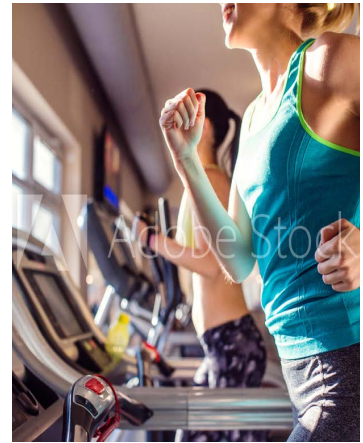




WILTSHIRE  
PENSION FUND



REPORTS & ACCOUNTS  
For the year ended 31st March **2017**



# ANNUAL REPORT 2017

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## REPORT AND ACCOUNTS

*For the Year ended 31 March 2017*

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## 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 175 Employer organisations which are members of the Fund. Swindon Council and Wiltshire Council are the two largest employer organisations of the Fund. The Fund has seen a further increase in employer member bodies over the last 12 months mainly as a result of the outsourcing of services from the two largest employers.

The Fund has seen a decrease of 600 contributing members to 21,200, while the number of retired employees receiving regular payments has increased by around 600 to 15,500. The average pension paid was £4,222. The number of deferred members has increased by around 1,500. The cashflow of the Fund continues to be broadly neutral for the year, this will be monitored closely.

The Fund's assets have increased by £348 million to £2,187 million as at 31 March 2017 reflecting strong asset returns across all asset classes. The results of the 2016 Valuation have now been received, and show that the funding level has increased to 82% from 71% (March 2013). The good performance of the Fund's assets over the period and the difference in the actual membership experience compared to the assumption used in the previous valuation were largely responsible for the increase.

Since the last formal valuation, real bond yields have fallen placing a higher value on liabilities. The effect has been broadly offset by strong asset returns. Interim monitoring reports show the funding level of 80% as at 31 March 2017.

Over the 12 month period both growth and defensive asset classes have posted strong positive returns. These strong returns came about despite bouts of volatility following the surprise result of the UK's referendum in June 2016, when the electorate voted to leave the European Union, and the unexpected victory for Donald Trump in the US Presidential Election in November 2016. Returns over the longer term remain positive with the rolling 5 year return for the Fund achieving 10.2%; 0.3% ahead of its consolidated benchmark of 9.9%. The Committee continues to monitor investment manager performance and a high level Investment Strategy review is due to take place October 2017. The Fund is also closely monitoring the impact of Brexit, in particular on its investment strategy keeping the focus on the long term returns during this uncertain period.

During the year up to March 2017 there was only one change of membership to the Pension Fund Committee. Councillor Mark Packard was replaced by Councillor Gordon King. We would like to thank him for his contribution over the years and wish him well for the future. Councillor Charles Howard also stepped down from the role of Vice-Chairman of the Wiltshire Pension Fund Committee at the end of the financial year, Charles was paramount to the development of the investment strategy of the Fund and we wish him well.

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.

On 25th November the Department of Communities and Local Government (DCLG) issued a consultation titled "Investment Reform Criteria and Guidance" inviting administering authorities to submit by 19th February 2016 their initial proposals for pooling LGPS assets into six 'British Wealth Funds' from April 2018 onwards, each containing at least £25bn of assets with the intention to reduce investment management costs while improving the net performance.

Officers continue to make progress with the pooling of assets programme – Project Brunel. The project has made significant progress in setting up an FCA authorised company to be named Brunel Pension Partnership. An update was provided to the Department of Communities and Local Government (DCLG) in July 2016, covering the following issues.

- The LGPS Funds participating in the pool.
- The governance structure of the pool
- The business model, including shared principles, accountability, decision making and reporting.
- The timetable for establishing the pool and moving assets into the pool.
- A detailed estimate of current investment costs, transition and implementation costs for the pool, and an estimate of savings over the next 15 years.
- The ambition of the pool to increase investment in infrastructure

Following the July 2016 submission, a detailed business case was prepared for all the 10 Funds participating. Following the break even point it is anticipated that annual savings of £2 million per annum will be generated for Wiltshire Pension Fund. This was approved by all participating administering authorities in the period December 2016 to February 2017.

Recruitment to the company has now commenced with the Chair to the Board appointed in April 2017. Recruitment will now focus on the executive board and non-executive directors. The legal agreements have been drawn up and will need to be agreed by all ten administering authorities. Once the agreements are finalised and approved the administrator contract can be awarded to ensure the custody and safe keeping of assets.

The Fund continues to adapt to these challenging times ensuring resources are appropriate and aligned to implement these changes. However, this continues to be a challenge and our focus remains on attaining a sustainable pension fund for our members.

### **Tony Deane, Chairman**

On behalf of the Wiltshire Pension Fund Committee  
7th July 2017



# SCHEME MANAGEMENT AND GOVERNANCE

<b>Administering authority</b>	Wiltshire Council County Hall Trowbridge Wiltshire BA14 8JN
<b>Pension fund committee as at 31 March 2017</b>	
<b>Wiltshire Council members</b>	Councillor Tony Deane (Chairman) Councillor Charles Howard (Vice Chairman) Councillor Gordon King Councillor Roy While Councillor Sheila Parker
<b>Swindon Borough Council members</b>	Councillor Steve Allsopp Councillor Steve Weisinger
<b>Employee observers</b>	Mike Pankiewicz (observer) – Wiltshire Council Tony Gravier (observer) – Swindon Unison Branch
<b>Admitted bodies</b>	Mrs Diane Hall/Sue Eley – Selwood Housing Association
<b>Education scheduled bodies</b>	Mrs Linda Stuart – Hardenhuish Academy
<b>Officers, advisors &amp; managers at 31 March 2017</b>	
<b>Wiltshire Council officers</b>	Michael Hudson – Treasurer to Pension Fund David Anthony – Head of Pensions
<b>Investment managers</b>	Baillie Gifford & Co CBRE Global Multi Manager Loomis Sayles Legal & General M&G Financing Fund Partners Group Barings Asset Management Investec Asset Management
<b>AVC providers</b>	Equitable Life Assurance Society Clerical Medical Funds NPI Funds Prudential
<b>Investment consultant</b>	Mercers
<b>Actuary</b>	Hymans Robertson
<b>Independent adviser</b>	Jim Edney, Independent Pension Fund Adviser
<b>Auditor</b>	KPMG LLP
<b>Custodian</b>	BNY Mellon
<b>Legal adviser</b>	Osborne Clarke
<b>Bankers of the Fund</b>	HSBC

## 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 2016 there was an additional meeting to consider the outcome of the 2016 triennial valuation. 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.

## Investment Sub-Committee

The Investment Sub-Committee (ISC) met 4 times during the year. The role of the ISC is 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 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.

Details of the meetings and minutes can be found at the following link:

Investment Sub-Committee meetings and minutes you can find this information on the Wiltshire Council website.

