

AGENDA

Meeting: Wiltshire Pension Fund Committee
Place: Kennet Room, County Hall, Trowbridge, BA14 8JN
Date: Thursday 25 June 2015
Time: 10.30 am

Please direct any enquiries on this Agenda to Libby Beale (Senior Democratic Services Officer), of Democratic Services, County Hall, Bythesea Road, Trowbridge, direct line 01225 718214 or email elizabeth.beale@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
	25 June 2015	9:30am	Kennet Room

Membership:

Wiltshire Council Members:

Cllr Tony Deane (Chairman)
Cllr Charles Howard (Vice-Chair)
Cllr Mark Packard
Cllr Sheila Parker
Cllr Roy While

Substitute Members

Cllr Chris Hurst
Cllr Bob Jones MBE
Cllr Gordon King
Cllr Christopher Newbury
Cllr Fleur de Rhé-Philippe
Cllr Ian Thorn
Cllr Philip Whitehead

Swindon Borough Council Members

Cllr Steve Allsopp
Cllr Steve Weisinger

Substitute Members

Cllr Oliver Donachie

Employer Body Representatives

Mrs Diane Hall
Mrs Linda Stuart

Observers

Mr Tony Gravier
Mr Mike Pankiewicz

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PART I

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

1 **Membership**

Cllr Brian Ford is no longer a member of this Committee.

The Committee is asked to welcome Cllr Steve Weisinger as a member of this Committee and ratify his appointment to the Investment Sub-Committee in place of Cllr Brian Ford.

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 for absence or substitutions for the meeting.

4 **Minutes** *(Pages 7 - 24)*

To confirm the minutes of the last ordinary meeting of Committee held on 12 March 2015 and the Special meeting held on 21 May 2015.

The minutes of the Investment Sub-Committee meeting held on 4 June 2015 are also attached to this agenda for the Committee's reference.

5 **Declarations of Interest**

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

6 **Chairman's Announcements**

To receive any announcements through the Chairman.

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 (acting on behalf of the Corporate Director), no later than 5pm on **Thursday 18 June 2015**. 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 **SWAP Internal Audit Report** *(Pages 25 - 42)*

The Treasurer to the Pension Fund presents the internal audit report of the Wiltshire Pension Fund for Members to note.

9 **Pension Fund Administration Outturn Statement 2014-15** *(Pages 43 - 44)*

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

10 **Draft Statement of Accounts** *(Pages 45 - 76)*

A report presents the draft Statement of Accounts that outlines the financial transactions during 2014-15 and will be included within the Council's accounts.

The Committee is asked to approve the draft Wiltshire Pension Fund Financial Statements 2014-15 for publication, subject to the completion of the audit.

11 **Business Plan 2015-18** *(Pages 77 - 92)*

A report from the Head of Pensions presents the draft Business Plan outlining the key actions for 2015-18.

The Committee is asked to approve the draft Wiltshire Pension Fund Business Plan 2015-18.

12 **Communications Policy** *(Pages 93 - 104)*

A report presents the draft Communication Policy outlining the way the Fund intends to communicate with all its stakeholders over the next 3 years.

The Committee is asked to approve the revised Communications Policy.

13 **Statement of Investment Principles** (Pages 105 - 124)

A report presents the draft Statement of Investment Principles for approval by the Committee.

14 **Pension Fund Risk Register** (Pages 125 - 132)

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

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

15 **Date of Next Meeting**

To note that the next ordinary meeting of the Committee will be held on Tuesday 29 September 2015.

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 Number 18 because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraphs 1 & 3 of Part I of Schedule 12A to the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public.

PART II

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

18 **Investment Quarterly Progress Report Update** (Pages 133 - 182)

Three confidential reports from the Strategic Pension Manager and Mercers are circulated to the Committee for information.

The Committee is asked to note the investment reports and actions taken by the

Investment Sub-Committee at its meeting on 4 June 2015.

WILTSHIRE PENSION FUND COMMITTEE

MINUTES OF THE WILTSHIRE PENSION FUND COMMITTEE MEETING HELD ON 12 MARCH 2015 AT COMMITTEE ROOM C - COUNCIL OFFICES, MONKTON PARK, CHIPPENHAM, SN15 1ER.

Present:

Cllr Steve Allsopp, Cllr Tony Deane (Chairman), Cllr Brian Ford, Tony Gravier, Diane Hall, Cllr Charles Howard (Vice-Chair), Cllr Gordon King (Substitute), Mike Pankiewicz, Linda Stuart and Cllr Roy While

Also Present:

Jim Edney, Joanne Holden

1 **Membership**

There were no changes to the membership of the Committee.

2 **Attendance of non-members of the Committee**

There were no non-members of Committee present.

3 **Apologies for Absence**

Apologies for absence were received by Michael Hudson, Cllr Sheila Parker and Cllr Mark Packard, who was substituted by Cllr Gordon King.

4 **Minutes**

Resolved:

To confirm as a true and correct record minutes of the special meeting held on 3 December 2014 and 11 December 2014.

5 **Chairman's Announcements**

There were no Chairman's Announcements.

6 **Declarations of Interest**

Cllr Brian Ford declared he was a financial advisor and would participate and vote with an open mind.

7 **Public Participation and Councillors' Questions**

There were no questions or statements submitted.

The Chairman expressed disappointment in the use of electronic agenda copies to service the meeting.

8 **Treasury Management Strategy**

The Strategic Pension Manager introduced a report presenting an updated Treasury Management Strategy for 2015-16 for the Committee's approval. A key consideration was that new freedoms in accessing Defined Contributions pension savings would commence in April 2015 and could result in an increase in the number of transfers out of the Local Government Pension Scheme Funds. Members noted that impact these new freedoms would have was currently unknown.

The Committee was advised that strategy officers liaised with the Wiltshire Council's Treasury Management Team to ensure the strategy was appropriate and a separate Treasury Management Strategy for the Wiltshire Pension Fund was in place to ensure no cross-subsidy or co-mingling of funds with Wiltshire Council. Officers advised it was difficult to plan when transfers out of the Fund would be processed as there would be a 3 month guarantee between the applications to withdraw and receiving the funds, applicants could withdraw at any time during this period. The Fund would have the duty in the future to verify its members had sought independent financial advice before withdrawing. The Committee was assured cash balances would be kept under review if there was concern raised over the numbers transferring out of the Fund. Members commented there would be tax implications for those wanting to withdraw.

Resolved:

To approve the Annual Treasury Management Strategy for the Wiltshire Pension Fund.

9 **Pension Fund Risk Register**

An update was provided from the Head of Pensions on the Wiltshire Pension Fund Risk Register, three significant changes had been made since the last report to Committee in December 2014: PEN008 Failure to comply with LGPS and other regulations and PEN018 Failure to implement the LGPS 2014 reforms had been reduced in risk from medium to low, however the year end returns from employers would continue to be monitored. PEN019 Establishment of Local Pension Board & Investment Sub-Committee was a new risk which had

been categorised as high while these were being set up in response to this, resources would be kept under review.

The Chairman commented that the Wiltshire Council attitude to risk had been raised by auditors and suggested a consistent approach to risk was needed.

Resolved:

- 1. To note the update on the Wiltshire Pension Fund Risk Register and measures taken to mitigate risks.**
- 2. To review the approach to risk at a future date.**

10 **Local Pension Boards and Governance Update**

The Committee received a report on the implementation of a Local Pension Board (LPB), changes to the Fund Governance Compliance Statement and appointments process to the Investment Sub-Committee.

The establishment of a LPB was approved at Full Council on 24 February 2015 and positions now needed to be filled. On 28 January 2015 the final guidance for the Boards had been published, the main changes included that the Chairman of the Board would be non-voting to encourage decision-making by consensus. Additionally, 'relevant experience' required for members had been dropped, members would be required to have the 'capacity' to carry out their duties and to demonstrate a high level of knowledge and understanding of the Scheme and of their role once in post. The concession was made by the Government to overcome a perceived substantial barrier to encouraging nominations.

Members' allowances and expenses would be considered by Full Council in May 2015 following consideration by the Independent Remunerations Panel. It was noted the timing for recruitment before this meeting was tight therefore the Committee suggested that the position of Chairman be advertised without a confirmed level of remuneration, likewise a special meeting of the Independent Remuneration Panel should be called if needed. Members considered there would be much background work required as Chairman of the LPB. A recommendation of £12,000 remuneration was suggested to reflect the commitment necessary from a Chairman, the Committee considered this comparable with other similar positions.

The Committee was updated that recruitment for Employer and Member representatives for the Board was currently underway. The Investment Sub-Committee (ISC) had an expanded role and an overview of its membership was provided. The appointment of Wiltshire Councillor to the ISC would be subject to the rules of political proportionality of the Council, Members agreed it would

be ideal for the co-opted Member of the ISC to be one of the Swindon representatives.

The Chairman invited all members of the Wiltshire Pension Fund Committee who would not be members of the ISC to attend its meetings when appropriate. Projected dates for the LPB, ISC and amended dates for the Wiltshire Pension Fund Committee in the agenda pack were highlighted. Questions were raised over whether a one-year membership for the co-opted member of the ISC would be sufficient. Members were assured that since the member would come from the full Committee they would have sufficient knowledge. A one-year membership would also provide other members of the Committee the opportunity to participate.

As a result of the implementation of the LPB and ISC, the Governance Compliance Statement had been amended, the Committee considered the revised document.

Resolved:

- 1. To note the update on the current position in relation to the establishment of Local Pension Board (LPB);**
- 2. To approve the appointment of an additional elected Member and co-opted Member to the Investment Sub-Committee as outlined in paragraph 17 of the report;**
- 3. To approve the revised Governance Compliance Statement outlined in Appendix B of the report;**
- 4. To recommend that the Chairman of the LPB receive a £12,000 allowance and;**
- 5. To recommend that the position of Chairman of the LPB be advertised in advance of a confirmed remuneration.**

11 Members Training Plans

The outline for the new Members Training Plan for the next three years was presented to the Committee for consideration, the plan was based on the CIPFA Knowledge & Skills Framework (KSF). In July 2014 the Committee had been requested to undertake a 'Self Assessment' to assist in identifying areas for further development; there had been a 86% return rate from main Committee members which would help to develop the training plan in the future.

An overview of the current training plan was provided and it was confirmed that members of the LPB would also have to undergo training. The handbook for Committee members would be kept up-to-date and some members expressed

interest in receiving it electronically. The Chairman encouraged 'training passports' to also be developed for staff members.

Resolved:

To approve the Member's Training Plan.

12 **Wiltshire Pension Fund Administration 2014-15 Budget Monitoring**

An update was provided on the projected outturn of the Wiltshire Pension Fund Budget. It was highlighted that in 2014/15 there had been an underspend of £351,000 which would be invested back into the Fund. The Committee was updated that the Data Analyst roles had been filled, this had taken some time as they were specialist roles.

Resolved:

To note the update on the Pension Fund Administration Budget 2014-15.

13 **Wiltshire Pension Fund Administration Budget 2015-18**

The Head of Pensions outlined the proposed Administration budget for 2015-16 and planned expenditure in 2016-17 and 2017-18. It was explained the 2015-16 budget showed an increase of £700,000, largely due to increased fees from investment managers as asset values increased. The Fund's 'controllable' budget was predicted to be £2.132m, a £61,000 increase.

The Committee commented the establishment of LPBs would put pressure on the budget as it would require additional resource. The officer confirmed it was not clear how much resource would be required to support the LPB and this would have to be kept under review once it was operational.

Members had the opportunity to ask questions during which it was confirmed that the difference between the 2014/15 and 2015/16 administration budget was largely due to a change in the redemption profile of investments. The Committee was updated that the Pension Fund database software would be re-tendered this year and that strategies to manage liability risks would be examined in future years.

Resolved:

- 1. To approve the Pension Fund Administration Budget for 2015-16 totalling £9.510m.**
- 2. To note the indicative budget allocations for 2016-17 and 2017-18.**

14 **Date of Next Meeting**

It was noted the next ordinary meeting of the Committee would be held on 25 June 2015.

15 **Urgent Items**

There were no urgent items.

16 **Exclusion of the Public**

Resolved:

To agree that in accordance with Section 100A(4) of the Local Government Act 1972 to exclude the public from the meeting for the business specified in Item Numbers 17 – 18 because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraphs 3 of Part I of Schedule 12A to the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public.

17 **Investments Quarterly Progress Report**

Confidential reports updating the Committee on the performance of the Fund's investments as to the end of December 2014 were circulated. The Committee considered the future need to discuss the method of valuing liabilities in response to the rising value of index-link guilds.

Resolved:

To note the two investment reports and the update provided by officers and advisers at the meeting.

18 **Investec - Formal Review of the Emerging Market Multi-Asset Fund**

Members considered the confidential Annual Report from Investec and verbal report provided at the meeting. The report included details of the current management of the firm, its mandate, exposure in the portfolio and an overview of performance.

The Committee then had the opportunity to ask questions.

Resolved:

To note the confidential report and verbal report provided at the meeting.

(Duration of meeting: 10.30 am - 1.10 pm)

The Officer who has produced these minutes is Libby Beale, of Democratic Services, direct line 01225 718214, e-mail elizabeth.beale@wiltshire.gov.uk

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WILTSHIRE PENSION FUND COMMITTEE

MINUTES OF THE WILTSHIRE PENSION FUND COMMITTEE MEETING HELD ON 21 MAY 2015 AT COUNTY HALL, TROWBRIDGE.

Present:

Cllr Steve Allsopp, Cllr Tony Deane (Chairman), Cllr Charles Howard (Vice-Chair), Cllr Mark Packard, Mike Pankiewicz, Cllr Sheila Parker and Cllr Roy While

19 Membership

There were no changes to the membership of the Committee.

20 Attendance of Non-members of the Committee

There were no non-members of the Committee present.

21 Apologies for Absence

Apologies for absence were received from Diane Hall, Linda Stuart, Cllr Brian Ford and Cllr Dick Tonge.

22 Chairman's Announcements

The Chairman invited David Anthony, Head of Pensions, to update on the establishment of the Local Pensions Board (LPB). The first meeting of the Board would be on 16 July 2015. Details were provided of the three scheme member representatives, one employer representative and the independent Chairman appointed at the meeting of Council on 12 May 2015. The Chairman would need to be confirmed by the Board at its first meeting and the remaining two employer representatives at the July 2015 Council meeting. It was noted that although Mike Pankiewicz was on the Pension Fund Committee, as a non-voting member he could also sit on the LPB.

Officers expressed confidence in the independent Chairman for the LPB due to his previous experience in managing a fund; a meeting was soon to be held with him and the Chairman and Vice-Chairman of this Committee to make introductions. The Committee was advised that LPB members would attend

training with them to save costs and support a positive working relationship between the two bodies. Members of the Committee were welcome to attend the LPB meetings to observe.

23 **Declarations of Interest**

There were no declarations of interest.

24 **Public Participation and Councillors' Questions**

There was no public participation.

25 **Membership of the Investment Sub-Committee**

Yamina Rhouati, Democratic Governance Manager, explained that when making appointments to the Investment Sub-Committee (ISC) the political proportionality of the Council as a whole should be considered. In line with the rules on political proportionality, if all members of the ISC were to be elected members then 3 Conservative members and 1 Liberal Democrat should be appointed. Two of the Conservative positions would be taken by the Chairman and Vice-Chairman of the Committee, the Liberal Democrat position was to be taken by Cllr Mark Packard and the final member would be the Conservative Swindon Borough Council member on the Committee, Cllr Brian Ford, subject to confirmation at the annual meeting of Swindon Borough Council.

The Committee was advised that, should a substitute be required for the ISC this would be drawn from the main Committee. It was noted that the co-opted member on the ISC would rotate each year from the co-opted members on the Committee. David Anthony advised that the ISC could monitor and appoint new investment managers without ratification from the full Committee however strategic investment allocations and strategy would continue at full Committee.

Following questions from the Committee, it was confirmed that the ISC needed to be appointed according to political proportionality as it was a decision-making body. However, the appointment process would not hamper the expertise of the ISC as the members were experienced members drawn from the full Committee and ISC would be supported by the same financial advisors as the full Committee. The Chairman invited members to attend the meetings of the Investment Sub-Committee for information purposes.

Resolved:

To re-appoint members of the Investment Sub-Committee as detailed in the agreed terms of reference.

To appoint the Liberal Democrat member, Cllr Mark Packard, as the additional Wiltshire Council member to the Investment Sub-Committee.

To appoint the Conservative member from Swindon Borough Council as the additional co-opted member to the Investment Sub-Committee. This member was to be Cllr Brian Ford, subject to confirmation at the annual meeting of Swindon Borough Council.

26 **Date of Next Meeting**

The next ordinary meeting of the Committee was to be held on 25 June 2015.

27 **Urgent Items**

The Chairman raised the issues of recent misconduct in the UK banking sector and whether the Fund should seek compensation for any impact this had had on its investments. Catherine Dix, Strategic Pension Manager, explained that only the Legal and General investments had exposure in this area. The officer advised that should a claim be raised the Committee would be notified and could consider joining a class action.

Resolved:

To note the update and monitor the Fund's current position.

(Duration of meeting: 9.05 - 9.30 am)

The Officer who has produced these minutes is Libby Beale, of Democratic Services, direct line 01225 718214, e-mail elizabeth.beale@wiltshire.gov.uk

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INVESTMENT SUB-COMMITTEE

MINUTES OF THE INVESTMENT SUB-COMMITTEE MEETING HELD ON 4 JUNE 2015 AT KENNET ROOM - COUNTY HALL, TROWBRIDGE BA14 8JN.

Present:

Cllr Tony Deane, Cllr Charles Howard, Cllr Gordon King and Cllr Steve Weisinger

Also Present:

Jim Edney, Joanne Holden, Michael Hudson and Cllr Dick Tonge

1 **Election of a Chairman**

Nominations were sought for the position of Chairman. Members considered it unnecessary to elect a Vice-Chairman due to the size of the sub-Committee.

Resolved:

To elect Cllr Charles Howard as Chairman for the 2015/16 year.

Members commented that the work of the Wiltshire Pension Fund Committee should not be replicated at the Sub-Committee and agreed that meetings of the Sub-Committee should release capacity in the main Committee to consider other issues. Similarly, the Sub-Committee was assured that the Local Pensions Board would oversee the administration of the Fund and would not supplement the work of the Committee.

