

AGENDA

Meeting: Wiltshire Pension Fund Committee
Place: Council Chamber - Council Offices, Bradley Road, Trowbridge,
BA14 0RD
Date: Thursday 29 September 2011
Time: 10.30 am

Please direct any enquiries on this Agenda to Liam Paul, of Democratic Services, County Hall, Bythesea Road, Trowbridge, direct line 01225 718376 or email liam.paul@wiltshire.gov.uk

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

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

Briefing arrangements:	Date	Time	Place
	29 September 2011	9.30 am	Committee Room 1, Bradley Road, Trowbridge

Membership:

Wiltshire County Council Members:

Cllr Tony Deane (Chairman)
Cllr Charles Howard (Vice Chairman)
Cllr Jeff Osborn
Cllr Mark Packard
Cllr Sheila Parker

Substitute Members

Cllr John Brady
Cllr Malcolm Hewson
Cllr David Jenkins
Cllr Bill Moss
Cllr Helen Osborn
Cllr Fleur de Rhe-Philippe

Swindon Borough Council Members

Cllr Des Moffatt
Cllr Peter Stoddart

Substitute Members

Cllr Mark Edwards

Employer Body Representatives

Mrs Lynda Croft
Mr Tim Jackson

Observers

Mr Tony Gravier
Mr Mike Pankiewicz

PART 1

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

1. **Membership**

2. **Attendance of Non-Members of the Committee**

3. **Apologies for Absence**

4. **Minutes** (Pages 1 - 10)

To confirm the minutes of the meeting held on 27 July 2011 (*copy attached*).

5. **Chairman's Announcements**

6. **Declarations of Interest**

Councillors are requested to declare any personal or prejudicial interests or dispensations granted by the Standards Committee.

7. **Public Participation and Councillors' Questions**

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 above 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 above, no later than 5pm on Friday 23 September. Please contact the officer named on the first page of this agenda for further advice. Questions may be asked without notice if the Chairman decides that the matter is urgent.

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

8. **Pension Fund Risk Register** *(Pages 11 - 18)*

An update from the Chief Finance Officer on the Wiltshire Pension Fund Risk Register is circulated for Members' consideration.

9. **Projected Outturn 2011-12** *(Pages 19 - 20)*

The presentation of the projected outturn for the Wiltshire Pension Fund for the year based on the position at the end of August - for information.

10. **Communications Policy** *(Pages 21 - 32)*

A report presenting a refreshed Communications Policy for Committee's approval.

11. **Stewardship Code** *(Pages 33 - 36)*

A report presenting the Wiltshire Pension Fund's proposed position on the Stewardship Code - to be approved by committee.

12. **External Audit Report** *(Pages 37 - 54)*

A report by KPMG presenting the Final Audit report for the Wiltshire Pension Fund - for information.

13. **Annual Report** *(Pages 55 - 112)*

The presentation of the 2010-11 Annual Report for the Wiltshire Pension Fund - for members to note.

14. **Date of Next Meeting**

To note that the next regular meeting of the Committee will be held on 1 December 2011.

15. **Urgent Items**

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

16. **Exclusion of the Public**

To consider passing the following resolution:

To agree that in accordance with Section 100A(4) of the Local Government Act 1972 to exclude the public from the meeting for the business specified in Item

Numbers 14 – 17 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.

PART II

Item during whose consideration it is recommended that the public should be excluded because of the likelihood that exempt information would be disclosed

17. **KPMG Financial Controls Peer Group Comparison** *(Pages 113 - 122)*

A confidential report by KPMG on the performance of the Fund's governance arrangements in comparison to their other LGPS clients.

18. **Update on the Administration of the Uniformed Pension Schemes Administered by Wiltshire Council**

A verbal update by the Head of Pensions on the latest activity in regards to the administration of the Fire and Police Pension schemes.

19. **South West Framework** *(Pages 123 - 132)*

A confidential report on the implementation of the new South West Framework for actuarial, benefits and investment services.

20. **Investment Structure Update**

A verbal report by the Head of Pensions updating the Committee on the progress of the procurement of the new mandates agreed at the July meeting.

21. **Investments Quarterly Progress Report** *(Pages 133 - 136)*

A confidential report updating the Committee on the performance of the Fund's investments for the quarter.

22. **M&G - Review of 2010-11 & Plans for the Future**

A confidential Annual Report from M&G is attached and Members are asked to consider this along with the verbal report at the meeting.

WILTSHIRE PENSION FUND COMMITTEE

**DRAFT MINUTES OF THE WILTSHIRE PENSION FUND COMMITTEE MEETING
HELD ON 22 JULY 2011 AT COUNCIL CHAMBER - COUNCIL OFFICES,
BROWFORT, DEVIZES.**

Present:

Mrs Lynda Croft, Cllr Tony Deane (Chairman), Mr Jim Edney, Mr Tony Gravier,
Cllr Charles Howard (Vice Chairman), Mr Tim Jackson, Cllr David Jenkins (Substitute),
Cllr Des Moffatt, Cllr Jeff Osborn, Mr Mike Pankiewicz, Cllr Sheila Parker, Mr Paul Potter and
Cllr Peter Stoddart

36. Membership

There were no changes to the membership of the Committee

37. Attendance of non-members of the Committee

Jim Edney, Independent Pension Advisor – CIPFA
Paul Potter, Hymans Robertson

Simon Gregory, Western Asset Management
Catherine Matthews, Western Asset Management

Christopher Fawcett, Fauchier Partners
Clark Fenton, Fauchier Partners

38. Apologies for Absence

Apologies for absence were received from Cllr John Brady and Cllr Fleur de
Rhe-Phillipe

39. Minutes

The minutes of the meeting held on 12 May 2011 were presented.

Resolved:

To approve as a correct record and sign the minutes.

40. **Chairman's Announcements**

The Chairman updated the committee on the following items:

Ministerial Update on Changes to Public Pensions

A statement by the Treasury issued on 19th July reiterated the Government's commitment to affordable, sustainable and fair pension provision but said discussions will remain on-going with the Unions on the key recommendations of the Hutton report. Scheme level discussions will now be undertaken before the initial proposals are delivered in the autumn.

It had stated that scheme-specific cost ceilings would be introduced to limit the taxpayers (i.e. employers' contributions). It is believed the Government Actuaries Department are currently working on this, and details will be released in October.

The statement also confirmed that the Government recognises the LGPS is different from other public-sector pensions because of its funded nature and will discuss ways to deliver some or all of the savings required by Treasury other than from employee contribution increases.

Tobacco holdings and policy on ethical investments

The Chairman updated the committee on recent increased interest in Pension Fund investments in Tobacco companies.

The approach adopted by the Wiltshire Pension Fund is that Funds have a fiduciary duty to ensure best returns are achieved in order to minimise pension costs to its 64 employers.

It's believed the screening of shares doesn't allow the best returns to be achieved and instead expects its investment managers to take account of social, environmental and ethical considerations in making its investments.

The Interim Chief Financial officer confirmed that the approach undertaken by the Wiltshire Pension Fund was in line with other funds in the region. The Fund also undertakes a policy of engagement through its membership of the Local Authority Pension Fund Forum.

LGC Investment Summit

Members of the Committee were invited to the LGC Investment Summit being held on 8-9th September at Celtic Manor in Newport. Officers had attended in the past and it provides a good insight into the key investment issues facing LGPS schemes.

41. **Declarations of Interest**

None.

42. **Public Participation and Councillors' Questions**

None.

43. **Internal Audit report**

The Interim Chief Financial officer summarised the results of the Internal Audit report for the 2010/11 Audit.

The findings were encouraging, he explained: any issues raised were of operational risks rather than strategic choices. This was the first internal audit for a few years and as such had to revisit several areas where there was a backlog of processes to be audited. The next internal audit report could build upon this base and consult more with Swindon Borough Council and other employers.

Members of the committee commended the report and welcomed the substantial assurance that it contained.

It was re-emphasised by some that issue with the SAP accounting programmes should be solved with seamless solutions if at all possible, rather than workarounds. Officers explained that integration with Altair was continuing to be developed and they believed they now had a much more reliable system in place.

Resolved:

a) **To note the report.**

b) **To monitor progress against the action plan contained within the Audit report and revisit this at a future meeting.**

44. **Pension Fund Risk Register**

The Head of the Pension Fund, David Anthony, summarised his report, and outlined the key changes in the risk register since the last meeting of the committee, as follows:

PEN001: Failure to process pension payments and lump sums on time

– This has decreased from amber to green as a result of the roll out of new laptops to the pension administration team. The use of laptops now means that should further issues arise with the network then they would be able to access ALTAIR remotely to ensure continuity in service.

PEN004: Inability to keep service going due to loss of main office, computer system or staff

– This has decreased from amber to green. This reflects the roll out of the laptops mentioned above which now enables the whole team to work remotely from County Hall in the short term if necessary along with the delivery of the fire safes which means the microfiche (non digitalised records) are protected in the event of a fire.

Committee members raised the fact that the target risks for PEN006a – PEN007b, which are economic and relate to significant rises in employer contribution rates, all currently stand at a lower level of risk (Low) than their target level (Medium). The Head of Pension stated that he would consider lowering the target now that the employers' contribution stabilisation policy had been implemented. Mr Paul Potter warned the committee that whilst the short-term risks in this area remained low, over the longer-term the risk could be substantially higher due to changes in the profile of the fund and proposed changes due to the Hutton report.

Cllr Osborn was re-assured that action was being undertaken to address PEN008 – to ensure monitoring of the Altair and that the Pensions Fund Team were implementing tools to ensure consistency in process and methods.

Resolved:

To note the Pension Fund Risk Register

45. **Wiltshire Pension Fund 2010-11 Outturn Statement**

The Fund Investment & Accounting Manager, Catherine Dix spoke to the Pension Fund Administration Budget 2010-11 – Outturn statement.

She explained the following underspend and overspends:

Fund Investments

Investment Management Fees - Segregated Funds (£658,000) - Underspend due to Funds being removed from Baillie Gifford UK Mandate & no performance fee for Capital AIG payable.

Investment Management Fees - Pooled Funds (£351,000) - Underspend due mainly to funds being removed from Record Currency Management

Investment Custodial & Related Services (£18,000) – Overspend due to lower income from Securities Lending as a result of more challenging environment

Investment Consultancy (£50,000) - Underspend mainly due to reduced legal fees on tax claims for FIDS, FOKUS and Withholding Tax in the year.

Scheme Administration

Pension Scheme Administration (£19,000) - Underspend as a result of higher income on bank interest (£20K); reduced Finance dept recharges (55K) offset mainly by implementation costs of new pension database system in August 2010.

Actuarial Services (-£53,000) - Overspend relates to additional advice from Hymans arising from pension manager support, additional valuation work including the provision of early warning reports for employers.

Audit – (£46,000) – Underspend from reduced External Audit fee for the year

Total underspend was £1,076,000

Officers confirmed that the year-end underspend was re-invested into the Funds investments, and updated that the current external audit is expected to lead to an unqualified audit opinion.

Committee Members queried the overspend relating to Actuarial Services – it was explained that this could be accounted for partly as a result of an element of bought in pension support, and a high number of employers and regulation issues; for example work on the effect of schools changing to Academy status, new employers and bulk transfers arising from outsourcing of services, cessation of employers, changes to the tax regimes and other regulation changes.

The Head of Pensions reminded members that actuarial costs were being monitored and that the proposed South-West Actuarial Framework would be expected to provide savings in future.

Resolved:

That the committee note the report.

46. **Statement of Investment Principles (SIP)**

Fund Investment & Accounting Manager, Catherine Dix summarised changes and additions to the annually updated Statement of Investment Principles (SIP) for the Wiltshire Pension Fund.

It was explained that the Fund is currently undertaking a Strategic Review of its asset allocation and where applicable the SIP has been updated to reflect the changes agreed to date. The SIP gives a comprehensive description of the thinking behind the way in which the investments of the Fund are managed.

The main change since the publication of the previous SIP is the on-going current strategic review of asset allocations which started in April 2011. The SIP reflects the changes agreed to date. The SIP also discusses the voluntary requirement of the Fund to produce a compliance statement with the Stewardship Code which was introduced in 2010.

The SIP has been updated to reflect the Fund's developments with its compliance to the 6 Myners principles since last year. The Fund is now fully compliant with the six principles although an area that still requires development

is within principle 4 - Performance Assessment where the implementation of a formal assessment of its advisers is still required, to ensure the cost, quality and consistency of the advice is monitored.

A request was made to include the latest solvency position of the Fund based on the estimates provided by the Actuary on page 6 of the SIP.

Resolved:

To approve the 2011 Statement of Investment Principles with the additional words in relation to the latest estimated solvency position on page 6 as discussed.

47. **Wiltshire Pension Fund Business Plan 2011-14**

Head of Pensions, David Anthony outlined the draft Wiltshire Pension Fund Business Plan 2011-14 and asked members for any suggested amendments / comments.

It was explained that the Wiltshire Pension Fund Business Plan 2011-14 will need to be reviewed by its officers' annually and amended to account for upcoming changes surrounding the LGPS, following the implementation of the Hutton Report.

A discussion ensued, focused on the possible impact of the forthcoming Hutton report. David Anthony outlined a few key points as follows:

- The government were now treating the LGPS separately to the other public sector schemes.
- There was speculation that pension benefits may be reduced instead of increases in the pension contribution level.
- A widespread concern in the sector was that any increase in the contribution rate would trigger opt-outs – this could potentially lead to rapidly maturing cash flow profiles for the funds.
- The impact of outsourcing currently being undertaken in many councils would be monitored and forecasting models could be provided to employers upon request.
- A key risk is smaller employers ceasing who are then unable to meet their cessation valuation payment – this should be addressed through good communication.

The following points were clarified following questions from members of the committee:

- ✓ The proportion of the fund's non-Council organisations. This was confirmed as around 15%.
- ✓ The Fund lists its assets on a unitised basis. This provides a clear, transparent audit trail showing what split between all its employer bodies.

There followed a discussion on the most effective way to secure a focus on good governance, at officer and committee level. An independent healthcheck was suggested as a way of gaining an external objective view. It was proposed to commission such a review offered by CIPFA Business Services.

There was a request for additional wording to be included on page 1 of the plan to clarify that auto-enrolment was to be implemented by employers for their employees.

Resolved:

- a) **That the draft Wiltshire Pension Fund Business Plan 2011-14 be approved with the additional words to clarifying auto-enrolment; and**
- b) **For officers to review the benefits and if appropriate commission an independent health check.**

48. **Date of Next Meeting**

The date of the next meeting of the Wiltshire Pension Fund Committee was confirmed as Thursday 29th September, at the Council offices at Bradley Road, Trowbridge.

49. **Urgent Items**

None.

50. **Exclusion of the Public**

Resolved:

To agree that in accordance with Section 100A(4) of the Local Government Act 1972 to exclude the public from the meeting for the business specified in Minute numbers 15-18 because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraph 3 of Part I of Schedule 12A to the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public.

51. **South West Actuarial, Benefits & Investment Framework Update**

The Head of the Pension Fund gave a confidential verbal update on the progress towards establishing the shared South West Actuarial, Benefits & Investment Framework.

This was a project led by the Environment Agency and the Wiltshire Pension Fund led on LGPS support within the scheme.

The committee were briefed on the proposed structure and operation of the framework, and were reassured that the procurement process evaluated potential suppliers on both a quality and value for money basis.

Resolved:

To note the update

52. **Additional item - WM Update Paper**

At the request of the Chairman, the committee considered an additional item to discuss the Pension Fund's WM peer group performance ranking. This focused on a previously circulated paper which sought to explain the decline in the WM performance ranking of the Wiltshire Pension Fund (WPF) between September 2010 (52nd percentile) and December 2010 (85th percentile), based on the rolling one year performance.

The Head of Pensions David Anthony spoke to his report, with the following key points emerging from the discussion:

- Members were reminded that the WM rating system was a complex system, with a benchmark based on the combined average of all the LGPS Funds in the survey rather than the WPF's own benchmark.
- The Fund has a higher allocation to property and bonds at the expense of equities and alternatives which would indicate a lower risk strategy than the average. All funds have different asset allocations and therefore different risk and return profile which is why care needs to be taken with peer group comparisons.
- The WPF was underweight in equities relative to the benchmark and overweight in Property.
- WPF is relatively unusual in its use of a currency hedging strategy – this has led to relatively poorer performance in the periods where Sterling is weakening – as has been the case over the last three years.
- The currency hedging strategy should no longer be such a drag factor as Sterling appreciates and the possibility of implementing an active currency hedge may reduce potential negative effects of this hedging.
- Stock selection has also had an impact on relative performance - good performance in Q4 2009 has dropped off more recently with underperformance by the global equity managers.

As a postscript the Q1 2011 data shows the WPF returned 2.1% p.a. for the quarter against the WM benchmark of 1.4% p.a. This was ranked 2nd percentile in the WM universe. For the rolling 1 year performance, the Fund is now showing an 8.1% return, 0.2% behind the WM benchmark but back up to the 47th percentile.

Members of the Committee queried whether or not the Pension Fund had enough resources to provide the Investment Analysis necessary for the Fund. Officer explained that training was ongoing and that the Investment officers were building a system of monitoring, alerts and reviews to ensure that the Fund was responsive to emerging issues of underperformance. It was also highlighted that any governance review by CIPFA or similar organisation would highlight any shortcomings in this area.

The Chairman requested that an update paper be brought to the next meeting, with the outcomes of the changes currently being discussed by the Fund becoming apparent by the January meeting.

53. **Investment Structure Review**

Consideration was given to a confidential report by the Chief Financial Officer which set out the recommendations generated from discussions at the recent Investment Away Day and also various options for the future investment strategy of the Wiltshire Pension Fund.

