

AGENDA

Meeting: Wiltshire Pension Fund Committee
Place: The Longleat Room - County Hall, Trowbridge BA14 8JN
Date: Wednesday 27 February 2013
Time: 10.30 am

Please direct any enquiries on this Agenda to Kieran Elliott, of Democratic Services, County Hall, Bythesea Road, Trowbridge, direct line 01225 718504 or email kieran.elliott@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
Chairman's Briefing	27 Feb	0930-1030	Longleat Room
Fund Manager's Waiting Room	27 Feb	1000-1400	Wardour Room

Membership:

Wiltshire Council Members:

Cllr Tony Deane (Chairman)
Cllr Charles Howard (Vice Chairman)
Cllr Mark Packard
Cllr Sheila Parker
Cllr Fleur de Rhé-Philippe

Substitute Members

Cllr John Brady
Cllr David Jenkins
Cllr Helen Osborn
Cllr Jeff Osborn
Cllr Roy While

Swindon Borough Council Members

Cllr Brian Ford
Cllr Des Moffatt

Substitute Members

Cllr Mark Edwards

Employer Body Representatives

Mrs Lynda Croft
Mr Tim Jackson

Observers

Mr Tony Gravier
Mr Mike Pankiewicz

PART I

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

1 **Membership**

To note any changes to membership of the Committee.

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

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

3 **Apologies for Absence**

To receive any apologies or substitutions for the meeting.

4 **Minutes of the Previous Meeting (Pages 1 - 6)**

To confirm the minutes of the meeting held on **06 December 2012**.

5 **Chairman's Announcements**

To receive any announcements through the Chair.

6 **Declarations of Interest**

To receive any declarations of disclosable 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 Wednesday 20 February 2013**. 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 **Treasury Management Strategy (Pages 7 - 16)**

A report presenting an updated Treasury Management Strategy for 2013-14 for committee approval.

9 **Pension Fund Risk Register (Pages 17 - 22)**

An update from the Service Director, Finance on the Wiltshire Pension Fund Risk Register is circulated for Members' to note.

10 **Officer Training Update (Pages 23 - 26)**

An update from the Service Director, Finance on the current qualifications of the Wiltshire Pension Fund team and the development of their training programmes.

11 **Wiltshire Pension Fund Administration 2012-13 Budget Monitoring (Pages 27 - 28)**

An update on the current projected outturn of the Wiltshire Pension Fund budget for Members' to note.

12 **Date of Next Meeting**

To note that the next regular meeting of the Committee will be held on

13 **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.

14 **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 15 – 19 because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraphs 3 of Part I of Schedule 12A to the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public.

PART II

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

15 **Wiltshire Pension Fund Administration Budget 2013-16 (Pages 29 - 34)**

A confidential report by the Service Director, Finance outlining the proposed Administration budget for 2013-14 and planned expenditure in 2014-15 and 2015-16.

16 **Investments Quarterly Progress Report (Pages 35 - 72)**

Three confidential reports are circulated updating the Committee on the performance of the Fund's investments as to the end of December 2012.

17 **Investment Review Update (Pages 73 - 118)**

A confidential report by the Service Director, Finance introducing the options available to the Fund is circulated as part of the formal review of Edinburgh Partners and Fauchier Partners elsewhere on this agenda.

18 **Edinburgh Partners: Formal Review**

A confidential report from Edinburgh Partners is attached and Members are asked to consider this along with the verbal report at the meeting.

19 **Fauchier Partners: Annual Review**

A confidential report from Fauchier Partners 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 6 DECEMBER 2012 AT COMMITTEE ROOM A - COUNCIL OFFICES,
MONKTON PARK, CHIPPENHAM SN15 1ER.**

Present:

Cllr John Brady (Substitute), Mrs Lynda Croft (Associate Member), Cllr Tony Deane (Chairman), Cllr Charles Howard (Vice Chairman), Cllr Des Moffatt, Mr Mike Pankiewicz and Cllr Sheila Parker

Also Present:

Jim Edney and Joanne Holden

114 **Membership**

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

115 **Attendance of Non-Members of the Committee**

None

116 **Apologies for Absence**

Apologies for absence were received from Cllr Fleur de Rhé-Phillipe and Mr Tim Jackson.

Cllr de Rhé-Phillipe was substituted by Cllr John Brady.

117 **Minutes of the Previous Meeting**

The minutes of the meeting held on **14 September 2012** were presented. It was,

Resolved:

To APPROVE as a true and correct record and sign the minutes.

118 **Chairman's Announcements**

Through the Chair, the Committee received an update from the Head of Pensions regarding changes as a result of the Autumn Budget Statement.

It was stated a briefing note for Members with fuller details would be to follow.

119 **Declarations of Interest**

There were no declarations.

