currently estimated at c.3.6% per annum.

### **Risk Control**

The Committee regards the major control of risk to be required at the strategic asset allocation level and this has been taken into account in setting its overall investment strategy. This is explored later in the document, but the key themes for the Fund include equity risk, inflation and interest protection.

The Committee is less attracted to tight regional benchmarks that encourage managers to stay close to the benchmark for their own risk control reason, so the Fund's investments are increasingly moving towards unconstrained approaches, typically benchmarking against World Indices or Inflation plus targets.

The Committee does not impose specific portfolio risk limits on its equity managers, as it believes the outperformance target set for each manager provides sufficient guidance as to the level of risk that each manager should be taking.

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

### **Investment Beliefs and Objectives**

The investment objective is therefore to maximise returns subject to an acceptable level of risk whilst increasing certainty of cost for employers, and minimising the long term cost of the Fund. Having a thorough understanding of the risks facing the Fund is crucial and these are covered later in this statement.

The Fund has formed the following investment beliefs which help to inform the investment strategy derived from the decision making process.

- Funding, investment strategy and contribution rates are linked.
- The strategic asset allocation is the key factor in determining the risk and return profile of the Fund's investments.
- Investing over the long term provides opportunities to improve returns.
- Diversification across asset classes can help to mitigate against adverse market conditions and assist the Fund to produce a smoother return profile due to returns coming from a range of different sources.
- Managing risk is a multi-dimensional and complex task but the overriding principle is to avoid taking more risk than is necessary to achieve the Fund's objectives.
- Environmental, Social and Governance are important factors for the sustainability of investment returns over the long term.
- Value for money from investments is important, not just absolute costs. Asset pooling is expected to help reduce costs over the long-term, whilst providing more choice of investments, and therefore be additive to Fund returns.
- High conviction active management can add value to returns, albeit with higher short-term volatility.

### **Securities Lending**

The Council participates in a securities lending programme managed by its global custodian. It will recall securities or stocks lent out as part of the programme as requested to exercise its voting rights when required.

### **Other Matters**

The Council will also underwrite, or sub-underwrite, new issues where the investment managers are prepared to hold the relevant shares.

### ***3. Investment strategy and the process for ensuring suitability of investments***

#### **Funding Policy**

The objectives of the Wiltshire funding policy are expressed in its FSS. The Fund has a very strong employer covenant, being funded substantially by tax-raising local authorities. Therefore, the Committee can adopt a long-term view, without concern about the ability of its sponsors to meet their liabilities.

Given the on-going restructuring of public bodies the Fund is now maturing increasingly faster. Positive cashflow are declining (investment income is available if the Fund does go Cashflow negative) and this position is being closely monitored. However, at this time it is not felt necessary to change the investment strategy of the Fund.

As the Fund has a deficit of assets against liabilities (82% funded at the 2016 Triennial Valuation), the Committee wishes to achieve the maximum assistance from investments in reducing this shortfall. This would suggest a higher risk strategy in an attempt to generate returns, but this is moderated by the realisation that such a strategy can also lose significant amounts of money in the short-medium term.

It is all the employer organisations in the Fund who feels the result of unstable employer rates, and for the precepting authorities, ultimately the local tax payer either through the Council Tax or through service levels. Therefore, another very important consideration is the need for relative stability of investment returns, given that employee rates are fixed by statute and the tools available in the actuarial valuation process for smoothing of returns are limited. This can be achieved by investments that are inherently more stable, such as bonds. However, it is also aided by diversification (so that the ups and downs on particular investments do not arise together), and by seeking returns from both markets (“beta”) and investment managers (“alpha”) whose returns are skill based and relatively independent of the market.

Consequently, the Committee has set an overall investment goal that reflects these four factors.

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

- A relatively large allocation to equity investment to achieve higher returns;
- Allocations to more diversified and less correlated asset classes such as bonds, property, infrastructure, and absolute return products to achieve to achieve stabilisation; and

The Fund’s current asset strategy, along with an overview of the role each asset plays is set out in the table below:

<b>Asset class</b>	<b>Strategic Asset Allocation %</b>	<b>De-Risked Strategic Asset Allocation % *</b>	<b>Minimum Range %</b>	<b>Maximum Ranges %</b>	<b>Role (s) within the strategy</b>
Equity	55.0	45.0	32	54	Long term growth in excess of inflation expected; generate investment income i.e. dividends.
Index-Linked Gilts	5.0	15.0	14	16	Provide protection from changes in real yields both in terms of capital value and income
Growth Fixed Income	10.5	10.5	8.5	12.5	Diversified source of income and provides a degree of protection from changes in interest rates. Some credit above gilts expected
Diversified Growth / Multi – Asset	10.0	10.0	8	12	Diversification and dynamic asset allocation
Property	13.0	13.0	11	15	Diversification; generate investment income; provide some inflation-sensitive exposure; illiquidity premium
Infrastructure	5.0	5.0	4	6	Provides the Fund with access to a diversified (but long term, illiquid) return source and a stream of inflation related income
Private Loans	1.5	1.5	1	2	Offer a wide range of long-term investment opportunities; return diversification; as well as returns from expected illiquidity premium

\*The Fund moved to the De-Risked Strategic asset allocation after hitting the 91% Funding Level Trigger

The maximum allocations outlined in the table above may be amended with the approval of the Pension Fund Committee for specific transition events when terminating or changing investment managers.

### Current Investment Management Mandates

The implementation of the strategic asset allocation is shown in the current manager mandates below:

<b>MANAGER/MANDATE ALLOCATION</b>	<b>Asset Allocation</b>	<b>Benchmark / Target p.a.</b>
<b>Baillie Gifford</b> Global Equities	15.0%	MSCI All Countries +3%
<b>Legal &amp; General</b> Passive UK Equities Passive Global Equities * Passive Fundamental Equities  Passive Index-Linked Bonds (UK)	2.5% 0.0% 12.5%  15.0%	FTSE All-Share MSCI World (Hedged) L&G FTSE RAFI AW 3000 (Hedged) FTSE A Index-Linked Gilts
<b>Barings</b> Absolute Return Fund	10.0%	Cash (LIBOR) +4%
<b>Loomis Sayles</b> Multi Asset Credit  Absolute Return Bonds	4.2%  6.3%	50% Barclays Global Agg, 25% Barclays Global HY, 15% JPM CEMBI, 10% S&P/LSTA Leveraged Loan 3-month US LIBOR +2 to 4%
<b>Investec</b> Emerging Market Multi Asset Mandate	10.0%	50% MSCI Emerging Market Equity NDR Index, 25% JP Morgan EMBI Global Diversified Index, & 25% JP Morgan GB-EM Global Diversified Index +2-4%
<b>CBRE Global Multi Manager</b> Property Fund of Funds (UK & Europe)	13.0%	IPD UK Quarterly Property Fund Index +0.4%
<b>Partners Group</b> Infrastructure	5.0%	8-12% net IRR
<b>M&amp;G Investment Management</b> UK Companies Financing Fund	1.5%	Cash +3-6%
<b>Opportunistic Investment *</b>	5.0%	
<b>TOTAL</b>	<b>100.0%</b>	

\* “Opportunistic” allocation held within L&G global equities until invested



### **Timeframe for Investment Managers' Targets**

Three year targets are generally preferred when monitoring investment managers because of the need to see clear evidence of added value as soon as possible. The Committee recognises, however, that three year periods may not be appropriate for particular managers' styles, or for specific asset classes. Five year rolling periods, rather than three year periods, are therefore adopted where appropriate.