After a full debate during which various options were examined, it was:

Resolved:

- a) **to implement a dynamic currency hedging programme and to ask officers to commence the OJEU procurement process to enable a suitable manager to be appointed by the Committee;**
- b) **to agree to reduce the strategic allocation for the M&G Financing Fund (by 0.5% of the Fund's assets) to reflect the relative lower value of the investment against the total Fund;**
- c) **to agree to terminate one of the Capital International mandates (either the global equities or AIG) to reduce the single manager risk to the Fund with the decision on which one to be taken within 6-8 months and in the meantime to agree to move the AIG mandate to the new global basis proposed;**
- d) **to make a strategic allocation (7.5% of the Fund's assets) to an Absolute Return Fund mandate and for officers to commence the OJEU procurement process to enable a suitable manager to be appointed by the Committee;**
- e) **to make a strategic allocation (5% of the Fund's assets) to Infrastructure and for officers to commence the appropriate procurement process to enable a suitable manager to be appointed by the Committee;**
- f) **to hold on a temporary basis a strategic allocation within the UK passive equities (3% of the Fund's assets) and the global active**

equities (2% of the Fund's assets) until the funding is required within the Infrastructure mandate; and

- g) to make a strategic allocation of 5% to a global equities passive 'fundamental' index product and for officers to establish a suitable manager to be appointed by the Committee.**

54. Western Asset Management - Review of 2010-11 & Plans for the Future

Simon Gregory and Catherine Matthews from Western Asset Management reviewed the previous year and outlined their plans for the future.

Resolved

To note the information contained in the report and the investment policy detailed by Western Asset Management.

55. Fauchier Partners - Review of 2010-11 & Plans for the Future

Christopher Fawcett and Clark Fenton from Fauchier Partners reviewed the previous year and outlined their plans for the future.

Resolved

- 1) To note the information contained in the report and the investment policy detailed by Fauchier Partners.**
- 2) To review the performance of the Fauchier Partners mandate at the March 2012 meeting.**

(Duration of meeting: 10.35 am - 2.45 pm)

The Officer who has produced these minutes is Liam Paul, of Democratic Services, direct line 01225 718376, e-mail liam.paul@wiltshire.gov.uk

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

WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE

29 September 2011

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 / Financial Implications

3. The significance of risks is measured by interaction of the likelihood of occurrence (likelihood) and by the potential damage that might be caused by an occurrence (impact). This register uses the Council's standard "4x4" approach, which produces a risk status of Red, Amber or Green (RAG).
4. There have been no significant changes in risks since the last report in July.
5. The Fund does have a four "medium" risks where the target is "low". The following explains how these risks are to be mitigated.
 - a) **PEN008: Failure to comply with LGPS and other regulations** – A number of actions are on-going to mitigate this risk. Workflow will monitor all tasks being undertaken by the Benefits Team, ensuring they follow the same procedures when processing work. Currently this has only been rolled out to the Senior Pension Officers but all Pension Officers should be using this from October onwards. The intention is this system will allow the monitoring of Employers performance in line with the Administration Strategy.

There is also a need to review the current Pension Fund Team structure to ensure there is sufficient resource and knowledge available to not only monitor the team's compliance with the regulations, but to ensure service standards are maintained and that the forthcoming changes surrounding the scheme, tax legislation, data records and auto-enrolment can be implemented. The intention is the restructure will not significantly increase overall resources but allow for more technical posts to support the team to deal with the more complex issues facing the Fund. All proposals need to be evaluated with HR and any additional costs will be approved by the Chief Finance Officer in liaison with the Chairman and Vice-Chairman prior to implementation.

- b) **PEN010: Failure to keep pension records up to date and accurate** – There has been detailed reconciliations undertaken between the Wiltshire Council payroll and the pension records. The majority of the starters backlog has been

resolved with the focus on the leavers records. Once resolved, work will focus on the other large employers to reconcile data and address any issues.

Once the Workflow project is fully implemented, an imaging project is planned in November to enable all documents to be scanned to ensure records are kept in a safe and consistent place.

- c) **PEN011: Lack of expertise of Pension Fund Officers and Chief Finance Officer** – as detailed above the Pension Team structure review will address any issues of knowledge gaps at the right levels, with particular reference to the administration of benefits. All officers have the opportunity to identify any knowledge and skills gaps through the annual appraisal process. The Fund has recently procured the CIPFA Knowledge and Skills Framework toolkit from Hymans Robertson which includes an evaluation process and a knowledge library to ensure officers have the relevant knowledge areas for their post. This toolkit will be utilised over the coming months as part of officers learning and development programmes.
- d) **PEN013: Failure to communicate properly with Stakeholders** – the Fund has refreshed its Communications Policy which is elsewhere on this agenda. This includes taking a more pro-active approach to ensure scheme members are aware of their benefits. The Fund has attended a 'Pension Party' at the request of Swindon UNISON to promote the scheme and will be running its first of a series of Pension Clinics on 29 September 2011 for Swindon Borough Council employees. Work is on-going in ensuring employers are aware of their responsibility in respect of NEST and the changes to tax relief.

Environmental Impacts of the Proposals

- 6. There no known environmental impact of this report.

Proposals

- 7. The Committee is asked to note the update of the Risk Register and measures being taken to mitigate the current medium risks.

MICHAEL HUDSON
Interim Chief Finance Officer

Report Author: David Anthony, Head of Pensions.

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

Wiltshire Pension Fund Risk Register							12-Sep-11				Current Risk Rating				Target Risk Rating				
Ref.	Risk	Risk Category	Cause	Impact	Risk Owner	Controls in place to manage the risk	Impact	Likelihood	x	Level of risk	Further Actions necessary to manage the risk	Risk Action Owner	Date for completion of action	Impact	Likelihood	x	Level of risk	Date of Review	Direction of Travel
PEN001	Failure to process pension payments and lump sums on time	Service Delivery	Non-availability of ALTAIR pensions system, SAP payroll system, key staff, or error, omission, etc.	Retiring staff will be paid late, which may have implications for their own finances. It also has reputational risk for the Fund and a financial cost to the employers if interest has to be paid to the members.	David Anthony	Maintenance and update of ALTAIR and SAP systems, sufficient staff cover arrangements, sufficient staff training and QA checking of work.	2	2	4	Low	Need to ensure ALTAIR calculations are more thoroughly tested, especially to ensure regulations changes are correctly processed.	Martin Summers	Nov-11	2	2	4	Low	12 Sep 2011	→
PEN002	Failure to collect and account for contributions from employers and employees on time	Finance	Non-availability of CRS/SAP systems, key staff, error, omission, failure of employers' financial systems, failure to communicate with employers effectively.	Adverse audit opinion for failure to collect contributions by 19th of month, potential delays to employers' FRS17 year-end accounting reports and to the Fund's own year-end accounts.	David Anthony	Robust maintenance and update of ALTAIR and SAP systems, sufficient staff cover arrangements, sufficient staff training and QA checking of work. We constantly work with employers to ensure they understand their responsibilities to pay by 19th of the month.	2	1	2	Low	New electronic forms have been rolled out to all employers from April 2011 to allow collation of membership and contributions detail by member to facilitate monthly reconciliations ahead of year end.	Catherine Dix		2	2	4	Low	12 Sep 2011	→
PEN003	Insufficient funds to meet liabilities as they fall due	Service Delivery	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. However, this should be an issue for the Wiltshire Pension Fund for a number of years to come, because it is currently "immature" and Cashflow positive.	David Anthony	Funding Strategy Statement, Investment Strategy, Triennial Valuations, membership of Club Vita, etc.	4	1	4	Low	The "maturity" profile of cashflows could be brought forward if members choose to opt-out of the scheme following changes by the Government along with the reduction in public sector employees from the spending constraints. This will be reviewed at a high level when further information is known. Employers who experience a large number of outsourcings may also see maturing cashflow profiles.	David Anthony	Dec-11	4	1	4	Low	12 Sep 2011	→
PEN004	Inability to keep service going due to loss of main office, computer system or staff	Service Delivery	Fire, bomb, flood, etc.	Temporary loss of ability to provide service	David Anthony	Business Continuity Plan in place.	4	1	4	Low	Business Continuity Plan has been refreshed in Sept 2011. All the team now have laptops that would mean they can access ALTAIR remotely if required.	Andy Cunningham		4	1	4	Low	12 Sep 2011	→
PEN005	Loss of funds through fraud or misappropriation	Fraud / Integrity	Fraud or misappropriation of funds by an employer, agent or contractor	Financial loss to the Fund	David Anthony	Internal and External Audit regularly test that appropriate controls are in place and working. Regulatory control reports from investment managers, custodian, etc. are also reviewed by audit. Due Diligence is carried out whenever a new manager is appointed. Reliance is also placed in Financial Services Authority registration.	4	1	4	Low	None	Catherine Dix		4	1	4	Low	12 Sep 2011	→

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Ref.	Risk	Risk Category	Cause	Impact	Risk Owner	Controls in place to manage the risk	Current Risk Rating				Further Actions necessary to manage the risk	Risk Action Owner	Date for completion of action	Target Risk Rating				Date of Review	Direction of Travel
							Impact	Likelihood	x	Level of risk				Impact	Likelihood	x	Level of risk		
PEN006a	Significant rises in employer contributions for secure employers due to increases in liabilities	Economic	Scheme liabilities increase disproportionately as a result of increased longevity, falling bond yields, slack employer policies, etc.	Employer contribution rates become unacceptable, causing upward pressure on Council Tax and employers' costs.	David Anthony	Longevity and bond yields are really beyond the control of the Fund although some Funds have considered buying longevity insurance through the use of SWAPS . However, the Fund and each employer must have a Discretions Policy in place to help control discretionary costs (e.g.. early retirements, augmented service, etc).	2	2	4	Low	Quarterly monitoring in liabilities movements is undertaken providing advance warning to employers. The Stabilisation Policy has limited increases for secure employer. Monitor cashflow profiles to review Fund's maturity.	David Anthony / Andy Cunningham	Mar-14	3	2	6	Medium	12 Sep 2011	→
PEN006b	Significant rises in employer contributions for non-secure employers due to increases in liabilities	Economic	Scheme liabilities increase disproportionately as a result of increased longevity, falling bond yields, slack employer policies, etc.	Employer contribution rates become unacceptable, causing upward pressure on Council Tax and employers' costs.	David Anthony	Longevity and bond yields are really beyond the control of the Fund although some Funds have considered buying longevity insurance through the use of SWAPS . However, the Fund and each employer must have a Discretions Policy in place to help control discretionary costs (e.g.. early retirements, augmented service, etc).	2	2	4	Low	Quarterly monitoring as described above. The rates for the 2010 Valuation have now been agreed and through the use of stepping in of contribution rate increases where requested the need for large increases was avoided for certain employers. Monitor cashflow profiles to review Fund's maturity.	David Anthony / Andy Cunningham	Mar-14	3	2	6	Medium	12 Sep 2011	→
PEN007a	Significant rises in employer contributions for secure employers due to poor/negative investment returns	Economic	Poor economic conditions, wrong investment strategy, poor selection of investment managers	Poor/negative investment returns, leading to increased employer contribution rates	David Anthony	Use of expert consultants in the selection of investment strategy and selection of investment managers, regular monitoring of investment managers (1/4ly), regular reviews of investment strategy (annually). There is a monthly review of the % of the Fund held in each mandate and strategy.	2	2	4	Low	Quarterly monitoring in investment movements is undertaken providing advance warning to employers. A review of investment strategy is to be undertaken in May. The implementation of the Stabilisation Policy limits increases for secure employer.	Catherine Dix	May-11	3	2	6	Medium	12 Sep 2011	→
PEN007b	Significant rises in employer contributions for non-secure employers due to poor/negative investment returns	Economic	Poor economic conditions, wrong investment strategy, poor selection of investment managers	Poor/negative investment returns, leading to increased employer contribution rates	David Anthony	Use of expert consultants in the selection of investment strategy and selection of investment managers, regular monitoring of investment managers (1/4ly), regular reviews of investment strategy (annually). There is a monthly review of the % of the Fund held in each mandate and strategy.	2	2	4	Low	Quarterly monitoring as described above. The review of employers long term financial stability and stepping in of contribution rate prevented affordability issues for the 2010 Valuation.	Catherine Dix	Mar-11	3	2	6	Medium	12 Sep 2011	→

Ref.	Risk	Risk Category	Cause	Impact	Risk Owner	Controls in place to manage the risk	Current Risk Rating				Further Actions necessary to manage the risk	Risk Action Owner	Date for completion of action	Target Risk Rating				Date of Review	Direction of Travel
							Impact	Likelihood	x	Level of risk				Impact	Likelihood	x	Level of risk		
PEN008	Failure to comply with LGPS and other regulations	Legal / Statutory	Lack of technical expertise / staff resources to research regulations, IT systems not kept up-to-date with legislation, etc	Wrong pension payments made or estimates given. Investment in disallowed investment vehicles or failure to comply with governance standards. Effect: Unhappy customers, tribunals, Ombudsman rulings, fines, adverse audit reports, etc	David Anthony	Sufficient staffing, training and regulatory updates. Competent software provider and external consultants.	2	3	6	Medium	Altair needs monitoring to ensure output is in line with expectations, including review of the factors used in calculations. Workflow is partially implemented which ensures consistent steps are taken by the team when processing tasks which will lead to manuals with all procedures to be drafted in the Autumn. The Pension Team review ensure staff with the relevant skills & knowledge are in post to ensure all the team follow the same process & methods. The Fund currently has one dispute that has gone to the Pension Ombudsman.	Martin Summers	Sep-11	1	2	2	Low	12 Sep 2011	→
PEN009	Failure to hold personal data securely	Legal / Statutory	Poor procedures for data transfer to partner organisations, poor security of system, poor data retention, disposal, backup and recovery policies and procedures.	Poor data, lost or compromised	David Anthony	Compliance with Wiltshire Council's Data Protection & IT Policies.	2	2	4	Low	It is intended to do a full data protection audit for the Fund shortly. Use of a secure portal is being investigated for employers to send in data and an imaging system will be implemented over the coming months to improve retention of documents.	Tim O'Connor	Sep-11	2	1	2	Low	12 Sep 2011	→
PEN010	Failure to keep pension records up-to-date and accurate	Knowledge / Data / Info	Poor or non-existent notification to us by employers and members of new starters, changes, leavers, etc	Incorrect records held, leading to incorrect estimates being issues to members and incorrect pensions potentially being paid.	David Anthony	Operations Team set-up and constantly working to improve data quality, data validation checks carried out through external partners (e.g. the Fund's actuaries and tracing agencies), proactive checks done through national fraud initiative, LEAN Review looking at all ways to collect and input "clean data".	2	4	8	Medium	The latest Audit report highlighted that records were not in a consistent form and some pieces of information were missing. With the implementation of SAP, Altair and our systems review this is an area being developed. Detailed reconciliations are being undertaken between WC payroll and the Fund's data.	Tim O'Connor	Aug-11	2	1	2	Low	12 Sep 2011	→
PEN011	Lack of expertise of Pension Fund Officers and Chief Finance Officer	Professional judgement & activities	Lack of training, continuous professional development and continuous self assessment of skills gap to ensure knowledge levels are adequate to carry out roles to the best of their ability	Bad decisions made may be made in relation to any of the areas on this register, but particularly in relation to investments.	David Anthony	Officers ensure that they are trained and up-to-date in the key areas through attendance at relevant courses and seminars, reading, discussions with consultants and peers, etc.	3	2	6	Medium	Officers training requirements are identified through appraisals, which includes the Knowledge & Skills Framework. The Pension team is currently undergoing a Management Review to ensure there are adequate resources and knowledge at the right levels to maintain service levels and undertake the projects resulting from the upcoming changes.	David Anthony	Mar-11	2	1	2	Low	12 Sep 2011	→

Ref.	Risk	Risk Category	Cause	Impact	Risk Owner	Controls in place to manage the risk	Current Risk Rating				Further Actions necessary to manage the risk	Risk Action Owner	Date for completion of action	Target Risk Rating				Date of Review	Direction of Travel
							Impact	Likelihood	x	Level of risk				Impact	Likelihood	x	Level of risk		
PEN012	Over-reliance on key officers	Organisation Management / HR	The specialist nature of the work means that there are inevitably relatively experts in investments and the local authority pension regulations	If someone leaves or becomes ill, a big knowledge gap if less behind.	David Anthony	Key people in the Section 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.	2	2	4	Low	The Pension's Team is undertaking a Structure Review. This is essential to ensure the right skills and knowledge are at the right levels to maintain service levels and implement the forthcoming changes. The team currently have two posts filled on a temporary basis.	David Anthony	Nov-11	2	1	2	Low	12 Sep 2011	→
PEN013	Failure to communicate properly with stakeholders	Stakeholders	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 and they may misadvise their employees.	David Anthony	The Fund has a dedicated Communications Manager and Employer Relationship Manager dedicated to these areas full-time, including keeping the website up-to-date, which is a key communications resource. The Fund also has a Communications Policy.	2	3	6	Medium	The change in tax relief has now been communicated to all members. The impact of NEST and their responsibility needs to be communicated to employers. Concern remains of the potential number of opt-outs once the Government change the scheme. Increased awareness of the benefits to eligible non-members and discussions with employers regarding Reward Statements will take place.	Zoe Stannard & Andy Cunningham	Nov-11	1	1	1	Low	12 Sep 2011	→
PEN014	Failure to provide the service in accordance with sound equality principles	Corporate / Leadership / Organisation (Reputation)	Failure to recognise that different customers have different needs and sensitivities.	Some customers may not be able to access the service properly or may be offended and raise complaints. At worst case, this could result in a court case, etc.	David Anthony	The Fund has done an Equality Risk Assessment and has an Equality Implementation Plan in place	2	1	2	Low	None	David Anthony		2	1	2	Low	12 Sep 2011	→
PEN015	Failure to collect payments from ceasing employers	Finance	When an employer no longer has any active members a cessation valuation is triggered and a payment is required if a funding deficit exists to meet future liabilities	Failure to collect cessation payments means the cost of funding future liabilities will fall against the Wiltshire Pension Fund	David Anthony	The Pension Fund Committee approved a Cessation Policy in February 2010 to provide an agreed framework for recovery of payments	2	2	4	Low	All new admitted bodies now require a guarantor to join the Fund. Work is on-going with ceased employers without a guarantor to ensure the costs are met.	Andrew Cunningham		2	1	2	Low	12 Sep 2011	→
PEN016	Treasury Management	Finance	The Fund's treasury function is now segregated from Wiltshire Council. This includes the investment of surplus cash in money markets.	Exposure to counterparty risk with cash held with external deposit holders could impact of Funding level of the Fund	David Anthony	The Pension Fund approved an updated Treasury Management Strategy in March 2011 which follows the same criteria adopted by Wiltshire Council but limits individual investments with a single counterparty to £8m.	3	1	3	Low	The Council uses Sector's credit worthiness service using ratings from three rating agencies to provide a score. Surplus cash is transferred to the Custodian at month end ensuring cash balances are minimal.	Catherine Dix		3	1	3	Low	12 Sep 2011	→