120 **Public Participation and Councillors' Questions**

There were no questions or statements submitted.

121 **LGPS Reforms Update**

The Head of Pensions presented a verbal update on the developing status of the Local Government Pension Scheme (LGPS) Reforms, due to be implemented in 2014.

The Committee was informed there were currently two on-going workstreams looking into a new design for the scheme, and the future cost management and governance respectively. It was confirmed the further details on both workstreams had not yet been made available.

It was,

Resolved

To note the update on the LGPS Reforms.

122 **Pension Fund Risk Register**

The Service Director (Finance) presented a report on the Wiltshire Pension Fund Risk Register. It was highlighted that owing to the completion of the staff restructuring of the Pension Team, the risk of 'Lack of Expertise of Pension Fund Officers' had been downgraded.

The Committee then discussed the report. In response to queries regarding staff training and qualifications, it was stated that a review of key officers has been undertaken, and that training for the Benefits team had already begun. It was also stated that there are annual appraisal cycles to identify long term objectives and those officers and teams who require further training to meet those objectives. Training is led by an in-house trainer, who was fully accredited for the role and external resources are used when appropriate.

At the conclusion of debate, it was,

Resolved:

- 1) To note the update to the Pension Fund Risk Register, and;**
- 2) To request an update from the Fund Technical Compliance Manager regarding training for staff.**

123 CIPFA Business Services Update

Mr Robert Summers (Chair of CIPFA Pensions Panel and Network) presented a verbal update to the Committee on the latest developments and activities within the Local Government Pension Scheme (LGPS) Sector, raising points including the following.

The CIPFA Pensions Panel continued to promote best practice and respond to government changes, and remained in talks and consultation with HM Treasury over proposals. These included Pension Reform, Fair Deal, Investment Regulations and the Stewardship Code.

The Committee was also informed that a revision of Knowledge Skills Code of Practice would be issued shortly, and the CIPFA Network had produced an online facility for information on LGPSs, with workshops and conferences also available throughout the year.

LGPS Reform 2014: Details on the enabling legislation of the Public Sector Pension Bill (2012) was given, and it was stated that further regulations for consultation were expected to be released very shortly by the Government. These were likely to remain high level with further detail to be issued at a later date. The Pension Regulator is having a key role in drafting the new regulations.

One area within the new regulations is the need for Pensions Boards at local levels to encourage good practice and avoid conflict of interests. Clarity is still to be issued on how these will operate in practice.

The role of the proposed National Pension Board was also discussed, and it was confirmed the draft bill had not yet defined the powers of the proposed board.

The Committee then discussed the update further, querying the inclusion of LGPS Funds with other types of Public Sector Funds, given their different constitution, and that point needed to be emphasized to central government. It was also confirmed in response to queries that the Pensions Bill was scheduled to be fully enacted by Summer 2013.

The Committee were given an update on the development of the Knowledge & Skills Governance framework along with the latest developments in this area.

The Investment Regulations were discussed along with the current consultation of the Investment in Partnerships. The Committee noted that central government should not assume Pension Funds would automatically start to invest more in Infrastructure as it desired, as this might not be the most suitable way to benefit a Fund's particular investors.

At the end of discussion, it was,

Resolved:

- 1) **To thank Mr Summers for providing the Committee with an update, and;**
- 2) **To delegate authority to the Chair and Vice-Chair to consider drafting a letter to all Wiltshire MPs on behalf of the Committee to highlight concerns and key points regarding the treatment of the LGPS within the proposed Pension Reforms.**

124 **Date of Next Meeting**

The Committee noted that the next scheduled meeting of the Committee was **Wednesday 27 February 2013, at The Longleat Room, New County Hall, Trowbridge, Wiltshire, BA14 8JN.**

125 **Urgent Items**

The Chair raised the proposed draft response from the Wiltshire Pension Fund to the LGPS consultation on investment regulations, as seen in the letter attached to these minutes.

The Chair advised he had held meetings with MEPs and MPs about the proposed regulations, and following that suggested the response should be redrafted to emphasise investment in infrastructure should be focused on the security, liquidity of assets and the potential return.

After discussion, it was,

Resolved:

To delegate authority to the Chair and Vice-Chair to confirm a redraft of the response to the consultation on proposed changes to investment regulations in line with the points above.

126 **Exclusion of the Public**

The Committee considered whether it was necessary to conduct the rest of the meeting in private session.

It was,

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 127-130 because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraphs 1 & 3 of Part I of Schedule 12A to the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public.

127 **CIPFA Pension Administration Benchmarking Club Report**

The Head of Pensions presented a report on the CIPFA Pension Administration Benchmarking Club, which compared Wiltshire Council with 62 other Local Government Pension Scheme (LGPS) Authorities, for the financial year 2011-12.