### **Review and Policy**

The Pensions Committee is responsible for the Fund's strategic asset allocation which is determined via a triennial strategy review as part of the valuation process. The review is both qualitative and quantitative and is undertaken by the Pension Committee in conjunction with the actuary, officers and independent advisers. The review considers:

- The required level of return that will ensure that the Fund can meet its future benefit obligations as they fall due.
- The level of risk that the Fund can tolerate in absolute terms, and in relation to its funding level and deficit.
- An analysis of the order of magnitude of the various risks facing the Fund is established in order that a priority order for mitigation can be determined.
- The desire for diversification across asset class, region, sector, and type of security.

The Committee takes the view that the Fund should only take as much risk as is necessary to recover the deficit and maintain contribution rates at an affordable, sustainable level. A risk management policy that uses funding level triggers to reduce risk when it is deemed affordable to do so has been implemented and will be further refined as part of the 2017 investment strategy review.

The Investment Sub-Committee now formally monitors the investment performance of the managers against their individual performance targets and meets them on an annual basis, reporting back to the main pension committee. All Members of the Committee receive quarterly performance and asset allocation figures based on reports provided by the Council's global custodian, BNY Mellon.

A quarterly check is made on how the overall strategic benchmark of the Fund is performing, relative to other funds, and in relation to the financial assumptions contained in the previous actuarial valuation.

The Committee also undertakes a high level asset allocation review once a year.

## **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.

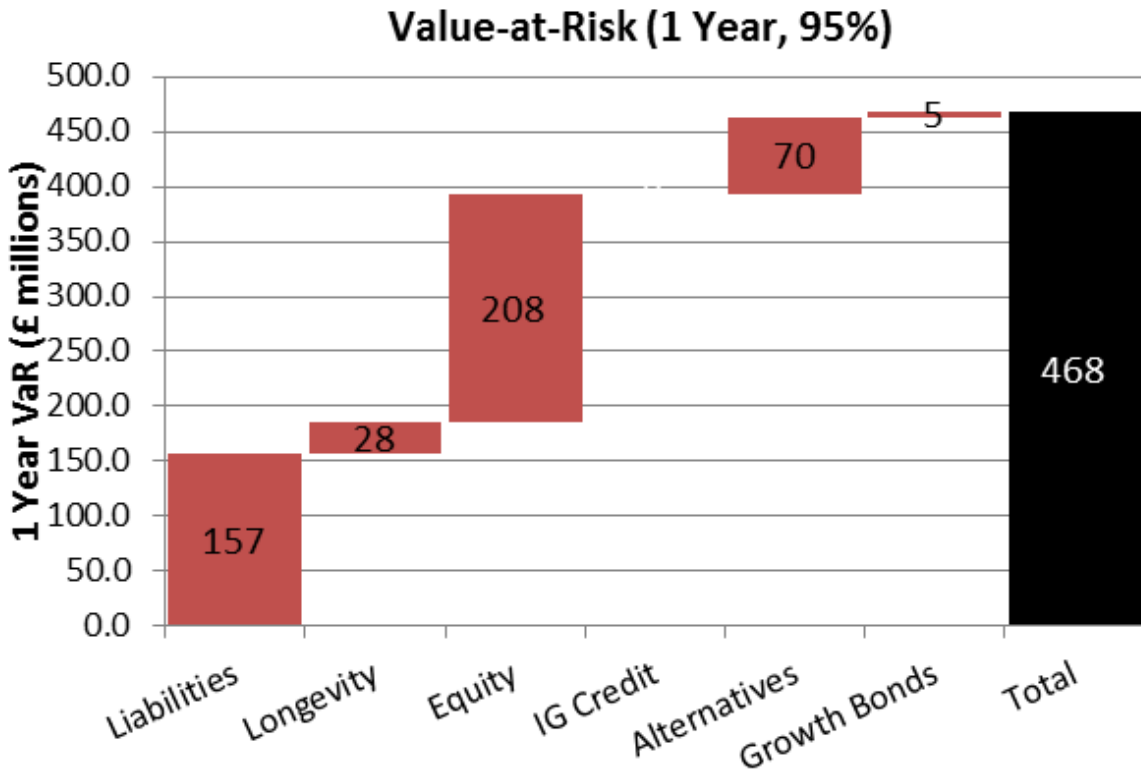
## ***4. Approach to risk and how its measured & managed***

### ***Risk measurement and management***

Risks are assessed both qualitatively and quantitatively as part of regular investment strategy reviews, and prioritised accordingly being a key element in setting its strategy. Sufficient risk is needed to achieve long term returns expectations but mitigated as appropriate to allow as far as possible constant employer contribution rates. This approach to risk is reviewed at least annually.

#### **(a) Investment Risks**

The Committee uses Risk Attribution Analysis to determine the order of magnitude of the main investment risks the Fund is facing. The chart below shows the VaR (Value at Risk, essentially the downside that would occur in a 1-in-20 event) facing the Fund, split into major risk categories, as at the last formal valuation date.



As an additional illustration of risk, the table below shows how a range of events could impact the Fund:

Event	Event movement	Impact on Deficit
Fall in equity markets	30% fall in equities	£320m
Rise in Inflation	1% increase in inflation	£398m
Fall in interest rates	1% fall in interest rates	£398m
Active manager underperformance	3% underperformance from all active managers	£38m

As shown in both the Value-at-Risk attribution chart and the table above, by far the two largest risks that the Fund is running are in relation to equities, and unhedged liabilities. Whilst not immaterial, the risk associated with the use of active management is far smaller.

Commentary on the major investment risks the Fund is running is as follows:

**Liability related risks** – One of the largest risks the Fund is running is in relation to its liabilities and the sensitivity of these to changes to long-term interest rates and inflation expectations. The Fund mitigates these risks to a degree through its holdings in index

linked gilts, other bonds and other sources of secured cashflow. The Committee is looking further at these risks as part of the current strategy review.

**Equities** – The other largest risk that the Fund is running is in relation to its equity holdings. Should equity market conditions deteriorate significantly this will have a large negative impact on the Fund's assets. The Fund holds equities in order to provide the necessary long-term expected returns to help ensure that the Fund remains affordable. The Committee believes that the extra returns that are expected to be generated by equities compensate for the level of risk equities bring to the Fund. However, the Committee is also looking at further ways of mitigating equity risk as part of the current strategy review.

**Active manager risk** – Investment managers are appointed to manage the Fund's assets on its behalf. This risk is small relative to other risks; however the Fund still addresses this risk. Extensive due diligence is undertaken before managers are selected, with a number of different managers chosen to mitigate against concentration risk. The investment managers are also monitored regularly by the Committee and by the Fund's Investment Consultant.