## 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 required each LGPS administering authority to establish a new body known as a LPB to assist the Council in running the Wiltshire Pension Fund.

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 to ensure the LPB had been established by 1 April 2015.

The LPB consists of an independent chairman, 3 employer representatives, and 3 scheme member representatives and meets four times per year.

Further information related to the Local Pension Board including its Terms of Reference and Members Biographies can be found on the Wiltshire Pension Fund website on the following link

<http://www.wiltshirepensionfund.org.uk/local-pension-board.htm>

The Annual Report from the Local Pension Board summarises its role, activities, costs, and future work plans. This can be found on the following link:

<http://www.wiltshirepensionfund.org.uk/local-pension-board-annual-report-2016.pdf>

### 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](http://www.wiltshirepensionfund.org.uk) The Fund's Governance Compliance Statement can be viewed on page 9.

### Investments

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
- 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.
- Loomis Sayles manage exposure to Multi Asset Credit and Absolute Return Bond Fund
- Barings manages the Dynamic Asset Absolute Return Fund
- Investec manages the Emerging Markets Multi Asset Fund
- Partners manages the Global Infrastructure mandate

### 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 legal name "*Wiltshire County Council Pension Fund*".



# GOVERNANCE

## Governance policy statement

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

AREA	PRINCIPLE	LEVEL OF COMPLIANCE	REASON FOR NON-COMPLIANCE
	c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	FULL – All minutes of meetings and 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	<p>a) That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:</p> <p>i. employing authorities (including non-scheme employers, e.g., admitted bodies);</p> <p>ii. scheme members (including deferred and pensioner scheme members);</p> <p>iii. independent professional observers; and</p> <p>iv. expert advisors (on an ad-hoc basis).</p>	<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>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.	<b>FULL – All members of the Committee are given equal access to papers, meetings and training and are able to fully participate in debates.</b>	N/A
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.	<b>FULL – Full Induction Training and Governance is given and each member is given a Members' Handbook outlining their responsibilities amongst other information.</b>	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.	<b>FULL – This is a standard part of committee procedure.</b>	N/A
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.	<b>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.</b>	N/A

AREA	PRINCIPLE	LEVEL OF COMPLIANCE	REASON FOR NON-COMPLIANCE
E) Training/Facility Time/Expenses	a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	FULL – There is a Members’ Training Plan which is updated regularly and fully implemented. All members (including observers) have full access to all training opportunities and are allowed to claim all reasonable expenses.	N/A
	b) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	FULL – see Members Training Plan.	N/A
F) Meetings - Frequency	a) That an administering authority’s main committee or committees meet at least quarterly.	FULL – The Committee meets four times per year, plus ad-hoc for special issues (e.g. 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 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.	<b>FULL – All members of the Committee (including non voting and substitute members) receive all the papers for every meeting, including the confidential ones.</b>	N/A
H) Scope	a) That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	<b>FULL – All matters in relation to the Fund, whether Benefits, Governance, Investments, Communications, Employers, Financial, etc., are covered by the governance arrangements.</b>	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.	<b>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.</b>	N/A

## PENSIONS COMMITTEE AS AT 31 MARCH 2017

The Wiltshire Pension Fund Committee met 5 times in 2016-17. Below shows the attendance of the Members of this Committee:

<b>Members</b>	<b>Number of meetings attended (max 5)</b>
Councillor Tony Deane	5
Councillor Charles Howard	5
Councillor Sheila Parker	3
Councillor Roy White	5
Councillor Gordon King	3
Councillor Steve Allsopp	5
Councillor Steve Weisinger	2
Mike Pankiewicz	5
Tony Gravier	0
Sue Eley/Diane Hall	3
Linda Stuart	4



## 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 20.

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 2017 following the 2016 Actuarial Valuation.

### 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;

- o 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 within 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 is 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

	2016-17 £000	2015-16 £000	2014-15 £000	2013-14 £000	2012-13 £000
<b>Contributions and Benefits</b>					
Contributions receivable	95,901	89,449	85,529	79,128	77,083
Employers Additional Capital Contributions	0	0	0	0	0
Individual transfers	3,604	2,491	1,785	2,902	4,551
	<b>99,505</b>	<b>91,940</b>	<b>87,314</b>	<b>82,030</b>	<b>81,634</b>
Benefits payable	-78,814	-76,841	-74,067	-76,669	-68,351
Payments to and on account of leavers	-4,808	-3,948	-31,249	-4,789	-4,156
	<b>-83,622</b>	<b>-80,789</b>	<b>-105,316</b>	<b>-81,458</b>	<b>-72,507</b>
Management Expenses	-11,181	-9,336	-8,610	-4,679	-4,911
	<b>4,702</b>	<b>1,815</b>	<b>-26,612</b>	<b>-4,107</b>	<b>4,216</b>
<b>Returns on Investments</b>					
Investment Income	10,076	11,764	21,443	18,377	24,774
Change in market value of investments	334,031	-27,521	212,608	136,981	120,124
<b>Net returns on investments</b>	<b>344,107</b>	<b>-15,757</b>	<b>234,051</b>	<b>155,358</b>	<b>144,898</b>
<b>Net increase in the fund during the year</b>	<b>348,809</b>	<b>-13,942</b>	<b>207,439</b>	<b>151,251</b>	<b>149,114</b>

### Membership Summary

	2016-17	2015-16	2014-15	2013-14	2012-13
Contributors	21,245	21,831	21,606	21,655	20,193
Pensioners and Dependants	15,523	14,905	14,200	13,729	12,879
Deferred Pensioners	28,087	26,517	23,789	22,262	21,178

Income (i.e. contributions from employers and employees together with dividends and interest earned by investments, but excluding profits on sales of investments) has consistently exceeded expenditure. During 2016/17 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 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 2016 CIPFA Pension Administration benchmarking club report, issued in August 2016, compares the performance of WPF in 2015/16 with 37 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 2015/16 was £20.34 (2014/15: £19.83) compared to the average of £18.33 (2014/15: £19.17).