It was noted that for the Wiltshire Pension Fund the total administrative cost per member for Wiltshire was lower than the average, with the full details contained in the confidential report. Communications costs per member are higher than the average reflecting the proactive communication of LGPS reforms and tax relief allowances to members by the Fund.

The Committee were informed the conclusion was that the Wiltshire Pension Fund was broadly in line with other LGPS schemes.

The Committee discussed the report, where room for improvement on the figures in terms of consistency was raised, and the figures for previous years assessed.

After discussion,

Resolved:

To note the update.

128 **Investments Quarterly Progress Report**

The Fund Investment and Accounting Manager presented an investment quarterly progress report, highlighting the performance against the benchmarks for each mandate of the Fund, noting those mandates which were underperforming in the short, medium or long terms.

Joanne Holden (Mercers) then presented a confidential report assessing the performance of the Fund's investment managers, advising which mandates might require closer attention and assessment in future.

The Committee then discussed the report, including the possibility of investments with funds focused in Emerging Markets, and also discussed ethical issues involved in investments.

After discussion, it was,

Resolved:

To note the update and thank Mercers for their report.

129 **Berenberg: Update on Implementation of Dynamic Currency Hedging Programme and Plans for the Future**

Mr Tindaro Siragusano, Mrs Maria Heiden and Mr Matthew Stemp from Berenberg Bank gave a presentation and update on the progress of the Dynamic Currency Hedging Programme, and took questions regarding future plans.

It was,

Resolved:

To thank the representatives from Berenberg Bank for their presentation, and request a future update within a year.

130 **CBRE: Review of 2011-12 and Plans for the Future**

Mr Max Johnson, Mr Alex Bignell and Mr Mark Adcock from CBRE presented a report updating the Committee on the performance of their mandate of the Pension Fund, along with future options for the Committee to consider.

Resolved:

To thank the representatives from CBRE for their presentation, and to request a further update from officers for the Committee on 27 February 2013, to review whether changes need to be considered for this mandate.

(Duration of meeting: 10.35 am - 2.15 pm)

The Officer who has produced these minutes is Kieran Elliott (Democratic Services Officer), of Democratic Services, direct line 01225 718504, e-mail kieran.elliott@wiltshire.gov.uk

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

WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE

27 FEBRUARY 2013

TREASURY MANAGEMENT STRATEGY

Purpose of the Report

1. The purpose of this report is to seek Members' approval for the Annual Treasury Management Strategy prepared for the Wiltshire Pension Fund.

Background

2. As the Committee is aware, the Fund has its own bank account, entirely separate from Wiltshire Council's bank accounts. This was implemented in April 2009, at the same time as the Fund gained its own accounting entity with the introduction of the SAP system. Separate bank accounts became a requirement of the Local Government Pension Scheme Regulations from 1 April 2011.
3. Following concerns about so-called "co-mingling" of local authority and pension fund cash balances, and the associated risk of cross-subsidy, the same Regulations require that the two sets of cash investments are also managed separately. This separation has been in place since 2010/11.

Considerations for the Committee

4. The Fund has net inflows from its dealings with its members, so in any month, the income from contributions and transfers-in exceed the pensions, transfers-out and costs paid out. The surplus cash accumulated (Trowbridge Cash) is sent to one of the Fund's investment managers on a monthly basis, although a float of approximately one month's cash requirement (£1.5 - £2 million) is held for cashflow purposes. This is necessary to avoid the Fund having to borrow short-term within the month.
5. There has been one change made to the Treasury Management Strategy for Wiltshire Pension Fund since last year reducing the counterparty limit from £8m to £6m. The Fund has a number of money market and call accounts open and when balances peak towards the end of the month this will ensure the Funds are not all held with one counterparty.
6. When preparing this strategy officers liaise with Wiltshire Council's Treasury Management Team to ensure the strategy is appropriate. There have been no key changes proposed to the Wiltshire Council Treasury Strategy for 2013-14.

The key points of the Treasury Management Strategy

7. The key points of the Strategy (see attached) are:
 - a) The Fund will aim to achieve the optimum return on investments commensurate with high levels of security and liquidity.
 - b) The monies will be invested separately from the Council's and the Fund will receive the actual interest earned.

