

AGENDA

Meeting: Wiltshire Pension Fund Committee
Place: Kennet Room - County Hall, Trowbridge BA14 8JN
Date: Thursday 1 October 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
	1 October	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 Bill Moss
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**

The Committee is requested to note that Cllr Christopher Newbury is no longer a substitute member of this Committee and is replaced by Cllr Bill Moss.

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 - 12)*

To confirm the minutes of the meeting held on 25 June 2015.

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 24 September 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 **External Audit report** *(Pages 13 - 40)*

The Committee is asked to note a report by KPMG presenting the Final Audit report on the 2014-15 Annual Report for the Wiltshire Pension Fund.

9 **Annual report 2014/15** *(Pages 41 - 124)*

The Committee is asked to approve the Annual Report for financial year 2014-2015.

10 **Consultations Update- Public Sector Exit Cap**

The Head of Pensions provides a verbal update on the latest consultations which include the Public sector exit cap for members to note.

11 **Local Pension Board Update** *(Pages 125 - 132)*

The Head of Pensions provides a verbal update on the progress of the Local Pension Board and feedback from their initial meeting, the draft minutes of the meeting are attached for the Committee's reference.

12 **Budget Monitoring 2015/16 Report** *(Pages 133 - 134)*

The Committee is asked to note a report on the latest budget monitoring position for the Wiltshire Pension Fund.

13 **Annual Benefit Statement Update**

The Head of Pensions provides a verbal update on the Annual Benefit Statement exercise for 2015 for information

14 **Pension Fund Risk Register** *(Pages 135 - 142)*

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

15 **Date of Next Meeting**

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

10 December 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 Numbers 18 – 20 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 **Flight Paths Consideration** *(Pages 143 - 172)*

A paper from Mercers with a covering report from officers is circulated for the Committee's consideration that outlines recommendations from the Investment Sub-Committee meeting on 10 September 2015. This Committee is recommended to implement a "flight-path" strategy for the Fund and agree how this would be incorporated into the Fund's investment strategy.

The minutes of the Investment Sub-Committee meeting are attached for the Committee's reference.

19 **Pooling of Investment Assets** *(Pages 173 - 176)*

A report by Treasurer to the Pension Fund updates the Committee on the implications of the government's budget announcement for the pooling of Local Government Pension Scheme assets.

20 **Investments Quarterly Progress Report** *(Pages 177 - 232)*

Three confidential reports are circulated updating the Committee on the performance of the Fund's investments as to the end of June 2015. These were

considered by the Investment Sub-Committee at its meeting on 10 September 2015 and are circulated for information only.

WILTSHIRE PENSION FUND COMMITTEE

MINUTES OF THE WILTSHIRE PENSION FUND COMMITTEE MEETING HELD ON 25 JUNE 2015 AT COUNTY HALL, TROWBRIDGE.

Present:

Cllr Steve Allsopp, Cllr Tony Deane (Chairman), Diane Hall, Cllr Charles Howard (Vice Chairman), Cllr Mark Packard, Cllr Sheila Parker, Linda Stuart and Cllr Steve Weisinger

28 Membership

Following the latest appointments by each Local Authority contributing Members to the Committee, Cllr Brian Ford was no longer a member of the Committee.

Councillor Steve Weisinger was appointed as a Member of the Committee and Investment Sub-Committee.

29 Attendance of non-members of the Committee

There were no non-members present.

30 Apologies for Absence

An apology for absence was received from the Cabinet Member for Finance, Councillor Richard Tonge and Cllr Roy While.

31 Minutes

The minutes of the meetings held on 12 March and 21 May 2015 were presented for consideration, along with the minutes of the Investment Sub-Committee for 4 June 2015.

Resolved:

That subject to a correction to Minute 27 - Urgent Items - of the 21 May 2015 minutes to add 'recently reported historical' in place of 'recent', and a correction to Minute 1 of the 4 June 2015 to delete the word 'not' in the last paragraph and Minute 14 of the 4 June 2015 minutes to replace 'Marion' with 'Marino', to approve and sign as a correct record the minutes of the meetings held on 12 March, 21 May and 4 June 2015.

32 **Declarations of Interest**

Mr Jim Edney, Independent Adviser to the Pension Fund, declared an interest in Item 11 - Business Plan 2015-18 - owing to his contract being an item up for a regularly scheduled review as part of the Business Plan.

33 **Chairman's Announcements**

The Chairman encouraged as many members as possible attend the Investment Review Away Day on 13 July 2015 at the St John's Conference Centre in Trowbridge.

34 **Public Participation and Councillors' Questions**

There were no questions or statements submitted.

35 **SWAP Internal Audit Report**

The Head of Pensions presented a report from the council's internal auditors, the South West Audit Partnership (SWAP). It was reported SWAP had declared a 'reasonable assurance' opinion of the controls and procedures in relation for the Fund, with no significant findings to report. Three mediums risks in relation to procedures, inaccurate service recording and lack of prompt payments were identified

The Committee discussed the report, and noted the level of assurance from the auditors remained satisfactory and approved of the measures detailed to address the medium risks identified further, which it was stated would therefore be mitigated by the end of September 2015. There was some discussion as to whether reductions in resources at with Wilshire Council or SWAP had impacted on the risks identified, and requested further updates as the risks were addressed.

Resolved:

To note the Internal Audit Report and Agreed Action Plan.

36 **Pension Fund Administration Outturn Statement 2014-15**

The Strategic Pensions Manager presented the Pension Fund Administration Outturn statement for consideration. It was stated no unexpected issues had arisen.

Resolved:

To note the update

37 **Draft Statement of Accounts**

The Head of Pensions presented the draft Statement of Accounts for 2014-15, prepared in accordance with the Code of Practice on Local Authority Accounting. It was stated the complete Annual Report would be presented to the Committee in September 2015.

The Committee discussed the draft, noting that the external auditors KPMG were currently considering the Statement, and some small changes might arise from that work, and that asset value for the Fund was higher due to better performance.

In response to a query regarding the recovery of a long debt which was accrued through the covering the liabilities for magistrate pensions, it was confirmed this was to take place over 10 years of payments, and was progressing as expected. Members also discussed future increases in cost pressures and the possibility the cash flow from the Fund would turn negative as the maturity of the Fund profile increased.

Resolved:

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

38 **Business Plan 2015-18**

The Head of Pensions presented the draft Business Plan 2015-18 for the Pension Fund, which had last been reviewed in 2011. It was stated 8 of 33 actions from that plan remained on-going or to be completed, and had been incorporated into the updated Plan.

The Committee discussed the proposed plan and the difficulty in developing in the face of longer term uncertainties, in particular noting the continued delay the government's response to the recent consultation on the future of the scheme. It was also supported that the Committee monitor the progression of the plan annually.

Resolved:

To approve the draft Wiltshire Pension Fund Business Plan 2015-18, and to receive annual updates on progress.

39 **Communications Policy**

The Head of Pensions presented a revised Communications policy to the Committee, last approved in 2011 and a requirement under Regulation 61 of the Local Government Pension Scheme (Administration) Regulations 2013. It was reported that this was a statement of existing good practice, but drew attention to implementation of an Annual General Meeting, updating the Fund website

and literature, and seeking contributing employers' comments if the policy were approved.

The Committee welcomed commitments to further increase electronic communication and access, including ability for Fund members to upload changes to databases, which also came with significant cost benefits.

Resolved:

To approve the Communications Policy.

40 **Statement of Investment Principles**

The Strategic Pensions Manager presented a report providing an annual update to the Statement of Investment Principles for the Pension Fund. It was stated there were no main changes in terms of asset allocation since the previous Statement was approved.

The Committee discussed the report and updated statement, in particular the requirement to produce a compliance statement with a Stewardship Code which was introduced in 2010 to outline how investors disclose and discharge their stewardship responsibilities.

Resolved:

To approve the 2015 Statement of Investment Principles.

41 **Pension Fund Risk Register**

The Head of Pensions presented the Pension Fund Risk Register, highlighting three changes since the last report in March 2015. These were increased risks for 'Lack of Expertise of Pension Fund Officers' and 'Over-reliance on Key Officers' as a result of two resignations from the team as detailed in the report, and a reduction in risk from 'Establishment of the Local Pension Board and Investment Sub-Committee' as these Committees were now established.

The Committee discussed the changes, and debated whether the salary level of Pension Fund officers was suitably competitive to attract and retain key staff, and the status of the Fund as a semi-autonomous separate entity from Wiltshire Council were raised. It was agreed discussions would take place led by the Chairman and Vice-Chairman to consider further what options could mitigate such risks as identified above from developing or continuing.

Resolved:

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

42 **Date of Next Meeting**

The Committee was informed that as a result of the date of a Wiltshire Full Council meeting being moved to 29 September, the date of the next Pension Fund Committee would need to be moved. A date would be circulated to all Committee Members as soon as possible.

43 **Urgent Items**

There were no urgent items, but questions were raised about whether there would be an increase of Parish Councils into the Fund following rulings following responsibilities to those with certain numbers of employees.

44 **Exclusion of the Public**

Resolved:

To agree that in accordance with Section 100A(4) of the Local Government Act 1972 to exclude the public from the meeting for the business specified in Minute Number 45 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.

45 **Investment Quarterly Progress Report Update**

The Strategic Pension Manager presented the quarterly progress report on the performance of the Fund Investment Managers, as previously considered by the Investment Sub-Committee.

Following consideration by the Committee, it was,

Resolved:

To note the investment reports and the actions taken by the Investment Sub-Committee at its meeting on 4 June 2015.

(Duration of meeting: 10.30 am - 12.00 pm)

The Officer who has produced these minutes is Kieran Elliott, of Democratic Services, direct line 01225 718214504, e-mail elizabeth.beale@wiltshire.gov.uk

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

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WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
1 October 2015

FINAL EXTERNAL AUDIT REPORT

Purpose of the Report

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

Background

2. There is a requirement for a separate annual audit to be carried out on the Wiltshire Pension Fund. The audit has been carried out by Wiltshire Council's external auditor, KPMG.
3. KPMG completed an interim audit visit in March 2015 but did not issue an interim report as there were no significant issues arising from this work. Over the summer they have carried out the main audit and again no significant issues were raised. Therefore, as there are no issues to report the resulting Final Audit Report has been included within the main one for the Wiltshire Council (see attached). This report was presented and approved on the 29th July 2015 meeting of the Final Accounts & Audit Committee.
4. KPMG's final audit opinion and certificate on the Wiltshire Pension Fund Annual Report is due to be signed on 21 September 2015.
5. The draft Wiltshire Pension Fund Financial Statements for 2014-15 were approved by this committee at the meeting on 25 June 2015. The final Pension Fund Annual Report is on today's agenda.

Considerations for the Committee

6. The attached draft Final Audit Report (page 6) states KPMG anticipate issuing an unqualified opinion on the Pension Fund Annual Report at the same time as the opinion on the Statement of Accounts.

Environmental Impact of the Proposal

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

Safeguarding Considerations/Public Health Implications/Equalities Impact

8. There are no known implications at this time.

Financial Considerations & Risk Assessment

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

Proposals

10. The Committee is asked to note the attached Final Audit Report.

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



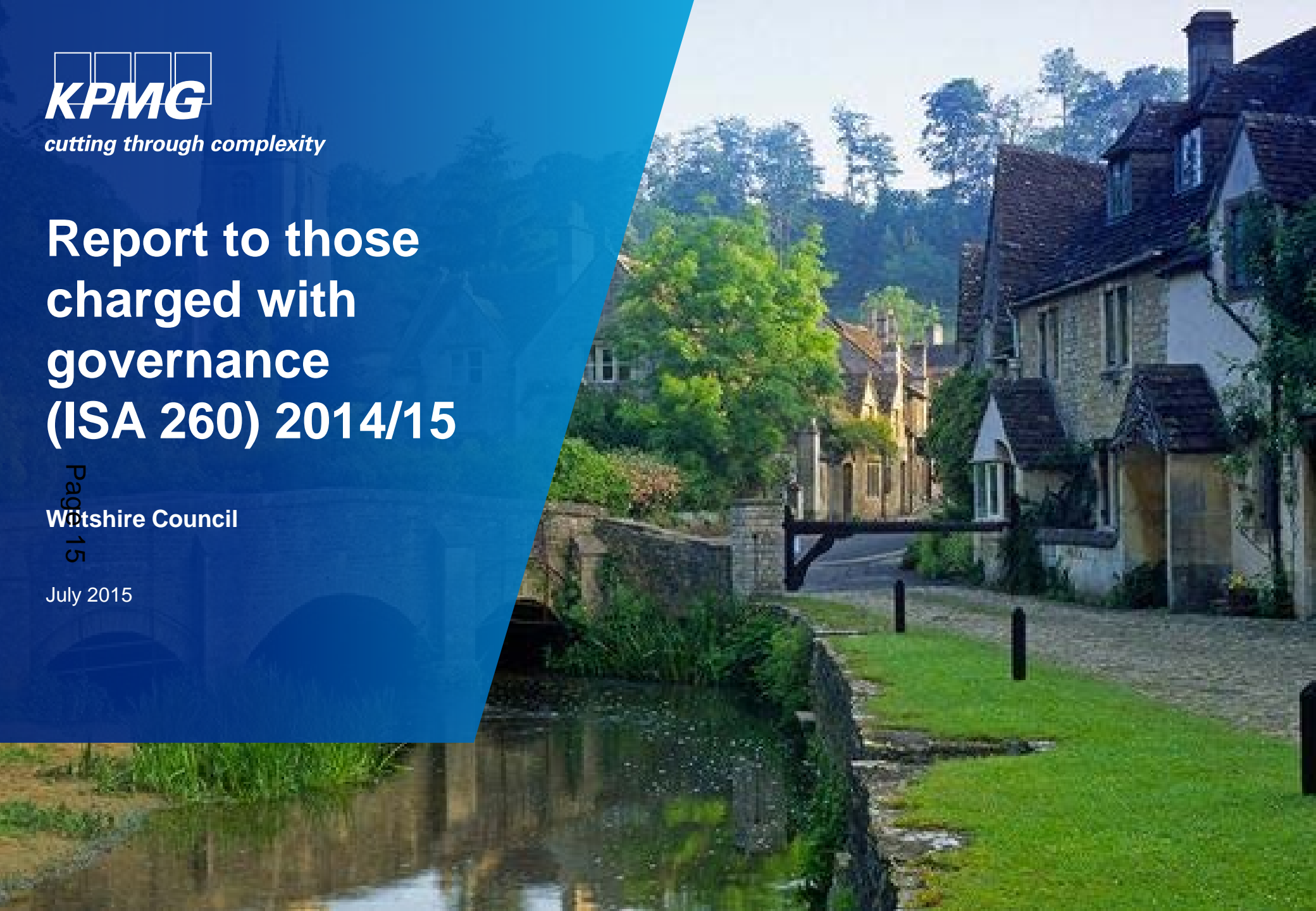
cutting through complexity

Report to those charged with governance (ISA 260) 2014/15

Wiltshire Council

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July 2015



The contacts at KPMG in connection with this report are:

Darren Gilbert

Director
KPMG LLP (UK)

Tel: 0292 046 8205
Darren.gilbert@kpmg.co.uk

Tara Westcott

Senior Manager
KPMG LLP (UK)

Tel: 0117 905 4358
Tara.Westcott@kpmg.co.uk

Adam Bunting

Assistant Manager
KPMG LLP (UK)

Adam.bunting@kpmg.co.uk
Tel: 0117 905 4470

Duncan Laird

Manager – Pension Audit
KPMG LLP (UK)

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

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website (www.psa.co.uk).

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

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Darren Gilbert, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Trevor Rees (on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

This document summarises:

- the key issues identified during our audit of the financial statements for the year ended 31 March 2015 for both the Authority and its pension fund; and
- our assessment of the Authority's arrangements to secure value for money.

Scope of this report

This report summarises the key findings arising from:

- our audit work at Wiltshire Council ('the Authority') in relation to the Authority's 2014/15 financial statements and those of the Local Government Pension Scheme it administers ('the Fund'); and
- the work to support our 2014/15 conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion').

Financial statements

Our *External Audit Plan 2014/15*, presented to you in February 2015, set out the four stages of our financial statements audit process.



We previously reported on our work on the first two stages in our *Interim Audit Report 2014/15* issued in June 2015.

This report focuses on the third stage of the process: substantive procedures. Our on site work for this took place during June 2015.

It also includes any additional findings in respect of our control evaluation which we have identified since we issued our *Interim Audit Report 2014/15*.

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

VFM conclusion

Our *External Audit Plan 2014/15* explained our risk-based approach to VFM work and we included early findings in our *Interim Audit Report/letter 2014/15*. We have now completed the work to support our 2014/15 VFM conclusion. This included:

- assessing the potential VFM risks and identifying the residual audit risks for our VFM conclusion;
- considering the results of any relevant work by the Authority and other inspectorates and review agencies in relation to these risk areas; and
- carrying out additional risk-based work.

Structure of this report

This report is structured as follows:

- Section 2 summarises the headline messages.
- Section 3 sets out our key findings from our audit work in relation to the 2014/15 financial statements of the Authority and the fund.
- Section 4 outlines our key findings from our work on the VFM conclusion.

Our recommendations are included in Appendix 1. We have also reviewed your progress in implementing prior recommendations and this is detailed on Page 11.

Acknowledgements

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

This table summarises the headline messages for the Authority and the Fund. Sections three and four of this report provide further details on each area.

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<p>Proposed audit opinion</p>	<p>We anticipate issuing an unqualified audit opinion on the Authority's financial statements. We will also report that your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE in June 2007.</p> <p>We also anticipate issuing an unqualified audit opinion in relation to the Fund's financial statements, as contained both in the Authority's Statement of Accounts and the Pension Fund Annual Report.</p>
<p>Audit adjustments</p>	<p>Our audit has identified a total of four audit adjustments with a total gross value of £15.088 million for the 2014/15 financial statements. The impact of these adjustments is to:</p> <ul style="list-style-type: none"> ■ Increase the deficit on provision of services for the 2014/15 year by £5.787 million; and ■ Decrease the net worth of the Authority as at 31 March 2015 by £5.787 million. <p>Our audit adjustments also included one prior period adjustments necessitated by the change in accounting policy by following the new guidance in LAAP Bulletin 101 on the recognition of school assets. The impact of these adjustments is to:</p> <ul style="list-style-type: none"> ■ Increase the net worth of the Authority as at 1 April 2013 and 31 March 2014 by £47.785 million and £46.739 million respectively; and ■ Increase the deficit on provision of services for the 2013/14 year by £1.045 million <p>There was no impact on the General Fund balances as a result of any the adjustments identified.</p> <p>We have included a full list of material audit adjustments at Appendix 3. All of these were adjusted by the Authority.</p> <p>We have raised one recommendation in relation to School Bank Reconciliations where three out of ten tested had immaterial errors and lacked consistency. Further details are summarised in Appendix 1.</p>
<p>Significant financial statements audit risks</p>	<p>We review risks to the financial statements on an ongoing basis. We identified the one significant financial statements audit risk in our <i>External Audit Plan 2014/15</i> issued in February 2015 in relation to accounting for Local Authority maintained schools.</p> <p>We have worked with officers throughout the year to discuss this significant risk and our detail findings are reported in section 3 of this report. There are no matters of any significance arising as a result of our audit work in this significant risk area.</p>
<p>Accounts production and audit process</p>	<p>We have noted consistency in the quality of the accounts and the supporting working papers. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales.</p> <p>The quality of working papers provided to us by Finance and the Pension team were of a high standard and met the standards specified in our <i>Accounts Audit Protocol</i>. The Authority has implemented all of the recommendations in our <i>ISA 260 Report 2013/14</i> relating to the financial statements.</p>

This table summarises the headline messages for the Authority and the Fund. Sections three and four of this report provide further details on each area.

<p>Completion</p>	<p>At the date of this report our audit of the financial statements of both the Authority and the Pension Fund are substantially complete. The areas that remain are:</p> <ul style="list-style-type: none"> ■ Audit of the Authority’s Whole of Government Accounts pack; ■ Receipt of a revised copy of the Annual Governance Statement; ■ Review of Pension Fund Annual Report Narrative; ■ Finalising mandatory work in relation to pension liability disclosures; and ■ Review of schools accounting adjustments. <p>Before we can issue our opinion we require a signed management representation letter for both the Authority and the Pension Fund.</p> <p>We confirm that we have complied with requirements on objectivity and independence in relation to this year’s audit of the Authority’s financial statements.</p> <p>In order to issue our Certificate for the year we will need to complete our work in relation to each of the matters set out above. We will also need to consider the impact of, and conclude any necessary work relating to, an incident of whistleblowing that is currently under investigation by the Authority’s Corporate Fraud Team.</p>
<p>VFM conclusion and risk areas</p>	<p>We identified the following VFM risks in our <i>External Audit Plan 2014/15</i> issued in February 2015.</p> <ul style="list-style-type: none"> ■ Achievement of Savings Plan; and ■ Estates Strategy. <p>We have worked with officers throughout the year to discuss these VFM risks and our detailed findings are reported in section 4 of this report.</p> <p>We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We therefore anticipate issuing an unqualified VFM conclusion by 29 July 2015.</p>

Our audit has identified a total of three audit adjustments.