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 2015/16	Wiltshire Pension Fund	Average
	£	£
Staff	8.41	8.96
Payroll	2.37	1.06
Direct costs e.g. communications and actuarial fees	3.66	2.38
Overheads e.g. IT, accommodation, central charges	6.33	6.34
Income	-0.43	-0.41
<b>Net cost per member</b>	<b>20.34</b>	<b>18.33</b>

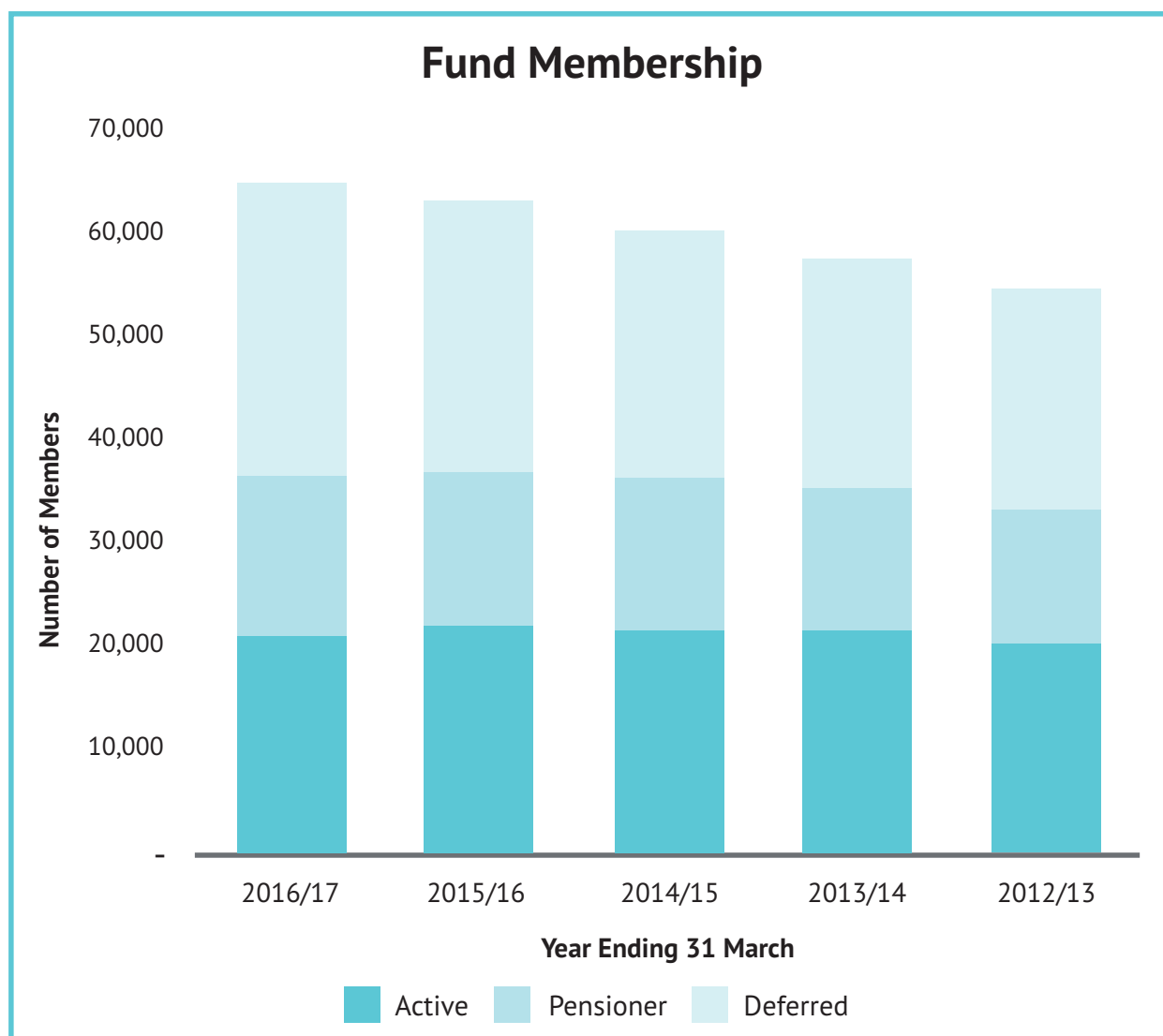


## Scheme membership

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

	2016-17	2016-17
<b>Active Members</b>		
<b>Active membership at start of year</b>	<b>21,831</b>	<b>21,606</b>
New Entrants	3,868	3,630
Linked deferred members		
Unfrozen actives		
<i>Leavers and exits during the year:</i>		
Retirements	-289	-412
Death	-6	-17
Deferred members	-225	-1,116
Refunds / Transfer outs / opt outs	-104	-198
Undecided	-1,972	-427
Other	-1,858	-1,235
<b>Active membership at end of year</b>	<b>21,245</b>	<b>21,831</b>
<b>Pensioners</b>		
<b>In payment at start of year</b>	<b>14,905</b>	<b>14,200</b>
<i>New pensioners in year resulting from:</i>		
Retirement of active members	289	412
Retirement of deferred members	408	396
Cessation of benefits	-384	-379
Other	305	276
<b>In payment at end of year</b>	<b>15,523</b>	<b>14,905</b>
<b>Deferred members</b>		
<b>At start of year</b>	<b>26,517</b>	<b>23,789</b>
New deferred pensioners	225	1,116
<i>Cessation of deferred pensions resulting from:</i>		
Retirements	-408	-396
Linked to active records	0	0
Full commutations	0	0
Transfers-out	-106	-70
Deaths	-26	-28
Other	1,885	2,106
<b>At end of year</b>	<b>28,087</b>	<b>26,517</b>

## 5 year analysis of fund membership



## 5 Year Analysis of Fund Membership Data

	2017	2016	2015	2014	2013
Active members	21,245	21,831	21,606	21,655	20,193
Deferred Beneficiaries					
Deferred Members	28,087	26,517	23,789	22,262	21,178
Frozen Refunds					
Pensions in Payment	15,523	14,905	14,200	13,729	12,879
<b>Total Membership</b>	<b>64,855</b>	<b>63,253</b>	<b>59,595</b>	<b>57,646</b>	<b>54,250</b>

## Age profile of fund membership at 31 March 2017

Age Band Years	Pensioner Type % of members			
	Active	Defred	Pension	Total
<20	226	12	121	359
20 - 24	860	402	28	1,290
25 - 29	1,372	1,465	1	2,838
30 - 34	1,670	2,013	4	3,687
35 - 39	2,195	2,682	11	4,889
40 - 44	2,882	3,722	19	6,623
45 - 49	3,591	5,459	53	9,103
50 - 54	3,731	5,923	129	9,783
55 - 59	2,834	4,513	589	7,936
60 - 64	1,506	1,697	2,844	6,047
65 - 69	313	151	4,360	4,824
70 - 74	64	39	3,157	3,261
75 - 79	-	8	1,833	1,841
80 - 84	-	1	1,315	1,316
85 - 89	-	-	746	746
>90	-	-	312	312