- c) The Pension Fund will use the same criteria for maximum limits and terms with individual counterparties as approved by Wiltshire Council on an annual basis in its own Treasury Management Strategy, subject to:
 - i. A maximum of £6 million with any single counterparty.
 - ii. No investment will be made in the money market funds / cash vehicles used by the Custodian to invest any cash it holds on behalf of the Fund's investment managers.
- d) Given the nature of Trowbridge Cash (ie. short-term working capital nature), the investments will only be made either in:
 - i. Call Accounts provided by an approved deposit-taker that complies with the Counterparty Policy set out in the Strategy; or
 - ii. Money Market Funds managed by an approved investment manager.
- e) The providers of the Call Accounts, and the Money Market Fund vehicles, must have a "high credit rating" as prescribed in the minimum requirements for "high credit rating" set out in Wiltshire Council's annual Treasury Management Strategy.
- f) The Fund will not borrow except by way of temporary loan or overdraft from a bank or otherwise, and then only in exceptional circumstances where it is for the purpose of:
 - i. Paying benefits due under the Scheme; or
 - ii. Meeting investment commitments arising from the implementation of a decision by the Committee to change the balance between the different types of investment.
- g) The management of Wiltshire Pension Fund's cash will be carried out by Wiltshire Council's Treasury Management team under a Service Level Agreement.

Environmental Impact of the Proposal

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

Financial Considerations & Risk Assessment

9. This has been dealt with in this paper. The implementation of this Treasury Strategy mitigates the risk PEN016: Treasury Management outlined on the Wiltshire Pension Fund risk register.

Reasons for Proposals

10. It is best practice, as well as being desirable operationally, to have a separate Treasury Management Strategy for the Wiltshire Pension Fund, so that there is no question of cross-subsidy or co-mingling.

Proposals

11. The Committee is asked to approve the attached Treasury Management Strategy.

MICHAEL HUDSON
Service Director, Finance

Report Author: Catherine Dix, Fund Investment & Accounting Manager.

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

Appendix: WPF Treasury Management Strategy

Annex: Extract from Wiltshire Council's Treasury Management Strategy for 2013-14

WILTSHIRE PENSION FUND
TREASURY MANAGEMENT STRATEGY

Operational Context

1. The Fund has net inflows from its dealings with its members, so in any month, the income from contributions and transfers-ins exceed the pensions, transfers-out and costs paid out.
2. The surplus cash accumulated (“Trowbridge Cash”) is allocated to one (or more) of the Fund’s investment managers on a monthly basis. It is sent to the Fund’s custodian BNY Mellon, who invest the cash held on behalf of each investment manager in Money Market Funds, under the terms of the Custody Agreement. These investments are not within the scope of this Strategy.
3. However, approximately one month’s net inflow (£1.5 - £2 million) is held back as a float for cashflow purposes. This is necessary to avoid the Fund having to borrow from Wiltshire Council or elsewhere for short-term cashflow purposes within the month.

Regulatory Context

4. The Fund will comply with the requirements of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, which were implemented on 1 January 2010, and from 1 April 2010 have not pooled pension fund cash with Wiltshire Council’s own cash balances for investment purposes. Any investments made by the pension fund directly with Wiltshire Council after 1 April 2010 has complied with the requirements of SI 2009 No 393 (ie. will be treated in the same way as any other external investment).
5. The Fund will also have regard to:
 - a) The Department for Communities and Local Government’s (DCLG’s) Guidance on Local Government Investments (“the Guidance”) issued in March 2004 and any revisions to that Guidance;
 - b) The Audit Commission’s report on Icelandic investments;
 - c) The 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes (“the CIPFA TM Code”);
 - d) The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 more widely.

Investment Policy

6. The general investment policy of the Fund is the prudent investment of any surplus cash balances, the priorities of which are:
 - a) The security of capital; and
 - b) The liquidity of investments.

7. The Fund will also aim to achieve the optimum return on investments commensurate with high levels of security and liquidity.
8. All cash investments will be in sterling.
9. The monies will be invested separately from the Council's and the Fund will receive the actual interest earned. Monies will be paid out of and received back into the Pension Fund bank account.
10. Trowbridge Cash will target a range of £1.5 - £7 million, with the highest balances held between the 19th of the month (ie. when all contributions have to be paid over by employers) and 25th of the month (pensions payroll). The float held in-month for cashflow purposes will target £1.5 - £2 million. For the avoidance of doubt, these are indicative amounts, not absolute limits.
11. The Pension Fund will use the same criteria for maximum limits and terms with individual counterparties as approved by Wiltshire Council on an annual basis in its own Treasury Management Strategy, subject to:
 - a) A maximum of £6 million with any single counterparty.
 - b) No investment will be made in the same money market funds / cash vehicles used by the Custodian to invest any cash it holds on behalf of the Fund's investment managers.
 - c) For the avoidance of doubt, the Pension Fund's limits are in addition to Wiltshire Council's own limit in any single counterparty.
12. Given the nature of Trowbridge Cash (ie. short-term working capital nature), the investments will only be made either in:
 - a) Call Accounts provided by an approved deposit-taker that complies with the Counterparty Policy set out below; or
 - b) Money Market Funds managed by an approved investment manager.
13. For the avoidance of doubt, direct investments with counterparties are not permitted (eg. direct deals with banks or other local authorities for fixed time periods).
14. The providers of the Call Accounts, and the Money Market Fund vehicles, must have a "high credit rating" as prescribed in the minimum requirements for "high credit rating" set out in Wiltshire Council's annual Treasury Management Strategy.
15. An extract of the appropriate parts from Wiltshire Council's latest Treasury Management Strategy (2013-14) is given in the Annex for information. The full paper will be available from the Wiltshire Council Cabinet reports dated 12th February and can be found on the following link: [Agenda for Cabinet on Tuesday, 12th February, 2013, 10.30 am | Wiltshire Council](#)