**Liquidity risk** – the Committee recognises that there is liquidity risk in holding assets that are not readily marketable and realisable. Given the long term investment horizon, the Committee believes that a degree of liquidity risk is acceptable, given the potential return. The majority of the Fund's assets are realisable at short notice.

**Exchange rate risk** – this risk arises from investing in unhedged overseas (non GBP denominated) assets. The Fund has a currency hedging policy in place to hedge c.50% of the overseas equity exposure. For other asset classes, currency hedging is reviewed on a case-by-case basis.

The Fund's portfolio is well diversified across asset classes, geography and asset managers. As different asset classes have varying correlations with other asset classes, the Fund can manage the level of risk run to the extent desired.

### **(b) Cashflow management risks**

The Fund is becoming more mature and although it is cashflow positive after taking investment income, managing cashflow will become an increasingly important consideration in setting the investment strategy. Specifically should this position ever reverse, mitigating actions would be taken to manage the cashflow shortfall such as investing in assets that produce cashflows that could be used to meet these payments.

The table below sets out the cashflow position of the Fund over the last five fiscal years and is continually monitored.

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Contributions (£'000s)	93,432	81,634	82,030	87,314	91,940	99,508
Benefits (£'000s)	-65,687	-68,351	-76,669	-74,067	-76,841	-83,622
Investment Income (£'000s)	31,095	24,774	18,377	21,443	11,764	10,076
<b>Net Position (£'000s)</b>	<b>58,840</b>	<b>38,057</b>	<b>5,379</b>	<b>34,690</b>	<b>26,863</b>	<b>25,962</b>

Source: Fund Annual Accounts.

### (c) Demographic risks

The Fund is subject to a range of demographic risks, but with particular reference to investment strategy, the Committee is aware of the potential for the Fund to mature over time as pensioner liabilities increase. A mature pension fund is likely to take less investment risk over time and this is considered at each strategy review. The more mature a pension fund, the more likely it is that disinvestments would need to be made to pay benefits. The Fund is not in that situation at present as income from contributions and investments are greater than benefit payments. However, this situation is monitored regularly and formally as part of the actuarial valuation and strategy review.

### (d) Governance risks

The Pension Fund Committee believes that there is a benefit to the Fund to be gained from good governance in the form of either (or both) of an increased return and/or decreased risk. Poor governance can lead to opportunities and risks to be missed, and have a detrimental effect on the funding level and deficit. The current delegations and use of an investment sub-committee assist in managing this risk. There will also be additional governance risk from Wiltshire's participation in the BPP and the ways this can be mitigated and managed is being developed as part of the Brunel project in developing the shareholders and service agreements.

### (e) Financial ESG risks

The Committee believes that ESG risks should be taken into account on an ongoing basis and are an integral part of the Fund's strategy and objective of being a long term investor.

The Committee believes that engagement is crucial in relation to strong corporate governance, which in turn is expected to help enhance returns. Details of the Fund's policies can be found later in this statement.

One area of focus of the 2017 strategy review is the risks caused by Climate Change and the associated issue of stranded assets. The strategy review looked at the carbon

footprint of the Fund's equity portfolio and consider reduction options, as well as conducting a temperature rise scenario analysis that may have implications for the Fund's future asset allocation. The Fund may consider an appropriate process for the management of climate change risk for its active and passive equity mandates in the future.

### **Contingency Plans**

The investment risk is mitigated by regular monitoring of investment managers performance and review of the Fund's strategy on a quarterly basis. These, along with the other risks are monitored quarterly as part of the Fund's Risk Register and on-going funding level analysis undertaken by the actuary.

The Fund has also implemented a "Flight-path" policy that continually monitors its funding position and looks to de-risk by changing its allocation of growth and matching assets as the funding position improves.

The Fund is also exploring other "tools" for risk mitigation that could be implemented in the future to manage its main exposures including Liability Driven Investments and Equity Protection products.

As outlined in the FSS, the Fund is also committed to providing three different investment strategies in the future to assist employers in managing and mitigate their exposure to investment risk where this is most appropriate for their specific liabilities.

## ***5. Approach to Pooling Investments, use of collective investment vehicles & shared services***

The Wiltshire Pension Fund is working with nine other administering authorities to pool investment assets through the Brunel Pension Partnership Ltd. (BPP Ltd) that will meet the criteria set out in the November 2015 investment reforms.

With BPP Ltd. established the Wiltshire Pension Fund, through the Pension Committee, will retain the responsibility for setting the detailed Strategic Asset Allocation for the Fund and allocating investment assets to the portfolios provided by BPP Ltd. However, the fiduciary responsibility dictates that the Pension Fund Committee must always act in the best interest of the Fund and it will need to ensure the most appropriate investments are used in the implementation of its investment strategy. This will include ensuring BPP Ltd are able to implement the Committees strategic decisions, that they are held to account for performance and in extremis, potentially consider other investments if the value for money opportunity cannot be delivered through BPP Ltd in terms of collective and individual basis.

BPP Ltd is a new company which is wholly owned by the Administering Authorities. The company is authorised by the Financial Conduct Authority (FCA) to act as the operator of an unregulated Collective Investment Scheme. It is responsible for implementing the detailed Strategic Asset Allocations of the participating funds by investing Funds assets within defined outcome focused investment portfolios. In particular it researches and selects the Manager Operated Funds needed to meet the requirements of the detailed Strategic Asset Allocations. These Manager Operated Funds will be operated by professional external investment managers. Wiltshire Pension Fund is a client of BPP Ltd and as a client has the right to expect certain standards and quality of service. A detailed service agreement has been drafted which will set out the duties and responsibilities of BPP Ltd, and the rights of Wiltshire Pension Fund as a client. It includes a duty of care of BPP to act in its clients' interests.

An Oversight Board has been established. This comprises of representatives from each of the Administering Authorities. It has been set up by them according to an agreed constitution and terms of reference. Acting for the Administering Authorities, it will have ultimate responsibility for ensuring that BPP Ltd delivers the services required to achieve investment pooling. It therefore has a monitoring and oversight function. Subject to its terms of reference it is able to consider relevant matters on behalf of the Administering Authorities, but does not have delegated powers to take decisions requiring shareholder approval. These are to 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 Administering Authorities finance and legal officers from time to time. It will have a primary role in reviewing the implementation of pooling by BPP Ltd, and providing a forum for discussing technical and practical matters, confirming priorities, and resolving differences. It is responsible for providing practical support to enable the Oversight Board to fulfil its monitoring and oversight function.

The proposed 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. Regular reports have been made to Government on progress towards the pooling of investment assets, and the Minister for Local Government has confirmed that the pool should proceed as set out in the proposals made.