## Employer and Employee contributions

Employer Name	TOTAL ERS	TOTAL EES	Employer Name	TOTAL ERS	TOTAL EES
Wiltshire Council	30,194,311.40	7,063,185.13	Somerset Care Ltd	19,805.13	5,057.67
Swindon Borough Council	16,756,643.90	4,685,432.34	Colebrook Infants Academy	32,067.62	7,279.96
SBC - Agincare	21,415.30	6,276.19	Dorcan Technology Academy	190,649.46	49,694.88
New College	831,745.92	231,431.29	Enara	8,623.62	2,680.85
Swindon College	1,291,849.68	291,865.29	Leonard Cheshire	16,461.58	4,120.32
Wiltshire College	1,868,900.27	462,679.21	Woodford Valley Academy	41,513.89	9,867.29
Town & Parish Councils	1,237,029.79	387,061.42	St Edmund's Salisbury Academy	196,886.17	46,217.56
Wiltshire Police	4,888,735.11	1,559,860.25	Somerset Care Pt 2 (Selwood)	9,070.76	2,131.54
Wiltshire Fire	903,135.58	237,237.04	Great Western Hospitals	3,377.50	1,271.98
Swindon Academy	384,229.33	133,203.02	John of Gaunt Academy	221,750.91	53,163.47
Aster Group	165,882.60	17,383.26	Bybrook Valley Academy	28,986.81	8,248.51
Aster Property Management	90,456.15	19,051.65	The Mead Primary Academy	255,761.90	72,310.51
Aster Living	44,501.64	2,066.16	Holy Trinity Calne Academy	42,748.97	9,603.61
Sarsen Housing	333,935.09	13,704.43	Sevenfields Academy	84,540.37	25,368.52
Capita Business	6,341.17	1,710.25	Innovate Services	1,260.58	344.92
CIPFA	2,108,540.73	264,144.23	Collaborative Schools	13,682.17	3,743.79
Community First	77,275.25	8,719.01	Oxford Health NHS Trust	8,700.60	2,395.32
DC Leisure	62,929.44	29,029.41	White Horse Federation	917,668.63	260,500.90
Devizes Museum	21,000.00	0.00	King William Academy	45,064.78	11,030.00
FOCSA	80,388.81	7,949.91	Wiltshire & Swindon Sports Partnership	42,068.69	10,529.21
Devizes Museum	21,000.00	0.00	Elmor UK plc	8,407.44	2,079.66
English Landscapes	486.89	0.00	Devizes Academy	183,486.02	46,926.63
FOCSA	81,801.56	8,373.38	Excalibur Academy	332,698.47	79,944.31
Order of St John	694,794.08	34,068.85	Holy Family Academy Swindon	75,343.72	18,730.97
Salisbury Museum	47,480.62	9,816.74	St Catherine's Academy Swindon	43,016.40	9,410.31
Selwood Housing Society	589,721.10	116,906.93	Wansdyke Academy	45,637.92	10,231.73
Swindon Dance	11,540.51	2,448.60	Education Fellowship	198,692.17	50,477.05
Westlea	516,883.59	0.00	Longmeadow Academy	30,553.24	7,766.98
Direct Cleaning	1,927.50	384.10	Rowde Academy	45,045.99	10,194.53
Salisbury City Council	207,818.70	62,435.14	Malmesbury Primary Academy	108,971.47	25,937.97
Wellington Academy	186,747.52	74,720.63	Atkins Limited	77,146.53	23,153.90
Swindon Commercial Services	108,868.57	35,199.26	GLL	43,521.90	13,697.86
Hardenhuish School Ltd	337,031.78	83,488.64	Host	241.37	58.74
Goddards Park Community Prim Schl Academy	165,332.12	68,287.57	Crime Reduction Initiatives	6,597.96	1,856.52
Sarum Academy	114,539.08	34,956.84	Lifeways	30,373.08	8,145.62
Caterlink	1,723.52	398.28	Reach	38,054.57	9,854.88
Lavington Academy	116,043.83	29,488.68	Hazelwood Academy	62,583.00	13,034.43
South Wilts Grammar Academy	126,629.78	43,875.54	Dauntsey Primary Academy	25,908.17	7,088.74
Bishop Wordsworth	133,174.95	37,711.03	Morgan Vale & Woodfalls Academy	16,615.81	4,230.42
Corsham Primary Academy	107,294.68	31,129.19	Christian Malford Academy	227,048.32	51,269.49
Corsham Secondary Academy	238,284.01	71,574.36	Millbrook Academy	106,706.45	29,134.79



## Employer and Employee contributions – contd.

Employer Name	TOTAL ERS	TOTAL EES	Employer Name	TOTAL ERS	TOTAL EES
Sheldon Academy	269,556.04	69,562.28	Peatmoor Primary Academy	52,754.85	12,455.49
Wootton Bassett School	222,994.59	62,747.05	Westlea Academy	93,062.74	22,969.34
Pewsey Vale Academy	84,946.14	20,312.96	Whitesheet Academy	295,170.84	64,864.01
Highworth Warneford	199,664.63	52,542.56	Shawridge Academy	76,390.92	19,776.96
Commonweal Academy	313,476.79	78,952.55	Mears Care Ltd	109,697.28	26,187.97
Holy Rood Infants Academy	79,466.74	19,045.31	All Saints (Netheravon) Academy	22,023.96	5,834.14
Holy Rood Junior Academy	63,516.79	16,141.76	Pewsey Primary Academy	43,791.16	11,718.87
Lethbridge Academy	102,627.51	27,892.36	Balfour Beatty (WC)	144,002.05	31,917.93
Lydiard Academy	264,219.91	56,118.74	Salisbury 6th Form College	13,575.78	8,701.24
Ridgeway Academy	195,728.67	47,823.83	4 Children (Swindon)	3,782.54	1,522.22
St Joseph's Academy	359,149.97	92,057.47	Queens Crescent Academy	58,427.79	13,585.27
St Mary's Academy Swindon	81,782.71	19,677.45	Twigmarket	20,607.14	7,405.93
Kingdown Academy	355,412.85	103,280.27	Churchill Services	6,588.85	1,802.92
St Laurence Academy	221,236.19	64,253.34	Direct Cleaning (Wansdyke)	819.29	290.71
Kingsdown Academy Swindon	310,007.95	75,757.68	UTC Swindon	27,167.46	3,522.99
St Josephs Devizes Academy	29,656.95	7,336.37	Somerset Road Academy	356,684.87	79,485.07
Holy Trinity CE Primary Academy	27,728.89	6,674.79	Wiltshire CCG	4,656.84	1,042.80
St Augustines Academy	153,909.26	37,605.91	Uplands Education Trust	26,609.60	7,346.01
Churchfield Academy	178,652.65	40,388.82	ATOM	588,490.85	123,563.61
St Edmund's Calne Academy	42,350.16	10,283.88	Greenwich Leisure Limited (Part 2)	181,278.11	71,551.37
Eastrop Infants Academy	25,427.13	6,002.97	Create Studios	23,523.05	8,080.95
Southfield Junior Academy	40,629.82	9,644.36	Athelstan Trust Braden Forrest	530,267.19	135,974.95
Seqol - Care & Support Swindon	389,901.54	105,454.49	The Landscape Grp15	138,532.54	46,504.24
Visit Wiltshire	14,987.61	4,646.74	South Wiltshire UTC	55,173.13	17,421.07
St Leonards Primary Academy	21,270.92	5,046.24	Swindon Wildcats	6,029.76	1,289.28
Springfields Academy	274,954.23	74,956.05	Spurgeons	5,516.56	1,419.39
John Bentley Academy	181,736.24	47,240.65	Salisbury Plain MAT	150,363.20	37,247.90
			<b>Total Contributions</b>	<b>76,744,991.46</b>	<b>19,156,061.26</b>



## 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 (i.e. over the next 0-80 years) back to today’s values (net present value). Therefore, falling bond 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 are 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.