Borrowing Policy

16. The Fund will not borrow except by way of temporary loan or overdraft from a bank or otherwise, and then only in exceptional circumstances where it is for the purpose of (overleaf):

- a) Paying benefits due under the Scheme; or
- b) Meeting investment commitments arising from the implementation of a decision by the Committee to change the balance between the different types of investment.

Management Arrangements

- 17. The management of Wiltshire Pension Fund's cash will be carried out by Wiltshire Council's Treasury Management team under a Service Level Agreement. All treasury management activity related to the Pension Fund will be reported to the Head of Pensions on a monthly basis.
- 18. The Treasury Management Team will inform the Head of Pensions of any change in the criteria for the counterparty list.

EXTRACT FROM WILTSHIRE COUNCIL'S TREASURY MANAGEMENT STRATEGY FOR 2013-14

15. All credit ratings will be monitored at least weekly (daily if there are any updates released by Sector). The Council is alerted to changes in ratings of all three agencies through its use of the Sector creditworthiness service.
16. If a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
17. In addition to the use of credit ratings the Council will be advised of information in movements in Credit Default Swaps against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.
18. Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, information on government support for banks and the credit ratings of that government support.
19. The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch Ratings.

The Minimum requirements for "high credit quality"

20. In accordance with the DCLG Guidance on Local Government Investments in respect of selection of counterparties with whom investments are placed, Wiltshire Council will comply with the minimum requirements below.
21. Credit ratings will be those issued by Fitch Ratings Ltd in respect of individual financial institutions (as shown below, where F1+ is the highest short term rating and AAA the highest long term rating). An exception is made in respect of money market funds, as shown below, where a different overall AAA rating is the highest.
22. The minimum requirements for high credit quality, by type of institution, are as follows:
 - **Banks incorporated inside the United Kingdom with a short term credit rating of at least F1 or Government backed and their subsidiaries;**
 - **Banks incorporated outside the United Kingdom with a short term credit rating of at least F1+ and a long term rating of A+;**
 - **United Kingdom building societies with a short term credit rating of at least F1 or Government backed;**

- **All local authorities and public bodies (as defined in S23 of the Local Authorities Act 2003) (ratings are not issued for most of these bodies);**
- **Multilateral development banks (as defined in Statutory Instrument 2004 No. 534) with a short term credit rating of at least F1 and long term credit rating of AAA;**
- **All banks & building societies must have a bank viability rating of at least bbb – except where the counterparty is UK Government backed (fully and partially) – (aaa being the highest, through aa, a and bbb);**
- **In addition, all banks and building societies to which the Authority may lend funds must have a support rating of no more than 3 (1 being the highest support rating);**
- **Money market funds, which have been awarded the highest possible rating (AAA) from at least one of the following credit rating agencies, Standard and Poor's, Moody's Investor Services Ltd or Fitch Ratings Ltd.; and**
- **Deposits must only be placed in money market funds subject to individual signed management agreements.**

23. In addition to the above criteria, the following limits will be applied to the total cumulative investments placed with an individual institution (or group of institutions where there is common ownership):

a) **Up to £15 million: (*£6 million for the Wiltshire Pension Fund*)**

- **UK incorporated banks with a long term credit rating of at least AA;**
- **Overseas banks that have a long term credit rating of at least AA;**
- **Multilateral development banks;**
- **Local authorities and other public bodies; and**
- **Money market funds.**

b) **Up to £8 million: (*£6 million for the Wiltshire Pension Fund*)**

- **Other UK incorporated banks (that have a long term credit rating of less than AA but which also satisfy the credit rating conditions within this Strategy);**
- **Other overseas banks (that have a long term credit rating of less than AA but which also satisfy the credit rating conditions within this Strategy);**

- **UK Building societies with long term credit rating of at least A; and**
- **Government backed UK and overseas banks and UK building societies and their subsidiaries.**

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WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE

27 FEBRUARY 2013

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 has been no significant changes in risks since the last report in December 2012.

Environmental Impacts of the Proposals

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

Proposals

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

MICHAEL HUDSON
Service Director, Finance

Report Author: David Anthony, Head of Pensions.

