Wiltshire Council
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AGENDA

Meeting:	Wiltshire Pension Fund Committee
Place:	The Bowyer Room, Civic Centre, St Stephens Place, Trowbridge. BA14 8AH
Date:	Thursday 19 September 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	19 Sept 2013	0930	Bowyer Room, Civic Centre

Membership:

Wiltshire Council Members:
Cllr Tony Deane (Chairman)
Cllr Charles Howard (Vice-Chair)
Cllr Mark Packard
Cllr Sheila Parker
Cllr Graham Payne

Substitute Members
Cllr David Jenkins
Cllr Fleur de Rhé-Philipe
Cllr Ian Thorn
Cllr Roy While
Cllr Philip Whitehead
Cllr Graham Wright

Swindon Borough Council Members
Cllr Brian Ford
Cllr Des Moffatt

Substitute Members
Vacant

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** *(Pages 1 - 8)*

To confirm the minutes of the meeting held on 25 July 2013.

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 Thursday 12 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 **External Audit Report** *(Pages 9 - 18)*

A report by KPMG presenting the Final Audit report on the 2012-13 Annual Report for the Wiltshire Pension Fund for information.

9 **Pension Fund Risk Register** *(Pages 19 - 26)*

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

10 **Budget Monitoring 2013-14 Report** *(Pages 27 - 28)*

A report of the current budget monitoring position for the Wiltshire Pension Fund for the year based on the latest position for information.

11 **Officers' Training Update**

A verbal update by Head of Pensions on the Officers training plans for information.

12 **Funding Strategy Statement** *(Pages 29 - 72)*

A report by Head of Pensions presenting the revised draft Funding Strategy Statement for the Wiltshire Pension Fund for Committee approval.

13 **'Call for Evidence' Draft Response** *(Pages 73 - 86)*

A report by Head of Pensions proposing a response from the Wiltshire Pension Fund Committee in respect of the DCLG 'Call for Evidence' paper.

14 **Proposed Appointment to the Investment Sub-Committee** *(Pages 87 - 88)*

A report by Head of Pensions proposing appointments to be agreed by the Committee to the newly formed Opportunistic Investing Investment Sub-Committee.

15 **Date of Next Meeting**

Members are asked to note that the next regular meeting of this Committee will be held on Thursday 6 December 2012. There is an additional meeting on 10 October at 10.30am at St John's Parish Centre for the presentation of the 2013 Triennial Valuation results.

16 **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.

17 **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 18 - 22 because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraph 3 of Part I of Schedule 12A to the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public.

Paragraph 3 - information relating to the financial or business affairs of any particular person (including the authority holding that information).

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

18 **Update on 2013 Triennial Valuation**

A verbal update by the Fund Actuary on the progress of the 2013 Triennial Valuation.

19 **Investments Quarterly Progress Report** *(Pages 89 - 126)*

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

20 **Investment Review - Proposed Amendment to Property Mandate** *(Pages 127 - 144)*

A confidential report is circulated updating the Committee on the progress of the recent transitions, manager search and proposed amendment to the Property mandate.

21 **Partners Group - Review of 2012-13 & Plans for the Future**

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

22 **M&G - Review of 2012-13 & 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 Council
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WILTSHIRE PENSION FUND COMMITTEE

DRAFT MINUTES OF THE WILTSHIRE PENSION FUND COMMITTEE MEETING HELD ON 25 JULY 2013 AT COUNCIL CHAMBER - COUNCIL OFFICES, MONKTON PARK, CHIPPENHAM, SN15 1ER.

Present:

Cllr Tony Deane (Chairman), Cllr Brian Ford, Tony Gravier, Cllr Charles Howard (Vice-Chair), Cllr Mark Packard, Mike Pankiewicz, Cllr Sheila Parker and Cllr Graham Payne

Also Present:

Jim Edney, Joanne Holden and Cllr Dick Tonge

38 Membership

To note that Councillor Mark Edwards was no longer a substitute of the Committee.

39 Attendance of Non-Members of the Committee

Councillor Richard Tonge.

40 Apologies for Absence

Apologies for absence were received from Councillor Des Moffat, Mr Tim Jackson and Mrs Lynda Croft.

41 Minutes

The minutes of the meeting held on **04 June 2013** were presented for consideration and comment. It was,

Resolved:

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

42 Chairman's Announcements

Through the Chair there were the following announcements:

1) Induction packs which had been prepared for a proposed training session which had to be cancelled, had been circulated electronically to the Committee. Further training would be arranged for the Autumn 2013.

2) Two conferences of potential interest to Committee members were scheduled for October:

   i. Local Government Pensions Investment Forum in London, 3 October 2013.
   ii. Baille Gifford Seminar in Edinburgh, 2-3 October 2013.

   Those interested in attending were directed to contact the Head of Pensions.

43 **Declarations of Interest**

There were no declarations.

44 **Public Participation and Councillors' Questions**

There were no statements or questions submitted.

45 **Review of Membership of the Wiltshire Pension Fund Committee**

The Head of Pensions introduced a report on the Review of the Committee's Membership requested at the last meeting. It was noted that the number of employer bodies admitted in the Fund had increased, but that as the admitted employer body representatives on the Committee did not currently face re-selection under existing rules, or re-election as with local authority representatives, opportunity for the admitted employer bodies to be represented was limited.

Options to increase opportunity for representation were presented as detailed in the report papers, including introducing a fixed term for representatives before a re-selection process or increasing the number of employer body representatives on the Committee. It was noted that in order to maintain the required ratio of elected member majority by the Administering Authority on the Committee, the number of elected members would need to be increased in the event of an increase in non-elected members.

During the course of debate, it was also noted that details on current member attendance statistics would be provided in the Annual Report of the Pension Fund Committee, and there were discussions on potential terms limits.

At the conclusion of debate, it was,

Resolved:

a) To agreed that the representatives for the employer organisations serve a 4 year fixed term from appointment; and

b) **On expiry of the 4 year fixed term, applications for the position will be sought (from the incumbent and the applicable employer bodies) and an appointment process undertaken by the Committee should more than one application be received for the role; and**

c) **To agree to publish meetings attendance records in the Annual Report; and**

d) **Ask the Head of Pensions to update the Fund's Governance Compliance Statement in the light of decisions made at this meeting.**

46 **Pension Fund Risk Register**

The Head of Pensions presented the updated Pensions Fund Risk Register, drawing attention to three significant changes since the last Committee.

The change to PEN003 – insufficient funds to meet liabilities as they fall due – was stated to be the result of the acceleration in the maturity cash profile of the Fund as a result of changes to outsourcing and redundancy programmes. It was stated that such a development was natural and causes more of an operational issues to ensure sufficient cash to meet outgoings, but investment income currently more than covers any shortfall but that there would be careful monitoring to ensure that the investment strategy is reviewed should the position change significantly.

There was also a further change to PEN011 and PEN012 regarding lack of expertise of Pension Fund officers and overreliance on key officers due to a vacancy within the Pension team, but that external advisers were being used to mitigate this risk in the short term as required and the recruitment process for the position was underway.

The final change was to PEN018 – failure to implement the LGPS 2014 reforms – and was a new risk added to the register to focus on the new scheme to ensure the Fund was prepared for the changes that would come into force for April 2014.

A debate followed, where the Committee discussed the upcoming LGPS reforms and the transitional rules that were to be followed, and requested an update on risk PEN018 at the next meeting.

It was,

Resolved:

To note the update and the measures being undertaken to mitigate the current medium risks.

47 **Draft 2012-13 Annual Report**

The Service Director (Finance) introduced the draft annual report 2012-13 for the Pension Fund, thanking the Fund Investment and Accounting Officer and her team for their work over the past year, and was hopeful that Wiltshire would be among the first council's in the country to have their Statement of Accounts signed off by their auditors.

It was highlighted that no real issues had been raised by the council's auditors in the report to date, and that there were no expected concerns to bring to the Committee's attention, with only minor drafting changes noted.

The Committee welcomed the report, and thanked officers for their work over the past year.

It was,

Resolved:

To approve the draft Wiltshire Pension Fund Annual Report & Financial Statements 2012-13 for publication, subject to the completion of the audit.

48 **Review of Academies**

The Head of Pensions introduced the report, noting that there were currently 59 academies in Wiltshire, but clear and definitive guidance from the Department of Communities and Local Government on how Pension Funds should treat them didnot exisit and that officers had considered actuary and legal advice to form a consistent approach. A consultation and further guidance is expected in autumn 2013.

It was stated that different areas of the country treated academies differently, but they often had higher rates than their respective Local Education Authorities due to different member profiles and shorter deficit recovery periods, which could range from 7-14 years rather than 20, as they cannot be seen as secure as tax raising bodies. It was also noted that a government statement on 2 July 2013 on a Fund guarantee for pension's liabilities of academies had not been clear, and can potentially be withdrawn.

The Committee was informed the 2013 valuation of academies was ongoing and the Fund would review its approach as part of this process.

A debate followed, where the difficulties of some academies to handle the financial implications of independence was raised, as well as the need for a balanced approach once government guidance had been established. The increasing risk as more schools were becoming academies was a concern for some members, and it was determined that further work was required on the risks of the timescales of the deficit recovery periods.

The Committee discussed the need to consult with academies as the situation progressed, and it was agreed the Service Director (Finance) would ensure the matter was raised at the School Forum in October 2013 to raise awareness of the issues, which engaged with most Wiltshire academies.

At the conclusion of debate, it was,

Resolved:

To note the report and ask for a further update at the September meeting of the Committee.

49 **Statement of Investment Principles (SIP)**

The Fund Investment and Accounting Manager presented the Statement of Investment Principles (SIP), including decisions taken by the Committee in February and June 2013 and amendments to the Stewardship Code.

It was,

Resolved:

To approve the 2013 Statement of Investment Principles.

50 **Proposed Terms of Reference for the Investment Sub-Committee**

The Head of Pensions introduced a report detailing proposed Terms of Reference for an Investment Sub-Committee, as agreed at the June meeting of the Committee, to make decisions on medium term investments of 3-7 years utilizing up to 5% of Fund assets, where timescales meant it would not be practical to call a meeting of the entire Committee.

The Committee discussed how the Sub-Committee would operate, and it was confirmed that proper procurement processes would be followed and normal regulations abided by with decisions made by the Sub-Committee, and it was stated the advisers to the Fund, Mercers, would not receive a commission from any recommendations brought to the Sub-Committee for determination.

It was also raised by some members that a Swindon Borough Council member should be one of the voting members of the Sub-Committee, and that all Members of the Committee were welcome to attend any meeting of the Sub-Committee, which would be bound by the same rules of public meetings as the regular committee, and that a review of the system would take place after 12 months of operation.

After debate, it was,

Resolved:

To approve the setting up of an Investment Sub-Committee for the purpose of Opportunistic Investing based on the Terms of Reference on

the Appendix attached to the report with the deletion of "redeemable after 7 years as a maximum" in 1.3 of the Appendix .

51 **Local Government Pension Scheme (LGPS) Reforms Update**

The Head of Pensions introduced a report on the latest updates to the Local Government Pension Scheme Reforms, and drew attention to paragraph six of the report which detailed Wiltshire Members and officers of the Fund had nominated to the shadow Scheme Advisory Board and its sub-committees. Attention was also drawn to the proposed Fund's response to the LGPS 2014 Consultation and Discussion Paper – New Governance Arrangements and highlighted a response would be drafted in September for the 'Call for Evidence' from the Department of Communities and Local Government.

The Committee discussed the update and proposed responses, and also agreed that minutes from any sub-committee and committee of the shadow Board would be circulated to Members.

It was,

Resolved:

a) **note the appointments to the shadow national Scheme Advisory Board and sub committees; and**

b) **agree the proposed response to the DCLG LGPS 2014 Consultation paper as per Appendix A; and**

c) **agree to proposed response to the DCLG: Discussion Paper – New Governance Arrangements LGPS 2014 as per Appendix B; and**

d) **note a proposed response to the 'call for evidence' will be presented to September 2013 Committee meeting.**

52 **Date of Next Meeting**

The date of the next meeting was confirmed as Thursday 19 September 2013.

53 **Urgent Items**

There were no urgent items.

54 **Exclusion of the Public**

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 55 - 58 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.

Paragraph 3 - Information relating to the financial or business affairs of any particular person (including the authority holding the information)

55 **Implementation of a Stabilisation Policy for the 2013 Valuation**

Representatives from the Fund's Actuary presented a confidential report reviewing the Stabilisation policy, asking members to approve the continuation of the policy for long term secure employers within the Fund.

Details were given of how different scenarios were tested, and the details were sought about who the policy would apply to, being the secure employers such as the Fire and Police services and Councils, as well as affordability of the police.

After discussion, it was,

Resolved:

a) **Note the presentation from the Fund's Actuary; and**

b) **Agree to retain the current Stabilisation policy to be applied to the secure employers with the Fund which is to limit increase / decreases in employer contributions to +1 or -1% per annum from 1 April 2014 onwards; and**

c) **Agree to maintain the current "Contribution Rate Relief" policy for non-secure employers.**

56 **Review of Manager Fees update**

Joanne Holden (Investment Adviser – Mercers), presented a verbal update to the Committee on the outcome of negotiations between Mercers and Investment Managers on the subject of altering the fees payable by the Fund, and presented several options with regards fixed or performance related fee rates.

Following debate, it was,

Resolved
To approve the new proposed fee structures from Baillie Gifford (retaining the performance related approach) and Legal & General.

57 **Western Asset Management - Review of 2012-13 & Plans for the Future**

Representatives from Western Asset Management gave a presentation and report on the review of their mandate of the Pension Fund, and took questions from the Committee.

Following which, it was,

Resolved:

To thank the representatives from Western Assets Management for their attendance and presentation.

(From 1250-1330, Councillor Tony Deane was absent from the room, and the Vice-Chairman, Councillor Charles Howard, was in the Chair)

58 **Barings - Review of 2012-13 & Plans for the Future**

Representatives from Barings gave a presentation and report on the review of their mandate of the Pension Fund, and took questions from the Committee.

Following which, it was,

Resolved:

To thank the representatives from Barings for their attendance and presentation.

(Duration of meeting: 10.40 am - 2.15 pm)

The Officer who has produced these minutes is Kieran Elliott, 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

19 September 2013

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 2012-13 one is the fifth 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 March 2013 but did not issue an interim report as there were no significant issues arising from this work. Over the summer they have carried out the main audit and the resulting Final Audit Report is attached. Mr Duncan Laird (Audit Senior Manager, KPMG) will be coming to the Committee meeting to present the report. This follows a presentation to the 4 September 2013 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. The draft Wiltshire Pension Fund Annual Report for 2012-13 was approved by this committee at the meeting on 25 July 2013.

Considerations for the Committee

6. The attached draft 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 Duncan Laird says verbally at the meeting.

Environmental Impact of the Proposal

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

Safeguarding Considerations/Public Health Implications/Equalities Impact

9. There are no known implications at this time.

Financial Considerations & Risk Assessment

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

Legal Impact of the proposals

11. There are no known implications at this time.

Proposals

12. The Committee is asked to note the attached Final Audit Report and to receive the verbal presentation by Mr Duncan Laird of KPMG.

MICHAEL HUDSON
Treasurer to the Pension Fund and Service Director (Finance)

Report Author: David Anthony, Head of Pensions

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

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Report to those charged with governance (ISA 260) 2012/13

Wiltshire Pension Fund

19 September 2013

Contents

The contacts at KPMG in connection with this report are:

Chris Wilson
Partner
KPMG LLP (UK)

Tel: 0118 964 2238
christopher.wilson@kpmg.co.uk

Duncan Laird
Manager
KPMG LLP (UK)

Tel: 0117 905 4253
duncan.laird@kpmg.co.uk

Benedict Co
Assistant Manager
KPMG LLP (UK)

Tel: 0117 905 4652
benedict.anson@kpmg.co.uk

This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. 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 Authority, 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, 3rd Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to complaints@audit-commission.gsi.gov.uk. Their telephone number is 03034448330.

Introduction

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 2013.

Scope of this report

The Audit Commission's *Code of Audit Practice* requires us to summarise the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified and report to those charged with governance (in this case the Pension Fund Committee). We are also required to comply with International Standard on Auditing ('ISA') 260 which sets out our responsibilities for communicating with those charged with governance.

This report meets both these requirements. It summarises the key issues identified during our audit of the Fund's financial statements for the year ended 31 March 2013.

Some of our responsibilities under ISA 260 relate to Wiltshire Council ('the Authority') as administering authority as a whole and are discharged through our reporting to the Authority's Audit Committee. This includes:

- Declaring our independence and objectivity;
- Obtaining management representations; and
- Reporting matters of governance interest, including our audit fees.