Ref.	Risk	Risk Category	Cause	Impact	Risk Owner	Controls in place to manage the risk	Current Risk Rating				Further Actions necessary to manage the risk	Risk Action Owner	Date for completion of action	Target Risk Rating				Date of Review	Direction of Travel
							Impact	Likelihood	x	Level of risk				Impact	Likelihood	x	Level of risk		
PEN017	Lack of expertise on Pension Fund Committee	Professional judgement & activities	Lack of structured training and continuous self assessment of skills gap to ensure knowledge levels are adequate to carry out roles to the best of their ability	Bad decisions made may be made in relation to any of the areas on this register, but particularly in relation to investments. There is also a requirement for Fund's to 'Comply or Explain' within their Annual Report on the skills knowledge of members of the Committee	David Anthony	Members are given Induction Training when they join the Committee, as well as subsequent opportunities to attend courses/seminars and specialist training at Committee ahead of key decisions. There is a Members' Training Plan and Governance Policy. Help can be called on from our consultants and independent advisors too.	2	2	4	Low	The CIPFA Local Government Pension Fund Knowledge & Skills Framework require members of the committee to be regularly assessed to identify knowledge gaps and ensure training is provided to address these. Members have been assessed and a training plan set which is being implemented over the next two years.	David Anthony	Nov-12	2	1	2	Low	12 Sep 2011	→

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PENSION FUND ADMINISTRATION BUDGET 2011-12 - BUDGET MONITORING

	2011/12			Explanations
	Budget £000	Projected Outturn £000	Variance £000	
<u>Fund Investment</u>				
Investment Management Fees				
Segregated Funds	3,280	3,830	-550	First performance fee charged by Baillie Gifford for 3 years, budget previously removed.
Pooled Funds *	1,204	1,204	0	
	4,484	5,034	-550	
1 Investment Administration	93	92	1	Four tender exercises as a result of strategic review
2 Investment Custodial & Related Services	6	6	0	
3 Investment Consultancy	161	236	-75	
4 Corporate Governance Services	50	49	1	
5 Performance Measurement	40	40	0	
	<u>350</u>	<u>424</u>	<u>-74</u>	
Total Fund Investment Costs	<u>4,834</u>	<u>5,459</u>	<u>-624</u>	
<u>Scheme Administration</u>				
6 Pension Scheme Administration	1,129	1,103	26	Reduced staff costs than budgeted, carrying vacancy pending reorganisation
7 Actuarial Services	105	105	0	
8 Audit	54	53	1	
9 Legal Advice	9	10	-1	
10 Committee & Governance	47	47	0	
Total Fund Administration Costs	<u>1,344</u>	<u>1,319</u>	<u>25</u>	
TOTAL EXPENDITURE	<u>6,178</u>	<u>6,778</u>	<u>-599</u>	
Pooled Funds fees*	-1,204	-1,204	0	
TOTAL EXPENDITURE (Exc. Pooled Fees)	<u>4,974</u>	<u>5,574</u>	<u>-600</u>	

* Fees on pooled funds are not paid directly by the Wiltshire Pension Fund, but are netted off the asset valuation.

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WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE

29 September 2011

COMMUNICATIONS POLICY

Purpose of the Report

1. The purpose of this report is to seek Members' approval of the revised Wiltshire Pension Fund Communications Policy.

Background

2. Under the Regulation 67 of the Local Government Pension Scheme (Administration) Regulations 2008, Local Government Pension Funds are required to publish a Communications Policy. The previous version was approved by this Committee in 2009. The new version has been refreshed to incorporate recent changes and proposals from the Hutton Review. It also shows our future plans which include the introduction of pension clinics, feedback surveys and more assistance for employers when promoting the LGPS to prospective members to coincide with the introduction of Total Reward Statements.

Considerations for the Committee

3. This document is largely self-explanatory and is attached for Members' consideration. It is largely a factual statement of existing good practice, so it does not set new policy. If the Committee is happy with the document, a period of consultation with stakeholders will follow with Employer bodies.

Environmental Impact of the Proposal

4. There is no environmental impact of these proposals.

Financial Considerations & Risk Assessment

5. There are no financial implications of this Policy that are not already built into the Pension Fund Administration Budget 2010-11 which has been approved by this Committee.
6. This refresh assists in addressing *PEN013: Failure to communicate properly with stakeholders* as shown in the Risk Register elsewhere on this agenda by ensuring there is a clear and updated policy in place.

Reasons for Proposals

7. 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.

Proposals

8. The Committee is asked to approve the Communications Policy.

MICHAEL HUDSON
Chief Finance Officer

Report Author: Zoe Stannard, Fund communications Manager

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

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Communications Policy Statement

Wiltshire Pension Fund

Updated July 2011

Introduction

The following statement covers the policy of Wiltshire Council in its role as the administering authority for the Wiltshire Pension Fund as required by Regulation 67 of the Local Government Pension Scheme (Administration) Regulations 2008. Communication is essential with the current fast changing pension environment. Forthcoming changes will be the Government implementations in the Hutton Review to change the current structure of the scheme and the government's proposed increase in contributions. Therefore, long term sustainability of the LGPS could depend on maintaining membership levels, hence the vital role of communications. The intention is to prepare, maintain and publish our policy concerning communications with the following people and organisations.

- Active Members
- Deferred Members
- Pensioner Members
- Prospective Members
- Scheme Employers
- Pension Committee
- Other Organisations

The Communications Policy Statement must set out:

- The policies on the provision of information and publicity about the Scheme to the members, representatives of members and employing authorities
- The format, frequency and method of distributing such information or publicity

- The promotion of the Scheme to prospective members and their employers.

This specific policy document deals with the communication of all aspects of the scheme to individual LGPS members and employing authorities within the Fund. It explains our existing methods of communication and summarises some of our plans for the future.

A list of communications material can be found in Appendix A.

Scheme literature

A range of scheme literature is produced by the Fund and supplied to employing bodies and Scheme members directly. Copies of this literature are also available on our website:

www.wiltshirepensionfund.org.uk.

How do we communicate?

When deciding how to communicate, we take into consideration, or audience and the cost to the Fund. We aim to use the most appropriate means of communication for the audiences receiving the information.



Active Members

Literature

The main point of reference for members to find out about the key aspects of the Scheme is our 'Guide to the LGPS.' This is supported by a range of Employee Guides that go into more detail on topics such as increasing benefits and making nominations. These guides can be sent out to individual members and are also available to download from our website.

Benefit statements

Once a year we send all members a benefit statement direct to their home address. This summarises the basic information we hold about them such as date of birth, hours of work, pay for pension purposes and gives estimates of the current and future value of the member's benefits. It also shows an estimate of the survivors' pension benefits.

For the first time this year we also combined our statements with a forecast

of the member's State Pension provided by DWP.

Newsletters

This year we produced a newsletter to all active members of the Scheme. This will continue in the future. The main purpose of which is to satisfy requirements by informing active members about changes in the regulations of the LGPS. Because of its nature, this newsletter will not be produced at fixed times, but rather in response to changes in regulations or important notifications. To guarantee delivery this is mailed to home addresses.

Website

The core information about the Scheme is held on our website. There is a dedicated area for active members. We also publish news updates as soon as is practical. This enables members to gain information as it becomes available. Electronic copies of all relevant forms, scheme literature, policies and reports are also available to download.

Pension surgeries

We run information sessions in members' places of work. These are run on demand in conjunction with employers. We run more specialist sessions for members that may be affected by issues such as restructure and the effect this could have on their pension benefits if any pay reduction applies. This year we will be introducing pension clinics and drop in sessions for members on an occasional basis.

Pre-retirement courses

Face to face meetings, organised by a number of our employers that aim to explain the options available for members approaching retirement.

Retirement packs

The retirement packs contain useful information and forms for members retiring from the scheme, including a nomination form, bank account change form, a statement of pension benefits and tax office details.

Pension helpline

A dedicated helpline for scheme members is operated by experienced staff of the Wiltshire Pension Fund administration team. The team offer information on all aspects of scheme membership and benefits for all active, deferred and pensioner members. Lines are open from 8.30am to 5.20pm Monday to Thursday and from 8.30am to 5pm on Fridays.
Tel: 01225 713613

Deferred Members

Benefit statements

Once a year we send all deferred members a benefit statement direct to their home address. This summarises the basic information we hold about them and gives the up to date value of their pension benefits. It also reminds deferred members to let us know of any changes to their circumstances such as nomination changes.

Website

There is a dedicated area for deferred members of the scheme. The website also enables them to keep up to date with any news updates that may affect them.

Pension helpline

Deferred members can also telephone our helpline number.

Pensioner Members

Pensioner members include retired members, and the widow, widowers and

dependent children of deceased members.

Pay advice and P60

The fund issues payslips to scheme pensioners in March, April and May each year. The April advice shows the effect of the annual pension increase and the May advice shows any tax changes. We do not send pensioners a pay slip during the rest of the financial year unless their pension amount changes by £5 or more. Early in the financial year pensioners also receive a P60 advice.

Newsletter

Once a year a pensioner newsletter is mailed direct to home addresses. The newsletter contains information relevant to this group of members. It includes information regarding the amount of pensions increase, pay dates, tax information and useful contacts including our pensions payroll department.

Website

There is a dedicated area for pensioner members of the scheme with relevant information which enables them to keep up to date with news updates.

Pension helpline

Pensioner members can also telephone our helpline number.

Prospective Members

New starter packs

Each time a new employee begins employment with a scheme employer, a new starter pack is issued along with their contract of employment. This pack contains a scheme guide that explains rights, benefits and options for the new employee, as well as information on transferring previous pension benefits.

Website

The Fund's website contains information on joining the LGPS and the benefits within the scheme.

Promotional leaflets or posters

We intend to design and distribute promotional leaflets and posters to employing bodies to display on their notice boards for prospective members.

Corporate induction courses

Fund officers intend corporate induction events on a monthly basis in order to present the scheme to prospective members and highlight the benefits of joining the LGPS.

Scheme Employers



As at 31 March 2011, Wiltshire Pension Fund has circa 65 contributing employers. They are the first point of contact for our members. We use various methods to share information with our employers.

Employers guide

An administration manual is issued to all employers and provides all the information needed to take part effectively in the scheme. Regular updates to this manual are provided as the scheme rules change.

Technical newsletter

The Fund publishes a regular newsletter issued quarterly to keep employers informed of any regulation changes or changes to our administration procedures. It is also used to inform employers of what we are doing to improve relationships with them, such as surveys and the steps we will be taking as a result of the findings.

Individual employer meetings

Meetings can be arranged on an individual basis for an employer to discuss particular issues and receive specialist advice from the Fund Staff. These meetings are available at the employers request by contacting our Employer Relationship Manager. We visit all large and medium employers at least once a year and contact our smaller employers annually via telephone for a general troubleshooting or courtesy call.

Promoting the scheme

Helping employers to promote the LGPS within their organisation. On request we can provide publications, presentations and advice. This could include ways of using the LGPS as a key element of a Total Rewards package which may help to attract key staff.

Website

The website includes an area specifically for employers, which provides guides to the scheme and its administration. Newsletters and updates can also be viewed in this area and a number of forms downloaded.

Pension Liaison Officers Group (PLOG)

The Fund holds quarterly meetings for all employers to discuss scheme regulations and administration as well as any other issues raised by them. These meetings are an excellent opportunity for both parties

to get together and exchange news and views. In the future we intend to tailor these meetings to specific areas such as HR, Payroll and Finance to ensure that relevant people attend to make the most of the meetings.

Annual report and accounts

The audited accounts of the Wiltshire Pension Fund are prepared as at 31 March each year and every employer receives a copy. They are also published on the website.

Pension Committee

The administration of the Fund is the responsibility of Wiltshire Council, which is designated as an “administering authority” in the Local Government Pension Scheme Regulations. The Council has delegated this function to the Wiltshire Pension Fund Committee who meet five times a year for normal business, and will also meet on an ad hoc basis to consider specific matters.

Committee is made up of 5 Wiltshire Council members, 2 members from Swindon Borough Council, 1 representative from an admitted body, 1 representative from an educational scheduled body and 2 non-voting UNISON representatives. The unison members now represent all member status i.e. active, deferred and pensioners.

The Fund’s Investment Adviser and the Independent Pension Fund Adviser also attend most meetings. Members of the public are also welcome to attend Committee meetings as observers.

Committee reports, agendas and minutes are available via the Wiltshire Council website www.wiltshire.gov.uk.

Other Organisations

Communications with trade unions

While we currently have no formal meetings between the pension section and union representatives, we are available for consultation on technical issues, the provision of information about the scheme and the council policies relating to pensions. There are also 2 non-voting trade union representatives on the Pensions Committee.

We also communicate regularly with the following:

- Investment Managers
- Actuaries
- Department for Communities and Local Government (CLG)
- Other Pension Funds

Business Plan

The Fund produces a regular Business Plan every 3 years outlining its goals and objectives, as well as providing an action plan of the key priorities over the plan period in order to further these objectives.

Future Plans

We will continue to communicate with our stakeholders using the methods highlighted in this policy. However, our future objectives include:

- Service Level Agreements for our employers

- Employer surgeries
- Further improving our website
- Review of all publications and scheme literature
- Introduction of Pension Clinics for members

Feedback

We are committed to provide an excellent service. In the future we will be looking at more ways of collecting feedback from our employers, members, ex-members and committee members in the form of surveys and feedback forms.

For those with hearing difficulties, we can communicate by visual means, rather than using the telephone. We can also use the Typetalk facility and offer a hearing loop at the reception of our main offices.

Equality Impact Assessment (EIA) is a way of identifying any actual or potential impact, positive or adverse, of current or proposed policies (including strategies), practices and procedures across all areas of equality, race, gender, sexual orientation, disability, religion, belief and age. The Fund has an EIA policy and a copy of this policy is available on request.

Review

We will review our communication policy annually to ensure it meets audience needs and regulatory requirements. A current version of the policy statement will always be available on our website at www.wiltshirepensionfund.org.uk.

Data Protection

Wiltshire Council has a duty to protect personal information and will process personal data in accordance with the Data Protection Act 1998 and any amendments to the act. The Fund may, if it chooses, pass certain details to a third party, if the third party is carrying out an administrative function of the Fund, for example, the Funds' AVC provider.

Accessibility

We recognize that individuals may have specific needs in relation to the format or language in which information is provided. We have already considered this for our website and have formatted it so that it is accessible by the visually impaired and our letters conform to the recommended font size and formatting. Demand for alternative formats or languages is not high enough to allow us to prepare suitable material automatically. However, all communications from the Wiltshire Pension Fund can be produced in large print, audio, Braille or in another language on request.

This authority is under a duty to protect the public fund it administers, and to this end may use information for the prevention and detection of fraud. It may also share this information with other bodies administering public funds solely for these purposes.

Contact Details

Wiltshire Council is the authority administering the Local Government Pension Fund in Wiltshire. If you would like more information about the scheme there are various ways of contacting the pension fund.

Write to us:

Wiltshire Pension Fund
County Hall
Trowbridge
Wiltshire
BA14 8JN

Telephone: 01225 713613

Email: pensionsenquiries@wiltshire.gov.uk

Website: www.wiltshirepensionfund.org.uk

Opening hours:

Monday - Thursday 8.30am to 5.20pm

Friday – 8.30am to 5pm



Appendix A

Communications Material	Paper Based	Mailed	Website	Frequency	When Reviewed
Brief guide to the LGPS	✓	✗	✓	Constantly available	Annually
New starter pack	✓	✓	✗	Constantly available	Annually
Scheme members Annual Benefit Statements	✓	✓	✗	Annually	Annually
Deferred members Annual Benefit Statements	✓	✓	✗	Annually	Annually
Active member newsletter	✓	✓	✓	Annually	Annually
Pensioners newsletter	✓	✓	✓	Annually	Annually
Retirement packs	✓	✓	✗	Constantly available	Annually
Pay advice/P60	✓	✓	✗	March, April & May each year	Annually
Employer guide	✗	✗	✓	Annually	Annually
Technical newsletter	✗	✗	✓	Quarterly	Quarterly
PLOG presentations	✗	✗	✓	Quarterly	N/A
Committee members handbook	✓	✗	✗	3 years	3 years
Pension Committee minutes	✓	✗	✓	Quarterly	N/A
Business plan	✓	✗	✓	3 years	3 years
Annual report	✓	✗	✓	Annually	Annually
Valuation report	✓	✗	✓	3 years	3 years
Fund Policies	✓	✗	✓	3 years	As required

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WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE

29 September 2011

STEWARDSHIP CODE COMPLIANCE STATEMENT

Purpose of the Report

1. This report provides Members with a Stewardship Code Compliance statement for the Fund for consideration and approval.

Background

2. Following the financial crisis one of the recommendations of the Walker review (Walker Review of Corporate Governance of the UK Banking Industry – published November 2009) was that the Financial Reporting Council (FRC) should have responsibility for a new Stewardship Code, setting out best practice in respect of investor engagement. This would be based on the institutional Shareholders Committee (ISC) document ‘the Responsibilities of Institutional Shareholders and Agents’.

Consideration for the Committee

3. At the start of July 2010 the FRS published its version of the Stewardship Code. It is now expected that institutional investors publish a statement in respect to their adherence, or otherwise, to the Code in a way that mirrors ‘comply or explain’ statements made by companies under the Corporate Governance Code.
4. In its report on the implementation of the Stewardship Code, the FRC states that it would “strongly encourage” all institutional investors to publish a statement on their website on the extent to which they have complied with the code. The Stewardship Code states that whilst it is principally aimed at asset managers, other institutional investor – including pension funds – are encouraged to report under it.
5. The principals are as follows –

Institutional investors should:

- Publicly disclose their policy on how they will discharge their stewardship responsibilities.
 - Have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.
 - Monitor their investee companies
 - Establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value.
 - Be willing to act collectively with other investors where appropriate.
 - Have a clear policy on voting and disclosure of voting activity.
 - Report periodically on their stewardship and voting activities.
6. The Appendix shows the proposed response statement to the Stewardship Code. The adoption of this statement ensures the Fund’s compliance with the Code. Two out of three of our global equity managers are also fully compliant with the Code.