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

Appendix: Risk Register

Wiltshire Pension Fund Risk Register							12-Feb-13				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		2	2	4	Low	12 Feb 2013	→→→→
PEN002	Failure to collect and account for contributions from employers and employees on time	Finance	Non-availability of SAP system, 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	Electronic forms rolled out to all employers to allow collation of membership and contributions detail by member to facilitate monthly reconciliations ahead of year end.	Catherine Dix		2	2	4	Low	26 Nov 2012	→→→→
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. This shouldn't be an issue for the Wiltshire Pension Fund short term although longer term (5-10 yrs) investment income may be used to meet payments.	David Anthony	Funding Strategy Statement, Investment Strategy, Triennial Valuations, membership of Club Vita, etc. Now the LGPS reforms have initially been announced and the proposed increase in members contribution rates is known the actuary will be asked to model the potential impact in cashflows.	4	1	4	Low	The "maturity" profile of cashflows could be brought forward if members choose to opt-out of the scheme (although the proposed 50:50 option may reduce this number) along with the reduction in public sector employees from the spending constraints. This will be modelled at a high level. Employers who experience a large number of outsourcings may also see maturing cashflow profiles.	David Anthony	Dec-12	4	1	4	Low	12 Feb 2013	→→→→
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. The team have the ability to work from home or remoteley if required. The pension system is also hosted by its supplier, which reduces the risk should Wiltshire Council's IT servers fail.	4	1	4	Low	Business Continuity Plan has been refreshed in and approved by the CFO in Oct 2011. All the team now have laptops that would mean they can access ALTAIR remotely if required.	Andy Cunningham		4	1	4	Low	12 Feb 2013	→→→→
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 Feb 2013	→→→→

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	3	6	Medium	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. The current increase in Quantative Easing by the Government is forcing up the price of gilts leading to a worsening Funding Position that may mean a review of the Stabilisation Policy at the 2013 Valuation.	David Anthony / Andy Cunningham	Mar-14	3	2	6	Medium	12 Feb 2013	→
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	3	6	Medium	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. The current increase in Quantative Easing by the Government is forcing up the price of gilts leading to a worsening Funding Position that may mean a review of the Stabilisation Policy at the 2013 Valuation.	David Anthony / Andy Cunningham	Mar-14	3	2	6	Medium	12 Feb 2013	→
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. The implementation of the Stabilisation Policy limits increases for secure employer.	Catherine Dix	Mar-14	2	2	4	Low	12 Feb 2013	→
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		2	2	4	Low	12 Feb 2013	→

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.	3	3	9	Medium	Internal Audit report (March 2012) identified need for implementing more regular reconciliations of systems. Pension team structure review has been implemented which ensures staff with the relevant skills & knowledge are in post. The Technical & Compliance Manager is currently formulating a training plan for the team. A review of the LGPS 2014 reforms will also be required to ensure future compliance.	Martin Summers	Apr-13	1	2	2	Low	12 Feb 2013	→
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. An imaging system will be implemented over the coming months to improve retention of documents.	Martin Downes	Mar-13	2	1	2	Low	12 Feb 2013	→
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	Systems 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.	2	3	6	Medium	Detailed reconciliations are being undertaken between Wiltshire Council payroll and the Fund's data.	Martin Downes	Apr-13	2	1	2	Low	12 Feb 2013	→
PEN011	Lack of expertise of Pension Fund Officers and Service Director, Finance	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.	2	2	4	Low	Officers training requirements are identified through appraisals, and the Technical & Compliance Manager will be formulating a training programme based on the latest appraisal cycle. Relevant officers are also reviewed against the CIPFA Knowledge & Skills Framework to ensure adequate expertise exists. The restructure now provides better technical knowledge at the right levels.	David Anthony	Sep-12	2	1	2	Low	12 Feb 2013	→

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 restructure is now complete.	David Anthony		2	1	2	Low	12 Feb 2013	→
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	Now the proposed changes to the LGPS scheme are known updated information can be circulated to employers and members. The Fund has formulated its strategy to inform members of the changes and where possible working with key stakeholders. Employers are also being reminded of their responsibilities for Autoenrolment.	Zoe Stannard & Andy Cunningham	Dec-12	1	1	1	Low	12 Feb 2013	→
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 Feb 2013	→
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 Feb 2013	→
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 latest updated Treasury Management Strategy is on this agenda for approval. This follows the same criteria adopted by Wiltshire Council but limits individual investments with a single counterparty to £6m.	3	1	3	Low	The Council uses Sector's credit worthiness service using ratings from three rating agencies to provide a score. Surplus cash is transferred to the Custodian at month end ensuring cash balances are minimal.	Catherine Dix		3	1	3	Low	12 Feb 2013	→

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							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		2	1	2	Low	12 Feb 2013	→

WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE

27 FEBRUARY 2013

OFFICERS' TRAINING PLAN

Purpose of the Report

1. At the last Committee meeting Members requested an update from the Wiltshire Pension Fund's (WPF) Technical and Compliance Manager in regards to the training for staff. This paper provides an update on the current situation and the developments being implemented.