There is no net impact of these adjustment on the general fund.

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Proposed audit opinion

Subject to all outstanding matters being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion on the Authority's financial statements following approval of the Statement of Accounts.

Audit differences

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

The final materiality level (see Appendix 4 for more information on materiality) for this year's audit was set at £18.5 million. Audit differences below £0.9 million are not considered significant.

Our audit identified a total of four material audit differences, which we set out in Appendix 2. It is our understanding that these will be adjusted in the final version of the financial statements. There are no unadjusted audit differences.

The tables on the right illustrate the total impact of audit differences on the Authority's movements on the General Fund for the year and balance sheet as at 31 March 2015.

There is no net impact on the General Fund as a result of audit adjustments. This is due to the adjustments being classification errors.

In addition, we identified a small number of presentational adjustments required to ensure that the accounts are compliant with the *Code of Practice on Local Authority Accounting in the United Kingdom 2014/15* ('the Code'). We understand that the Authority will be addressing these where significant.

Movements on the General Fund 2014/15			
£m	Pre-audit* (£'000)	Post-audit (£'000)	Ref (App.3)
Deficit on the provision of services (Excluding HRA)	32,668	38,455	3
Adjustments between accounting basis & funding basis under Regulations	(26,332)	(32,119)	3
Transfers to earmarked reserves	(6,618)	(6,618)	-
Increase in General Fund	282	282	

Balance Sheet as at 31 March 2015			
£m	Pre-audit* (£'000)	Post-audit (£'000)	Ref (App.3)
Property, plant and equipment	1,011,467	1,005,680	3
Other long term assets	49,169	49,169	-
Current assets	119,797	117,930	1
Current liabilities	(112,893)	(111,026)	1
Long term liabilities	(1,047,549)	(1,047,549)	-
Net worth	(19,991)	(14,204)	
General Fund	(12,147)	(12,147)	-
Other usable reserves	(96,371)	(96,371)	-
Unusable reserves	88,527	94,314	3
Total reserves	(19,991)	(14,204)	

* Please note: In addition to the audit adjustments identified, the Authority identified a number of further changes required during the audit. These have been incorporated into the "Pre-audit" figures above.

Financial Statements (continued)

Proposed opinion and audit differences (continued)

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

We anticipate issuing an unqualified audit opinion in relation to the Fund's financial statements, as contained both in the Authority's Statement of Accounts and the Pension Fund Annual Report by 29 July 2015.

The wording of your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE in June 2007.

Pension fund audit

Our audit of the Fund did not identify any material misstatements.

For the audit of the Fund we used a final materiality level of £25 million. Audit differences below £1.25 million are not considered significant.

We anticipate issuing an unqualified audit opinion following approval of the Statement of Accounts.

We identified a small number of presentational adjustments required to ensure that the accounts are compliant with the Code. We understand that the Fund will be addressing these where significant.

Annual Governance Statement

We have reviewed the Annual Governance Statement and confirmed that:

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

We have made a number of comments in respect of its format and content which the Authority has agreed to amend where significant. These changes included adding commentary relating to the Authority's establishment of a Corporate Fraud Team which we consider to be a significant, and valuable, addition to the overall control framework.

Pension Fund Annual Report

We have not yet reviewed the *Pension Fund Annual Report* and as a result are yet to confirm that:

- it complies with the requirements of the Local Government Pension Scheme (Administration) Regulations 2008; and
- the financial and non-financial information it contains is not inconsistent with the financial information contained in the audited financial statements.

We anticipate issuing an unqualified opinion on the *Pension Fund Annual Report* at the same time as our opinion on the Statement of Accounts.

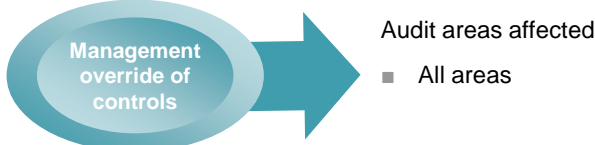

Financial Statements (continued)

Significant risks and key areas of audit focus

In our External Audit Plan 2014/15 we reported that we would consider two risk areas that are specifically required by professional standards and report our findings to you. These risk areas were Management override of controls and the Fraud risk of revenue recognition.

This table sets out the outcome of our audit procedures.

In our External Audit Plan 2014/15 we reported that we would consider two risk areas that are specifically required by professional standards and report our findings to you. These risk areas were Management override of controls and the Fraud risk of revenue recognition. The table below sets out the outcome of our audit procedures and assessment on these risk areas.

Areas of significant risk	Summary of findings
	<p>Our audit methodology incorporates the risk of management override as a default significant risk. Management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We have not identified any specific additional risks of management override relating to this audit.</p> <p>In line with our methodology, we carried out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.</p> <p>There are no matters arising from this work that we need to bring to your attention.</p>
	<p>Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.</p> <p>In our External Audit Plan 2014/15 we reported that we do not consider this to be a significant risk for Local Authorities as there is unlikely to be an incentive to fraudulently recognise revenue.</p> <p>This is still the case. Since we have rebutted this presumed risk, there has been no impact on our audit work.</p>

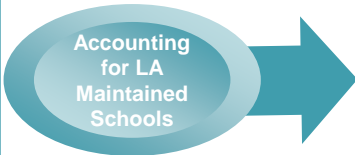
In our *External Audit Plan 2014/15*, presented to you in February 2015, we identified one area of audit focus. This is not considered as significant risks but an area of importance where we would carry out some substantive audit procedures to ensure there is no risk of material misstatement.

We have now completed our testing. The table sets out our detailed findings for each of such areas of audit focus.

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In our *External Audit Plan 2014/15*, presented to you in February 2015, we identified the significant risks affecting the Authority and the Fund's 2014/15 financial statements.

We have now completed our testing of these areas and set out our evaluation following our substantive work. The table below sets out our detailed findings for each of the risks that are specific to the Authority.

Significant audit risk	Issue	Findings
	<p>LAAP Bulletin 101 Accounting for School Assets used by Local Authority Maintained Schools issued in December 2014 has been published to assist practitioners with the application of the Code in this respect. The challenges relate to school assets owned by third parties such as church bodies and made available to school governing bodies under a variety of arrangements. This includes assets used by Voluntary-Aided (VA) and Voluntary-Controlled (VC) Schools as well as Foundation Schools.</p> <p>Authorities will need to review the agreements under which assets are used by VA/VC and Foundation schools and apply the relevant tests of control in the case of assets made available free of charge, or risks and rewards of ownership in the case of assets made available under leases. This is a key area of judgement and there is a risk that Authorities could incorrectly omit school assets from, or include school assets in, their balance sheet.</p> <p>Particular risks surround the recognition of Foundation School assets which may or may not be held in Trust. Authorities should pay particular attention to the nature of the relationship between the Trustees and the school governing body to determine whether the school controls the Trust and the assets should therefore be consolidated into their balance sheet.</p>	<p>The Authority completed an assessment of the recognition of school assets. We reviewed the treatment as per the LAAP Bulletin, where possible we obtained backing evidence to justify the assessment.</p> <p>The category which was flagged as requiring different treatment was Foundation Schools. All 15 required recognition on the Authority's Balance Sheet. Each other category of school was also assessed but no change in treatment was necessary. We assessed the Authority's review for the categories which were not altered to ensure that it appear appropriate with no issues noted.</p> <p>Out of the 15 Foundation Schools we tested a sample of 5 to assess whether the Authority retained substantive rights over the assets and whether the future economic benefits / service potentially flow to the Authority. There was some difficulty obtaining backing documentation due to the length of time since being originally built. However KPMG agreed with that the Authority's assessment was appropriate.</p> <p>We verified the accounting treatment on the recognition of the schools with no material errors noted.</p> <p>As a result of the above, the Authority's net assets as at 1 April 2014 have increased by £47.8 million. We are currently completing our review of these adjustments.</p>


We have now completed our testing. The table sets out our detailed findings for each of such areas of audit focus.

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Significant audit risk	Issue	Findings
	<p>From 1 April 2014, all members of the Local Government Pension Scheme (LGPS) have automatically joined the new career average defined benefit scheme. The new scheme provides more flexibility on when members can take their pension and also how much they pay in. There is a risk that pension administration systems have not been set up to correctly reflect the changes resulting from LGPS 2014 and will therefore not accurately calculate the pension benefits due to members. While any errors in the system are unlikely to result in material misstatements in 2014/15, the possible cumulative effect in future years means that specific audit work is needed on ensuring that the changes required to the system have been accurately reflected.</p> <p>This risk affects only the Fund.</p>	<p>The benefits system is now required to hold an increased volume of data to process the 'Career Average Revalued Earnings' (CARE) pensions calculation. The software provider has released updates to ensure the system is ready to account for the LGPS 2014 changes.</p> <p>KPMG performed a walkthrough of a new member's 'Career Average Revalued Earnings' (CARE) pension calculation, with reference to this guide, ensuring the system had the capacity to hold the required data. The design and implementation of the system changes were effective.</p> <p>KPMG also performed sample testing of pensioners' who had both pre and post 2014 service, and hence would have had CARE pension benefit accruing in 14/15. Of the 25 cases sampled no issues were identified with accuracy of the CARE calculations.</p>

We have now completed our testing. The table sets out our detailed findings for each of such areas of audit focus.

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Areas of audit focus	Issue	Findings
	<p>From 1 April 2015, the Pensions Regulator will be responsible for regulating the governance and administration of public service pension schemes, which includes the Local Government Pension Scheme. The pension scheme must comply with a number of legal requirements, such as the establishment of a pension board with an equal number of employer representatives and member representatives. Pension board members for a public service pension scheme must also meet certain legal requirements that relate to their knowledge and understanding.</p> <p>This risk affects only the Fund.</p>	<p>Wiltshire Council as scheme manager of Wiltshire Pension Fund approved the Terms of Reference for the establishment of its Pension Board at its meeting on 24 February 2015.</p> <p>The Pension Board will sit alongside the Wiltshire Pension Fund Committee in an oversight role, to assist by reviewing the governance arrangements of the Fund and ensuring policies and procedures are correctly implemented and followed.</p> <p>As per the Public Service Pensions Act 2013 pension boards need to have an equal number of employer representatives and member representatives.</p> <p>The Board will consist of:</p> <ul style="list-style-type: none"> ■ 3 scheme member representatives, ■ 3 employer representatives, and ■ 1 non-voting Independent Chair <p>Howard Pearce, the Former Head of the Environment Agency Pension Fund, will serve as the Independent Chair of the Board. All other positions have now been filled. The first meeting scheduled for the Local Pensions Board (LPB) has been set for 16th July 2015. The new representatives are expected to attend a training day on 2nd July 2015.</p> <p>Whilst LPBs had to be constitutionally established by 1 April, in acknowledgment of the scale of the task facing practitioners, an informal grace period of 4 months has been granted to allow funds to finalise appointments and deliver training. KPMG are satisfied with the progress of the establishment of the LPB.</p>

Financial Statements (continued)

Accounts production and audit process

The Authority has a well established and strong accounts production process. This operated well in 2014/15, and the standard of accounts and supporting working papers was high.

Officers dealt promptly and efficiently with audit queries and the audit process was completed within the planned timescales.

Accounts production and audit process

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

We considered the following criteria:

Element	Commentary
Accounting practices and financial reporting	<p>The Authority continues to maintain a strong financial reporting process and produce statements of accounts to a good standard.</p> <p>We consider that accounting practices are appropriate.</p>
Completeness of draft accounts	<p>We received a complete set of draft accounts on 8 June 2015.</p> <p>The Authority has made a small number of presentational changes to the accounts presented for audit however there have been no changes which we consider to be fundamental.</p>
Quality of supporting working papers	<p>We issued our <i>Accounts Audit Protocol</i> including our required working papers for the audit on 8 March 2015.</p> <p>The quality of working papers provided was high and fully met the standards specified in our <i>Accounts Audit Protocol</i>.</p>
Response to audit queries	<p>Officers resolved all audit queries in a timely manner.</p>
Pension Fund Audit	<p>The audit of the Fund was completed alongside the main audit. The Fund continues to produce financial statements to a high standard.</p>

Prior year recommendations

As part of our audit we have specifically followed up the Authority's progress in addressing the recommendations in last years ISA 260 report.

There was one recommendation in our ISA 260 Report 2013/14, which was;

- Consider how to gain assurance over the material accuracy of valuations for assets which have not been revalued during the year as part of the rolling valuation programme. An option may be to revalue a percentage of assets each year where construction has been performed rather than performing valuation on only specified asset classes each year.

The Authority provided a working paper to show consideration to the carrying value of assets not revalued in the year, this recommendation has now been implemented.

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

Before we can issue our opinion we require a signed management representation letter.

Once we have finalised our opinions and conclusions we will prepare our Annual Audit Letter and close our audit.

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Declaration of independence and objectivity

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

In relation to the audit of the financial statements of Wiltshire Council and Wiltshire Council Pension Fund for the year ending 31 March 2015, we confirm that there were no relationships between KPMG LLP and Wiltshire Council and Wiltshire Council Pension Fund, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 3 in accordance with ISA 260.

Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the Chief Finance Officer for presentation to the Audit Committee. We require a signed copy of your management representations before we issue our audit opinion.

Other matters

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

- significant difficulties encountered during the audit;
- significant matters arising from the audit that were discussed, or subject to correspondence with management;
- other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and
- matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, opening balances etc).

The only such matter to report is in relation to an incident of whistleblowing. Following some initial work undertaken by Internal Audit, the issue is now being investigated by the Authority's Corporate Fraud Team and we are awaiting the outcome of this work. We are in the process of determining the potential scale of the matter and what, if any, impact this has on the issuing of our opinion and certificate.

Our VFM conclusion considers how the Authority secures financial resilience and challenges how it secures economy, efficiency and effectiveness.

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Background

Auditors are required to give their statutory VFM conclusion based on two criteria specified by the Audit Commission. These consider whether the Authority has proper arrangements in place for:

- securing financial resilience: looking at the Authority’s financial governance, financial planning and financial control processes; and
- challenging how it secures economy, efficiency and effectiveness: looking at how the Authority is prioritising resources and improving efficiency and productivity.

We follow a risk based approach to target audit effort on the areas of greatest audit risk. We consider the arrangements put in place by the Authority to mitigate these risks and plan our work accordingly.

The key elements of the VFM audit approach are summarised in the diagram below.



Work completed

We performed a risk assessment earlier in the year and have reviewed this throughout the year.

The following pages include further details of our VFM risk assessment and our specific risk-based work.

Conclusion

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

VFM criterion	Met
Securing financial resilience	✓
Securing economy, efficiency and effectiveness	✓

We have identified a number of specific VFM risks.

In all cases we are satisfied that external or internal scrutiny provides sufficient assurance that the Authority's current arrangements in relation to these risk areas are adequate.

Work completed

In line with the risk-based approach set out on the previous page, and in our *External Audit Plan* we have:

- assessed the Authority's key business risks which are relevant to our VFM conclusion;
- identified the residual audit risks for our VFM conclusion, taking account of work undertaken in previous years or as part of our financial statements audit; and
- considered the results of relevant work by the Authority, inspectorates and review agencies in relation to these risk areas.

Key findings


Below we set out the findings in respect of those areas where we have identified a residual audit risk for our VFM conclusion.

We concluded that we needed to carry out additional work for some of these risks. This work is now complete and we also report on this below.

Key VFM risk	Risk description and link to VFM conclusion	Assessment
	<p>At the time of our planning work in January the Authority identified the need to make savings of £26m in 2014/15. The forecast showed that the Authority will deliver a £5.3m overspend against its budget although additional savings were being sought to offset this.</p> <p>The Authority estimates that £33min savings will need to be achieved during 2015/16. We are aware the Authority is in the process of developing and agreeing proposals with officers for these savings. Further significant savings will be required in 2016/17 and 2017/18 to principally address future reductions to local authority funding alongside service cost and demand pressures. The need for savings will continue to have a significant impact on the Authority's financial resilience.</p> <p>This is relevant to both the financial resilience and economy, efficiency and effectiveness criteria of the VFM conclusion.</p>	<p>Specific risk based work required: Yes</p> <p>Despite challenging savings targets for the year, the Authority's final outturn position was an under spend against budget of £0.278m. In addition, the final position of the general fund was £12.067m compared to £10.965m as predicated in the financial plan.</p> <p>The Authority has continued to develop savings plans which require savings from all service areas, and has identified additional savings plans in order to compensate for budget pressures, particularly in Adult Social Care and Children's and Education Services. These cost pressures are in line with those experienced by other authorities throughout the country and, as a result, are not indicative of poor arrangements within Wiltshire.</p> <p>Performance against savings targets has been monitored throughout the year as part of the budget monitoring process in order to allow for such cost pressures to be effectively managed.</p>

We have identified a number of specific VFM risks.

In all cases we are satisfied that external or internal scrutiny provides sufficient assurance that the Authority's current arrangements in relation to these risk areas are adequate.

Key VFM risk	Risk description and link to VFM conclusion	Assessment
	<p>Over recent years the Authority has been undertaking a rationalisation of its estate. This has seen significant reductions in the number of properties occupied by the Authority, with further plans until 2017/18. Following recent staffing changes the Authority has adopted a slower pace to the estates strategy. This will see a total of seven hubs being delivered in phase 1 of the strategy.</p> <p>This will result in build costs of £77m which will be funded from capital receipts, borrowing and third party income. Over the next three years the total value of asset disposals is expected to amount to £70m. The successful delivery of these disposals is a major part of the value for money argument supporting the move to four central hubs and the additional investment required to renovate County Hall.</p> <p>The estates strategy, including the continuing consolidation of Council offices, reflects significant changes in relation to how the Authority will manage and deliver services. As a result, there is a risk that service delivery and customer satisfaction could be impacted. There is also a risk that the correct valuation and sale proceeds may not be achieved and that this may result in additional savings being required.</p> <p>This is relevant to both the financial resilience and economy, efficiency and effectiveness criteria of the VFM conclusion.</p>	<p>Specific risk based work required: Yes</p> <p>An impairment was required in relation to the Corsham Campus, to the value of £11.867m. In line with similar impairments in recent years this has been deemed material and disclosed separately on the face of the Comprehensive Income & Expenditure Statement as an exceptional item.</p> <p>The impairment is in relation to building costs as part of the ongoing estates strategy. The Authority is not planning to recoup these costs through sale but ongoing economic use.</p> <p>As a result of the move to four main hubs and a series of campuses (including the Corsham site) the Authority has been able to dispose of 37 assets to date, generating capital receipts of circa £11m. There are a further 38 assets to be disposed of over the next three years, which are expected to generate receipts of £31.9m.</p> <p>The disposal of assets has enabled the Authority to make annual maintenance and lease payment savings of £1.9m to date. This is expected to rise to annual savings of £6.3m once the disposal scheme has been completed.</p> <p>In addition to the financial benefits of the strategy, it has enabled a modernisation of working methods, created a central contact point for the public as well as a more attractive public facility and made integrated working with other providers more assessable e.g. Multi Agency Safeguarding Hub (MASH) which includes the Wiltshire Police, Community Health Services and Childrens Services.</p>

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

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

We will formally follow up these recommendations next year.

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Priority rating for recommendations		
<p>1 Priority one: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.</p>	<p>2 Priority two: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.</p>	<p>3 Priority three: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.</p>

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
1	2	<p>Schools Bank Reconciliation's</p> <p>We sample tested 10 out of 179 school bank reconciliation's and noted that some of the reconciliation's were completed with errors. These included:</p> <ul style="list-style-type: none"> Fynamore Community School – The reconciling items report totaled £9,685 when the difference between the cash balance and ledger balance was £9,676 St Josephs Catholic School – A difference between the general ledger balance used in the Bank Reconciliation to that shown on Agresso of £176 Matravers School – A £167 difference due to the incorrect bank statement balance used in the Bank reconciliation <p>Whilst all these balances are immaterial (total projected error of £2,111) it indicates that the control is not operating effectively and that potentially larger errors may not be identified.</p> <p>Recommendation</p> <p>An excel template for bank reconciliation's should be distributed to all schools.</p> <p>A review should be undertaken for schools that would benefit from further training.</p>	<p>Management response</p> <p>Agree. A standard template will be introduced and we will review the need for training.</p> <p>Responsible Officer</p> <p>Grant Davis (Schools Strategic Financial Support Manager)</p> <p>Due Date</p> <p>December 2015</p>

This appendix sets out the significant audit differences identified during the audit for the year ended 31 March 2015.