Reasons for Proposals

7. To prepare a compliance statement in line with best practice principles.

Environmental Impact of the Proposals / Risk Assessment

8. There are no known environmental impacts or risks associated with this proposal.

Proposal

9. The Committee is asked to approve the Stewardship Code Compliance Statement.

MICHAEL HUDSON
Interim Chief Finance Officer

Report Author: Catherine Dix, Fund Investment & Accounting Manager

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

UK Stewardship Code – Wiltshire Pension Fund Response

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. Various policy documents are produced which identify how we meet our Stewardship responsibilities including our Statement of Investment Principles and Governance Compliance Statement.

In practice the Fund's policy is to apply the Code both through its arrangements with asset managers and through membership of the Local Authority Pension Fund Forum (LAPFF). Investment Management take account of social, environmental and ethical considerations when making investment decisions. The objective of LAPFF is to promote the investment interest 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 £100 billion. We also have amended our Statement of Investment Principles in recognition of the Stewardship Code.

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 the Pensions & Investment Research Consultants Limited (PIRC) who provides a global service for a standard voting policy and casting of votes along with the provision of company research and reporting tools.

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 fund managers to have effective policies in place to address potential conflicts of interests. The need to avoid conflicts of interest is also highlighted in our investment manager mandates and contracts with external parties.

All equity managers are instructed to vote in line with PIRC recommendations. Should a conflict arise the investment 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 meetings. A public register of interest is also maintained for all Councillors.

Principle 3 – Institutional investors should monitor their investee companies.

Day-to-day responsibility for managing our equity holdings is delegated to our appointed fund managers, and the Fund expects them to monitor companies, intervene where necessary, and report back regularly on engagement activities. Reports from our fund managers detailing voting and engagement activities are available for the Pensions Committee on a quarterly basis.

Wiltshire Pension Fund contracts with PIRC who provides a global service for standard voting policy and casting of votes along with the provision of company research and reporting tools. All equity managers within the Fund follow the recommendations proposed by PIRC in respect of voting at Annual General Meetings (AGM's) and Emergency General Meetings (EGM's). In addition the Fund receives an 'Alerts' service from Local Authority Pension Fund Forum which highlights corporate governance issues of concern at investee companies.

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.

Occasionally, the Fund may choose to escalate activity, principally through engagement activity through the Local Authority Pension Fund Forum. When this occurs the Chairman of the Pension Committee in communication the Vice Chairman, Chief Finance Officer and Head of Pensions will decide whether to participate in the proposed activity.

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 seeks to achieve this through membership of the Local Authority Pension Fund Forum, which engages with companies over environmental, social and governance issues on behalf of its members.

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

Wiltshire Pension Fund contracts with PIRC who provides a global service for a standard voting policy and casting of votes. The Wiltshire Pension Fund committee have reviewed and agreed to adopt the voting guidelines of PIRC. These voting guidelines are regularly updated and publicly available on their website. PIRC provide a proxy voting service for all our global equity managers.

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

Wiltshire Pension Fund annually reviews and updates its Statement of Investment Principles, which sets out the Fund's approach to responsible investing. The activity undertaken by the Local Authority Pension Fund Forum is regularly made available to Committee.

**Wiltshire Pension Fund
September 2011**

WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE

29 September 2011

FINAL EXTERNAL AUDIT REPORT

Purpose of the Report

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

Background

2. The 2010-11 one is the third separate annual audit to be carried out on the Wiltshire Pension Fund since the requirement for separate audits of Local Government Pension Funds came into place. The audit is being carried out by Wiltshire Council's external auditor, KPMG.
3. KPMG completed an interim audit visit in April 2011 and reported their findings to the May Committee meeting. Over the summer they have carried out the main audit and the resulting Final Audit Report is attached. Mr Chris Wilson (Partner, KPMG) will be coming to the Committee meeting to present the report as well as to the 28 September 2011 meeting of the Final Accounts & Audit Committee.
4. KPMG's final audit opinion and certificate on the Wiltshire Pension Fund Annual Report will follow this meeting.
5. Agenda item 13 presents the draft Wiltshire Pension Fund Annual Report for 2010-11.

Key Considerations for the Committee

6. The attached Final Audit Report states there are no issues that would cause KPMG to delay the issue of their certificate of completion of the audit.
7. Members are asked to also consider what Mr Wilson says verbally at the meeting.

Proposals

8. The Committee is asked to note the attached Final Audit Report and to receive the verbal presentation by Mr Chris Wilson of KPMG.

MICHAEL HUDSON

Interim Chief Finance Officer

Report Author: Catherine Dix, Fund Investment and Accounting Manager

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

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Report to those charged with governance (ISA 260) 2010/11

Wiltshire Pension Fund

29 September 2011

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Appendices

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4. Declaration of independence and objectivity	12

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This report is addressed to the Fund and has been prepared for the sole use of the Fund. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document which is available on the Audit Commission's website at www.auditcommission.gov.uk.

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

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Chris Wilson, the appointed engagement lead to the Fund, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk, who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, Westward House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SR or by email to complaints@audit-commission.gov.uk. Their telephone number is 0844 798 3131, textphone (minicom) 020 7630 0421.

This report summarises:

- the key issues identified during our audit of Wiltshire Pension Fund's (the Fund's) financial statements for the year ended 31 March 2011.
- We do not repeat matters we have previously communicated to you. In particular, we draw your attention to our *Interim Audit Report 2010/11*, presented to you on 12 May 2011, which summarised our planning and interim audit work

Financial statements

Our audit of the financial statements can be split into four phases:



We previously reported on our work on the first two stages in our *Interim Audit Report 2010/11* issued in May 2011.

This report focuses on the final two stages: substantive procedures and completion.

Our final accounts visit on site took place between 11 and 22 July, During this period, we carried out the following work:

Substantive Procedures	<ul style="list-style-type: none"> ■ Planning and performing substantive audit procedures. ■ Concluding on critical accounting matters. ■ Identifying audit adjustments. ■ Reviewing the Annual Governance Statement.
------------------------	---

We are now in the final phase of the audit. Some aspects are also discharged through this report:

Completion	<ul style="list-style-type: none"> ■ Declaring our independence and objectivity. ■ Obtaining management representations. ■ Reporting matters of governance interest. ■ Forming our audit opinion.
------------	---

Structure of this report

This report is structured as follows:

- Section 2 summarises the headline messages.
- Section 3 sets out the key findings from our audit work in relation to the 2010/11 financial statements.

Our recommendations are included in Appendix 1. We have also reviewed your progress in implementing prior year recommendations and this is detailed in Appendix 2.

Acknowledgements

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

We have successfully completed the work required, and will be issuing an unqualified opinion on the financial statements.

Proposed audit opinion	<p>We anticipate issuing an unqualified audit opinion by 30 September 2011. We will also report that the wording of your Annual Governance Statement accords with our understanding.</p> <p>We anticipate issuing an unqualified consistency opinion on the Annual Report by 1 December 2011.</p>
Audit adjustments	<p>Our audit identified a total of one audit adjustments with a total value of £484k. The impact of this adjustments is to:</p> <ul style="list-style-type: none"> ■ Decrease Investment Income and increase Investment Managers expense; <p>We have included a further details in Appendix 3. None of these were adjusted by the Fund</p>
Critical accounting matters	<p>We have worked with officers throughout the year to discuss specific risk areas in particular in the implementation of the Code of Practice on Local Authority Accounting 2010/11 which is an IFRS-based code for the first time this year. The Fund has addressed these issues appropriately.</p>
Accounts production and audit process	<p>We continue to note the high quality of the accounts and the supporting working papers. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales.</p> <p>The Fund has implemented the majority of the recommendations in our <i>ISA 260 Report 2009/10</i> relating to the financial statements.</p>
Completion	<p>At the date of this report our audit of the financial statements is complete.</p> <p>Before we can issue our opinion we require a signed management representation letter. This will be included as part of Wiltshire's Council representation letter.</p> <p>We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Fund's financial statements.</p>



Section three – financial statements

Proposed opinion and audit differences

Our audit identified one audit adjustments with a total value of £484k.

The impact of these adjustments is to:

- **Decrease Investment Income and Increase Investment Managers expense**

The wording of your Annual Governance Statement accords with our understanding.

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Proposed audit opinion

We anticipate issuing an unqualified audit opinion by 30 September 2011 and an unqualified consistency opinion on the Annual Report by 1 December 2011.

Audit differences

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

Our audit identified a total of one audit adjustments with a total value of £484k.

The net impact on the Net Asset Statement as a result of audit adjustments is nil as at 31 March 2011.

We have provided a summary of significant audit differences in Appendix 3. It is our understanding that this will not be adjusted in the final version of the financial statements.

In addition, we identified a small number of presentational adjustments required to ensure that the accounts are compliant with the *Code of Practice on Local Authority Accounting the United Kingdom 2010* ('the Code'). We understand that the Fund will be addressing these where significant.

Annual Governance Statement

We have reviewed the Annual Governance Statement and confirmed that

- it complies with *Delivering Good Governance in Local Government: A Framework* published by CIPFA/SOLACE in June 2007; and
- it is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

Section three – financial statements

Critical accounting matters

We have worked with officers throughout the year to discuss specific risk areas. The Fund addressed the majority of issues appropriately.

In our *Financial Statements Audit Plan 2010/11*, presented to you in May 2011, we identified the key risks affecting the Fund's 2010/11 financial statements.

In our *Interim Audit Report 2010/11* we commented on the Fund's progress in addressing these key risks. We highlighted that Transitions to IFRS represents the largest change in accounting for a number of

years.

We have now completed our testing of these areas and set out our final evaluation following our substantive work.

The table below sets out our detailed findings for each risk.

Key audit risk	Issue	Findings
	All LGPS for the year ended 31 March 2011 must complete their annual report in line with the IFRS-based code, Code of Practice on Local Authority Accounting 2010/11. This impacts in particular the disclosures in relation to investments.	<p>Confirmation was received from CIPFA that IFRS 7 and IFRS 39 did apply to LGPS, and hence the relevant disclosures were required.</p> <p>The pension team had been in regular discussion with KPMG and the custodian in anticipation of CIPFA's confirmation, and hence the relevant disclosures in the Accounts have been made.</p>
	During an economic downturn the valuation of investments maybe affected by price deterioration and/or market illiquidity.	A sample of investment holdings were priced by KPMG using our FundRADAR valuation service. No significant discrepancies were found between the recorded prices per BNY Mellon and the price per KPMG.
	A new membership database, was introduced by the Fund during the year.	<p>The Fund performed its own testing over the transfer of data. This process was reviewed on a sample basis by KPMG to ensure the correct migration of data and no significant issues were noted.</p> <p>The Authorities Internal Audit department is due to perform a review of the transfer during the year ending 31 March 2012.</p>

Section three – financial statements

Accounts production and audit process

The Fund has implemented the majority of the recommendations in our *ISA 260 Report 2009/10* relating to the financial statements.

Accounts production and audit process

ISA 260 requires us to communicate to you our views about the qualitative aspects of the Fund's accounting practices and financial reporting. We also assessed the Fund's process for preparing the accounts and its support for an efficient audit.

We considered the following criteria:

Element	Commentary
Accounting practices and financial reporting	<p>The Fund has strengthened its financial reporting process through the year despite the transition to IFRS-based financial reporting.</p> <p>We consider that accounting practices are appropriate.</p>
Completeness of draft accounts	<p>We received a complete set of draft accounts on 3 August 2011.</p>

Prior year recommendations

In our *Interim Audit Report 2010/11* we commented on the Fund's progress in addressing the recommendations in our *ISA 260 Report 2009/10*.

The Fund has now implemented the majority of the recommendations in our *ISA 260 Report 2009/10* relating to the financial statements.

Appendix 2 provides further details.

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

Declaration of independence and objectivity

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

In relation to the audit of the financial statements of Wiltshire Council for the year ending 31 March 2011, we confirm that there were no relationships between KPMG LLP and Wiltshire Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 4 in accordance with ISA 260.

Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. The representation letter in respect of Wiltshire Pension Fund will be included within the Wiltshire Council representation letter.

Other matters

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

- material weaknesses in internal control identified during the audit;
- matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. issues relating to fraud, compliance with laws and regulations, subsequent events etc.);
- other audit matters of governance interest.

There are no others matters which we wish to draw to your attention.

We have given each recommendation a risk rating and agreed what action management will need to take.

The Fund should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up these recommendations next year

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Priority rating for recommendations

● **Priority one:** issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.

● **Priority two:** issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.

● **Priority three:** issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

We have noted no new recommendations since our interim reporting in May 2011.

Appendix 2: Follow up of prior year recommendations

The Fund has implemented all but one of the recommendations in our ISA 260 Report 2009/10.

We re-iterate the importance of the outstanding recommendations and recommend that these are implemented

This appendix summarises the progress made to implement the recommendations identified in our ISA 260 Report 2009/10 and re-iterates any recommendations still outstanding.

Number of recommendations that were:	
Included in original report	3
Implemented in year or superseded	2
Remain outstanding (re-iterated below)	1

No.	Risk	Issue and recommendation	Officer responsible and due date	Status as at 20 September 2011
1	2	<p>Investment cash Reconciliation</p> <p>During the 2010 audit of investment balances we identified a number of discrepancies in accounting treatment. For example, investment income was posted on a cash basis instead of an accrual basis required by the SORP. In addition, investments made in the Fauchier account had been accounted for twice.</p> <p>These errors arose because the investments were posted directly from the custodian reports, there are no controls in place to ensure postings are made correctly. We recommended that a cash reconciliation, book cost reconciliation and market value reconciliation are prepared on a quarterly basis and reviewed by a second individual. These reconciliation will help identify any incorrect postings made.</p>	<p>Pensions department</p> <p>31 March 2011</p>	<p>As in prior year an audit adjustment relating to the correct recognition of Investment income on an accruals basis has been raised.</p>
2	2	<p>Discrepancies in monthly contribution postings</p> <p>During the period under review, a new accounting system, SAP was implemented to replace the previous system, Aptos. During the course of the Implementation a number of incorrect postings were made regarding contributions, which were corrected and reposted a number of times. This resulted in significant fluctuations in the contributions figures seen on SAP, making the variance analysis control being unable to operate on a monthly basis.</p>	<p>Pension department</p> <p>31 March 2011</p>	<p>No issues were noted in the sample selected for the current year.</p> <p>We therefore deem this matter closed.</p>

The Fund has implemented all but one of the recommendations in our *ISA 260 Report 2009/10*.

We re-iterate the importance of the outstanding recommendations and recommend that these are implemented

No.	Risk	Issue and recommendation	Officer responsible and due date	Status as at 20 September 2011
3	2	<p>Storage of information</p> <p>During our 2010 audit fieldwork we came across a number of incidents where information was missing.</p> <p>During our testing of controls over new starters to the Fund, a number of starter forms could not be located as they were on an employee's desk waiting to be processed. In addition, forms are received in two different formats (spreadsheets and forms) making it harder to locate them as there was no indication of the format they were provided in for each member. We recommend ed that all starters forms are prepared in a consistent form, scanned and saved on a shared access drive so that it is clear where forms can be located, and they are all in the same format.</p> <p>In addition, when we reviewed member files for benefit testing a number of pieces of information were missing that we would expect to be retained for all members, for example for one member the final calculation was not retained. We recommend ed that a checklist is included on every member file which details the paperwork as required- this can then be checked against the file to ensure all information has been scanned and electronically stored correctly.</p>	Pensions department 31 March 2011	No issues were noted in the sample selected for the current year. We therefore deem this matter closed

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

Corrected audit differences

There are no corrected audit differences identified by our audit of Wiltshire Pension Fund's financial statements for the year ended 31 March 2011.

Uncorrected audit differences

The following table sets out the uncorrected audit differences identified by our audit of Wiltshire Pension Fund's financial statements for the year ended 31 March 2011.

Income and expenditure statement	Adjustments btw. accounting basis & statute	Impact			Basis of audit difference
		Assets	Liabilities	Reserves	
Dr Investment Income £484k					The incorrect recognition of Investment income on a cash basis rather than an accruals basis
Cr Investment Manager expense £484k					
Dr/Cr £0	Dr/Cr £0	Dr/Cr £0	Dr/Cr £0	Dr/Cr £0	Total impact of adjustments

The Code of Audit Practice requires us to exercise our professional judgement and act independently of both the Commission and the Fund.

Requirements

Auditors appointed by the Audit Commission must comply with the *Code of Audit Practice* (the Code) which states that:

“Auditors and their staff should exercise their professional judgement and act independently of both the Commission and the audited body. Auditors, or any firm with which an auditor is associated, should not carry out work for an audited body that does not relate directly to the discharge of auditors’ functions, if it would impair the auditors’ independence or might give rise to a reasonable perception that their independence could be impaired.”

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Audit Commission’s Standing guidance for local government auditors (Audit Commission Guidance) and the requirements of APB Ethical Standard 1 *Integrity, Objectivity and Independence* (Ethical Standards).

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

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor’s objectivity and independence.
- The related safeguards that are in place.

- The total amount of fees that the auditor and the auditor’s network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor’s professional judgement, the auditor is independent and the auditor’s objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor’s objectivity and independence may be compromised and explaining the actions which necessarily follow from his. These matters should be discussed with the Pension Committee.

Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Audit Partner and the audit team.

General procedures to safeguard independence and objectivity

KPMG’s reputation is built, in great part, upon the conduct of our professionals and their ability to deliver objective and independent advice and opinions. That integrity and objectivity underpins the work that KPMG performs and is important to the regulatory environments in which we operate. All partners and staff have an obligation to maintain the relevant level of required independence and to identify and evaluate circumstances and relationships that may impair that independence.

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

Acting as an auditor places specific obligations on the firm, partners and staff in order to demonstrate the firm's required independence. KPMG's policies and procedures regarding independence matters are detailed in the Ethics and Independence Manual ('the Manual'). The Manual sets out the overriding principles and summarises the policies and regulations which all partners and staff must adhere to in the area of professional conduct and in dealings with clients and others.