2 **Membership**

Cllr Steve Weisinger had replaced Cllr Brian Ford on this Sub-Committee and the Wiltshire Pension Fund Committee.

3 **Attendance of non-members of the Committee**

Cllr Dick Tonge and Fiona Rae, Democratic Services Officer, were in attendance as observers.

4 **Apologies**

Apologies for absence were received from Cllr Mark Packard who was substituted by Cllr Gordon King.

5 **Declarations of Interest**

There were no declarations of disclosable interests.

6 **Chairman's Announcements**

There were no Chairman's Announcements.

7 **Public Participation and Councillors Questions**

There were no members of the public present.

8 **Remit and Future Work Planning**

David Anthony, Head of Pensions, introduced a report detailing the work programme for the Sub-Committee. It was explained that key responsibilities for the Sub-Committee were: to consider the performance of investment managers, report items of strategic importance to the Pension Fund Committee and make opportunistic investments up to 5% of the Fund's strategic allocation. The Pension Fund Committee would continue to receive a quarterly progress report and the minutes of the Investment Sub-Committee meetings.

Members of the Sub-Committee were invited to ask questions and it was confirmed that two of its meetings per year would be used to meet with investment managers, remaining dates could be used to look at other issues as required. Joanne Holden highlighted that a paper would be brought to the September meeting to consider the strategy of the Fund and the February 2016 meeting would consider asset allocation in light of the valuation approach. David Anthony advised that, should the Sub-Committee wish to make an opportunistic investment, a Special meeting could be called to arrange this in a timely manner.

Resolved:

To note the report and proposed work plan for the Investment Sub Committee.

9 **Date of next meeting**

The next ordinary meeting of the Sub-Committee was to be held on 10 September 2015.

10 **Urgent items**

There were no urgent items.

11 **Exclusion of the public**

Resolved:

To agree that in accordance with Section 100A(4) of the Local Government Act 1972 to exclude the public from the meeting for the business specified in Item Numbers 12 – 16 because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraphs 3 of Part I of Schedule 12A to the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public.

12 **Mercer Report and the Investment Quarterly Progress Report**

Confidential reports were circulated updating the Committee on the performance of the Fund's investments as to the end of March 2015.

Catherine Dix, Strategic Pensions Manager, highlighted key issues in relation to the Fund's investment performance as at 31 March 2015 including an overview of Fund performance as a whole, investment activity, individual managers, funding position and cash flow. Jim Edney and Joanne Holden suggested key questions to ask managers and it was agreed it was important to have a rebalancing strategy in place to safeguard the Fund. Members discussed the performance of the different investment managers and the importance of corporate behaviour in determining the future performance of companies the Fund had invested in.

Resolved:

To note the two investment reports and the update provided by officers and advisers at the meeting.

To continue to monitor Barings performance.

13 **Baillie Gifford - Review of 2014-15 & Plans for the Future**

The Sub-Committee received 2 confidential reports updating on the performance of the Fund's investments as to the end of March 2015.

Tim Garratt and Rosemary Shannon gave a presentation reminding the Sub-Committee of Baillie Gifford's ethos and the portfolio it held with the Fund. Top-performing investments were reviewed alongside the risks associated with stock concentrations in the portfolio.

Resolved:

To note the reports and verbal updates provided at the meeting

14 Barings - Formal Review of the Diversified Growth Fund Mandate

The Sub-Committee considered a confidential annual report from Barings and presentation from Marion Valensise and Brian Corris. Members were advised on how the company had adapted to recent personnel changes and the portfolio it held. Reflections on the performance of the portfolio were provided.

In the discussion that followed, members agreed that if the Barings Fund fell below a trigger point of £1.8bn then a discussion would commence between officers and the Chairman and Vice-Chairman of the Committee on an appropriate course of action

Resolved:

To note the report and verbal updates provided at the meeting

That, should the Barings fund value fall below £1.8bln, officers should alert the Chairman and Vice-Chairman of the Committee and agree, in consultation with them, an appropriate course of action.

15 Berenberg - Formal Review of the Dynamic Currency Overlay mandate

The Sub-Committee received a confidential presentation from Matthew Stemp, Tino Siragusano and Frank Diesterhoeft of Berenberg bank.

The background of the bank and its personnel changes were explained in addition to the effects of hedging currency on the fund's portfolio and risk management within the portfolio.

Resolved:

To note the presentation and verbal updates provided at the meeting.

16 Loomis Sayles - Formal Review of the Multi Asset Credit and Absolute Return Credit mandates

The Sub-Committee received a confidential presentation from Kevin Kearns and Chris Yiannakou of Loomis Sayles on the performance of the portfolio during the first 6 weeks of the mandate.

During discussions on the allocation between the World Credit Asset and Strategic Alpha packages it was commented that, in future, a rebalancing between the allocations could be required depending on the performance of both products. It was agreed that officers could develop one benchmark for each product which would trigger an assessment of rebalancing.

Resolved:

To note the presentation and verbal updates given at the meeting.

To delegate to officers to develop triggers to alert when rebalancing between World Credit Asset and Strategic Alpha may be needed. Should this rebalancing be a strategic decision, it would be referred to Committee for determination.

(Duration of meeting: 10.30 am - 2.40 pm)

The Officer who has produced these minutes is Libby Beale (Senior Democratic Services Officer), of Democratic Services, direct line 01225 718214, e-mail elizabeth.beale@wiltshire.gov.uk

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WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
25 June 2015

INTERNAL AUDIT REPORT

Purpose of the Report

1. This report informs Members of the findings of the internal auditors report from South West Audit Partnership (SWAP) on the Wiltshire Pension Fund from their 2014-15 audit.

Background

2. The internal audit of Pensions has been completed by SWAP in accordance with the Internal Audit plan for 2014-15. The scope of this audit was to assess the adequacy of key controls and procedures in place for Pensions.
3. This supports the annual audit undertaken by KPMG (the external auditors). The key controls identified for this audit are set out within the Audit Report attached.

Key Considerations for the Committee

4. Internal Audit has reported a "Reasonable Assurance" opinion. This means that most areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
5. There were no significant findings to report from this audit, although three medium risks were identified which are being addressed by the management in their area of responsibility.
6. The attached report provides a summary of the audit findings and assurances provided along with the recommendation if appropriate for the expected key controls. The Agreed Action Plan can be found at the end of the document.
7. Of the three medium risks identified all have either been addressed or will by 30 September 2015.

Risks Assessment

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

Financial Implications

9. The fee for this audit is based on an annual recharge.

Legal Implications

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

Safeguarding Considerations/Public Health Implications/Equalities Impact

11. There are no known implications at this time.

Proposals

12. The Committee is asked to note the attached Internal Audit Report and Agreed Action Plan.

MICHAEL HUDSON
Treasurer to the Pension Fund

Report Author: David Anthony, Head of Pensions

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

Wiltshire Council

► Administration of Pensions

Issued to: David Anthony
Head of Pensions

Catherine Dix
Strategic Pension Manager

Michael Hudson
Associate Director Finance

Carolyn Godfrey
Corporate Director

Gerry Cox
SWAP Chief Executive

Working in partnership with

Wiltshire Council
Where everybody matters

Date of Report: 31 March 2015

Issued by: Suella Coman
Audit Manager

Administration of Pensions

Management Summary

Under the Local Government Pension Scheme (LGPS) Wiltshire Council administers pensions for eligible authorities across the county. Wiltshire Council administers the Wiltshire Pension Fund (WPF) and is one of the 148 Employer organisations which are members of the Fund. Swindon Council and Wiltshire Council are the two largest employers organisations of the Fund. The Fund has seen a further increase in Member bodies during 2013-14 predominantly from the ongoing formation of Academy Schools which have the right of automatic membership.

The Fund has around 21,600 employees currently contributing to it while the number of retired employees receiving regular payments is 13,700. The Wiltshire Pensions Funds assets were valued at £1,645 million as at 31st March 2014.

Pension records are maintained on the council's Altair system by the pensions administration team and payments are made through the SAP payroll system by the pensions payroll team. A Guaranteed Minimum Pension (GMP) Review is currently being undertaken by a pensions project team to address issues that have been identified with GMP administration.

Summary of Significant Corporate Risks

The following table records the inherent risk (the risk of exposure with no controls in place) and the manager's initial assessment of the risk (the risk exposure on the assumption that the current controls are operating effectively) captured at the outset of the audit. The final column of the table is the Auditors summary assessment of the risk exposure at Corporate level after the control environment has been tested. All assessments are made against the risk appetite agreed by the SWAP Management Board.

Areas identified as significant corporate risks, i.e. those being assessed as 'high' or 'very high' risk areas in line with the definitions attached should be addressed as a matter of urgency.

Risks	Inherent Risk Assessment	Managers Initial Assessment	Auditors Assessment
R1: Poor procedures lead to poor administration of the County pension scheme.	Medium	Medium	Low
R2: Inaccurate service records cause incorrect payments of benefits resulting in financial loss.	Medium	Medium	Medium
R3: Payments are not made promptly and customer service is poor.	Medium	Medium	Medium

Summary of Significant Findings

There were no significant findings identified during this review.

Further details of audits' findings can be viewed in the full audit report, which follows this Management Summary.

Conclusion and Audit Opinion

▲★★★ **Reasonable**

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

Whilst the service is actively reviewing procedure and guidance notes, further updating is still required to ensure all processes and procedures are fully documented. There is a GMP Project underway to address the issue of ensuring all advice on GMP is obtained from the DWP in a timely fashion and to ensure accurate payments are set up.

According to policy, the Pensions Team administration staff should have read-only access to the payroll system in SAP. Following Audit enquiries it was found they also had the ability to make an alteration, however this has now been revoked by the SAP Administration Team.

Although pensions system and payroll reconciliations are being carried out, these were not always performed monthly. Action plans from pensions administration and payroll liaison meetings and service complaints identified need to be managed more pro-actively. Performance measures required updating and better monitoring.

The above assurance opinion reflects the fact that the Pensions team have implemented a number of improvements to processes. The recommendations and ensuing actions will further strengthen the controls of the overall system and support the development of the GMP project.

Objectives & Risks

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

Objective: To ensure that Pension Records and Payments are administered by WUC in compliance with Regulations and best practice and internal controls minimise the risk of losses through fraud or errors.

Risks:

- R1: Poor procedures lead to poor administration of the County pension scheme.
- R2: Inaccurate service records cause incorrect payments of benefits resulting in financial loss.
- R3: Payments are not made promptly and customer service is poor.

Method & Scope

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

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

To ensure that Pension Records and Payments are administered by the Wiltshire Pension Fund in compliance with Regulations and best practice and internal controls minimise the risk of losses through fraud or errors.

Findings

The following paragraphs detail all findings that warrant the attention of management.

The findings are all grouped under the objective and risk that they relate.

1. Risk: R1: Poor procedures lead to poor administration of the County pension scheme.

1.1 Membership of Professional Bodies

The key managers and senior staff in the Wiltshire Pensions Fund (WPF) Team are all required to be members of a relevant professional body or are studying to gain a relevant qualification. Membership is a requirement of the posts, however, the individuals maintain their CPD in line with their organisation's requirements and it is not a requirement to demonstrate this to the Local Authority. The individuals pay their own subscription fees and these are not reimbursed by the Local Authority.

Pensions administration is a complex process and there is a requirement for high technical competence and accuracy to comply with HMRC regulations and therefore senior and key staff are encouraged to achieve and maintain an appropriate professional qualification.

1.2 LGPS Rules and Regulations

For LGPS rules and regulations the Wiltshire Pensions Service uses a detailed spreadsheet covering the main procedures for the pensions benefits team. The Pensions Benefits Manager updates the procedures and there are numerous regulations which the Compliance & Technical Manager checks that these are reflected in the pensions Procedures spreadsheet.

The council is advised of changes in LGPS rules and regulations through GAD guidance being issued, updates from DCLG, The Pension Regulator, HMRC updates, LGE updates, and consultants briefing papers. There are many sources of legislation for which the Compliance & Technical Manager acts as gatekeeper and consolidates all these sources and directs managers to where actions need to be taken.

1.3 Pension Transfers

The process for recording and reconciling transfer values into and out of individual pension schemes was reviewed by audit. The Pensions Benefits Team are notified from previous pension providers and enter the details in a spreadsheet to advise the Accounting Technician who checks this income on the Wilts Pension Fund bank statement and records receipt on the spreadsheet and reconciles the records input in Altair (pensions database) to the amount in SAP.

The Benefits Team calculate what the income amount is worth in the WPF. There can be delays between receiving notification and income and the Benefits Team will have to chase the previous provider and calculate additional charges e.g. lost interest. The income received in the WPF bank account has to be transferred to the current account in SAP and the detail input in Altair. This is subject to regular reconciliation and reconciliations appear in Sharepoint. Whilst the reconciliation process is documented for transfers out, there is no procedure documentation to describe the reconciliation for transfers into the WPF (Transfers In).

The 'Transfer and AVC Notifications' spreadsheet identifies information input by Benefits Team and the Accounting Team. The spreadsheet is in Sharepoint under Transfers and Income Pending. The latest 'Transfer and AVC Notifications' spreadsheet was reviewed and this showed that the monthly reconciliations for 2014-15 have been carried out regularly and checked and authorised

by the Fund Investment & Accounting Manager.

1.3a I recommend that the procedures for the reconciliation of pension fund transfer monies into the WPF (Transfers In) are documented.

1.4 Payment Protocols

Guidance notes for Pensions Benefits Team Officers to use for pension payment transfers require further updating. This is acknowledged in the summary of procedures available on Sharepoint. There are work flow diagrams for the Benefits Team Officers to use as a guide in the Altair system. However, the original guidance notes provide more detail. To be effective they need to be further updated and aligned to the current, work flow processes.

1.4a I recommend that the guidance notes for Pensions Benefits Team Officers to use for pension payment transfers should be further updated and aligned to the current work flow processes.

1.5 Scheme Administration Costs

The cost of administering WUC Pensions is identified in the authorities' accounting structure. The salary of staff on-costs along with some internal recharges and external income are within SAP company 1000 cost centre 98000. This is required as the WPF administers the Fire Uniform scheme which is not part of the LGPS so costs need to be kept separate.

In SAP company 2000, there are cost centres 98001 and 98002 for investment related costs and administration. These codes also include the recharges from 98000 in company 1000. The Final Accounts on Sharepoint show that WPF Admin and processing costs total £1,165k for 2013-14. The costs for each of the pension funds are apportioned and allocated according to size although some costs have to be specifically charged to employers that generate additional expenditure.

1.6 Benchmarking

The Wiltshire Pension Fund (WPF) joined the CIPFA benchmarking club in 2010 with the intention to gain a better understanding of how WPF's service compares to those of its peers. The club compares the Fund against the other 52 LGPS authorities within the club.

The latest CIPFA Pensions Administration Benchmarking Club 2013 report was presented to the WPF Committee as an appendix to the Pension Fund Benchmarking Update report in December 2013. This update highlighted that there are differences between how pension administration is set up among the authorities, the WPF is a single team covering administration, accounting and investment activities whereas most authorities still include administration within their payroll section with the accounting and investments functions separate within their finance teams. Also the allocation of overheads can be treated differently between authorities.

The benchmarking survey confirmed that the WPF was broadly in line with other LGPS schemes in terms of work being processed. The areas where WPF costs were higher were stated to be a reflection of the proactive approach being taken in respect of communicating with members, improving its ICT capabilities and monitoring and managing its liability risks through its work with the actuary.

1.7 Workflow Processes and Procedures

Audit reviewed processes followed by WPF Benefits Team Officers in relation to GMP tasks and processes carried out by Payroll Officers following instructions from the WPF Benefits Team. The review of GMP tasks revealed that procedure notes need to be further updated.

Audit Note: Evidence of the procedures being reviewed was subsequently provided to audit. The updating is ongoing and is reflected in the recommendation made. See also 2.1 below.

The communications between WPF Benefits Team and Payroll allow actions to be carried out in a timely manner and provide a good audit trail. Changes have been implemented to allow working from home and WPF management note that this has brought with it some required benefits such as:

- documents are easily available
- documents do not go missing
- documents are held confidentially (driven by a clear desk policy).

Other than this, Audit is unable to assess the effects of these improvements because it is not known what processes were in place before. Also, Audit is unable to measure the effects because WPF is not able to provide base line data against which to measure.

1.7a I recommend that the procedure notes for the Altair pensions system and work-flow processes should be further reviewed and updated.

2. Risk: R2: Inaccurate service records cause incorrect payments of benefits resulting in financial loss.

2.1 GMP Processes

There is a defined process for determining the GMP by which the Pension Benefits Team officers follow the work flow processes that are set up in Altair. They carry out the prescribed tasks and check them off against the work-flow charts. These are then checked by a second officer. There are procedure notes for some of the GMP tasks that were created prior to work flow processes and these now require updating. There are some tasks for which there are not procedure notes and this is being looked at by the GMP Project Team. Again, as in 1.7 above, these are currently being reviewed and updated but the process is ongoing.

2.1a I recommend that the workflow processes should be further supported by procedure notes to explain the processes for GMP to officers and ensure consistent application.

2.2 GMP Advice

There is a process where applications made for GMP advice from DWP are monitored through to receipt. The Pensions Team requires advice from DWP about GMP in some cases. The Altair work flow processes require input by the user where the advice is required. There is a GMP Project underway to address the issue of ensuring all advice on GMP is obtained from the DWP in a timely fashion and to ensure accurate payments are set up.

Reports run from Altair at the request of Audit showed that pensioners with pre 1997 service and CA1629 indicator was not ticked listed 6421 members. The CA1629 indicator relates to Statement of Pension Liability. Where WPF are waiting to receive a CA1629 notification from HMRC they use the GMP value held on Altair although outstanding requests are not monitored.

HMRC are starting an exercise whereby pension funds will have the opportunity to go on line and check values. From April 2016 the HMRC will not cover the differences i.e. what is on the pension fund's records will stand and the pension fund will have to cover the cost. Although this is relatively small it is difficult to assess the impact without making all the corrections (the scale of which is unknown) and it could be positive or negative for the WPF. There is a note in the Final Accounts that refers to the GMP.

2.3 Reconciliations (Altair - SAP)

Audit verified that reconciliations should be performed by WPF for every month to affirm the value paid by Payroll matches the value expected to be paid from records held in Altair. However, although it is evident that reconciliations are taking place, these reconciliations have not always been carried out on a monthly basis and can sometimes result in two months being reconciled at the same time. Additionally, there were no procedure notes to explain how the reconciliation is done.