Wiltshire Council approved the full business case for the Brunel Pension Partnership on 21 February 2017. It is anticipated that investment assets will be transitioned across from the Wiltshire Pension Fund's existing investment managers to the portfolios managed by BPP Ltd between April 2018 and March 2020 in accordance with a timetable that will be agreed with BPP Ltd. Until such time as transitions take place, the Wiltshire Pension Fund will continue to maintain the relationship with its current investment managers and oversee their investment performance, working in partnership with BPP Ltd. where appropriate.

Following the completion of the transition plan outlined above, it is currently envisaged that the majority of the Wiltshire Pension Fund's assets will be invested through BPP Ltd. 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 BPP Ltd.

Currently not all proposed portfolios to be offered by BPP Ltd provide a direct substitution for the Fund's investment strategy. For example, there is not a replication of the Fund's Emerging Market Multi Asset mandate, although this could be substituted with the use of separate Emerging Market equities and bond portfolios, and this is one of the ways that BPP can deliver the same outcomes by providing a different solution. However BPP currently doesn't have an Absolute Return Bond portfolio, although it's hoped this option will be available in the future. In this case, where BPP cannot accommodate a specific solution these assets would remain outside the Fund, these assets will be managed in partnership with BPP Ltd until such time as they are liquidated, and capital is returned.

More details on the Brunel Pension Partnership can be found in Appendix C.

## ***6. Social, environmental and corporate governance policy***

### **Approach to Environmental, Social and Governance (ESG)**

ESG are important factors for the sustainability of investment returns over the long term. 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.

It is also a member of the Local Authorities Pension Fund Forum (LAPFF), to enable it to act with other local authorities (72 with assets in excess of £175bn) on corporate governance issues. 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. Details of their activities can be found on the following link:

<http://www.lapfforum.org/about-us>

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 that taking account of such considerations forms part of the investment managers' normal fiduciary duty.



As such, the Fund has a commitment to ensuring that the bodies 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 the bodies in which it invests, to raise standards in a way that is consistent with long term shareholder either through its membership of LAPFF or individually.

### **Non-Financial ESG Considerations**

The pursuit of a financial return is the predominant concern for the Wiltshire Pension Fund to address the funding deficit and minimise the on-going cost of pension provision to its 170+ employer organisations. The Fund is aware it may also take purely non-financial considerations into account provided that doing so would not involve significant risk of financial detriment to the scheme and where they have good reason to think stakeholders would support the decision.

The Fund's Pensions Committee has two employer representatives and two employer observers, while the Local Pension Board has three employer body and three member representatives who both represent and can engage with beneficiaries and stakeholders to ensure the Fund is aware and can respond effectively to all stakeholders concerns.

The Fund also aims to communicate using its website, newsletters, Annual Report and proposed Annual General Meeting to engage directly with all stakeholders.

When formulating and developing any policy on non-financial social, environmental, and corporate governance factors, the Committee will take proper advice from either its investment consultant or other appropriate expertise in this area and ensure the Local Pension Board and other stakeholder views are considered through the use of specific Board reports and consultations. Any policies once developed would be available on the Fund's website.

### **Social Investment**

Social investment includes a wide spectrum of investment opportunities. The Fund is consistent in the application of risk and returns requirements when evaluating all investment opportunities, including those that to address societal challenges. The Fund would invest in opportunities that address societal challenges but generate competitive financial returns.

Seeking such opportunities is generally delegated to our external fund managers, but would not limit the Fund to look at more local projects that may address societal challenges but generate competitive financial returns on an acceptable risk / reward profile.

## **Sanctions**

The Fund does not exclude investments in order to pursue boycotts, divestment and sanctions against foreign nations and UK defence industries, other than where formal legal sanctions, embargoes and restrictions have been put in place by the Government.

## **Brunel Pension Partnership Policy**

The Brunel Pension Partnership [Investment Principles](#) clearly articulate our commitment, and that of each Fund in the Partnership and its operator (Brunel Company), to be responsible investors and as such recognise that social, environment and corporate governance considerations are part of the processes in the selection, non-selection, retention and realisation of assets. One of the principal benefits, outlined in the BPP business case, achieved through scale and resources arising from pooling is the improved implementation of responsible investment and stewardship.

Every portfolio, in every asset class, under the Brunel Pension Partnership, explicitly includes responsible investment and which includes an assessment of how social, environment and corporate governance considerations may present financial risks to the delivery of the portfolio objectives. These considerations will therefore be taken into account in the selection, non-selection, retention and realisation of assets. The approach undertaken will vary in order to be the most effective in mitigating risks and enhancing investor value in relation to each portfolio and its objectives. For more information is on the [BPP website](#).

## ***7. Policy for the exercise of rights (including voting rights) attaching to investments***

### **Voting Policy**

The fund believes that voting is integral part of the responsible investment and stewardship process. The Fund manages its ownership responsibilities through both its partnership with PIRC and via its investment managers. PIRC are a third party voting agency that exercise all the Fund's voting rights in line with the PIRC guidelines that have been approved by the Pension Committee.

PIRC's voting guidelines are based on their expertise and track record of monitoring and developing corporate governance best practice spanning environmental, social and governance factors. They link their underlying Shareholder Voting Guidelines to the UK Corporate Code, published by the Financial Reporting Council in 2010 and subsequent revisions. PIRC's approach to best practise in corporate governance also in some areas goes beyond the existing legal and regulatory requirements.

PIRC reports quarterly on its voting activity and these reports are available to Committee Members and the membership through the website. PIRC also present annually to the

Pension Committee which assists Members to play a more active role in the Fund's voting activities.

The Fund undertakes its engagement activities through its active membership of the Local Authority Pension Fund Forum which targets specific areas of concern across the holdings of its LGPS membership.

The Fund also expects its asset managers to report on their engagement activities on a regular basis and summarises these in its quarterly updates.

### **Stewardship Code**

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 Fund published its statement of compliance with the code during 2011 and this is reviewed annually. All of our global equities managers currently comply fully with the code. The Fund is rated as Tier 1 compliant by the Financial Reporting Council. The Fund's compliance statement can be found at the end of this document in Appendix A.

### **Stewardship in Investment Pooling**

As part of the Brunel Pension Partnership (BPP) we are actively exploring opportunities to enhance our stewardship activities. More information is on the [BPP website](#).

One of the principal benefits, outlined in the BPP full business case, achieved through scale and resources arising from pooling are the improved implementation of responsible investment and stewardship. Once established and fully operation the Brunel company will deliver best practice standards in responsible investment and stewardship as outline in the [BPP Investment Principles](#).

### **Principles of Investment Governance**

The Government introduced a code in October 2001 based on the results of HM Treasury's review of institutional investment in the UK, carried out by Paul Myners. This code set out ten principles that were intended to improve the investment management of pension funds. These were updated in October 2008 and previously LGPS administering authorities were required to prepare, publish and maintain statements of compliance against a set of six principles within the Statement of Investment Principles. Although not specifically required by the Regulations the Fund sees these Principles as a relevant governance tool and will continue to report on compliance.

The Fund is compliant with five out of the six principles, while there is an area that still requires development within principle 4. To be fully compliant the implementation of a formal assessment of its advisers to ensure the cost, quality and consistency of the

advice is monitored is required. A detailed breakdown of the Principles of Investment Governance and the Fund's adherence to these can be found in Appendix B.