Audit of the pension fund

As with the main audit of the Authority, our audit of the Fund follows a four stage audit process.

Planning	Control Evaluation	Substantive Procedures	Completion

This report focuses on the second and third stages of the process: control evaluation and substantive procedures. Our on site work for these took place in two tranches during March 2013 (interim audit) and July 2013 (year end audit).

We carried out the following work:

Control Evaluation	Evaluate and test selected controls over key financial systems; Review accounts production process; Review progress on critical accounting matters
Substantive Procedures	Plan and perform substantive audit procedures; Conclude on critical accounting matters; Identify audit adjustments

Structure of this report

This report is structured as follows:

- Section 2 summarises the headline messages.
- Section 3 sets out the findings from our audit work on the Fund's accounts in more detail.

Acknowledgements

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

Headlines

This table summarises the headline messages. The remainder of this report provides further details on each area.

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Proposed audit opinion	We issued an unqualified audit opinion in relation to the Fund's financial statements, as contained both in the Authority's Statement of Accounts and the Pension Fund Annual Report, on 4 September 2013. At the date of this report our audit of the Fund's financial statements is substantially complete. Our remaining completion procedures are carried out jointly with those for the main audit. This includes obtaining a signed management representation letter, which covers the financial statements of both the Authority and the Fund.
Audit adjustments	We are pleased to report that our audit of the Fund's financial statements did not identify any material adjustments. The Authority made a small number of trivial adjustments, most of which were of a presentational nature.
Accounts production and audit process	The Authority has good processes in place for the production of the Fund's financial statements and good quality supporting working papers. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales. We have worked with Officers throughout the year to discuss the specific risk areas for this year's audit. The Authority addressed the issues appropriately.
Control environment	Controls over the Fund's key financial systems are sound. We did not identify any specific issues we wish to highlight to you.

Proposed opinion and audit differences

We have identified no issues in the course of the audit that are considered to be material.

We issued an unqualified audit opinion in relation to the Fund's financial statements, as contained both in the Authority's Statement of Accounts and the Pension Fund Annual Report, on 4 September 2013.

Proposed audit opinion

We issued an unqualified audit opinion following approval of the Statement of Accounts by the Audit Committee on 4 September 2013.

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.

We did not identify any material misstatements

Completion

At the date of this report, our audit of the Fund's financial statements is substantially complete.

Before we can issue our opinion we require a signed management representation letter. The representations in relation to the Fund will be included in the Authority's representation letter.

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. A full declaration of our independence is set out in the main *ISA 260 Report* for the Authority.

Annual Report

The statutory deadline for publishing the document is 1 December 2013. Our audit will remain open until this is approved by the Pension Fund Committee and we will not be able to issue our certificate until that time. We will also need to complete additional work in respect of subsequent events to cover the period between signing our opinions on the Statement of Accounts and the Pension Fund Annual Report.

Accounts production and audit process

The Authority has good processes in place for the production of the Fund's financial statements and good quality supporting working papers.

Officers dealt efficiently with audit queries and the audit process could be completed within the planned timescales.

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Accounts production and audit process

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

We considered the following criteria:

Element	Commentary
Accounting practices and financial reporting	The Authority has good financial reporting arrangements over the Fund's financial statements in place. We consider that accounting practices are appropriate.
Quality of supporting working papers	Our working paper requirements for the audit were discussed in detail with management prior to the final audit. The quality of working papers provided met the standards specified.
Critical accounting matters (key audit risks)	We have discussed with officers throughout the year the areas of specific audit risk and undertaken specific audit procedures. There are no matters to draw to your attention.
Response to audit queries	Officers resolved all audit queries in a reasonable time.

Prior year recommendations

There were no outstanding prior year and interim control recommendations in relation to the account production process of Wiltshire Pension Fund.

However, there were a number of controls recommendations identified in relation to the SAP system. Further details on the IT control environment and set out on page 6.

Control Environment

Controls over the Fund's key financial systems are sound.

During March 2013 we completed our control evaluation work. We did not issue an interim report as there were no significant issues arising from this work. For completeness we reflect on key findings from this work.

Organisational and IT control environment

Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses this would have implications for our audit. We therefore obtain an understanding of the Authority's overall control environment and determine if appropriate controls have been implemented.

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

Most of the controls we look at do not just relate to the Fund but the Authority as a whole. However, we also specifically looked at controls over contributions received, benefits paid and cash.

We again note that further improvements have been made in the current year in respect of the Authority's IT control environment, principally in relation to the SAP system. However, due to weaknesses identified around access to systems and data and system changes and maintenance, we considered the IT control environment ineffective overall for our audit purposes.

We draw your attention to our *Interim Audit Report 2012/13* for Wiltshire Council where these controls recommendations are discussed in detail.

Controls over key financial systems

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

Based on our own work on controls over the year end process, the controls over the financial systems are sound and we are pleased to report to you that we have not identified any control observations as part of our year end audit work.

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WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
19 September 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 since the last report in July 2013.

5. As an update to ***PEN018 Failure to implement the LGPS 2014 Reforms*** work continues on implementation of the LGPS 2014 scheme. The new scheme effectively comes into force in 7 months time. Work has been continuing on the communications strategy through collaboration with South West funds to share the work of developing booklets, leaflets, presentations, and posters for the new scheme. The Fund has also procured a tool for its website that will enable members to compare their benefits between the old and new scheme. The communications to members will commence in the autumn with roadshows and presentation taking place across the County early in the New Year.

6. Officers are now getting first site of the Heywoods pension software that has been developed for the LGPS 2014 CARE scheme. The Fund has volunteered to be an early adopter but there has not been any release dates or scheduled times for testing and training yet although these are likely to be in the New Year. Once the requirements of the system are known officers will liaise further with payroll providers to ensure reports can be adapted to the new requirements.

Environmental Impacts of the Proposals

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

Safeguarding Considerations/Public Health Implications/Equalities Impact

8. There are no known implications at this time.

Legal Impact of the proposals

9. There are no known implications at this time.

Financial Impact of the proposals

10. There are no known implications at this time.

Proposals

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

MICHAEL HUDSON
Treasurer to the Pension Fund and Service Director (Finance)

Report Author: David Anthony, Head of Pensions.

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

Appendix A – Risk Register

APPENDIX

Wiltshire Pension Fund Risk Register				09-Sep-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	Regular review of ALTAIR calculations are more thoroughly tested, especially to ensure regulations changes are correctly processed.	David Anthony		2	2	4	Low	9 Sept 2013	→
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. LGPS 2014	Adverse audit opinion for failure to collect contributions by 19th of month, potential delays to employers' FRS17 year-end accounting reports and to the Fund's own year-end accounts.	David Anthony	Robust maintenance and update of ALTAIR and SAP systems, sufficient staff cover arrangements, sufficient staff training and QA checking of work. We constantly work with employers to ensure they understand their responsibilities to pay by 19th of the month.	2	1	2	Low	New 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	9 Sept 2013	→
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 Fund but it looks likely that investment income might need to be used within the next 12 months.	David Anthony	Funding Strategy Statement, Investment Strategy, Triennial Valuations, membership of Club Vita, modelling of future cashflows.	2	3	6	Medium	The "maturity" profile of cashflows is changing as a result of employers outsourcings and redundancy programmes. The cashflow profile is now being carefully monitored as benefits paid look to exceed receipts (excluding investment income) during the current financial year.	David Anthony	Sep-13	4	1	4	Low	9 Sept 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 remotely 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	9 Sept 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	9 Sept 2013	→

							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
PEN006 a	**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. The current increase in Quantative Easing by the Government is forcing up the price of gilts leading to a worsening Funding Position.	Employer contribution rates become unacceptable, causing upward pressure on Council Tax and employers' costs.	David Anthony	Longevity and bond yields are really beyond the control of the Fund although some Funds have considered buying longevity insurance through the use of SWAPS. However, the Fund and each employer must have a Discretions Policy in place to help control discretionary costs (e.g.. early retirements, augmented service, etc). Quarterly monitoring in liabilities movements is undertaken providing advance warning to employers.	2	3	6	Medium	The Stabilisation Policy has limited increases for secure employer. Monitor cashflow profiles to review Fund's maturity. This policy was reviewed at the July 2013 Committee meeting and is to be maintained for the 2013 Valuation.	David Anthony / Andy Cunningham	Mar-14	3	2	6	Medium	9 Sept 2013	→
PEN006 b	**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. The current increase in Quantative Easing by the Government is forcing up the price of gilts leading to a worsening Funding Position.	Employer contribution rates become unacceptable, causing upward pressure on Council Tax and employers' costs.	David Anthony	Longevity and bond yields are really beyond the control of the Fund although some Funds have considered buying longevity insurance through the use of SWAPS . However, the Fund and each employer must have a Discretions Policy in place to help control discretionary costs (e.g.. early retirements, augmented service, etc). Quarterly monitoring as described above.	2	3	6	Medium	The rates for the 2010 Valuation were agreed and through the use of stepping in of contribution rate increases where requested the need for large increases was avoided for certain employers. This "contribution relief" policy was reviewed and maintained at the July 2013 Committee meeting for the 2013 Valuation process. Monitor cashflow profiles to review Fund's maturity.	David Anthony / Andy Cunningham	Mar-14	3	2	6	Medium	9 Sept 2013	→
PEN007 a	**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	The implementation of the Stabilisation Policy limits increases for secure employer. This policy was reviewed at the July 2013 Committee meeting and is to be maintained for the 2013 Valuation.	Catherine Dix	Mar-14	2	2	4	Low	9 Sept 2013	→
PEN007 b	**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	The review of employers long term financial stability and the policy for stepping in of contribution rates assists in affordability issues and this "contribution relief" policy was reviewed and maintained at the July 2013 Committee meeting for the 2013 Valuation process.	Catherine Dix	Mar-14	2	2	4	Low	9 Sept 2013	→

							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
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	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 (Pension Manager) has now left the organisation and a recruitment process in underway to replace him.	David Anthony	Nov-13	1	2	2	Low	9 Sept 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 has now been implemented which will improve retention of documents and ultimately will lead to a paperless working environment.	Tim O'Connor	Sep-13	2	1	2	Low	9 Sept 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), pro-active checks done through national fraud initiative.	2	4	8	Medium	Further reconciliations have been implemented between Wiltshire Council payroll and the Fund's data while data cleaning continued as part of the 2013 Valuation exercise.	Martin Downes	Sep-13	2	1	2	Low	9 Sept 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. The Technical & Compliance Manager has formulated annual Training Plans and Relevant officers are also reviewed against the CIPFA Knowledge & Skills Framework to ensure adequate expertise exists.	2	3	6	Medium	The team restructure now provides better technical knowledge at the right levels. The vacancy for the Pension Manager post leaves a short term knowledge and resource gap and a procurement process is underway to address this.	David Anthony	Nov-13	2	1	2	Low	9 Sept 2013	→

							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
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	3	6	Medium	As described above the loss of the Pension Manager does provide a gap but with the team restructure knowledge levels are in the right place and external consultants are in place to use for any specific issue until a replacement is appointed.	David Anthony	Nov-13	2	1	2	Low	9 Sept 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 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 Autroenrolment.	Zoe Stannard & Andy Cunningham	Feb-14	1	1	1	Low	9 Sept 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	9 Sept 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. All new admitted bodies now require a guarantor to join the Fund.	2	2	4	Low	Work is on-going to develop monitoring of admitted bodies who are close to cessation to enable the Fund to have an early dialogue with them to ensure costs are met.	Andrew Cunningham	Feb-14	2	1	2	Low	9 Sept 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 approved an updated Treasury Management Strategy in Feb 2013 which follows the same criteria adopted by Wiltshire Council but limits individual investments with a single counterparty to £6m.	3	1	3	Low	The Council uses Sector's credit worthiness service using ratings from three rating agencies to provide a score. Surplus cash is transferred to the Custodian at month end ensuring cash balances are minimal.	Catherine Dix		3	1	3	Low	9 Sept 2013	→

							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
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	9 Sept 2013	→
PEN018	**Failure to implement the LGPS 2014 Reforms**	Service Delivery	Failure to implement the LGPS 2014 in time for April 2014 in terms of systems changes, data requirements, communications and training.	Unable to meet the new legislative requirements of the scheme and to administer the Fund correctly.	David Anthony	A communication policy has been set up to inform all members of the changes. Systems team in close contact with Software are providers to ensure developments will be actioned. Consultations being responded to ensure issues are raised with CLG.	3	2	6	Medium	The draft regulations were issued (June 2013) but implementation timeframe remain extremely tight. Communications is being developed with the South West Funds to be used from the autumn onwards and the Fund is working with its software provider to review its CARE module.	David Anthony		2	2	4	Low	9 Sept 2013	→

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PENSION FUND ADMINISTRATION BUDGET 2013-14 - BUDGET MONITORING

		2013/14			Explanations
		Budget £000	**Projected Outturn £000**	**Variance £000**	
	Fund Investment				
	Investment Management Fees				
	Segregated Funds	3,699	2,851	848	No Performance fee to Baillie Gifford & projected savings from fee negotiations
	Pooled Funds *	2,268	1,938	330	Transition from Edinburgh Partners to lower cost Legal & General RAFI mandate
		5,967	**4,789**	**1,177**	*These projected fee estimates are based on current market conditions and are subject to change prior to year end.*
	Fund Investment Costs				
1	**Investment Administration**	90	90	0	
2	**Investment Custodial & Related Services**	58	58	0	
3	**Investment Consultancy**	224	224	0	
4	**Corporate Governance Services**	52	52	0	
5	**Performance Measurement**	41	41	0	
	Fund Investment Costs	465	465	0	
	Fund Scheme Administration				
6	**Pension Scheme Administration**	1,280	1,248	32	Mainly from Pension Manager vacancy and other vacant posts which have been recruited to part way into the year.
7	**Actuarial Services**	149	179	-30	Additional costs arising from Triennial Valuation due to number of new employers along with the increased use of benefit advice.
8	**Audit**	57	57	0	
9	**Legal Advice**	25	25	0	
10	**Committee & Governance**	47	47	0	
	Fund Administration Costs	1,559	1,557	2	
	Total FUND COSTS	**2,024**	**2,022**	**2**	
	TOTAL FUND EXPENDITURE (Costs & Fees)	**7,991**	**6,811**	**1,180**	

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Wiltshire Council

Wiltshire Pension Fund Committee

19 September 2013

WILTSHIRE PENSION FUND – FUNDING STRATEGY STATEMENT

Purpose of the Report

1. This report presents the draft Funding Strategy Statement (FSS) for the Wiltshire Pension Fund for consideration and approval.

Background

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

3. This is the fourth FSS produced for the Wiltshire Pension Fund, the previous having been approved by this Committee on 1 March 2011. This version is more of an overhaul to fit in with the changing landscape compared to the previous ones.

4. There are no new policies within it that Members have not approved before. It also embodies the principles being used in the 2013 Valuation and is consistent with the Fund's current investment strategy.

Consideration for the Committee

5. The FSS outlines how the Fund calculates employer contributions, what other amounts might be payable in different circumstances, and how this fits in with the investment strategy.

6. New CIPFA guidance ("Preparing and maintaining a funding strategy statement in the Local Government Pension Scheme 2012") moves the FSS into the modern landscape which requires a number of changes to be incorporated.

   What has changed?

7. The new guidance contains much more detailed information which simply wasn't there in 2010. Some of the main changes relate to the following areas:

   - **Understanding**: guidance refers to the need for different types of employer to understand their obligations;

   - **Employer register:** there is explicit mention of the benefits of monitoring the various employers in the Fund and their characteristics, to allow appropriate risk assessments to be made;

   - **Changing maturity of employers:** a feature of the LGPS in recent years, and the guidance explicitly acknowledges this.

- **Risk:** the guidance now refers to identifying the level of risk inherent in different approaches used for different employers (for instance varying lengths of recovery period);

- **The wider community:** the guidance mentions the need to explicitly acknowledge the impact of pension funding requirements on employers, their budgets, their service provision and Council Tax. The Pension Fund does not exist in a vacuum, and the FSS needs to explicitly acknowledge this;

8. It has been prepared in collaboration with the Fund's Actuary and forms an integral part of the framework within which they carry out triennial valuations to set employers' contributions and to provide recommendations on funding decisions.

9. The report is split into three main areas:

   a) Basic Funding issues
   b) Calculating contributions for individual Employers
   c) Funding strategy and links to investment strategy

10. Once approved, this draft version will be issued to all participating employers with any comments to be submitted within 20 calendar days. Following the end of the consultation period, unless any significant amendments are required this document will then be published during October 2013.