KPMG is committed to ensuring that all partners and staff are aware of these principles. To facilitate this, a hard copy of the Manual is provided to everyone annually. The Manual is divided into two parts. Part 1 sets out KPMG's ethics and independence policies which partners and staff must observe both in relation to their personal dealings and in relation to the professional services they provide. Part 2 of the Manual summarises the key risk management policies which partners and staff are required to follow when providing such services.

All partners and staff must understand the personal responsibilities they have towards complying with the policies outlined in the Manual and follow them at all times. To acknowledge understanding of and adherence to the policies set out in the Manual, all partners and staff are required to submit an annual Ethics and Independence Confirmation. Failure to follow these policies can result in disciplinary action.

Auditor declaration

In relation to the audit of the financial statements of Wiltshire Pension Fund for the financial year ending 31 March 2011, we confirm that there were no relationships between KPMG LLP and the Wiltshire Pension Fund, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.



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WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE

29 September 2011

DRAFT ANNUAL REPORT FOR 2010-11

Purpose of the Report

1. The purpose of this report is to present the attached draft Wiltshire Pension Fund Annual Report and Financial Statements 2010-11 to Members for approval.

Background

2. The Wiltshire Pension Fund has a requirement under the Local Government Pension Scheme (Administration) Regulations 2008 SI 2008 No 239 ("the Administration Regulations") to produce an Annual Report.
3. The Annual Report contains details of the accounts of the Wiltshire Pension Fund for the year to 31 March 2011 and is primarily aimed at the participating employer organisations within the Wiltshire Pension Fund.
4. It supplements the Statement of Accounts of the Council, a formal publication required under the Accounts and Audit Regulations 2003 and the Code of Practice on Local Authority Accounting. As well as reporting the accounts, the opportunity is taken to cover matters of wider interest that affect the Fund, its investments and general pension provision.
5. Copies of the Annual Report are circulated to all employers of the Fund in an electronic format. Hard copies of the Annual report are available along with the associated policies referenced upon request.

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 is presented on item 12 of this agenda.

Financial Considerations

7. These are considered in the Annual Report.

Environmental Impact of the Proposals

8. There are none.

Proposals

9. Members are asked to approve the draft Wiltshire Pension Fund Annual Report & Financial Statements 2010-11 for publication, subject to the completion of the audit.

MICHAEL HUDSON

Interim Chief Finance Officer

Report Author: Catherine Dix, Fund Investment & Accounting Manager

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WILTSHIRE PENSION FUND

Report & Accounts
For the year ended 31 March 2011

WILTSHIRE PENSION FUND

REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011

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1. Chairman's foreword

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

The Fund is administered by Wiltshire Council for local authorities and other local government associated organisations. This Report is primarily aimed at the participating employer organisations within the Wiltshire Pension Fund, listed on page 6. The Fund's membership has seen a small increase in the past twelve months while it presently administers the scheme on behalf of 64 employer organisations. Over the year the Fund's assets have increased by £120 million to £1,287 million, which reflects the stabilising of the financial markets since the financial crises of 2008/09 and subsequent recovery between 2009-2011.

The Fund now has 19,500 employees currently contributing to it, a reduction of broadly 400 since last year while the number of retired employees receiving regular payments has increased by around 600 to 11,300. This is an anticipated trend as public bodies restructure in light of reduced funding levels. However, cash flow remains positive as income from employers and employees exceeds payments to pensioners, a situation which although is likely to continue for the foreseeable future will need to be monitored as changes to the scheme may encourage more staff to opt out.

There have been two changes to the Pension Fund Committee during the year. Councillor David Jenkins stepped down from the main committee and was replaced by Councillor Mark Packard. We thank David for his contribution and he will remain involved as a substitute Member. We also welcomed Ms Lynda Croft as an Admitted Body representative for the Education Scheduled bodies within the Fund who replaces her predecessor Mrs Irlene Cooper as Director of Finance for Wiltshire College. We express our thanks to Irlene and offer her our best wishes for the future.

The experience of the Pension Fund Committee ranges from the relatively recently elected to pension enthusiasts. As the complexity of the scheme ever increases then it's essential that Committee Members have the opportunity to gain the appropriate skills and knowledge to assist them to take informed decisions in light of professional advice. To achieve this, following an assessment exercise, a new 3 year Members Training Plan was approved in November 2010 which will endeavour to address any knowledge gaps.

The Committee is constantly looking to improve the performance of the Fund and it attempts to do this by employing the best advisors to provide expert advice to assist them in making effective decisions.

The investment markets overall rose during 2010-11, despite the concerns surrounding the Eurozone, in particular Greece and Ireland, the natural disaster in Japan, along with the uncertainty in North Africa and the Middle East. The annual return for the Fund was 8.0% ahead of its consolidated benchmark of 7.7%. Wiltshire Pension Fund also achieved 47th out of 87 Local Authority funds within the WM Local Authority League tables where the average return of the WM universe was 8.2%. The Committee continues to monitor investment manager performance and is currently undertaking a review of its Investment Strategy.

The triennial actuarial valuation was undertaken during the year based on 31 March 2010 position. Although the valuation came at a difficult time as the economy was emerging from an unprecedented financial crisis, the results were better than originally anticipated with the overall funding level now at 75% (a fall of 10% since 2007), which is broadly in line with the average LGPS scheme. This was in part assisted by the Government's announcement to move the basis of determining the annual pensioners increase from the Retail Price Index (RPI) to the Consumer Price Index (CPI) which reduced the Fund's liabilities. However, the cost of pension provision continues to increase as longevity expectations improve, the membership profile slowly matures and bond yields continue to remain at historically low

levels. This has led to the Fund's actuarial assessed average contribution rate move from 19.5% to 23.9% from 1 April 2011.

Work has continued throughout the year on improving the administration of the Fund. In August 2010 the pension database was upgraded to a windows based version called AltAir and a task management tool started to be implemented which will assist with improving customer service, management of work and should enable greater performance measurements for both the submission of data by employers and the processing of benefits by the Fund. The Fund also joined the CIPFA pension's benchmarking club which monitors administration of the scheme against its peers. Meanwhile, employer and employee communications continue to be a vital activity due to the number of changes facing the scheme including changes to tax relief, auto-enrolment, data records legislation, increased outsourcing, and proposed increases to contribution rates.

March 2010 finally saw the publication of the Independent Public Sector Pensions Commission report led by Lord Hutton which outlined 27 recommendations for the Government to consider, covering the future structure of the benefits and retirement ages as well as wider recommendations on governance and administration. The Government is also due to make an announcement in the respect of increasing member contributions to assist with managing the national budget deficit.

There is a real potential risk that these changes will lead to more members leaving the scheme, at a time when nationally people are being encouraged to make more pension provision, which if significant enough could threaten the long-term sustainability of the LGPS. Therefore, the Fund will have a vital role to play in communicating the benefits of the scheme to ensure good long term decisions are made by its contributing members while ensuring it plays its role in preparing and implementing the reforms when they are known.

Tony Deane, Chairman

On behalf of the Wiltshire Pension Fund Committee

6 July 2011

2. Basic fund information

Statistics

Year ended 31 March

	2010	2011
Financial data	£000	£000
Gross Income	119,102	123,046
Gross expenditure	73,860	73,699
Market value of investments	1,158,483	1,276,346
Book cost of investments	1,040,577	1,137,626
Performance	%	%
Return on investments	35.9	8.2

Income (ie. contributions from employers and employees together with dividends and interest earned by investments, but excluding profits on sales of investments) has consistently exceeded expenditure and is anticipated to continue to do so for many years ahead because the Fund is immature in terms of its membership profile.

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

Active Members

Active membership at start of year	19,866
New Entrants	1,915
Linked deferred members	47
Unfrozen actives	7
<i>Leavers and exits during the year:</i>	
Retirements	-475
Death	-16
Deferred members	-1,813
Refunds / Transfer outs / opt outs	-62
Other	-13
Active membership at end of year	19,456

Pensioners

In payment at start of year	10,737
New pensioners in year resulting from:	
Retirement of active members	475
Retirement of deferred members	363
Cessation of benefits	-258
Other	26
In payment at end of year	11,343

Deferred members

At start of year	16,640
New deferred pensioners	1,813
<i>Cessation of deferred pensions resulting from:</i>	
Retirements	-363
Linked to active records	-47
Full commutations	0
Transfers-out	-144
Deaths	-17
Other	1
At end of year	17,883

Participating employers at 31 March 2011

Scheduled bodies

Wiltshire Council
Swindon Borough Council
Wiltshire Police Authority
Wiltshire & Swindon Fire Authority
Wiltshire Probation Trust
Thamesdown Transport
Amesbury Parish Council
Blunsdon St Andrews Parish Council
Bradford-on-Avon Town Council
Calne Town Council
Chippenham Town Council
Corsham Town Council
Cricklade Town Council
Devizes Town Council
Haydon Wick Parish Council
Highworth Town Council
Malmesbury Town Council
Marlborough Town Council
Melksham Town Council
Melksham Without Parish Council
Mere Parish Council
Purton Parish Council
Salisbury City Council
Stratton St Margaret Parish Council
Trowbridge Town Council
Warminster Town Council
Westbury Town Council
Wilton Town Council
Wootton Bassett Town Council
Wroughton Parish Council
New College
Swindon College
Wiltshire College
Bishop Wordsworth Academy
Goddard Park Primary School Academy
Hardenhuish School Ltd
Lavington Academy
Sarum Academy
South Wiltshire Grammar
Swindon Academy
Wellington Academy

Admitted bodies

ABM Catering Ltd
Action for Blind People
Aster Group
Aster Property Management
Barnados
Capita Business Services Ltd
Caterlink
CIPFA
Community First
DC Leisure
Direct Cleaning
English Landscapes
Focsa Services
Norwest Hoist (Vinci)
Ridgeway Community
Ridgeway Partnership
Salisbury and South Wilts Museum
Sarsen Housing Association
Selwood Housing
Swindon Commercial Services
Swindon Dance
The Order of St John Care Trust
Westlea Housing Association

3. Governance of the fund

Administering authority

Wiltshire Council
County Hall
Trowbridge
Wiltshire BA14 8JN

Pension fund committee as at 31 March 2011

Wiltshire Council officers	Councillor Tony Deane (Chairman) Councillor Charles Howard (Vice Chairman) Councillor Mark Pachard Councillor Jeff Osborne Councillor Sheila Parker
Swindon Borough Council members	Councillor Des Moffatt Councillor Peter Stoddart
Employee observers	Mike Pankiewicz – Wiltshire Council Tony Gravier – Swindon Borough Council
Admitted bodies	Mr Tim Jackson – Westlea Housing Association
Education scheduled bodies	Ms Lynda Croft – Wiltshire College

Officers, advisors & managers at 31 March 2011

Wiltshire Council officers	Dr Carlton Brand – Director of Resources Michael Hudson – Chief Finance Officer David Anthony – Head of Pensions
Investment managers	Baillie Gifford & Co Capital International Ltd ING Real Estate Investment Management Western Asset Management Co Ltd Edinburgh Partners Fauchier Partners Record Currency Management Plc Legal & General M&G Financing Fund
AVC providers	Equitable Life Assurance Society Clerical Medical Funds NPI Funds Prudential
Investment consultant	Hymans Robertson
Actuary	Hymans Robertson
Independent adviser	Jim Edney, Independent Pension Fund Adviser
Auditor	KPMG LLP
Custodian	BNY Mellon
Legal adviser	Osborne Clarke

Policy documents

The Fund's Governance Policy Statement and its Communications Policy Statement are available upon request or can be viewed at www.wiltshirepensionfund.org.uk. The Fund's Governance Compliance Statement can be viewed on page 8.

4. Governance compliance statement

AREA	PRINCIPLE	LEVEL OF COMPLIANCE	REASON FOR NON-COMPLIANCE
A) Structure	a) The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	FULL – The Council’s constitution (Part 3, para 2.5) says that the Committee will “exercise the functions of the Council as Administering Authority under the Local Government Superannuation Act and Regulations and deal with all matters relating thereto”. The Wiltshire Pension Fund Committee has the power to “...make decisions on matters of significant policy...” (Part 3B, para 4).	N/A
	b) That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	FULL – There are two voting representatives from Swindon Borough Council, two voting representatives from Admitted Bodies and 2 UNISON Observers (representing active, deferred and pensioner members), all of whom are members of the main committee.	N/A
	c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	N/A – There is no secondary committee	N/A
	d) That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	N/A – There is no secondary committee	N/A
B) Representation	a) That all key stakeholders are afforded the opportunity to be		

	<p>represented within the main or secondary committee structure. These include:</p> <ul style="list-style-type: none"> i. employing authorities (including non-scheme employers, eg, admitted bodies); ii. scheme members (including deferred and pensioner scheme members); iii. independent professional observers; and iv. expert advisors (on an ad-hoc basis). 	<p>FULL – four representatives in total, two from Swindon Borough and two from Admitted Bodies</p> <p>FULL – two representatives from UNISON, who represent active, deferred and pensioner members</p> <p>FULL – Our Independent Pension Adviser, who attends all meetings, fulfils this role and feeds back any observations to the Chief Finance Officer and/or Head of Pensions</p> <p>FULL – Hymans Robertson (the Fund’s Actuary and Investment Consultant) attends all meetings where expert advice is required</p>	<p>N/A</p> <p>see A) b) above</p> <p>N/A</p> <p>N/A</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>FULL – All members of the Committee are given equal access to papers, meetings and training and are able to fully participate in debates.</p>	<p>N/A</p>

C) Selection and Role of Lay Members	a) That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	FULL – Full Induction Training and Governance is given and each member is given a Members’ Handbook outlining their responsibilities amongst other information.	N/A
	b) That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.	FULL – this is a standard part of committee procedure.	
D) Voting	a) The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	FULL – The Committee has afforded each of its members voting rights, except the UNISON Observers who represent members. Being a statutory pension scheme, the local committee has very little influence over benefits and the members are fully protected by statute. Therefore, there is very little that scheme members (or their representatives) can influence on the committee that has any direct impact upon them. Further, giving voting rights to the observers would mean increasing the size of the Committee, because the Administering Authority must legally be able to maintain a majority.	N/A
E) Training/Facility Time/Expenses	a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	FULL – There is a Members’ Training Plan which is updated regularly and fully implemented. All members (including observers) have full access to all training opportunities and are allowed to claim all reasonable expenses.	N/A

	b) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	FULL – see Members Training Plan	N/A
F) Meetings - Frequency	a) That an administering authority's main committee or committees meet at least quarterly.	FULL – The Committee meets five times per year, plus ad-hoc for special issues (eg. valuation, tenders)	N/A
	b) That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	N/A – There is no secondary committee	N/A
	c) That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	N/A – There is no secondary committee	N/A
G) Access	a) That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	FULL – All members of the Committee (including non voting and substitute members) receive all the papers for every meeting, including the confidential ones	N/A
H) Scope	a) That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	FULL – All matters in relation to the Fund, whether Benefits, Governance, Investments, Communications, Employers, Financial, etc, are covered by the governance arrangements.	N/A

I) Publicity	a) That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	FULL – the Governance Compliance Statement is available on the Wiltshire Pension Fund Website and in the Wiltshire Pension Fund Annual Report	N/A
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5. Administration report

Recent developments

Eight new employers joined the Wiltshire Pension Fund during 2010/11. Caterlink joined on 1 April 2010 and Bernardo's on 1 May 2010 as admitted bodies from the result of outsourcing of services. The following academies joined as scheduled bodies: Hardenhuish School, Goddard Park Primary School & Sarum (September 2010), Lavington & South Wilts Grammar (January 2011) and Bishop Wordsworth (March 2011).

Two employers left the Fund during the year. Avon & Wiltshire Partnership and Cricklade District & Community Association both ceased its membership when its only active members retired.

The full list of employers can be seen on page 6.

During 2010/11 the following strategies and policies were approved by the Wiltshire Pension Fund Committee.

Funding Strategy Statement

This statement, approved by the Committee in March 2011 sets out how the Fund attempts to balance its conflicting aims of affordable contributions, stability of employers' contributions, while being prudent when setting its funding basis. It's written in collaboration with the Fund's Actuary and Investment Adviser.

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

The FSS is reviewed in detail at least every third year (in which triennial valuations are carried out), with the next full valuation due to be finalised by March 2014 based on data at 31 March 2013.

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

<http://www.wiltshirepensionfund.org.uk/fundingstrategy.pdf>

Treasury Management Strategy

This strategy was updated in March 2011. The purpose is to outline the process and policies for the cash held by the Fund. Each month the Fund receives contributions and transfer in payments and pays out benefits and transfer out sums. The surplus is transferred on a monthly basis to the Fund's investment managers. A balance of between £1.5m to £2m is held by the Fund to manage short term cashflows.

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

The latest strategy outlines the maximum limits for a single counterparty, increased from £3m to £8m to ensure a counter party could be removed at short notice and not breach this limit.

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

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

Communications

The Fund has worked hard during the year trying to keep employers and employees updated with the latest changes affecting the scheme.

The Fund has continued with its normal publications to members which include the Annual Benefits Statements for active and deferred members; active members and pensioners newsletters, and where requested provide pre-retirement presentations and early retirement seminars.

Members have also been notified in regards to a number of important issues including the window to aggregate previous LGPS service, changes to the pension tax relief regime, the increase in the state pension age and the current position on the proposed changes to the scheme by the Government as a result of the Hutton Review.

The Fund's website is constantly updated and reviewed to ensure the latest information is available for members. This included a refresh of all the factsheets, details of how the Hutton Review may affect members, pension tax relief calculators, along with relevant Fund updates.

The Fund's Communications Policy Statement outlines the provision of information and publicity about the Scheme to its members, representatives of members and employing authorities. The current policy was approved by the Committee in September 2009 and the full document can be viewed on the Wiltshire Pension Fund website at:-

<http://www.wiltshirepensionfund.org.uk/communicationstrategy.pdf>

AVC provider

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

Prudential are available and always willing, on request from employers, to present to its employees to promote their services and provide further information on certain pension topics such as pension tax relief.

Management of the scheme

The members who served on the Wiltshire Pension Fund committee during the year are listed on page 7.