### **Advice Taken**

In creating this statement, the Fund has taken advice from its Investment Consultant. Also, in relation to each of the constituent parts, such as the asset allocation and risk mitigation, the Fund has taken advice from its Investment Consultant, Mercer, and the Scheme Actuary, Hymans Robertson. In providing investment advice, Mercer is regulated by the Financial Conduct Authority.

## Appendix A

### Wiltshire Pension Fund, Statement of Compliance with Stewardship Code

#### WILTSHIRE PENSION FUND

#### **Principle 1 – Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.**

Wiltshire Pension Fund takes its responsibilities as a shareholder seriously. Our stewardship responsibilities extend over all assets of the Fund. All of our global equities managers currently comply fully with the code.

The Fund has published policy documents which identify how we meet our Stewardship responsibilities and these include, but are not limited to, our Investment Strategy Statement, our Voting Policy and our Governance Compliance Statement. These documents cover the following areas:

- Monitoring of manager decisions
- The exercise of voting rights
- Risk measurement and management
- ESG consideration in the Tender selection, retention and realisation of investments.
- Statement of compliance with the Myners Principles
- Stock lending

In practice the Fund's policy is to apply the Code both through its contractual arrangements with asset managers and through membership of the Local Authority Pension Fund Forum (LAPFF). In addition, the Fund expects its Asset Managers to take account of social, environmental and ethical considerations when making investment decisions. The objective of LAPFF is to promote the investment interests of local authority pension funds, and to maximise their influence as shareholders whilst promoting social responsibility and corporate governance at the companies in which they invest. Formed in 1990, the forum brings together a diverse range of local authority pension funds with combined assets of over £175 billion.

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 in Partnership with Pensions & Investment Research Consultants Limited (PIRC).

All new investment management agreements will now include the requirement for managers to observe the FRC's UK Corporate Governance Code and UK Stewardship code. Due diligence is carried out whenever a new manager is appointed. Reliance is also placed in Financial Conduct Authority's registration.

All relevant managers have published a Statement of Commitment to the code (see appendix 1 which lists the links to these statements) and all appropriate managers, (or in the case of one manager, their parent company), are signatories to the UN PRI, as evidenced on the UN PRI website.

**Principle 2 – Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.**

Wiltshire Pension Fund encourages all its asset managers to have effective policies in place to address potential conflicts of interest. The need to avoid conflicts of interest is also highlighted in our asset manager mandates and contracts with external parties.

All equity managers are instructed to vote in line with PIRC recommendations. Should a conflict arise the asset manager would notify the Fund and the ultimate decision would be made by officers in consultation with the Chairman of the Pension Committee.

In respect of conflicts of interests within the Fund, Committee members are required to make declarations of interest at the start of all Committee and Investment sub-group meetings. A public register of interests is maintained for all Councillors and could be subject to audit inspection at any time. Members are responsible for updating their register as and when their interests change. This is overseen by the Monitoring Officer. If a member declares that they have an interest at the start of a meeting, then the context would determine the action that would be taken i.e. if they declare that they have an interest that is either personal or financial to an item on the agenda, then they would more than likely be asked to leave the room for that item and would be excluded from any voting activities. It is also worth noting that all members, including members of the Wiltshire Pension Fund Committee, are covered by a code of conduct and this can be viewed on the Council's website at the following link

<http://cms.wiltshire.gov.uk/documents/s120932/Part%2012%20-%20Code%20of%20Conduct.pdf>

Wiltshire Pension Fund is administered by Wiltshire Council. All non-teaching employees of Wiltshire Council (which includes members of staff employed by Wiltshire Pension Fund) are governed by the Council's Code of Conduct which is published on the Council's website. The Code of Conduct includes a section on conflicts of interest and the expectations placed upon Council employees (the requirement to handle public funds in a responsible and lawful manner for example). Any member of staff found to be in breach of the policy may be the subject of disciplinary action and could be subject to dismissal. This includes staff who administers the investment side of the Fund. The Council also has a whistleblowing policy to enable staff to raise any concerns that they may have.

All of the Fund's managers have confirmed that they have conflict of interest policies in place and these are subject to regular review. All managers have confirmed that they have a conflict of interests board/ separate Committee to monitor and investigate conflicts of interest.

**Principle 3 – Institutional investors should monitor their investee companies.**

Day-to-day responsibility for managing our equity holdings is delegated to our appointed asset managers, and the Fund expects them to monitor companies, intervene where necessary, and report back regularly on engagement activities. Reports from our asset managers detailing engagement activities are available for the Pensions Committee on a quarterly basis. The Fund understands that regardless of this delegation, we retain overall responsibility for the Stewardship and responsible investment of the Fund assets.

The Fund engages with its asset managers on a regular basis using a variety of means including phone, email, in person and using formal written correspondence. The Fund uses its engagement with managers to monitor performance, evaluate risk, and to become aware of any ESG issues and opportunities.

Wiltshire Pension Fund monitors its asset managers very closely. We receive quarterly performance reports from each manager and information in the reports is discussed with managers at our meetings with them and also reported to and reviewed by Committee every quarter. The Fund also employs the services of an investment consultant. The investment consultant assists the Fund in the monitoring of its managers and produces a Quarterly Performance Update for Committee which provides an overview of manager performance and raises any corporate, social or governance issues for consideration by the Committee. Each of the managers meets with Committee once a year, and also with officers of the Fund once a year. Additional meetings with managers may also be arranged on an ad-hoc basis according to need. Manager performance is also reported annually in the Fund Annual Report which is published on the Fund website and made widely available to stakeholders.

The Fund receives Internal Control Reports from managers and our custodian every year and these are reviewed by officers of the Fund annually.

The Fund has a fiduciary duty and therefore expects its managers to take account of financially material social, environmental and ethical considerations in the selection, retention and realisation of investments and believes that this forms part of the manager's fiduciary duty to protect long term shareholder value. As such, the Fund has a commitment to ensuring that companies that it invests in adopt a responsible attitude toward the environment, and adopt high ethical standards and behave in a socially responsible manner by taking into account 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. Again, the Fund primarily uses its membership of LAPFF to affect this policy.

Wiltshire Pension Fund is a member of the Local Authority Pension Fund Forum (LAPFF) which has enabled us to develop our approach to shareholder engagement and responsible investment. Collective engagement through LAPFF enables us to maximise our influence. Officers of the Fund regularly attend LAPFF business meetings, which include presentations from expert speakers and detailed updates on engagement and policy work.

Wiltshire Pension Fund manages its ownership responsibilities in partnership with PIRC. The Fund receives quarterly reports from PIRC and these are published and made available to members in a secure area on the Wiltshire Pension Fund website. Furthermore our membership of PIRC enables us to benefit from their voting alerts service which highlights companies with material corporate governance failings. Full details of the alerts can be viewed on the LAPFF website in the members' area.