2.3a I recommend that monthly reconciliations should be performed by WPF on a timely basis to affirm the value paid by SAP Payroll matches the value expected to be paid from pension records held in Altair. The reconciliation process should be supported by adequately documented procedure notes.

2.4 Reconciliation Review

Pensions system reconciliations are carried out by the Team's Accounting Technician and later checked by the Accounting Manager. However, examination of the SharePoint records for the current financial year found that the separation of duties and actual reconciliation dates could not be clearly demonstrated. Audit asked if a checklist of all reconciliations is used to ensure they are performed at scheduled times and on a timely basis. A list of reconciliations was presented but not a checklist designed for monitoring timely completion.

2.4a I recommend that a checklist of all Pensions reconciliations should be designed and used to ensure they are performed at scheduled times and reviewed on a timely basis.

2.5 Mortality Screening

The WPF Team have been notified about a pensioners continued right to receive payment in three ways:

- life certificate exercise
- by using an external company (Target) for mortality screening
- notification of annual NFI data matches which are then investigated.

2.6 There are approximately 60 WPF pension members living abroad. The use of Target allows the life certificate exercise to be more targeted, i.e. looking at those who Target believe are deceased but WPF also continues with life certificates for overseas clients.

2.7 Second Person Checking

The procedure for calculating and establishment of pension payment is subject to second person checking. When the Notifications go to Payroll they are printed showing the name of the WPF officer who set up the record and who checked it with dates. These are emailed to Payroll by WPF Manager. The 'set up' name and date is generated on the Notification Form by Altair and the 'checked by' name and date is typed in by the WPF officer. Examination of an audit sample of five Pensions Notification forms confirmed that these all showed the names and dates of the two persons who set up and checked the records.

2.8 Annual Life Certificate Process

The WPF Team carried out a life certificate process around two years ago but this was found to be time consuming. An external company (Target) has now been engaged to trace the whereabouts of pension members and their next of kin to establish their mortality.

2.9 Dependent's Pensions

Pensions check that short term and long term pensions are implemented by Payroll. This is carried out by the Accounting Technician (Pensions) who does a monthly reconciliation to make sure the widow(er)s dependent pensions are reduced down to 50% following the death of the pension member. Reconciliation involves taking new members from Altair where the status has become 'dependent' and checking the amount they are paid in SAP has been reduced down to the amount stated in Altair.

3. **Risk: R3: Payments are not made promptly and customer service is poor.**

3.1 Systems Access

The Pensions Team administration staff are supposed to have read only access to the payroll system in SAP. Following Audit enquiries it was found they also had the ability to make an alteration, however this has now been revoked by the SAP Administration Team.

3.2 Payroll and Accounting Controls

It was confirmed that Pensions Payroll run to run controls are reviewed and signed off by a senior officer for each run. Review of the pensions pay run for August 2014 confirmed that the process was completed correctly.

3.3 The SAP GL is posted as a result of the pensions payroll pay run according to the standard controls applied to all payroll processing. Controls over payroll postings is subjected to reconciliation of the payroll accounts, in this case the pension payroll account by the Corporate Finance Team.

3.4 Audit reviewed how WPF checks on the income that is received from all the contributing bodies / employers and how this reflects what is expected and is posted to the appropriate account in SAP.

3.5 Payroll and Pensions Meetings

Quarterly strategic and operational meetings between WPF and Payroll representatives have been held follow a break during the second half of 2013 whilst a new Pensions Manager was appointed. Audit reviewed the minutes from these meetings that took place during 2014. The notes from the operational meetings identified some issues regarding service provision and references to customer complaints that required further investigation. However, the action points did not appear specific enough to provide assurance that improvements were being instigated as a result.

3.5a I recommend that Payroll and Pensions operational meeting notes are made more detailed, better define the actions to be taken and specify the person(s) responsible for taking action and record the timescale for implementation.

3.5b I recommend that Payroll and Pensions capture complaints in more detail about service provision issues so that these can be investigated and acted upon if necessary to improve the service to customers.

3.6 Performance Monitoring

The WPF Administration Strategy is published on the WPF Pensions Made Simple website. This states the standards set for employers and for the WPF Team. It also states that the measurements against the standards would be published. However, the Strategy is overdue a review and the Employer Relationship & Fund Development Manager has stated that WPF have not published their own performance results.

3.6a I recommend that the WPF develops an updated set of performance measures and publishes the results on a regular basis.

The Agreed Action Plan provides a formal record of points arising from this audit and, where appropriate, the action management has agreed to take and the timescale in which the action will be completed. All findings have been given a priority rating between 1 and 5, where 1 is low and 5 is high.

It is these findings that have formed the opinion of the service's control environment that has been reported in the Management Summary.

Finding	Recommendation	Priority Rating	Management Response	Responsible Officer	Implementation Date
<p>Objective: To ensure that Pension Records and Payments are administered by WUC in compliance with Regulations and best practice and internal controls minimise the risk of losses through fraud or errors.</p>					
<p>1. R1: Poor procedures lead to poor administration of the County pension scheme.</p>					
<p>1.3a Reconciliation of transfer monies – procedures are not fully documented.</p>	<p>I recommend that the procedures for the reconciliation of pension fund transfer monies into the WPF (Transfers In) are documented.</p> <p style="text-align: right;"><small>SWAP Ref: 27413</small></p>	<p>3</p>	<p>A procedure is now documented for reconciling Transfers In (account code 729110-111).</p>	<p>Catherine Dix, Strategic Pension Manager</p>	<p>Completed</p>
<p>1.4a Payment transfer procedures – guidance notes require further updating.</p>	<p>I recommend that the guidance notes for Pensions Benefits Team Officers to use for pension payment transfers should be further updated and aligned to the current work flow processes.</p> <p style="text-align: right;"><small>SWAP Ref: 27414</small></p>	<p>3</p>	<p>Procedures and workflow have now been updated for both Transfers In and Transfer Out. The workflows are accessible via the procedures matrix and the procedures will be added shortly (when the matrix is available for Managers to update.)</p>	<p>Catherine Dix, Strategic Pension Manager</p>	<p>30 June 2015</p>
<p>1.7a Workflow Procedures – procedure notes need further updating.</p>	<p>I recommend that the procedure notes for the Altair pensions system and work-flow processes should be further reviewed and updated.</p>	<p>3</p>	<p>The procedures continue to be reviewed as part of the development of our GMP project</p>	<p>Catherine Dix, Strategic Pension Manager</p>	<p>30 September 2015</p>

Finding	Recommendation	Priority Rating	Management Response	Responsible Officer	Implementation Date
	<i>SWAP Ref: 27417</i>		which is reviewing all related issues within the team.		
There are no significant findings to report					
2. R2: Inaccurate service records cause incorrect payments of benefits resulting in financial loss.					
2.1a GMP Procedures – processes are not fully covered by procedure notes.	I recommend that the workflow processes should be further supported by procedure notes to explain the processes for GMP to officers and ensure consistent application. <i>SWAP Ref: 27418</i>	3	The procedures continue to be reviewed as part of the development of our GMP project which is reviewing all related issues within the team.	Catherine Dix, Strategic Pension Manager	30 September 2015
2.3a Reconciliations (Altair - SAP) – monthly reconciliations were not always performed on a timely basis.	I recommend that monthly reconciliations should be performed by WPF on a timely basis to affirm the value paid by SAP Payroll matches the value expected to be paid from pension records held in Altair. The reconciliation process should be supported by adequately documented procedure notes. <i>SWAP Ref: 27500</i>	3	Reconciliations are always completed for new pensioner/new dependents although two months are sometimes completed together. All issues arising are reviewed by the Strategic Pension Manager and Benefits Manager to take any necessary action. In terms of the other accounting reconciliations the Pension Fund Accountant reviews these and are re-saves the file as authorised.	Catherine Dix, Strategic Pension Manager	Completed

Finding	Recommendation	Priority Rating	Management Response	Responsible Officer	Implementation Date
2.4a Reconciliation Checklist – regular completion needs to be monitored.	I recommend that a checklist of all Pensions reconciliations should be designed and used to ensure they are performed at scheduled times and reviewed on a timely basis. <i>SWAP Ref: 27501</i>	3	Managers acknowledge this recommendation and are currently working on putting a checklist in place.	Catherine Dix, Strategic Pension Manager	30 June 2015
There are no significant findings to report					
3. R3: Payments are not made promptly and customer service is poor.					
3.5a Payroll and Pensions Meetings – action plans require improvement.	I recommend that Payroll and Pensions operational meeting notes are made more detailed, better define the actions to be taken and specify the person(s) responsible for taking action and record the timescale for implementation. <i>SWAP Ref: 27514</i>	3	The quarterly payroll/pension meetings have only recently been recommenced due to changes in staff. They provide an opportunity to build relationships and have a face to face meeting to discuss any issues. There are currently no major issues but notes of the meetings are kept.	Catherine Dix, Strategic Pension Manager	Completed
3.5b Service Complaints – recording and investigation needs improvement.	I recommend that Payroll and Pensions capture complaints in more detail about service provision issues so that these can be investigated and acted upon if necessary to improve the service to customers.	3	All specific complaints are investigated so corrective action can be taken immediately to address any issues. The complaints referred to at the Payroll/Pensions meeting couldn't be specifically identified	Catherine Dix, Strategic Pension Manager	30 June 2015

Finding	Recommendation	Priority Rating	Management Response	Responsible Officer	Implementation Date
	<i>SWAP Ref: 27515</i>		to allow further investigation. Moving forward it's agreed that any complaints made either to payroll or pensions will be captured in sufficient detail to feed back to the relevant team.		
3.6a Performance Measurement – WPF does not publish results.	I recommend that the WPF develops an updated set of performance measures and publishes the results on a regular basis. <i>SWAP Ref: 27516</i>	3	KPIs are currently being developed within the Pension section. The intention is that we have KPIs that will assist management performance reporting but also provide a basis for reporting to the Wiltshire Pension Fund Committee and to be disclosed in the Annual Report. This is also being developed alongside an update of the Fund's Administration Strategy.	David Anthony, Head of Pensions	30 September 2015
There are no significant findings to report					

Audit Framework Definitions

Control Assurance Definitions

Substantial	▲ ★ ★ ★	I am able to offer substantial assurance as the areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.
Reasonable	▲ ★ ★ ▲	I am able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Partial	▲ ★ ▲ ▲	I am able to offer Partial assurance in relation to the areas reviewed and the controls found to be in place. Some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
None	▲ ▲ ▲ ▲	I am not able to offer any assurance. The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

Categorisation Of Recommendations

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

Priority 5: Findings that are fundamental to the integrity of the unit's business processes and require the immediate attention of management.

Priority 4: Important findings that need to be resolved by management.

Priority 3: The accuracy of records is at risk and requires attention.

Priority 2: Minor control issues have been identified which nevertheless need to be addressed.

Priority 1: Administrative errors identified that should be corrected. Simple, no-cost measures would serve to enhance an existing control.

Definitions of Corporate Risk

Risk	Reporting Implications
Low	Issues of a minor nature or best practice where some improvement can be made.

Medium	Issues which should be addressed by management in their areas of responsibility.
High	Issues that we consider need to be brought to the attention of senior management.
Very High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.

PENSION FUND ADMINISTRATION BUDGET 2014-15 - FINAL OUTTURN STATEMENT

	2014/15			Explanations
	Budget £000	Outturn £000	Variance £000	
<u>Fund Investment</u>				
Investment Management Fees				
Segregated Funds	5,009	4,752	-257	Lower EMMA fees due to phased investment offset against higher performance fee for Baillie Gifford
Pooled Funds *	1,730	1,344	-386	Lower Permal fees due different redemption profile than originally planned, Lower Partners fees due to delay in drawdowns.
	6,739	6,096	-642	
<u>Fund Investment Costs</u>				
1 Investment Administration	106	106	0	
2 Investment Custodial & Related Services	75	13	-62	Additional security lending income greater than expected
3 Investment Consultancy	136	122	-14	
4 Corporate Governance Services	38	38	0	
5 Performance Measurement	47	40	-7	
	402	319	-83	
<u>Fund Scheme Administration</u>				
6 Pension Scheme Administration	1,436	1,250	-187	Difficulties in recruiting 2 data analyst post and other in year vacancies. Lower than predicated development costs for LGPS 2014 software.
7 Actuarial Services	106	64	-42	Lower Fund specific activity in this financial year
8 Audit	57	54	-3	
9 Legal Advice	20	28	8	
10 Committee & Governance	49	40	-9	
	1,669	1,437	-232	
Fund Administration Costs				
	2,071	1,756	-315	
TOTAL FUND EXPENDITURE (Costs & Fees)	8,810	7,852	-958	

* Invisible costs paid through investments

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WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
25 June 2015

DRAFT STATEMENT OF ACCOUNTS FOR 2014-15

Purpose of the Report

1. The purpose of this report is to present the attached draft Wiltshire Pension Fund Financial Statements 2014-15 to Members for approval.

Background

2. In previous years the Annual Report and Financial Statements have been brought to the July Committee. However as a result of the changes made to the Committee structure the Financial Statements are presented today and the Complete Annual Report will be presented to the September Committee.
3. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/2015 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. Enhancements have been made in some areas to take account of established practices such as those set out in the 2007 Pension SORP (Statement of Recommended Practice) issued by PRAG (Pension Research Accountants Group) and guidance such as CIPFA guidance Accounting for Local Government Pension Scheme Management Costs.
4. The Pension Fund Financial Statements are included within the Statement of Accounts of the Council as well as the Pension Fund Annual Report.

Risk Assessment

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

Financial Considerations

6. These will be considered in the Annual Report. The outturn for 2014-15 is detailed elsewhere on the agenda.

Legal Implications of the Proposals

7. There are none.

Environmental Impact of the Proposals

8. There are none.

Safeguarding Considerations/Public Health Implications/Equalities Impact

9. There are no known implications at this time.

Proposals

10. Members are asked to approve the draft Wiltshire Pension Fund Financial Statements 2014-15 for publication, subject to the completion of the audit.

Michael Hudson
Treasurer to the Pension Fund

Report Author: Catherine Dix, Strategic Pension Manager

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

Wiltshire Pension Fund

The Fund is administered by Wiltshire Council for local authorities within Wiltshire and other local government associated organisations. It meets the cost of pension benefits due to current and former employees of these organisations. The current membership as at 31 March 2015 included 21,606 active members, 14,200 pensioners and 23,789 deferred members.

Responsibility for the Report

Wiltshire Council

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

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

Wiltshire Pension Fund Committee

There are seven elected members of the Committee, comprising five Wiltshire Councillors and two Swindon Borough Council members. In addition, there are two representatives of the admitted bodies and two observers representing staff interests. Details of the membership of the Committee in 2014/2015 are shown in the Wiltshire Pension Fund Annual Report.

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

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

Chief Finance Officer

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

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

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

Actuarial Statement

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme (Administration) Regulations 2013, and chapter 6 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the UK 2014/2015.

Description of Funding Policy

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

- to 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.

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

For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is still a better than 2 in 3 chance that the Fund will return to full funding over 20 years.

Funding Position as at the last formal valuation

The most recent actuarial valuation carried out under Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008 was as at 31 March 2013. This valuation revealed that the Fund's assets, which at 31 March 2013 were valued at £1,484 million, were sufficient to meet 71% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2013 valuation was £610 million.

Individual employers' contributions for the period 1 April 2014 to 31 March 2017 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Methods used to value the liabilities

Full details of the methods and assumptions used are described in the actuary's report dated 31 March 2014.

Method

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

Assumptions

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

The key financial assumptions adopted for the 2013 valuation were as follows:

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Funds VitaCurves with improvements in line with the CMI_2010 model, assuming the current rate of improvements has reached a peak and will converge to a long term rate of 1.25%p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	22.3 years	24.5 years
Future Pensioners*	24.1 years	26.9 years

*Currently aged 45

Copies of the 2013 valuation report and Funding Strategy Statement are available on request from Wiltshire Council, the administering authority to the Fund.

Experience over the year since April 2013

Experience has been broadly as expected over the period to 31 March 2015 (excluding the effect of any membership movements). Real bond yields have fallen dramatically and the effect of this has been offset by the effect of strong asset returns, meaning that funding levels are likely to have marginally increased over this period.

The next actuarial valuation will be carried out as at 31 March 2016. The Funding Strategy statement will also be reviewed at that time.

Audit

The Audit Commission has appointed KPMG to act as the external auditor of the Council, and therefore the pension fund.

Investment Management Policy

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

The Investment Strategy is revised annually by the Fund. The latest Strategic review was undertaken during 2011, new mandates have been implemented resulting from this.

The current strategy has the dual aim of increasing returns and reducing risk by increasing diversification and alternative approaches. Details of the strategy are provided in the Fund's Statement of Investment Principles (SIP) – the Wiltshire Fund's SIP can be supplied upon request or viewed at www.wiltshirepensionfund.org.uk/investment-principles.