## Risk Register

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. Adherence to Pension Administration Strategy and regular monitoring of performance. Documentation of processes and reconciliations.
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. The Breaches framework now require the Fund to log material late payments.
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 cash flows.
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 reviewed in Dec 2015 and 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 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.

## Risk Register – contd.

Ref.	Risk	Impact	Controls
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 2016 Valuation will set employer rates for the 3 years from April 2017.
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 investment managers, regular monitoring of investment managers (1/4ly), regular reviews of investment strategy (annually). Monthly review of % of Fund held in each mandate. Also a flight path strategy implemented to take off risk as funding levels improve. Fund member of LAPFF & uses PIRC to proxy vote on shares in line with agreed policy for ESG issues. Compliance with Stewardship code.
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 investment managers, regular monitoring of investment managers (1/4ly), regular reviews of investment strategy (annually). Monthly review of % of Fund held in each mandate. Also a flight path strategy implemented to take off risk as funding levels improve. Fund member of LAPFF & uses PIRC to proxy vote on shares in line with agreed policy for ESG issues. Compliance with Stewardship code.
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. Technical & Compliance post reviews process and procedures and maintains training programme for the team. The Pension Regulator now has responsibility from 1 April 2015 for Public Sector Pension Schemes. Their code of practice includes a number of new requirements which the Fund has assessed itself against.
PEN009	Failure to hold personal data securely	Poor data, lost or compromised.	Compliance with Wiltshire Council's Data Protection & IT Policies. Annual Data Protection training given to the team. On-going cleansing of data undertaken by Systems Team.

## Risk Register – contd.

Ref.	Risk	Impact	Controls
PEN0010	Failure to keep pension records up-to-date and accurate	Incorrect records held, leading to incorrect estimates being issues 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.
PEN0011	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.
PEN0012	Over-reliance on key officers	If someone leaves or becomes ill, a big knowledge gap if less 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.
PEN0013	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.
PEN0014	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.
PEN0015	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 new Cessation Policy in March 2016 to provide an updated agreed framework for recovery of payments. All new admitted bodies require a guarantor to join the Fund. It also provides additional flexibilities for the Fund dealing with employers cessation payments.



## Risk Register – contd.

Ref.	Risk	Impact	Controls
PEN0016	Treasury Management	Exposure to counterparty risk with cash held with external deposit holders could impact of Funding level of the Fund.	The Pension Fund will review an updated Treasury Management Strategy at the March meeting which follows the same criteria adopted by Wiltshire Council but limits individual investments with a single counterparty to £6m.
PEN0017	Lack of expertise on Pension Fund Committee	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.	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.
PEN0018	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.	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.
PEN0019	Pooling of LGPS assets	If not involved in forming proposals the Government may impose of pooling arrangement on the Fund over which it has not control. If implemented incorrectly this could be costly in terms of additional fees and poor investment returns.	The Fund is being proactive in exploring options with Project Brunel on the potential feasibility of setting up a pooling arrangement. Progress and updates regularly reported to Committee. The Fund approved the submission to Government in response to the consultation in July 2016. The full business case was approved by Council in February. The implementation phase now commences.
PEN0020	Ability to Implement the Public Sector Exit Cap	Changes need to be communicated to individuals and employers and systems adapted once the revised regulations have been approved.	Currently monitoring the progress of the current consultations and responding where appropriate. Briefings being provided to team and stakeholders. Concern that further information is still pending from Government.
PEN0021	Reconciliation of GMP records	If GMP records for members is inaccurate there is the potential for incorrect liabilities being paid by the Fund.	Project has been set up and 2 Data Analysts employed to assist with resources. Additional software from Heywood's to process amendments in bulk has been purchased.

## Risk Register – contd.

Ref.	Risk	Impact	Controls
PEN0022	Resources of Officers and Members to meet the expansion of business items	It is increasingly more difficult for officers to thoroughly consider issues and to deliver concise agenda papers covering all the relevant issues, while members are faced with larger report packs trying to cover the pertinent details.	More use of web links within the Committee papers to reduce the size of the packs. The adequacy of officers resources to support the Fund's 3 committees, the on-going pooling agenda and the additional complexities arising from regulatory scheme changes will need to be monitored through work planning and appraisals.
PEN0023	Impact of EU Referendum	A vote to exit the EU may produce short term volatile market movements which could impact on asset performance.	The Fund has liaised with its investment managers on the potential impact of an exit. The Fund has agreed to revert to a 50% overseas equities hedged position for the current timeframe to reflect the current weakness of sterling.
PEN0024	Academisation of Schools	Additional governance and administration risk. If all schools were to convert then the number of employers in the Fund could jump from 170 to between 400 and 500.	Regular communications with schools to understand their intentions. Questionnaires recently sent to Schools.



## 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 and Investment Sub 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 committees 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.

A separate plan for the training of the Local Pension Board is also in place and outlined in its annual report.

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 for the Wiltshire Pension Fund Committee ran from 2011 and covered the following topics:

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

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 the latest Members Training Plan.

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

The plan is being delivered through a number of different methods. The expectation is that 'in-house' training days are held, complemented by 'short seminars' at Committee meetings on subjects pertinent to the forthcoming agenda. When applicable, external conferences are recommended to Members by officers if they are deemed to contain appropriate content. Briefing notes are also emailed to Members when applicable and occasionally webcasts and videos are made available if deemed specific enough. In addition the Fund provides an educational 'away-day' off-site training to review the Fund's investment strategy. Both members of the Pension Committees and Local Pension Board are encouraged to attend these sessions.

The Members Training Plan for 2015-17 was approved by the Committee on 12 March 2015 and 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  
19 July 2017