As an asset owner, Wiltshire Pension Fund owns a proportion of the assets we invest in and thus we seek to use our influence as an asset owner to encourage the companies we invest in to act in a responsible manner.

**Principle 4 – Institutional investors should establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value.**

As highlighted above, responsibility for day to day interaction with companies is delegated to the fund managers, including the escalation of engagement. Their guidelines for such activities are anticipated to be disclosed in their own statement of adherence to the Stewardship Code (see appendix 1 below) and may include the following activities:

1. Additional Meetings with management
2. Intervening jointly with other institutions – e.g. Fund managers have shown support for LAPFF alerts by publishing their voting intention online prior to AGM's
3. Promotion of UNPRI principles
4. Writing a letter to the board or meeting the board
5. Submitting resolutions at general meetings and actively attending to vote
6. Divestment of shares

Occasionally, the Fund may choose to escalate activity directly, principally through engagement activity by the Local Authority Pension Fund Forum. When this happens the Chairman of the Pension Committee, in communication with the Vice Chairman, Treasurer to the Pension Fund and Head of Pensions will decide whether to participate in the proposed activity. Any concerns with the managers are added for discussion in the Investment Committee agenda and where there are specific concerns, the relevant managers will be invited to Investment Subcommittee to discuss concerns. As mentioned above, the Fund employs the services of an investment consultant, who, along with officers of the Fund, closely monitors the performance of the Fund Asset Managers. They help the Fund to monitor performance of the Fund and flag up any issues that it feels require consideration. The Investment Consultant will attend Committee meetings and assist the Committee in the questioning of the managers and in the discussions that follow, helping the Committee by providing any guidance they need to help them to make the right decisions for the Funds interests. Further details are contained within the ISS which is available on the Wiltshire Pension Fund website and can be found on the following link

<http://www.wiltshirepensionfund.org.uk/statement-of-investment-principles-2015.pdf>.

**Principle 5 – Institutional investors should be willing to act collectively with other investors where appropriate.**

Wiltshire Pension Fund seeks to work collaboratively with other institutional shareholders in order to maximise the influence that it can have on individual companies. The Fund acts collectively with other Funds and organisations through a variety of means. This includes (but is not limited to) networking with other Funds, through participation in the Brunel Pension Partnership project (pooling of LGPS investment activities) and through our membership of the Local Authority Pension Fund Forum, LAPFF, which engages with companies over environmental, social and governance issues on behalf of its members.

The Fund also works closely with its asset managers, engaging with them on a regular basis and with other organisations such as LAPFF and PLSA. All of our managers work closely with other organisations as part of their collaborative engagements, advocacy and research activities, details of which are given in their quarterly and annual reports which are reported to Committee.



Each year, various officers and members of the Pension Committee attend LAPFF business meetings which include presentations from expert speakers and detailed updates on engagement and policy work. The Fund uses its membership of LAPFF to work collaboratively with other organisations, to engage in the companies in which it invests, the idea being that the Fund will wield more influence by collaboratively engaging with other investors.

The Fund collaborates and works closely with other Funds on various projects such as the National Pooling Initiative. Representatives from the Fund regularly attend various pension forums and conferences in order to stay abreast with the latest developments affecting LGPS pensions and investment markets and to use it as an opportunity to network and collaborate with other Funds and organisations connected to the LGPS and in doing so, benefit from the opportunities this presents.

The Fund's contact in relation to Stewardship activities is Rozalyn Vernon, Pension Fund Accountant.

**Principle 6 – Institutional investors should have a clear policy on voting and disclosure of voting activities.**

Wiltshire Pension Fund manages its ownership responsibilities in partnership with PIRC. The Wiltshire Pension Fund committee have reviewed and agreed to adopt PIRC's shareholder voting guidelines. These voting guidelines are regularly updated and publicly available on their website. PIRC provide a proxy voting service across the holdings of all our global equity managers. PIRC's voting guidelines, which have been approved by the Fund, are based on their expertise and track record of monitoring and developing corporate governance best practice spanning environmental, social and governance factors. They link their underlying Shareholder Voting Guidelines to the UK Corporate Code, published by the Financial Reporting Council in 2010 and subsequent revisions. PIRC's approach to best practice in corporate governance also in some areas goes beyond the existing legal and regulatory requirements. The Fund receives proxy research and voting recommendations for each company AGM and EGM holding the Fund has that can be voted. PIRC reports quarterly on its voting activity and these reports are available to Committee members through the website. PIRC are also available to present to the Committee which assists Members to play a more active role in the Fund's voting activities.

As outlined in the paragraph above, Wiltshire Pension Fund manages its ownership responsibilities through PIRC and Investment Managers do not have any voting discretion. There are on occasion times when managers put forward proposals. These will be considered by the Fund with the ultimate decision being made in consultation with the Chairman of the Pension Committee.

**Principle 7 – Institutional investors should report periodically on their stewardship and voting activities.**

Wiltshire Pension Fund annually reviews and updates its Investment Strategy Statement, which sets out the Fund's approach to responsible investing.

Wiltshire Pension Fund uses the Local Authority Pension Fund Forum (LAPFF) to undertake engagement activity. The activity undertaken by LAPFF is regularly made available to Committee.

Voting activity is reported to members of Committee via reports received from PIRC who provide a proxy voting service to the Fund and are made available on a secure area of the WPF website that members can access. Members and officers of the Fund receive voting alerts from PIRC and full details are available on the LAPFF website in the members' area.

The Fund's managers provide reports on an annual and quarterly basis, detailing their performance against benchmark along with details of collaborative engagements, advocacy and research activities. These are reported to Committee and made available to members on a secure area of the WPF website.

We ask that all our managers provide us with a copy of their latest regulatory control report each year and these are reviewed by officers of the Fund annually and subject to periodic audit. These reports form part of the Fund's controls against the loss of Fund assets through misappropriation or fraud.

All of the Fund's managers are independently verified by an external auditor, details of which are found in their ISAE 3402 made available by request or publically on their websites. Where there are exceptions the Fund would seek clarification from managers and reports its findings to the Committee.

**Wiltshire Pension Fund**  
**June 2018**

## Appendix A

### Manager Stewardship Code Statements

Manager	Link
<b>Baillie Gifford</b>	<a href="https://www.bailliegifford.com/about-us/literature-library/corporate-governance/global-corporate-governance-principles-and-guidelines/">https://www.bailliegifford.com/about-us/literature-library/corporate-governance/global-corporate-governance-principles-and-guidelines/</a> (see page 8)
<b>Barings</b>	<a href="http://www.barings.com/ucm/groups/public/documents/policiesprocedures/170433.pdf">http://www.barings.com/ucm/groups/public/documents/policiesprocedures/170433.pdf</a>
<b>CBRE</b>	Document is held directly with Wiltshire Pension Fund and is available on request
<b>M&amp;G</b>	<a href="http://www.mandg.com/en/corporate/about-mg/responsible-investment/the-uk-stewardship-code/">http://www.mandg.com/en/corporate/about-mg/responsible-investment/the-uk-stewardship-code/</a>
<b>Investec</b>	<a href="http://www.investecassetmanagement.com/united-kingdom/professional-investor/document/pdf/Investec-UK-Stewardship-Compliance-Statement.pdf">http://www.investecassetmanagement.com/united-kingdom/professional-investor/document/pdf/Investec-UK-Stewardship-Compliance-Statement.pdf</a>
<b>Legal &amp; General</b>	<a href="http://www.lgim.com/uk/en/capabilities/corporate-governance/policies/">http://www.lgim.com/uk/en/capabilities/corporate-governance/policies/</a>
<b>Loomis</b>	<a href="http://www.loomissaylesinvestmentslimited.co.uk/uk/internet.nsf/content?readform&amp;ctype=landing&amp;channel=about&amp;id=5-4">http://www.loomissaylesinvestmentslimited.co.uk/uk/internet.nsf/content?readform&amp;ctype=landing&amp;channel=about&amp;id=5-4</a>