At the end of 2010, Mrs. Irlene Cooper from Wiltshire College who was the representative from the education scheduled bodies on the committee stepped down for personal reasons. Following a recruitment process, her successor at Wiltshire College, Ms Lynda Croft was appointed by the Committee as her replacement.

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

The Committee met five times last year for regular business and an additional meeting was held last September to consider the outcome of the 2010 triennial valuation. All decisions are taken by a simple majority with the Chairman having the casting vote.

Employer issues

The Wiltshire Pension Fund employ an Employer Relationship Manager (Andrew Cunningham) whose role is to act as an advocate for employers and help foster relationships. There is an Employers' Guide also available, including details of the Fund's discretions policy which can be found on the Fund's website. This can be used as a substantive source of employer information, along with the regular technical newsletters that we send employers and the quarterly "Pensions Liaison Officers Group (PLOG)" meetings for employers.

A charging policy is now applied to all new instructions since 1 April 2009. This is due to significant increase in the amount of fees the Fund spends on legal and actuarial work, largely as a result of the increased number of employers joining, leaving and changing their status within the Fund and the subsequent effects of this. Historically, these costs have been spread across all employers, although the activity tends to be the result of decisions made by a small number of employers. Considering this, the Wiltshire Pension Fund Committee approved a charging policy to cover these specific costs. Full details can be found on the Wiltshire Pension Fund website at:-

<http://www.wiltshirepensionfund.org.uk/employer-admitted-body/charging-policy.htm>

Operational improvements

The Fund continually strives to continually improve its processes and performance with particular emphasis on customer service (e.g. improved response times, more understandable forms, clearer letters, etc). This is an on-going process with changes being implemented each year.

The Wiltshire Pension Fund has recently upgraded its pension administration database and is currently implementing a workflow management tool. The next step will be the adoption of an electronic imaging filing system. These changes will provide better functionality and reporting for staff, management and ultimately the service to our scheme members.

Pension increase

Pensions in payment were increased by 3.1 percent effective from 6 April 2011. Pensions commencing in the 12 months preceding 6 April 2011 have received an increase based on the 3.1 percent pro-rated for the length of time the pension has been in payment to 6 April 2011.

The pension increases referred to above do not apply to that element of the pensions in payment representing any Guaranteed Minimum Pensions (GMP), which the scheme is required to provide as a consequence of contracting out of the State pension arrangements for the LGPS, as these increases are provided by the State.

GMPs relating to service accrued from April 1978 to April 1997, when contracting out arrangements were changed and GMP ceased to apply.

GMP earned between April 1988 and April 1997 is increased by the Scheme in line with inflation, as required by legislation, up to a maximum of 3 percent per annum. There is no increase paid by the scheme for GMP earned between April 1978 and April 1988. Increases in relation to the GMP for this period are calculated and paid by the Government with increases in the state pension.

All increases were in accordance the LGPS regulations or legislative requirements.

Where next for the Local Government Pension Scheme?

During the past 12 months, Lord Hutton led the Independent Public Service Pensions Commission review of all public sector pensions. His final report was published on 10 March 2011 outlining 27 recommendations.

The 'deal' he described was for public service workers to receive a good pension in retirement; to keep a defined benefit scheme; to protect accrued rights, to allow a fair process of change and ensuring better management of schemes.

For the taxpayer he promised a fairer sharing of the benefit from living longer between the taxpayer and the member; to future proof the scheme; to establish a fixed cost for employers; to provide greater transparency of costs; and to have a single legal framework for public sector pensions.

What this could mean for the LGPS is a move to a Career Average Revalued Earnings (CARE) scheme, the increase in Normal Retirement Age (NRA) in line with the State Pension Age (SPA), fixed cost ceilings for employer contributions, and potentially no longer allowing any new non-public sector workers into the Fund.

The Government, in its latest budget announced it welcomed the recommendations outlined by Lord Hutton and will take all these into consideration when proposing the scheme changes in the autumn of 2011 which will be implemented by 2015.

The Government is also committed to finding £2.8bn savings per annum by 2014-15 through increasing pension contributions. This equates to an average increase of 3.2% per member's contributions. The fear is this may lead to a increased member 'opt-outs' which could impact on the long term costs and sustainability of the scheme.

The Government has now recognised the funded nature of the LGPS (i.e. assets are held and invested to pay liabilities) and separate talks will now take place between stakeholders to explore whether alternative ways to deliver some or all of these savings can be found. A further announcement will be made in October 2011.

Other matters

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

6. Training report

Approach

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

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

The Chief Finance Officer is responsible for ensuring that these training plans and strategies are implemented.

Recent Developments

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

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

In particular, Principle 1 'effective decision making' states:
Administering Authorities should ensure that:

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

The CIPFA *Knowledge and Skills Framework* identifies the elements pension fund committee members should have in order to collectively fulfil the roles envisaged they have in effective decision making.

This Members Training Plan will be reviewed and updated on a rolling basis, to ensure its aligned to the Fund's medium term priorities, in line with the recommended practice.

Assessments & Training Undertaken

Members of the Committee

A workshop seminar was held on 5 November 2009 in order to assess the members' training needs in relation to the work of the Committee over the next four years. From the information obtained from this event a Members' Training Plan was drafted and approved by the Committee in November 2009.

This Training Plan was completed in November 2010 and covered the following topics:

Topic:	Delivered by:
Governance: <ul style="list-style-type: none"> • Legal Responsibility of Committee & Officers • Delegations to Officers • Governance Risk 	<ul style="list-style-type: none"> • Members' briefing note • Short seminar
Benefits: <ul style="list-style-type: none"> • Discretions Policies of Fund and Employers • Member Communications (including Benefits Statements) • Assessing quality/risks of administration service • Data Protection / Security 	<ul style="list-style-type: none"> • Internal training day • External conferences
Employer Types & Risks	<ul style="list-style-type: none"> • Internal training day
Actuarial Valuations & Funding	<ul style="list-style-type: none"> • Internal training day • External conferences
Investment Regulations & Guidance <ul style="list-style-type: none"> • LGPS / Myners 	<ul style="list-style-type: none"> • Short seminar
Investment Strategy/Asset Allocation: <ul style="list-style-type: none"> • Employer covenant • Risk budgeting & Asset Allocation • Asset classes in detail • Active v Passive 	<ul style="list-style-type: none"> • Internal training day • External conferences • Webcast
Investment Management: <ul style="list-style-type: none"> • Benchmark setting • Pooled v Segregated • Transaction costs / Fees / Commission Recapture • Securities Lending • Investment instruments • Investment terms • Risk measurement • Rebalancing 	<ul style="list-style-type: none"> • Internal training day • External conferences • Webcast
Environmental, Social & Governance: <ul style="list-style-type: none"> • Voting • Activism (eg. LAPFF) • Best Practice (eg. UNPRI) 	<ul style="list-style-type: none"> • Internal training day – PIRC • External conferences – LAPFF conference

During September 2010, Members of the committee agreed to undertake a 'self – assessment' exercise that rated their knowledge in the areas covered by the CIPFA pension finance Knowledge & Skills Framework. These results were then used to inform and update a new Members Training Plan.

At the same time the Chairman and Vice-Chairman to the Committee were assessed on a 'one to one' basis with officers against the role specification outlined in the CIPFA pension

finance Knowledge & Skills framework with additional training requirements identified within the plan specific for their roles.

This programme will run from November 2010 to 2013 and will take Members up to the next triennial valuation and local elections. It incorporates the ideas, themes and preferences identified in the self assessment exercise.

The plan will be delivered through a number of different methods. The intention is to hold at least two 'in-house' training days in the year, complemented by 'short seminars' on Committee days on subjects pertinent to the forthcoming agenda. Where applicable, external conferences are recommended to Members by officers if they are deemed to contain appropriate content. Briefing notes are also emailed to Members when applicable and occasionally webcasts and videos are made available if deemed specific enough. In addition the Fund will provide educational 'away-day' off-site training when there is any proposed substantial revision to the Fund's investment strategy.

The Members Training Plan for 2011-13 approved by the Committee on 2 December 2010 is outlined at the end of this section.

Officers to the Pension Fund Committee

There is already a framework in place for monitoring officers' performance and identifying training needs. Wiltshire Council's policy is that all officers receive an appraisal once an year with an interim review on a half yearly basis.

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

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

Michael Hudson
Chief Finance Officer
28 July 2011

WILTSHIRE PENSION FUND COMMITTEE – MEMBERS’ TRAINING PLAN – NOVEMBER 2011-

2013

TRAINING NEED	PROPOSED DELIVERY METHODS							COMPLETION TARGET DATE
	Member's Handbook	Members' Briefing Notes (Electronic)	Short Seminars (before Committee meeting)	Internal Training Events (Internal & External Speakers)	External Conferences & Training Seminars	E-Learning (eg. Webcasts, Videos)	One-to-One Briefing with an officer	
GENERAL TRAINING								
General overview of LGPS	✓							Completed
Members' individual needs on specific areas arising during the year		✓			✓	✓	✓	As required - notify Head of Pensions
Specific items on committee agendas		✓	✓					As required
SPECIFIC ISSUES IDENTIFIED FROM MEMBERS SELF ASSESSMENTS								
General Pension Framework								
<ul style="list-style-type: none"> • LGPS discretions & policies • Implications of the Hutton Review 		✓	✓		✓			31-Oct-11 30-Apr-11
Pensions Legislation & Governance:								
<ul style="list-style-type: none"> • Roles of the Pension Regulator, Pension Advisory Service & Pension Ombudsman in relation to the scheme 		✓			✓			30-Apr-12
<ul style="list-style-type: none"> • Review of Myners principles and associated CIPFA & SOLACE guidance 		✓			✓			30-Apr-12
Pension Accounting & Auditing standards:								
<ul style="list-style-type: none"> • Accounts & Audit regulations and the legislative requirements 			✓					31-Oct-11
Financial Services procurement:								
<ul style="list-style-type: none"> • Current public procurement policy & procedures • UK & EU procurement legislation 					✓			31-Oct-11 31-Oct-11
Investment Performance & Risk Management:								
<ul style="list-style-type: none"> • Monitoring asset returns relative to liabilities • Myners principles of performance management • Setting targets for committee and how to report against them 						✓		Invite to be circulated to relevant ones 31-Oct-12 31-Oct-12 31-Oct-12
Financial markets & products knowledge:								
<ul style="list-style-type: none"> • Refresh the importance of setting investment strategy • Limits placed by regulation on investment activities in the LGPS • Understanding of the operations of the fixed income manager 			✓					31-May-12
<ul style="list-style-type: none"> • Understanding of Alternative asset classes 					✓	✓		Visit to WAM by 30-Apr-11 30-Apr-11

TRAINING NEED	PROPOSED DELIVERY METHODS							COMPLETION TARGET DATE
	Member's Handbook	Members' Briefing Notes (Electronic)	Short Seminars (before Committee meeting)	Internal Training Events (Internal & External Speakers)	External Conferences & Training Seminars	E-Learning (eg. Webcasts, Videos)	One-to-One Briefing with an officer	
Actuarial methods, standards and practices: <ul style="list-style-type: none"> • Considerations in relation to outsourcings and bulk transfers • Triennial Valuation refresher 			✓					31-Oct-12
			✓					30-Apr-13
CHAIRMAN / VICE CHAIRMAN TRAINING								
<ul style="list-style-type: none"> • Fund benchmarking • Stakeholder feedback • Appreciation of changes to scheme rules 					✓		✓	31-Oct-11 31-Oct-11 Invite to be circulated to relevant ones

7. Investment report

Funding policy

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

All LGPS funds are required to publish a document called a “Funding Strategy Statement” (FSS). The Wiltshire FSS was updated in connection with the 2010 triennial valuation and can be supplied upon request or viewed at :-

www.wiltshirepensionfund.org.uk/fundingstrategy.pdf

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

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

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

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

Investment 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) a relatively large allocation to equity investment to achieve higher returns;
- b) allocations to more diversified and less correlated asset classes such as bonds, property, hedge funds and income-based equity products to achieve stabilisation; and
- c) the achievement of some “alpha” (manager) returns independently of “beta” (market) returns, through currency, high alpha equity and hedge fund strategies.

All Local Government Pension Scheme (LGPS) funds have to produce, consult on and publish a Statement of Investment Principles (SIP) – the latest Wiltshire Fund’s SIP can be supplied upon request or viewed at :-

Investment powers

These are set out in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, which provide wide investment powers, subject to certain restrictions. The current limits are as follows

- (a) No more than 10% deposited with a single bank (other than the National Savings Bank).
- (b) No more than 15% invested in unlisted securities.
- (c) No more than 10% in a single holding (except unit trusts).
- (d) No more than 35% in unit trusts or other collective investment schemes managed by any one body.
- (e) No more than 35% in a single insurance contract.

Regulations further state that administering authorities must obtain and consider proper advice on their investments, and formulate their investment policy with a view to:

- (a) the advisability of investing fund money in a wide variety of investments;
- (b) the suitability of particular investments and types of investments; and
- (c) the extent to which the administering authority complies with the revised six Myners principles for pension fund investment, scheme governance, disclosure and consultation. These principles have been adopted by CLG (the central government department with responsibility for oversight of the LGPS) and replaces the ten Myners principles published in 2001.

Strategic asset allocation

The Committee regularly reviews the Fund's investment management arrangements. The last major strategy change was implemented in 2007 although the strategic asset allocation is constantly reviewed at a high level. In broad terms, the Fund is invested 52.5% in Equities, 16.5% in Bonds, 13% in Property and 18% in Alternatives. However, of the Alternatives, around 13% are equity based (in either Long-Short or Income Yield biased products), so this equates to an effective equity allocation of over 65%. More details are given in the section below summarising the Fund's investment management arrangements. The Fund is currently in the process of undertaking a strategic review of its asset allocation.

Risk control

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

Environmental social governance policy

The Council 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 subscribing and outsourcing proxy voting to the Pensions & Investment Research Consultants Limited (PIRC) Corporate Governance Service for all global equities.

It is also a member of the Local Authorities Pension Fund Forum (LAPFF), to enable it to act collectively with other local authorities on corporate governance issues.

The Committee expects its investment managers, to take account of social, environmental and ethical considerations in the selection, retention and realisation of investments insofar as these matters are regarded as impacting on the current and future valuations of individual investments. Taking account of such considerations is seen as forming part of the investment managers' normal fiduciary duty.

As such, the Committee also believes it has a commitment to ensuring that companies in which it invests adopt a responsible attitude toward the environment, and adopt high ethical standards. Generally, such companies are expected to behave in a socially responsible manner by taking account of the interests of all stakeholders.

The Committee seeks to achieve this objective by raising issues with companies in which it invests with a view to raising standards in a way that is consistent with long term shareholder value. Again, the Council primarily uses its membership of LAPFF to affect this policy.

Investment management arrangements

In September 2008, a review of the current investment arrangements was undertaken in light of current investment managers' performance. Although this did not change the strategic asset allocation the Committee agreed on the following long term investment aspirations for the Fund:

- To limit new individual mandates to allocations of no more than 12.5% of the overall Fund.
- To move the UK equity allocation downwards towards 30%, in favour of global equities as opportunities arise.
- To move the UK equity allocation to being predominantly managed passively and the global equity allocations to being predominantly actively managed, as opportunities arise.
- To increase the passive investment management in the Fund from the current 5% to a long term target of 20%, covering both equities and bonds, but this will only be implemented at times when it would be cost effective and have the least impact on returns.

Resulting from this review, on 1 July 2009 the index linked bond & gilt elements actively managed by Western Asset Management (WAM) (7% of the Fund) were moved to passive management by Legal & General, leaving WAM with an allocation of 10.5%. WAM will now be concentrating on corporate bonds, including the ability to invest overseas on a tactical basis where opportunities to add value arise.

The Committee also agreed in May 2009 to invest 2% of its bond allocation into the M&G UK Companies Financing Fund, to take advantage of an opportunity arising from the reduced liquidity in the banking market. The Fund aims to provide a relatively stable bond like return over a 5 to 10 year time frame. This will be funded from the bond allocation passively managed by Legal & General.

In line with the long term aspirations namely to more passively manage its UK equities while reducing its allocation, the committee decided to terminate the Baillie Gifford UK mandate representing 12.5% of the Fund in February 2010. The majority of this allocation (9.5%) was transferred in May 2010 to Legal & General to manage within their UK passive equities mandate with the remaining 3% passed to Edinburgh Partners as an addition to their Global Equities Fund.

In May 2011 the Committee approved to remove the 2% Strategic Allocation for active currency to 0% until further notice. This has been split between the UK passive equities (1%) and passive Gilts (0.5%) and passive UK Index-linked bonds (0.5%) pending the outcome of the current investment review.

This means that going forward the Fund's asset allocation will be:

ASSET ALLOCATION FROM MAY 2011	
Equities:	
Long-Only:	
UK	15.5%
Overseas (Global)	37.0%
	52.5%
Bonds	16.5%
Property	13.0%
Alternatives:	
Income Biased (long-only equities & bonds)	10.0%
Long-Short Equities - Global	5.0%
M&G Financing Fund	2.0%
Currency (Passive)	1.0%
	18.0%
TOTAL	100.0%

The allocation of mandates to managers from May 2011 is as follows:

MANAGER/MANDATE ALLOCATION	
Capital International	
Global Equities	14.0%
Absolute Income Grower (Equities, Bonds & Cash)	10.0%
Baillie Gifford	
Global Equities	12.5%
Legal & General	
Passive UK Equities	15.5%
Passive Gilts (UK)	3.0%
Passive Index-Linked Bonds (UK)	3.0%
Western Asset Management	
Corporate Bonds (UK & Overseas)	10.5%
ING Real Estate	
Property Fund of Funds (UK & Europe)	13.0%
Edinburgh Partners	
Global Equities	10.5%
Fauchier Partners	
Equity Long-Short Fund of Funds (Global)	5.0%
Record Currency Management	
Passive Currency Hedge	1.0%
M&G Investment Management	
UK Companies Financing Fund	2.0%
TOTAL	100.0%

Investment as at 31 March 2011

During the year, the managers transacted purchases of £856.1 million (£814.7m 31 March 2010) and sales of £809.2 million (£771.7m 31 March 2010). The value of assets under management at 31 March 2011 was £1,276.3 million (£1,158.5m 31 March 2010), broken down by managers as follows:

Baillie Gifford	£176.2 million
Capital International	£313.1 million
ING Real Estate	£151.8 million
Western Asset Management	£140.6 million
Legal & General	£276.7 million
Edinburgh Partners	£131.5 million
Fauchier Partners	£ 65.3 million
Record Currency Management	£ 16.4 million
M&G Financing Fund	<u>£ 4.7 million</u>
	<u>£1,276.3 million</u>

The Fund participates in a securities lending programme administered by BNY Mellon. Securities in the beneficial ownership of the Fund to a value of £10.0 million (0.8% of the total) were on loan at 31 March 2011. Collateral for these securities is held in a pooled form, the Wiltshire Pension Fund's share (0.61%) representing a value of £10.5 million (105.0%). Income earned from this programme amounted to £0.143 million in the year.