The full list of managers as at 31 March 2015 were:

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

During the year, the managers transacted purchases of £940.3 million (£911.9m 2013/14) and sales of £945.4 million (£897.9m 2013/14). The value of assets under management at 31 March 2015 was £1,837.7 million, broken down by managers as follows:

Legal & General	£719.3 million
Baillie Gifford	£322.0 million
Western Asset Management	£3.6 million
CBRE Global Multi Manager	£210.0 million
Barings Asset Management	£197.4 million
Loomis Sayles	£197.8 million
Jubilee Advisors	£22.8 million
M&G Investment Management	£11.8 million
Berenberg Bank	£4.3 million
Partners Group	£10.5 million
Investec	£137.9 million
Total	£1,837.4 million

		£ million	% of Fund total
Geographical analysis	United Kingdom	586.0	31.9
	North America	169.7	9.2
	Europe	65.8	3.6
	Asia, ex Japan	7.6	0.4
	Other - Overseas	73.1	4.0
	Other - Pooled Funds	935.2	50.9
		1,837.4	100.0
Sector analysis	Equities	1148.3	62.5
	Fixed interest bonds	201.4	11.0
	Cash & Derivatives	14.3	0.8
	Property	191.7	10.4
	Long-Short Hedge Fund	22.8	1.2
	Emerging Market	137.9	7.5
	Infrastructure	10.5	0.6
	Index linked bonds	110.5	6.0
	1,837.4	100.0	

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

The Wiltshire Pension Fund

Fund Account	Notes	2014/2015	2013/2014
For the year ended 31 March 2015			
		£000	£000
Contributions and benefits			
Contributions receivable	5	85,529	79,128
Individual transfers		1,785	2,902
		87,314	82,030
Benefits payable	6	(74,067)	(76,669)
Payments to and on account of leavers	7	(31,249)	(4,789)
		(105,316)	(81,458)
Management Expenses	8&12	(7,112)	(4,679)
		(25,114)	(4,107)
Returns on investments			
Investment income	9	21,443	18,377
Change in market value of investments	11	211,110	136,981
		232,553	155,358
Net returns on investments		232,553	155,358
Net Increase in the fund during the year		207,439	151,251
Opening Net Assets of the Fund		1,645,164	1,493,913
Closing Net Assets of the Fund		1,852,603	1,645,164

Net Asset Statement
At 31 March 2015

	Notes	31 March 2015	31 March 2014
		£000	£000
INVESTMENT ASSETS	11		
Fixed interest securities		0	163,143
Index linked securities		0	933
Equities		342,126	267,461
Pooled investment vehicles		1,289,293	997,888
Property		191,695	170,936
Derivative assets		1,171	2,649
Cash held on deposit		15,383	26,042
Other investment balances		431	3,465
		<u>1,840,099</u>	<u>1,632,517</u>
INVESTMENT LIABILITIES	11		
Derivatives liabilities		(2,702)	(1,066)
Total net investments		<u>1,837,397</u>	<u>1,631,451</u>
Current assets	13	18,912	18,150
Current liabilities	14	(3,706)	(4,437)
Net assets of the Fund at 31 March		<u>1,852,603</u>	<u>1,645,164</u>

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

Notes

Forming part of the financial accounts

1. Basis of Preparation

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/2015 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

IAS26 requires the actuarial present value of promised benefits to be disclosed. A separate report has been prepared by Hymans Robertson and is enclosed below after note 19. The Chancellor's budget statement on 22 June 2010 declared that future pension increases should be linked to the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). The report after note 19 has been prepared on the CPI basis.

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

2. Accounting Policies

The principal accounting policies of the Fund are as follows:

Contributions

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

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

Benefits and Refund of Contributions

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

Transfers to and from Other Schemes

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

Investment Income

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

Valuation of Investments

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

- (i) **Quoted securities**
Quoted Securities have been valued at 31 March 2015 by the Fund's custodian using the bid price where a quotation was available on a recognised stock exchange or unlisted securities market.
- (ii) **Unquoted securities**
Unquoted securities have been valued according to the latest trades, professional valuation, asset values or other appropriate financial information.
- (iii) **Pooled investment vehicles**
Pooled investments are stated at bid price for funds with bid/offer spreads, or single price/net asset value where there are no bid/offer spreads, as provided by the investment manager.
- (iv) **Fixed Interest Stocks**
Segregated fixed interest stocks are valued on a clean basis. Accrued income is accounted for within investment income.
- (v) **Derivative Contracts**
Derivatives are stated at market value. Exchange traded derivatives are stated at market values determined using quoted prices. For exchange traded derivative contracts which are assets, market value is based on quoted bid prices. For exchange traded derivative contracts which are liabilities, market value is based on quoted offer prices.

Over the Counter (OTC) derivatives are stated at market value using pricing models and relevant market data as at the year end date.

Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.

All gains and losses arising on derivative contracts are reported within 'Change in Market Value'.

Reported changes in the market value of investments over the year of account include realised gains or losses arising upon the disposal of investments during the year.

Foreign Currency Translation

All investments held in foreign currencies are shown at market value translated into sterling using the WM 4PM rate on 31 March 2015.

Foreign currency transactions are accounted for on the basis of the equivalent sterling value of the underlying transactions, by applying the relevant exchange rate ruling at the time. Where overseas securities are acquired with currency either previously purchased directly or accruing from the sale of securities, the sterling book cost of the new security will be based on the exchange rate ruling at the time of the purchase of that security. Any profit or loss arising on currency transactions either realised or unrealised, will be reflected in the Net Asset Statement.

Investment Management Expenses

Investment management expenses are based on the quarter end market value of the investments held. The fees paid are determined by the agreed fee scales for each individual manager.

Acquisition Costs of Investments

Transaction costs are charged as part of investment management expenses. These include costs charged directly to the fund such as fees, commissions, stamp duty and other fees.

Administration Expenses

A proportion of the relevant officers' salaries, salary on-costs and general overheads, have been charged to the Fund on the basis of time spent on Fund administration.

Taxation

The Fund is a registered pension scheme for tax purposes and as such is not liable for UK income tax on investment income, nor capital gains tax. As Wiltshire Council is the administering authority, VAT input tax is recoverable on all expenditure.

Income earned from investments in stocks and securities in the USA is exempt from US tax and is not subject to withholding tax. Most tax deducted from income on European investments is also recoverable.

Additional Voluntary Contributions (AVCs)

The accounts of the Fund in accordance with regulation 5 (2) (C) of the Pension Scheme (Management and Investment of Funds) Regulations 1998 do not include transactions in respect of AVCs. These are money purchase arrangements made by individual Fund members under the umbrella of the Local Government Pension Scheme, to enhance pension benefits.

3. Critical Judgement in Applying Accounting Policies**Pension Fund Liability**

The Pension Fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in the actuarial position statement (on page 89). This estimate is subject to significant variances based on changes to the underlying assumptions.

4. Assumptions made about the Future and Other Major Sources of Estimation Uncertainty

The Statements of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the net asset statement at 31 March 2015 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Debtors	At 31 March 2015, the fund had a balance of £18.9m for debtors (£4.8m relate to a long term debtor). A review of significant balances suggested that no impairment is currently necessary. However, in the current economic climate, it is not certain that all debts will be paid.	If collection rates deteriorate it may be necessary for an allowance to be included in the accounts for doubtful debts.
Hedge Fund of Funds	The fund of funds is valued at the sum of the fair values provided by the administrators of the underlying funds plus adjustments that the fund of funds directors or independent administrators judge necessary. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total hedge fund of funds value in the financial statements is £22.8m. There is a risk that this investment may be under or overstated in the accounts. Using the volatility data provided by the Fund's investment advisor the fund of funds valuation may be over/understated by £1.9m.

5. Contributions Receivable

	2014/2015 £000	2013/2014 £000
Employer		
- Normal	51,605	46,466
- Augmentation	868	3,513
- Deficit Funding*	13,765	11,498
Members		
- Normal	19,047	17,404
- Additional Contributions	244	247
	85,529	79,128
Analysis of contributions receivable		
	2014/2015 £000	2013/2014 £000
<i>Contributions from employees (Including Additional Contributions)</i>		
- Wiltshire Council	8,224	7,396
- Other scheduled bodies Admitted bodies	9,460	8,887
	1,608	1,368
	19,292	17,651
<i>Contributions from employers (Including Augmentations)</i>		
- Wiltshire Council	26,016	27,499
- Other scheduled bodies	32,725	27,841
- Admitted bodies	7,496	6,137
	66,237	61,477
Total contributions receivable	85,529	79,128

* Deficit funding contributions are being paid by the employer for the three years commencing from 1 April 2014 with a minimum specified in the Rates and Adjustment Certificate dated 31 March 2014 in order to improve the Fund's funding position. The recovery period at the last valuation over which the deficit funding is recovered is mainly 20 years for scheduled bodies and 14 years or the length of the employer's contract (whichever is the shorter) for admitted bodies.

6. Benefits payable

	2014/2015 £000	2013/2014 £000
Pensions	62,118	59,388
Commutation and lump sum retirement benefits	10,648	16,023
Lump sum death benefits	1,301	1,258
	74,067	76,669
Analysis of benefits payable		
	2014/2015 £000	2013/2014 £000
<i>Pensions payable</i>		
- Wiltshire Council	34,225	32,187
- Other scheduled bodies	21,566	22,891
- Admitted bodies	6,327	4,310
	62,118	59,388
<i>Retirement and Death grants payable</i>		
- Wiltshire Council	4,586	8,146
- Other scheduled bodies	5,609	7,719
- Admitted bodies	1,754	1,416
	11,949	17,281
Total benefits payable	74,067	76,669

7. Payments to and on account of leavers

	2014/2015 £000	2013/2014 £000
Individual transfer out to other schemes	3,961	4,775
Bulk transfer out to other schemes	27,167	
Refunds to members leaving service	98	13
State Scheme Premiums	23	1
	31,249	4,789

8. Management Expenses

	2014/2015 £000	2013/2014 £000
Administration costs	1,471	1,410
Investment Management expenses	5,518	3,153
Oversight & Governance	123	116
	7,112	4,679

Investment Management expenses includes £1.45m of performance-related fees paid to the fund's investment managers. Transaction costs of £198k (£277k 2013/14) have been incurred by the Fund and are included within the Fund Account.

9. Investment Income

	2014/2015 £000	2013/2014 £000
<i>Quoted securities</i>		
- UK fixed interest bonds (coupon receipts)	10,183	7,759
- Overseas fixed interest bonds (coupon receipts)	259	369
- UK index linked bonds (coupon receipts)	0	13
- UK equities	138	421
- Overseas equities	1,177	1,938
 <i>Pooled Investment Vehicles</i>		
- Overseas equities	0	94
- UK property	9,535	7,655
- Infrastructure	0	35
 <i>Cash held on deposit</i>		
- Sterling Cash	136	93
- Overseas Cash	15	0
	21,443	18,377

10. Stock Lending

The Council participates in a securities lending programme administered by BNY Mellon. Securities in the beneficial ownership of the Council to a value of £17.5 million (0.96% of the total) were on loan at 31 March 2015. Collateral for these securities is held in a pooled form, the Wiltshire Pension Fund's share (0.04%) representing a value of £18.8 million (107.04%). Income earned from this programme amounted to £0.048 million in the year.

	2014/2015 £ million	2013/2014 £ million
WPF Securities on loan	17.5	27.7
<i>(percentage of total)</i>	1.00%	1.70%
WPF Collateral share of pool	0.04%	0.14%
Value of WPF pooled share	18.8	30.6
Percentage of securities on loan	107.0%	110.4%
Income earned in year	0.048	0.043

11. Investments**Reconciliation of investments held at beginning and end of year**

The PRAG guidance, Accounting for Derivatives in Pension Schemes, recommends that derivatives are set out separately in the investment reconciliation table for reasons of clarity and are reconciled on a 'net' basis as opposed to 'gross' as reported in the Net Assets Statement.

Transaction costs have been debited through the Fund Account and have been disclosed as part of the Investment Management Expenses. Costs are also borne by the Fund in relation to transactions in pooled investment vehicles.

Details of investments held at year end

	31 March 2015 £000	31 March 2014 £000
INVESTMENT ASSETS		
Fixed Interest Securities		
- UK fixed interest Government bonds	0	7,131
- UK fixed interest Corporate bonds	0	146,856
- Overseas fixed interest Government bonds	0	5,026
- Overseas fixed interest Corporate bonds	0	2,378
- Emerging markets government bonds	0	1,752
	0	163,143
Index Linked Securities		
- UK index linked Corporate bonds	0	933
	0	933
Equities		
- UK equities	36,739	23,865
- Overseas equities	305,387	243,596
	342,126	267,461
Pooled Investment Vehicles		
- UK equities	242,103	226,922
- Overseas equities	564,066	586,997
- UK fixed interest Government bonds	0	0
- Overseas fixed income	201,386	0
- Overseas fixed interest Government bonds	0	169
- Overseas fixed interest Corporate bonds	0	950
- UK index linked Government bonds	110,472	91,085
- Property	191,695	170,936
- Emerging Market Debt	67,981	0
- Emerging Market Equities	69,911	0
- Long-Short Hedge Fund	22,839	86,138
- Infrastructure	10,535	5,627
	1,480,988	1,168,824
Cash held on deposit		
- Sterling Cash	15,132	25,427
- Overseas Cash	251	615
	15,383	26,042
Other Investment Balances		
- Derivatives Assets	1,171	2,649
- Outstanding dividend entitlements	10	3,162
- Recoverable tax	421	303
	1,602	6,114
INVESTMENT LIABILITIES		
- Derivatives Liabilities	(2,702)	(1,066)
Total of investments held	1,837,397	1,631,451
NET CURRENT ASSETS & LIABILITIES		
Current Assets	18,912	18,150
Current Liabilities	(3,706)	(4,437)
Total net current assets	15,206	13,713
	1,852,603	1,645,164

Derivative Contracts**Objectives and Policies**

The Wiltshire Pension Fund Committee have authorised the use of derivatives by their investment managers as part of the investment strategy for the Fund.

The main objective for the use of key classes of derivatives and the policies followed during the year are summarised as follows:

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

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

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

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

<u>Future Contracts</u>					
Nature	Nominal Amount	Duration	Economic Exposure	Asset value at year end	Liability value at year end
	£000		£000	£000	£000
Fixed Income Security					
				<u>0</u>	<u>0</u>

Forward Cash Currency Contracts

Contract	Settlement date	Currency bought	Currency sold	Asset value	Liability value
				£000	£000
Forward OTC	0 to 6 months	Sterling	Australian Dollar	11	
Forward OTC	0 to 6 months	Sterling	Brazil Real		(18)
Forward OTC	0 to 6 months	Sterling	Canadian Dollar		(44)
Forward OTC	0 to 6 months	Sterling	Chilean Peso		(3)
Forward OTC	0 to 6 months	Danish Krone	Sterling		(7)
Forward OTC	0 to 6 months	Sterling	Danish Krone	1	(51)
Forward OTC	0 to 6 months	Euro	Sterling	1	(361)
Forward OTC	0 to 6 months	Sterling	Euro	3	(979)
Forward OTC	0 to 6 months	Hong Kong Dollar	Sterling	15	(1)
Forward OTC	0 to 6 months	Sterling	Hong Kong Dollar	27	(12)
Forward OTC	0 to 6 months	Sterling	Indian Rupee		(4)
Forward OTC	0 to 6 months	Sterling	Indonesian Rupiah		(2)
Forward OTC	0 to 6 months	Sterling	Israeli Shekel		(2)
Forward OTC	0 to 6 months	Japanese Yen	Sterling	141	
Forward OTC	0 to 6 months	Sterling	Japanese Yen	20	(146)
Forward OTC	0 to 6 months	Sterling	Malysian Ringgit	1	
Forward OTC	0 to 6 months	Sterling	Mexican New Peso		(4)
Forward OTC	0 to 6 months	Sterling	New Taiwan Dollar		(14)
Forward OTC	0 to 6 months	Sterling	New Turkish Lira		(2)
Forward OTC	0 to 6 months	Sterling	New Zealand Dollar		(1)
Forward OTC	0 to 6 months	Sterling	Norwegian Krone		(16)
Forward OTC	0 to 6 months	Sterling	Polish Zloty		(5)
Forward OTC	0 to 6 months	Sterling	Singapore Dollar		(11)
Forward OTC	0 to 6 months	Sterling	South African Comm Rand		(21)
Forward OTC	0 to 6 months	Sterling	South Korean Won		(39)
Forward OTC	0 to 6 months	Swedish Krona	Sterling		(24)
Forward OTC	0 to 6 months	Sterling	Swedish Krona		(14)
Forward OTC	0 to 6 months	Sterling	Swiss Franc		(168)
Forward OTC	0 to 6 months	Sterling	Thailand Baht		(4)
Forward OTC	0 to 6 months	US Dollar	Sterling	8	(740)
Forward OTC	0 to 6 months	Sterling	US Dollar	943	(9)
				1,171	(2,702)

Financial Instruments**Classification of financial instruments**

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

As at 31 March 2015

	Designated as Fair value through Profit and Loss	Loans and Receivables	Financial liabilities at amortised cost
	£000	£000	£000
Financial assets			
Fixed interest securities	0	0	0
Index linked securities	0	0	0
Equities	330,341	11,785	0
Pooled investment vehicles	1,289,293	0	0
Property	191,695	0	0
Derivative assets	1,171	0	0
Cash held on deposit	0	21,364	0
Other Investment balances	431	0	0
Debtors	0	12,931	0
	<u>1,812,931</u>	<u>46,080</u>	<u>0</u>
Financial Liabilities			
Derivative Liabilities	(2,702)	0	0
Creditors	0	(3,682)	0
	<u>(2,702)</u>	<u>(3,682)</u>	<u>0</u>
	<u>1,810,229</u>	<u>42,398</u>	<u>0</u>

	Designated as Fair value through Profit and Loss	Loans and Receivables	Financial liabilities at amortised cost
	£000	£000	£000
Financial assets			
Fixed interest securities	163,143	0	0
Index linked securities	933	0	0
Equities	254,703	12,758	0
Pooled investment vehicles	997,888	0	0
Property	170,936	0	0
Derivative assets	2,649	0	0
Cash held on deposit	0	31,448	0
Other Investment balances	3,465	0	0
Debtors	0	12,744	0
	<u>1,593,717</u>	<u>56,950</u>	<u>0</u>
Financial Liabilities			
Derivative Liabilities	(1,066)	0	0
Creditors	0	(4,437)	0
	<u>(1,066)</u>	<u>(4,437)</u>	<u>0</u>
	<u>1,592,651</u>	<u>52,513</u>	<u>0</u>

Net gains/(losses) on financial instruments

	2015 £000	2014 £000
Financial assets		
Fair value through profit and loss	211,110	136,981
Loans and receivables	(2,468)	(6,770)
Financial liabilities		
Fair value through profit and loss	(2,792)	(714)
Loans and receivables		
Total	<u>205,850</u>	<u>129,497</u>

Financial Risk Disclosure

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

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

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

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

a) Market Risk

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

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

1) Market Price Risk

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

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

Market Price - Sensitivity Analysis

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

Movements in market prices would have increased or decreased the net assets valued at 31 March 2015 and 2014 by the amounts shown below.

2) Interest Rate Risk

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

The Fund's exposure to interest rate movements from its investments in cash & cash equivalents, fixed interest and loans at 31 March 2015 and 2014 are provided below.

Interest Rate – Sensitivity Analysis

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

As at 31 March 2014	Value	Change in net assets	
	£000	£000 +100 BP	£000 -100 BP
Cash held on deposit	26,042	260	(260)
Fixed Interest Securities	163,143	(13,084)	13,084
Loans	12,758	0	0
	201,943	(12,824)	12,824

A 1% increase in interest rates will reduce the fair value of the relevant net assets and vice versa. The loans identified are part of the M&G Financing Fund. Borrowers pay a fixed annual interest rate agreed at the outset.