<u>Environmental Impact of the Proposals</u>

11. There are no known environmental impacts with this proposal.

<u>Safeguarding Considerations/Public Health Implications/Equalities Impact</u>

12. There are no known implications at this time.

<u>Financial Considerations and Risk Assessment</u>

13. These are detailed in the body or the report. The purpose of the FSS is to adhere to *PEN008: Failure to comply with LGPS and other regulations* and to assist in mitigating *PEN006: Significant rises in employer contributions for secure employers due to increases in liabilities* which are highlighted elsewhere on this agenda.

<u>Legal Impact of the proposals</u>

14. There are no known implications at this time.

<u>Reasons for Proposals</u>

15. To fulfil the Wiltshire Pension Fund's statutory obligation that requires its FSS to be reviewed and published at least every three years.

<u>Proposal</u>

16. The Committee is asked to:

    a) approve the draft Wiltshire Pension Fund - Funding Strategy Statement 2013, as attached in the Appendix; and

b) to publish the Funding Strategy Statement following the completion of the consultation period.

MICHAEL HUDSON
Treasurer to the Pension Fund and Service Director (Finance)

Report Author: David Anthony, Head of Pensions

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

Appendix A – Draft Funding Strategy Statement

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HYMANS ROBERTSON

Wiltshire Pension Fund

DRAFT Funding Strategy Statement

September 2013

This template is the property of Hymans Robertson LLP and must not be shared with any third party without payment of the agreed fee.

This takes account of the CIPFA guidance "Preparing and maintaining a Funding Strategy Statement in the Local Government Pension Scheme 2012".

Catherine McFadyen

Fellow of the Institute and Faculty of Actuaries

For and on behalf of Hymans Robertson LLP

Contents

DRAFT Funding Strategy Statement PAGE

1 Introduction

1.1 What is this document?

This is the Funding Strategy Statement (FSS) of the Wiltshire Pension Fund ("the Fund"), which is administered by Wiltshire Council, ("the Administering Authority").

It has been prepared by the Administering Authority in collaboration with the Fund's actuary, Hymans Robertson LLP, and after consultation with the Fund's employers and investment adviser. It is effective from the publication date.

1.2 What is the Wiltshire Pension Fund?

The Fund is part of the national Local Government Pension Scheme (LGPS). The LGPS was set up by the UK Government to provide retirement and death benefits for local government employees, and those employed in similar or related bodies, across the whole of the UK. The Administering Authority runs the Wiltshire Pension Fund, in effect the LGPS for the Wiltshire area, to make sure it:

- receives the proper amount of contributions from employees and employers, and any transfer payments;
- invests the contributions appropriately, with the aim that the Fund's assets grow over time with investment income and capital growth;
- uses the assets to pay Fund benefits to the members (as and when they retire, for the rest of their lives), and to their dependants (as and when members die), as defined in the LGPS Regulations. Assets are also used to pay transfer values and administration costs.

The roles and responsibilities of the key parties involved in the management of the Fund are summarised in Appendix B.

1.3 Why does the Fund need a Funding Strategy Statement?

Employees' benefits are guaranteed by the LGPS Regulations, and do not change with market values or employer contributions. Investment returns will help pay for some of the benefits, but probably not all, and certainly with no guarantee. Employees' contributions are fixed in those Regulations also, at a level which covers only part of the cost of the benefits.

Therefore, employers need to pay the balance of the cost of delivering the benefits to members and their dependants.

The FSS focuses on how employer liabilities are measured, the pace at which these liabilities are funded, and how employers or pools of employers pay for their own liabilities. This statement sets out how the Administering Authority has balanced the conflicting aims of:

- affordability of employer contributions,
- transparency of processes,
- stability of employers' contributions, and
- prudence in the funding basis.

There are also regulatory requirements for an FSS, as given in Appendix A.

The FSS is a summary of the Fund's approach to funding its liabilities, and this includes reference to the Fund's other policies; it is not an exhaustive statement of policy on all issues. The FSS forms part of a framework of which includes:

- the LGPS Regulations;
- the Rates and Adjustments Certificate (confirming employer contribution rates for the next three years) which can be found in an appendix to the formal valuation report;
- the Fund's policies on admissions and cessations;
- actuarial factors for valuing individual transfers, early retirement costs and the costs of buying added service; and
- the Fund's Statement of Investment Principles (see Section 4).

1.4 How does the Fund and this FSS affect me?

This depends who you are:

- a member of the Fund, i.e. a current or former employee, or a dependant: the Fund needs to be sure it is collecting and holding enough money so that your benefits are always paid in full;
- an employer in the Fund (or which is considering joining the Fund): you will want to know how your contributions are calculated from time to time, that these are fair by comparison to other employers in the Fund, and in what circumstances you might need to pay more. Note that the FSS applies to all employers participating in the Fund;
- an Elected Member whose council participates in the Fund: you will want to be sure that the council balances the need to hold prudent reserves for members' retirement and death benefits, with the other competing demands for council money;
- a Council Tax payer: your council seeks to strike the balance above, and also to minimise cross-subsidies between different generations of taxpayers.

1.5 What does the FSS aim to do?

The FSS sets out the objectives of the Fund's funding strategy, such as:

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

1.6 How do I find my way around this document?

In Section 2 there is a brief introduction to some of the main principles behind funding, i.e. deciding how much an employer should contribute to the Fund from time to time.

In Section 3 we outline how the Fund calculates the contributions payable by different employers in different situations.

In Section 4 we show how the funding strategy is linked with the Fund's investment strategy.

In the Appendices we cover various issues in more detail if you are interested:

A. the regulatory background, including how and when the FSS is reviewed,

B. who is responsible for what,

C. what issues the Fund needs to monitor, and how it manages its risks,

D. some more details about the actuarial calculations required,

E. the assumptions which the Fund actuary currently makes about the future,

F. a glossary explaining the technical terms occasionally used here.

If you have any other queries please contact David Anthony, Head of Pensions, in the first instance at e-mail address David.Anthony@wiltshire.gov.uk or on telephone number 01225 713620.

2 Basic Funding issues

(More detailed and extensive descriptions are given in Appendix D).

2.1 How does the actuary calculate a contribution rate?

Employer contributions are normally made up of two elements:

a) the estimated cost of future benefits being built up from year to year, referred to as the "*future service rate*"; plus

b) an adjustment for the difference between the assets built up to date and the value of past service benefits, referred to as the "*past service adjustment*". If there is a deficit the past service adjustment will be an increase in the employer's total contribution; if there is a surplus there may be a reduction in the employer's total contribution. Any past service adjustment will aim to return the employer to full funding over an appropriate period (the "deficit recovery period").

2.2 How is a deficit (or surplus) calculated?

An employer's "funding level" is defined as the ratio of:

- the market value of the employer's share of assets, to
- the value placed by the actuary on the benefits built up to date for the employer's employees and ex-employees (the "liabilities"). The Fund actuary agrees with the Administering Authority the assumptions to be used in calculating this value.

If this is less than 100% then it means the employer has a shortfall, which is the employer's deficit; if it is more than 100% then the employer is said to be in surplus. The amount of deficit or shortfall is the difference between the asset value and the liabilities value.

A larger deficit will give rise to higher employer contributions. If a deficit is spread over a longer period then the annual employer cost is lower than if it is spread over a shorter period.

2.3 How are contribution rates calculated for different employers?

The Fund's actuary is required by the Regulations to report the *Common Contribution Rate*, for all employers collectively at each triennial valuation, combining items (a) and (b) above. This is based on actuarial assumptions about the likelihood, size and timing of benefit payments to be made from the Fund in the future, as outlined in Appendix E.

The Fund's actuary is also required to adjust the *Common Contribution Rate* for circumstances specific to each individual employer. The sorts of specific circumstances which are considered are discussed in Section 3. It is this adjusted contribution rate which the employer is actually required to pay, and the rates for all employers are shown in the Fund's Rates and Adjustments Certificate.

In effect, the *Common Contribution Rate* is a notional quantity, as it is unlikely that any employer will pay that exact rate. Separate future service rates are calculated for each employer together with individual past service adjustments according to employer-specific circumstances.

Details of the outcome of the Actuarial Valuation as at 31 March 2013 can be found in the formal valuation report dated 28 March 2014, including an analysis at Fund Level of the *Common Contribution Rate*. Further details of individual employer contribution rates can also be found in the formal report.

2.4 What else might affect the employer's contribution?

Employer covenant, and likely term of membership, are also considered when setting contributions: more details are given in Section 3.

For some employers it may be agreed to pool contributions, see 3.4.

Any costs of non ill-health early retirements must be paid by the employer, see 3.6.

If an employer is approaching the end of its participation in the Fund then its contributions may be amended appropriately, so that the assets meet (as closely as possible) the value of its liabilities in the Fund when its participation ends.

Employers' contributions are expressed as minima, with employers able to pay contributions at a higher rate. Account of the higher rate will be taken by the Fund Actuary at subsequent valuations.

2.5 What different types of employer participate in the Fund?

Historically the LGPS was intended for local authority employees only. However over the years, with the diversification and changes to delivery of local services, many more types and numbers of employers now participate. There are currently more employers in the Fund than ever before, a significant part of this being due to new academies.

In essence, participation in the LGPS is open to public sector employers providing some form of service to the local community. Whilst the majority of members will be local authority employees (and ex-employees), the majority of participating employers are those providing services in place of (or alongside) local authority services: academy schools, contractors, housing associations, charities, etc.

The LGPS Regulations define various types of employer as follows:

Scheduled bodies - councils, and other specified employers such as academies and further education establishments. These must provide access to the LGPS in respect of their employees who are not eligible to join another public sector scheme (such as the Teachers Scheme). These employers are so-called because they are specified in a schedule to the LGPS Regulations.

It is now possible for Local Education Authority schools to convert to academy status, and for other forms of school (such as Free Schools) to be established under the academies legislation. All such academies, as employers of non-teaching staff, become separate new employers in the Fund. As academies are defined in the LGPS Regulations as "Scheduled Bodies", the Administering Authority has no discretion over whether to admit them to the Fund, and the academy has no discretion whether to continue to allow its non-teaching staff to join the Fund. There has also been guidance issued by the DCLG regarding the terms of academies' membership in LGPS Funds.

Designating employers - employers such as town and parish councils are able to participate in the LGPS via resolution (and the Fund cannot refuse them entry where the resolution is passed). These employers can designate which of their employees are eligible to join the scheme.

Other employers are able to participate in the Fund via an admission agreement, and are referred to as 'admission bodies'. These employers are generally those with a "community of interest" with another scheme employer – **community admission bodies** ("CAB") or those providing a service on behalf of a scheme employer – **transferee admission bodies** ("TAB"). CABs will include housing associations and charities, TABs will generally be contractors. The Fund is able to set its criteria for participation by these employers and can refuse entry if the requirements as set out in the Fund's admissions policy are not met.

2.6 How does the Fund recognise that contribution levels can affect council and employer service provision, and council tax?

The Administering Authority and the Fund actuary are acutely aware that, all other things being equal, a higher contribution required to be paid to the Fund will mean less cash available for the employer to spend on the provision of services. For instance:

- Higher pension Fund contributions may result in reduced council spending, which in turn could affect the resources available for council services, and/or greater pressure on council tax levels;
- Contributions which Academies pay to the Fund will therefore not be available to pay for providing education;
- Other employers will provide various services to the local community, perhaps through housing associations, charitable work, or contracting council services. If they are required to pay more in pension contributions to the LGPS then this may affect their ability to provide the local services.

Whilst all this is true, it should also be borne in mind that:

- The Fund provides invaluable financial security to local families, whether to those who formerly worked in the service of the local community who have now retired, or to their families after their death;
- The Fund must have the assets available to meet these retirement and death benefits, which in turn means that the various employers must each pay their own way. Lower contributions today will mean higher contributions tomorrow: deferring payments does not alter the employer's ultimate obligation to the Fund in respect of its current and former employees;
- Each employer will generally only pay for its own employees and ex-employees (and their dependants), not for those of other employers in the Fund;
- The Fund strives to maintain reasonably stable employer contribution rates where appropriate and possible;
- The Fund wishes to avoid the situation where an employer falls so far behind in managing its funding shortfall that its deficit becomes unmanageable in practice: such a situation may lead to employer insolvency and the resulting deficit falling on the other Fund employers. In that situation, those employers' services would in turn suffer as a result;
- Council contributions to the Fund should be at a suitable level, to protect the interests of different generations of council tax payers. For instance, underpayment of contributions for some years will need to be balanced by overpayment in other years; the council will wish to minimise the extent to which council tax payers in one period are in effect benefitting at the expense of those paying in a different period.

Overall, therefore, there is clearly a balance to be struck between the Fund's need for maintaining prudent funding levels, and the employers' need to allocate their resources appropriately. The Fund achieves this through various techniques which affect contribution increases to various degrees (see 3.1). In deciding which of these techniques to apply to any given employer, the Fund will consider a risk assessment of that employer using a knowledge base which is regularly monitored and kept up-to-date. This database will include such information as the type of employer, its membership profile and funding position, any guarantors or security provision, material changes anticipated, etc. This helps the Fund establish a picture of the financial standing of the employer, i.e. its ability to meet its long term Fund commitments.

For instance, where an employer is considered relatively low risk then the Fund will permit greater smoothing (such as stabilisation or a longer deficit recovery period relative to other employers) which will temporarily produce lower contribution levels than would otherwise have applied. This is permitted in the expectation that the employer will still be able to meet its obligations for many years to come.

On the other hand, an employer whose risk assessment indicates a less strong covenant will generally be required to pay higher contributions (for instance, with a more prudent funding basis or a shorter deficit recovery period relative to other employers). This is because of the higher probability that at some point it will fail or be unable to meet its pension contributions, with its deficit in the Fund then falling to other Fund employers.

The Fund actively seeks employer input, including to its funding arrangements, through various means: see Appendix A.

3 Calculating contributions for individual Employers

3.1 General comments

A key challenge for the Administering Authority is to balance the need for stable, affordable employer contributions with the requirement to take a prudent, longer-term view of funding and ensure the solvency of the Fund. With this in mind, there are a number of methods which the Administering Authority may permit, in order to improve the stability of employer contributions. These include, where circumstances permit:-

- capping of employer contribution rate changes within a pre-determined range ("stabilisation")
- the application of the Fund's contribution relief policy
- the use of extended deficit recovery periods
- the phasing in of contribution rises or reductions
- the pooling of contributions amongst employers with similar characteristics
- the use of some form of security or guarantee to justify a lower contribution rate than would otherwise be the case.

These and associated issues are covered in this Section 3.3.

The Administering Authority recognises that there may occasionally be particular circumstances affecting individual employers that are not easily managed within the rules and policies set out in the Funding Strategy Statement. Therefore the Administering Authority may, at its sole discretion, direct the actuary to adopt alternative funding approaches on a case by case basis for specific employers.

3.2 The effect of paying contributions below the theoretical level

Employers which are permitted to use one or more of the above methods will often be paying, for a time, contributions less than the theoretical contribution rate. Such employers should appreciate that:

- their true long term liability (i.e. the actual eventual cost of benefits payable to their employees and ex-employees) is not affected by the choice of method,
- lower contributions in the short term will be assumed to incur a greater loss of investment returns on the deficit. Thus, deferring a certain amount of contribution will lead to higher contributions in the long-term, and
- it will take longer to reach full funding, all other things being equal.

Overleaf (3.3) is a summary of how the main funding policies differ for different types of employer, followed by more detailed notes where necessary.

Section 3.4 onwards deals with various other funding issues which apply to all employers.