Investment markets

Global markets started the year by suffering a significant set-back. There were concerns over the economic outlook, fears in respect of significant public deficits in major financial centres and tensions within the Eurozone following the emergency package to Greece. Equity markets performed strongly following the summer of 2010, particularly in response to the second round of US quantitative easing. Equity markets remained resilient despite the political tensions in Arab countries and the events in Japan.

In the UK, the new coalition government presented its first, emergency budget which outlined their austerity measures to recover the deficit and stimulate economic recovery. Gilt yields fell (prices rose) during the first half of the year as financial markets responded to the Government's debt reduction plans. Expectation of further quantitative easing in the UK also assisted to push yields to historic lows. This performance was almost entirely reversed in the final months of 2010 as attitudes changed due to rising inflation pressures. As a result of these concerns, index linked gilts outperformed fixed interest issues over the period. Corporate Bonds also produced positive returns over the year, this was a reflection of strong corporate results and the demand for higher yielding assets.

Although progress has been made and there appears to be justification for a more optimistic view of the economy, there are a number of factors remaining that may alarm the markets. In the UK the full impact of the austerity measures will become evident as the year progresses.

Fee structures

The Committee generally expects to have an ad-valorem fee scale applied in respect of the investment management services it receives. This is generally accepted practice and is easily understood. A performance related fee basis is sometimes set, if it is believed to be in the overall financial interests of the Fund. For investment advisory services, a fee is charged by the hour.

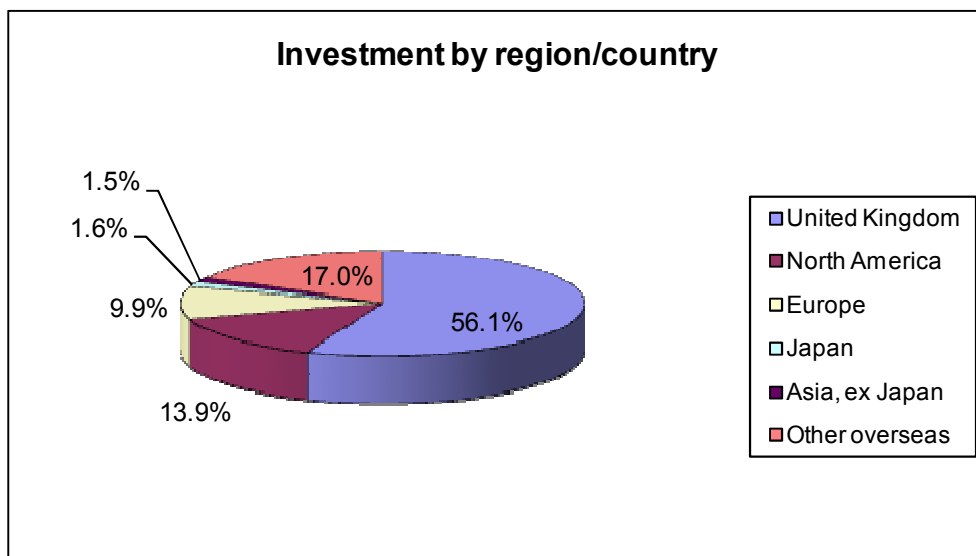
Other matters

A Commission Recapture programme was introduced in 2003-04, whereby an element of the commission that is paid to brokers on stock market transactions is recovered.

Distribution of investments

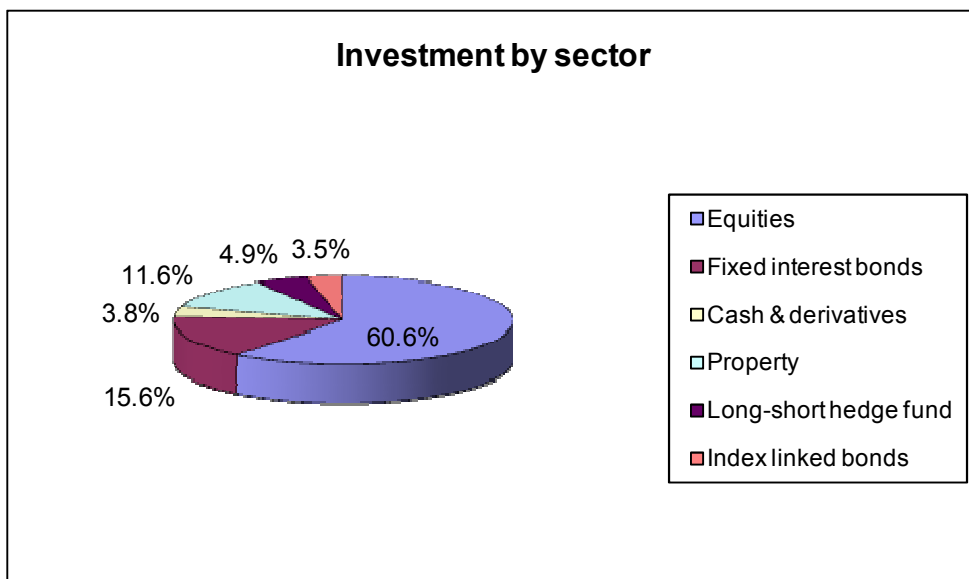
Analysis of investments as at 31 March 2011

	£000	% of Fund total
Geographical analysis		
United Kingdom	716,034	56.1
North America	177,262	13.9
Europe	125,827	9.9
Japan	20,239	1.6
Asia, ex Japan	19,506	1.5
Other overseas	217,478	17.0
	1,276,346	100.0



Analysis of investments by sector as at 31 March 2011

Sector analysis	£000	% of Fund total
Equities	774,001	60.6
Fixed interest bonds	198,687	15.6
Cash & derivatives	49,062	3.8
Property	147,637	11.6
Long-short hedge fund	62,769	4.9
Index linked bonds	44,190	3.5
	1,276,346	100.0



Twenty largest holdings at 31 March 2011

	£000	% of Fund total
1 Legal & General Equity Index Fund	190,192	14.90
2 Edinburgh Partners Global Opportunities Equity Fund	131,473	10.30
3 Fauchier Partners Jubilee Absolute Equity Fund	61,604	4.83
4 Capital International Fund Emerging Markets	30,148	2.36
5 Blackrock UK Property Fund	19,257	1.51
6 Capital International UK Corporate Bond Fund	18,707	1.47
7 M&G Secured Property Income Fund	16,823	1.32
8 Baidu Inc	15,302	1.20
9 Amazon.Com Inc Com	14,301	1.12
10 Schroder Property Investment Management	12,915	1.01
11 Atlas Copco	9,369	0.73
12 First Solar Inc	8,578	0.67
13 Hercules Unit Trust	8,506	0.67
14 Treasury Gilt 4.250%	8,152	0.64
15 Vale SA ADR RepStg	8,106	0.64
16 Industrial Property Investment Fund	8,064	0.63
17 Henderson Property UK Property	8,001	0.63
18 Deere & Co	7,597	0.60
19 Google Inc	7,553	0.59
20 Apple Inc	7,460	0.58
	<hr/> 592,108 <hr/>	<hr/> 46.4 <hr/>

8. Actuarial position

This statement has been prepared in accordance with Regulation 34(1) of the Local Government Pension Scheme (Administration) Regulations 2008, and chapter 6 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the UK 2010/11.

Description of Funding Policy

The funding policy is set out in the latest Wiltshire Council Funding Strategy Statement (FSS). In summary, the key funding principles are as follows:

- to achieve a funding level of 100%, both at the whole Fund level and for the share attributable to individual employers, with a timescale that is prudent and affordable;
- to ensure that sufficient liquid funds are available to meet all benefits as they fall due for payment;
- not to restrain unnecessarily the investment strategy of the Fund so that the Administering Authority can seek to maximise investment returns (and hence minimise the costs of the benefits) for an appropriate level of risk;
- to help employers recognise and manage pension liabilities as they accrue;
- to maximise the degree of stability in the level of each employer's contributions to the extent that the Administering Authority (in consultation with the actuary) is able to do so in a prudent and justifiable way;
- 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; and
- to address the different characteristics of the disparate employers or groups of employers to the extent that this is practical and cost effective.

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. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised below the theoretical rate required to return their portion of the Fund to full funding over 20 years if the valuation assumptions are borne out. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is still a better than 50% chance that the Fund will return to full funding over 21 years.

Funding Position as at the last formal valuation

The most recent actuarial valuation carried out under Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008 was as at 31 March 2010. This valuation revealed that the Fund's assets, which at 31 March 2010 were valued at £1,167 million, were sufficient to meet 74.6% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2010 valuation was £396 million.

Individual employers' contributions for the period 1 April 2011 to 31 March 2014 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Methods used to value the liabilities

Full details of the methods and assumptions used are described in the actuary's report dated 25 March 2011.

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 2010 valuation were as follows:

Financial Assumptions	Rate at 31 March 2010	
	Nominal	Real
Discount rate	6.1%	2.8%
Pay increase	5.3%	2.0%
Price Inflation/Pension increases	3.3%	0.0%

**plus an allowance for promotional pay increases. Short term pay growth was assumed to be 1% p.a. for 2010/11 and 2011/12, reverting to 5.3% p.a. thereafter.*

The key demographic assumption was the allowance made for longevity. As a member of the Club Vita, the baseline longevity assumptions adopted at this valuation were a bespoke set of VitaCurves that were specifically tailored to fit the membership profile of the Fund. Longevity improvements were in line with medium cohort projections and a 1% p.a. underpin effective from 2010. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	21.3 years	23.6 years
Future Pensioners	23.3 years	25.5 years

Copies of the 2010 valuation report and Funding Strategy Statement are available on request from Wiltshire Council administering authority to the Fund.

Experience over the year since April 2010

The Administering Authority monitors the funding position on a regular basis as part of its risk management programme. The most recent funding update was produced as at 31 March 2011. It showed that the funding level (excluding the effect of any membership movements) remained broadly unchanged over 2010/11.

The next actuarial valuation will be carried out as at 31 March 2013. The Funding Strategy statement will also be reviewed at that time.

Prepared by:-

Linda Dudley

31 May 2011

For and on behalf of Hymans Robertson LLP

9. *Audit opinion*

Independent auditor's report to the members of Wiltshire Council

We have audited the financial statements of the local government pension fund administered by Wiltshire Council for the year ended 31 March 2011 on pages 34 to 52. The financial statements have been prepared under applicable law and the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of the Authority, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Financial Officer and auditor

The Chief Financial Officer is responsible for the preparation of financial statements for the pension fund in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and which give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2011 and the amount and disposition of the fund's assets and liabilities as at 31 March 2011, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practice's Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the pension fund's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Chief Financial Officer; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Pension Fund Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2011 and the amount and disposition of the fund's assets and liabilities as at 31 March 2011, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2010/11.

Chris Wilson
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Bristol

10. Statement of accounts

Fund Account

For the year ended 31 March 2011

	Notes	2010-11 £000	2009-10 £000 <i>*Restated</i>
Contributions and benefits			
Contributions receivable	3	86,210	84,975
Individual transfers		9,145	7,281
		<u>95,355</u>	<u>92,256</u>
Benefits payable	4	-61,418	-61,115
Payments to and on account of leavers	5	-6,889	-9,065
Administrative expenses	6	-1,343	-1,321
		<u>-69,650</u>	<u>-71,501</u>
Net additions from dealings with members		<u>25,705</u>	<u>20,755</u>
Returns on investments			
Investment income	7	27,691	26,846
Change in market value of investments	9	70,903	276,140
Investment management expenses	10	-4,049	-2,359
		<u>94,545</u>	<u>300,627</u>
Net returns on investments		<u>94,545</u>	<u>300,627</u>
Net increase in the fund during the year		<u>120,250</u>	<u>321,382</u>
Add opening net assets of the funds restated		1,166,548	845,166
Closing net assets of the scheme		<u><u>1,286,798</u></u>	<u><u>1,166,548</u></u>

Net Asset Statement At 31 March 2011

	Notes	31-Mar-11 £000	31-Mar-10 £000 <i>*Restated</i>
Investment assets	9		
Fixed interest securities		126,432	113,515
Index linked securities		805	767
Equities		421,908	520,041
Pooled investment vehicles		530,502	358,674
Property		147,637	114,506
Derivative assets		5,568	2,156
Cash held on deposit		43,083	54,313
Other investment balances		3,861	4,780
		<u>1,279,796</u>	<u>1,168,752</u>
Investment liabilities	9		
Derivatives liabilities		-3,450	-10,269
Total net investments		<u>1,276,346</u>	<u>1,158,483</u>
Current assets	11	12,891	9,610
Current liabilities	12	-2,439	-1,545
Net assets of the scheme at 31 March		<u>1,286,798</u>	<u>1,166,548</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.

*This is the first year that the Code of Practice in Local Authority Accounting 2010/11 which is based around International Financial Reporting Standards has applied to the Fund's financial statements. This includes a requirement to restate the opening balances, however as there are no material differences impacting on the 2009/10 accounts a single column is shown.

Notes

Forming part of the accounts

1. Basis of preparation

The general principles adopted in compiling the accounts of the Wiltshire Pension Fund follow the recommendations of the Chartered Institute of Public Finance and Accountancy (CIPFA). Specifically, they follow the CIPFA Code of Practice on Local Authority Accounting 2010/11 which is an IFRS based code.

This is the first year of applying IFRS based code. There are no material differences impacting on the 2009/10 accounts on transition to the IFRS-based code. IAS26 requires the actuarial present value of promised benefits to be disclosed. A separate report has been prepared by Hymans Robertson and is enclosed on page 55. 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 on page 55 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 2011 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 where there are no bid/offer spreads, as provided by the investment manager.
- (iv) **Fixed interest stocks**
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 2011.

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.

Investment management expenses

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.

Acquisition costs of investments

Costs incurred on the acquisition of investments, such as stamp duty and commission, are treated as part of the purchase cost of investments.

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.

Related party transactions

Related parties to the Wiltshire Pension Fund include all the Admitted Bodies within the Fund (see Schedule of Employer bodies on page 6), members of the Wiltshire Pension Fund Committee and the Chief Finance Officer. There have been no

financial transactions between any of these parties and the Fund apart from the routine contributions and benefits payable that are defined by statutory regulation and are therefore not within the direct control of any party. All these transactions are included within the accounting statements given in the following pages.

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. Fund members over the age of fifty may elect to buy service with their AVC funds, such transactions being included within transfers into the Fund.

3. Contributions receivable

	2010-11 £000	2009-10 £000
Employer		
- Normal	49,026	47,898
- Augmentation	3,267	7,885
- Deficit funding*	14,385	9,919
Members		
- Normal	19,148	18,695
- Additional contributions	384	578
	86,210	84,975

Analysis of contributions receivable

	2010-11 £000	2009-10 £000
<i>Contributions from employees (Including Additional Contributions)</i>		
- Wiltshire Council	9,120	9,257
- Other scheduled bodies	8,441	8,329
- Admitted bodies	1,971	1,687
	19,532	19,273
<i>Contributions from employers (Including Augmentations)</i>		
- Wiltshire Council	30,492	34,403
- Other scheduled bodies	29,455	25,593
- Admitted bodies	6,731	5,706
	66,678	65,702
Total contributions receivable	86,210	84,975

* Deficit funding contributions are being paid by the employer for the three years commencing from 1 April 2008 as specified in the Rates and Adjustment certificate dated 28 March 2008 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.

4. Benefits payable

	2010-11 £000	2009-10 £000
Pensions	47,519	47,480
Commutation and lump sum retirement benefits	12,676	12,269
Lump sum death benefits	1,223	1,366
	61,418	61,115

Analysis of benefits payable

	2010-11 £000	2009-10 £000
<i>Pensions payable</i>		
- Wiltshire Council	26,444	26,487
- Other scheduled bodies	18,183	18,405
- Admitted bodies	2,893	2,588
	47,520	47,480

Retirement and Death grants payable

- Wiltshire Council	7,756	8,188
- Other scheduled bodies	4,597	4,502
- Admitted bodies	1,545	945
	13,898	13,635
Total benefits payable	61,418	61,115

5. Payments to and on account of leavers

	2010-11 £000	2009-10 £000
Individual transfer out to other schemes	6,890	8,908
Refunds to members leaving service	18	133
State Scheme Premiums	-19	24
	6,889	9,065

6. Administrative expenses

	2010-11 £000	2009-10 £000
Administration and processing	1,070	1,018
Actuarial fees	235	178
Audit fees	34	61
Legal and other professional fees	4	64
	1,343	1,321

7. Investment income

	2010-11 £000	2009-10 £000
<i>Quoted securities</i>		
- UK fixed interest bonds (coupon receipts)	6,538	6,068
- Overseas fixed interest bonds (coupon receipts)	240	318
- UK index linked bonds (coupon receipts)	30	35
- UK equities	2,755	6,224
- Overseas equities	7,133	6,839
<i>Pooled investment vehicles</i>		
- UK equities	1	-
- Overseas equities	2,702	1,118
- UK fixed interest corporate bonds	915	972
- Overseas fixed interest bonds	421	
- UK property	6,734	4,915
<i>Cash held on deposit</i>		
- Sterling cash	217	337
- Overseas cash	5	20
	27,691	26,846

8. Stock lending

The Council participates in a securities lending programme administered by BNY Mellon. Securities in the beneficial ownership of the Council to a value of £10.0 million (0.8% of the total) were on loan at 31 March 2011. Collateral for these securities is held in a pooled form, the Wiltshire Pension Fund's share (0.61%) representing a value of £10.5 million (105.0%). Income earned from this programme amounted to £0.143 million in the year.