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

TRAINING NEEDED	PROPOSED DELIVERY METHODS							COMPLETION TARGET DATE (Shaded shows completed)
	Member's Handbook	Members' Briefing Notes (Electronic)	Short Seminars (Before Committee Meeting)	Internal Training Events (Internal & External Speakers)	External Conferences & Training Seminars (e.g. Webcasts Videos)	E-Learning	One-to-One Briefing with an Officer	
<b>GENERAL TRAINING</b>								
General overview of LGPS	✓							June 2017
Members' Individual needs on specific areas arising during the year		✓			✓	✓	✓	As required - notify Head of Pensions
New Members induction session				✓			✓	June 2017
Specific items on committee agendas		✓	✓					As required
<b>SPECIFIC ISSUES IDENTIFIED FROM MEMBERS SELF ASSESSMENTS</b>								
<b>General Pension Framework</b>								
• Terms of Reference for Pension Committee, Investment Sub-Committee & Local Pension Board	✓		✓					July 2015
• LGPS discretions policies			✓					July 2015
• Update following Governments response to consultation on the review of the LGPS		✓		✓	✓			September 2015
• Review of the Funds communication policy & tools	✓			✓				May 2016
<b>Pensions Legislation &amp; Governance:</b>								
• Role of the Pension Regulator, National Scheme Advisory Board & Local Pension Board	✓			✓				December 2017
• Review of the importance on data quality and implications of the end of contracting out in 2016	✓			✓				December 2017
• Overview of all the relevant sources of legislation that impact on the Fund	✓							July 2017
<b>Pension Accounting &amp; Auditing standards</b>								
• Update on the new reporting requirements for the Funds Annual Report			✓					December 2017
<b>Financial Services procurement:</b>								
• Current public procurement policy & procedures	✓							July 2017
• Brief overview of UK & EU procurement legislation	✓							July 2017
• Awareness of support services suppliers and contract monitoring	✓			✓				July 2017
<b>Investment Performance &amp; Risk Management:</b>								
• Monitoring asset returns relative to liabilities and monitoring funding level risk	✓	✓		✓	✓			September 2015
• Understanding the purpose of "flight paths" & asset liability matching		✓		✓	✓			September 2015/January 2017
• Implications of setting different investment strategies for employers				✓				April 2016
• Investment Pooling/Brunel Pension Partnership updates				✓	✓			June 2016/October 2016
<b>Financial markets &amp; products knowledge:</b>								
• Review of asset allocation and investment strategy		✓		✓				June 2015/2016/2017
• Limits placed by regulation on investment activities in the LGPS	✓			✓				September 2016
• Environmental Social and Governance considerations for investing				✓				September 2017
• Specific investment opportunities		✓		✓	✓			As required
<b>Actuarial methods, standards and practices:</b>								
• Review purpose of the Funding Strategy Statement/Investment Strategy Statement		✓						January 2017
• Triennial Valuation refresher			✓	✓				April 2016
• Considerations in relation to outsourcing and bulk transfers	✓			✓				July 2017
<b>CHAIRMAN / VICE CHAIRMAN TRAINING</b>								
• Strategic forward planning							✓	on-going
• Stakeholder feedback		✓					✓	on-going
• Appreciation of changes to scheme rules		✓			✓			Invite to be circulated to relevant ones





## ADMINISTRATION REPORT

### Recent developments

#### Investment Pooling / Brunel Pension Partnership

In 2015 the Government announced that they wanted the 89 Local Government Pension Scheme funds to pool their investments into larger pools to achieve savings in investment management costs.

In response to the Government agenda, Project Brunel was set up to explore the options for pooling investment assets across ten Funds. The founding Funds include The Environment Agency Pension Fund, and the Local Government Funds of Avon, Buckinghamshire, Cornwall, Devon, Dorset, Gloucestershire, Oxfordshire, Somerset and Wiltshire. The collective assets of the pool are more than £25 billion.

The objective of pooling the assets is to achieve savings over the longer term from both lower investment management costs and more effective management of the investment assets. The pool will look to deliver the savings based upon the collective buying power the collaboration initiative will produce. Local accountability will be maintained as each individual fund will remain responsible for strategic decisions including asset allocation. The pooling of assets will only affect the implementation of the investment strategy in terms of manager appointments and monitoring of their performance.

The Wiltshire Pension Fund agreed produced a high-level submission in February 2016 with the other Members of the pool outlining the Fund's proposed direction of travel and its commitment to developing the Brunel Partnership. The Fund then submitted a further detailed proposal in July 2016 in line with the Government's requirements. The full business case was then considered and approved by Wiltshire Council in February 2017.

The full business case illustrates a combined £550m of investment savings that could be achieved over the next 20 years, representing £41m for the Wiltshire Pension Fund, the equivalent of £2m p.a.

Significant progress has been made by officers to set up a FCA regulated company called Brunel Pension Partnership. The key legal documents will be signed July 2017 formally establishing the company. Following this the FCA application will be submitted with the expected commencement date of pooling assets from April 2018.

Further information and the latest updates about the project can be found on the Brunel Partnership website at:

[www.brunelpensionpartnership.org](http://www.brunelpensionpartnership.org)

## Employer Activity

This year saw 11 new admitted bodies and academies joining and 5 ceasing the Fund bringing the total number of employers to 175. 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.

The full list of employers can be seen on page 21.

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. The policy was reviewed and updated during 2015-16 by the Pension Fund Committee. The website can be used as a substantive source of employer information, along with the regular technical newsletters and Employer Forums meetings. The Fund is keen to work alongside Employer organisations to assist and provide training on their pension responsibilities and is more than happy to undertake site visits to guide teams through the process and forms when required. This is particularly useful where changes in key staff at an employer have recently occurred.

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

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

As an employer organisation are you considering the following?

- undergoing a change to your corporate structure,
- undertaking an outsourcing or in sourcing of services,
- transferring staff to another employer,
- or considering changing staff access to the Local Government Pension Scheme

If this is the case, then this may have implications for your pension liabilities within the Wiltshire Pension Fund. In this situation, it's important to contact the Fund as early as possible to discuss the potential options and pension implications.

The Fund's Employer Relationship Manager is Denise Robinson and her contact details are:

[Denise.Robinson@Wiltshire.gov.uk](mailto:Denise.Robinson@Wiltshire.gov.uk) (01225 713505).

## Local Government Pension Scheme 2014

The 1 April 2014 saw the new Local Government Pension Scheme 2014 come into force. As a reminder, the main provisions of the scheme are outlined in the table below:

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

## LGPS 2014 is still a Defined Benefit Scheme

LGPS 2014 is still a Defined Benefit Scheme. The CARE scheme is like 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

All members will have contribution rates based on actual (not full time equivalent) pay which is not the case in the old scheme.

### Member Scheme Contributions

The contribution bandings due from 1 April 2017 are shown in the table below.

Pensionable Pay	Gross Contribution	Contribution after Tax Relief*
Up to £13,700	5.5%	4.40%
£13,701 - £21,400	5.8%	4.64%
£21,401 - £34,700	6.5%	5.20%
£34,701 - £43,900	6.8%	5.44%
£43,901 - £61,300	8.5%	5.10%
£61,301 - £86,800	9.9%	5.94%
£86,801 - £102,200	10.5%	6.30%
£102,201 - £153,300	11.4%	6.84%
More than £153,301	12.5%	6.88%

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

Further information on the LGPS 2014 scheme can be found at [www.lgps2014.org/](http://www.lgps2014.org/)

## 2016 Triennial Valuation

The outcome of the 2016 Triennial Valuation was reported to the Pension Fund Committee and the Fund's employer organisations on 13 October 2016. At 31 March 2016, the Fund's actuary, Hymans Robertson measured all the assets and liabilities of the Wiltshire Pension Fund. Using this information for each employer organisation within the Fund, the actuary will set new employer contribution rates from April 2017 onwards.