3.3 The different approaches used for different employers

Type of employer	Scheduled Bodies			Community Admission Bodies and Designating Employers		Transferee Admission Bodies
Sub-type	**Local Authorities, Town & Parish Councils Police and Fire Authority**	**Colleges**	**Academies**	**Open to new entrants**	**Closed to new entrants**	**(all)**
Basis used	Ongoing, assumes long-term Fund participation (see Appendix E)			Ongoing, but may move to "gilts basis" - see Note (a)		Ongoing, assumes fixed contract term in the Fund (see Appendix E)
Future service rate	Projected Unit Credit approach (see Appendix D – D.2)				Attained Age approach (see Appendix D – D.2)	Projected Unit Credit approach (see Appendix D – D.2)
Stabilised rate?	Yes - see Note (b)	No	No	No	No	No
Maximum deficit recovery period – Note (c)	20 years	14 years	14 years	14 years	14 years	Outstanding contract term, subject to a maximum of 20 years
Deficit recovery payments – Note (d)	Monetary Amount	% of payroll or Monetary Amount	% of payroll or Monetary Amount	% of payroll or Monetary Amount	Monetary amount	% of payroll
Treatment of surplus	Covered by stabilisation arrangement	Preferred approach: contributions kept at future service rate. However, reductions may be permitted by the Admin. Authority		Preferred approach: contributions kept at future service rate. However, reductions may be permitted by the Admin. Authority		Reduce contributions by spreading the surplus over the remaining contract term
Phasing of contribution changes – Note (e)	Covered by stabilisation arrangement	Can apply for contribution relief - See Note (e)	Can apply for contribution relief - See Note (e)	Can apply for contribution relief - See Note (e)	Can apply for contribution relief - See Note (e)	Can apply for contribution relief - See Note (e)
Review of rates – Note (f)	Administering Authority reserves the right to review contribution rates and amounts, and the level of security provided, at regular intervals between valuations					Particularly reviewed in last 3 years of contract
New employer	n/a	n/a	Note (g)	Note (h)		Notes (h) & (i)
Cessation of participation:	Cessation is assumed not to be generally possible, as Scheduled Bodies are legally obliged to participate in the			Can be ceased subject to terms of admission agreement. Cessation debt		Participation is assumed to expire at the end of the contract. Cessation debt (if

cessation debt payable	LGPS. In the rare event of cessation occurring (machinery of Government changes for example), the cessation debt principles applied would be as per Note (j).	will be calculated on a basis appropriate to the circumstances of cessation – see Note (j).	any) calculated on ongoing basis. Awarding Authority will be liable for future deficits and contributions arising.

Note (a) (Basis for CABs and Designating Employers closed to new entrants)

In the circumstances where:

- the employer is a Designating Employer, or an Admission Body but not a Transferee Admission Body, and
- the employer has no guarantor, and
- the admission agreement is likely to terminate, or the employer is likely to lose its last active member, within a timeframe considered appropriate by the Administering Authority to prompt a change in funding,

the Administering Authority may vary the discount rate used to set employer contribution rate. In particular contributions may be set for an employer to achieve full funding on a more prudent basis (e.g. using a discount rate set equal to gilt yields) by the time the agreement terminates or the last active member leaves, in order to protect other employers in the Fund. This policy will increase regular contributions and reduce, but not entirely eliminate, the possibility of a final deficit payment being required from the employer when a cessation valuation is carried out.

The Administering Authority also reserves the right to adopt the above approach in respect of those Designating Employers and Admission Bodies with no guarantor, where the strength of covenant is considered to be weak but there is no immediate expectation that the admission agreement will cease or the Designating Employer alters its designation.

Note (b) (Stabilisation)

Stabilisation is a mechanism where employer contribution rate variations from year to year are kept within a pre-determined range, thus allowing those employers' rates to be relatively stable. In the interests of stability and affordability of employer contributions, the Administering Authority, on the advice of the Fund Actuary, believes that stabilising contributions can still be viewed as a prudent longer-term approach. However, employers whose contribution rates have been "stabilised" (and may therefore be paying less than their theoretical contribution rate) should be aware of the risks of this approach and should consider making additional payments to the Fund if possible.

This stabilisation mechanism allows short term investment market volatility to be managed so as not to cause volatility in employer contribution rates, on the basis that a long term view can be taken on net cash inflow, investment returns and strength of employer covenant.

The current stabilisation mechanism applies if:

- the employer satisfies the eligibility criteria set by the Administering Authority (see below) and;
- there are no material events which cause the employer to become ineligible, e.g. significant reductions in active membership (due to outsourcing or redundancies), or changes in the nature of the employer (perhaps due to Government restructuring).

On the basis of extensive modelling carried out for the 2013 valuation exercise (see Section 4), the stabilised details are as follows:

Type of employer	Local Authorities, Town & Parish Councils Police and Fire Authority
Max cont increase	+1% of pay
Max cont decrease	-1% of pay

The stabilisation criteria and limits will be reviewed at the 31 March 2016 valuation, to take effect from 1 April 2017. This will take into account the employer's membership profiles, the issues surrounding employer security, and other relevant factors.

Note (c) (Deficit Recovery Periods)

The deficit recovery period starts at the commencement of the revised contribution rate (1 April 2014 for the 2013 valuation). The Administering Authority would normally expect the same period to be used at successive triennial valuations, but would reserve the right to propose alternative spreading periods, for example where there were no new entrants.

Where stabilisation applies, the resulting employer contribution rate would be amended to comply with the stabilisation mechanism.

For employers with no (or very few) active members at this valuation, the deficit should be recovered by a fixed monetary amount over a period to be agreed with the body or its successor.

Note (d) (Deficit Recovery Payments)

For employers where stabilisation is not being applied, the deficit recovery payments for each employer covering the three year period until the next valuation will often be set as a percentage of salaries. However, the Administering Authority reserves the right to amend these rates between valuations and/or to require these payments in monetary terms instead, for instance where:

- the employer is relatively mature, i.e. has a large deficit recovery contribution rate (e.g. above 15% of payroll), in other words its payroll is a smaller proportion of its deficit than is the case for most other employers, or
- there has been a significant reduction in payroll due to outsourcing or redundancy exercises, or
- the employer has closed the Fund to new entrants.

Note (e) (Contribution Rate Relief)

This approach individually assesses the funding level and contribution rate of employers based on their own profile and experience and also the financial stability and strength of that employers covenant to decide the approach to take in setting their contribution rate (for example longer deficit spreading periods or phasing in of contributions) but the extent of this will depend on the individual circumstance of the employer.

When presenting the 2013 Valuation results the Actuary will calculate the individual employer contribution rates (Theoretical Rate) required to be paid over a three year period. Employers who have affordability issues in meeting any increases in the short term will then have an opportunity to apply for "Contribution Rate Relief".

Officers will review each employer using credit reports and where required request specific information to assess the perceived risk and strength of covenant to enable them to allocate the employer into one of four categories (Category 1 being a relatively low risk to the Fund). The category informs the ranges of contribution relief that will be considered for each employer for the next three years as outlined below.

The relief restricts the actual increase in contribution rates to a percentage of the full increase that could be imposed by moving employers from their current rate to the full theoretical rate.

Category 1 Between the current rate to 1/3rd of the increase to the Theoretical Rate.

Category 2 Between a 1/3rd to 2/3rds of the increase to the Theoretical Rate.

Category 3 Between a 2/3rd of the increase to the Theoretical Rate and the full rate.

Category 4 The full Theoretical Rate.

Note (f) (Regular Reviews)

Such reviews may be triggered by significant events including but not limited to: significant reductions in payroll, altered employer circumstances, Government restructuring affecting the employer's business, or failure to pay contributions or arrange appropriate security as required by the Administering Authority.

The result of a review may be to require increased contributions (by strengthening the actuarial assumptions adopted and/or moving to monetary levels of deficit recovery contributions), and/or an increased level of security or guarantee.

Note (g) (New Academy employers)

At the time of writing, the Fund's policies on academies' funding issues are as follows:

a) The new academy will be regarded as a separate employer in its own right and will not be pooled with other employers in the Fund. The only exception is where the academy is part of a Multi Academy Trust (MAT) in which case the academy's figures will be calculated as below but can be combined with those of the other academies in the MAT;

b) The new academy's past service liabilities on conversion will be calculated based on its active Fund members on the day before conversion. For the avoidance of doubt, these liabilities will include all past service of those members, but will exclude the liabilities relating to any ex-employees of the school who have deferred or pensioner status;

c) The new academy will be allocated an initial asset share from the ceding council's assets in the Fund. This asset share will be calculated using the estimated funding position of the ceding council at the date of academy conversion. The asset allocation will be based on market conditions and the academy's active Fund membership on the day prior to conversion;

d) The new academy's initial contribution rate will be calculated using the valuation assumptions that applied as at the last formal valuation and the council funding position and membership data, as at the day prior to conversion;

The Fund's policies on academies are subject to change in the light of any amendments to DCLG guidance. Any changes will be notified to academies, and will be reflected in a subsequent version of this FSS. In particular, policies (d) and (e) above will be reconsidered at each valuation.

Note (h) (New Admission Bodies)

With effect from 1 October 2012, the LGPS 2012 Miscellaneous Regulations introduced mandatory new requirements for all Admission Bodies brought into the Fund from that date. Under these Regulations, all new Admission Bodies will be required to provide some form of security, such as a guarantee from the letting employer, an indemnity or a bond. The security is required to cover some or all of the following:

- the strain cost of any redundancy early retirements resulting from the premature termination of the contract;
- allowance for the risk of asset underperformance;
- allowance for the risk of a fall in gilt yields;
- allowance for the possible non-payment of employer and member contributions to the Fund;
- the current deficit.

For all new Transferee Admission Bodies, the security must be to the satisfaction of the Administering Authority as well as the letting employer, and will be reassessed on an annual basis.

The Administering Authority will only consider requests from Community Admission Bodies (or other similar bodies, such as section 75 NHS partnerships) to join the Fund if they are sponsored by a Scheduled Body with tax raising powers, guaranteeing their liabilities and also providing a form of security as above.

The above approaches reduce the risk to other employers in the Fund, of potentially having to pick up any shortfall in respect of Admission Bodies ceasing with an unpaid deficit.

Note (i) (New Transferee Admission Bodies)

A new TAB usually joins the Fund as a result of the letting/outsourcing of some services from an existing employer (normally a Scheduled Body such as a council or academy) to another organisation (a “contractor”). This involves the TUPE transfer of some staff from the letting employer to the contractor. Consequently, for the duration of the contract, the contractor is a new participating employer in the Fund so that the transferring employees maintain their eligibility for LGPS membership. At the end of the contract the employees revert to the letting employer or to a replacement contractor.

Ordinarily, the TAB would be set up in the Fund as a new employer with responsibility for all the accrued benefits of the transferring employees; in this case, the contractor would usually be assigned an initial asset allocation equal to the past service liability value of the employees’ Fund benefits. The quid pro quo is that the contractor is then expected to ensure that its share of the Fund is also fully funded at the end of the contract: see Note (j).

Employers which “outsource” have flexibility in the way that they can deal with the pension risk potentially taken on by the contractor. In particular there are three different routes that such employers may wish to adopt. Clearly as the risk ultimately resides with the employer letting the contract, it is for them to agree the appropriate route with the contractor:

i) Pooling

Under this option the contractor is pooled with the letting employer. In this case, the contractor pays the same rate as the letting employer, which is may be under the stabilisation approach.

ii) Letting employer retains pre-contract risks

Under this option the letting employer would retain responsibility for assets and liabilities in respect of service accrued prior to the contract commencement date. The contractor would be responsible for the future liabilities that accrue in respect of transferred staff. The contractor’s contribution rate could vary from one valuation to the next. It would be liable for any deficit at the end of the contract term in respect of assets and liabilities attributable to service accrued during the contract term.

iii) Fixed contribution rate agreed

Under this option the contractor pays a fixed contribution rate and doesn’t pay any cessation deficit.

The Administering Authority is willing to administer any of the above options as long as the approach is appropriately documented in the Admission Agreement and/or the transfer agreement. The Admission Agreement should ensure that some element of risk transfers to the contractor where it relates to their decisions and it is unfair to burden the letting employer with that risk. For example the contractor should typically be responsible for pension costs that arise from;

- above average pay increases, including the effect in respect of service prior to contract commencement even if the letting employer takes on responsibility for the latter under (ii) above;
- redundancy and early retirement decisions.

Note (j) (Admission Bodies Ceasing)

Notwithstanding the provisions of the Admission Agreement, the Administering Authority may consider any of the following as triggers for the cessation of an admission agreement with any type of body:

- Last active member ceasing participation in the Fund;

- The insolvency, winding up or liquidation of the Admission Body;
- Any breach by the Admission Body of any of its obligations under the Agreement that they have failed to remedy to the satisfaction of the Fund;
- A failure by the Admission Body to pay any sums due to the Fund within the period required by the Fund; or
- The failure by the Admission Body to renew or adjust the level of the bond or indemnity, or to confirm an appropriate alternative guarantor, as required by the Fund.

On cessation, the Administering Authority will instruct the Fund actuary to carry out a cessation valuation to determine whether there is any deficit or surplus. Where there is a deficit, payment of this amount in full would normally be sought from the Admission Body; where there is a surplus it should be noted that current legislation does not permit a refund payment to the Admission Body.

For non-Transferee Admission Bodies whose participation is voluntarily ended either by themselves or the Fund, or where a cessation event has been triggered, the Administering Authority must look to protect the interests of other ongoing employers. The actuary will therefore adopt an approach which, to the extent reasonably practicable, protects the other employers from the likelihood of any material loss emerging in future:

a) Where there is a guarantor for future deficits and contributions, the cessation valuation will normally be calculated using the ongoing basis as described in Appendix E;

b) Alternatively, it may be possible to simply transfer the former Admission Body's liabilities and assets to the guarantor, without needing to crystallise any deficit. This approach may be adopted where the employer cannot pay the contributions due, and this is within the terms of the guarantee;

c) Where a guarantor does not exist then, in order to protect other employers in the Fund, the cessation liabilities and final deficit will normally be calculated using a "gilts cessation basis", which is more prudent than the ongoing basis. This has no allowance for potential future investment outperformance above gilt yields, and has added allowance for future improvements in life expectancy. This could give rise to significant cessation debts being required.

Under (a) and (c), any shortfall would usually be levied on the departing Admission Body as a single lump sum payment. If this is not possible then the Fund would look to any bond, indemnity or guarantee in place for the employer.

In the event that the Fund is not able to recover the required payment in full, then the unpaid amounts fall to be shared amongst all of the other employers in the Fund. This may require an immediate revision to the Rates and Adjustments Certificate affecting other employers in the Fund, or instead be reflected in the contribution rates set at the next formal valuation following the cessation date

As an alternative, where the ceasing Admission Body is continuing in business, the Fund at its absolute discretion reserves the right to enter into an agreement with the ceasing Admission Body. Under this agreement the Fund would accept an appropriate alternative security to be held against any deficit, and would carry out the cessation valuation on an ongoing basis: deficit recovery payments would be derived from this cessation debt. This approach would be monitored as part of each triennial valuation: the Fund reserves the right to revert to a "gilts cessation basis" and seek immediate payment of any funding shortfall identified. The Administering Authority may need to seek legal advice in such cases, as the Body would have no contributing members.

3.4 Pooled contributions

From time to time the Administering Authority may set up pools for employers with similar characteristics. This will always be in line with its broader funding strategy.

With the advice of the Actuary the Administering Authority allows smaller employers of similar types to pool their contributions as a way of sharing experience and smoothing out the effects of costly but relatively rare events such as ill-health retirements or deaths in service.

Community Admission Bodies that are deemed by the Administering Authority to have closed to new entrants are not usually permitted to participate in a pool. Transferee Admission Bodies are usually also ineligible for pooling.

Smaller admitted bodies may be pooled with the letting employer, provided all parties (particularly the letting employer) agree.

Employers who are permitted to enter (or remain in) a pool at the 2013 valuation will not normally be advised of their individual contribution rate unless agreed by the Administering Authority.

Schools generally are also pooled with their funding Council. However there may be exceptions for specialist or independent schools.

Those employers which have been pooled are identified in the Rates and Adjustments Certificate.

3.5 Non ill health early retirement costs

It is assumed that members' benefits are payable from the earliest age that the employee could retire without incurring a reduction to their benefit (and without requiring their employer's consent to retire). (**NB** the relevant age may be different for different periods of service, following the benefit changes from April 2008 and April 2014). Employers are required to pay additional contributions ('strain') wherever an employee retires before attaining this age. The actuary's funding basis makes no allowance for premature retirement except on grounds of ill-health.

3.6 Ill health early retirement costs

Admitted Bodies will usually have an 'ill health allowance'; Scheduled Bodies may have this also, depending on their agreement terms with the Administering Authority. The Fund monitors each employer's ill health experience on an ongoing basis. If the cumulative cost of ill health retirement in any financial year exceeds the allowance at the previous valuation, the employer may be charged additional contributions on the same basis as apply for non ill-health cases.

3.7 Ill health insurance

If an employer provides satisfactory evidence to the Administering Authority of a current insurance policy covering ill health early retirement strains, then:

- the employer's contribution to the Fund each year is reduced by the amount of that year's insurance premium, so that the total contribution is unchanged, and
- there is no need for monitoring of allowances.

The employer must keep the Administering Authority notified of any changes in the insurance policy's coverage or premium terms, or if the policy is ceased.