Background

2. This paper follows on from the Officers' Training Plan which was presented to this Committee on 14 September 2012. This outlined the Fund's compliance with the CIPFA Knowledge & Skills Framework (KSF) and the process relevant officers follow which ensure the Fund has the requisite skills in the necessary areas.
3. This paper aims to provide the assurances that the relevant qualifications are held by officers at the appropriate levels, outline the process for identifying training needs across the team and to explain how the Fund's training requirements are met and will be monitored moving forward.

Main Consideration for Committee

Qualifications of Staff

4. The Fund has a diverse range of functions, from benefits administration, accounting, investment, communications, employer relations, ICT, and governance. Therefore, a wide skill set is required.
5. To ensure the highest professional standards are attained, professional qualifications are either essential or highly desirable for most of the senior roles within the WPF team. Listed below are the team's senior roles and the qualifications of the post holder:

Head of Pensions:	Association of Chartered Management Accountants (ACMA)* Certificate in Management
Pension Manager:	Association of Institute of Pension Professionals (IPP)* Association of Payroll Superannuation Administrator (APSA)
Fund Investment & Accounting Manager:	Association of Chartered & Certified Accounts (ACCA)* Investment Management Certificate (IMC)
Investment Officer	Association of Accounting Technicians (AAT)
Accounting Technician:	Part Qualified Chartered Institute of Management Accountants
Technical & Compliance Manager:	Association of Institute of Pension Professionals (IPP),* Certificate in Management (Level 5), Chartered Institute of Payroll Professionals (CIPP) Tutor
Employer Relationship &	Pensions Management Institute (PMI) (level 1)

Fund Develop't Manager	PRINCE2 Practitioner
Communications Manager:	Institute of Pension Professionals (IPP) - Foundation PRINCE2 Foundation
System Manager:	Diploma in Pension Calculations (DPC) (part-qualified)
Benefits Manager:	Institute of Pension Professionals (IPP) - Foundation Certificate in Management (Level 3)
Senior Pension Officers 1:	Institute of Pension Professionals (IPP) - Foundation
Senior Pension Officers 2:	Institute of Pension Professionals (IPP) - Foundation
Senior Pension Officers 3:	Qualification by experience

6. The remaining roles on the team don't specifically require qualifications although officers are encouraged to undertake them. The Systems Team also has one officer who is a full Associate of the Institute of Pension Professionals (IPP) since 2011.
7. For those qualifications listed above with an (*) there is a requirement to undertake Continual Professional Development (CPD) to maintain membership which ensures skills and knowledge levels are kept up to date.

Identification of Training Needs

8. Training is then delivered through a variety of mediums. All staff receive an induction session that outlines the basic requirements of their role. They will then receive on the job training to ensure they understand and are able to carry out the duties of their role. This is usually carried out by their manager or experienced colleague.
9. Staff are also encouraged to attend relevant internal team briefings and training sessions along with relevant external training events and conferences where applicable to their post.
10. All staff receive an appraisal and interim review on an annual basis. This sets individual goals and objectives that are linked back to the WPF Business Plan and identifies training needs required to fulfil them.
11. Traditionally this approach has been undertaken on a demand basis and has been relatively ad-hoc. Therefore a more formalised approach is being developed to identify the sufficiency of training and to address areas of weakness.

Technical & Compliance Manager

12. As part of the Fund's team restructure, the post of Technical & Compliance Manager (TCM) was created. Part of this role is to oversee the training requirements of the team and implement a plan to ensure these are met. Tim O'Connor was appointed to this role. He has held the IPPM Diploma for 11 years, and is an approved trainer for the IPPM course which means he is well placed to undertake this role.
13. Once the current cycle of appraisals has been completed, the TCM will review the team's training needs and formulate a training plan for the year. Appendix 1 shows the current different delivery methods of training used by the team or being developed.
14. The TCM is also responsible for reviewing all the technical updates and scheme legalisation changes issued and provide an update of these to the Management Team and Team meetings each month. The TCM will arrange bi-monthly team training / briefing sessions for the whole team on relevant topics. The first was carried out last month as a Data Protection refresher. These will be vital as the LGPS 2014 scheme is implemented.