The table below summaries the funding position of the Fund as at 31 March 2016 in respect of benefits earned by members up to this date (along with a comparison at the last formal valuation as at 31 March 2013).

Past Service Position	31 March 2013 (£m)	31 March 2016 (£m)
Past Service Liabilities	2.094	2.246
Market Value of Assets	1.484	1.831
Surplus/(Deficit)	(610)	(415)
<b>Funding Level</b>	<b>71%</b>	<b>82%</b>

The improvement in funding position between 2013 and 2016 is mainly due to strong investment performance over the inter-valuation period. The liabilities have also increased due to a reduction in the future expected investment return, although this has been partially offset by lower than expected pay and benefit growth (both over the inter-valuation period and continuing in the long term).

Details of the latest actuarial valuation results can be found in the [Actuarial Valuation Report](#) of Hymans Robertson. This report includes details of contribution rates required to be paid into the Fund by employer bodies for the three-year period commencing 1 April 2017.

### Pension Administration Strategy

During 2015, the Fund reviewed its pension administration strategy which outlines the roles, responsibilities and expectations in terms of provision of data and service delivery of both the administration teams of the Wiltshire Pension Fund and the employer organisations. The new policy was approved by the Pension Fund Committee in December 2015 following consultation with employers.

This policy can be found at the following link:

<http://www.wiltshirepensionfund.org.uk/pension-administration-strategy-2015.pdf>

### Funding Strategy Statement

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

This is the fifth FSS produced for the Wiltshire Pension Fund, the previous having been approved by this Committee on 19 September 2013. Although essentially a refresh, each version is adapted to fit in with the changing environment compared to the previous ones.

The FSS outlines how the Fund calculates employer contributions, what other amounts might be payable in different circumstances, and how this fits in with the investment strategy. The document follows CIPFA guidance (“Preparing and maintaining a funding strategy statement in the Local Government Pension Scheme 2016”).

The FSS was prepared in collaboration with the Fund’s Actuary, Hymans Robertson and forms an integral part of the framework within which they carry out triennial valuations to set employers’ contributions and to provide recommendations on funding decisions.

The report is split into three main areas:

- Basic Funding issues

- Calculating contributions for individual Employers
- Funding strategy and links to investment strategy

The 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 was approved by the Pension Fund Committee in September 2016 and published following a 30-day consultation with all the Fund's participating employers with any comments to be submitted within 30 calendar days.

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

<http://www.wiltshirepensionfund.org.uk/funding-strategy-statement-2016.pdf>

### Investment Strategy Statement

In November 2015, the Department for Communities and Local Government (DCLG) issued a consultation proposing revoking and replacing the LGPS (Management and Investment of Funds) Regulations 2009. Within this consultation, proposals were made removing the requirement to prepare a Statement of Investment Principles (SIP) and replacing with an Investment Strategy Statement (ISS).

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 came into force on 1 November 2016 with the requirement for administering authorities to publish the new ISS by 1 April 2017.

In March 2017, the Committee approved the first document in this format which replaces the SIP previously approved annually. The new investment regulations specifically states that the following areas must be included within the ISS:-

- A requirement to invest money in a wide variety of investments;
- The authority's assessment of the suitability of investments and types of investment;
- The authority's approach to risk, including the ways risk are to measured and managed;
- The authority's approach to pooling investments, including the use of collective investment vehicles and shared services;
- The authority's policy on how social, environmental or corporate governance considerations are considered in the selection, non-selection, retention and realisation of investments; and
- The authority's policy on the exercise of rights (including voting rights) attaching to investments.

The ISS must also set out the maximum percentage of the total value of all investments of fund money that it will invest in particular investments or classes of investment.

One of the main aims of the new investment regulations is to transfer decisions and their considerations more fully to the Fund within a new prudential framework. The Fund is therefore now responsible for setting its policies on areas such as asset allocation, risk and diversification.

In relaxing the regulatory framework for scheme investments, the Fund is expected to make investment decisions within a prudential framework with less central prescription. It is important therefore that the regulations include a safeguard to ensure the less prescriptive approach is used appropriately in the best long term interests of the scheme beneficiaries and taxpayers.

In line with the regulations the Fund had to consult such persons as it considers appropriate as to the proposed contents of its investment strategy. The statement is then published and then kept under review and revised from time to time, in particularly when there is a material change in risk, and at least every three years.

Prior to approval of the ISS, a consultation was held with its scheme members, scheme employers and Local Pension Board. The approved document can be viewed at the following link:

<http://www.wiltshirepensionfund.org.uk/investment-strategy-statement-final.pdf>

### **Treasury Management Strategy**

This strategy was reviewed and approved in March 2017. 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 monthly 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>

### **Cessation Policy**

When an employer has no more active members in the Wiltshire Pension Fund scheme, it's deemed to have ceased. At this point a cessation valuation is undertaken by the Fund's actuary to calculate all the assets and liabilities allocated to the ceasing employer. The actuary will then assess any funding shortfall to ensure there are sufficient assets available to pay the future pension benefits.

The Fund's current Cessation Policy outlines the process and the flexibilities available to the Fund to work with employer organisations to pay off any cessation deficit payment. This policy was approved by the Pension Fund Committee in March 2016 and came into force from 1 April 2016. The policy can be viewed at the following link:

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

### **Business Plan**

Every three years the Fund reviews its Business Plan to outline its priorities and the areas of services which are going to be developed. The latest Business Plan was approved by the Pension Fund Committee in December 2015, and outlines the planned activities of the Fund up to 2018. This plan can be viewed at the following link:

<http://www.wiltshirepensionfund.org.uk/fund-information/wiltshire-pension-fund-business-plan-2011-14>

### **Communications**

The Fund continues to develop its communications to keep employers and employees updated with the latest changes affecting the scheme, options to increase pension entitlements through the purchase of additional pensions and notifying members of changes to legislation, in particularly the tax implications from the new thresholds to Annual and Lifetime Allowances.

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



The Fund continues its highly popular programme of Pension Clinics in locations around Wiltshire during the year as this provides scheme members with the opportunity to book 1-1 appointments with a member of the Benefits Team to discuss issues regarding their individual pension benefits.

The Fund's website is constantly being updated and reviewed to ensure the latest information is available for scheme members. This includes updated guides to the 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 has also now set up a Twitter account to enable members to keep up to date with all the latest Fund and pension news. You can follow the Wiltshire Pension Fund by using the following link

<https://twitter.com/WiltsPensions>

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 latest policy was approved by the Committee in June 2016 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 can continue paying into these funds or can decide to transfer their accumulated benefits into one of the new Prudential funds.

Prudential have run several presentations during 2016-17 at the Wiltshire Council hubs and are available and always willing, on request from employers, to undertake further presentations 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 13.

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, there was one change to the Committee. Councillor Mark Packard stood down and was replaced by Councillor Gordon King as a Wiltshire Council elected member.