We are reporting all audit differences over £0.9m.

These have been adjusted in the Statement of Accounts.

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

Corrected audit differences

The following table sets out the significant audit differences identified by our audit of Wiltshire Council's financial statements for the year ended 31 March 2015.

No.	Income and Expenditure Statement	Movement in Reserves Statement	Impact			Basis of audit difference
			Assets	Liabilities	Reserves	
1			CR Cash & Cash Equivalents (£1,867k)	DR Bank Overdraft £1,867k		Since the 2013/14 Code, it is a requirement to present a net cash position unless the overdraft is not part of the Authority's cash management approach. As with the 2013/14 accounts an adjustment is required so that a net cash and cash equivalents position is disclosed on the balance sheet.
2	DR REFCUS £7,434k CR Other Expenditure (Loss on disposal) (£7,434k)					A disposal for £7.434 million BT Broadband Cables was noticed as incorrectly recognised as PPE additions and disposals in the year. As the asset is not owned by the Authority it should have been treated as Revenue Expenditure Funded From Capital Under Statute (REFCUS) and therefore expensed not capitalised. The adjustment has been made to remove the balance from fixed assets and into REFCUS. There are other presentational adjustments made such as removing the addition and disposal from PPE (not net effect).

Appendix 2: Audit differences (continued)

This appendix sets out the significant audit differences identified during the audit for the year ended 31 March 2015.

We are reporting all audit differences over £0.9m.

These have been adjusted in the Statement of Accounts.

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No.	Income and Expenditure Statement	Movement in Reserves Statement	Impact			Basis of audit difference
			Assets	Liabilities	Reserves	
3	DR Other Expenditure (Loss on disposal) £5,787k	CR Adjustments between accounting basis & funding basis under Regulations (£5,787k)	CR PPE (£5,787k)	-	DR Capital Adjustment Account £5,787k	There were £5.787 million of assets relating to new Academy Schools in the year incorrectly held on the balance sheet at year end. These have been derecognised as part of the accounting treating for Academy schools.
	DR £5,787k	CR (£5,787k)	CR (£7,654k)	DR £1,867k	DR £5,787k	Total impact of adjustments

Appendix 2: Audit differences (continued)

This appendix sets out the significant audit differences identified during the audit for the year ended 31 March 2015.

We are reporting all audit differences over £0.9m.

These have been adjusted in the Statement of Accounts.

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In addition to the above adjustments, we identified an adjustment to the prior year figures. This related to the changes required as a result of clarified guidance being issued in relation to the accounting treatment of school assets. The details of this are shown below.

No.	Impact (Comparative Figures for 2013/14)					Basis of audit difference
	Income and Expenditure Statement	Movement in Reserves Statement	Assets	Liabilities	Reserves	
4	DR Depreciation £1,045k	CR Adjustments between accounting basis & funding basis under Regulations (£1,045k)	DR PPE £46,739k	-	CR Capital Adjustment Account (£46,739k)	The adjustments made in response to LAAP Bulletin 101 initially resulted in Foundation school assets being recognised and brought back onto the Authority's balance sheet in year. Under the requirements of the Code, as this represents a change in accounting policy this should have been recognised as a prior period adjustment as at 1 April 2013, with an adjustment being made to the prior period comparatives within the financial statements. The value of these assets as at 1 April 2013 was £47,785 million, with depreciation of £1,045 million for 2013/14.
	DR £1,045	CR (£1,045)	DR £46,739k	-	CR (£46,739k)	Total impact of adjustments

The Code of Audit Practice requires us to exercise our professional judgement and act independently of both Public Sector Audit Appointments Ltd and the Authority.

Requirements

Auditors appointed by Public Sector Audit Appointments Ltd must comply with the *Code of Audit Practice* (the 'Code') which states that:

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

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Public Sector Audit Appointments Ltd *Terms of Appointment* ('Public Sector Audit Appointments Ltd Guidance') and the requirements of APB Ethical Standard 1 *Integrity, Objectivity and Independence* ('Ethical Standards').

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

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

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

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

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

General procedures to safeguard independence and objectivity

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

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

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

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

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

Auditor declaration

In relation to the audit of the financial statements of Wiltshire Council and Wiltshire Council Pension Fund for the financial year ending 31 March 2015, we confirm that there were no relationships between KPMG LLP and Wiltshire Council and Wiltshire Council Pension Fund, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

For 2014/15 our materiality is £18.5 million for the Authority's accounts. For the Pension Fund it is £18.5 million.

We have reported all audit differences over £0.9 million for the Authority's accounts and £1.85 million for the Pension Fund, to the Audit Committee.

Materiality

The assessment of what is material is a matter of professional judgment and includes consideration of three aspects: materiality by value, nature and context.

- Material errors by value are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements.
- Errors which are material by nature may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff.
- Errors that are material by context are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

We used the same planning materiality reported in our External Audit Plan 2014/15, presented to you in February 2015.

Materiality for the Authority's accounts was set at £18.5m which equates to 1.95 percent of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

Materiality – pension fund audit

The same principles apply in setting materiality for the Pension Fund audit. Materiality for the Pension Fund was set at £25 million which is approximately 1.4 percent of gross assets.

We design our procedures to detect errors at a lower level of precision, set at £18.5 million for 2014/15.

Reporting to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260, we are obliged to report omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

ISA 450 requires us to request that uncorrected misstatements are corrected.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.9m and £1.85m for the Pension Fund.

Where management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

Appendix 5: KPMG Audit Quality Framework

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG.

The diagram summarises our approach and each level is expanded upon.

At KPMG we consider audit quality is not just about reaching the right opinion, but how we reach that opinion. KPMG views the outcome of a quality audit as the delivery of an appropriate and independent opinion in compliance with the auditing standards. It is about the processes, thought and integrity behind the audit report. This means, above all, being independent, compliant with our legal and professional requirements, and offering insight and impartial advice to you, our client.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG. We use our seven drivers of audit quality to articulate what audit quality means to KPMG.

We believe it is important to be transparent about the processes that sit behind a KPMG audit report, so you can have absolute confidence in us and in the quality of our audit.

Tone at the top: We make it clear that audit quality is part of our culture and values and therefore non-negotiable. Tone at the top is the umbrella that covers all the drives of quality through a focused and consistent voice. Darren Gilbert as the Engagement Lead sets the tone on the audit and leads by example with a clearly articulated audit strategy and commits a significant proportion of his time throughout the audit directing and supporting the team.

Association with right clients: We undertake rigorous client and engagement acceptance and continuance procedures which are vital to the ability of KPMG to provide high-quality professional services to our clients.

Clear standards and robust audit tools: We expect our audit professionals to adhere to the clear standards we set and we provide a range of tools to support them in meeting these expectations. The global rollout of KPMG's eAudIT application has significantly enhanced existing audit functionality. eAudIT enables KPMG to deliver a highly

technically enabled audit. All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.



Recruitment, development and assignment of appropriately qualified personnel: One of the key drivers of audit quality is assigning professionals appropriate to the Authority's risks. We take great care to assign the right people to the right clients based on a number of factors including their skill set, capacity and relevant experience.

We have a well developed technical infrastructure across the firm that puts us in a strong position to deal with any emerging issues. This includes:

- A national public sector technical director who has responsibility for co-ordinating our response to emerging accounting issues, influencing accounting bodies (such as CIPFA) as well as acting as a sounding board for our auditors.

- A national technical network of public sector audit professionals is established that meets on a monthly basis and is chaired by our national technical director.

- All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.

- A dedicated Department of Professional Practice comprised of over 100 staff that provide support to our audit teams and deliver our web-based quarterly technical training.

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

Quality must build on the foundations of well trained staff and a robust methodology.

Commitment to technical excellence and quality service delivery:

Our professionals bring you up- the-minute and accurate technical solutions and together with our specialists are capable of solving complex audit issues and delivering valued insights.

Our audit team draws upon specialist resources including Forensic, Corporate Finance, Transaction Services, Advisory, Taxation, Actuarial and IT. We promote technical excellence and quality service delivery through training and accreditation, developing business understanding and sector knowledge, investment in technical support, development of specialist networks and effective consultation processes.

Performance of effective and efficient audits: We understand that how an audit is conducted is as important as the final result. Our drivers of audit quality maximise the performance of the engagement team during the conduct of every audit. We expect our people to demonstrate certain key behaviors in the performance of effective and efficient audits. The key behaviors that our auditors apply throughout the audit process to deliver effective and efficient audits are outlined below:

- timely Engagement Lead and manager involvement;
- critical assessment of audit evidence;
- exercise of professional judgment and professional scepticism;
- ongoing mentoring and on the job coaching, supervision and review;
- appropriately supported and documented conclusions;
- if relevant, appropriate involvement of the Engagement Quality Control reviewer (EQC review);
- clear reporting of significant findings;
- insightful, open and honest two-way communication with those charged with governance; and
- client confidentiality, information security and data privacy.

Commitment to continuous improvement: We employ a broad range of mechanisms to monitor our performance, respond to feedback and understand our opportunities for improvement.

Our quality review results

Public Sector Audit Appointments Ltd publishes information on the quality of work provided by us (and all other firms) for audits undertaken on behalf of them (<http://www.psa.co.uk/audit-quality/principal-audits/kpmg-audit-quality/>).

The latest Annual Regulatory Compliance and Quality Report issued June 2015 showed that we are meeting the overall audit quality and regulatory compliance requirements.



cutting through complexity™

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WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
01 October 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 Annual Report to Members, the draft Pension Fund Financial Statements 2014-15 were approved at the June 2015 Committee.

Background

2. In previous years the Annual Report and Financial Statements were brought to the July Committee. However as a result of the changes made to the Committee structure the Financial Statements were presented in June and the complete Annual Report will be presented today.
3. The Wiltshire Pension Fund has a requirement under the Local Government Pension Scheme Regulations 2013 (amended) SI 2015 No 755 to produce an Annual Report.
4. The Annual Report contains details of the accounts of the Wiltshire Pension Fund for the year to 31 March 2015 and is primarily aimed at the participating employer organisations within the Wiltshire Pension Fund.
5. It supplements the Statement of Accounts of the Council, a formal publication required under the Accounts and Audit Regulation 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom. As well as reporting the accounts, the opportunity is taken to cover matters of wider interest that affect the Fund, its investments and general pension provision.
6. Copies of the Annual Report are circulated to all employers of the Fund in an electronic format. Hard copies of the Annual Report are available along with the associated policies referenced upon request.

Risk Assessment

7. The audit of the Wiltshire Pension Fund is finalised and KPMG have issued an unqualified Audit Opinion.

Financial Considerations

8. These are considered in the Annual Report. The outturn for 2014-15 was reported to the June Committee.

Legal Implications of the Proposals

9. There are none.

Environmental Impact of the Proposals

10. There are none.

Safeguarding Considerations/Public Health Implications/Equalities Impact

11. There are no known implications at this time.

Proposals

12. Members are asked to approve the draft Wiltshire Pension Fund Annual Report 2014-15 for publication.

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

**Report & Accounts
For the year ended 31 March 2015**

WILTSHIRE PENSION FUND

REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015

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1. Chairman's foreword

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

Wiltshire Council, which administers the Fund, is one of the 157 Employer organisations which are members of the Fund. Swindon Council & Wiltshire Council are the two largest employer organisations of the Fund. The Fund has seen a further increase in Member bodies over the last 12 months predominantly from the ongoing formation of Academy Schools which have the right of automatic membership.

The Fund has 21,600 employees currently contributing to it while the number of retired employees receiving regular payments has increased by around 500 to 14,200, the average pension is £4,375. The anticipated trend is still for the reduction of active membership as public bodies restructure in light of reduced funding for the largest employers, although the past couple of years have seen levels stay fairly constant. The cashflow of the fund was again broadly neutral for the year (taking out a one-off bulk transfer event), this is being monitored closely and with the annual 1% contributions rate increases for the largest employers implemented from April 2014 should be maintained for the short term at least. Nevertheless we are extremely conscious of the cost pressures facing employers and their ability to absorb future increases.

The Fund's assets have increased by £207 million to £1,852 million as at 31st March 2015 reflecting positive returns from growth and defensive assets. At the last triennial valuation, (March 2013) the funding level was 71%. Despite the excellent performance of the Fund's assets over this period, it is the continuation of historically low bond yields that increases the size of the liabilities leading to the decline in funding level. This is because bond yields are used by the Fund's actuary to discount the future liability cashflows to reflect the time value of money. The smaller this number, the higher the projected future cashflows to be paid out, meaning greater investment returns need to be generated by the Fund over the long term.

Experience since the last valuation has been broadly as expected. Bonds yields have fallen further offsetting asset returns. Since the triennial valuation our interim monitoring reports now shows that the funding level is nearer 74% as at 31 March 2015.

Growth assets performed well over the year, the annual return for the Fund was 13.8%; 2.1% ahead of its consolidated benchmark of 11.8%. Wiltshire Pension Fund did achieve 26 percentile out of 89 Local Authority Funds within the World Markets (WM) Company Local Authority League tables where the average return of the WM Universe was 13.2% (gross of fees). The Committee continues to monitor investment manager performance and a high level Investment Strategy review is due to take place July 2015.

During the year up to March 2015 there were a number of changes of membership to the Pension Fund Committee. Councillor Des Moffatt was replaced by Councillor Steve Allsopp, Tim Jackson was replaced by Diane Hall (Admitted Body representative) and Lynda Croft was replaced by Linda Stuart (Education Scheduled Body representative). We would like to thank them all for their contribution over the years and wish them well for the future.

The Committee is also responsible for the administrative performance of the Fund which is administered by key officers, namely Michael Hudson (Treasurer to the Pension Fund), David Anthony (Head of Pensions) and Catherine Dix (Strategic Pension Manager) following the requirements set out in the Local Government Pension Scheme (LGPS) Scheme Regulations and the principles laid down by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Fund is also regularly audited by both the South West Audit Partnership (internal audit) and KPMG (external audit) while performance is analysed by CIPFA through their benchmarking club. These processes reflect the primary need for a high standard of management and good governance arrangements to be a better performing fund, and these reports demonstrate this is currently being achieved.

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 2014, 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. The Fund's administration consists of 24 staff members. The Fund has experienced some staff turnover during the year and are currently recruiting to replace them to maintain levels of expertise and resources.

From the 1 April 2015, a new national Scheme Advisory Board will provide an oversight of all LGPS funds on behalf of the Department of Communities and Local Government (DCLG) while we are required by legislation to establish a Local Pension Board to give stakeholders a greater voice and to assist the Wiltshire Pension Fund in securing compliance with the Regulations. All LGPS funds also fall under the jurisdiction of the Pension Regulator which requires the Wiltshire Pension Fund to adhere to its new code of practice for Public Sector Pension Schemes.

In addition, other issues being faced include changes requirements for record keeping and data cleansing, changes to tax relief allowances, changes in the provision of data from HMRC, a continued increase in numbers of employer organisations (from out-sourcing and academies conversions) along with their associated risks, trying to address the maturing cashflow profile, the 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 we have been aligning resources to ensure we are flexible and responsive enough to adapt to all these changes.

Tony Deane, Chairman

On behalf of the Wiltshire Pension Fund Committee

2nd July 2015



2. Fund overview

Legal framework

The Local Government Pension Scheme (LGPS) is governed by the Superannuation Act 1972. The current scheme rules are contained within the LGPS Regulations 2013, the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 and the LGPS (Amendment) Regulations 2015. The Regulations are fixed on a national basis, however the Scheme is administered by 89 designated Administering Authorities throughout England and Wales.

Wiltshire Council is responsible for administering Wiltshire Pension Fund for the benefits of employees of Wiltshire Council and the employees of scheme employers and admissions bodies. A list of participating scheme employers is shown on page 13.

The LGPS is currently a contracted out scheme and this enables most scheme members to benefit from paying a lower rate of National Insurance Contribution, until April 2016.

The LGPS is granted “exempt approval” status by HM Revenue and Customs (HMRC) for the purposes of Income and Corporation Taxes Act 1988. The LGPS is also classified as a Registered Pension Scheme under Part 4 of Chapter 2 of the Finance Act 2004.

The Regulations specify the type and amounts of pension and other benefits payable in respect of Scheme members, and also specifies the member contribution rates payable. Members have the freedom to opt out of the Scheme and make alternative arrangement. Scheme members currently pay a contribution rate of 5.5% to 12.5%, based on their actual pensionable pay.

Employer contribution rates are set by the Fund’s Actuary every 3 years following a valuation of the Fund, this ensures the solvency of the Fund. New rates were set by the Actuary from 1 April 2014 following the 2013 Actuarial Valuation, a recommended common employers rate of 31% of pensionable pay was set with individual employer rates being adjusted depending upon circumstances specific to that employer.

Scheme benefits

The Local Government Pension Scheme (LGPS) provides the following benefits for its members:

- An inflation protected pension with the option to convert part of the pension to a lump sum payment (subject to HMRC limits). Since April 2014 benefits are accrued on a Career Average Revalued Earnings basis;
- Early payment of pension benefits due to ill-health;
- Early payment of pension if aged 55 or over if:
 - Made redundant;
 - Retired through business efficiency;
 - Taken flexible retirement;
- A lump sum death grant payable to the nominated beneficiary or the most appropriate recipient deemed by Wiltshire Pension Fund, plus an inflation protected dependant’s pension if death occurs before retirement;
- An inflation protected dependant’s pension for death after retirement and a guaranteed lump sum death grant if death occurs with 10 years of retirement (depending on eligibility).

For leavers not entitled to the immediate payment of benefits.

- An inflation protected deferred pension to be paid at normal retirement age or at any time before age 75; or
- An opportunity to transfer to another pension scheme provider; or
- A refund (depending on eligibility criteria but generally if scheme membership is less than 2 years).

The ability to increase personal benefits are available as follows:

- Purchase of extra pension by means of Additional Voluntary Contributions (AVC's) through the Fund's approved AVC provider;
- Purchase of additional pension through Additional Pension Contributions (APC's) arrangements

Statistics

Financial Summary

	2010-11 £000	2011-12 £000	2012-13 £000	2013-14 £000	2014-15 £000
Contributions and Benefits					
Contributions receivable	86,210	87,770	77,083	79,128	85,529
Employers Additional Capital Contributions	0	0	0	0	0
Individual transfers	9,145	5,662	4,551	2,902	1,785
	95,355	93,432	81,634	82,030	87,314
Benefits payable	-61,418	-65,687	-68,351	-76,669	-74,067
Payments to and on account of leavers	-6,889	-4,039	-4,156	-4,789	-31,249
	-68,307	-69,726	-72,507	-81,458	-105,316
Management Expenses	-5,392	-6,684	-4,911	-4,679	-7,112
	21,656	17,022	4,216	-4,107	-25,114
Returns on Investments					
Investment Income	27,691	31,095	24,774	18,377	21,443
Change in market value of investments	70,903	9,884	120,124	136,981	211,110
Net returns on investments	98,594	40,979	144,898	155,358	232,553
Net increase in the fund during the year	120,250	58,001	149,114	151,251	207,439

Membership Summary

	2010-11	2011-12	2012-13	2013-14	2014-15
Contributors	19,456	19,329	20,193	21,655	21,606
Pensioners and Dependants	11,343	12,227	12,879	13,729	14,200
Deferred Pensioners	17,883	19,701	21,178	22,262	23,789

Income (i.e. contributions from employers and employees together with dividends and interest earned by investments, but excluding profits on sales of investments) has consistency exceeded expenditure. Payments on account of leavers did increase this year, this was as a result of a bulk transfer out of Probation Staff. This was funded by a transfer of assets to Greater Manchester Pension Fund. During 2014/15 cashflow (excluding investment income) was broadly neutral; this continues to be monitored closely.

Administration Management Performance

Wiltshire Pension Fund (WPF) has been a member of the CIPFA Pensions Administration benchmarking club since 2010 principally to gain a better understanding of how WPF's service compares to those of its peers.

The club compares the Fund against the other 49 LGPS authorities within the club. It is however important to remember this survey merely reviews costs and processes but does not test or have a measure for 'quality' of service.