3.8 Employers with no remaining active members

In general an employer ceasing in the Fund, due to the departure of the last active member, will pay a cessation debt on an appropriate basis (see 3.3, Note (j)) and consequently have no further obligation to the Fund. Thereafter it is expected that one of two situations will eventually arise:

a) The employer's asset share runs out before all its ex-employees' benefits have been paid. In this situation the other Fund employers will be required to contribute to pay all remaining benefits: this will be done by the Fund actuary apportioning the remaining liabilities on a pro-rata basis at successive formal valuations;

b) The last ex-employee or dependant dies before the employer's asset share has been fully utilised. In this situation the remaining assets would be apportioned pro-rata by the Fund's actuary to the other Fund

c) In exceptional circumstances the Fund may permit an employer with no remaining active members to continue contributing to the Fund. This would require the provision of a suitable security or guarantee, as well as a written ongoing commitment to fund the remainder of the employer's obligations over an appropriate period. The Fund would reserve the right to invoke the cessation requirements in the future, however. The Administering Authority may need to seek legal advice in such cases, as the employer would have no contributing members.

3.9 Policies on bulk transfers

Each case will be treated on its own merits, but in general:

- The Fund will not pay bulk transfers greater than the lesser of (a) the asset share of the transferring employer in the Fund, and (b) the value of the past service liabilities of the transferring members;
- The Fund will not grant added benefits to members bringing in entitlements from another Fund unless the asset transfer is sufficient to meet the added liabilities;
- The Fund may permit shortfalls to arise on bulk transfers if the Fund employer has suitable strength of covenant and commits to meeting that shortfall in an appropriate period. This may require the employer's Fund contributions to increase between valuations.

4 Funding strategy and links to investment strategy

4.1 What is the Fund's investment strategy?

The Fund has built up assets over the years, and continues to receive contribution and other income. All of this must be invested in a suitable manner, which is the investment strategy.

Investment strategy is set by the administering authority, after consultation with the employers and after taking investment advice. The precise mix, manager make up and target returns are set out in the Statement of Investment Principles (SIP), which is available to members and employers.

The investment strategy is set for the long-term, but is reviewed from time to time. Normally a full review is carried out after each actuarial valuation, and is kept under review annually between actuarial valuations to ensure that it remains appropriate to the Fund's liability profile.

The same investment strategy is currently followed for all employers.

4.2 What is the link between funding strategy and investment strategy?

The Fund must be able to meet all benefit payments as and when they fall due. These payments will be met by contributions (resulting from the funding strategy) or asset returns and income (resulting from the investment strategy). To the extent that investment returns or income fall short, then higher cash contributions are required from employers, and vice versa.

Therefore, the funding and investment strategies are inextricably linked.

4.3 How does the funding strategy reflect the Fund's investment strategy?

In the opinion of the Fund actuary, the current funding policy is consistent with the current investment strategy of the Fund. The asset outperformance assumption contained in the discount rate (see E3) is within a range that would be considered acceptable for funding purposes; it is also considered to be consistent with the requirement to take a "prudent longer-term view" of the funding of liabilities as required by the UK Government (see A1).

However, in the short term – such as the three yearly assessments at formal valuations – there is the scope for considerable volatility and there is a material chance that in the short-term and even medium term, asset returns will fall short of this target. The stability measures described in Section 3 will damp down, but not remove, the effect on employers' contributions.

The Fund does not hold a contingency reserve to protect it against the volatility of equity investments.

4.4 How does this differ for a large stable employer?

The Actuary has developed four key measures which capture the essence of the Fund's strategies, both funding and investment:

- Prudence - the Fund should have a reasonable expectation of being fully funded in the long term;
- Affordability – how much can employers afford;
- Stewardship – the assumptions used should be sustainable in the long term, without having to resort to overly optimistic assumptions about the future to maintain an apparently healthy funding position;
- Stability – employers should not see significant moves in their contribution rates from one year to the next, and this will help to provide a more stable budgeting environment.

The key problem is that the key objectives often conflict. For example, minimising the long term cost of the scheme (i.e. keeping employer rates affordable) is best achieved by investing in higher returning assets e.g. equities. However, equities are also very volatile (i.e. go up and down fairly frequently in fairly large moves), which conflicts with the objective to have stable contribution rates.

Therefore a balance needs to be maintained between risk and reward, which has been considered by the use of Asset Liability Modelling: this is a set of calculation techniques applied by the Fund's actuary, to model the range of potential future solvency levels and contribution rates.

The Actuary was able to model the impact of these four key areas, for the purpose of setting a stabilisation approach (see 3.3 Note (b)). The modelling demonstrated that retaining the present investment strategy, coupled with constraining employer contribution rate changes as described in 3.3 Note (b), struck an appropriate balance between the above objectives. In particular the stabilisation approach currently adopted meets the need for stability of contributions without jeopardising the Administering Authority's aims of prudent stewardship of the Fund.

Whilst the current stabilisation mechanism is to remain in place until 2017, it should be noted that this will need to be reviewed following the 2016 valuation.

4.5 Does the Fund monitor its overall funding position?

The Administering Authority monitors the relative funding position, i.e. changes in the relationship between asset values and the liabilities value, quarterly. It reports this to the regular Pensions Committee meetings, and also to employers through newsletters and Employers Forums.

Appendix A – Regulatory framework

A1 Why does the Fund need an FSS?

The Department for Communities and Local Government (DCLG) has stated that the purpose of the FSS is:

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

These objectives are desirable individually, but may be mutually conflicting.

The requirement to maintain and publish a FSS is contained in LGPS Regulations which are updated from time to time. In publishing the FSS the Administering Authority has to have regard to any guidance published by Chartered Institute of Public Finance and Accountancy (CIPFA) (most recently in 2012) and to its Statement of Investment Principles.

This is the framework within which the Fund's actuary carries out triennial valuations to set employers' contributions and provides recommendations to the Administering Authority when other funding decisions are required, such as when employers join or leave the Fund. The FSS applies to all employers participating in the Fund.

A2 Does the Administering Authority consult anyone on the FSS?

Yes. This is required by LGPS Regulations. It is covered in more detail by the most recent CIPFA guidance, which states that the FSS must first be subject to "consultation with such persons as the authority considers appropriate", and should include "a meaningful dialogue at officer and elected member level with council tax raising authorities and with corresponding representatives of other participating employers".

In practice, for the Fund, the consultation process for this FSS was as follows:

a) A draft version of the FSS was issued to all participating employers on 20 September 2013 for comment;

b) Comments were requested within 20 days;

c) Following the end of the consultation period the FSS was updated where required and then published, in October 2013.

A3 How is the FSS published?

The FSS is made available through the following routes:

- Published on the website, at www.wiltshirepensionfund.org.uk;
- A copy sent by e-mail to each participating employer in the Fund;
- A full copy linked from the annual report and accounts of the Fund;
- Copies sent to investment managers and independent advisers;
- Copies made available on request.

A4 How often is the FSS reviewed?

The FSS is reviewed in detail at least every three years as part of the triennial valuation. This version is expected to remain unaltered until it is consulted upon as part of the formal process for the next valuation in 2016.

It is possible that (usually slight) amendments may be needed within the three year period. These would be needed to reflect any regulatory changes, or alterations to the way the Fund operates (e.g. to accommodate a new class of employer). Any such amendments would be consulted upon as appropriate:

- trivial amendments would be simply notified at the next round of employer communications,
- amendments affecting only one class of employer would be consulted with those employers,
- other more significant amendments would be subject to full consultation.

In any event, changes to the FSS would need agreement by the Wiltshire Pension Fund Committee and would be included in the relevant Committee Meeting minutes.

A5 How does the FSS fit into other Fund documents?

The FSS is a summary of the Fund's approach to funding liabilities. It is not an exhaustive statement of policy on all issues, for example there are a number of separate statements published by the Fund including the Statement of Investment Principles, Governance Strategy and Communications Strategy. In addition, the Fund publishes an Annual Report and Accounts with up to date information on the Fund.

These documents can be found on the web at www.wiltshirepensionfund.org.uk.

Appendix B – Responsibilities of key parties

The efficient and effective operation of the Fund needs various parties to each play their part.

B1 The Administering Authority should:-

- operate the Fund as per the LGPS Regulations;
- effectively manage any potential conflicts of interest arising from its dual role as Administering Authority and a Fund employer;
- collect employer and employee contributions, and investment income and other amounts due to the Fund;
- ensure that cash is available to meet benefit payments as and when they fall due;
- pay from the Fund the relevant benefits and entitlements that are due;
- invest surplus monies (i.e. contributions and other income which are not immediately needed to pay benefits) in accordance with the Fund's Statement of Investment Principles (SIP) and LGPS Regulations;
- communicate appropriately with employers so that they fully understand their obligations to the Fund;
- take appropriate measures to safeguard the Fund against the consequences of employer default;
- manage the valuation process in consultation with the Fund's actuary;
- prepare and maintain a FSS and a SIP, after consultation;
- notify the Fund's actuary of material changes which could affect funding (this is covered in a separate agreement with the actuary); and
- monitor all aspects of the fund's performance and funding and amend the FSS/SIP as necessary and appropriate.

B2 The Individual Employer should:-

- deduct contributions from employees' pay correctly;
- pay all contributions, including their own as determined by the actuary, promptly by the due date;
- have a policy and exercise discretions within the regulatory framework;
- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain; and
- notify the Administering Authority promptly of all changes to its circumstances, prospects or membership, which could affect future funding.

B3 The Fund Actuary should:-

- prepare valuations, including the setting of employers' contribution rates. This will involve agreeing assumptions with the Administering Authority, having regard to the FSS and LGPS Regulations, and targeting each employer's solvency appropriately;
- provide advice relating to new employers in the Fund, including the level and type of bonds or other forms of security (and the monitoring of these);
- prepare advice and calculations in connection with bulk transfers and individual benefit-related matters;
- assist the Administering Authority in considering possible changes to employer contributions between formal valuations, where circumstances suggest this may be necessary;

- advise on the termination of Admission Bodies' participation in the Fund; and
- fully reflect actuarial professional guidance and requirements in the advice given to the Administering Authority.

B4 Other parties:-

- investment advisers (either internal or external) should ensure the Fund's SIP remains appropriate, and consistent with this FSS;
- investment managers, custodians and bankers should all play their part in the effective investment (and dis-investment) of Fund assets, in line with the SIP;
- auditors should comply with their auditing standards, ensure Fund compliance with all requirements, monitor and advise on fraud detection, and sign off annual reports and financial statements as required;
- governance advisers may be appointed to advise the Administering Authority on efficient processes and working methods in managing the Fund;
- legal advisers (either internal or external) should ensure the Fund's operation and management remains fully compliant with all regulations and broader local government requirements, including the Administering Authority's own procedures.

Appendix C – Key risks and controls

C1 Types of risk

The Administering Authority has an active risk management programme in place. The measures that it has in place to control key risks are summarised below under the following headings:

- financial;
- demographic;
- regulatory; and
- governance.

C2 Financial risks

Risk	Summary of Control Mechanisms
Fund assets fail to deliver returns in line with the anticipated returns underpinning valuation of liabilities over the long-term.	Only anticipate long-term return on a relatively prudent basis to reduce risk of under-performing. Assets invested on the basis of specialist advice, in a suitably diversified manner across asset classes, geographies, managers, etc. Analyse progress at three yearly valuations for all employers. Inter-valuation roll-forward of liabilities between valuations at whole Fund level.
Inappropriate long-term investment strategy.	Overall investment strategy options considered as an integral part of the funding strategy. Used asset liability modelling to measure 4 key outcomes. Chosen option considered to provide the best balance.
Fall in risk-free returns on Government bonds, leading to rise in value placed on liabilities.	Stabilisation modelling at whole Fund level allows for the probability of this within a longer term context. Inter-valuation monitoring, as above. Some investment in bonds helps to mitigate this risk.
Active investment manager under-performance relative to benchmark.	Quarterly investment monitoring analyses market performance and active managers relative to their index benchmark.
Pay and price inflation significantly more than anticipated.	The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases. Inter-valuation monitoring, as above, gives early warning. Some investment in bonds also helps to mitigate this

Risk	Summary of Control Mechanisms
	risk. Employers pay for their own salary awards and should be mindful of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.
Effect of possible increase in employer's contribution rate on service delivery and admission/scheduled bodies	An explicit stabilisation mechanism has been agreed as part of the funding strategy. Other measures are also in place to limit sudden increases in contributions.
Orphaned employers give rise to added costs for the Fund	The Fund seeks a cessation debt (or security/guarantor) to minimise the risk of this happening in the future. If it occurs, the Actuary calculates the added cost spread pro-rata among all employers – (see 3.9).

C3 Demographic risks

Risk	Summary of Control Mechanisms
Pensioners living longer, thus increasing cost to Fund.	Set mortality assumptions with some allowance for future increases in life expectancy. The Fund Actuary has direct access to the experience of over 50 LGPS funds which allows early identification of changes in life expectancy that might in turn affect the assumptions underpinning the valuation.
Maturing Fund – i.e. proportion of actively contributing employees declines relative to retired employees.	Continue to monitor at each valuation, consider seeking monetary amounts rather than % of pay and consider alternative investment strategies.
Deteriorating patterns of early retirements	Employers are charged the extra cost of non ill-health retirements following each individual decision. Employer ill health retirement experience is monitored, and insurance is an option.
Reductions in payroll causing insufficient deficit recovery payments	In many cases this may not be sufficient cause for concern, and will in effect be caught at the next formal valuation. However, there are protections where there is concern, as follows: Employers in the stabilisation mechanism may be brought out of that mechanism to permit appropriate contribution increases (see Note (b) to 3.3).

Risk	Summary of Control Mechanisms
	For other employers, review of contributions is permitted in general between valuations (see Note (f) to 3.3) and may require a move in deficit contributions from a percentage of payroll to fixed monetary amounts.

C4 Regulatory risks

Risk	Summary of Control Mechanisms
Changes to national pension requirements and/or HMRC rules e.g. changes arising from public sector pensions reform.	The Administering Authority considers all consultation papers issued by the Government and comments where appropriate. The results of the most recent reforms have been built into the 2013 valuation. Any changes to member contribution rates or benefit levels will be carefully communicated with members to minimise possible opt-outs or adverse actions.

C5 Governance risks

Risk	Summary of Control Mechanisms
Administering Authority unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements) or not advised of an employer closing to new entrants.	The Administering Authority has a close relationship with employing bodies and communicates required standards e.g. for submission of data. The Actuary may revise the rates and Adjustments certificate to increase an employer's contributions (under Regulation 38) between triennial valuations Deficit contributions may be expressed as monetary amounts.
Actuarial or investment advice is not sought, or is not heeded, or proves to be insufficient in some way	The Administering Authority maintains close contact with its specialist advisers. Advice is delivered via formal meetings involving Elected Members, and recorded appropriately. Actuarial advice is subject to professional requirements such as peer review.
Administering Authority failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body.	The Administering Authority requires employers with Best Value contractors to inform it of forthcoming changes. Community Admission Bodies' memberships are

Risk	Summary of Control Mechanisms
	monitored and, if active membership decreases, steps will be taken.
An employer ceasing to exist with insufficient funding or adequacy of a bond.	The Administering Authority believes that it would normally be too late to address the position if it was left to the time of departure. The risk is mitigated by: Seeking a funding guarantee from another scheme employer, or external body, where-ever possible (see Notes (h) and (j) to 3.3). Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice. Vetting prospective employers before admission. Where permitted under the regulations requiring a bond to protect the Fund from various risks. Requiring new Community Admission Bodies to have a guarantor. Reviewing bond or guarantor arrangements at regular intervals (see Note (f) to 3.3). Reviewing contributions well ahead of cessation if thought appropriate (see Note (a) to 3.3).

Appendix D – The calculation of Employer contributions

In Section 2 there was a broad description of the way in which contribution rates are calculated. This Appendix considers these calculations in much more detail.

The calculations involve actuarial assumptions about future experience, and these are described in detail in Appendix E.

D1 What is the difference between calculations across the whole Fund and calculations for an individual employer?

Employer contributions are normally made up of two elements:

a) the estimated cost of future benefits being accrued, referred to as the "future service rate"; plus

b) an adjustment for the funding position of accrued benefits relative to the Fund's solvency target, "*past service adjustment*". If there is a surplus there may be a reduction in the employer's contribution rate. If there is a deficit there will be an increase in the employer's contribution rate, with the surplus or deficit spread over an appropriate period. The aim is to return the employer to full funding over that period. See Section 3 for deficit recovery periods.