3) Currency Risk

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

Currently Wiltshire Pension Fund has a dynamic hedging arrangement in place. This reduces the volatility of returns over the long term.

The tables below show approximate exposures to each of the three major foreign currencies based on manager benchmarks and target allocations. This is based on the two global equity managers Baillie Gifford and Legal & General.

2014	US Dollar	Euro	Yen
Benchmark Weights	17.88%	7.41%	3.18%
	£'000	£'000	£'000
Net Currency Exposure	291,676	120,887	51,842

Currency Risk – Sensitivity Analysis

The sensitivity of the Fund's investments to changes in foreign currency rates has been analysed using a 10% movement in exchange rates in either direction. This analysis assumes that all variables, in particular interest rates, remain constant.

A 10% strengthening or weakening of Sterling against the various currencies at 31 March 2015 and 31 March 2014 would have increased or decreased the net assets by the amount shown below.

2014	Assets Held at Fair Value	Change in net assets	
		+10%	-10%
	£000	£000	£000
US Dollar	291,676	29,168	(29,168)
Euro	120,887	12,089	(12,089)
Yen	51,842	5,184	(5,184)
Net Currency Exposure	464,405	46,441	(46,441)

As the Fund has a dynamic hedging arrangement in place only a proportion of the gains/losses would be experienced. One important point to note is that currency movements are not independent of each other. If sterling strengthened generally it may rise against all the above currencies producing losses across all the currencies.

b) Credit Risk

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

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

A securities lending programme is run by the Fund's custodian, BNY Mellon, who manage and monitor the counterparty risk, collateral risk and the overall lending programme. The minimum level of collateral for securities on loan is 102%, however more collateral may be required depending upon the type of transaction. This level is assessed daily to ensure it takes account of market movements. The current collateral Wiltshire Pension Fund accepts is AAA rated supranational debt, AA rated debt and FTSE 350 Equity DBV. Securities lending is capped by investment regulations and statutory limits are in place to ensure that no more than 35% of eligible assets can be on loan at any one time.

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

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

The Fund's exposure to credit risk at 31 March 2015 and 2014 is the carrying amount of the financial assets.

2014

	£000
Fixed interest securities	163,143
Index linked securities	933
Derivative assets	1,583
Cash held on deposit	26,042
Other investment balances	3,465
Current assets	18,150
	<u><u>213,316</u></u>

c) Liquidity Risk

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

The following tables analyse the Fund's financial liabilities as at 31 March 2015 and 2014, grouped into relevant maturity dates.

2014	Carrying Amount £000	Less than 12 months £000	Greater than 12 months £000
Accounts Payable	93	93	0
Benefits Payable	1,348	1,348	0
Sundry Creditors	2,996	2,996	0
	4,437	4,437	0

Fair Value Hierarchy

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Unadjusted quoted prices in an active market for identical assets or liabilities that the Fund has the ability to access at the measurement date.
- Level 2: Inputs other than quoted prices under Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability used to measure fair value that rely on the Funds own assumptions concerning the assumptions that market participants would use in pricing an asset or liability.

The tables below analyse financial instruments, measured at fair value at the end of the reporting period 31 March 2015 and 31 March 2014, by the level in the fair value hierarchy into which the fair value measurement is categorised. This has been produced from analysis provided by our custodian BNY Mellon.

2014	£000 Level 1	£000 Level 2	£000 Level 3	£000 Total
Fixed Interest Securities	2,359	160,784		163,143
Index Linked Securities		933		933
Equities	254,112		13,349	267,461
Pooled Funds:				0
- Other		992,261	5,627	997,888
- Property		138,154	32,782	170,936
Derivative assets				0
- Futures	(49)			-49
- Options				0
- Forward FX	1,632			1,632
	258,054	1,292,132	51,758	1,601,944
Cash Deposits	26,038	4		26,042
Other Investment balances	3,465			3,465
	287,557	1,292,136	51,758	1,631,451

During 2014/15 there were no transfers between level 1 and 2 of the fair value hierarchy.

The following tables present the movement in level 3 instruments for the year end 31 March 2015 and 31 March 14.

12 Investment management expenses

	2014/2015 £000	2013/2014 £000
Management & Investment Admin Fees	5,414	3,035
Custody & Performance Measurement	104	118
	5,518	3,153

Additional Manager fees of £1.3m have been incurred by the fund as a result of investing in pooled fund investments.

13 Current assets

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

14 Current Liabilities

	31 March 2015 £000	31 March 2014 £000
Managers / Custody fees	1,207	943
HMRC	702	661
Other	1,797	2,833
	3,706	4,437

15. Additional Voluntary Contributions (AVCs)

Fund members paid contributions totalling £0.593 million (£0.433 million in 2013/14) into their AVC funds during the year. At the year end, the value of funds invested on behalf of Fund members totalled £3.529 million (£3.293 million in 2013/14), made up as follows:

	£ million
<i>Equitable Life Assurance Society</i>	
- With Profits Fund	0.599
- Unit Linked Managed Fund	0.234
- Building Society Fund	0.028
<i>Clerical Medical Funds</i>	
- With Profits Fund	0.155
- Unit Linked Managed Fund	1.027
<i>NPI Funds</i>	
- Managed Fund	0.027
- With Profits Fund	0.101
- Global Care Unit Linked Fund	0.057
- Cash Deposit Fund	0.032
Prudential	
- With Profits Cash Accumulation Fund	0.453
- Deposit Fund	0.211
- Diversified Growth Fund	0.196
- Equity Passive	0.029
- Long Term Growth Fund	0.145
- Pre-Retirement Fund	0.128
- Property Fund	0.107
	3.529

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

16. Employer Related Assets

There are no employer related assets within the Fund.

17. Related Party Transactions

The Wiltshire Pension Fund is administered by Wiltshire Council. Consequently there is a strong relationship between the Council and the Pension Fund.

The Council incurred costs of £1.097m (2013/14: £1.076m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The Council is also the single largest employer of members of the Pension Fund and contributed £26m to the Fund in 2014/15 (2013/14: £27.4m). A balance of £0.87m was owed by the Pension Fund to the Council at year end.

Part of the pension fund cash holdings are invested on the money markets by the treasury management operations of Wiltshire Council, through a service level agreement. During the year to 31 March 2015, the fund had an average investment balance of £3.5m (31 March 2014: £3.4m), earning interest of £19k (2013/14: £18k) in these funds.

Governance

There are two members of the Pension Fund Committee D Hall and L Stuart that are active members of the Pension Fund. These individuals are the employer bodies' representatives.

18. Guaranteed Minimum Pension

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

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

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

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

19. Contingent Liabilities and Contractual Commitments

Outstanding capital commitments (investments) at 31 March 2015 totalled Euro 36.285m (31 March 2014: Euro 42.725m).

These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the infrastructure part of the portfolio. The amounts 'called' are irregular in both size and timing from the original commitment.

Actuarial Statement in respect of IAS26 as at 31.03.2015

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2014/15 requires administering authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits.

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

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

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

I have been instructed by the Administering Authority to provide the necessary information for the Wiltshire Council Pension Fund, which is in the remainder of this note.

Balance sheet

Year ended	31 Mar 2015	31 Mar 2014
	£m	£m
Present Value of Promised Retirement Benefits	2,942	2,452

Liabilities have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2013. I estimate this liability at 31 March 2015 comprises £1,336m in respect of employee members, £632m in respect of deferred pensioners and £974m in respect of pensioners. The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable. However, I am satisfied the aggregate liability is a reasonable estimate of the actuarial present value of the benefit promises. I have not made any allowance for unfunded benefits.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the accounts of the Pension Fund. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report as required by the Code of Practice. These are given below. I estimate that the impact of the change of assumptions to 31 March 2015 is to increase the actuarial present value by £394m.

Financial assumptions

My recommended financial assumptions are summarised below:

Year ended	31 Mar 2015	31 Mar 2014
	% p.a.	% p.a.
Inflation/Pension Increase Rate	2.4%	2.8%
Salary Increase Rate	4.3%	4.6%
Discount Rate	3.2%	4.3%

Longevity assumption

As discussed in the accompanying report, life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI_2010 model, assuming the current rate of improvements has reached a peak and will converge to a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	22.3 years	24.5 years
Future Pensioners*	24.1 years	26.9 years

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

Please note that the assumptions are identical to those used for the previous IAS26 disclosure for the Fund.

Commutation

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

Professional notes

This paper accompanies my covering report titled 'Actuarial Valuation as at 31 March 2015 for IAS19 purposes' dated 30 April 2015. The covering report identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Catherine McFadyen FFA
20 May 2015
For and on behalf of Hymans Robertson LLP

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

Wiltshire Council
 Swindon Borough Council
 Wiltshire & Swindon Fire Authority
 Wiltshire Police Authority
 Wiltshire Probation Service
 Alderbury Parish Council
 Amesbury Parish Council
 Blunsdon St Andrews Parish Council
 Bradford-on-Avon Town Council
 Calne Town Council
 Chippenham Town Council
 Corsham Town Council
 Cricklade Town Council
 Devizes Town Council
 Haydon Wick Parish Council
 Highworth Town Council
 Malmesbury Town Council
 Marlborough Town Council
 Melksham Town Council
 Melksham Without Parish Council
 Mere Parish Council
 Purton Parish Council
 Royal Wootton Bassett Town Council
 Salisbury City Council
 Steeple Ashton Parish Council
 Stratton St Margaret Parish Council
 Trowbridge Town Council
 Wanborough Town Council
 Warminster Town Council
 Westbury Town Council
 Wilton Town Council
 Wroughton Parish Council
 All Saints (Netheravon) Academy
 Bishop Wordsworth Academy
 Bybrook Valley Academy
 Churchfield Academy
 Colebrook Infants Academy
 Commonweal Academy
 Corsham Primary Academy
 Corsham Secondary Academy
 inc Corsham Regis
 Dauntseys Academy
 Devizes Academy
 Diocese of Bristol Academy Trust
 Diocese of Salisbury Academy Trust
 Dorcan Technology Academy
 Eastrop Infants Academy
 Education Fellowship
 Excalibur Academy
 Goddards Park Academy
 Gorse Hill Academy
 Hardenhuish School Ltd
 Hazelwood Academy
 Highworth Warneford Academy
 Holy Family Academy

Holy Rood Infants Academy
 Holy Rood Junior Academy
 Holy Trinity Calne Academy
 Holy Trinity Devizes Academy
 John Bentley Academy
 John of Gaunt Academy
 King William Academy
 Kingdown Academy
 Kingsdown Academy
 Lavington Academy
 Lethbridge Academy
 Lydiard Academy
 Malmesbury Academy
 Malmesbury Primary Academy
 The Manor Academy
 The Mead Primary Academy
 inc Castle Mead Academy
 inc River Mead Academy
 Millbrook Academy
 Morgan Vale Academy
 New College
 Oasis Community Learning
 Peatmoor Primary Academy
 Pewsey Primary Academy
 Pewsey Vale Academy
 Queens Crescent Academy
 Ridgeway Academy
 Rowde Academy
 Royal Wootton Bassett School
 Salisbury 6th Form Academy
 Sarum Academy
 Sevenfields Academy
 Shaw Ridge Academy
 Sheldon Academy
 South Wilts Grammar School
 Southfield Junior Academy
 Springfields Academy
 St Augustine's School
 St Catherine's Academy
 St Edmund's Calne Academy
 St Edmunds Girls Academy Salisbury
 St Joseph's Academy Devizes
 St Joseph's Academy Swindon
 St Laurence Academy
 St Leonard's Academy
 St Mary's Swindon Academy
 Swindon College
 United Learning Trust
 UTC Swindon
 Wansdyke Academy
 Wellington Academy
 Westlea Academy
 White Horse Academies
 Wiltshire College
 Woodford Valley Academy

Admitted bodies

4 Children
 ABM Catering Ltd
 Action for Blind People
 Agincare
 Aster Communities
 Aster Group
 Aster Living
 Aster Property Management
 Atkins Ltd
 Balfour Beatty
 Barnardos
 Capita Business Services Ltd
 Care & Support Swindon (SEQOL)
 Caterlink
 CIPFA
 Collaborative Schools
 Community First
 Crime Reduction Initiatives
 Direct Cleaning
 Elior UK
 Enara
 FCC Environment
 Great Western Hospitals
 Greenwich Leisure Limited
 Host
 Innovate Services
 Leonard Cheshire
 Lifeways
 Mainline Contract Services
 Mears Care Ltd
 Nuffield Health
 Places For People Leisure
 Plains Partnership
 The Order Of St John Care Trust
 Oxford Health NHS Trust
 Salisbury and South Wilts Museum
 Selwood Housing
 Seren Group
 Somerset Care Ltd
 Southern Health NHS Foundation Trust
 Swindon Commercial Services
 Swindon Dance
 Twigmarket
 Visit Wiltshire
 Westlea Housing Association
 Wiltshire and Swindon Sports Partnership
 Wiltshire CCG

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

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WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
25 June 2015

WILTSHIRE PENSION FUND BUSINESS PLAN 2015-18

Purpose of the Report

1. The purpose of this report is to bring Members the draft Wiltshire Pension Fund Business Plan 2015-18 for comment and approval.

Background

2. The Myners Review of Institutional Investment in the UK (published in 2001 and revised in 2008) resulted in the publication of 6 investment principles. Principle 1 (Effective Decision Making) recommended that Pension Funds produce a Business Plan.
3. The last Business Plan was approved by this Committee on 22 July 2011 which set out a Forward Plan for the next three years (2011-14). From this plan only 8 of the 33 actions remain as on-going / to be completed. These has been incorporated into the 2015-18 action plan.
4. The purpose of the Business Plan is to set out the key developments and major tasks for the plan period. The plan attempts to outline the the actions the Wiltshire Pension Fund will need to implement to meet its key objectives over the next three years.

Considerations for the Committee

5. The draft Wiltshire Pension Fund Business Plan 2015-18 is attached. Due to the current uncertainty surrounding the future administration of the LGPS, this plan has been restricted to three financial years and may need to be reviewed by officers' annually and amended to account for any changes imposed by the Government.
6. Members are invited to review, suggest amendments and approve it.

Environmental Impact of the Proposal

7. There is no environmental impact of this proposal.

Financial Considerations & Risk Assessment

8. Adoption of the Business Plan does not in itself commit any expenditure or increase risk. The financial implications of the proposed actions have either been or will be brought forward to the Committee in the usual way when the Fund Administration Budget is agreed. The risks of each development will be analysed in detail at the time, with the Committee approval sought if appropriate.

Legal Implications

9. There are no material legal implications arising from the proposals.

Safeguarding Considerations/Public Health Implications/Equalities Impact

10. There are no known implications at this time.

Reasons for Proposals

11. It's best practice to develop a Business Plan for Local Government Pension Funds.

Proposals

12. The Committee is asked to approve the draft Wiltshire Pension Fund Business Plan 2015-18.

MICHAEL HUDSON
Treasurer to the Pension Fund

Report Author: David Anthony, Head of Pensions

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

WILTSHIRE PENSION FUND BUSINESS PLAN 2015-18



INTRODUCTION

The purpose of this Wiltshire Pension Fund Business Plan 2015-18 is to outline the Wiltshire Pension Fund's (WPF) strategic direction, goals and objectives, as well as providing an Action Plan of the key priorities over the next three years in order to further these objectives.

The Local Government Pension Scheme (LGPS) has been and remains in a period of uncertainty over further potential nationally imposed changes. A new scheme was implemented in 2015, but concerns remain over the long term cost and sustainability of the LGPS while the Government remain focussed on addressing pension fund deficits and reducing the costs of running the scheme.

The Fund continues to face increasing complexities in both the governance and administration of the scheme, which will increase pressure on resources and workloads. These include the implementation of Local Pension Boards, responsibility to the national Scheme Advisory Board, the Pension Regulator new jurisdiction, changes to the requirements for Record Keeping and data cleansing, changes to the tax relief allowances, provision of data from HMRC, increasing numbers of employer organisation (from out-sourcing and academies conversions) and associated risks, maturing Cashflow profile, continued low bond yields putting further pressure on contribution rates, and increasing expectations from stakeholders (e.g. scheme member access to information).

All this means the Fund continues to face challenging times and will need to be flexible and responsive enough to adapt to all these changes.

PURPOSE & SCOPE OF THE FUND

The WPF is one of 81 funds administering the LGPS nationally. Wiltshire Council is the statutorily appointed Administering Authority for the WPF. The LGPS is a final salary / Career Average Revaluated Earnings (CARE) scheme, funded principally by its constituent employers and members, with assistance from investment returns. Unlike other public sector pension schemes, the LGPS is fully invested in financial markets / instruments and aimed to be fully funded over the long-term.

The Wiltshire Pension Fund has 59,500 members from 157 constituent employer bodies. The value of the investment assets currently under management at 31 March 2015 was £1.852bn. The cost of administering the Wiltshire Pension Fund in 2014-15 was £1.471m (0.08% of total assets), with costs of fund investment adding a further £5.518m (0.29%).

Contribution inflows into the Fund were £85.529m in 2014-15 and benefits outflows were £74.067m.

GOVERNANCE & MANAGEMENT OF THE FUND

The Wiltshire Pension Fund consists of:

- Wiltshire Pension Fund Committee
- Investment Sub-Committee
- Wiltshire Local Pension Board

Wiltshire Pension Fund Committee

The Wiltshire Pension Fund Committee is responsible for the proper administration of the Fund in all its aspects. The Committee has its delegation direct from the full Council, rather than the Cabinet (ie. the Executive), to avoid potential conflicts of interest. Under the Council's constitution, the Committee has the power to "...*make decisions on matters of significant policy...*".

The Committee is made up of 5 Wiltshire Council members, 2 members from Swindon Borough Council, 2 representatives from admitted bodies, as well as 2 non-voting scheme member representatives which are provided by UNISON. The Fund's Investment Adviser and the Independent Pension Fund Advisor also attend most meetings.

Investment Sub-Committee

The investment sub-committee (ISC) key focus is the detailed monitoring of investments within the agreed investment strategy, in particularly asset allocation and the monitoring of investment managers. The ISC also has responsibility to invest up to 5% of the Fund's assets on an "opportunistic" basis to take advantage of market opportunities that may present themselves at relatively short notice.

The Committee is made up of the Chairman, Vice Chairman, 1 other Wiltshire Councillor and 1 member from the Fund's employer bodies co-opted from the main committee. The Fund's Investment Adviser and the Independent Pension Fund Advisor also attend most meetings.