The 2014 CIPFA Pension Administration benchmarking club report, issued in August 2014, compares the performance of WPF in 2013/14 with 49 local authorities who administer the Local Government Pension Scheme. The key benchmark for Pension Administration is the cost of administering the LGPS per member and the Fund's cost for 2013/14 was £20.86 (2012/13: £21.54) compared to the average of £20.75 (2012/13: £21.42).

The table below provides an analysis from the CIPFA benchmarking report of the Funds cost per member compared with the average cost for the authorities in the benchmarking club.

Cost per member 2013/14	Wiltshire Pension Fund	Average
	£	£
Staff	7.74	8.87
Payroll	2.59	1.97
Direct costs eg communications and actuarial fees	5.28	4.28
Overheads eg IT, accomodation, central charges	5.55	5.90
Income	- 0.30	- 0.27
Net cost per member	20.86	20.75

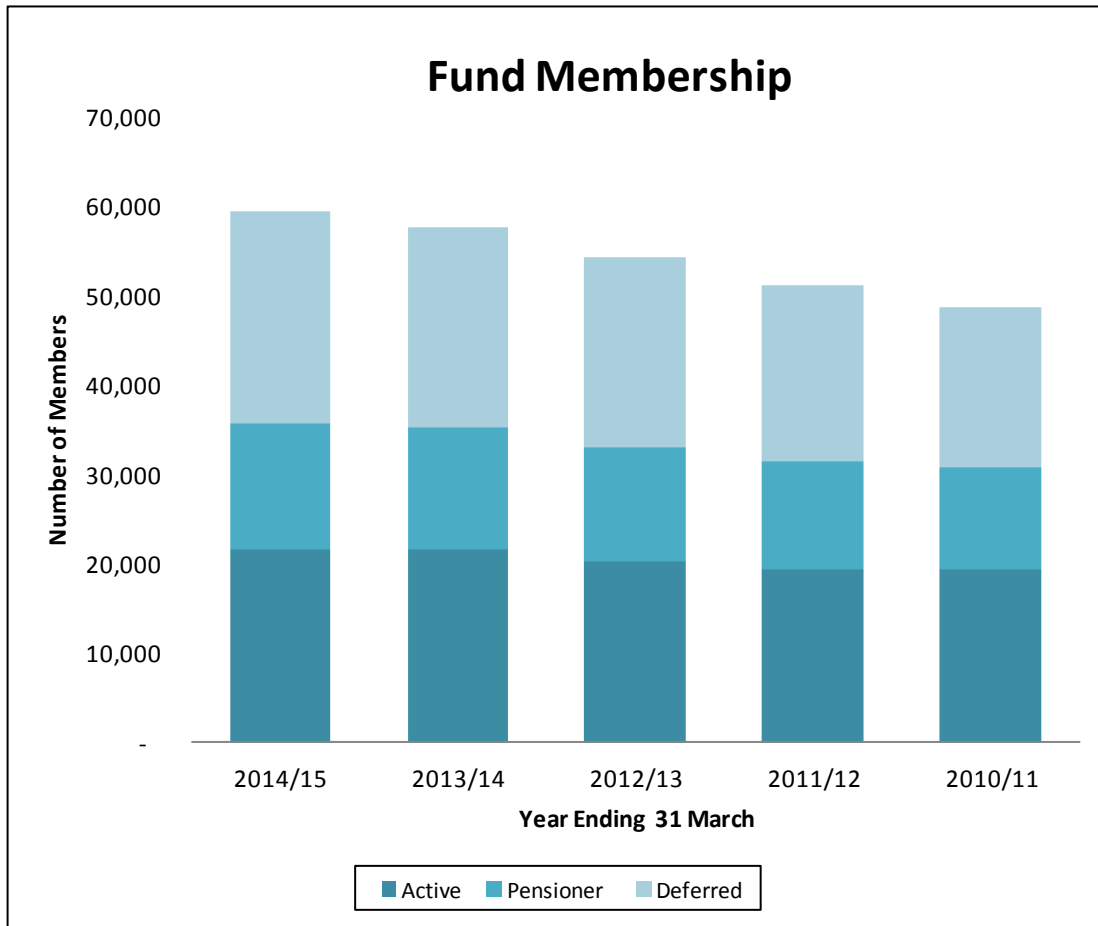
* difference between the average total and the sum of sub averages is due to rounding and quality control methods applied by CIPFA agrees to sch bod tab **last year agrees to sch bod tab

Scheme membership

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

	2014/15	2013/14
Active Members		
Active membership at start of year	21,655	20,193
New Entrants	3,951	3,676
Linked deferred members		0
Unfrozen actives		0
<i>Leavers and exits during the year:</i>		0
Retirements	-374	-518
Death	-13	-15
Deferred members	-1,955	-1,166
Refunds / Transfer outs / opt outs	-224	-30
Frozen	0	-1
Other	-1,434	-484
Active membership at end of year	21,606	21,655
Pensioners		
In payment at start of year	13,729	12,879
<i>New pensioners in year resulting from:</i>		
Retirement of active members	374	518
Retirement of deferred members	416	396
Cessation of benefits	-533	-251
Other	214	187
In payment at end of year	14,200	13,729
Deferred members		
At start of year	22,262	21,178
New deferred pensioners	1,955	1,166
<i>Cessation of deferred pensions resulting from:</i>		0
<i>Retirements</i>	-416	-396
Linked to active records	0	0
Full commutations	0	0
Transfers-out	-230	-94
Deaths	-22	-17
Other	240	425
At end of year	23,789	22,262

5 year analysis of fund membership



5 Year Analysis of Fund Membership Data

	2015	2014	2013	2012	2011
Active members	21,606	21,655	20,193	19,329	19,456
Deferred Beneficiaries					
Deferred Members	23,789	22,262	21,178	19,701	17,883
Frozen Refunds					
Pensions in Payment	14,200	13,729	12,879	12,227	11,343
Total Membership	59,595	57,646	54,250	51,257	48,682

Age profile of fund membership at 31 March 2015

Age Band Years	Pensioner Type % of members			Total
	Active	Deferred	Pensioner	
<20	231	17	127	375
20 - 24	896	397	27	1320
25 - 29	1370	1314	2	2686
30 - 34	1625	1726	6	3357
35 - 39	2115	2273	7	4395
40 - 44	3197	3550	28	6775
45 - 49	3945	4804	33	8782
50 - 54	3708	4874	72	8654
55 - 59	2778	3540	567	6885
60 - 64	1341	1148	2865	5354
65 - 69	341	100	3964	4405
70 - 74	55	34	2579	2668
75 - 79	4	11	1643	1658
80 - 84	0	1	1231	1232
85 - 89	0	0	658	658
>90	0	0	391	391

Employer and Employee contributions

Employer Name	TOTAL ERS	TOTAL EES	Employer Name	TOTAL ERS	TOTAL EES
Wiltshire Council	26,015,611.30	8,223,446.61	Pewsey Vale Academy	71,385.11	18,244.08
Swindon Borough Council	14,348,436.97	3,899,286.48	Highworth Warneford	195,766.62	44,983.72
Agincare	38,874.97	11,486.95	Commonweal Academy	323,129.88	79,404.93
New College	711,358.09	223,184.65	Holy Rood Infants Academy	48,298.56	11,770.76
Swindon College	1,060,741.01	311,992.07	Holy Rood Junior Academy	71,387.54	21,975.48
Wiltshire College	1,430,074.30	434,741.57	Lethbridge Academy	84,461.72	22,858.29
Town and Parish Councils	919,749.51	310,638.24	Lydiard Academy	237,374.00	50,173.88
Wiltshire Police	3,564,259.81	1,458,075.02	Malmesbury Academy	165,799.15	43,145.26
Wiltshire Fire	872,036.88	220,888.10	Ridgeway Academy	151,235.61	37,088.63
Wiltshire Probation	255,644.39	46,550.00	St Joseph's Academy	320,098.34	82,383.89
Swindon Academy	382,812.70	141,547.33	St Mary's Academy	52,416.68	11,890.61
ABM Catering Ltd	2,838.25	557.51	Kingdown Academy	270,151.55	76,773.98
Action for the Blind	41,088.52	1,175.88	St Laurence Academy	209,915.45	59,846.70
Aster Group	183,961.03	21,851.99	Kingsdown Academy	292,655.55	72,296.10
AsterPropMgmt	106,228.85	23,403.95	St Josephs Academy, Devizes	27,689.74	8,345.01
Aster Living	53,854.41	4,642.07	Holy Trinity Academy	24,551.49	5,954.79
Aster Communities	347,467.54	16,464.01	St Augustines Acadmy	162,555.78	48,607.79
Capita Business	317,869.36	66,451.32	Churchfield Academy	187,267.40	43,229.72
CIPFA	1,886,224.46	398,977.22	St Edmunds Calne Academy	36,139.16	8,114.87
Community First	102,540.20	27,351.59	Eastrop Infants Academy	14,917.10	3,926.27
Community Foundation	10,809.48	2,522.09	Southfield Junior Academy	39,853.87	9,430.22
DC Leisure	170,321.97	37,241.48	Seqol Care & Support Swindon	946,182.65	258,849.37
Devizes Museum	21,000.00	0.00	Visit Wiltshire	12,198.50	3,901.56
FCC Environment Services	87,604.34	9,605.12	St Leonards Academy	21,365.15	5,183.69
Order of St John	764,077.05	40,836.18	Springfields Academy	298,970.38	84,717.62
Southern Health NHS	2,189.02	388.70	John Bentley Academy	224,359.10	57,073.93
Salisbury Museum	48,997.41	9,813.18	Somerset Care Ltd	31,125.96	7,721.47
Selwood Housing Society	628,738.97	150,463.53	Colebrook Infants Academy	28,499.71	6,542.89
Swindon Dance	9,123.95	2,398.10	Dorcan Technology Academy	213,353.49	58,828.92
Westlea Housing Association	569,795.07	69,078.15	Enara	25,860.30	7,536.02
Direct Cleaning	4,001.87	815.85	Leonard Cheshire	21,816.49	10,184.33
Salisbury City Council	184,837.33	56,219.53	Woodford Valley Academy	41,390.11	9,883.38
Wellington Academy	188,875.99	83,224.53	St Edmunds Academy	196,499.21	47,387.61
Swindon Commercial Services	100,020.21	31,252.11	Somerset Care Selwood	10,214.01	2,393.24
Hardenhuish School Ltd	330,574.52	81,524.19	Great Western Hospital	4,618.88	1,739.50
Goddards Park Academy	135,087.44	62,050.88	John of Gaunt Academy	239,998.94	65,412.04
Sarum Academy	158,713.06	44,395.65	Bybrook Valley Academy	26,835.15	7,971.47
Caterlink	1,349.64	311.88	The Mead Primary Academy	161,972.96	44,118.44
Lavington Academy	106,199.37	28,566.99	Holy Trinity Calne Academy	37,897.65	9,153.24
South Wiltshire Grammar Academy	133,709.86	43,371.65	Sevenfields Academy	67,650.28	21,070.83
Bishop Wordsworth	131,035.95	40,768.39	Innovate Services	1,450.08	396.81
Corsham Primary Academy	83,915.12	27,568.36	Collaborative School	14,787.48	4,055.88
Corsham Secondary Academy	217,932.56	67,718.40	Oxford Health NHS Trust	8,125.80	2,138.40
Sheldon Academy	255,276.48	86,980.32	Mainline Contract Services	1,603.68	258.00
Royal Wootton Bassett Academy	207,605.47	62,705.11			

Employer and Employee contributions (continued)...

Employer Name	TOTAL ERS	TOTAL EES	Employer Name	TOTAL ERS	TOTAL EES
White Horse Federation	571,047.20	145,271.03	Lifeways	125,787.58	33,395.32
King William Academy	41,365.79	10,242.88	Reach	40,105.92	10,154.58
Gorse Hill Academy	74,292.02	16,524.25	Hazelwood Academy	56,749.22	11,770.60
Wiltshire & Swindon Sports Partnership	38,806.93	11,872.20	Dauntsey Primary Academy	24,688.98	6,644.47
Elior UK plc	15,100.39	2,190.20	Morgan Vale & Woodfalls Academy	15,139.70	3,854.62
The Manor Academy	46,697.66	14,313.27	Diocese of Bristol Academies Trust	60,962.37	13,252.85
Devizes Academy	207,235.38	55,819.71	Millbrook Academy	96,444.70	26,804.10
Excalibur Academy	289,303.60	73,947.74	Peatmoor Primary Academy	52,727.16	12,011.39
Holy Family Academy	61,552.24	15,143.07	Westlea Academy	66,665.49	16,442.25
St Catherine's Academy	37,493.10	8,030.90	Diocese of Salisbury Academies Tru	101,534.34	23,926.73
Wansdyke Academy	43,839.31	9,685.05	Shawridge Academy	62,645.62	15,636.31
Education Fellowship	204,522.91	50,622.21	Mears Care Ltd	121,828.55	31,766.94
Longmeadow Academy	24,285.90	6,411.81	All Saints (Netheravon) Academy	23,108.57	6,112.46
Rowde Academy	43,177.96	9,541.67	Pewsey Primary Academy	40,432.34	10,042.19
Malmesbury Primary Academy	91,519.23	21,731.06	Nuffield Health (Ridgeway Academy	24,627.35	6,032.30
Atkins Limited	74,603.05	22,122.13	Balfour Beatty	344,475.86	134,617.29
Plains Partnership	10,167.06	2,549.49	Salisbury 6th Form College	6,835.05	6,833.39
GLL	169,955.27	57,336.00	4 Children (Swindon)	39,305.56	10,363.03
Host	13,208.02	3,213.60	Queens Crescent Academy	31,467.35	7,194.44
Crime Reduction Initiatives	8,257.98	2,323.63	Twigmarket	18,154.67	5,881.75
			Total Contributions	66,237,408.32	19,291,125.46

Participating employers at 31 March 2015

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
 Elixir 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

Summary of employers in the fund

	Active
Scheduled body	110
Admitted body	47
Total	157

3. Scheme Management and Governance

Administering authority

Wiltshire Council
 County Hall
 Trowbridge
 Wiltshire BA14 8JN

Pension fund committee as at 31 March 2015

Wiltshire Council members	Councillor Tony Deane (Chairman) Councillor Charles Howard (Vice Chairman) Councillor Mark Packard Councillor Roy While Councillor Sheila Parker
Swindon Borough Council members	Councillor Steve Allsopp Councillor Brian Ford
Employee observers	Mike Pankiewicz – Wiltshire Council Tony Gravier – Swindon Unison Branch
Admitted bodies	Mrs Diane Hall – Selwood Housing Association
Education scheduled bodies	Mrs Linda Stuart – Hardenhuish Academy

Officers, advisors & managers at 31 March 2015

Wiltshire Council officers	Michael Hudson – Treasurer to Pension Fund David Anthony – Head of Pensions
Investment managers	Baillie Gifford & Co CBRE Global Multi Manager Loomis Sayles Jubilee Advisors (formerly Fauchier Partners) Legal & General M&G Financing Fund Partners Group Barings Asset Management Berenberg Bank Investec Asset Management
AVC providers	Equitable Life Assurance Society Clerical Medical Funds NPI Funds Prudential
Investment consultant	Mercers
Actuary	Hymans Robertson
Independent adviser	Jim Edney, Independent Pension Fund Adviser
Auditor	KPMG LLP
Custodian	BNY Mellon
Legal adviser	Osborne Clarke
Bankers of the Fund	HSBC

Policy documents

The Fund's Governance Policy Statement and its Communications Policy Statement are available upon request or can be viewed at www.wiltshirepensionfund.org.uk The Fund's Governance Compliance Statement can be viewed on page 16.

Management

The Wiltshire Pension Committee meets at regular quarterly intervals to review the affairs of the Fund, to review Fund performance and to plan the implementation of policy. In addition a separate Investment Sub Committee meets periodically to review specific issues relating to Fund investments. Finally, in response to the Public Service Pensions Act 2013 all LGPSs are required to set up a local pension board. The role of the pension board will be to ensure that the management of fund administration and investments complies with the relevant regulations and legislation and that the Fund is managed in the best interests of its stakeholders.

All investments held by Wiltshire Pension Fund are managed by external investment managers.

Fund assets are managed as follows:-

- Global overseas equity exposure is managed by Baillie Gifford
- Global bond exposure is managed by Loomis Sayles
- UK and European property funds are managed by CBRE Global Investment Partners
- Global long/ short equity fund of funds are managed by Permal
- The UK financing fund is managed by M&G
- Legal & General manage passive UK equities, passive UK gilts, passive global fundamentals and passive global equities.
- Barings manages the Dynamic Asset Absolute Return Fund
- Investec manages the Emerging Markets Multi Asset Fund
- Partners manages the Global Infrastructure mandate
- Berenberg manages the Dynamic Currency overlay

Custodial arrangements

Fund assets are held by BNY Mellon who handles all custodial arrangements of the Fund. The custodian is also able to carry out stock lending on behalf of the Fund. Fund assets are held under the name “*Wiltshire County Council Pension Fund*”.

4. Governance

Governance policy statement

AREA	PRINCIPLE	LEVEL OF COMPLIANCE	REASON FOR NON-COMPLIANCE
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A) Structure	a) The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	FULL – The Council’s constitution (Part 3, para 2.5) says that the Committee will “exercise the functions of the Council as Administering Authority under the Local Government Superannuation Act and Regulations and deal with all matters relating thereto”. The Wiltshire Pension Fund Committee has the power to “...make decisions on matters of significant policy...” (Part 3B, para 4).	N/A
	b) That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	FULL – There are two voting representatives from Swindon Borough Council, two voting representatives from Admitted Bodies and 2 UNISON Observers (representing active, deferred and pensioner members), all of whom are members of the main committee. There is an Investment Sub-Committee (ISC) to consider and determine opportunistic investments to the value of 5% of the Fund’s total assets. This consists of 3 voting members, namely the Chairman, Vice-Chairman and one co-opted member of the main committee. All members of the main committee may be an observer.	N/A
	c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	FULL – All decisions taken by the ISC are reported back to the next main committee meeting.	N/A

	d) That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	FULL – At least 4 members of the ISC sit on the main committee.	N/A
B) Representation	a) That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include: <ul style="list-style-type: none"> i. employing authorities (including non-scheme employers, eg, admitted bodies); ii. scheme members (including deferred and pensioner scheme members); iii. independent professional observers; and iv. expert advisors (on an ad-hoc basis). 	<p>FULL – four representatives in total, two from Swindon Borough and two from Admitted Bodies. The non-elected members will hold their office for a maximum of 4 years before a re-election process needs to take place.</p> <p>FULL – two representatives from UNISON, who represent active, deferred and pensioner members</p> <p>FULL – Our Independent Pension Adviser, who attends all meetings, fulfils this role and feeds back any observations to the Chief Finance Officer and/or Head of Pensions</p> <p>FULL – Mercers (the Fund’s Investment Consultant) and Hymans Robertson (the Fund’s Actuary) attends all meetings where expert advice is required</p>	<p>N/A</p> <p>see A) b) above</p> <p>N/A</p> <p>N/A</p> <p>N/A</p>

	b) That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.	FULL – All members of the Committee are given equal access to papers, meetings and training and are able to fully participate in debates.	
C) Selection and Role of Lay Members	a) That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	FULL – Full Induction Training and Governance is given and each member is given a Members’ Handbook outlining their responsibilities amongst other information.	N/A
	b) That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.	FULL – this is a standard part of committee procedure.	
D) Voting	a) The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	FULL – The Committee has afforded each of its members voting rights, except the UNISON Observers who represent members. Being a statutory pension scheme, the local committee has very little influence over benefits and the members are fully protected by statute. Therefore, there is very little that scheme members (or their representatives) can influence on the committee that has any direct impact upon them. Further, giving voting rights to the observers would mean increasing the size of the Committee, because the Administering Authority must legally be able to maintain a majority.	N/A
E) Training/Facility Time/Expenses	a) That in relation to the way in which statutory and	FULL – There is a Members’ Training	N/A

	related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	Plan which is updated regularly and fully implemented. All members (including observers) have full access to all training opportunities and are allowed to claim all reasonable expenses.	
	b) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	FULL – see Members Training Plan	N/A
F) Meetings - Frequency	a) That an administering authority's main committee or committees meet at least quarterly.	FULL – The Committee meets five times per year, plus ad-hoc for special issues (eg. valuation, tenders)	N/A
	b) That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	FULL – The ISC meets two times per year, with a potential two further meetings scheduled should they be required.	N/A
	c) That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	FULL –From 1 April 2015, Wiltshire Council in its role of Administering Authority will establish a Local Pension Board. This will consist of 6 voting members (3 employer and 3 member representatives) along with a non-voting independent chair. The purpose of this Board is to review and ensure the Wiltshire Pension Fund secures compliance with the Scheme regulations and all other relevant legislations.	N/A
G) Access	a) That subject to any rules in	FULL – All members of	N/A

	the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	the Committee (including non voting and substitute members) receive all the papers for every meeting, including the confidential ones	
H) Scope	a) That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	FULL – All matters in relation to the Fund, whether Benefits, Governance, Investments, Communications, Employers, Financial, etc, are covered by the governance arrangements.	N/A
I) Publicity	a) That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	FULL – the Governance Compliance Statement is available on the Wiltshire Pension Fund Website and in the Wiltshire Pension Fund Annual Report. This statement is approved by the main committee which is held as a meeting open to public participation	N/A

Pensions Committee as at 31 March 2015

The Wiltshire Pension Fund Committee met 6 times in 2014-15. Below shows the attendance of the Members of this Committee:

Members
Councillor Tony Deane

Number of meetings attended (max 6)
5

Councillor Charles Howard	6
Councillor Sheila Parker	4
Councillor Roy While	4
Councillor Mark Packard	5
Councillor Steve Allsopp	4
Councillor Brian Ford	4
Mike Pankiewicz	5
Tony Gravier	2
Diane Hall (Appointed Sept 14)	3
Linda Stuart (Appointed Sept 14)	4

5. Risk

Risk Management

The Administering Authority has an active risk management programme in place. Controls are in place to cover the following risks.