The Fund's actuary is required by the regulations to report the *Common Contribution Rate*[1], for all employers collectively at each triennial valuation. It combines items (a) and (b) and is expressed as a percentage of pay; it is in effect an average rate across all employers in the Fund.

The Fund's actuary is also required to adjust the Common Contribution Rate for circumstances which are deemed "peculiar" to an individual employer[2]. It is the adjusted contribution rate which employers are actually required to pay. The sorts of "peculiar" factors which are considered are discussed below.

In effect, the *Common Contribution Rate* is a notional quantity. Separate future service rates are calculated for each employer together with individual past service adjustments according to employer-specific past service deficit spreading and increased employer contribution phasing periods.

D2 How is the Future Service Rate calculated?

The future service element of the employer contribution rate is calculated with the aim that these contributions will meet benefit payments in respect of members' **future** service in the Fund. This is based upon the cost (in excess of members' contributions) of the benefits which employee members earn from their service each year.

The future service rate is calculated separately for all the employers, although employers within a pool will pay the contribution rate applicable to the pool as a whole. The calculation is on the "ongoing" valuation basis (see Appendix E), but where it is considered appropriate to do so the Administering Authority reserves the right to set a future service rate by reference to liabilities valued on a more prudent basis (see Section 3).

The approach used to calculate each employer's future service contribution rate depends on whether or not new entrants are being admitted. Employers should note that it is only Admission Bodies and Designating Employers that may have the power not to automatically admit all eligible new staff to the Fund, depending on the terms of their Admission Agreements and employment contracts.

[1] See LGPS (Administration) Regulations 36(5).
[2] See LGPS (Administration) Regulations 36(7).

a) Employers which admit new entrants

These rates will be derived using the "Projected Unit Method" of valuation with a one year period, i.e. only considering the cost of the next year's benefit accrual and contribution income. If future experience is in line with assumptions, and the employer's membership profile remains stable, this rate should be broadly stable over time. If the membership of employees matures (e.g. because of lower recruitment) the rate would rise over time.

b) Employers which do not admit new entrants

To give more long term stability to such employers' contributions, the "Attained Age" funding method is normally adopted. This measures benefit accrual and contribution income over the whole future anticipated working lifetimes of current active employee members.

Both approaches include expenses of administration to the extent that they are borne by the Fund, and include allowances for benefits payable on death in service and ill health retirement.

D3 How is the Solvency / Funding Level calculated?

The Fund's actuary is required to report on the "solvency" of the whole Fund in a valuation which should be carried out at least once every three years. As part of this valuation, the actuary will calculate the solvency position of each employer.

'Solvency" is defined to be the ratio of the market value of the employer's asset share to the value placed on accrued benefits on the Fund actuary's chosen assumptions. This quantity is known as a funding level.

For the value of the employer's asset share, see D5 below.

For the value of benefits, the Fund actuary agrees the assumptions to be used with the Administering Authority – see Appendix E. These assumptions are used to calculate the present value of all benefit payments expected in the future, relating to that employer's current and former employees, based on pensionable service to the valuation date only (i.e. ignoring further benefits to be built up in the future).

The Fund operates the same target funding level for all employers of 100% of its accrued liabilities valued on the ongoing basis, unless otherwise determined (see Section 3).

D4 What affects a given employer's valuation results?

The results of these calculations for a given individual employer will be affected by:

- past contributions relative to the cost of accruals of benefits;
- different liability profiles of employers (e.g. mix of members by age, gender, service vs. salary);
- the effect of any differences in the valuation basis on the value placed on the employer's liabilities;
- any different deficit/surplus spreading periods or phasing of contribution changes;
- the difference between actual and assumed rises in pensionable pay;
- the difference between actual and assumed increases to pensions in payment and deferred pensions;
- the difference between actual and assumed retirements on grounds of ill-health from active status;
- the difference between actual and assumed amounts of pension ceasing on death;
- the additional costs of any non ill-health retirements relative to any extra payments made;

over the period between each triennial valuation.

Actual investment returns achieved on the Fund between each valuation are applied proportionately across all employers, to the extent that employers in effect share the same investment strategy. Transfers of liabilities between employers within the Fund occur automatically within this process, with a sum broadly equivalent to the reserve required on the ongoing basis being exchanged between the two employers.

D5 How is each employer's asset share calculated?

Individual asset shares are calculated on a monthly basis by the Fund's Administering Authority and passed to the Fund's actuary when required. The system uses monthly income and expenditure amounts split by each employer and is operated by the Administering Authority in accordance with a procedure note which allows for complications such as intra-fund transfers of liabilities. The system provides a full audit trail of calculations.

Appendix E – Actuarial assumptions

E1 What are the actuarial assumptions?

These are expectations of future experience used to place a value on future benefit payments ("the liabilities"). Assumptions are made about the amount of benefit payable to members (the financial assumptions) and the likelihood or timing of payments (the demographic assumptions). For example, financial assumptions include investment returns, salary growth and pension increases; demographic assumptions include life expectancy, probabilities of ill-health early retirement, and proportions of member deaths giving rise to dependants' benefits.

Changes in assumptions will affect the measured value of future service accrual and past service liabilities, and hence the measured value of the past service deficit. However, different assumptions will not of course affect the actual benefits payable by the Fund in future.

The combination of all assumptions is described as the "basis". A more optimistic basis might involve higher assumed investment returns (discount rate), or lower assumed salary growth, pension increases or life expectancy; a more optimistic basis will give lower liability values and lower employer costs. A more prudent basis will give higher liability values and higher employer costs.

E2 What basis is used by the Fund?

The Fund's standard funding basis is described as the "ongoing basis", which applies to most employers in most circumstances. This is described in more detail below. It anticipates employers remaining in the Fund in the long term.

However, in certain circumstances, typically where the employer is not expected to remain in the Fund long term, a more prudent basis applies: see Note (a) to 3.3.

E3 What assumptions are made in the ongoing basis?

a) Investment return / discount rate

The key financial assumption is the anticipated return on the Fund's investments. This "discount rate" assumption makes allowance for an anticipated out-performance of Fund returns relative to long term yields on UK Government bonds ("gilts"). There is, however, no guarantee that Fund returns will out-perform gilts. The risk is greater when measured over short periods such as the three years between formal actuarial valuations, when the actual returns and assumed returns can deviate sharply.

Given the very long-term nature of the liabilities, a long term view of prospective asset returns is taken. The long term in this context would be 20 to 30 years or more.

For the purpose of the triennial funding valuation at 31 March 2013 and setting contribution rates effective from 1 April 2014, the Fund actuary has assumed that future investment returns earned by the Fund over the long term will be 1.6% per annum greater than gilt yields at the time of the valuation (this is the same as that used at the 2010 valuation). In the opinion of the Fund actuary, based on the current investment strategy of the Fund, this asset out-performance assumption is within a range that would be considered acceptable for the purposes of the funding valuation.

b) Salary growth

Pay for public sector employees is currently subject to restriction by the UK Government until 2016. Although this “pay freeze” does not officially apply to local government and associated employers, it has been suggested that they are likely to show similar restraint in respect of pay awards. Based on long term historical analysis of the membership in LGPS funds, the salary increase assumption at the 2013 valuation has been set to 1% above the retail prices index (RPI) per annum. This is a change from the previous valuation, which assumed a two year restriction at 1% per annum followed by longer term growth at RPI plus 1.5% per annum.

c) Pension increases

Since 2011 the consumer prices index (CPI), rather than RPI, has been the basis for increases to public sector pensions in deferment and in payment. This change was allowed for in the valuation calculations as at 31 March 2010. Note that the basis of such increases is set by the Government, and is not under the control of the Fund or any employers.

As at the previous valuation, we derive our assumption for RPI from market data as the difference between the yield on long-dated fixed interest and index-linked government bonds. This is then reduced to arrive at the CPI assumption, to allow for the “formula effect” of the difference between RPI and CPI. At this valuation, we propose a reduction of 0.8% per annum. This is a larger reduction than at 2010, which will serve to reduce the value placed on the Fund’s liabilities (all other things being equal).

d) Life expectancy

The demographic assumptions are intended to be best estimates of future experience in the Fund based on past experience of LGPS funds which participate in Club Vita, the longevity analytics service used by the Fund, and endorsed by the actuary.

The longevity assumptions that have been adopted at this valuation are a bespoke set of “VitaCurves”, produced by the Club Vita’s detailed analysis, which are specifically tailored to fit the membership profile of the Fund. These curves are based on the data provided by the Fund for the purposes of this valuation.

It is acknowledged that future life expectancy and, in particular, the allowance for future improvements in life expectancy, is uncertain. There is a consensus amongst actuaries, demographers and medical experts that life expectancy is likely to improve in the future. Allowance has been made in the ongoing valuation basis for future improvements in line with ONS peaked projections and a 1.5% per annum minimum underpin to future increases in mortality rates. This is a higher allowance for future improvements than was made in 2010.

The approach taken is considered reasonable in light of the long term nature of the Fund and the assumed level of security underpinning members’ benefits.

e) General

The same financial assumptions are adopted for all employers, in deriving the past service deficit and the future service rate: as described in (3.3), these calculated figures are translated in different ways into employer contributions, depending on the employer’s circumstances.

The demographic assumptions, in particular the life expectancy assumption, in effect vary by type of member and so reflect the different membership profiles of employers.

Appendix F – Glossary

Actuarial assumptions/basis	The combined set of assumptions made by the actuary, regarding the future, to calculate the value of **liabilities**. The main assumptions will relate to the **discount rate**, salary growth, pension increases and longevity. More prudent assumptions will give a higher liability value, whereas more optimistic assumptions will give a lower value.
Administering Authority	The council with statutory responsibility for running the Fund, in effect the Fund's "trustees".
Admission Bodies	Employers which voluntarily participate in the Fund, so that their employees and ex-employees are **members**. There will be an Admission Agreement setting out the employer's obligations. For more details (see 2.5).
Common contribution rate	The Fund-wide **future service rate** plus **past service adjustment**. It should be noted that this will differ from the actual contributions payable by individual **employers**.
Covenant	The assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term.
Deficit	The shortfall between the assets value and the **liabilities** value. This relates to assets and liabilities built up to date, and ignores the future build-up of pension (which in effect is assumed to be met by future contributions).
Deficit repair/recovery period	The target length of time over which the current **deficit** is intended to be paid off. A shorter period will give rise to a higher annual **past service adjustment** (deficit repair contribution), and vice versa.
Designating Employer	Employers such as town and parish councils that are able to participate in the LGPS via resolution. These employers can designate which of their employees are eligible to join the Fund.
Discount rate	The annual rate at which future assumed cashflows (in and out of the Fund) are discounted to the present day. This is necessary to provide a **liabilities** value which is consistent with the present day value of the assets, to calculate the **deficit**. A lower discount rate gives a higher liabilities value, and vice versa. It is similarly used in the calculation of the **future service rate** and the **common contribution rate**.
Employer	An individual participating body in the Fund, which employs (or used to employ) **members** of the Fund. Normally the assets and **liabilities** values for each employer are individually tracked, together with its **future service rate** at each **valuation**.
Funding level	The ratio of assets value to **liabilities** value: for further details (see 2.2).

Future service rate	The actuarially calculated cost of each year's build-up of pension by the current active **members**, excluding members' contributions but including Fund administrative expenses. This is calculated using a chosen set of **actuarial assumptions**.
Gilt	A UK Government bond, ie a promise by the Government to pay interest and capital as per the terms of that particular gilt, in return for an initial payment of capital by the purchaser. Gilts can be "fixed interest", where the interest payments are level throughout the gilt's term, or "index-linked" where the interest payments vary each year in line with a specified index (usually RPI). Gilts can be bought as assets by the Fund, but their main use in funding is as an objective measure of solvency.
Guarantee / guarantor	A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer's **covenant** to be as strong as its guarantor's.
Letting employer	An employer which outsources or transfers a part of its services and workforce to another employer (usually a contractor). The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer. A letting employer will usually be a local authority, but can sometimes be another type of employer such as an Academy.
Liabilities	The actuarially calculated present value of all pension entitlements of all **members** of the Fund, built up to date. This is compared with the present market value of Fund assets to derive the **deficit**. It is calculated on a chosen set of **actuarial assumptions**.
LGPS	The Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These Regulations also dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements. The LGPS is divided into 101 Funds which map the UK. Each LGPS Fund is autonomous to the extent not dictated by Regulations, e.g. regarding investment strategy, employer contributions and choice of advisers.
Maturity	A general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.
Members	The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).
Past service adjustment	The part of the employer's annual contribution which relates to past service **deficit** repair.

Pooling	Employers may be grouped together for the purpose of calculating contribution rates, so that their combined membership and asset shares are used to calculate a single contribution rate applicable to all employers in the pool. A pool may still require each individual employer to ultimately pay for its own share of **deficit**, or (if formally agreed) it may allow **deficits** to be passed from one employer to another. For further details of the Fund's current pooling policy (see 3.4).
Profile	The profile of an employer's membership or liability reflects various measurements of that employer's **members**, ie current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc. A membership (or liability) profile might be measured for its **maturity** also.
Rates and Adjustments Certificate	A formal document required by the LGPS Regulations, which must be updated at least every three years at the conclusion of the formal **valuation**. This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the three year period until the next valuation is completed.
Scheduled Bodies	Types of employer explicitly defined in the LGPS Regulations, whose employers must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, academies, police and fire authorities etc, other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).
Solvency	In a funding context, this usually refers to a 100% **funding level**, ie where the assets value equals the **liabilities** value.
Stabilisation	Any method used to smooth out changes in employer contributions from one year to the next. This is very broadly required by the LGPS Regulations, but in practice is particularly employed for large stable employers in the Fund. Different methods may involve: probability-based modelling of future market movements; longer deficit recovery periods; higher discount rates; or some combination of these.
Theoretical contribution rate	The employer's contribution rate, including both **future service rate** and **past service adjustment**, which would be calculated on the standard **actuarial basis**, before any allowance for **stabilisation** or other agreed adjustment.
Valuation	An actuarial investigation to calculate the liabilities, future service contribution rate and common contribution rate for a Fund, and usually individual employers too. This is normally carried out in full every three years (last done as at 31 March 2013), but can be approximately updated at other times. The assets value is based on market values at the valuation date, and the liabilities value and contribution rates are based on long term bond market yields at that date also.

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Wiltshire Council

Wiltshire Pension Fund Committee

19 September 2013

CALL FOR EVIDENCE ON THE FUTURE STRUCTURE OF THE LOCAL GOVERNMENT PENSION SCHEME

Purpose of the Report

1. This report proposes a response to Department of Communities and Local Government (DCLG) Call for Evidence on the future structure of the local government pension scheme from the Wiltshire Pension Fund.

Background

2. The DCLG and the Local Government Association (LGA) issued a joint call for evidence on 21 June 2013 relating to the potential for increased cooperation between LGPS funds (see Appendix A).

3. This follows on from the Local Government Minister's statement at the National Association of Pension Fund's local authority conference on 22 May 2013, and aims to look at the following high level and secondary objectives for structural reform :

   High level objectives
   1. Dealing with deficits
   2. Improving investment returns

   Secondary objectives
   1. To reduce investment fees
   2. To improve the flexibility of investment strategies
   3. To provide for greater investment in infrastructure
   4. To improve the cost effectiveness of administration
   5. To provide access to higher quality staffing resources
   6. To provide more in-house investment resource

4. Within any response they wish to receive evidence to support the answers to the following questions:

   ***Question 1** – How can the Local Government Pension Scheme best achieve a high level of accountability to local taxpayers and other interested parties – including through the availability of transparent and comparable data on costs and income - while adapting to become more efficient and to promote stronger investment performance.*

   ***Question 2** – Are the high level objectives listed above those we should be focussing on and why? If not, what objectives should be the focus of reform and why? How should success against these objectives be measured?*

   ***Question 3** – What options for reform would best meet the high level objectives and why?*

   ***Question 4** – To what extent would the options you have proposed under question 3 meet any or all of the secondary objectives? Are there any other secondary objectives that should be included and why?*

***Question 5** – What data is required in order to better assess the current position of the Local Government Pension Scheme, the individual Scheme fund authorities and the options proposed under this call for evidence? How could such data be best produced, collated and analysed?*

Considerations for the Committee

5. As the closing date for submissions is 27 September 2013, the Committee is asked to approve the proposed response from the Wiltshire Pension Fund outlined in Appendix B.

6. As previously outlined, the Wiltshire Pension Fund is part of the South West group of funds that have been working collaboratively for a number of years, for example the setting up of frameworks. This work continues and a separate response will be made by this group.