Local Pension Board

The Local Pension Board (LPB) was established on 1 April 2015, and its role is to provide an oversight of the Committee to ensure compliance with all the regulations pertinent to the WPF and to provide assistance to the Fund in the efficient and effective administration of the scheme. This is not a decision making body and will instead make recommendations to Committee.

The LPB is made up of a non-voting Independent Chairman, 3 voting employer representatives and 3 voting scheme member representatives, two of which are provided by UNISON.

The Treasurer to the Pension Fund has "...*express authority to take all necessary actions to implement ... Committee decisions...*" and is "... *empowered to take operational decisions, within agreed policies...*". This responsibility is achieved with the assistance of the Head of Pensions, who has a team of 23 people solely dedicated to working on the Fund. This includes investments management and associated services, governance, accounting, benefits administration, systems, Fund development, communications, and employer relations.

CUSTOMERS OF THE FUND

The Fund's main customers fall into three categories.

a) Scheme Members (ie. our "Purpose of Existence"):

- Contributors/Actives (c21,600)
- Deferred Pensioners (c23,800)
- Pensioners (c14,100)

b) Employers of the Scheme Members (c157):

- At present the employee contributions are fixed according to salary level, so the effect of variations in costs and investment returns are felt by the employers. Coupled with this, the Fund is also very dependant on information from the employers in order to provide an effective service to members, so they are also a very important customer group.

c) Regulatory Bodies & Stakeholders, principally:

- The (Department for) Communities and Local Government – the regulatory body responsible for the LGPS
- HM Revenues & Customs
- The Department for Work & Pensions
- The Pension Regulator
- National Scheme Advisory Board
- Partners including Investment Managers & Advisers
- Council Tax payers

THE GOALS AND VISION OF THE FUND

The WPF is very conscious that it acts as the "custodian" of the scheme for future generations and the long term aspiration is to ensure it's in the best shape as possible.

The WPF recognise the importance of the LGPS to its Scheme Members as an excellent scheme providing significant benefits to members and its contribution to the wider economy by potentially keeping people out of means tested support in their retirement. It's also a valuable recruitment tool for employers which assists in attracting and retaining staff but with the appreciation of the significant liabilities it can generate for them.

Mission Statement

The mission statement below outlines the approach the WPF takes to the administration of the Fund:

"Custodian of the Wiltshire Pension Fund keeping accurate data to pay and invest wisely, ensuring a low cost, sustainable funded and attractive Pension Fund for current and future members."

Goals

The Fund has two over arching specific goals as set out in its Funding Strategy Statement:

- 1) To achieve a funding level of 100%, both at the whole fund level and for the share attributable to individual employers, within a timescale that is prudent and affordable;
- 2) To ensure that sufficient liquid funds are available to meet all benefits as they fall due for payment.

The WPF is also committed to:

- 3) To provide a high quality, low cost customer focused service
- 4) To be open and honest in all our decision making.

The most important long term aim is to reduce the pension deficit and maintain stabilised employer contribution rates. The WPF have put in place strategies and frameworks to achieve this which will be carefully monitored and reviewed.

However, the WPF will also continue to develop its administration service. The Fund aims to continue to work on its strengths and look for opportunities to develop the service while responding to the challenges imposed on it within the resources available. The aim is to achieve as a minimum 'best practice' and to strive to be viewed as an example of excellence.

The bringing together of the pension administration and pension finance functions into a separate team in 2007, was innovative at the time but now deemed 'best practice'. The recent restructuring of the team has ensured it's set up to deal with the increasing communication, technical complexity, employer liaison and fund developments now required by an administration authority.

The WPF was also the first and only (until last year) LGPS fund to be "unitised" in terms of its assets tracking for employers which increased the transparency for employers. It was also one of the first administration teams to move to Altair's hosted pension system and imaging system which enabled the implementation of a paperless environment and more flexible working practices for staff.

Since the last Business Plan was set, the WPF has also implemented task management practices to enable the tracking of customer cases, has been recognised for its excellent communications strategy and successfully implemented the new 2014 LGPS scheme, as well as more recently the Fire Officers 2015 scheme. Considerable time has also been invested in reviewing the investment strategy leading to significant improvements in performance.

The strategy is built around the team's key strengths which includes its flexibility, openness to share ideas and improve, positive attitude, governance and accounting arrangements and the key focus of excellent customer service. Communications, stakeholder engagement, and improving the customer experience will become more and more important moving forward with the better use of new technology to further develop the website and on-line members self-service, while providing better access for members through more presentations, pension clinics, employer training, and AGMs. Improving data quality in line with the Pension Regulator requirements will also be another key driver.

There will be the normal routine pieces of work such as the actuarial triennial valuations, investment strategy reviews, committee member and officers training, key policies refresh

and contract reviews along with greater emphasis in performance targets for both the Fund and employers to adhere to. The WPF will continually review processes to remove unnecessary costs and refocus resources on more technical and complex issues facing the Fund.

The Fund will also continue to seek more feedback from its stakeholders to assist this development of services focussing on those that add the greatest value to the customer.

To exceed customer expectations, it's vital that the WPF operates as a single, motivated and empowered team, recognised for its professionalism, high performance and "can do" approach. Therefore, investment will continue in the team as they remain a vital cog in the provision of an efficient pension service.

BUSINESS OBJECTIVES OF THE FUND

The WPF intends to achieve its vision and goals by focussing on the following key areas:

Governance & Staffing

1. To ensure the ***effective management and governance of the Fund*** in a way that strives for continuous improvement through improved value for money, the promotion of excellent customer service and compliance with all regulatory and best practice requirements.
2. To ***recruit, train, nurture and retain highly motivated staff with the necessary professional, managerial and customer focus skills***. This includes ensuring the team have the correct skills and competences to deliver the ever increasing complexities of LGPS and Fire Schemes.
3. To ***continually review the effectiveness of the committees and advisers*** and the decision making process.

Funding & Actuarial Matters

4. To ***achieve a relatively stable "real" investment return above the rate of inflation*** over the long term, in such a way as to minimise and stabilise the level of contributions required to be paid into the Fund by employer bodies in respect of both past and future service liabilities and ***to achieve a 100% funding level over a suitable timescale***. This include setting of appropriate investment strategies; the appointment of capable investment managers; and the monitoring and reporting of investment managers' performance, with appropriate action being taken in the event of underperformance.

Investments and Accounting

5. To ***ensure the proper administration, accounting and reporting of all the Fund's financial affairs***.

Communications / Customer & Employer Relations

6. The ***communication of the key benefits of the LGPS and ensuring increased awareness amongst the eligible membership of their benefits***. This includes effective communication, to both the Fund's scheme members and employer bodies.

7. To have in ***place effective documented business relationships with all the Fund's employer bodies***, and to ensure regular reviews are carried out to assess the risk and strength of covenant to the WPF.

Pensions Administration

8. To ***provide a lean, effective, customer friendly benefits administration service***, through the calculation and payment of scheme benefits accurately and promptly in line with the published pension administration strategy.
9. The ***accurate maintenance of the records of all members of the Fund***; and to continually review and cleanse this data ensuring it meets the Pension Regulators requirements, and supporting employers to ensure they provide the correct information on submission
10. To ***optimise the use of technology to make processes more efficient and effective***, and continually looking at developing services in the most cost effective manner following careful consideration of business cases.
11. To ***become a role model of best practice amongst LGPS Funds*** and to be recognised by our customers as providing an excellent service.
12. To work ***collaboratively and in partnership with both internal and external organisations*** to provide higher quality services at a lower cost.

KEY POLICY DOCUMENTS

Key policy documents which the reader may wish to refer to are available on the Wiltshire Pension Fund website (www.wiltshirepensionfund.org.uk):

- Funding Strategy Statement
- Statement of Investment Principles
- Communications Strategy
- Governance Compliance Statement
- Administration Strategy
- Cessation Policy
- Administration Authority Discretions

ACTION PLAN FOR THE FUND 2015-18

The Action Plan for the period 2015-18, which seeks to drive forward on the business objectives laid out above is given in the following pages.

WILTSHIRE PENSION FUND ACTION PLAN 2015-18

These objectives are reflected in the following key principles that are planned for the next three years:

Activity	Deadline	Links to Objective No.	Purpose	
<u>GOVERNANCE / STAFFING</u>				
1	Refresh key policy documents: -Statement of Investment Pripls. - Communication Strategy - Administration Strategy - Admin Authority Directions Policy - Cessation Policy - Funding Strategy Statement - Governance Comp. Statement	Annually 2015 June 2015 Sept 2015 Dec 2015 Dec 2016 Jan 2017 Mar 2017	1	To seek Member approval and formally publish.
2	Establish, train & agree work plan for the Local Pension Board	On-going from June 2015	3	To ensure the Local Pension Board becomes operational from 31 July 2015 in line with legislation.
3	Rolling annual schedule of Pension Clinics	June 2015 onwards	6	To ensure a regular schedule of pension clinics take place every year.
4	Review contract for Independent Governance Adviser	July 2015	3	In line with good governance contracts should be reviewed on a periodic basis and this contract has been in place for 5 years.

	Activity	Deadline	Links to Objective No.	Purpose
5	Members' training: a) Specific issues b) Implement Plan c) Refresh Training Plan	As required, July 2015 Nov 2017	1 & 3	To provide training on specific issues ahead of relevant decisions by the Committee. To provide training for all Members of the Committee in line with the CIPFA Knowledge & Skills Framework as outlined in the current training plans.
6	Gather external customers feedback on pension services & effectiveness	July 2015 onwards	8 & 6	To measure the quality and experience of the pension services being provided to see what developments are needed.
7	Consider the Government's response to future of the LGPS consultation	Autumn 2015 onwards	10	To ensure the Fund is involved in trying to shape the future of the scheme and its implementation.
8	Procurement & Implementation of new investment mandates resulting from Investment Review	Sept 2015 onwards	4	A number of new mandates could be required from the annual asset allocation review.
9	Undertake overseas members existence exercise	Sept 2015	1 & 8	An audit requirement is that existence testing is carried out periodically on the membership to avoid overpayments. Separate exercise required for overseas pensioners.
10	Run Annual Employer / Pensioner Meetings and other more regular road shows/seminars	Sept 2015 onwards	8 & 6	To improve communications with the Fund's members and employers organisations in line with best practice.

	Activity	Deadline	Links to Objective No.	Purpose
11	Implementation of regular covenant & risk review of employer bodies, including regular monitoring against the performance requirements within the Pension Administration Strategy	Sept 2015 onwards	7	To ensure regular engagement takes place with all employers and that risks to the Fund are periodically assessed.
12	Set up a formal process for monitoring the performance of the Fund's advisors	Oct 2015	3	To ensure the Fund meets best practice and complies with the Myners Principle for Performance monitoring.
13	Review Pension Fund Website	Dec 2015	1, 6, 8	To ensure that the Fund's website provision has been reviewed, up-to-date, in line with best practice and serving the needs of our customers as well as possible.
14	Implement Bi-annual Performance Reporting	Dec 2015	1 & 8	To improve management information to assist with performance monitoring and increase transparency.
15	Review / Retender Custody Contract	Dec 2015	1 & 5	To ensure that the Fund achieves best value for money in relation to its investment custody arrangements.
16	Develop use of social media in development of communications strategy	March 2016	6	To consider all forms of digital communications / social media that may assist in communicating with the membership.

	Activity	Deadline	Links to Objective No.	Purpose
17	Set up a formal process for monitoring the performance of the Committee	March 2016	12	To ensure the Fund meets best practice and complies with the Myners Principle for Performance monitoring.
18	Retender print contract	March 2016	8 & 6	To ensure most cost-effective contract in place.
19	Consider implementation of "flight path" liability monitoring framework	March 2016	4	To have a framework / plan in place should funding levels (i.e. gilt yields revert) improve that could reduce the future funding risk.
20	Review potential to implement differing investment strategies for employers	March 2016	4 & 11	In light of the differing set of risks different employers in the Fund now face there is a potential need for different investment strategies when looking at ways for employers to address deficits.
21	Monitor the Fund's performance against the Pension Regulator's Record Keeping requirements and ensure plan in place to meet targets	March 2016	1 & 8	To ensure the Fund has liaised with its employers, checked and cleansed its own data and have processes in place to ensure compliance, while developing the Fund's own data cleansing practices using mortality screening against governmental databases.
22	Implement changes to tax liability information for members	April 2016	1 & 8	To provide the correct information to members for the changes in the tax relief allowances and ensure the systems are able to accommodate any additional procedures from a administration perspective.

	Activity	Deadline	Links to Objective No.	Purpose
23	Full Actuarial Valuation (Actuary)	May - Oct 2016	1 & 8	To identify the Funding Level at a whole Fund and Employer level and the associated Employer Contribution Rates.
24	Members' Handbook	May 2016	1 & 12	To refresh the Members' Handbook for the benefit of newly elected Members of the Committee.
25	Review effectiveness and work plan of Investment Sub-Committee	June 2016	4	To consider the effectiveness of the recently established ISC and its contribution to overall governance.
26	Discuss & agree Actuarial Valuation results with Committee & employers	Oct - Dec 2016	1 & 8	To have the Actuarial Valuation formally signed off by 31 December 2016 (three months ahead of statutory deadline).
27	Draft separate Financial Standards for the Pension Fund	Oct 2016	1 & 5	The Pension Fund currently uses the Wiltshire Council standards which are not always applicable.
28	Implement scheme members self-service	Dec 2016	5, 6, 10	To improve the level of access for members for their benefits.
29	Complete GMP reconciliations project	Dec 2016	1 & 8	To reconcile all the GMP members data on the pension database to ensure it matches with HMRC as HMRC are removing this support facility in 2016.
30	Refresh Funding Strategy Statement	Jan 2017	1	To have an up-to-date Funding Strategy Statement, which is a statutory document required to set-out the longer-term view of how liabilities will be funded and the agreed level of compromise between stability and affordability of employer contributions.

	Activity	Deadline	Links to Objective No.	Purpose
31	Review / Retender Altair Pension Software contract	Jan 2017	1 & 8	To ensure the Fund is achieving best value from its current contract.
32	Re-tender / drawdown from framework Actuarial Contract	Sept 2017	1 & 12	To ensure that there is an up-to-date and competitive actuarial contract in place.
33	Re-tender / drawdown from framework Investment Consultancy contract	Sept 2017	1 & 12	To ensure that there is an up-to-date and competitive investment consultancy contract in place.
34	Review pension payroll service	Jan 2018	1 & 8	To review the potential options for pension payroll.
35	Review, retendering and implementation of the Fund's ESG arrangements	Jan 2018	1 & 4	To ensure that the Fund is complying with best practice and is achieving best value in relation to environmental, social and governance issues.
36	Review employers method of data submission & potential for self-service	Mar 2018	6, 8, 10	To improve the quality of data submission and access to employer bodies.
37	Continue to develop a high performing team	On-going	2	To have a highly motivated staff team with the necessary professional, managerial and customer skills to provide excellent service, implement changes and have the technical detail to meet the ever increasing complexities of the scheme.

Activity		Deadline	Links to Objective No.	Purpose
38	Continually review opportunities for further collaboration with partners	On-going	12	To continue to be involved and utilise national frameworks to reduce the procurement costs of adviser services and to benefit from bulk discounts.
39	Review potential for “opportunistic” investments and ‘inward’ investments as they arise	On-going	4	To keep abreast of potential opportunities for the Fund.

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COMMUNICATIONS POLICY

Purpose of the Report

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

Background

2. Under the Regulation 61 of the Local Government Pension Scheme (Administration) Regulations 2013, Local Government Pension Funds are required to publish a Communications Policy. The previous version was approved by this Committee in 2011. The new version has been refreshed to incorporate the new LGPS 2014 Scheme. It also shows our future plans, which include the introduction of Pension AGM's in 2016, complete review of all publications and literature, updated website, and continued employer assistance coinciding with Auto Enrolment and further feedback surveys.

Key Considerations for the Committee

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

Financial Considerations & Risk Assessment

4. There are no financial implications of this Policy that are not already built into the Pension Fund Administration Budget 2015-16 which has been approved by this Committee.
5. This refresh assists in addressing *PEN013: Failure to communicate properly with stakeholders* as shown in the Risk Register elsewhere on this agenda by ensuring there is a clear and updated policy in place.

Legal Implications and Environmental Impact of the Proposal

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

Safeguarding Considerations/Public Health Implications/Equalities Impact

7. There are no known implications at this time.

Reasons for Proposals

8. There is a legal requirement under the Local Government Pension Scheme Regulations for a policy and its best practice to refresh this on a regular basis.

Proposals

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

MICHAEL HUDSON
Treasurer to the Pension Fund

Report Author: Zoe Stannard, Fund communications Manager

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

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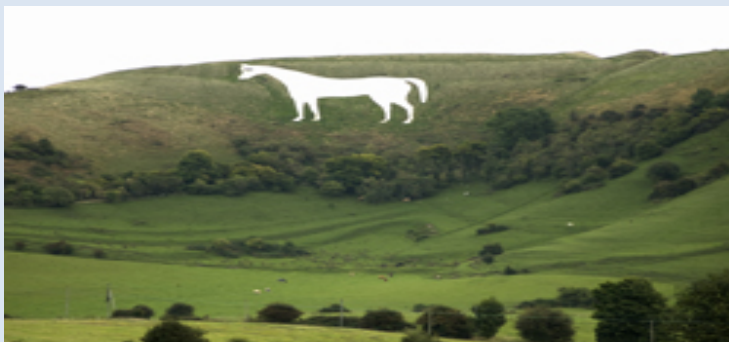


WILTSHIRE
PENSION FUND

Communications Policy Statement

Wiltshire Pension Fund

Updated May 2015



Introduction

The following statement covers the policy of Wiltshire Council in its role as the administering authority for the Wiltshire Pension Fund as required under Regulation 61 of the Local Government Pension Scheme (Administration) Regulations 2013.

Communication is at the heart of everything Wiltshire Pension Fund does and is key to us achieving our administrative objectives.

There is now a greater awareness of pensions amongst the public than ever before resulting in an increased demand for information and this demand means that as a LGPS Fund we need to continue to be proactive in providing and delivering clear and timely communications.

In response to the increased demand for information the Fund joined a National Communications Working Group in 2013 to help meet our future communications challenges which included the implementation of the new LGPS 2014 scheme on 1 April 2014.