Financial/Funding Risk

This is essentially the risk that the funding level drops and/or contribution rates have to rise due to one or more of the following factors:

- Investment Risk – This is the risk that the investments assets underperform the level assumed in the Triennial Actuarial Valuation. This can occur due to poor economic/market conditions, the wrong investment strategy or poor selection of investment managers.
- Liability Risk – This is the risk that there is a fall in the so-called “risk free” returns on Government bonds, which form the basis of assumptions about future investment returns. The assumed future investment return is used to “discount” future liabilities (ie. over the next 0-80 years) back to today’s values (net present value). Therefore, falling bonds yields means higher liabilities.
- Inflation Risk – Notwithstanding other factors, Pension Fund liabilities increase in line with inflation, because the CPI is applied to pensions annually. Therefore, rising inflation causes the liabilities to increase.
- Insufficient Funds Risk - This is the risk that there is insufficient money in the Fund to pay out pensions as they become due. As mentioned earlier, this is not an immediate concern for a relative immature fund such as Wiltshire.

Demographic Risk

This is the risk of that the pensioners live longer and therefore the liabilities of the Fund increase.

Regulatory Risk

This risk could manifest itself in a number of ways. For example, it could be the risk that the liabilities will increase due to the introduction of an improved benefits package, or that investment returns will fall due to tighter regulation being placed on what can be invested in.

It could also arise through a failure to comply with LGPS or other regulations.

Governance Risk

This is the risk that governance arrangements of the Fund are sub-optimal. For example, this could arise through a lack of expertise on the Committee arising from insufficient training. Another possibility is that potential conflicts of interest between the Fund and the Council are not managed sufficiently well.

Employer Risk

This is the risk that an employer is unable to meet its financial obligations to the Fund, either during its membership of the Fund, or at its ceasing when the last contributing member leaves. Where a guarantor is in place they will pick up the cost of any default, but where there is not one, the cost has to be spread across all employers in the Fund.

Management Risk

This risk can manifest itself in a number of ways:

- Failure to process pensions
- Failure to collect contributions
- Failure to have proper business continuity plans in place
- Fraud or misappropriation
- Failure to maintain up-to-date and accurate data and hold it securely
- Failure to maintain expertise or over-reliance on key staff
- Failure to communicate effectively with members and employers
- Failure to provide the service in accordance with sound equality principles

A Risk Register was formally adopted by the Wiltshire Pension Committee in May 2009 and a report of the key highlights is reported to the Committee at each quarterly meeting. The risks highlighted in this report is shown in the table on the following pages.

Other risks concerning the Fund are disclosed in the Funding Strategy Statement and note 11 of the Statement of Accounts relating to Financial Instruments.

Third party risks

Contribution payments are monitored closely for accuracy and timeliness. A reporting process is in place to escalate any late/inaccurate payments to ensure all payments are received.

In respect of Investment Managers, internal control reports (AAF 01/06 and SSAE16) are received and reviewed regularly for any non-compliance issues. These are also reviewed by our internal and external auditors.

Ref.	Risk	Impact	Controls
PEN001	Failure to process pension payments and lump sums on time	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.	Maintenance and update of ALTAIR and SAP systems, sufficient staff cover arrangements, sufficient staff training and QA checking of work.
PEN002	Failure to collect and account for contributions from employers and employees on time	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.	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.
PEN003	Insufficient funds to meet liabilities as they fall due	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.	Funding Strategy Statement, Investment Strategy, Triennial Valuations, membership of Club Vita, modelling of future cashflows.
PEN004	Inability to keep service going due to loss of main office, computer system or staff	Temporary loss of ability to provide service	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.
PEN005	Loss of funds through fraud or misappropriation	Financial loss to the Fund	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.
PEN006a	Significant rises in employer contributions for secure employers due to increases in liabilities	Employer contribution rates become unacceptable, causing upward pressure on Council Tax and employers' costs.	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.
PEN006b	Significant rises in employer contributions for non-secure employers due to increases in liabilities	Employer contribution rates become unacceptable, causing upward pressure on Council Tax and employers' costs.	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.
PEN007a	Significant rises in employer contributions for secure employers due to poor/negative investment returns	Poor/negative investment returns, leading to increased employer contribution rates	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.
PEN007b	Significant rises in employer contributions for non-secure employers due to poor/negative investment returns	Poor/negative investment returns, leading to increased employer contribution rates	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.
PEN008	Failure to comply with LGPS and other regulations	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	Sufficient staffing, training and regulatory updates. Competent software provider and external consultants.

Ref.	Risk	Impact	Controls
PEN009	Failure to hold personal data securely	Poor data, lost or compromised	Compliance with Wiltshire Council's Data Protection & IT Policies.
PEN010	Failure to keep pension records up-to-date and accurate	Incorrect records held, leading to incorrect estimates being issued to members and incorrect pensions potentially being paid.	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.
PEN011	Lack of expertise of Pension Fund Officers and Service Director, Finance	Bad decisions made may be made in relation to any of the areas on this register, but particularly in relation to investments.	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.
PEN012	Over-reliance on key officers	If someone leaves or becomes ill, a big knowledge gap if left behind.	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.
PEN013	Failure to communicate properly with stakeholders	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.	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.
PEN014	Failure to provide the service in accordance with sound equality principles	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.	The Fund has done an Equality Risk Assessment and has an Equality Implementation Plan in place
PEN015	Failure to collect payments from ceasing employers	Failure to collect cessation payments means the cost of funding future liabilities will fall against the Wiltshire Pension Fund	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.
PEN016	Treasury Management	Exposure to counterparty risk with cash held with external deposit holders could impact on Funding level of the Fund	The Pension Fund approved an updated Treasury Management Strategy March 2015 which follows the same criteria adopted by Wiltshire Council but limits individual investments with a single counterparty to £6m.
PEN017	Lack of expertise on Pension Fund Committee	Bad decisions 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	Members are given Induction Training when they join the Committee, as well as subsequent opportunities to attend courses/seminars and specialist training at Committee ahead of key decisions. There is a Members' Training Plan and Governance Policy. Help can be called on from our consultants and independent advisors and investment managers too.
PEN018	Failure to implement the LGPS 2014 Reforms	Unable to meet the new legislative requirements of the scheme and to administer the Fund correctly.	A communication policy implemented to inform all members of the changes. Implementation Plan is on-going. Systems team in close contact with Software providers to ensure developments will be actioned. Review of process being undertaken by Technical & Compliance Manager to ensure changes are compliant.
PEN019	Establishment of Local Pension Board & Investment 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.	Plan in place for the implementation of a Local Pension Board, to be approved by Wiltshire Council on 24 February. Following this recruitment will commence and additional resources required for the operation of this board included in the Funds budget. Although the responsibility of Wiltshire Council to establish, these Boards will place additional demands on the officers time in the support and provision of information.

6. Training report

Approach

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

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

The Treasurer to the Pension Fund is responsible for ensuring that these training plans and strategies are implemented.

Background

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

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

In particular, Principle 1 'effective decision making' states:

Administering Authorities should ensure that:

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

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

This Members Training Plan, in line with recommended practice is reviewed and updated on a rolling basis ensuring it's aligned to the Fund's medium term priorities.

Assessments & Training Undertaken

Members of the Committee

The previous Members Training Plan was approved in December 2010 by the Wiltshire Pension Fund Committee. This was programme ran from 2011 and covered the following topics:

Topic:	Delivered by:
General:	
<ul style="list-style-type: none">• Overview of the LGPS• Individual Members needs• Specific committee agenda items	<ul style="list-style-type: none">• Members' handbook• Briefing notes, one to one session & external conferences• Briefing notes & short seminars
General Pension Framework:	
<ul style="list-style-type: none">• LGPS discretions & policies• Implications of Hutton Review	<ul style="list-style-type: none">• Short seminar• Briefing note, internal training & conferences
Pension Legislation & Governance:	
<ul style="list-style-type: none">• Roles of the tPR, TPAS & PO• Review of Myners Principles	<ul style="list-style-type: none">• Internal training• Internal training
Pension Accounting & Auditing Standards:	
<ul style="list-style-type: none">• Accounts & Audit regulations & legislative requirements	<ul style="list-style-type: none">• Short seminar
Financial Services Procurement:	
<ul style="list-style-type: none">• Current public procurement policy & procedures• UK & EU procurement legislation	<ul style="list-style-type: none">• Internal training• Internal training
Investment Performance & Risk Management:	
<ul style="list-style-type: none">• Monitoring asset returns & liabilities• Performance management & Myners• Setting targets for committee	<ul style="list-style-type: none">• Internal training• Internal training• Internal training
Financial markets & product knowledge:	
<ul style="list-style-type: none">• Refresh the importance of setting investment strategy• Understanding the operations of a fixed income manager• Understanding Alternative asset classes	<ul style="list-style-type: none">• Short seminar• External training – site visit• Internal training
Actuarial methods, standards and practices:	
<ul style="list-style-type: none">• Triennial Valuation refresher	<ul style="list-style-type: none">• Short seminar

During June 2014, Members of the committee agreed to undertake a further 'self – assessment' exercise that rated their knowledge in the areas covered by the CIPFA Pension Finance Knowledge & Skills Framework to identify key areas for development. These results were then used to inform and update a new Members Training Plan.

This new Members Training Plan runs from April 2015 to December 2017, with a focus on the 2016 triennial valuation and local elections. It incorporated the ideas, themes and preferences identified in the self-assessment exercise.

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

The Members Training Plan for 2015-17 was approved by the Committee on 12 March 2015 is outlined at the end of this section.

Officers to the Pension Fund Committee

There is a framework in place for monitoring officers' performance and identifying training needs. Wiltshire Council's policy is that all officers receive an appraisal once a year with an interim review on a half yearly basis. They have their needs assessed and training plans are formulated accordingly.

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

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

Michael Hudson

Treasurer of Pension Fund

22 July 2015

WILTSHIRE PENSION FUND COMMITTEE – MEMBERS’ TRAINING PLAN – April 2015-2017

TRAINING NEED	PROPOSED DELIVERY METHODS							COMPLETION TARGET DATE
	Member's Handbook	Members' Briefing Notes (Electronic)	Short Seminars (before Committee meeting)	Internal Training Events (Internal & External Speakers)	External Conferences & Training Seminars	E-Learning (e.g., Webcasts, Videos)	One-to-One Briefing with an officer	
GENERAL TRAINING								
General overview of LGPS	✓							Review June 2016
Members' individual needs on specific areas arising during the year		✓			✓	✓	✓	As required - notify Head of Pensions
New Members induction session				✓			✓	May 2015 June 2017 As required
Specific items on committee agendas		✓	✓					
SPECIFIC ISSUES IDENTIFIED FROM MEMBERS SELF ASSESSMENTS								
General Pension Framework								
<ul style="list-style-type: none"> Terms of Reference for Pension Committee, Investment Sub-Committee & Local Pension Board 	✓		✓					July 2015
<ul style="list-style-type: none"> LGPS discretions policies 			✓					July 2015
<ul style="list-style-type: none"> Update following Government's response to consultation on the review of the LGPS 		✓		✓	✓			September 2015
<ul style="list-style-type: none"> Review of the Fund's communication policy & tools 	✓			✓				May 2016
Pensions Legislation & Governance:								
<ul style="list-style-type: none"> Role of the Pension Regulator, National Scheme Advisory Board & Local Pension Board 	✓			✓				May 2015
<ul style="list-style-type: none"> Review of the importance on data quality and implications of the end of contracting out in 2016 	✓			✓				May 2015
<ul style="list-style-type: none"> Overview of all the relevant sources of legislation that impact on the Fund 	✓							May 2016
Pension Accounting & Auditing standards:								
<ul style="list-style-type: none"> Update on the new reporting requirements for the Fund's Annual Report 			✓					September 2015
Financial Services procurement:								
<ul style="list-style-type: none"> Current public procurement policy & procedures 	✓							May 2017
<ul style="list-style-type: none"> Brief overview of UK & EU procurement legislation 	✓							May 2017
<ul style="list-style-type: none"> Awareness of support services suppliers and contract monitoring 	✓			✓				May 2017
Investment Performance & Risk Management:								
<ul style="list-style-type: none"> Monitoring asset returns relative to liabilities and monitoring funding level risk 	✓	✓		✓	✓			September 2015
<ul style="list-style-type: none"> Understanding the purpose of "flight paths" & asset liability matching 		✓		✓	✓			September 2015
<ul style="list-style-type: none"> Implications of setting different investment strategies for employers 				✓				April 2016
Financial markets & products knowledge:								
<ul style="list-style-type: none"> Review of asset allocation and investment strategy 		✓		✓				June 2015 / 2016 / 2017
<ul style="list-style-type: none"> Limits placed by regulation on investment activities in the LGPS 	✓			✓				September 2016
<ul style="list-style-type: none"> Environmental, Social and Governance considerations for investing 				✓				September 2017
<ul style="list-style-type: none"> Specific investment opportunities 		✓		✓	✓			As required
Actuarial methods, standards and practices:								
<ul style="list-style-type: none"> Review purpose of the Funding Strategy Statement 	✓			✓				April 2016
<ul style="list-style-type: none"> Triennial Valuation refresher 			✓	✓				April 2016
<ul style="list-style-type: none"> Considerations in relation to outsourcings and bulk transfers 	✓			✓				April 2017
CHAIRMAN / VICE CHAIRMAN TRAINING								
<ul style="list-style-type: none"> Strategic forward planning 							✓	on-going
<ul style="list-style-type: none"> Stakeholder feedback 							✓	on-going
<ul style="list-style-type: none"> Appreciation of changes to scheme rules 					✓			Invite to be circulated to relevant ones

7. Administration report

Recent developments

This year saw twelve new admitted bodies and academies joining the Fund bringing the total number of employers to 157. It's anticipated the total number of employers will continue to increase over the next few years due to further outsourcing of services and schools converting to academy status.

One employer ceased membership during this period.

The full list of employers can be seen on page 13.

Implementation of the Local Government Pension Scheme 2014

The 1 April 2014 saw the new Local Government Pension Scheme 2014 come into force.

Since January 2013, the Fund has been working through its implementation strategy, working with all key stakeholders and software providers to ensure that systems and processes were updated and employers were made aware of the new data submission requirements. The Fund has also spent a great deal of time communicating these changes to members of the scheme with the production of 4 active members newsletters, 4 pensioners newsletters and over 65 presentations and pension road shows having taken place over the past 24 months.

The final stage of this process will occur in August 2015 with the issuing of Annual Benefit Statements which will include the first year's benefits of the 2014 scheme. This has required the Fund to redesign its statements and working closer with employers to ensure the correct pensionable pay figures as provided to ensure the accuracy of members' benefits.

As a reminder the main provisions of the new scheme are outlined in the table below:

LGPS 2014	
Basis of Pension	Career Average Re-valued Earnings (CARE)
Accrual Rate	1/49th
Revaluation Rate	Consumer Prices Index (CPI)
Normal Pension Age	Equal to the individual member's State Pension Age (minimum 65)
Contribution Flexibility	Members can opt to pay 50% contributions for 50% of the pension benefit
Death in Service Lump Sum	Lump Sum 3 x pensionable pay
Definition of Pensionable Pay	Actual pensionable pay - to include non contractual overtime and additional hours for part time staff
Vesting Period	2 years

LGPS 2014 is still a Defined Benefit Scheme

LGPS 2014 is still a Defined Benefit Scheme. The CARE scheme is similar to the previous Final Salary Scheme (LGPS 2008) in terms of its remaining a defined benefit scheme. This means that the scheme determines how much pension you will get by using a set formula rather than the performance of investments and cost of annuities used for defined contribution schemes.

The 50/50 Option

The LGPS 2014 contains an option for members to pay 50% of the contributions for a 50% pension whilst retaining the full value of other benefits of the scheme such as ill health,

death in service and redundancy. This option is intended to retain members who suffer periods of financial difficulty.

Contributions based on actual pay for part time staff

Another significant change is all members will have contribution rates based on actual (not full time equivalent) pay which is not the case in the old scheme. This will mean that some part time workers will pay lower contributions than in LGPS 2008.

New Scheme Contributions

The contribution bandings are shown in the table below. The average member contribution to LGPS 2014 remains at 6.5% but most members will pay the same or lower contributions than under the 2008 Scheme.

Pensionable Pay	Gross Contribution	Contribution after Tax Relief*
Up to £13,500	5.5%	4.40%
£13,501 - £21,000	5.8%	4.64%
£21,001 - £34,000	6.5%	5.20%
£34,001 - £43,000	6.8%	5.44%
£43,001 - £60,000	8.5%	5.10%
£60,001 - £85,000	9.9%	5.94%
£85,001 - £100,000	10.5%	6.30%
£100,001 - £150,000	11.4%	6.84%
More than £150,000	12.5%	6.88%

**please note that the contribution rates after tax relief stated are approximate and will depend on individual members' circumstances.*

Protection of previous benefits

As the LGPS 2014 started on 1 April 2014, only pensionable service after that point will be in the new scheme, under the new LGPS 2014 rules.

Members with service in the current final salary scheme will retain the link to final salary for all service before 1 April 2014 and the Normal Pension Age as under the previous rules. The final salary pension from the LGPS 1997 and LGPS 2008 will be calculated separately when the Member retires and be added to their pension from the LGPS 2014.

In addition, to ensure that no member within 10 years of age 65 as at 1 April 2012 is worse off, there is an 'underpin'. This means that those members who would see a change in their pension age in that period will get a pension at least equal to that which they would have received in the previous scheme.

Previously agreed protection such as the retirement age provisions for remaining members with the 'rule of 85' benefits will continue.

Full details, and latest updates on the LGPS2014 scheme can be found on our website <http://www.wiltshirepensionfund.org.uk/news-update.htm> or by visiting the LGPS website www.lgps.org.uk

The Fund has in place a pension administration strategy which outlines the roles and responsibilities and expectations in terms of provision of data and service delivery of both the administration team and employers. This can be found at the following link:

<http://www.wiltshirepensionfund.org.uk/employer-area/employers-guide/administration-strategy-2014.htm>

Funding Strategy Statement

This statement was approved by the Committee in September 2013 and published in October 2013 following a 20 day consultation period with the Fund's employers. This document sets out how the Fund attempts to balance its conflicting aims of affordable contributions, stability of employers' contributions, while being prudent when setting its funding basis.

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

The FSS is reviewed in detail at least every third year (in which triennial valuations are carried out), with the next full valuation due to be finalised by March 2017 based on data at 31 March 2016. The FSS can be viewed on the Wiltshire Fund website at the following link:

<http://www.wiltshirepensionfund.org.uk/funding-strategy-2013.pdf>

Statement of Investment Principles

This policy is updated annually and outlines the investment strategy the Wiltshire Pension Fund Committee has put in place to achieve its investment goals of trying to achieve relatively stable "real" returns above the rate of inflation over the long term, in such a way to minimise the level of contributions required to be paid into the Fund by employer bodies. Further information is provided in the Investment report.

The current policy, approved by the Committee in June 2015 reflects the changes to asset allocations agreed by this Committee up until March 2015 and also outlines the Fund's compliance with the Stewardship Code.

All Local Government Pension Scheme (LGPS) funds have to publish a Statement of Investment Principles, the latest of which can be viewed at the following link:

www.wiltshirepensionfund.org.uk/investment-principles.