N.B. Signatories from time to time will update their policies. In the instance that the above links are no longer active the most recently submitted statements can be located on the FRC website:

<https://www.frc.org.uk/Our-Work/Codes-Standards/Corporate-governance/UK-Stewardship-Code/UK-Stewardship-Code-statements.aspx>

## Appendix B

### Principles of Investment Governance – Assessment of Compliance Compliance with Investment Principles for Defined Benefit Schemes

#### 1. Effective decision-making

- **Decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their 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 Wiltshire Pension Fund is fully compliant with this principle. The Governance Compliance Statement outlines the organisation and operation of the Committee and shows compliance with the nine governance principles as set out in CLG's *Local Government Pension Scheme Governance Compliance Statements Statutory Guidance*.

The Fund also has a Business Plan outlining the purpose, scope, goals and business objectives along with an action plan and key target dates. The latest Business Plan was updated and approved by the Pension Fund Committee in July 2016. This outlines the major milestones for the three years between 2015-2017. This enables the Committee to plan, anticipate and to resource key actions over this period which inform the Pension Fund's annual budget. The budget and Business Plan processes involve a continuous reappraisal of the adequacy of the Committee's resources.

A necessary element to ensure full compliance is the ability to demonstrate that both Committee Members and officers have sufficient expertise and knowledge to carry out their roles and duties.

The Committee has a clear commitment to training. All Committee Members are given induction training and are supplied with a Members' handbook outlining their responsibilities, how the Fund is governed and its operations. A self-assessment audit was undertaken of Members during July 2014, these identified areas for further development. As a result a Members training plan was also adopted by the Committee in March 2015 which covers the period 2015-2017 to ensure Members have knowledge of background issues to enable them to make informed decisions.

Training is delivered through the use of officers, external speakers, and tailored training events. Members are also encouraged to attend external seminars and conferences. All Members have full access to all training opportunities and are allowed to claim reasonable expenses.

The Committee has adopted the CIPFA Knowledge and Skills Framework (KSF). This specifically focuses on the roles of the Chairman, Vice Chairman, Members of the

Committee, Treasurer to the Pension Fund, Head of Pensions, Strategic Pension Manager, Pension Fund Accountant and Investment officers.

Although the KSF is currently a voluntary code amended regulations are expected to require the Annual Report to include a statement of the actions undertaken and progress made in addressing any skills gap.

## 2. Clear objectives

- **An overall investment objective should be set out for the Fund that takes account of the scheme's liabilities, the potential impact on the local tax payers, the strength of the covenant for non-local authority employers, and the attitude to risk of both the administering authority and the scheme employers, and these should be clearly communicated to advisors and investment managers.**

The Wiltshire Pension Fund is fully compliant with this principle. The Triennial Valuation 2016 report, Funding Statement Strategy, and Investment Strategy Statement explain in detail the objectives of the Fund.

## 3. Risk and Liabilities

- **In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities.**
- **These include the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk.**

The Wiltshire Pension Fund is fully compliant with the principle. The Funding Statement Strategy, Admissions Policy, and Cessation Policy all consider these issues.

A framework exists to monitor the risks for all areas of the Pension Fund including administration, operations, investments, accounting and governance. The register is based on the Council's standard "4x4" approach. The cause and impact of each risk are highlighted and assessed based on its impact and likelihood. This is measured against the target risk. The current risk controls to mitigate these risks are also highlighted. The Committee receive this specific Pension Fund Risk Register on a quarterly basis with an update of any changes since the last report for comment and approval.

The Committee also receive reports in relation to internal controls from both internal and external auditors. The Fund also participates in the Club Vita longevity project which provides specific longevity analysis.

## 4. Performance Assessment

- **Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisors.**

- **Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision-making body and report on this to scheme members.**

The Wiltshire Pension Fund is fully compliant with this principle with reference to measuring performance of investments and investment managers. However the Fund is partially compliant in respect of measuring the performance of advisors and the Committee's effectiveness.

The Fund currently undertakes an assessment of its advisors on a more qualitative basis and market tests them when contracts are due for renewal. A more formal arrangement for assessments could be developed for advisors to measure cost, quality and consistency of advice received.

The Committee believes that its effectiveness can ultimately be measured by the level of success achieved in minimising and stabilising the level of contributions paid into the Fund by employing bodies to ensure its solvency. Work remains on-going to achieve this aim while the Governance Compliance Statement in conjunction with the continued adoption of CIPFA's Knowledge and Skills framework standards will ensure the continued effectiveness of the Committee.

An Administration Strategy was revised by this Committee in December 2015, this outlines the administrative service standards expected from by both the Wiltshire Pension Fund and employers. This ensures the efficient administration of the scheme and updates are provided to Committee on its progress.

## **5. Responsible Ownership**

### **Administering authorities should:**

- **Adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents**
- **Include a statement of their policy on responsible ownership in the statement of investment principles (investment strategy statement)**
- **Report periodically to scheme members on the discharge of such Responsibilities.**

The Wiltshire Pension Fund is fully compliant with this principle. The Fund manages its ownership responsibilities through its partnership with PIRC. PIRC's voting guidelines are based on their expertise and track record of monitoring and developing corporate governance best practice spanning environmental, social and governance factors. They link their underlying Shareholder Voting Guidelines to the UK Corporate Code, published by the Financial Reporting Council in 2010 and subsequent revisions. PIRC's approach to best practise in corporate governance also in some areas goes beyond the existing legal and regulatory requirements.

PIRC reports quarterly on its voting activity and these reports are available to Committee Members through the website. PIRC also present annually to the Committee which assists Members to play a more active role in the Fund's voting activities.

The Fund undertakes its engagement activities through its membership of the Local Authority Pension Fund Forum in conjunction with expectations of its asset managers to report on their engagement activities on a regular basis. The Fund has also produced a compliance statement in respect of the Stewardship Code.