2015 sees changes for both the Fund and Scheme Employers as the LGPS comes under the oversight of The Pensions Regulator. This change means that our Communications Policy regarding Scheme Employers becomes even more crucial to the effective administration of the LGPS, towards our joint role in maintaining the flow of accurate and timely information and ensuring compliance with The Pensions Regulator's Record Keeping Requirements.

2015 also saw changes to the governance of LGPS Fund with the introduction of Local Pension Boards and the formal establishment of an Investment Sub-Committee.

The Communications Policy Statement must set out:

- The policies on the provision of information and publicity about the Scheme to the

- members, representatives of members and employing authorities
- The format, frequency and method of distributing such information or publicity
- The promotion of the Scheme to prospective members and their employers.

This specific policy document deals with the communication of all aspects of the scheme to individual LGPS members and employing authorities within the Fund. Its intention is to prepare, maintain and publish our policy, explaining our existing methods of communication and summarises some of our plans for the future to our key recipients.

- Active Members
- Deferred Members
- Pensioner Members
- Prospective Members
- Scheme Employers
- Pension Committee
- Local Pension Board
- Investment Sub-Committee
- Other Organisations

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

Scheme Literature

A range of scheme literature is produced by the Fund and supplied to employing bodies and Scheme members directly.

Copies of this literature are also available on our website:

www.wiltshirepensionfund.org.uk

How do we communicate?

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

Literature

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

Benefit statements

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

We produce a combined statement with a forecast of the member's State Pension provided by DWP.

Newsletters

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

Website

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

Pension surgeries

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

Pre-retirement courses

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

Retirement packs

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

Pension helpline

A dedicated helpline for scheme members is operated by experienced staff of the Wiltshire Pension Fund administration team. The team offer information on all aspects of scheme membership and benefits for all active, deferred and pensioner members. Lines are open from 8.30am to 5.30pm Monday to Friday. Tel: 01225 713613

We also provide a generic email address which enables members to email their queries. The emails are picked up and passed to the relevant member of staff.

pensionenquiries@wiltshire.gov.uk .



Deferred Members

Deferred Benefit Statement

When we award a member Deferred Benefits we send them a statement showing the value of their deferred pension and potential Survivor's pension, and how they have been calculated. We include information on how Deferred Benefits increase, and when they can be paid, including how they can be paid early.

Annual Benefit Statement

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

Website

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

Pension helpline

Deferred members can also telephone our helpline number.

Pensioner Members

Pensioner members include retired members, and the widow, widowers and dependent children of deceased members.

Pay advice and P60

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

Newsletter

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

Website

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

Pension helpline

Pensioner members can also telephone our helpline number.

Prospective Members

New Starter Packs

Each time a new employee begins employment with a scheme employer, they are provided with, or directed to new starter information. This is available to download from the website. The information is issued along with their contract of employment. It includes a scheme guide that explains rights, benefits and options for the new employee, as well as information on transferring previous pension benefits.

Website

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

Promotional leaflets or posters

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

Corporate induction courses

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

Scheme Employers



As at 31 March 2015, Wiltshire Pension Fund has circa 157 contributing employers. They are the first point of contact for our members. We use various methods to share information with our employers.

Employers guide

An administration manual is issued to all employers and is available on the employer area of the website. This provides all the information needed to take part effectively in the scheme. Regular updates to this manual are provided as the scheme rules change.

Technical newsletter

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

Individual employer meetings

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

Promoting the scheme

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

Website

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

Pension Liaison Officers Group (PLOG)

The Fund aims to hold quarterly meetings for all employers to discuss scheme regulations and administration as well as any other issues raised by them. These meetings are an excellent opportunity for both parties to get together and exchange news and views. In the future we intend to tailor these meetings to specific areas such as HR, Payroll and Finance to ensure that relevant people attend to make the most of the meetings.

Annual report and accounts

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

Annual General Meeting (AGM)

The Fund is aiming to establish an AGM for employers where they can meet officers, the actuary, investment managers and advisers to receive updates on performance and latest issues facing the Fund.

Pension Committee

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

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

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

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

Local Pension Boards

The Local Pension Board was established in April 2015 and will meet 4 times a year to assist the Committee in securing compliance with the scheme regulations and the effective and efficient governance and administration of the LGPS. It is made up of 3 scheme members’ representatives and 3 scheme employers’ representatives along with a non-voting independent chairman.

The Fund will liaise closely with the Local Pension Board, so they can fulfil their duties and form appropriate opinions. This will include:

Annual Report and Accounts—this is the Fund’s primary publication on investment and administration

Reports—Fund officers draft reports on investment, governance and administration matters for consideration.

Fund Policies & Strategies - The Fund will provide copies the latest documents for review.

Presentations—Fund officers and advisers deliver presentations on investment, governance and administration matters.

Ad-hoc Consultations—Fund officer consult with the Independent Chair of the Local Pension Board on matters arising during the year.

Training—Local Pension Board representatives training is a standing agenda item and the Local Pension Board liaise with Fund officers on training needed and received.

Local Pension Board Papers—these will be published on the Wiltshire Council website.

Investment Sub-Committee

The Investment Sub-Committee (ISC) meets 4 times a year to monitor investment managers’ performance and make recommendations to the main committee on investment issues. It also has delegated authority to invest the Funds’ strategic ‘opportunistic’ allocation representing 5% of the total Funds assets. The Committee is made up of the Chairman, Vice Chair, 1 other elected Wiltshire Council member and another co-opted member of the main committee. The Funds’ Investment Adviser and the Independent Fund Advisor also attend these meetings. All members of the main committee may attend as observers. Committee reports, agenda and minutes are available via the Wiltshire Council website.



Committee

Other Organisations

Communications with trade unions

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

We also communicate regularly with the following:

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

Business Plan

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

Future Plans

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

- Service Level Agreements for our employers
- Employer surgeries
- Further improving our website
- Review all publications and scheme literature
- Improve our methods for our members, ex-members, employers, committee members and the Local Pension Board
- Members on-line access to information
- Introduction of AGM in 2016

Feedback

We are committed to provide an excellent service. In the future we aim to improve our feedback methods for our members, ex-members, employers committee members, investment sub-committee and Local Pension Boards.

Review

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

Accessibility

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

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

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

Data Protection

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

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

Contact Us

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

Write to us:

County Hall, Trowbridge, Wiltshire. BA14 8JN

Telephone: 01225 713613

Email: pensionenquiries@wiltshire.gov.uk

Website: www.wiltshirepensionfund.org.uk

Opening hours: Monday - Friday 8.30am to 5.30pm



Appendix A

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

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WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
25 June 2015

STATEMENT OF INVESTMENT PRINCIPLES

Purpose of the Report

1. This report provides Members with an annually updated Statement of Investment Principles (SIP) for the Wiltshire Pension Fund.

Background

2. The Local Government Pension Scheme (Management and Investment of Funds) (Amendment) Regulations 2009 require administering authorities to produce a Statement of Investment Principles. The SIP gives a comprehensive description of the thinking behind the way in which the investments of the Fund are managed.

The 2014 SIP

3. The SIP for the Wiltshire Pension Fund has now been refined a number of times and this latest version is fully updated to take account of all the revisions to the Investment Strategy agreed to date. There are no main changes in terms of asset allocation since the previous SIP.
4. The SIP also discusses the voluntary requirement of the Fund to produce a compliance statement with the Stewardship Code which was introduced in 2010. This outlines how institutional investors disclose and discharge their stewardship responsibilities with reference to the assets it owns. A revised code came into effect October 2012. The Fund first published a statement in September 2011 and an updated statement is attached in Supplement 2 to reflect the revisions to the Code. There are no amendments to this from last year.
5. There is also a requirement to report the Fund's compliance in line with the 6 revised Myners principles. These 6 principles are a re-presentation of the 2002 ones with a stronger emphasis on training and development of Members and officers, the involvement of and communication with stakeholders, performance management of the committee itself and of its advisors and a framework for measuring risk and the strength of the covenants of employers. Funds need to demonstrate compliance with these principles or explain the reasons why not.
6. The Fund is compliant with five out of the six principles, while there is an area that still requires development within principle 4. To be fully compliant the implementation of a formal assessment of its advisers to ensure the cost, quality and consistency of the advice is monitored is required.

Reasons for Proposals / Environmental Impact of the Proposals / Risk Assessment

7. This paper does not include new policy proposals. The SIP attempts to mitigate the risks outlined in PEN007 *Significant rises in employers contributions due to poor investment returns* outlined in the Fund's Risk Register.

Safeguarding Considerations/Public Health Implications/Equalities Impact

8. There are no known implications at this time.

Proposal

9. The Committee is asked to approve the 2015 Statement of Investment Principles.

MICHAEL HUDSON
Treasurer to the Wiltshire Pension Fund

Report Author: Catherine Dix, Strategic Pension Manager

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

WILTSHIRE PENSION FUND

Statement of Investment Principles

Introductory Comment

The Local Government Pension Scheme (Management and Investment of Funds) (Amendment) Regulations 2009 requires administering authorities to produce Statements of Investment Principles (SIPs).

The SIP for the Wiltshire Pension Fund has now been refined a number of times and this latest version is fully updated to take account of the revisions to the Investment Strategy implemented to date. The SIP gives a comprehensive description of the thinking behind the way in which the investments of the Fund are managed.

The Government introduced a code in October 2001 based on the results of HM Treasury's review of institutional investment in the UK, carried out by Paul Myners. This code set out ten principles that were intended to improve the investment management of pension funds. These were updated in October 2008 and LGPS administering authorities are now required to prepare, publish and maintain statements of compliance against a set of six principles within the SIP.

Following the financial crisis one of the recommendations of the Walker review was that the Financial Reporting Council (FRC) should have responsibility for a new Stewardship Code, setting out best practice in respect of investor engagement. At the start of July 2010 the FRC published the Stewardship Code, whilst principally aimed at asset managers, other institutional investors - including pension funds - were encouraged to report under it. Wiltshire Pension Fund published the Fund's compliance statement in September 2011, this statement has been updated to comply with the revised Code which came into effect October 2012.

Michael Hudson
Treasurer to the Pension Fund
June 2015

Background to the Wiltshire Pension Fund

Outline of Local Government Pension Scheme

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

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

Role of the Administering Authority

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

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

Objectives of the Pension Fund

The Pension Fund is established to meet all future pension liabilities of Scheme members, whilst at the same time seeking to minimise the contributions that need to be paid in to the Fund by employer bodies. The level of employer contribution is assessed every three years through an actuarial valuation of the Fund.

This valuation establishes the solvency position of the Fund, that is, the extent to which the assets of the Fund are sufficient to meet the Fund's pension liabilities accrued to date. The objective is that the Fund should be at least 100% funded on an ongoing basis, taking account of any additional contributions paid by employer bodies to cover any past service deficit.

Liabilities of the Pension Fund

A fund's potential liabilities increase with every employee admitted to the Scheme, although these liabilities do not come into payment until scheme members reach retirement. The ratio of contributors to pensioners therefore impacts on the cash position of a fund. This is referred to as the maturity position of the fund.

Objectives of Investment Policy

The basic objective of LGPS pension fund investment is to minimise the level of contributions paid into the Fund by employer bodies to ensure its solvency. The

primary requirement of investment policy will therefore be to achieve a real return over the long term which is over and above both the rate of both wage and price inflation.

Funding Strategy Statement

All Local Government Pension Scheme (LGPS) funds have to produce, consult on and publish a document called a “Funding Strategy Statement” (FSS). The purpose of the FSS has been defined as being:

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

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

Therefore, the best that can be achieved is a sensible balance between these different objectives.

Investment Powers

These are set out in the Local Government Pension Scheme (Management and Investment of Funds) Regulations, which provide wide investment powers, subject to certain restrictions. They allow investment committees to increase their Fund’s exposure to certain type of investments, but only where proper advice has been obtained.

Responsibility for Decisions

The Committee is responsible for overall investment policy and for the implementation of appropriate investment management arrangements. In carrying out this role, the Committee receives advice from independent external advisors and from the Treasurer to the Pension Fund. It appoints external investment managers to implement investment policy, who are therefore responsible for day to day investment decisions.

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

Policy on Investments

Types of Investments held

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

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

The Committee places specific constraints on the use of futures and options, but there are no constraints on the selection of individual investments.

Balance between the Various Types of Investments

An explanation of the relative amount to be invested in each type of investment is provided in the Section below on the strategic benchmark adopted by the Committee (see "Overall Investment Strategy"). In very broad terms, the result is that the Fund is to be invested 60% in equities, 15.5% in bonds, 13% in property and 11.5% in Alternatives. However, that does not mean that these percentages need to be rigidly maintained.

Expected Returns on Investments

The Committee recognises that the past is not a reliable guide to the future in respect of predicted returns on investment. In addition, it recognises that the range of expected returns is greater for some asset classes than others and that the prospect of higher returns is usually accompanied by higher levels of risk.

Risk Control

The Committee regards the major control of risk to be required at the strategic asset allocation level and this has been taken into account in setting its overall investment strategy.

Key themes were considered during the latest review including return generation, inflation protection, nimbleness and illiquidity/Cashflow management.

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

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

Realisation of Investments

Officers continue to monitor the Cashflow position of the Fund to ensure sufficient resources are available to pay benefits as they fall due. For 2014-15 cashflow was broadly neutral excluding investment income. Therefore there is no specific requirement for the current realisation of investments.

Environmental, Social and Governance (ESG)

The Fund seeks to use its position as a shareholder to actively encourage good corporate governance practice in those companies in which it invests. It does this by contracting to Pensions & Investment Research Consultants Limited (PIRC) who provides a global proxy service for the Fund using PIRC Shareholder Voting Guidelines that are approved by the Fund. The Fund receives proxy research and voting recommendations for each company AGM and EGM holding the Fund has that can be voted.

It is also a member of the Local Authorities Pension Fund Forum (LAPFF), to enable it to act with other local authorities on corporate governance issues. The Forum currently has 64 member funds with assets of more than £160 billion.

The Fund expects its investment managers to take account of social, environmental and ethical considerations in the selection, retention and realisation of investments as an integral part of the normal investment research and analysis process. This is insofar as these matters are regarded as impacting on the current and future valuations of individual investments. The Fund believes that taking account of such considerations forms part of the investment managers' normal fiduciary duty.

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

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

The introduction of the Stewardship Code in July 2010 by the Financial Reporting Council strongly encouraged best practice in respect of investor engagement. The expectation is that institutional investors should publish a statement in respect of their adherence to the code. Compliance with the Code is currently on a voluntary basis. The Wiltshire Pension Fund published its statement of compliance with the code during 2011 and this is reviewed annually. All of our global equities managers currently comply fully with the code. The Fund's compliance statement can be found at the end of this document in Supplement 2.

Securities Lending

The Council participates in a securities lending programme managed by its global custodian.

Other Matters

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

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

Current Investment Strategy

Solvency Position of the Wiltshire Pension Fund

The results of the actuarial valuation of the Fund as at 31 March 2013 showed that Fund liabilities totalled £2,094 million, whilst assets stood at £1,484 million. The Fund therefore had a deficit of assets of £610 million, or expressed another way, had a solvency level of 71%. This compared with a solvency position at 31 March 2010 of 75%. This decrease of 4% places Wiltshire Pension Fund broadly in line with the average LGPS scheme. The next actuarial valuation will take place at 31 March 2016.

Funding Policy

The objectives of the Wiltshire Fund's funding policy, as expressed in its Funding Strategy Statement, include the following:

- 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'/dependents' 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 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.

Fulfilment of Funding Strategy through Investment Strategy

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

Given the on-going restructuring of public bodies the Fund is now maturing faster than originally expected. Cashflow were broadly neutral for 2014-15 excluding investment income. Investment income is available if the Fund does go Cashflow negative, this position is being closely monitored but at this time it is not felt necessary to change the investment strategy of the Fund.

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

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

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

Investment Goal

The Wiltshire Pension Fund’s investment objective is to achieve a relatively stable “real” return above the rate of inflation over the long term, in such a way as to minimise and stabilise the level of contributions required to be paid into the Fund by employer bodies in respect of both past and future service liabilities.

Investment Strategy

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

- A relatively large allocation to equity investment to achieve higher returns;

- Allocations to more diversified and less correlated asset classes such as bonds, property, infrastructure, and absolute return products to achieve to achieve stabilisation; and
- The achievement of some “alpha” (manager) returns independently of “beta” (market) returns, through high alpha equity strategies.

In terms of equity investment, there is significant concentration in the UK market and many of the larger companies in the UK Index derive a high proportion of their earnings overseas, so the extent to which they should be regarded as UK companies is questionable. As a consequence, the Fund’s proportion invested in UK equities has gradually been reduced to approximately 31% of total equity holdings, with a corresponding increase in the proportion invested in overseas/global equities, which now stands at 69%.

In the summer of 2011 a review of the current investment arrangements was commenced in light of investment managers’ performance. The strategic asset allocation of the Fund changed a little as a result however a number of new manager searches followed from the review. The Committee resolved:

- an aspiration to move the Fund’s equities split to 30% UK/70% overseas as opportunities arise from changes in the equities mandates;
- to remove the 12.5% limit for new investment mandates and to set a limit of 20% for a single active manager and 30% for a passive manager;
- to implement a dynamic currency hedging programme;
- to make a strategic allocation of 10% to an Absolute Return Fund Mandate;
- to make a strategic allocation of 5% to an infrastructure manager;
- to make a strategic allocation of 5% to a global equities passive ‘fundamental’ index product;
- to hold a passive global equities allocation of 10% on a temporary basis;

These changes were implemented during 2012/13.

At the February/June 2013 Committee meeting further changes were made to the strategic allocation moving forward. . Steps have now been taken to put these in place.

- At the February/June 2013 meeting the Committee resolved to terminate the Edinburgh Partners mandate (7.5% of the Funds assets and place these assets in the Fundamental Indexation mandate (with L&G);
- to agree a strategic allocation of 10% to an Emerging market Equity/Debt product for the funds placed temporarily with Legal & General (Passive Global

Equities) and for officers to commence the appropriate procurement process to enable a suitable manager to be appointed by the Committee;

- to terminate the Jubilee Advisors (formally Fauchier Partners) mandate (5% of the Fund's assets) and place these assets temporarily with Legal & General (Passive Global Equities) mandate; and
- to agree up to a 5% initial allocation for the purpose of Opportunistic Investing.