Treasury Management Strategy

This strategy was reviewed and approved in March 2015. The purpose is to outline the process and policies for the cash held by the Fund. Each month the Fund receives contributions and transfer in payments and pays out benefits and transfer out sums. The surplus is transferred on a monthly basis to the Fund's investment managers. A balance of between £3m to £4m is held by the Fund to manage short term cashflows.

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

The current strategy outlines the maximum limits for a single counterparty which is currently £6m. This limits the risk to a single counter party but is large enough to ensure that if one is removed at short notice the limit wouldn't be breached.

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

<http://www.wiltshirepensionfund.org.uk/fund-information/treasury-management-strategy-2>

Communications

The Fund continues to develop its communications to keep employers and employees updated with the latest changes affecting the scheme, in particular the new LGPS 2014 and changes to legislation over the past twelve months.

This includes the Fund's stable publications to members which include the Annual Benefits Statements for active and deferred members; Annual Allowances statements to those who breach the limits, letters to all high earners informing them of changes to the pension tax relief regimes, annual active members and pensioners' newsletters, twelve induction presentations, seven pre-retirement presentations and early retirement seminars, eight presentations to employers and their members, and two pension clinics.

The Fund will also be looking to continue its successful Pension Clinics in locations around Wiltshire during 2015-2016 as this provides members with the opportunity to book 1-1 appointments with a member of the Benefits Team to discuss issues regarding their individual pension records.

The Fund's website is constantly being updated and reviewed to ensure the latest information is available for members. This includes updated guides to the new LGPS 2014 scheme, updated benefit calculator, and information on how pension tax relief affects members along with relevant calculators. The News Update section of the website is constantly changing to reflect important announcements and any other relevant news affecting members.

The Fund's Communications Policy Statement outlines the provision of information and publicity about the Scheme to its members, representatives of members and employing authorities. The current policy was approved by the Committee in June 2015 and the full document can be viewed on the Wiltshire Pension Fund website at:-

<http://www.wiltshirepensionfund.org.uk/fund-information/communication.htm>

AVC provider

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

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

Management of the scheme

The members who served on the Wiltshire Pension Fund committee during the year are listed on page 14.

The Wiltshire Pension Fund Committee has nine voting members. This consists of five Wiltshire Council members, including the Chairman, two members from Swindon Borough Council as the second largest employer with two employer representatives.

During the year, two new employer representatives were appointed to the Committee following the resignation of the previous incumbents, Mr Tim Jackson from Greensquare and Lynda Croft from Wiltshire College. Mrs Diane Hall from Selwood Housing was appointed to represent Admitted Bodies, and Mrs Linda Stuart from Hardenhuish Academy was appointed to represent the Educational Schedule Bodies within the Fund.

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

The Committee met six times last year for regular business, with one special item meeting to appoint an investment manager to undertake the Multi Asset Credit and Absolute Return Credit mandates. All decisions are taken by a simple majority with the Chairman having the casting vote.

Investment Sub-Committee

At the December 2014 Committee meeting, it was agreed to expand the role of the Investment Sub-Committee (ISC). The ISC will now meet 4 times per year to implement and monitor investment manager performance while considering and making recommendations to the main committee on changes in the investment strategy of the Fund. This is in addition to the consideration of any potential investments that might utilise the Fund's opportunistic strategic asset allocation (5% of its total assets).

The rationale for this was to balance agenda time at the main committee to ensure sufficient focus on other areas such as administration and governance of the Fund. Its first meeting was held on 4 June 2015.

The ISC consists of four members of the main committee, being the Chairman, Vice-Chairman, along with another elected member from Wiltshire Council and an additional co-opted Member from the Wiltshire Pension Fund Committee.

All Members of the main committee are invited to attend the ISC as observers. The minutes and any decisions made are reported back to the next available main committee meeting.

Local Pension Board

Following Lord Hutton's review of public service pensions published in March 2011 legislation was introduced to "make public service pension schemes more transparent". The Public Sector Pension Act (2013) along with the Local Government Pension Scheme (Governance) Regulations 2015 now requires each LGPS administering authority to establish a new body known as a LPB to assist the Council in running the Wiltshire Pension.

A key aim of the reform is to raise the standard of management and administration of public service pension schemes and to achieve more effective representation of employer and employee interests in that process. Therefore, although it will have no decision making powers the LPB will be responsible for:

- securing compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme and;
- ensuring the effective and efficient governance and administration of the Scheme.

To fulfil its obligations under the legislation, Wiltshire Council approved the Terms of Reference for the LPB at its meeting on 24 February 2015. This ensured the LPB had been established by 1 April 2015.

The LPB will consist of an independent chairman, 3 employer representatives, and 3 scheme member representatives and is due to meet four times per year with its first meeting scheduled for 16 July 2015.

Further information related to the Local Pension Board can be found on the Wiltshire Pension Fund website.

Pensions section overview

The administration function of the Pensions team comprises the following teams:-

The Benefits Team acts as the main point of contact for any membership enquiries. This team is responsible for setting up new members, monitoring and maintenance of pension member records, payment of benefits, transfer payments and AVCs. This team comprises eleven members of staff.

The Systems Team is responsible for ensuring all the systems being used by the team are up to date, working correctly, and developed to ensure the most efficient and effective use of technology in delivering the administration services. This team is also responsible for monitoring and cleansing members data to ensure it is fit for purpose and meets the requirements imposed on the Fund by the regulators. This team comprises six members of staff.

Fund Communications are handled by the Fund Communications manager who deals with all aspects of scheme members communications and is responsible for the development and implementation of the Fund's Communications Policy. This includes areas such as scheme members newsletters, issuing of Annual Benefit Statements, delivery of presentations, road shows and pension clinics, the Fund's website and the marketing of the Fund.

Technical and Compliance Manager provides the technical support to the Fund in respect of interpretation of the Scheme Regulations and associated legislations. The Technical and Compliance Manager is also responsible for ensuring the process and procedures are compliant with all the relevant regulations, and that all members of the team are trained in the relevant areas.

Employer Relationships are handled by the Employer Relationship Manager. This role acts as a conduit between the employers and the Fund to address any issues or problems that may arise. This role is also responsible for all the communications between the Fund and employers, including the issuing of newsletters and training sessions. This person is also responsible for and providing advice on new admission, transfers, employers ceasing membership and any other pension related issues facing employers.

The Fund Development Team is responsible for the development, co-ordination and management of projects to ensure the service is as effective as possible, in line with the latest legislation and utilising the latest technology in its process and procedures. This team comprises two members of the Fund.

The Accounting and Investment Team is responsible for the accounting of all aspects of the Fund's activities and the monitoring of its investment activities. This includes the setting of the 3 year budget plans, reporting of the outturn position, production of the year end accounts and Annual Report, monitoring of investment managers performance, review and retendering of contracts, and the provision of FRS17 information to employer organisations within the Fund. The team comprises of 3 members of staff.

Assurance Framework

The Fund is subject to an annual internal audit review which is now undertaken by South West Audit Partnership (SWAP). An annual audit plan is agreed with the Wiltshire Pension Fund looking to provide assurances over key controls and the systems being used. The outcomes of these audits are reported to the main committee and any action plans arising are reviewed on a periodical basis.

KPMG provides the external audit of the Fund as part of its main audit of the Wiltshire Council accounts. The outcome of this audit is reported to Wiltshire Council's audit committee and to the Wiltshire Pension Fund committee in September. Any recommended actions are periodically reviewed by the pension committee;

Internal Dispute Resolution Procedure

The Wiltshire Pension Fund operates a two stage Internal Dispute Resolution Procedures (IDRP) if a scheme member or prospective member remains dissatisfied with a decision made.

Under Stage 1 of the process, the Wiltshire Pension Fund will appoint a "nominated person" to investigate a complaint concerning a pension. This person will review the dispute and make a determination as to whether the correct decision reached has been made in line with the scheme regulations. For Stage 1, Wiltshire Pension's nominated person is Muse Consultancy.

Once the determination has been made, should the member or prospective member remain dissatisfied with this outcome then they can make an application under the Stage 2 process asking the Associate Director, Finance at Wiltshire Council to reconsider the determination made by the nominated person.

Following the Stage 2 process, the member or prospective member if still dissatisfied may then take their dispute to the Pension Advisory Service and then onto the Pension Ombudsman.

During 2014-15, the Fund received two applications under the Stage 1 process. Following the determination by Muse Consultancy neither of these cases, to date have moved to Stage 2. There were no Stage 2 cases in 2014-15.

Employer Issues

The Wiltshire Pension Fund employs an Employer Relationship Manager whose role is to act as an advocate for employers, help foster relationships and assist employers with any pension specific queries.

There is also an Employers' Guide available, including details of the Fund's discretions policy which can be found on the Fund's website. This can be used as a substantive source of employer information, along with the regular technical newsletters and "Pensions Liaison Officers Group (PLOG)" meetings that are available for employers.

Further information specific to employers can be found on the website at the following address:

<http://www.wiltshirepensionfund.org.uk/employer-area.htm>

Due to the increasing amounts of and complexity of employer movements, under the backdrop of a challenging economic environment, the Fund now has policies in respect of its approach to new employers, in particular academies. The purpose of such policies are to ensure that the Fund is treating new & existing employers in a fair and reasonable way as well as protecting the interests of the Fund and its current employers. Further details of

these policies and guidance can be found on the Wiltshire Pension Fund website at the following address:

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

If as an employer organisation you are considering or are undergoing a change to your corporate structure, undertaking an outsourcing or in sourcing of services, this may have implications for your pension liabilities within the Wiltshire Pension Fund. If this is the case please contact the Fund.

End of Contracting Out of SERPS

A reminder to all employers that April 2016 sees the introduction of the single state pension and hence the end of contracting-out from the second state pension (SERPS).

What this means for employers is that the National Insurance (NI) rebate that is currently applied to employers and employees whose members are in the LGPS scheme will no longer exist. This will then mean from April 2016 the NI contributions for those members within the thresholds will increase by 3.4% for employers and 1.4% for employees. We estimate that on average this will equate to a 2.3% increase in employer contributions and 0.9% for employees but the actual figures will depend on your specific payroll.

Employers are therefore reminded that they will need to communicate this to their staff and ensure this has been budgeted for from April 2016 onwards.

Further information can be found in the link below:

<https://www.gov.uk/government/publications/new-state-pension-information-for-employers-and-trustees-with-open-contracted-out-defined-benefit-pension-schemes>

Automatic Enrolment

The implementation of Automatic Enrolment which commenced in October 2012 continues with further staging dates now being reached for most Employers. Employers need to be aware of their increasing responsibility from the implementation of auto-enrolment. Under auto-enrolment the employer must enrol all eligible employees into a compliant scheme at least once every three years and maintain records of having done this. The implementation was phased in over five years, depending on the size of employer.

Although the implementation is not the Wiltshire Pension Fund's responsibility, we can, where possible offer guidance and support for employers in relation to their implementation and direct them to relevant sources of information.

More information has been provided to employers within our technical updates but please do contact the Pension Fund if you have any further queries.

Pension increase

Pensions in payment were increased by 1.2 percent effective from 6 April 2015 in line with the Consumer Price Index (CPI) as at September the previous year. Pensions commencing in the 12 months preceding 6 April 2015 have received an increase based on the 1.2 percent pro-rated for the length of time the pension has been in payment to 6 April 2015.

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

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

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

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

Other matters

The Fund continues to support its employers by co-ordinating the provision of FRS17 and IAS 19 accounting reports from the actuary, so that they can meet their obligations to show their pension liabilities relative to their pension assets in their annual accounts.

8. Investment report

Funding policy

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

All LGPS funds are required to publish a document called a “Funding Strategy Statement” (FSS). The Wiltshire FSS was updated in connection with the 2013 triennial valuation and can be supplied upon request or viewed at:-

www.wiltshirepensionfund.org.uk/funding-strategy-2013.pdf

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

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

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

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

Investment goal

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

Investment strategy

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

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

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

Investment powers

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

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

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

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

Strategic asset allocation

The Committee regularly reviews the Fund's investment management arrangements. In broad terms, at 31 March 2015 the Fund's strategic allocation was to be invested 60% in Equities, 15.5% in Bonds, 13% in Property and 11.5% in Alternatives. More details are given in the section below summarising the Fund's investment management arrangements.

Risk control

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

Environmental social governance policy

The 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 provide 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 collectively 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 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 it is reviewed annually. All of our global equity managers comply fully with the code.

Investment management arrangements

In the summer of 2011 a review of the current investment arrangements was commenced in light of investment managers' performance. Key themes surrounding asset allocation were considered including return generation, inflation protection, nimbleness and illiquidity/Cashflow management. 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 meetings 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 Advisers (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 were 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 Advisers investment is retained until Investec are fully funded which is due to be completed July 2015. The reason was to use the Jubilee Advisers mandate to fund the Investec mandate to avoid duplication on transition charges.

At the Committee meeting on 17th 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	<u>10.0%</u>
	60.0%
Bonds	15.5%
Property	13.0%
Alternatives:	
Infrastructure	5.0%

M&G Financing Fund	1.5%
Opportunistic Investment	<u>5.0%</u>
	11.5%
	100.0%

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

** (includes active and fundamental indexation)

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 with L&G global equities until invested

Investment as at 31 March 2015

During the year, the managers transacted purchases of £940.3 million (£911.9m 31 March 2014) and sales of £945.4 million (£897.9m 31 March 2014). The value of assets under management at 31 March 2015 was £1,837.4 million (£1,631.4m 31 March 2014), 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 (Formally Fauchier Partners)	£ 22.8 million
M&G Financing Fund	£ 11.8 million
Berenberg Bank	£ 4.3 million
Partners Group	£ 10.5 million
Investec	£ 137.9 million
	<u>£1,837.4 million</u>

* This temporarily exceeds the Fund's own limit of 30% for a single passive manager due to the opportunistic allocation being held here.

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.

Investment markets

Strong economic growth at the start of the 12 month period slowed somewhat over the second half of the accounting year, and the sharp fall in commodity prices led to increased market volatility.

Both growth and defensive assets delivered positive returns over the 12 month period to 31 March 2015 with many of the world's central banks continuing to ease monetary policy, which supported asset returns.

In the UK, economic growth remained strong throughout the year, with the Office for National Statistics revising the real GDP growth rate for 2014 from 2.6% to 2.8%, the fastest calendar year growth rate since 2006. The annual inflation rate fell to zero in February 2015.

Whilst economic growth in the UK has been strong, growth was strongest in the US which led to a US Dollar rally against Sterling and most other currencies. Sterling, however, appreciated against the Euro and the Japanese Yen.

Emerging market assets underperformed their developed counterparts as falling commodity prices led to, concerns regarding slowing growth, and the rising US dollar affected a number of countries in this region significantly.

Generally the outlook for the markets remains uncertain, in particularly with the unfolding issues in Greece and the impact on the Euro zone and the Euro. This position will be carefully monitored and fed into the Fund's future asset allocation reviews.

Fee structures

The Committee generally expects to have an ad-valorem fee scale applied in respect of the investment management services it receives. This is generally accepted practice and is easily understood. A performance related fee basis is sometimes set, if it is believed to be in the overall financial interests of the Fund. For investment advisory services, the fee for specified services is set as agreed by the South West Framework Contract or at agreed hourly rates.

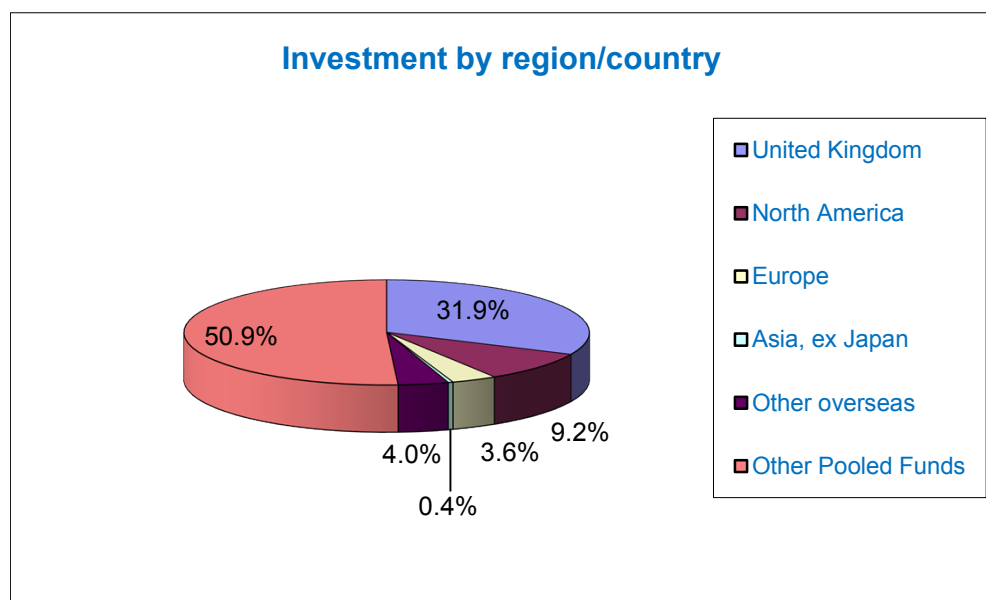
Other matters

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

Distribution of investments

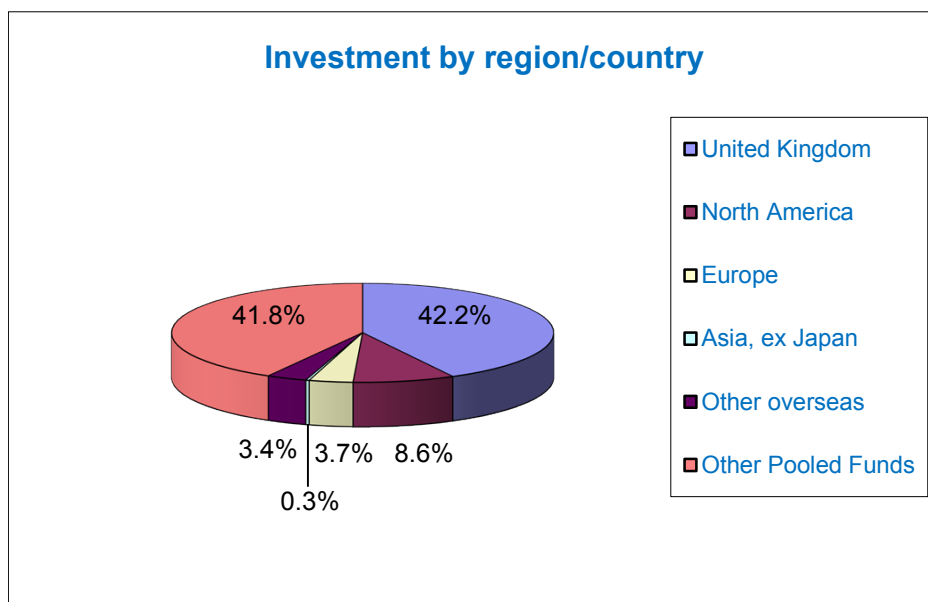
Analysis of investments as at 31 March 2015

Geographical analysis	£000	% of Fund total
United Kingdom	586,012	31.9
North America	169,711	9.2
Europe	65,776	3.6
Asia, ex Japan	7,642	0.4
Other overseas	73,045	4.0
Other Pooled Funds	935,211	50.9
	1,837,397	100.00



Analysis of investments as at 31 March 2014

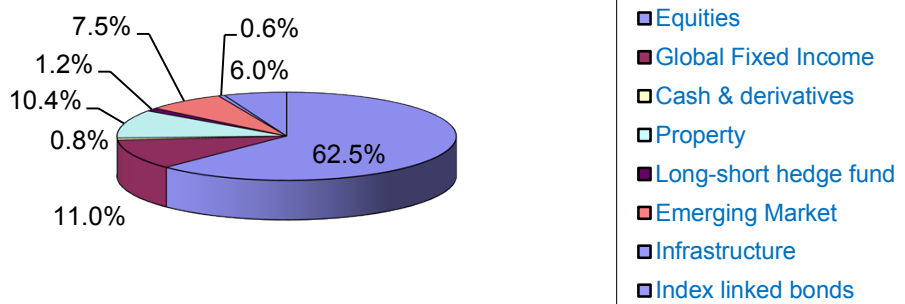
Geographical analysis	£000	% of Fund total
United Kingdom	689,596	42.2
North America	140,250	8.6
Europe	59,765	3.7
Asia, ex Japan	5,127	0.3
Other overseas	54,970	3.4
Other Pooled Funds	681,743	41.8
	1,631,451	100.00