Summary

15. There has been a focus to improve the qualifications of the team and based on the latest CIPFA benchmarking WPF will now have an overall higher percentage of qualified staff compared to the average if recent qualification successes are included (See Appendix No 2). Training is encouraged although the approach has been more piecemeal in the past which will now be more targeted and a formalised approach taken moving forward to ensure consistency and depth of knowledge across the team. The TCM with the relevant skills has been appointed to undertake this. This is in addition to the officers CIPFA KSF approach also being utilised for the senior roles within the team as outlined in the paper last September.

Financial Implications

16. A budget of £17.5k is built into the Pension Fund Administration Budget each year for officers' development and training.

Risk Assessment

17. This report addresses the risk *PEN011: Lack of Expertise on the Pension Fund officers* identified elsewhere on this agenda. The purpose of the officers' training programme is to reduce the risk of poor governance and administration due to them not having the necessary and most up to date level of skills and knowledge.

Environmental Impact of the Proposals

18. This is no environmental impact of these proposals.

Proposals

19. The Committee is asked to note the on-going activities in relation to officers' training.

MICHAEL HUDSON
Service Director, Finance

Report Author: Tim O'Connor, Technical & Compliance Manager

Unpublished documents relied upon in the production of this report:

NONE

Appendices – App1: Training Schedule
App2: Staff Qualifications

Appendix No 1

Training Method	Delivery Method	By Whom	Frequency
Technical Updates to Managers	Reports / Presentation to Management Team	Technical & Compliance Manager	Monthly
Technical Updates to Team	Presentation at Section Meeting	Technical & Compliance Manager	Monthly
Induction	One to one	Manager	As required
Specific Administration Topics	Briefing / Seminars	TCM / Team member / external consultant	Bi-monthly
Specific technical areas – investments / accountancy / administration / Governance	Conferences / workshops / CIPFA publications	External organisation	Ad-hoc
Administration Fundamentals	LGE Residential Course	External trainers	annually
Remote Training	Online internal pension training courses	Technical & Compliance Manager	Available when required

Appendix No 2

CIFPA Staff Qualifications 2012*

Staff Qualifications	FTE	%	Average
Staff PMI	0	0%	2%
IPPM Nat. Cert – Diploma	1	5%	20%
IPPM Nat. Cert - Intermediate	0	0%	1%
IPPM Nat. Cert - Foundation	4	19%	12%
CIPP Foundation Degree	0	0%	2%
QPA	0	0%	3%
QPSPA	0	0%	0%
APSA	1	5%	10%
Other relevant	4.6	22%	11%
Training	0	0%	4%
No relevant	10.3	49%	34%
Total	20.9		

*Since this information was compiled the following can also be added;

FTE

IPPM Nat. Cert – Diploma 2
 Staff PMI – Level 1 - 1
 Total Qualifications: **13.6 or 65%**

PENSION FUND ADMINISTRATION BUDGET 2012-13 - BUDGET MONITORING

	2012/13			Explanations
	Budget £000	Projected Outturn £000	Variance £000	
<u>Fund Investment</u>				
Investment Management Fees				
Segregated Funds	3,980	2,805	1,175	Lower performance fee paid to Baillie Gifford and lower fees from terminating Capital mandates replacing them with pooled ones.
Pooled Funds *	1,175	1,931	-756	Implementation of new mandates, namely Partners (Infrastructure) and Barings (Absolute Return Funds) from June 2012
	<u>5,155</u>	<u>4,736</u>	<u>419</u>	<i>These projected fee estimates are based on current market conditions and are subject to change prior to year end.</i>
<u>Fund Investment Costs</u>				
1 Investment Administration	91	91	0	
2 Investment Custodial & Related Services	38	49	-11	Lower securities lending income accrued due to increased investment in pooled funds
3 Investment Consultancy	275	178	97	Mainly the result of a lower number of investment manager search activity than budgeted
4 Corporate Governance Services	49	52	-3	
5 Performance Measurement	40	40	0	
	<u>493</u>	<u>410</u>	<u>83</u>	
<u>Fund Scheme Administration</u>				
6 Pension Scheme Administration	1,215	1,124	91	Lower staff costs due to the delay in implementing restructure and carrying a number of vacancies in the interim.
7 Actuarial Services	99	115	-16	Increased use of benefit advisor for advice on specific issues and increased outsourcing activity
8 Audit	56	56	0	
9 Legal Advice	9	65	-56	Additional Legal costs in relation to new admitted bodies, outsourcing, administration.
10 Committee & Governance	48	42	6	
	<u>1,427</u>	<u>1,402</u>	<u>25</u>	
Fund Administration Costs	<u>1,427</u>	<u>1,402</u>	<u>25</u>	
Total FUND COSTS	<u>1,920</u>	<u>1,812</u>	<u>108</u>	
TOTAL FUND EXPENDITURE (Costs & Fees)	<u>7,075</u>	<u>6,548</u>	<u>527</u>	

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