Risks Assessment

7. The proposed response does not impact on any risks for the Wiltshire Pension Fund.

Environmental Impact of the Proposal

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

Safeguarding Considerations/Public Health Implications/Equalities Impact

9. There are no known implications at this time.

Financial Implications

10. The financial implications are discussed within the draft response but have no immediate impact for the Fund.

Legal Impact of the proposals

11. There are no known implications at this time.

Reason for Proposals

12. The Fund should be proactive in shaping the future of the scheme and therefore should contribute to the consultations issued.

Proposals

13. Members are recommended to approve the draft response as outlined in Appendix B.

MICHAEL HUDSON
Treasurer to the Pension Fund and Service Director (Finance)

Report Author: David Anthony, Head of Pensions

Unpublished documents relied upon in the production of this report:

Appendix A – DCLG 'Call for Evidence'
Appendix B – Proposed response
Appendix C – LGPS Data 2011-12

Call for evidence on the future structure of the Local Government Pension Scheme

Background

In 2010, the Government commissioned Lord Hutton to chair the Independent Public Service Pensions Commission. The purpose of the Commission was to review public service pensions and to make recommendations on how they could be made sustainable and affordable in the long term, while being fair to both taxpayers and public sector workers. Lord Hutton's final report was published on 10 March 2011. Among its recommendations, the report made clear that the benefits of co-operative working between local government pension scheme funds and achieving administration efficiencies more generally should investigated further. The Local Government Pension Scheme currently costs local taxpayers £6billion a year in employer contributions.

***Recommendation 23**: Central and local government should closely monitor the benefits associated with the current co-operative projects within the LGPS, with a view to encouraging the extension of this approach, if appropriate, across all local authorities. Government should also examine closely the potential for the unfunded public service schemes to realise greater efficiencies in the administration of pensions by sharing contracts and combining support services, including considering outsourcing.*

Lord Hutton went on to comment about the need for change and improved scheme data. At paragraph 6.1 he said:

In its interim report, the Commission noted the debate around public service pensions is hampered by a lack of consensus on key facts and figures and a lack of readily available and relevant data. There are also inconsistent standards of governance across schemes. Consequently it is difficult for scheme members, taxpayers and commentators to be confident that schemes are being effectively and efficiently run. It also makes it more difficult to compare between and within schemes and to identify and apply best practice for managing and improving schemes.

On 16 May 2013, the LGA and DCLG held a roundtable event on the potential for increased co-operation within the Local Government Pension Scheme, including the possibility of structural change to the current 89 funds. 25 attendees represented administering authorities, employers, trade unions, the actuarial profession and academia.

The roundtable aimed to bring objectivity and transparency to the subject through open debate. There was a full discussion of the possible aims of reform and the potential benefits of structural change, together with the further work needed to provide robust evidence to support emerging options. The meeting focused on the issues to be addressed by reform rather than the detailed arguments for any of the potential ways forward that have been proposed.

The roundtable heard about the projects being undertaken to look at the options for structural reform of the Scheme in London and Wales and considered the range and relative priorities of the desired outcomes of reform, the data requirements for determining a start point and target and the next steps for delivering those outcomes.

On 22 May at the National Association of Pension Funds' local authority conference, the Local Government Minister Brandon Lewis said:

I am determined that we make progress and make it as quickly as reasonably possible. I can therefore announce this morning, that we will consult later in the year on a number of broad principles for change. This will be your opportunity to tell us what reforms could be made to both help improve your investment performance and reduce your fund management costs.

The consultation will not set out some pre-determined solution to what is undoubtedly a complex and contentious issue. I am neither ruling anything in nor ruling anything out at this stage. However, the clear message from me this morning is that I am not wedded to the existing number of 89 funds in England and Wales. If it takes a smaller number of funds to improve the efficiency and cost-effectiveness of the scheme, I shall not shy away from pursuing that goal.

I have talked a fair amount about the need for robust data to inform decisions. I am therefore working with the LGA and others to launch a call for evidence, which will both inform our consultation and help all involved formulate their views in response to the consultation.

You will be aware that work is well underway to establish a shadow national pensions board for the Scheme. I have met with the LGA and local government trades unions on several occasions to discuss the sort of work that I would like the board to undertake.

This document sets out the call for evidence from DCLG and the LGA, working with the Shadow Scheme Advisory Board, and explains how it will feed into the forthcoming consultation.

The call for evidence

At the roundtable, the following high level and secondary objectives for structural reform were proposed:

<u>High level objectives</u>

1. Dealing with deficits
2. Improving investment returns

<u>Secondary objectives</u>

1. To reduce investment fees
2. To improve the flexibility of investment strategies

3. To provide for greater investment in infrastructure
4. To improve the cost effectiveness of administration
5. To provide access to higher quality staffing resources
6. To provide more in-house investment resource

The roundtable also agreed that, although there is a wide range of data available on Local Government Pension Scheme funds, it is currently widely dispersed and would benefit from enhancement, collation and further analysis. It also considered how best to achieve a high level of accountability to local taxpayers, particularly if services are to be shared or funds merged.

In your response to this call for evidence, it would be helpful if you could have particular (although not exclusive) regard to the following questions and provide evidence in the form of annexes to support your answers.

Question 1 – How can the Local Government Pension Scheme best achieve a high level of accountability to local taxpayers and other interested parties - including through the availability of transparent and comparable data on costs and income - while adapting to become more efficient and to promote stronger investment performance.

Question 2 – Are the high level objectives listed above those we should be focussing on and why? If not, what objectives should be the focus of reform and why? How should success against these objectives be measured?

Question 3 – What options for reform would best meet the high level objectives and why?

Question 4 – To what extent would the options you have proposed under question 3 meet any or all of the secondary objectives? Are there any other secondary objectives that should be included and why?

Question 5 – What data is required in order to better assess the current position of the Local Government Pension Scheme, the individual Scheme fund authorities and the options proposed under this call for evidence? How could such data be best produced, collated and analysed?

Timetable

Responses to this call for evidence should be submitted in electronic form to Victoria Edwards at: LGPSReform@communities.gsi.gov.uk

The closing date for submissions is 27 September 2013.

The submissions will then be analysed by DCLG and the LGA, working with the Shadow Scheme Advisory Board. You may be asked to provide further clarification and/or evidence to support your answers during that process.

The analysis of submissions will then inform a formal consultation on the options for change to be published by DCLG in the early autumn.

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WILTSHIRE COUNCIL
Wiltshire Pension Fund
County Hall, Trowbridge, BA14 8JN
Tel: 01225 713620 Fax: 01225 713645
www.wiltshirepensionfund.org.uk

Direct Line: 01225 713620
Fax: 01225 713645
Operator: 01225 713000
E-mail: david.anthony@wiltshire.gov.uk

Please ask for: David Anthony Our ref: PENS/

20 September 2013

Dear Ms Edwards,

Call for evidence on the future structure of the Local Government Pension Scheme

Please find below the response from the Wiltshire Pension Fund (WPF) in respect to the call for evidence on the future structure of the Local Government Pension Scheme (LGPS) that was approved at its Committee meeting on 19 September 2013.

Question 1 – How can the Local Government Pension Scheme best achieve a high level of accountability to local taxpayers and other interested parties – including through the availability of transparent and comparable data on costs and income - while adapting to become more efficient and to promote stronger investment performance.

The WPF believes the current LGPS structure provides a high level of accountability to local taxpayers and other stakeholders and allows funds to collaborate or share resources to become more efficient and promote stronger investment performance.

Wiltshire Council acts as the Administering Authority for the WPF. Under current legislation, the Wiltshire taxpayer is ultimately responsible for the liabilities of the WPF. WPF's view is that accountability is best served by local decision making which is aligned with the Government's Localism agenda.

Accountability is best achieved through good governance arrangements which in turn lead to well managed funds that perform better. The WPF has robust governance arrangements, confirmed through its recent Health check by professional advisers. WPF believe all the objectives outlined in the 'Call for evidence' can be achieved through the current LGPS structure if good governance arrangements are in place.

The similarity between LGPS funds allow for numerous opportunities to collaborate and the potential to share resources, advice and investment products. LGPS funds can benefit from economies of scale and the bulk purchasing power of larger schemes through collaboration frameworks and maintain the flexibilities of local discretion to deal with the specific scheme and employer bodies issue reflecting the risks to the local taxpayer.

The current LGPS Regulations and recommended practices guidance ensure, if adhered to, a high level of accountability to all its stakeholders. Business Plans and Funding Strategy

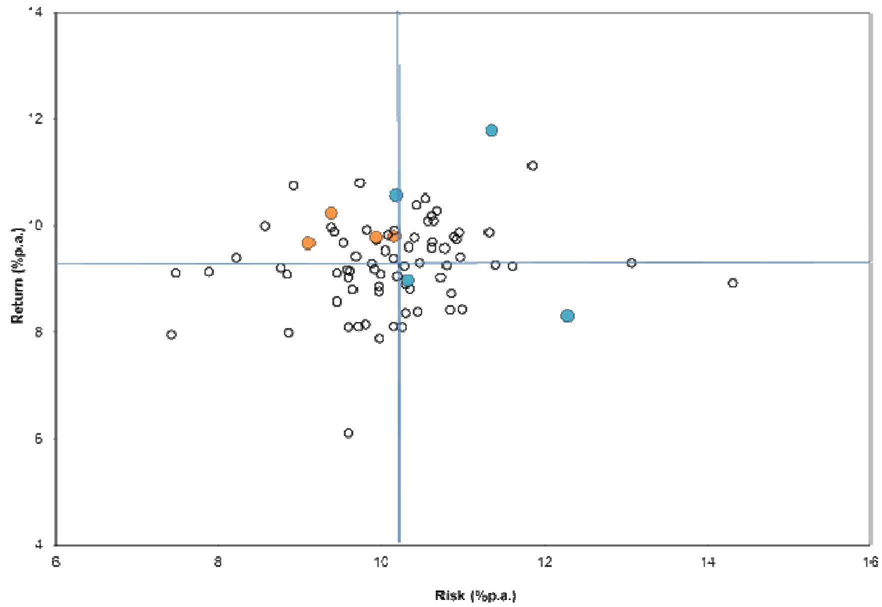
Statements outline clear and transparent fund objectives. Funds also produce comprehensive Annual Reports along with numerous other policies and statements including the Communication Policy, Statement of Investment Principles, Risk Register, Discretion Policy, Administration Strategy, Investment Strategy, Valuation Reports, Budget Monitoring, Members and officers Training Plans and Governance Compliance Statements. In addition, most Funds have excellent representation on their committee from a wide range of stakeholders including employers, member representatives and professional adviser to enable effective decision making in open or public meetings. There is also regular communication with the all scheme employers and members through seminars, clinics and newsletters.

LGPS funds also provides statutory returns to the Government, the Office of National Statistics, the Pension Regulator, the CIPFA Benchmarking club, and The WM Company investment universe. Therefore, a raft of public data is currently available on the costs, income, and performance of LGPS funds. It is agreed, comparability is difficult as this information is not collated in one central place and often not prepared on a comparable basis. This does need to become better co-ordinated with a central body either responsible for collating this information or regulation required to ensure all funds provide fully audited and comparable data in their Annual Reports.

The first priority in the 'Call for Evidence' is "Dealing with deficits". The WPF view is that merging funds will have no impact, with the potential to worsen the position through significant implementation costs. To date, WPF is not aware of any definitive evidence to suggest savings will be made in the long term. Pension liabilities forming these deficits have occurred. The only controllable aspects funds can utilise to address this is to increase employer contributions and to achieve better investment returns (net of fees).

Increasing contributions from employers is limited to their ability to pay, especially under the current financial constraints. The WPF work closely with over 127 of its employer bodies many being charities or local business that provides services to the local community, by reviewing their covenants and assessing their financial stability. This local interaction and knowledge along with an understanding of the value of the service to the local community is vital when assessing the organisation's ability to pay. Any move away from the current LGPS fund structure risks losing this vital local interaction.

The second priority is "improving investment returns". It's constantly debated whether larger funds produce better investment performance. There is much empirical evidence to support the argument either way using different extracts over varying time periods. However, the WM Company have been collating LGPS investment performance for a considerable time and are probably the best source of analysis. Their findings suggest there is no clear correlation between the size of a fund and its performance as illustrated in the chart below.



Here it can be seen from the shape of the cluster that there is no clear relationship between Funds and investment returns over the past 10 years. The yellow dots represent the four largest Funds while the blue dots show the smallest four. It can be seen that the smaller funds can perform both better or worse than the larger Funds over the long term.

Of greater interest would be the governance arrangements of the best and worst performing funds comparable to their investment performance.

Another argument is that funds could become more efficient and achieve stronger investment performance from being merged as they could achieve economies of scale to reduce both investment and administration costs. Investment management fees are a fund's most significant cost but these can differ substantially due to their specific investment strategy. Therefore a straight comparison of fees between funds cannot be made. Fees can be reduced for larger mandates but consideration also needs to be made on the quality of the managers being employed as higher fees are acceptable if it is matched by outperformance.

Similarly, the cost of administration although not as material, can differ between funds for a number of reasons. Some fund's have outsourced this function, while others have different approaches utilising shared services, while also providing a differing levels of service.

All LGPS Funds are required to submit data on their statutory SF3 returns annually. The table in the Appendix shows the figures for 2011/12. This again shows no correlation between the size of the Fund and its cost per member and there is no definitive evidence that the larger schemes have lower costs than the smaller ones.

The WPF continually strives to improve its service which is why is has been at the forefront of collaboration projects. The funds in the South West have a long history of collaborating, sharing knowledge and resources to reduce costs. This has included the setting up of a legal framework to procure and share legal costs between the funds in 2006 with delivered savings estimated to be in excess of £0.9m. More recently the Actuarial, Benefits and Investment Services Framework was established in 2011 to enable all the South West funds to procure professional advice against an agreed pricing structure. This has already delivered £400k of procurement savings across the 7 funds along with a further £150k of value added services that have been provided from providers free of charge. Although the contract is relatively new and will run for 7 years, savings have been achieved by the funds that are now using the Framework.

The South West funds have also collaborated on members and officers training, production of publication and communications material while sharing and exchanging technical knowledge when required.

This collaboration work was referenced by Lord Hutton within his final report on the review of public service pensions. He also stated in recommendation 23 that "*Central and local government should closely monitor the benefits associated with the current co-operative projects with the LGPS, with a view to encouraging the extension of this approach, if appropriate across all local authorities*".

As all funds should have common aims and providing similar services, they should be encouraged to continually explore opportunities for collaboration to improve performance. With the setting up of national frameworks collaboration is getting easier to access, while the current structure allows the ultimate decision making to remain at a local level where the impact is most felt.

Question 2 – Are the high level objectives listed above those we should be focussing on and why? If not, what objectives should be the focus of reform and why? How should success against these objectives be measured?

The WPF is supportive of the two high level objectives outlined. 'Dealing with deficits' is an important objective, but to all intents and purposes, a change in actuarial assumptions can make deficits appear reduced, as could a single strong year of investment performance, neither of which solve the long term problem.

To enable comparability between funds, these deficits need to be measured against a standard set of assumptions (e.g. those issued by the Government Actuaries Department). With comparable deficits established, employer contribution rates and deficit recovery periods can be reviewed to ensure credible recovery plans are in place.

'Improving investment returns' are vital to address deficits. However, when comparing investment performance the movement in liabilities need to be taken into account too. Investment performance should be measured against targeted returns based on individual fund's investment strategy.

The WPF believes a third high level objective should focus on governance, as arguably this has the biggest impact on a fund's performance. Governance Compliance Statements should be scrutinised by a central body and action taken where minimum standards are not being met. Arguably, poor governance is likely to lead to inconsistent deficit funding strategies and poor investment returns / strategies.

Question 3 – What options for reform would best meet the high level objectives and why?

As outlined above, the WPF doesn't believe sufficient evidence exists to conclude that larger merged funds would be better placed to meet the high level objectives. The WPF opinion is that good governance arrangements are more important than size and the implementation of the Public Services Pension Act will further strengthen these.

Although investment returns are important, there are other aspects to managing an LGPS pension fund other than management of assets. These include areas such as contribution levels, maturity of cashflows, deficit recovery plans and the credibility of funding plans. All these are reliant on good governance and effective decision making by its committee. As mentioned above, much work is undertaken at a local level working with the Fund's employers to ensure the implications of key decisions are understood by all stakeholders and that they are fully engaged.

The current structure allows funds like the WPF to retain this local decision making process but also explore areas of collaboration to become more efficient and improve investment performance.