Analysis of investments by sector as at 31 March 2015

Sector analysis	£000	% of Fund total
Equities	1,148,295	62.5
Global Fixed Income	201,386	11.0
Cash & derivatives	14,283	0.8
Property	191,695	10.4
Long-short hedge fund	22,839	1.2
Emerging Market	137,892	7.5
Infrastructure	10,535	0.6
Index linked bonds	110,472	6.0
	1,837,397	100.00

Investment by sector

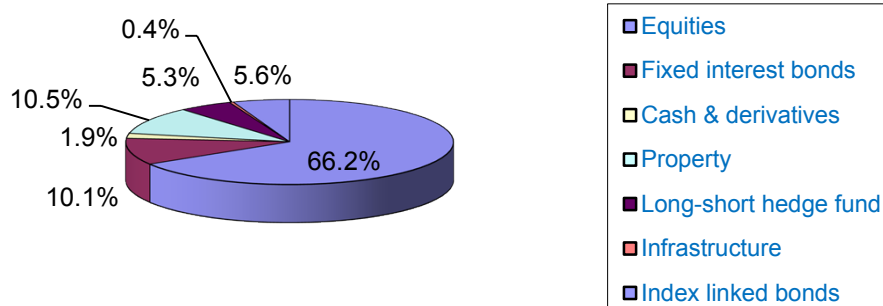


Analysis of investments by sector as at 31 March 2014

Sector analysis

	£000	% of Fund total
Equities	1,081,380	66.2
Fixed interest bonds	164,262	10.1
Cash & derivatives	31,090	1.9
Property	170,936	10.5
Long-short hedge fund	86,138	5.3
Infrastructure	5,627	0.4
Index linked bonds	92,018	5.6
	1,631,451	100.00

Investment by sector



Twenty largest holdings at 31 March 2015

	£000	% of Fund total
1 Legal & General Equity Index Fund	242,102	13.18
2 Barings Alpha Funds - Dynamic Asset Allocation Fund	197,431	10.75
3 Investec - Emerging Markets	137,892	7.50
4 Legal & General World Equity Index	106,920	5.82
5 Loomis Sayles World Credit Fund	100,816	5.49
6 Loomis Sayles Alpha Bond Fund	100,570	5.47
7 Amazon.Com Inc Com	29,144	1.59
8 Tencent Holdings Ltd	28,529	1.55
9 Illumina Inc	24,757	1.35
10 Baidu Inc	23,618	1.29
11 Facebook Inc	19,038	1.04
12 Schroders GBP	17,672	0.96
13 Industrial Property Investment Fund	16,419	0.89
14 Inditex	15,466	0.84
15 Google Inc	15,421	0.84
16 Blackrock UK Property Fund	15,079	0.82
17 Intuitive Surgical Inc	12,948	0.70
18 West End of London Property	12,822	0.70
19 Henderson UK Shopping Centre	12,645	0.69
20 Ardstone UK Regional Office	12,274	0.67
	1,141,563	62.13

Twenty largest holdings at 31 March 2014

	£000	% of Fund total
1 Legal & General Equity Index Fund	226,922	13.91
2 Barings Alpha Funds - Dynamic Asset Allocation Fund	181,139	11.10
3 Legal & General World Equity Index	179,435	11.00
4 Jubilee Absolute Equity Fund	86,138	5.28
5 Tencent Holdings Ltd	22,302	1.37
6 Amazon.Com Inc Com	20,432	1.25
7 Baidu Inc	18,503	1.13
8 M&G Secured Property Income Fund	17,507	1.07
9 Google Inc	16,546	1.01
10 Illumina Inc	16,466	1.01
11 Blackrock UK Property Fund	13,573	0.83
12 Industrial Property Investment Fund	13,029	0.80
13 Industria De Diseno Textil	12,859	0.79
14 Schroders GBP	11,796	0.72
15 Henderson UK Shopping Centre	11,727	0.72
16 Kering	10,677	0.65
17 Standard Life Investment Retail Park Trust	10,606	0.65
18 Prudential/M&G Companies Financing Fund	10,171	0.62
19 Lend Lease Retail Partnership	10,034	0.62
20 Intuitive Surgical Inc	9,998	0.61
	899,860	55.16

Investment Performance

The following table shows the performance of the Fund (gross of fees) relative to its strategic benchmark and the WM Local Authority Average.

WM Performance Ranking Against Peer Group			
31st March 2015			
	1 Year	3 Year	5 Years
Ranking (percentile)	26	28	36
Average % of returns	14.0%	11.8%	9.3%
Benchmark	13.2%	11.1%	8.8%

9. Financial Performance

Movement in Assets and Liabilities

The Funding level (i.e. the ratio of assets to liabilities) at 31 March 2013 (last valuation) was 71%. Hymans Robertson currently estimated the funding level at 31 March 2015 to be 74% based on current market conditions. This is on a 'roll-forward' basis and does not account for changes in member data.

Gilt yields have fallen further since 31 March 2013 offsetting asset returns increasing the deficit by £32m, from £610m to £642m.

Analytical Review

The following tables show a brief review of key movements in the Fund Account and Net Asset Statement for the financial year.

Major movements in Fund Account and the Net Assets Statement for the financial year

Fund Account	2014/15 £000	2013/14 £000	Notes
Net Contributions	- 18,002	572	Large Bulk transfer out
Return on Investments	232,553	152,188	Strong year for growth assets
Net increase in the Fund	214,551	152,760	

Net Asset Statement	2014/15 £000	2013/14 £000	Notes
Fixed Interest	-	163,143	Change in Fixed Income Manager now held as a pooled fund
Indexed-linked	-	933	Change in Fixed Income Manager now held as a pooled fund
Equities	342,126	267,461	Capital appreciation and good stock selection by manager
Pooled Funds	1,289,293	997,888	Additional Fixed Income Mandate funded during the year
Property	191,695	170,936	Positive Returns
Derivatives	- 1,531	1,583	Value of currency contracts in place by dynamic currency manager
Cash	15,383	26,042	
Other	431	3,465	
Total Net Investments	1,837,397	1,631,451	

Analysis of Pension Contributions

The table below shows the value of contributions received on time and late.

	Total	On time		Late	
	£000	£000	%	£000	%
Employee	19,291	18,981	98.4%	310	1.6%
Employer	66,237	65,395	98.7%	842	1.3%
Total	85,528	84,376	98.7%	1,152	1.3%

In total 56 monthly contribution payments were received late of which 47 were received within the month, 6 received between 1 and 3 months late and 3 received more than 3 months late.

No interest was charged on any of the late payments.

Forecasts

The following table shows the forecast and outturn for the Fund Account and Net Asset Statement for the 3 years to 31 March 2016.

Fund Account	2013/14		2014/15		2015/16
	Forecast £000	Actual £000	Forecast £000	Actual £000	Forecast £000
Contributions	75,000	82,030	78,000	87,314	88,187
Payments	- 74,102 -	- 81,458 -	- 83,657 -	- 105,316 -	- 86,947 -
Admin expenses	- 1,582 -	- 1,509 -	- 1,685 -	- 1,594 -	- 1,739 -
Net investment income	20,000	18,377	20,000	21,443	20,000
Investment expenses	- 4,164 -	- 3,170 -	- 5,411 -	- 5,518 -	- 5,451 -
Change in market value	150,716	136,981	124,916	211,110	224,186
Net increase in the Fund	165,868	151,251	132,163	207,439	238,236

Contributions and payments are based on current expectations, the administration and investment management expenses are based on current budgets; and the net investment income and change in market value are based on the long term forecast returns for each asset class.

Net Asset Statement	2013/14		2014/15		2015/16
	Forecast £000	Actual £000	Forecast £000	Actual £000	Forecast £000
Equities	1,046,687	1,081,380	1,160,321	1,148,295	1,232,121
Fixed income	268,581	256,280	268,581	311,858	326,827
Cash	29,958	26,042	26,172	15,383	15,460
Property	180,337	170,936	180,337	191,695	202,238
Alternatives	88,337	94,414	102,911	172,437	187,956
Other	15,699	16,112	16,193	12,935	14,099
Total Investment Assets	1,629,600	1,645,164	1,754,516	1,852,603	1,978,701

The forecasts for total investment assets are based on the actual figures for 2012/13 multiplied by the forecast long term returns for each asset used at the last strategic asset allocation review in 2011. Net contributions less expenses are added to the cash figure to reflect new money into the Fund. No future changes in asset allocation have been taken into account as these are not known with any degree of certainty.

The long term asset return forecasts for each asset class are as follows:

Long-term forecast asset returns

Asset Class	Long term forecast return (%)
Equities	7.3%
Fixed Income	4.8%
Cash	0.1%
Property	5.5%
Alternatives	9.0%
Total	6.9%

Operational Expenses

	2013/14		2014/15		2015/16
	Budget £000	Actual £000	Budget £000	Actual £000	Budget £000
Fund Investment					
Investment Management Fees	5,967	4,861	6,739	6,096	7,378
Investment Administration Recharge	90	95	106	106	108
Investment Custodial & Related Services	58	38	75	13	56
Investment Professional Fees	224	111	136	122	153
Corporate Governance Services	52	52	38	38	39
Performance Measurement	41	41	47	40	46
Investment Administration Costs	465	337	402	319	402
Scheme Administration					
Pension Scheme Administration Recharge	1,280	1,158	1,436	1,250	1,459
Actuarial Services	149	239	106	64	111
Audit	57	40	58	54	58
Legal Fees	25	27	20	28	20
Committee and Governance Recharge	48	32	49	40	82
Scheme Administration Costs	1,559	1,496	1,669	1,436	1,730
Grand Total (Exc Invest Man Fees)	2,024	1,833	2,071	1,755	2,132
Grand Total (Inc Invest Man Fees)	7,991	6,694	8,810	7,851	9,510

Cashflow

Officers continue to monitor the cashflow position of the Fund to ensure sufficient resources are available to pay benefits as they fall due. The position for 2014/15 is shown below:

Year ending 31 March 2015	
	£m
Receipts	82.1
Payments	(80.5)
Surplus/ (Deficit)	1.6
Funds sent to Investment Managers	1.0

This shows that excluding investment income, cashflow is broadly neutral for the year. This will be closely monitored as employer rates will increase again from 1 April 2015.

Analysis of Pension Overpayments

The table below shows an analysis of the pension benefits overpaid and recovered. These mainly relate to overpayment of pensioners between the date of their death and notification.

	2014/15	2013/14
	£	£
Overpayments recovered	27,512	14,343
Overpayments not recovered	9,439	6,677
Total	36,951	21,020
Annual Payroll	62,118,085	59,387,565
Write offs as a % of Payroll	0.02%	0.01%
Number of cases - not recovered	140	106
Number of cases - recovered	33	24
Number of cases - In process of recovery	13	-

10. Actuarial position

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 2014/15.

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:

Financial Assumptions	Rate at 31 March 2013	
	Nominal	Real
Discount rate	4.6%	2.1%
Pay increase	4.3%	1.8%
Price Inflation/Pension increases	2.5%	0.0%

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.

Prepared by:-

Catherine McFadyen

20 June 2015

For and on behalf of Hymans Robertson LLP

11. Statement of Responsibilities for the Financial Statements

Responsibility for the Financial Statements, which form part of this Annual Report, is set out below.

Administration Authority

The Administering Authority is required to:

- Make arrangements for the proper administration of the financial affairs of the Pension Fund and to secure that an officer has the responsibility for those affairs. In this Authority, that officer is the Head of Finance.
- Prepare, approve and publish a statement in accordance with the Accounts and Audit Regulations 2011.

Associate Director of Finance

The Associate Director of Finance is responsible for the preparation of the Fund's financial statements, which in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. Based on International Reporting Standards (the Code), are required to present a true and fair view of the financial position of the Fund for the year ended 31 March 2015. This report includes the financial statements for the Pension Fund only.

In preparing these financial statements, the Associate Director of Finance has:

- Selected and applied consistently suitable accounting policies;
- Made judgements and estimate that were reasonable and prudent;
- Complied with the Code of Practice;
- Ensured proper accounting records are maintained;
- Ensured systems of internal control are in place.

Certificate

I hereby certify that the following Annual Report and Accounts give a true and fair view of the financial position of the Wiltshire Pension Fund for the financial year ending 31 March 2015.

Michael Hudson
Associate Director of Finance
Wiltshire Pension Fund
29th July 2015

12. Audit opinion

TO BE INSERTED

13. Statement of accounts

Net Asset Statement At 31 March 2015

	Notes	31-Mar-15 £000	31-Mar-14 £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
		1,840,099	1,632,517
Investment liabilities	11		
Derivatives liabilities		-2,702	-1,066
Total net investments		1,837,397	1,631,451
Current assets	13	18,912	18,150
Current liabilities	14	-3,706	-4,437
Net assets of the scheme at 31 March		1,852,603	1,645,164

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 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 79). 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

	2014-15 £000	2013-14 £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

	2014-15 £000	2013-14 £000
<i>Contributions from employees (Including Additional Contributions)</i>		
- Wiltshire Council	8,224	7,396
- Other scheduled bodies	9,460	8,887
- Admitted bodies	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

	2014-15 £000	2013-14 £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

	2014-15 £000	2013-14 £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

Retirement and Death grants payable

- 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

	2014-15 £000	2013-14 £000
Individual transfer out to other schemes	3,961	4,775
Bulk transfers out to other schemes	27,167	0
Refunds to members leaving service	98	13
State Scheme Premiums	23	1
	31,249	4,789

8. Administrative expenses

	2014-15 £000	2013-14 £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

	2014-15 £000	2013-14 £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)	-	13
- UK equities	138	421
- Overseas equities	1,177	1,938
<i>Pooled investment vehicles</i>		
- Overseas equities	-	94
- UK property	9,535	7,655
- Infrastructure	-	35
<i>Cash held on deposit</i>		
- Sterling cash	136	93
- Overseas cash	15	-
	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 (1.0% 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 (107.0%). Income earned from this programme amounted to £0.048 million in the year.

	2014-15 £m	2013-14 £m
WC securities on loan	17.5	27.7
<i>(percentage of total)</i>	1.0%	1.7%
WC collateral share of pool	0.04%	0.14%
Value of WC 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

	Value at 1 April 2014	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market Value	Value at 31 March 2015
	£000	£000	£000	£000	£000
Fixed interest securities	163,143	25,298	-202,461	14,020	0
Index linked securities	933	3,904	-4,943	106	0
Equities	267,461	91,392	-85,347	68,620	342,126
Pooled funds					
- Other	997,888	428,559	-248,933	111,779	1,289,293
- Property	170,936	39,699	-38,288	19,348	191,695
Derivative assets					
- Futures	-49	1,445	-113	-1,283	0
- Options	0	0	0	0	0
- Forward FX	1,632	82,535	-86,723	1,025	-1,531
	1,601,944	672,832	-666,808	213,615	1,821,583
Cash deposits	26,042	267,445	-275,638	-2,466	15,383
Other Investment balance:	3,465		-2,995	-39	431
	1,631,451	940,277	-945,441	211,110	1,837,397

	Value at 1 April 2013	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market Value	Value at 31 March 2014
	£000	£000	£000	£000	£000
Fixed interest securities	162,030	42,762	-36,937	-4,712	163,143
Index linked securities	2,435	5,922	-7,471	47	933
Equities	236,695	280,879	-296,643	46,530	267,461
Pooled funds					0
- Other	895,984	184,123	-146,934	64,715	997,888
- Property	149,468	35,921	-23,785	9,332	170,936
Derivative assets					0
- Futures	-386	347	-703	693	-49
- Options	0	0	0	0	0
- Forward FX	944	64,808	-91,298	27,178	1,632
	1,447,170	614,762	-603,771	143,783	1,601,944
Cash deposits	29,809	297,106	-294,086	-6,787	26,042
Other Investment balance	3,509	0	-29	-15	3,465
	1,480,488	911,868	-897,886	136,981	1,631,451

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		
<i>Fixed interest securities</i>		
- 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
<i>Index linked securities</i>		
- UK index linked corporate bonds	0	933
	0	933
<i>Equities</i>		
- UK equities	36,739	23,865
- Overseas equities	305,387	243,596
	342,126	267,461
<i>Pooled investment vehicles</i>		
- UK equities	242,103	226,922
- Overseas equities	564,066	586,997
- Global 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
<i>Cash held on deposit</i>		
- Sterling cash	15,132	25,427
- Overseas cash	251	615
	15,383	26,042
<i>Other investment balances</i>		
- Derivatives assets	1,171	2,649
- Outstanding dividend entitlements	10	3,162
- Recoverable tax	421	303
	1,602	6,114
<i>Investment liabilities</i>		
- Derivatives liabilities	-2,702	-1,066
Total of investments held	1,837,397	1,631,451
<i>Net current assets & liabilities</i>		
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

Analysis of fund Assets as at 31 March 2015

	UK £000	Non-Uk £000	Global £000	Total £000
Equities	278,842	869,453	-	1,148,295
Bonds	110,472	201,386	-	311,858
Properties (direct holdings)	-	-	-	-
Alternatives	-	-	361,861	361,861
Cash	15,132	251	-	15,383
Total	404,446	1,071,090	361,861	1,837,397

Analysis of investment income accrued during 2014 - 2015

	UK £000	Non-Uk £000	Global £000	Total £000
Equities	-	-	118 -	118
Bonds	- 2,767 -	283 -	104 -	3,154
Properties (direct holdings)	-	-	-	-
Alternatives	203	-	35	238
Cash	2	-	-	2
Total	- 2,562 -	283 -	187 -	3,032

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:

Derivative contracts

Forward cash currency contracts

Contract	Settlement date	Currency bought	Currency sold	Asset value at year end £000	Liability value at year end £000
Forward OTC	0 to 6 months	Sterling	Australian Dollar	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 Africa 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)
				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 £000	Loans and Receivables £000	Financial liabilities at amortised cost £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
	1,812,931	46,080	0
Financial Liabilities			
Derivative Liabilities	-2,702	0	0
Creditors	0	-3,706	0
	-2,702	-3,706	0
	1,810,229	42,374	0

As at 31 March 2014

	Designated as Fair value through Profit and Loss £000	Loans and Receivables £000	Financial liabilities at amortised cost £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
	1,593,717	56,950	0
Financial Liabilities			
Derivative Liabilities	-1,066	0	0
Creditors	0	-4,437	0
	-1,066	-4,437	0
	1,592,651	52,513	0

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	0	0
Total	205,850	129,497

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 is in accordance with its investment strategy. The Committee obtains regular reports from each investment manager and its Investment Consultant on the nature of investments made and associated risks.

The analysis below is designed to meet the disclosure requirements of FRS 17.

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 have 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.

As at 31 March 2015	Value £'000	Volatility of return	Increase £000	Decrease £000
Baillie Gifford - Global Equity	322,041	17.20%	55,391	(55,391)
CBRE Global Multi Manager - Property	209,920	14.60%	30,648	(30,648)
Western Asset Management - Corporate Bonds	3,603	4.00%	144	(144)
Legal & General - Equity	242,102	17.20%	41,642	(41,642)
Legal & General - Gilts	110,472	8.40%	9,280	(9,280)
Legal & General - Global Equity	106,920	17.20%	18,390	(18,390)
Legal & General - Rafi Equity	259,715	17.20%	44,671	(44,671)
Jubilee Advisors - Long/Short Hedge Funds	22,839	8.10%	1,850	(1,850)
Barings - Dynamic Assets Allocation	197,431	12.00%	23,692	(23,692)
Partners Group - Infrastructure	10,535	15.60%	1,643	(1,643)
Investec - Emerging Markets	137,892	19.00%	26,199	(26,199)
Loomis Sayles - Multi Asset Credit	97,217	6.00%	5,833	(5,833)
Loomis Sayles - Absolute Return Bond Fund	100,570	6.00%	6,034	(6,034)
M&G - Financing Fund	11,785	0.00%	0	0
Berenberg Bank - Dynamic Currency Fund	4,324	0.00%	0	0
Capital International - Global Equity	21	0.00%	0	0
Capital International - Absolute Income Grower	10	0.00%	0	0
	1,837,397		265,418	- 265,418

As at 31 March 2014	Value £'000	Volatility of return	Increase £000	Decrease £000
Baillie Gifford - Global Equity	255,917	17.30%	44,274	(44,274)
CBRE Global Multi Manager - Property	177,857	15.10%	26,856	(26,856)
Western Asset Management - Corporate Bonds	178,243	4.00%	7,130	(7,130)
Legal & General - Equity	226,922	17.00%	38,577	(38,577)
Legal & General - Gilts	91,085	8.10%	7,378	(7,378)
Legal & General - Global Equity	179,435	17.30%	31,042	(31,042)
Legal & General - Rafi Equity	226,424	17.30%	39,171	(39,171)
Jubilee Advisors - Long/Short Hedge Funds	86,138	7.90%	6,805	(6,805)
Barings - Dynamic Assets Allocation	181,139	12.10%	21,918	(21,918)
Partners Group - Infrastructure	5,626	15.20%	855	(855)
M&G - Financing Fund	12,758	0.00%	0	0
Berenberg Bank - Dynamic Currency Fund	9,838	0.00%	0	0
Capital International - Global Equity	46	0.00%	0	0
Capital International - Absolute Income Grower	23	0.00%	0	0
	<u>1,631,451</u>		<u>224,006</u>	<u>- 224,006</u>

2) Interest Rate Risk

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

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

	31.03.15 £000
Cash held on deposit	15,383
Fixed Interest Securities	201,386
Loans	11,785
	<u>228,554</u>

Interest Rate – Sensitivity Analysis

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

As at 31 March 2015	Value £000	Change in net assets	
		£000	£000
		+100 BP	-100 BP
Cash held on deposit	15,383	154	-154
Fixed Interest Securities	201,386	-6,417	6,417
Loans	11,785	0	0
	<u>228,554</u>	<u>-6,263</u>	<u>6,263</u>

As at 31 March 2014	Value £000	Change in net assets	
		£000	£000
		+100 BP	-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.