	2010-11 £m	2009-10 £m
WCC securities on loan	10.0	15.3
<i>(percentage of total)</i>	0.8%	1.3%
WCC collateral share of pool	0.61%	0.56%
Value of WPF pooled share	10.5	16.3
Percentage of securities on loan	105.0%	106.2%
Income earned in year	0.143	0.184

9. Investments

Reconciliation of investments held at beginning and end of year

	Value at 1 April 2010	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market Value	Value at 31 March 2011
	£000	£000	£000	£000	£000
Fixed interest securities	113,515	90,069	-77,929	777	126,432
Index linked securities	767	11,642	-11,816	212	805
Equities	520,041	162,518	-294,709	34,058	421,908
Pooled funds					
- Other	358,674	189,875	-41,155	23,108	530,502
- Property	114,506	28,195	-2,447	7,383	147,637
Derivative assets					
- Futures	-145	5,349	-4,179	-319	706
- Options	1	0	0	-1	0
- Forward FX	-7,969	24,949	-21,457	5,889	1,412
	1,099,390	512,597	-453,692	71,107	1,229,402
Cash deposits	54,313	343,551	-354,574	-207	43,083
Other Investment balances	4,780	-1	-921	3	3,861
	1,158,483	856,147	-809,187	70,903	1,276,346

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. However, such costs are taken into account in calculating the bid/offer spread of these investments and are not therefore separately identifiable.

Details of investments held at year end

	31 March 2011 £000	31 March 2010 £000
Investment assets		
Fixed interest securities		
- UK Fixed interest government bonds	16,471	0
- UK Fixed interest corporate bonds	108,651	101,206
- Overseas fixed interest government bonds	6	6,312
- Overseas fixed interest corporate bonds	1,304	5,997
	126,432	113,515
Index linked securities		
- UK index linked corporate bonds	805	767
	805	767
Equities		
- UK equities	46,047	179,291
- Overseas equities	375,861	340,750
	421,908	520,041
Pooled investment vehicles		
- UK equities	190,192	69,085
- Overseas equities	161,901	122,280
- UK fixed interest government bonds	43,140	31,753
- UK fixed interest corporate bonds	18,707	17,931
- Overseas fixed interest government bonds	6,818	7,684
- Overseas Fixed interest corporate bonds	3,590	3,261
- UK index linked government bonds	43,385	33,206
- Property	147,637	114,506
- Long-short hedge fund	62,769	59,855
- Currency fund	0	13,619
	678,139	473,180
Cash held on deposit		
- Sterling cash	40,500	52,628
- Overseas cash	2,583	1,685
	43,083	54,313
Other investment balances		
- Derivatives assets	5,568	2,156
- Outstanding dividend entitlements	3,348	4,309
- Recoverable tax	513	471
	9,429	6,936
Investment liabilities		
- Derivatives liabilities	-3,450	-10,269
Total of investments held	1,276,346	1,158,483
Net current assets & liabilities		
Current assets	12,891	9,610
Current liabilities	-2,439	-1,545
Total net current assets	10,452	8,065
	1,286,798	1,166,548

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

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

Forward foreign exchange – In order to maintain an appropriate diversification of investments within the Fund and take advantage of overseas investment returns a proportion of the investment portfolio is invested overseas. To balance the risk of investing in foreign currencies a passive currency hedging programme, using forward foreign contracts, is in place to reduce the currency exposure of the overseas investments. Currently 50% of the overseas equity investments are hedged this way.

The Fund had the following derivative contracts outstanding at the year end relating to its fixed interest investment and passive currency mandate. The details are:

Derivative contracts

Future Contracts

Nature	Nominal Amount £000	Duration	Economic Exposure £000	Asset value at year end £000	Liability value at year end £000
FTSE 100 Index Future	258	Expires Jun 11	15,182	598	
Fixed Income Security					
UK Long Gilt	(155)	Expires Jun 11	(18,161)		(1)
US Ultra Bond	55	Expires Jun 11	4,240	125	
US 10 Year Treasury	(86)	Expires Jun 11	(6,386)		(16)
				723	(17)

Forward cash currency contracts

Contract	Settlement date	Currency bought	Currency sold	Asset value at year end £000	Liability value at year end £000
Forward OTC	0 to 6 months	Sterling	Australian Dollar	25	(15)
Forward OTC	0 to 6 months	Australian Dollar	Sterling	35	
Forward OTC	0 to 6 months	Canadian Dollar	Sterling		(3)
Forward OTC	0 to 6 months	Sterling	Canadian Dollar	16	(8)
Forward OTC	0 to 6 months	Danish Krone	Sterling	25	
Forward OTC	0 to 6 months	Sterling	Danish Krone		(121)
Forward OTC	0 to 6 months	Euro	Sterling	772	
Forward OTC	0 to 6 months	Sterling	Euro		(2,128)
Forward OTC	6 to 12 months	Sterling	Euro		(206)
Forward OTC	0 to 6 months	Hong Kong Dollar	Sterling	19	
Forward OTC	0 to 6 months	Sterling	Hong Kong Dollar	274	(21)
Forward OTC	0 to 6 months	Japanese Yen	Sterling	60	
Forward OTC	0 to 6 months	Sterling	Japanese Yen	723	(8)
Forward OTC	6 to 12 months	Sterling	Japanese Yen		(64)
Forward OTC	0 to 6 months	Norwegian Krone	Sterling	70	
Forward OTC	0 to 6 months	Sterling	Norwegian Krone		(69)
Forward OTC	0 to 6 months	Singapore Dollar	Sterling	9	
Forward OTC	0 to 6 months	Sterling	Singapore Dollar	27	(10)
Forward OTC	0 to 6 months	Swedish Krona	Sterling	42	
Forward OTC	0 to 6 months	Sterling	Swedish Krona		(393)
Forward OTC	0 to 6 months	Swiss Franc	Sterling	76	
Forward OTC	0 to 6 months	Sterling	Swiss Franc	119	(78)
Forward OTC	0 to 6 months	US Dollar	Sterling	187	
Forward OTC	0 to 6 months	Sterling	US Dollar	2,366	(257)
Forward OTC	6 to 12 months	Sterling	US Dollar		(52)
				4,845	(3,433)
				5,568	(3,450)

Financial Risk Disclosure

As an LGPS Pension Fund, the Funds 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 Funds activities expose it to a variety of financial risks including Market Risk, Credit Risk and Liquidity Risk.

All the Funds investments are managed by appointed Investment Managers. All investments are held by BNY Mellon who acts 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 is 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 aim to reduce the exposure to price risk. Diversification of asset classes seeks to reduce correlation of price movements, whilst the appointment of specialist managers enables the Fund to gain from their investment expertise.

Market Price - Sensitivity Analysis

The sensitivity of the Fund’s investments to changes in market prices have been analysed using the volatility of returns experienced by asset classes. The volatility data has been provided by the Fund’s Investment Advisor 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 2011 by the amounts shown below.

As at 31 March 2011	Value £'000	Volatility of return	Increase £000	Decrease £000
Baillie Gifford - Global Equity	176,192	21.10%	37,177	(37,177)
Capital International - Global Equity	185,433	21.10%	39,126	(39,126)
Capital International - Absolute Income Grower	127,630	9.50%	12,125	(12,125)
ING Real Estate - Property	151,780	14.20%	21,553	(21,553)
Western Asset Management - Corporate Bonds	140,606	10.00%	14,061	(14,061)
Legal & General - Equity	190,192	18.10%	34,425	(34,425)
Legal & General - Gilts	86,525	6.50%	5,624	(5,624)
Edinburgh Partners - Global Equity	131,472	21.10%	27,741	(27,741)
Fauchier Partners - Long/Short Hedge Funds	65,358	10.20%	6,667	(6,667)
Record Currency Management	16,446	0.00%	0	0
M&G - Financing Fund	4,712	0.00%	0	0
	<u>1,276,346</u>		<u>198,499</u>	<u>(198,499)</u>

2) Interest Rate Risk

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

The Fund's exposure to interest rate movements from its investments in cash & cash equivalents, fixed interest and loans at 31 March 2011 is provided below.

	31.03.11 £000
Cash held on deposit	43,083
Fixed Interest Securities	126,432
Loans	4,682
	<u>174,197</u>

Interest Rate – Sensitivity Analysis

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

As at 31 March 2011	Value £000	Change in net assets	
		+100 BP £000	-100 BP £000
Cash held on deposit	43,083	431	-431
Fixed Interest Securities	126,432	-9,520	9,520
Loans	4,682	0	0
	174,197	-9,089	9,089

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. Borrower pay a fixed annual interest rate agreed at the outset.

3) Currency Risk

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

Currently Wiltshire Pension Fund has a 50% passive hedging arrangement in place. This restricts the losses/gains to half of what they would have been on overseas investment returns. This reduces the volatility of returns over the long term.

The table below shows approximate exposures to each of the three major foreign currencies based on manager benchmarks and target allocations. This is based on the three global equity managers Baillie Gifford, Capital International, Edinburgh Partners and the Capital International (AIG) product.

	US Dollar	Euro	Yen
Benchmark Weights	19.80%	6.60%	3.20%
	£'000	£'000	£'000
Net Currency Exposure	242,506	84,239	40,843

Currency Risk – Sensitivity Analysis

The sensitivity of the Fund's investments to changes in foreign currency rates have 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 2011 would have increased or decreased the net assets by the amount shown below.

	Assets Held at Fair Value £'000	Change in net assets	
		+10% £'000	-10% £'000
US Dollar	242,506	25,700	-25,700
Euro	84,239	8,600	-8,600
Yen	40,843	4,200	-4,200
Net Currency Exposure	367,588	38,500	-38,500

As the Fund has a 50% hedging arrangement in place only 50% of the gains/losses would be experienced. One important point to note is that currency movements are not

independent of each other. If sterling strengthened generally it may rise against all the above currencies producing losses across all the currencies.

b) Credit Risk

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

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

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

Forward currency contracts are entered into by the Fund's currency overlay manager – Record. These contracts are subject to credit risk in relation to the counterparties of the contracts which are primarily banks. The responsibility for these contracts rests with Record. Prior to appointment full due diligence was undertaken, they are regulated by the FSA and meet the requirements set out in the LGPS (Management and Investment of Funds) Regulations 2009.

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

The Fund's exposure to credit risk at 31 March 2011 is the carrying amount of the financial assets.

	£'000
Fixed interest securities	126,432
Index linked securities	805
Derivative assets	2,118
Cash held on deposit	43,083
Other investment balances	3,861
Current assets	12,891
	<u>189,190</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 table analyses the Fund's financial liabilities, grouped into relevant maturity dates.

	Carrying Amount £'000	Less than 12 months £'000	Greater than 12 months £'000
Accounts Payable	494	494	0
Benefits Payable	677	677	0
Sundry Creditors	1,268	1,268	0
	2,439	2,439	0

Vested benefits are categorised as due within 12 months because any individual benefit could become due in that time. In reality these benefits will become due over the life time of the members.

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 table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised. This has been produced from analysis produced by the Fund's custodian BNY Mellon.

	£000	£000	£000	£000
	Level 1	Level 2	Level 3	Total
Fixed Interest Securities	6	126,426		126,432
Index Linked Securities		805		805
Equities	414,718		7,190	421,908
Pooled Funds:				0
- Other	30,428		500,074	530,502
- Property	9,421		138,216	147,637
Derivative assets				0
- Futures	706			706
- Options				0
- Forward FX	1,412			1,412
	456,691	127,231	645,480	1,229,402
Cash Deposits	5,652	12,818	24,613	43,083
Other Investment balances	3,861			3,861
	466,204	140,049	670,093	1,276,346

During 2010/11 there were no transfers between level 1 and 2 of the fair value hierarchy.

The following table presents the movement in level 3 instruments for the year end 31 March 2011.

	£000
Opening balance	465,400
Total gains/losses	27,009
Purchases	395,652
Sales	-217,968
Transfer out of Level 3	0
Closing balance	670,093

10. Investment management expenses

	2010-11 £000	2009-10 £000
Administration, management and custody	3,333	1,831
Transaction Costs	677	491
Performance measurement services	39	37
	4,049	2,359

11. Current assets

	31 March 2011 £000	31 March 2010 £000
Contributions due from other authorities and bodies		
- Employees	1,515	1,428
- Employers	4,155	3,815
Income due from external managers and custodians	144	164
Other	462	872
Cash balances	6,615	3,331
	12,891	9,610

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

12. Current liabilities

	31 March 2011 £000	31 March 2010 £000
Managers / custody fees	698	728
HMRC	541	2
Other	1,200	815
	<u>2,439</u>	<u>1,545</u>

13. Additional Voluntary Contributions (AVCs)

Fund members paid contributions totalling £0.196 million (£0.130 million in 2009/10) into their AVC funds during the year. At the year end, the value of funds invested on behalf of Fund members totalled £2.865 million (£2.847 million in 2009/10), made up as follows:

	£ Million
Equitable Life Assurance Society	
- With Profits Fund	1.078
- Unit Linked Managed Fund	0.285
- Building Society Fund	0.056
Clerical Medical Funds	
- With Profits Fund	0.136
- Unit Linked Managed Fund	0.890
NPI Fund	
- Managed Fund	0.025
- With Profits Fund	0.213
- Global Care Unit Linked Fund	0.056
- Cash Deposit Fund	0.034
Prudential	
- With Profits Cash Accumulation Fund	0.024
- Deposit Fund	0.031
- Diversified Growth Fund	0.004
- Long Term Growth Fund	0.021
- Pre-Retirement Fund	0.008
- Property Fund	0.004
	<u>2.865</u>

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

14. Employer related assets

There are no employer related assets within the Fund.

15. Guaranteed minimum pension

The Fund is liaising with the Department for Work & Pensions to obtain details of Guaranteed Minimum Pensions (GMP) that are not currently shown on member's records.

GMP elements of member's LGPS pension are not increased by the Fund for Pre 1988 GMP but for Post 1988 GMP's it is increased by a maximum of 3%. The Government increase the State Pension for the member fully on the Pre 1988 GMP and for Post 1988 GMP 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.

Once the GMP information has been received, member's records will be amended to show the amounts of GMP that make up their LGPS pension and therefore future pension's increases are then calculated correctly.

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

16. Subsequent Event

On 8th April 2011 Wiltshire Pension Fund received confirmation from the Government Actuary's Department that they agreed to make a payment to the Fund to cover the liabilities in respect of the Magistrates Courts. In the past active members employed by the Magistrates Courts were transferred out of the LGPS but pensioners/deferred members remained in. The payment would in 10 instalments over the next 10 years. The first payment of £965,000 was received on 15th April 2011.

11. IAS26 statement

Actuarial Statement in respect of IAS26 as at 31.03.2011

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2010/11 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. This change is one of many which are being adopted by employers reporting under CIPFA guidance in the financial year 2010/11.

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

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

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

In order for the Administering Authority to comply, I have provided the information required below.

Assumptions

The assumptions used are those adopted for the Administering Authority's FRS17/IAS19 reports at each year end as required by the Code of Practice. These can be found at the end of this report.

Balance sheet Year ended	31 Mar 2011	31 Mar 2010
	£m	£m
Present Value of Promised Retirement Benefits	1,733	2,006

Liabilities have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2010. I estimate this liability at 31 March 2011 comprises £748m in respect of employee members, £314m in respect of deferred pensioners and £671m in respect of pensioners. The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable. However, I am satisfied that aggregate liability is a reasonable estimate of the actuarial present value of benefit promises. 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 accounts of the Pension Fund. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Financial assumptions

My recommended financial assumptions are summarised below:

Year ended	31 Mar 2011 % p.a.	31 Mar 2010 % p.a.
Inflation/Pension Increase Rate	2.8%	3.8%
Salary Increase Rate	5.1%	5.3%
Discount Rate	5.5%	5.5%

**Salary increases are 1% p.a. nominal for the year to 31 March 2011 and the year to 31 March 2012 reverting to 5.1% thereafter.*

Mortality

As discussed in the accompanying report, life expectancy is based on the Fund's VitaCurves with improvements from 2010 in line with the Medium Cohort and a 1% p.a. underpin. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

Males Females

Current Pensioners	21.3 years	23.6 years
Future Pensioners	23.3 years	25.5 years

**Future pensioners are assumed to be currently aged 45*

Historic mortality

Life expectancies for the below year ends are based on the PFA92 and PMA92 tables. The allowance for future life expectancies are shown in the table below.

Year ended	Prospective Pensioners	Pensioners
31 March 2010 year of birth	year of birth medium cohort and 1% p.a. minimum improvements from 2007	year of birth, medium cohort and 1% p.a. minimum improvements from 2007

Commutation

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 2008 service.

Peter Summers FFA
31 May 2011

12. Further information & contacts

The Council produces a number of other publications, as well as this booklet to support its role as administering authority of the Wiltshire Pension Fund. You can request these from the Wiltshire Pension Fund at County Hall, Trowbridge, from our Website at www.wiltshirepensionfund.org.uk or by emailing pensionenquiries@wiltshire.gov.uk.

Guide to the Local Government Pension Scheme

This booklet explains the benefits available to employees and their dependants of being in the Fund.

Employers' guide

This is a loose-leaf format publication specifically aimed at staff within employer bodies with responsibility for providing information to the Pensions Section in respect of Fund administration. This will include details for employees within their organisation who are joining the Fund, and Fund members who are retiring, or who may have a change in circumstances affecting their pension entitlements.

Starter packs

These contain information that has to be made available to new employees on their pension entitlements, together with supporting information.

Retirement packs

These contain information for every new pensioner about their pension and other supporting information.

Newsletters

Occasional newsletters are produced, both for participating Fund members and for pensioners, containing information of interest.

Annual benefit statements

Statements are automatically available for all full-time Fund members and those working regular part time hours, and also for deferred pensioners. Statements are also available on request for any Fund member at any time.

Other information

Various leaflets, posters and fact sheets explaining the Fund and highlighting its benefits are produced. The Pensions Section also has booklets available produced by Prudential on Additional Voluntary Contributions.

For further information contact:

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Email: martin.summers@wiltshire.gov.uk

David Anthony
Head of Pensions

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