## **6. Transparency and reporting**

### **Administering authorities should:**

- **Act in a transparent manner, communicating with stakeholders on issues relating to their management of investments, its governance and risks, including performance against stated objectives**
- **Provide regular communication to scheme members in the form they consider most appropriate.**

The Wiltshire Pension Fund is fully compliant with this principle. It produces the following documents which are approved by the Committee and communicated to the appropriate stakeholders to fulfil requirement on transparency:

- Governance Compliance Statement
- Pension Fund Annual Report
- Funding Strategy Statement
- Communications Policy
- Investment Strategy Statement
- Reports under the Stewardship Code

These are all available on the Fund's website, so any stakeholder or other interested party has access to this information.

The Communications Policy outlines the different channels and frequency of communications while also identifying the different stakeholders.

## Appendix C

### Brunel Pension Partnership

#### *High Level Investment Principles*

Working with all the partner funds and the Brunel Pension Partnership, we have agreed a set of investment principles with the intention that they provide a framework for the investment strategy, operations, manager selection, monitoring and reporting. The principles are also designed to meet the Department for Communities and Local Government's Local Government Pension Scheme: Investment Reform Criteria and Guidance and the requirements and expectations of Financial Conduct Authority. They can be applied to all asset classes, although the detail of operation will vary by asset class.

The principles do not impose any restrictions on type, nature of companies or assets held within the portfolios. The principles do place an expectation that recognised best practice standards in governance, risk management, stewardship and value for money will be delivered.

<b>Long-term investors</b>	We are long-term investors: we implement our funds investment strategies that require productive assets that contribute to economic activity, such as equities, bonds and real assets. This may include the delegated responsibility to provide sustainable and sufficient return on their assets.
<b>Responsible investors</b>	We are responsible investors: we believe that in the long term we will generate better financial returns by investing in companies and assets that demonstrate they contribute to the long term sustainable success of the global economy and society.
<b>Best practice governance</b>	We adopt best practice collective governance with appropriate oversight, prioritisation, delegation and decision making at the right level, and clear accountability.
<b>Decisions informed through experts and knowledgeable officers and committee</b>	We make our decisions based on extensive expertise including trained and insightful operations' governance members, experienced and professional officers and high quality, knowledgeable advisors.
<b>Evidence and research at heart of investments</b>	We take an evidence and research-based approach to investment: continually learning and reappraising from academic research, investment professionals, and our peers, and seek continual development in our understanding of investment.
<b>Leadership and innovation</b>	We are prepared to be innovative and demonstrate thought leadership in collective investment, within the requirement of prudence and our respective fiduciary duties.



<b>Right risk for right return</b>	We will make our collective investments work as hard as possible to meet our funds' objectives: we will provide the right structure of sub funds and managers within asset classes. While we take account of market and economic levels in our decision making, we will avoid making decisions on purely a short term basis.
<b>Full risk evaluation</b>	We will be comprehensive in our consideration of our funds' risks assessed on their liabilities and contributions; consider financial and non-financial risk as appropriate; offer a pooled structure to accommodate the need to diversify risk, but also recognise the limits of that diversification – as long term investors we accept that our investment success depends substantially on the sustainable growth of the economy.
<b>Responsible stewardship</b>	We will enable our funds' to exercise responsible stewardship of the assets they hold, and act as a collective responsible voice in the broader investment community.
<b>Cost effective solutions</b>	We will seek the most cost-effective solutions to achieving our funds' objectives and implementing these principles collectively: we recognise the impact of costs on the Funds, but we are prepared to pay for active management and other services when we believe that the costs incurred are likely to be justified by the benefits. We will seek to gain leverage from our collective status through reduction in fees and avoidance of cost through increased resilience and sharing our peoples' strengths, knowledge and expertise.
<b>Transparent and accountable</b>	We believe in the importance of being transparent and accountable, to ensure correct decisions are taken and to minimise risk. This applies both in our own operations, those we work with, and our investments
<b>Collaborate</b>	We will collaborate with others whenever possible, to share ideas and best practice; to improve effectiveness and to minimise costs.

***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.

### ***Responsible Investment***

#### ***The consideration of environmental, social and governance considerations***

The Brunel Pension Partnership Investment Principles clearly articulate our commitment, and that of each Fund in the Partnership and its operator (Brunel), to be responsible investors and as such recognise that social, environment and corporate governance considerations are part of the process in the selection, non-selection, retention and realisation of assets. One of the principal benefits, outlined in the Brunel business case,

achieved through scale and resources arising from pooling, is the improved implementation of responsible investment and stewardship.

Every portfolio, in every asset class, under the Brunel Pension Partnership, explicitly includes responsible investment and an assessment of how social, environment and corporate governance considerations may present financial risks to the delivery of the portfolio objectives. The approach undertaken will vary in order to be the most effective in mitigating risks and enhancing shareholder value in relation to each portfolio and its objectives.

Brunel has become a signatory to the UN backed Principles of Responsible Investment and has published a comprehensive Responsible investment Policy. The policy has been developed in conjunction with key stakeholders, including the Brunel Oversight Board, Brunel Client Group and Client RI Working Group, membership of which includes representatives from the administering authorities which it serves and Brunel staff. The policy provides a framework under which Brunel will publish supporting guidelines, position statements and annual implementation and engagement plans, proxy voting policy and voting records. More information is on the Brunel website.

### ***Policy on the exercise of rights (including voting rights)***

The UK Stewardship Code explains that “stewardship aims to promote the long-term success of companies in such a way that the ultimate providers of capital also prosper. Effective stewardship benefits companies, investors and the economy as a whole.”

We are fully supportive of the UK Stewardship Code and the effective oversight of the companies in which we invest, including the exercise of our rights as a shareholder.

As part of owning publicly listed companies Brunel, on behalf of its clients, will have the opportunity to vote at company meetings (AGM/ EGMs). To provide guidance, Brunel will have its own single voting policy for all assets managed by Brunel in segregated accounts. Implementation will be supported by the appointment of an engagement and voting service provider.

We will continue to operate under the current arrangements until they are transitioned into the new portfolios. Brunel will publish its voting policy and provide online voting records no less than twice a year.

### ***Private Markets***

Due to the illiquid nature of investments in the private markets, they will operate in a different way to the other Brunel portfolios. Each portfolio will be implemented through a single defined investment strategy. However, this will not be via a formal vehicle, instead each Client will effectively have a separate account. Brunel will act as a discretionary manager, providing a complete solution from investment origination to negotiation and post-investment monitoring. New money and/or reinvestment of distributions from existing investments will be committed to suitable new investments pro rata by Brunel’s Private

Markets Team. Commitments to investments will be in the Client Fund name, not Brunel's. Different investments will not be sought for different Clients.

As far as possible investments will be similar across clients in a portfolio but there will be scope for Brunel to (a) tailor future investments to existing holdings (a holistic portfolio view), (b) opt Clients out of particular investments to reflect individual Client fund predetermined guidelines, concerns or conflicts of interest.

To manage the process Brunel will ask Clients for commitments of amounts to invest in the various private market portfolios over a set period, typically two years. Initial allocations are for the period April 2018 to March 2020. Such allocations should reflect changes in strategic allocation, underweighted allocations and expected distributions.

Whilst property will initially be managed as above, the structure of current client holdings presents the opportunity to address existing management arrangements and costs.

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