The assets from the Edinburgh Partners mandate have now all been transitioned across to the Legal & General Fundamental Indexation mandate. The Committee approved on 24 January 2014 the appointment of Investec to manage 10% of the Fund's assets in the Emerging Market Multi-Asset Strategy. The initial investment took place in Quarter 2 2014. The Jubilee Advisors mandate is retained until Investec are fully funded which is due to be completed July 2015. The reason was to use the Jubilee Advisors mandate to fund the Investec mandate to avoid duplication on transitions costs.

At the Committee meeting on 17 July 2014 officers presented concerns as to whether the bond mandate in its current form would provide sufficient ongoing returns because of historical low bond yields and their sensitivities to interest rates which could rise in the next 12 to 24 months. To address this, Mercer recommended expanding the bond mandate from traditional corporate credit to Multi Asset Credit (MAC) and Absolute Return Bonds (ARB). A procurement exercise followed and a shortlist of managers presented to the Committee on 3 December 2014. Loomis Sayles was appointed at that meeting to manage two mandates; MAC and ARB with a strategic allocation of 5.25% each. Assets were transitioned from Western Asset Management during March 2015.

This means the Fund's asset allocation is as follows:

Asset Allocation	Moving Forward
Equities:	
Long-Only	
UK*	12.5%
Overseas (Global)**	27.5%
Absolute Return (Lower Volatility)	10.0%
Emerging Market Multi Asset	10.0%
	60.0%
Bonds	15.5%
Property	13.0%
Alternatives:	
Long-short Equities – Global	0.0%
Infrastructure	5.0%
M&G Financing Fund	1.5%
Opportunistic Investment	5.0%
	11.5%
	100.0%

* (sits at approximately 14.6% if including UK element of global mandates)

** (includes active and fundamental indexation)

Investment Management Mandates

The allocation of mandates to managers is as follows:

MANAGER/MANDATE ALLOCATION	Moving Forward
Baillie Gifford	
Global Equities	15.0%
Legal & General	
Passive UK Equities	12.5%
Passive Global Equities *	0.0%
Passive Fundamental Equities	12.5%
Passive Index-Linked Bonds (UK)	5.0%
Barings	
Absolute Return Fund	10.0%
Loomis Sayles	
Multi Asset Credit	5.25%
Absolute Return Bonds	5.25%
Investec	
Emerging Market Multi Asset Mandate	10.0%
CBRE Global Multi Manager	
Property Fund of Funds (UK & Europe)	13.0%
Partners Group	
Infrastructure	5.0%
M&G Investment Management	
UK Companies Financing Fund	1.5%
Opportunistic Investment *	5.0%
TOTAL	100.0%

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

Timeframe for Investment Managers' Targets

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

Review and Policy

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

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

The Committee also reviews its investment strategy once a year. The next formal review will take place in July 2015.

Other Matters

Fee Structures

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

Supplement 1

The Myners Principles

Compliance with Investment Principles for Defined Benefit Schemes

1. Effective decision-making

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

The Wiltshire Pension Fund is fully compliant with this principle. The Governance Compliance Statement outlines the organisation and operation of the Committee and shows compliance with the nine governance principles as set out in CLG's *Local Government Pension Scheme Governance Compliance Statements Statutory Guidance*.

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

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

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

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

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

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

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

2. Clear objectives

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

The Wiltshire Pension Fund is fully compliant with this principle. The Triennial Valuation 2013 report, Funding Statement Strategy, and Statement of Investment Principles explain in detail the objectives of the Fund.

3. Risk and Liabilities

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

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

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

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

4. Performance Assessment

- **Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisors.**
- **Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision-making body and report on this to scheme members**

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

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

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

An Administration Strategy was adopted by this Committee in November 2009 that outlines the administrative service standards expected from by both the Wiltshire Pension Fund and employers. This ensures the efficient administration of the scheme and updates are provided to Committee on its progress. This will be updated in 2015.

5. Responsible Ownership

Administering authorities should:

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

The Wiltshire Pension Fund is fully compliant with this principle. The Fund manages its ownership responsibilities through its partnership with PIRC. PIRC's voting guidelines are based on their expertise and track record of monitoring and developing corporate governance best practice spanning environmental, social and

governance factors. They link their underlying Shareholder Voting Guidelines to the UK Corporate Code, published by the Financial Reporting Council in 2010 and subsequent revisions. PIRC's approach to best practise in corporate governance also in some areas goes beyond the existing legal and regulatory requirements.

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

The Fund undertakes its engagement activities through its membership of the Local Authority Pension Fund Forum in conjunction with expectations of its asset managers to report on their engagement activities on a regular basis. Further details are contained within the SIP which is available to all stakeholders. The Fund has also produced a compliance statement in respect of the Stewardship Code.

6. Transparency and reporting

Administering authorities should:

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

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

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

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

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

Supplement 2

UK Stewardship Code – Wiltshire Pension Fund Response

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

Wiltshire Pension Fund takes its responsibilities as a shareholder seriously. Various policy documents are produced which identify how we meet our Stewardship responsibilities including our Statement of Investment Principles and Governance Compliance Statement.

In practice the Fund's policy is to apply the Code both through its arrangements with asset managers and through membership of the Local Authority Pension Fund Forum (LAPFF). In addition expects its Asset Managers to take account of social, environmental and ethical considerations when making investment decisions. The objective of LAPFF is to promote the investment interests of local authority pension funds, and to maximise their influence as shareholders whilst promoting social responsibility and corporate governance at the companies in which they invest. Formed in 1990, the forum brings together a diverse range of local authority pension funds with combined assets of over £160 billion. We also have amended our Statement of Investment Principles in recognition of the Stewardship Code.

The Fund seeks to use its position as a shareholder to actively encourage good corporate governance practice in those companies in which it invests. It does this in Partnership with Pensions & Investment Research Consultants Limited (PIRC) as set out above.

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

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

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

In respect of conflicts of interests within the Fund, Committee members are required to make declarations of interest at the start of all meetings. A public register of interest is also maintained for all Councillors.

Principle 3 – Institutional investors should monitor their investee companies.

Day-to-day responsibility for managing our equity holdings is delegated to our appointed asset managers, and the Fund expects them to monitor companies, intervene where necessary, and report back regularly on engagement activities.

Reports from our asset managers detailing engagement activities are available for the Pensions Committee on a quarterly basis.

Wiltshire Pension Fund manages its ownership responsibilities in partnership with PIRC. See above.

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

As highlighted above, responsibility for day to day interaction with companies is delegated to the fund managers, including the escalation of engagement. Their guidelines for such activities are anticipated to be disclosed in their own statement of adherence to the Stewardship Code.

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

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

Wiltshire Pension Fund seeks to work collaboratively with other institutional shareholders in order to maximise the influence that it can have on individual companies. The Fund seeks to achieve this through membership of the Local Authority Pension Fund Forum, which engages with companies over environmental, social and governance issues on behalf of its members.

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

Wiltshire Pension Fund manages its ownership responsibilities in partnership with PIRC. The Wiltshire Pension Fund committee have reviewed and agreed to adopt PIRC's shareholder voting guidelines. These voting guidelines are regularly updated and publicly available on their website. PIRC provide a proxy voting service across the holdings of all our global equity managers.

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

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

**Wiltshire Pension Fund
June 2015**

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WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
25 June 2015

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 the potential impact of such an occurrence (impact). This register uses the Council's standard "4x4" approach, which produces a risk status of Red, Amber or Green (RAG).
4. There have been three significant changes since the last report in March 2015.
5. **PEN011 Lack of expertise of Pension Fund Officers** and **PEN012 Over-reliance on key officers** have increased from low to medium risk. This is a reflection of the recent resignation of the Technical & Compliance Manager and Employer Relationship & Fund Development Manger.
6. The Technical & Compliance role is currently being recruited for, and although it does leave the Fund with an reduced level of expertise in the short term, this is being addressed through the use of the Fund's benefit consultant in the interim on an "as required" basis.
7. The Employer Relationship & Fund Development Manager creates more of a resourcing issue and is less easy to address in the short term as this post deals with the employer liaison work, in particularly the admission of new employers to the scheme such as academies along with overseeing the current on-going projects for the Fund. Officers are currently looking at options to replace this role, especially due to the significant increase in the number of employers since this role was introduced. It is hoped that the recruitment process can commence at the end of this month.
8. **PEN019 Establishment of Local Pension Board & Investment Sub-Committee** has been reduced from a high to low risk. Although the timescales have been challenging, the Board has been established by Wiltshire Council at its meeting in February and following a recruitment process all vacancies to the Board will be filled ahead of its first meeting on 16 July 2015. Therefore, the Board will be operational within the timeframes outlined in the Public Sector Pensions Act 2013. The impact on 'day to day' service delivery for the Fund will be monitored once the work of the Boards become clearer.

Financial Implications

9. There are no known implications from the proposals.

Legal Implications

10. There are no known implications from the proposals.

Environmental Impacts of the Proposals

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

Safeguarding Considerations/Public Health Implications/Equalities Impact

12. There are no known implications at this time.

Proposals

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

MICHAEL HUDSON
Treasurer to the Pension Fund

Report Author: David Anthony, Head of Pensions

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

Wiltshire Pension Fund Risk Register						15-Jun-15						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. Audit recommendation (Mar 15) is for clearer documentation of processes and reconciliations, along with closer monitoring of performance.	David Anthony		2	2	4	Low	15 June 2015	→
PEN002	Failure to collect and account for contributions from employers and employees on time	Finance	Non-availability of SAP systems, key staff, error, omission, failure of employers' financial systems, failure to communicate with employers effectively. LGPS 2014	Adverse audit opinion for failure to collect contributions by 19th of month, potential delays to employers' FRS17 year-end accounting reports and to the Fund's own year-end accounts.	David Anthony	Robust maintenance and update of ALTAIR and SAP systems, sufficient staff cover arrangements, sufficient staff training and QA checking of work. We constantly work with employers to ensure they understand their responsibilities to pay by 19th of the month.	2	1	2	Low	Electronic forms rolled out to all employers to allow collation of membership and contributions detail by member to facilitate monthly reconciliations ahead of year end. Chase letters sent as required.	Catherine Dix		2	2	4	Low	15 June 2015	→
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	2	4	Low	The "maturity" profile of cashflows is changing as a result of employers outsourcing and redundancy programmes. The cashflow profile is now being carefully monitored as benefits paid slightly exceeded receipts (excluding investment income) during the last financial year. Current forecast is that the Fund will remain cash neutral for next 12 months.	David Anthony		4	1	4	Low	15 June 2015	→
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. The Fund also operates a paperless office.	4	1	4	Low	Business Continuity Plan to be reviewed and approved by the CFO by Oct 2015. All the team now have laptops that would mean they can access ALTAIR remotely if required and all paperwork is scanned.	David Anthony	Oct 2015	4	1	4	Low	15 June 2015	→
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	15 June 2015	→

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							Impact	Likelihood	x	Level of risk				Impact	Likelihood	x	Level of risk		
PEN006a	Significant rises in employer contributions for secure employers due to increases in liabilities	Economic	Scheme liabilities increase disproportionately as a result of increased longevity, falling bond yields, slack employer policies, etc. 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	1	2	Low	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. As bond yields are at historical low levels and the Stabilisation Policy takes a long term view, rates will not increase significantly over the long term.	David Anthony / Andy Cunningham		2	2	4	Low	15 June 2015	→
PEN006b	Significant rises in employer contributions for non-secure employers due to increases in liabilities	Economic	Scheme liabilities increase disproportionately as a result of increased longevity, falling bond yields, slack employer policies, etc. 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. The 2013 Valuation has set rates for the next 3 years.	2	2	4	Low	The rates for the 2013 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		2	2	4	Low	15 June 2015	→
PEN007a	Significant rises in employer contributions for secure employers due to poor/negative investment returns	Economic	Poor economic conditions, wrong investment strategy, poor selection of investment managers	Poor/negative investment returns, leading to increased employer contribution rates	David Anthony	Use of expert consultants in the selection of investment strategy and selection of investment managers, regular monitoring of investment managers (1/4ly), regular reviews of investment strategy (annually). There is a monthly review of the % of the Fund held in each mandate and strategy.	2	1	2	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. The Fund is currently discussing with its advisers the benefits of a flight path strategy to take risk of the table as funding levels improve.	Catherine Dix	Mar-16	2	2	4	Low	15 June 2015	→
PEN007b	Significant rises in employer contributions for non-secure employers due to poor/negative investment returns	Economic	Poor economic conditions, wrong investment strategy, poor selection of investment managers	Poor/negative investment returns, leading to increased employer contribution rates	David Anthony	Use of expert consultants in the selection of investment strategy and selection of investment managers, regular monitoring of investment managers (1/4ly), regular reviews of investment strategy (annually). There is a monthly review of the % of the Fund held in each mandate and strategy.	2	2	4	Low	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. Valuation rates have now been agreed for the next 3 years. The benefits of a 'flight path' strategy as outlined is being considered	Catherine Dix	Mar-16	2	2	4	Low	15 June 2015	→

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							Impact	Likelihood	x	Level of risk				Impact	Likelihood	x	Level of risk		
PEN008	Failure to comply with LGPS and other regulations	Legal / Statutory	Lack of technical expertise / staff resources to research regulations, IT systems not kept up-to-date with legislation, etc	Wrong pension payments made or estimates given. Investment in disallowed investment vehicles or failure to comply with governance standards. Effect: Unhappy customers, tribunals, Ombudsman rulings, fines, adverse audit reports, etc	David Anthony	Sufficient staffing, training and regulatory updates. Competent software provider and external consultants.	2	2	4	Low	The Technical & Compliance Manager will oversee training plans for the team. The new LGPS 2014 scheme has been implemented and the changes reviewed and guidance on transfer has now been issued by the Government.	David Anthony		2	2	4	Low	15 June 2015	→
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. Annual Data Protection training for the team has taken place.	David Anthony		2	1	2	Low	15 June 2015	→
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 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	3	6	Medium	From 1 April 2014, the Pension Regulator will require additional checks on data. Data cleansing is taking place to address this. Also, with the end of "contracting-out" in April 2016, HMRC will no longer take responsibility for GMP data. A project is being scoped to ensure records match prior to this.	Martin Downes	Mar-15	2	1	2	Low	15 June 2015	→
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. Two recent vacancies have now arisen with the resignation of the Technical & Compliance Manager and the Employer Relations & Fund Development Manager. Recruitment is currently underway to replace these individuals.	David Anthony	Sep-15	2	1	2	Low	15 June 2015	↑

Ref.	Risk	Risk Category	Cause	Impact	Risk Owner	Controls in place to manage the risk	Current Risk Rating				Further Actions necessary to manage the risk	Risk Action Owner	Date for completion of action	Target Risk Rating			Date of Review	Direction of Travel	
							Impact	Likelihood	x	Level of risk				Impact	Likelihood	x			Level of risk
PEN012	Over-reliance on key officers	Organisation Management / HR	The specialist nature of the work means that there are inevitably relatively experts in investments and the local authority pension regulations	If someone leaves or becomes ill, a big knowledge gap if less behind.	David Anthony	Key people in the team are seeking to transfer specialist knowledge to colleagues. In the event of a knowledge gap, however, we can call on our external consultants and independent advisors for help in the short-term.	2	3	6	Medium	With the resignation of the Technical & Compliance Manager, this can be managed on an interim basis using the Fund's external consultant. The Employer Relationship & Fund Development Manager is more difficult due to the nature of the work. Plan is to replace with a two posts to reduce future risk.	David Anthony		2	1	2	Low	15 June 2015	↑
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.	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	2	4	Low	A comprehensive communication strategy was implemented for the LGPS 2014 scheme. Employers have also been reminded of their responsibilities for Autoenrolment. A number of pension clinics have been set up for members in 2015.	Zoe Stannard & Andy Cunningham		1	1	1	Low	15 June 2015	→
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	15 June 2015	→
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.	David Anthony	Dec-15	2	1	2	Low	15 June 2015	→
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 has an updated Treasury Management Strategy on this agenda 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	15 June 2015	→

Ref.	Risk	Risk Category	Cause	Impact	Risk Owner	Controls in place to manage the risk	Current Risk Rating				Further Actions necessary to manage the risk	Risk Action Owner	Date for completion of action	Target Risk Rating				Date of Review	Direction of Travel
							Impact	Likelihood	x	Level of risk				Impact	Likelihood	x	Level of risk		
PEN017	Lack of expertise on Pension Fund Committee	Professional judgement & activities	Lack of structured training and continuous self assessment of skills gap to ensure knowledge levels are adequate to carry out roles to the best of their ability	Bad decisions made may be made in relation to any of the areas on this register, but particularly in relation to investments. There is also a requirement for Fund's to 'Comply or Explain' within their Annual Report on the skills knowledge of members of the Committee	David Anthony	Members are given Induction Training when they join the Committee, as well as subsequent opportunities to attend courses/seminars and specialist training at Committee ahead of key decisions. There is a Members' Training Plan and Governance Policy. Further training and advice can be called on from our consultants, independent advisors and investment managers 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. The new members training plan for 2015-17 was approved in March 2015.	David Anthony		2	1	2	Low	15 June 2015	→
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 implemented to inform all members of the changes. Implementation Plan is on-going. Systems team in close contact with Software are providers to ensure developments will be actioned. Review of process has been undertaken by Technical & Compliance Manager to ensure changes are compliant.	2	2	4	Low	The transitional regulations and GAD guidance were only issued in March 2014, a month ahead of "go-live" which meant a number of manual calculations were still required. The latest Altair release was implemented in September which rectified this. All changes and output have been reviewed for compliance.	David Anthony		2	2	4	Low	15 June 2015	→
PEN019	Establishment of Local Pension Board & Investment Sub-Committee	Service Delivery	Failure for Wiltshire Council to establish a Local Pension Board, from finding suitable representatives and the officer time required to support this Board and the newly formed pension sub-committee.	Reputational risk from a national perspective and failure to adhere to legislation resulting in action by the Government or the Pension Regulator. Ineffective operation of the Investment sub-Committee leading to bad decision making.	David Anthony	Local Pension Board, approved by Wiltshire Council on 24 February. Following. Recruitment has taken place and all places filled with first meeting scheduled for 16 July 2015, following induction session on 2 July 2015. These Boards will place additional demands on both Members, in particular the need to undertake training and the pension officers time in the support and provision of information.	2	2	4	Low	A review of resources and officer time will be required to ensure no negative impact on the Pension Fund service delivery from the support required to this Board and the newly formed Investment sub-Committee.	David Anthony	Jul-15	1	3	3	Low		↓

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