However, the Government could assist in promoting collaboration between funds, providing assistance or helping to co-ordinate projects and frameworks at a national level. Funds with similar investments objectives should be encouraged to work together to pool investments and share procurement costs to reap the benefits from economies of scale and increased buying power while maintaining their independence.

This approach is already being developed with the establishment of local and national frameworks, shared investment mandates and the potential development of asset pooling and Common Investment Vehicles.

The Government needs to improve governance standards by challenging those who fail to meet common principles, including reporting structures and committee training. There should be closer scrutiny of training plans to ensure the correct skills are held by those responsible with managing the Fund.

The reforms that are being implemented as part of the Public Sector Pension Bill Act will help to reinforce better governance. The creation of local pension boards will provide additional scrutiny of funds decision making, while the Shadow Scheme Advisory Boards will be better placed to collate and monitor performance data. The increased role of the Pension Regulator will also assist in driving up governance standards.

As outlined in question 1, the use of frameworks and closer collaboration can provide the benefits of a larger funds while maintaining local independence.

Question 4 – To what extent would the options you have proposed under question 3 meet any or all of the secondary objectives? Are there any other secondary objectives that should be included and why?

The WPF believe the proposal outlined in question 3 can also meet all the secondary objectives.

The largest cost to a fund is the investment fees. Investment fees can differ substantially between funds due to the investment strategy being adopted. Funds can look to reduce these fees through collaboration and joint procurement to benefit from economies of scale. Through careful procurement, frameworks can be set up that allow access to all LGPS funds which reduce procurement costs and can offer significant fee reductions.

It has been suggested that smaller funds have less scope for flexibility of investment strategies. The WPF would argue this can be overcome through asset pooling and the setting up of Common Investment Vehicles. The key reform required to improve flexibility is to fully review the LGPS Investment Regulations. The limits currently placed on investments in areas like partnerships need reviewing so funds can take better advantage of opportunities.

It's arguable as to whether funds need to undertake greater investment in infrastructure. The WPF has recently made a 5% allocation to this asset class. However, each asset class needs to be considered based on the merits of its potential risk / return profile and how that fits into its investment strategy. If infrastructure projects are attractive propositions they will attract investment in their own right.

The cost effectiveness of administration can be improved through collaboration. All LGPS funds look to provide similar services. In the South West, neighbouring funds have successfully reduced administration costs with the setting up of legal, actuarial, benefits and investment advisers' frameworks. The South West Pension Officers Group have also collaborated on areas such as member training and more recently on scheme communications.

This collaboration also provides the opportunity to share knowledge, resources and in-house expertise as and when required. .

An additional secondary objective that could be included would be for the structural reforms to provide a better framework to enable greater opportunities for sharing of resources for the reasons outlined above.

Question 5 – What data is required in order to better assess the current position of the Local Government Pension Scheme, the individual Scheme fund authorities and the options proposed under this call for evidence? How could such data be best produced, collated and analysed?

As outlined above, data on governance structures, funding deficits, funding plans, investment strategies and performance should be available, presented on a common basis and either collated centrally of presented on a prescribed and audited format within each fund's annual report. This should enable stakeholders to compare performance against the high level objectives discussed.

Information on other areas such as pension administration should be collated to provide a useful benchmark to measure against. However, the allocation of costs payable to the pension fund differs between authorities so to make this meaningful clear definitions are required and the data submitted needs to be auditable. The WPF is a member of the CIPFA benchmarking club that measures pension administration costs and activities and although a basis for comparison can suffer from the issues highlighted above.

All this requires better co-ordination from a central body. The newly formed Shadow Scheme Advisory Board could best place to co-ordinate this in the future.

Having comparable data readily available could enable stakeholders to more easily identify those better performing funds and enable peers to challenge their processes and methods to ensure more effective performance.

Conclusions

The WPF believes there is no clear solution that will tackle the high level objectives outlined, but steps have already being taken to increase collaboration and sharing of resources between LGPS funds. This has proven that there is a way forward to achieve improved performance which negates the need for major structural reform.

What is now required is comparability of funds to establish those who are failing to deliver the expected standards and to allow the others the freedom to continue to collaborate where applicable to provide improved services.

Yours sincerely,

David Anthony
Head of Pensions

Local Government Pension Scheme data for 2011-12

Local Authority	Class	Total scheme members	Administration cost (excluding fund management) (£ 000)	Administration cost (excluding fund management) per scheme member (£)	Fund management cost (£ 000)	Fund management cost per scheme member (£)	Total administration cost (£ 000)	Total administration cost per scheme member (£)
Barking & Dagenham	OL	14,236	726	51.00	2,365	166.13	3,091	217.13
Barnet	OL	20,461	1,106	54.05	1,920	93.84	3,026	147.89
Bath & North East Somerset	S	86,241	2,359	27.35	9,228	107.00	11,587	134.36
Bedfordshire	S	46,566	1,081	23.21	3,887	83.47	4,968	106.69
Berkshire	S	51,974	1,071	20.61	3,201	61.59	4,272	82.19
Bexley	OL	12,288	782	63.64	1,223	99.53	2,005	163.17
Brent	OL	18,023	1,013	56.21	2,599	144.20	3,612	200.41
Bromley	OL	13,833	629	45.47	1,190	86.03	1,819	131.50
Buckinghamshire	S	52,564	1,555	29.58	2,772	52.74	4,327	82.32
Cambridgeshire	S	57,907	2,433	42.02	4,747	81.98	7,180	123.99
Camden	IL	17,032	509	29.88	2,981	175.02	3,490	204.91
Cardiff UA	W	32,622	823	25.23	3,513	107.69	4,336	132.92
Carmarthenshire UA	W	37,819	870	23.00	1,681	44.45	2,551	67.45
Cheshire	S	76,394	2,072	27.12	9,053	118.50	11,125	145.63
City of London	IL	10,931	408	37.33	3,228	295.31	3,636	332.63
Cornwall	S	40,796	603	14.78	4,259	104.40	4,862	119.18
Croydon	OL	19,346	1,762	91.08	1,669	86.27	3,431	177.35
Cumbria	S	43,496	1,204	27.68	3,285	75.52	4,489	103.20
Derbyshire	S	79,861	1,034	12.95	3,520	44.08	4,554	57.02
Devon	S	87,401	1,282	14.67	3,596	41.14	4,878	55.81
Dorset	S	55,332	1,248	22.55	2,762	49.92	4,010	72.47
Durham	S	44,831	1,204	26.86	8,992	200.58	10,196	227.43
Ealing	OL	19,163	1,006	52.50	2,223	116.00	3,229	168.50
East Riding of Yorkshire UA	S	88,898	1,854	20.86	2,725	30.65	4,579	51.51
East Sussex	S	58,292	1,608	27.59	6,979	119.72	8,587	147.31
Enfield	OL	14,039	718	51.14	1,142	81.34	1,860	132.49
Essex	S	112,765	1,922	17.04	16,502	146.34	18,424	163.38
Flintshire UA	W	31,476	962	30.56	5,549	176.29	6,511	206.86
Gloucestershire	S	43,532	1,157	26.58	3,212	73.78	4,369	100.36
Greenwich	IL	17,264	827	47.90	1,575	91.23	2,402	139.13
Gwynedd	W	29,555	1,011	34.21	3,560	120.45	4,571	154.66
Hackney	IL	16,995	715	42.07	2,424	142.63	3,139	184.70
Hammersmith & Fulham	IL	13,725	867	63.17	3,222	234.75	4,089	297.92
Hampshire	S	123,447	2,702	21.89	8,916	72.23	11,618	94.11
Haringey	OL	19,834	589	29.70	3,333	168.04	3,922	197.74
Harrow	OL	15,454	789	51.05	-133	-8.61	656	42.45
Havering	OL	15,550	586	37.68	1,138	73.18	1,724	110.87
Hereford & Worcester	S	48,394	914	18.89	3,344	69.10	4,258	87.99
Hertfordshire	S	75,477	1,871	24.79	8,594	113.86	10,465	138.65
Hillingdon	OL	16,820	752	44.71	3,539	210.40	4,291	255.11
Hounslow	OL	17,484	793	45.36	2,090	119.54	2,883	164.89
Isle of Wight UA	S	12,505	352	28.15	1,002	80.13	1,354	108.28
Islington	IL	17,665	1,266	71.67	773	43.76	2,039	115.43
Kensington & Chelsea	IL	9,521	515	54.09	2,634	276.65	3,149	330.74
Kent	S	109,161	2,954	27.06	11,481	105.17	14,435	132.24
Kingston upon Thames	OL	11,607	716	61.69	1,210	104.25	1,926	165.93
Lambeth	IL	17,979	779	43.33	1,457	81.04	2,236	124.37
Lancashire	S	137,597	2,932	21.31	9,247	67.20	12,179	88.51
Leicestershire	S	74,364	1,144	15.38	7,717	103.77	8,861	119.16
Lewisham	IL	19,704	475	24.11	3,572	181.28	4,047	205.39
Lincolnshire	S	58,821	997	16.95	4,012	68.21	5,009	85.16
London Pensions Fund Authority	O	76,538	6,444	84.19	20,699	270.44	27,143	354.63
Merseyside Pension Fund	M	122,562	4,107	33.51	11,036	90.04	15,143	123.55
Merton	OL	9,457	186	19.67	1,029	108.81	1,215	128.48
Middlesbrough UA	S	62,962	1,597	25.36	1,222	19.41	2,819	44.77
Newham	OL	19,305	786	40.71	2,966	153.64	3,752	194.35
Norfolk	S	67,734	1,457	21.51	8,420	124.31	9,877	145.82
North Yorkshire	S	69,188	1,289	18.63	4,857	70.20	6,146	88.83
Northamptonshire	S	46,782	2,081	44.48	4,601	98.35	6,682	142.83
Northumberland	S	22,443	1,003	44.69	1,460	65.05	2,463	109.74
Nottinghamshire	S	100,903	1,301	12.89	3,871	38.36	5,172	51.26
Oxfordshire	S	46,748	4,108	87.88	2,159	46.18	6,267	134.06
Powys UA	W	15,800	758	47.97	1,536	97.22	2,294	145.19
Redbridge	OL	13,660	528	38.65	1,435	105.05	1,963	143.70
Rhondda Cynon Taff UA	W	56,335	1,689	29.98	4,337	76.99	6,026	106.97
Richmond upon Thames	OL	10,424	456	43.75	755	72.43	1,211	116.17
Shropshire	S	35,726	1,039	29.08	6,219	174.07	7,258	203.16
Somerset	S	48,881	1,005	20.56	3,354	68.62	4,359	89.18
South Yorkshire Passenger Transport Authority	O	2,161	183	84.68	511	236.46	694	321.15
South Yorkshire Pensions Fund Authority	O	129,193	3,289	25.46	1,879	14.54	5,168	40.00

Local Government Pension Scheme data for 2011-12

Local Authority	Class	Total scheme members	Administration cost (excluding fund management) (£ 000)	Administration cost (excluding fund management) per scheme member (£)	Fund management cost (£ 000)	Fund management cost per scheme member (£)	Total administration cost (£ 000)	Total administration cost per scheme member (£)
Southwark	IL	19,606	949	48.40	4,425	225.70	5,374	274.10
Staffordshire	S	91,977	2,340	25.44	7,516	81.72	9,857	107.17
Suffolk	S	45,987	1,619	35.21	3,973	86.39	5,592	121.60
Surrey	S	75,367	1,717	22.78	6,150	81.60	7,867	104.38
Sutton	OL	10,348	557	53.83	906	87.55	1,463	141.38
Swansea UA	W	32,475	895	27.56	3,794	116.83	4,689	144.39
Tameside	M	269,969	3,586	13.28	9,577	35.47	13,163	48.76
Torfaen UA	W	46,533	1,674	35.97	4,357	93.63	6,031	129.61
Tower Hamlets	IL	16,316	1,002	61.41	2,174	133.24	3,176	194.66
Tyne & Wear Superannuation Fund	M	113,797	3,146	27.65	8,916	78.35	12,062	106.00
Waltham Forest	OL	16,467	912	55.38	2,548	154.73	3,460	210.12
Wandsworth	IL	16,450	399	24.26	2,174	132.16	2,573	156.41
Warwickshire	S	37,666	1,551	41.18	5,089	135.11	6,640	176.29
West Midlands Passenger Transport Authority	O	5,279	337	63.84	823	155.90	1,160	219.74
West Midlands Pension Fund	M	255,173	5,372	21.05	15,607	61.16	20,979	82.21
West Sussex	S	55,673	1,166	20.94	5,797	104.13	6,963	125.07
West Yorkshire Superannuation Fund	M	232,206	4,840	20.84	1,738	7.48	6,578	28.33
Westminster	IL	14,647	757	51.68	2,983	203.66	3,740	255.34
Wiltshire	S	51,257	1,219	23.78	5,465	106.62	6,684	130.40
Sum 2011-13								
Shire	S	2,525,910	62,045	24.56	213,186	84.40	275,232	108.96
Metropolitan	M	993,707	21,051	21.18	46,874	47.17	67,925	68.36
Inner London	IL	207,835	9,468	45.56	33,622	161.77	43,090	207.33
Outer London	OL	307,799	15,392	50.01	35,147	114.19	50,539	164.19
Other	O	213,171	10,253	48.10	23,912	112.17	34,165	160.27
England	**E**	**4,248,422**	**118,209**	**27.82**	**352,741**	**83.03**	**470,951**	**110.85**
Wales	**W**	**282,615**	**8,682**	**30.72**	**28,327**	**100.23**	**37,009**	**130.95**
Total England and Wales	**E+W**	**4,531,037**	**126,891**	**28.00**	**381,068**	**84.10**	**507,960**	**112.11**

Source: DCLG Local Government Pension Scheme 2010-11 (SF3) returns

Notes

Cost per scheme member has been calculated as the total cost divided by the total number of scheme members in each category.

Totals may not equal the sum of their components due to rounding.

Wiltshire Council

Wiltshire Pension Fund Committee

19 September 2013

PROPOSED APPOINTMENTS FOR THE INVETSMENT SUB-COMMITEE

Purpose of the Report

1. The purpose of this report is to agree the membership for the newly formed Investment Sub-Committee (ISC).

Background

2. At the meeting on 25 July 2013, the Committee approved the setting up of an Investment Sub-Committee for the purpose of Opportunistic Investing based on the Terms of Reference outlined within that report.

3. The ISC sole purpose is to consider medium term (3-7 years) opportunistic investments. These investment opportunities' can only be considered if it they are expected to provide a more attractive risk/reward profile than passive global equities limited up to a total of 5% of the total assets (circa. £65m).

4. This paper proposes member appointment to this ISC.

Consideration for the Committee

5. The ISC consist of 3 voting members:

   (i) Chairman of the Wiltshire Pension Fund Committee (or in their absence another Wiltshire Council member of the Wiltshire Pension Fund Committee appointed by the Head of Democratic Services)

   (ii) Vice-Chairman of the Wiltshire Pension Fund Committee (or in their absence another Wiltshire Council member of the Wiltshire Pension Fund Committee appointed by the Head of Democratic Services)

   (iii) A Member of the Wiltshire Pension Fund Committee as co-opted by the Wiltshire Pension Fund Committee. The intention is this will be the same person for each meeting (or in their absence another member of the Wiltshire Pension Fund Committee appointed by the Chairman and Vice Chairman)

6. There is a view that the second largest employer should initially be offered representation on this Committee. Therefore it's proposed that one of the representatives from Swindon Borough Council is invited to be the third voting member.

7. In the absence of the co-opted member, the Chairman and Vice-Chairman may appoint another member of the Wiltshire Pension Fund Committee.

8. Any member from the Wiltshire Pension Fund Committee is invited to attend the ISC in a non-voting capacity as relevant to the subject matter.

Environmental Impact of the Proposals

9. There are no environmental impacts from these proposals.

Risk Assessment

10. The implementation of the ISC is designed to mitigate the risk of poor investment returns as highlighted within PEN007 of the Risk Register elsewhere on this agenda.

Legal Considerations

11. There are no legal implications.

Financial Considerations

12. The proposal does not require any financial considerations.

Safeguarding Considerations/Public Health Implications/Equalities Impact

13. There are no known implications at this time.

Reasons for Proposals

14. To enable the ISC to discharge its functions as and when required.

The Proposal

15. The Committee is asked to approve the recommendation that the third voting member of the ISC is allocated to the Swindon Borough Council representative on the Wiltshire Pension Fund Committee.

MICHAEL HUDSON
Treasurer to the Pension Fund

Report Author: David Anthony, Head of Pensions

Unpublished documents relied upon in the production of this report:

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Agenda Item 19

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