2015

	US Dollar	Euro	Yen
Benchmark Weights	18.43%	7.02%	3.40%
	£'000	£'000	£'000
Net Currency Exposure	338,723	129,005	62,417

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 have been analysed using a 10% movement in exchange rates in either direction. This analysis assumes that all variables, in particular interest rates, remain constant.

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

2015

	Assets Held at Fair Value	Change in net assets	
	£'000	+10% £'000	-10% £'000
US Dollar	338,723	33,872	-33,872
Euro	129,005	12,901	-12,901
Yen	62,417	6,242	-6,242
Net Currency Exposure	530,145	53,015	-53,015

2014

	Assets Held at Fair Value	Change in net assets	
	£'000	+10% £'000	-10% £'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 sovereign debt and FTSE 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.

2015

	£'000
Fixed interest securities	0
Index linked securities	0
Global Fixed Income Pooled	201,386
Cash held on deposit	15,383
Other investment balances	431
Current assets	18,912
	<u>236,112</u>

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>213,316</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 sets 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 analyses the Fund's financial liabilities as at 31 March 2015 and 2014, grouped into relevant maturity dates.

2015

	Carrying Amount £'000	Less than 12 months £'000	Greater than 12 months £'000
Accounts Payable	68	68	0
Benefits Payable	511	511	0
Sundry Creditors	3,127	3,127	0
	<u>3,706</u>	<u>3,706</u>	<u>0</u>

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
	<u>4,437</u>	<u>4,437</u>	<u>0</u>

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 produced by the Fund's custodian BNY Mellon.

2015

	£000	£000	£000	£000
	Level 1	Level 2	Level 3	Total
Fixed Interest Securities				0
Index Linked Securities				0
Equities	328,117		14,009	342,126
Pooled Funds:				0
- Other		1,278,757	10,536	1,289,293
- Property		128,513	63,182	191,695
Derivative assets				0
- Futures				0
- Options				0
- Forward FX				0
	328,117	1,407,270	87,727	1,823,114
Cash Deposits	13,852			13,852
Other Investment balances	431			431
	342,400	1,407,270	87,727	1,837,397

2014

	£000	£000	£000	£000
	Level 1	Level 2	Level 3	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	0	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 presents the movement in level 3 instruments for the year end 31 March 2015 and 31 March 14.

2015

	£000
Opening balance	51,758
Total gains/losses	4,016
Purchases	34,633
Sales	-2,680
Transfer out of Level 3	0
Closing balance	<u>87,727</u>

2014

	£000
Opening balance	33,675
Total gains/losses	16,668
Purchases	3,614
Sales	-2,199
Transfer out of Level 3	0
Closing balance	<u>51,758</u>

12. Investment management expenses

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

13. Current assets

	31 March 2015	31 March 2014
	£000	£000
Contributions due from other authorities and bodies		
- Employees	1,424	1,362
- Employers	4,549	4,072
Income due from external managers and custodians	-	-
Debtors (Magistrates)	4,825	5,790
Other	2,133	1,520
Cash balances	5,981	5,406
	<u>18,912</u>	<u>18,150</u>
Less:		
Long Term debtors (Magistrates)	- 4,825	- 5,790
Net current assets	<u>14,087</u>	<u>12,360</u>

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	31 March 2014
	£000	£000
Managers / custody fees	1,207	943
HMRC	702	661
Other	1,797	2,833
	<u>3,706</u>	<u>4,437</u>

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
Equitable Life Assurance Society	
- With Profits Fund	0.599
- Unit Linked Managed Fund	0.234
- Building Society Fund	0.028
Clerical Medical Funds	
- With Profits Fund	0.155
- Unit Linked Managed Fund	1.027
NPI Fund	
- 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
	<hr/> 3.529 <hr/>

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 owing to the Pension Fund by 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: 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.

14. IAS26 statement

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 account:

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

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

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 % p.a.	31 Mar 2014 % 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 the life expectancy assumption 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 assumption

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

15. Further information & contacts

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

Guide to the Local Government Pension Scheme

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

Employers' guide

This is available on our website and specifically aimed at staff within employer bodies with responsibility for providing information to the Pensions Section in respect of Fund administration. The aim of the Guide is to provide Scheme Employers with all the information they need in order to fulfil their pension responsibilities correctly.

Starter packs

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

Retirement packs

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

Newsletters

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

Annual benefit statements

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

Other information

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

For further information contact:

Zoe Stannard
Fund Communications Manager

Tel: 01225 718054
Email: zoe.stannard@wiltshire.gov.uk

David Anthony
Head of Pensions

Tel: 01225 713620
Email: david.anthony@wiltshire.gov.uk

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LOCAL PENSION BOARD

MINUTES OF THE LOCAL PENSION BOARD MEETING HELD ON 16 JULY 2015 AT WEST WILTSHIRE ROOM - COUNTY HALL, TROWBRIDGE BA14 8JN.

Present:

David Bowater, Kirsty Cole, Lynda Croft, Mike Pankiewicz, Cllr Christopher Newbury and Howard Pearce (Chairman)

1 Membership

It was noted that Kirsty Cole and Cllr Christopher Newbury had been appointed to the Local Pension Board (LPB) by Full Council on 14 July 2015

2 Appointment of the Chairman and Vice-Chairman of the Board

Members received a report on the responsibilities of the Chairman and Vice-Chairman of the Board and considered appointments to these positions.

Resolved:

To ratify the appointment of Howard Pearce as the Chairman of the Local Pension Board, as agreed by Full Council on 12 May 2015.

To appoint Mike Pankiewicz as Vice-Chairman of the Local Pension Board.

3 Attendance of non-members of the Board

There were no non-members of the Board present.

4 Apologies

Apologies for absence were received from Barry Reed.

5 Declarations of Interest

There were no declarations of interest.

6 **Chairman's Announcements**

The Chairman welcomed all members and gave an introduction to the role of the Board as a 'critical friend' to the Wiltshire Pension Fund and with an evolving role.

David Anthony, Head of Pensions, was invited to update the Board on highlights from the budget announcement. It was noted that LGPS Funds were now expected to pool investments in order to reduce fees spent on investment managers. A full briefing note would be issued to members in due course.

7 **Public Participation**

There was no public participation.

8 **Adoption of the Local Pension Board Terms of Reference**

Members considered the LPB Terms of Reference (ToR) and discussed the practicalities of the current provisions for quorum. It was agreed that the quorum should be of at least fifty percent of voting members whilst ensuring one from each of the employer and scheme members representatives was present. The Chairman suggested that the ToR be amended to allow for their review following the issuing of any relevant scheme guidance. It was noted that Michael Hudson, Associate Director for Finance, had delegated authority to amend the ToR.

Resolved:

To adopt the Terms of Reference, subject to the following amendments:

Paragraph 64 ' A meeting is only quorate when at least 50% of voting members are present, with at least one scheme member and employer member representative present'.

Paragraph 99 'These Terms of Reference shall be reviewed on each material change to those parts of the Regulations *and relevant scheme guidance* covering local pension boards and at least every 5 years'

9 **Introductions of Members of the Local Pension Board**

Members of the Board introduced themselves and their employment history. It was commented that the membership allowed an insight into a variety of roles in local government and experience in various financial and pensions matters.

Mike Pankiewicz expressed the view that he would like this Board, where possible, to become involved in items such as the Fund's discretions policy and processes like the awarding of ill health retirement cases.

10 Overview of the Conflict of Interest Policy

David Anthony introduced a report which covered the duties applicable to members to ensure they did not have a conflict of interest whilst working on the Board. All members were bound by the requirements in the Terms of Reference and Wiltshire Councillors were also to be bound by their own Code of Conduct. External members on the Board were to comply with the 'Nolan Principles': Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty, Leadership and relevant scheme regulations. All members were reminded to notify Democratic Services of any potential conflict of interest arising as a result of their position on the Board.

The Board supported developing a comprehensive conflicts of interest policy and register of interests to bring to the next meeting in October.

Resolved:

To adopt the Conflict of Interest policy and the following recommendations:

- a) **request Wiltshire Council develop a Code of Conduct and Conflicts of Interest Policy for approval;**
- b) **request officers provide further training to LPB Members on Code of Conduct and Conflicts of Interest; and**
- c) **note the requirement for Members to declare any potential conflict of interest arising from their position on the LPB.**

11 Purpose & Role of a Local Pension Board

It was explained that the national purpose of Local Pension Boards was to raise the standard of management and administration of public service pension schemes and to achieve more effective representation of employer and employee interests in that process.

The Board would work to ensure the Fund was compliant with the regulations and act as a 'critical friend', only holding responsibilities outlined in the ToR.

Members discussed how the Board would examine the Fund's compliance with the Pensions Regulator (tPR) code of practice and would need to develop a breaches policy.

Members questioned the depth to which the Board would need to review information to fulfil its role and it was confirmed that the Chairman was well-experienced and would steer the Board. External advisors could also be

commissioned to undertake more in-depth research. The Board would be supported by officers and also internal and external audit reports.

The Board agreed that it should examine the delegations the Wiltshire Pension Fund Committee had granted to the Investment Sub-Committee (ISC). Other potential lines of work would be a comparison of the Board's perception of the Fund's risk register compared with the view of the Pension Fund Committee. It was considered that a measurement of success should be developed for the Board and noted that the Chairman of the Pension Fund Committee determined success in relation to helping them to address the funding deficits and liabilities.

Resolved:

To note the report.

To begin work on developing a breaches policy.

To recommend future items of interest:

- **To review governance arrangements of the Pension Fund Committee and Investment Sub-Committee;**
- **To review and compare attitudes to the risk register;**
- **To develop a success criteria for the Board.**

12 Training Plans

A report was presented which outlined the requirements for Local Pension Board Members to be conversant with the LGPS scheme, its regulations and to have a training plan in place to ensure specific training needs would be met.

Members agreed that the self-assessment form would be a useful tool initially to identify priority areas for training. It was considered useful to follow the same training plan as the Wiltshire Pension Fund Committee (WPFC) but commented that these members should be encouraged to attend as they were not obliged to undertake training. Members supported the development of a handbook as a reference point following training sessions and the Chairman encouraged members to keep a record of all related training undertaken to pass on to David Anthony.

Resolved:

To endorse the basis for the development of a training plan outlined in paragraphs 20 to 28 of the report with the following additional recommendations:

- **That training plans are aligned with the Workplans for the Board;**
- **To continuously review training plans with an aspiration to have all Board members fully trained within 12 months;**

- To share training events with the Pension Fund where possible to support a positive working relationship and save resource;
- That training policies embrace flexible ways of learning;
- That the Head of Pensions take responsibility for ensuring the knowledge and understanding framework is developed and implemented.
- That Board members are encouraged to pass details of any additional training/conference attended to Head of Pensions to include in the training logs.

13 **Consideration of the Wiltshire Pension Fund Committee Draft Minutes and Key Decisions Taken on 25 June 2015**

The draft minutes of the latest Pension Fund Committee meeting and the key documents approved, namely the Business Plan 2015-18 and Internal Audit Report were presented to the Board.

It was explained that the Board would meet 3 to 4 weeks after the main Committee and would have access to all of its supporting paperwork.

David Anthony explained highlights from the minutes which included that the key underspend for the Fund was on manager fees, it was explained that any underspends would remain in the Fund. The issue of recruiting new staff had improved as one new member of staff had been recruited.

The officer updated that the Fund's Communications policy had been reviewed to enhance the features that were most useful to members. The Fund's statement of investment principles was identified as an avenue for exploration at a future Board meeting alongside the Fund's risk register. It was noted that since the LPB and ISC were now operational the risks associated with these had been downgraded on the risk register. A summary of the Fund's investment reports was provided.

The Board heard that the Fund's internal auditors were being directed towards specific areas of investigation, as part of the audit planning process, particularly procedures, reconciliations and KPIs. The Business Plan was being considered to ensure the Fund worked to best practice and develop an action plan for this.

The Board members considered the Pension Fund minutes and noted that the Committee would receive the minutes of the Board meetings. The Chairman requested that the Board received full minutes of both the Committee and the ISC and dates of their meetings to assist members to attend were possible. Members agreed that more detailed reports from the auditors would help them to review the Fund and requested actions on the Business Plan be prioritised to reflect whether they were a statutory duty and to acknowledge resource sensitivity. It was suggested that a future item for the Board could include examining the potential impact from pooling investments and inputting into the forthcoming Government consultation.

Resolved:

To note the minutes and attached reports.

To request that the Board receive full minutes and meeting dates of both the WPF and ISC.

To request input into the consultation process for the audit plans.

To request the SWAP audit report and action plan is reviewed again by the Board.

To recommend that items on the Business Plan be prioritised and acknowledge resource sensitivity and risk and that the LPB be updated on these issues.

14 **Work Plans for 2015/16**

Board members were asked to consider areas for review over the next 12 months with regard to the Terms of Reference of the Board. Members noted that the Fund's Annual report would come to the next meeting of the Board and the Fund's valuation would be received at a 2016 meeting.

The Chairman requested that a Forward Plan be developed to track emerging agenda items and items addressed by the Board.

It was discussed that whilst the Board was deigned to scrutinise the Fund it was supported by the same officers and, although they were to attend to present information only, this potential conflict of interest should be added to the work plan for further investigation. The Chairman reminded the Committee that the officer would provide information only and it would be for the Board members to scrutinise the Fund.

Members considered that other items of interest would be to examine how effective the Fund's communications policy was and to make an assessment of the Fund's risk register and align the work programme around this. It was commented that, on occasions, the Board may wish to liaise or share experience of work plans with other Boards.

Resolved:

To add the following items to the Board's work plan:

- **To develop a Forward Plan to track statutory and emerging issues and record items addressed by the Board. This should include**

training and review of the Valuation process, review of discretions policy, and internal policies of the Fund.

- **To explore officer support for the Board in the context of overlap with supporting the management of the Fund.**
- **To explore the effectiveness of the Fund's Communications Policy**
- **To make assessments of the key risk register and consider aligning a work programme to these risks.**

15 **Urgent items**

There were no urgent items.

16 **Date of next meeting**

The next regular meeting of the Board was to be held on Thursday 22 October 2015.

(Duration of meeting: 10.30 am - 12.41 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

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

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PENSION FUND ADMINISTRATION BUDGET 2015-16 - BUDGET MONITORING

	2015/16			Explanations
	Budget £000	Projected Outturn £000	Variance £000	
<u>Fund Investment</u>				
Investment Management Fees				
Segregated Funds	5,049	5,407	358	Higher than forecast performance fee from Baillie Gifford arising from continued outperformance.
Pooled Funds *	2,329	2,194	-135	Slower pace of investments than expected from infrastructure mandate.
	7,378	7,601	223	<i>These projected fee estimates are based on current market conditions and are subject to change prior to year</i>
<u>Fund Investment Costs</u>				
1 Investment Administration	108	108	0	
2 Investment Custodial & Related Services	56	56	0	
3 Investment Consultancy	153	153	0	
4 Corporate Governance Services	39	39	0	
5 Performance Measurement	46	46	0	
	402	402	0	
<u>Fund Scheme Administration</u>				
6 Pension Scheme Administration	1,458	1,398	-60	In year vacancies & potential administration procurement savings of new software.
7 Actuarial Services	111	111	0	
8 Audit	58	58	0	
9 Legal Advice	20	20	0	
10 Committee & Governance	82	82	0	
	1,730	1,670	-60	
Fund Administration Costs	1,730	1,670	-60	
Total FUND COSTS	2,132	2,072	-60	
TOTAL FUND EXPENDITURE (Costs & Fees)	9,510	9,673	163	

* Invisible costs paid through investments

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WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE

1 October 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 one significant change since the last report in June 2015. **PEN008 Failure to comply with LGPS and other regulation** has increased from a low to medium risk. This reflects the increased obligations now imposed on the Fund from the Pension Regulator (tPR) since it took on responsibility for public sector pension schemes from 1 April 2015. The Fund must now adhere to the Regulators Code of Practice no.14 *Governance and administration of public service pension schemes*.
5. The Fund is currently reviewing all these requirements and will need to put into place reporting structures to ensure these requirements are either being adhered to or action being taken to address them. The Fund will also need to ensure it has a policy in place for reporting any breaches to tPR.
6. During the transitional phase there will be areas where the Fund needs to change processes, or gather additional information to report on adherence. Where the Fund currently fails to meet the requirements of the Code, consideration will be required as to the "materiality" of any breach and the need to report to tPR. Therefore, this risk will remain medium until the Fund has reviewed its position and put in place a revised breaches policy.
7. The other notable risks are **PEN011 Lack of expertise of Pension Fund Officers** and **PEN012 Over-reliance on key officers** which remains at medium. The Fund has now appointed a new Technical & Compliance Manager and Fund Development Manager, however the post of Employer Relationship Manager remains vacant. A further recruitment process is underway to try and recruit to this post which will remain at medium until this point.

Financial Implications

8. There are no known implications from the proposals.

Legal Implications

9. There are no known implications from the proposals.

Environmental Impacts of the Proposals

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

Safeguarding Considerations/Public Health Implications/Equalities Impact

11. There are no known implications at this time.

Proposals

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

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							18-Sep-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	18 Sept 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	18 Sept 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	18 Sept 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	18 Sept 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	18 Sept 2015	→

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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 Quantitative 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		2	2	4	Low	18 Sept 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 Quantitative 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		2	2	4	Low	18 Sept 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	18 Sept 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	18 Sept 2015	→

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PEN008	Failure to comply with LGPS and other regulations	Legal / Statutory	Lack of technical expertise / staff resources to research regulations, IT systems not kept up-to-date with legislation, etc	Wrong pension payments made or estimates given. Investment in disallowed investment vehicles or failure to comply with governance standards. Effect: Unhappy customers, tribunals, Ombudsman rulings, fines, adverse audit reports, etc	David Anthony	Sufficient staffing, training and regulatory updates. Competent software provider and external consultants.	2	3	6	Medium	The Technical & Compliance Manager oversees training plans for the team. The Pension Regulator now has responsibility from 1 April 2015 for Public Sector Pension Schemes. They have recently issued their code of practice which includes a number of new requirements. Work continues to ensure the Fund can comply fully with these requirements but this may lead to areas of non-compliance in the short term. Any "material" non-compliance will be reported to the Regulator.	David Anthony	Mar-16	2	2	4	Low	18 Sept 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	18 Sept 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	Dec-16	2	1	2	Low	18 Sept 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	A new Technical & Compliance Manager was appointed in August as was a Fund Development Manager in September. The post of Employer Relations Manager remains vacant and further recruitment is taking place.	David Anthony	Sep-15	2	1	2	Low	18 Sept 2015	→

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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	A new Technical & Compliance Manager was appointed in August 2015, along with a Fund Development Manager in September. The post of Employer Relationship Manager has proved more difficult to recruit to with a further recruitment process now taking place. An interim solution is also being reviewed to try and maintain services to employers.	David Anthony	Dec-15	2	1	2	Low	18 Sept 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 updated communication strategy was approved by this Committee in June 2015. .	Zoe Stannard		1	1	1	Low	18 Sept 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	18 Sept 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. A review of the cessation policy may be required as more employers are now facing potential cessation events.	David Anthony	Dec-15	2	1	2	Low	18 Sept 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	18 Sept 2015	→

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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	18 Sept 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	18 Sept 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	18 Sept 2015	→

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