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

The Committee met five times last year for regular business, which included one special item meeting to the 2016 Triennial Valuation.

All decisions are taken by a simple majority with the Chairman having the casting vote.

### Pension's section overview

The administration function of the Pensions team comprises of 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 of 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 of 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 of 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/ IAS19/ FRS102 information to employer organisations within the Fund. The team comprises of three members of staff.

#### **Administration Benchmarking and Performance**

The Fund is a member of the CIPFA benchmarking club which provides a guide as to how our services compares to those of its peers. The club currently compares the Fund against the other 37 LGPS authorities within the club.

Overall, for 2015-16, the total administration cost per member is £20.34 (£19.84 in 2015) which is slightly higher than the average (£18.37). This does provide an element of comfort that at a high level the cost of operating the scheme is in line with its peers.

The results of the CIPFA Benchmarking survey are presented to Committee each year and can be viewed on the following link under item 17 of the Committee papers:

<http://cms.wiltshire.gov.uk/ielistDocuments.aspx?CId=142&MId=11315&Ver=4>

#### **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 decide 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 2016-17, the Fund received two applications under the Stage 1 process. Following the determination by Muse Consultancy one of these cases moved to Stage 2. The Stage 2 appeal has now been finalised.

### **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 received a 1% increase effective from 6 April 2017. This is based on the Consumer Price Index (CPI) as at September the previous year and this was a negative value in September 2016.

### **Discretions Policies**

Under the LGPS Regulations, the Fund has a certain number of discretions as the Administering Authority in the administration of benefits. Its current policy was reviewed and approved by the Committee on 10 December 2015 which can be viewed at the following link:

<http://www.wiltshirepensionfund.org.uk/wiltshire-pension-fund-discretion-policy-updated-oct-2016.pdf>

Each employer in the Fund must have completed their own discretions policy which guides the Fund as to how to process their employees benefits. This must be approved by the appropriate people within their organisation and is "published" and made available to its employees. Copies of these policies must be submitted to the Fund on approval along with any changes within one month of them becoming active.

The current policies for the Fund's scheme employers can be viewed at the following link:

<http://www.wiltshirepensionfund.org.uk/about-the-scheme/employer-discretions-policies.htm>

**Other matters**

The Fund continues to support its employers by co-ordinating the provision of FRS17/ IAS 19 and FRS102 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.



## 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 2016 triennial valuation and can be supplied upon request or viewed at:-

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

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 Powers

These are set out in the Local Government Pension Scheme (Management and Investment of Funds) Regulation 2016, which outline the wide investment powers allowing committees to invest in line with its Investment Strategy Statement (ISS), with certain restrictions as long as proper advice has been taken.

The Secretary of State also now has the power to direct should an authority fail to act in accordance with the guidance issued under these regulations.

## 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.

All risks are continually monitored and a high level asset allocation review is undertaken annually to check the appropriateness of the Fund's current strategy.

## 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 an Investment Strategy Statement– this can be supplied upon request or viewed at :-

<http://www.wiltshirepensionfund.org.uk/news-update.htm>

## Strategic asset allocation

The Committee regularly reviews the Fund's investment management arrangements. In broad terms, at 31 March 2017 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.

## 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 provides a global proxy service for the Fund using PIRC Shareholder Voting Guidelines that are approved by the Fund. The Fund receives proxy research and voting recommendations for each company AGM and EGM holding the Fund has that can be voted.

It is also a member of the Local Authorities Pension Fund Forum (LAPFF), to enable it to act collectively with other local authorities on corporate governance issues. The Forum currently has over 70 member funds with assets of more than £200 billion. LAPFF's mission is to protect the long-term investment interests of beneficiaries by promoting the highest standards of corporate governance and corporate responsibility amongst investee companies.

The Fund has a fiduciary duty and therefore expects its investment managers to take account of financially material 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 either through its membership of LAPFF or individually.

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

The Fund's current asset allocation is as follows:

Asset Allocation	%
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 14.7% 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	%
<b>Baillie Gifford</b>	
Global Equities	15.0%
<b>Legal &amp; General</b>	
Passive UK Equities	12.5%
Passive Global Equities*	0.0%
Passive Fundamental Equities	12.5%
Passive Index-Linked Bonds (UK)	5.0%
<b>Barings</b>	
Absolute Return Fund	10.0%
<b>Loomis Sayles</b>	
Multi Asset Credit	4.2%
Absolute Return Bonds	6.3%
<b>Investec</b>	
Emerging Market Multi Asset Mandate	10.0%
<b>CBRE Global Multi Manager</b>	
Property Fund of Funds (UK & Europe)	13.0%
<b>Partners Group</b>	
Infrastructure	5.0%
<b>M&amp;G Investment Management</b>	
UK Companies Financing Fund	1.5%
<b>Opportunistic Investment*</b>	5.0%
<b>TOTAL</b>	<b>100.0%</b>

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

## Investment as at 31 March 2017

During the year, the managers transacted purchases of £1,039.4 million (£539.9m 31 March 2016) and sales of £1,018.8 million (£523.4m 31 March 2016). The value of assets under management at 31 March 2017 was £2,174.1 million (£1,826.4m 31 March 2016), broken down by managers as follows:

Legal & General	£808.8 million*
Baillie Gifford	£356.1 million
CBRE Global Multi Manager	£291.7 million
Loomis Sayles	£231.3 million
Barings Asset Management	£210.7 million
Investec	£232.6 million
Partners Group	£ 37.1 million
M&G Financing Fund	£ 5.8 million
Berenberg Bank	£ 0.0 million
	<b>£2,174.1 million</b>

\*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 £77.8 million (3.6% of the total) were on loan at 31 March 2017. Collateral for these securities is held in a pooled form, the Wiltshire Pension Fund's share (0.014%) representing a value of £84.9 million (109.09%). Income earned from this programme amounted to £0.367 million in the year.

## Investment markets

Over the 12 month period to 31 March 2017, both growth and defensive asset classes generally posted strongly positive returns as the ultra-accommodative monetary policy measures adopted by the world's major central banks continued to support financial markets. These strong returns came about despite bouts of volatility following the surprise result of the UK's referendum in June 2016, when the electorate voted to leave the European Union, and the unexpected victory for Donald Trump in the US Presidential Election in November 2016. The latter event in particular served to support equities in developed markets, as investors perceived Trump's policies as being supportive for corporate earnings.

Sterling depreciated sharply against its major counterparts following the 'Brexit' vote and ended the year 13% lower against the US Dollar compared to the prior year. This led to material gains for investors in overseas assets, where the currency exposure was unhedged. Meanwhile, subdued growth expectations in the UK culminated in further loosening of monetary policy by the Bank of England in August 2016, and led to a downward shift in government bond yields. This augmented strong returns for defensive assets, notably index-linked gilts, where returns were further enhanced by rising inflation expectations in the light of Sterling's depreciation.

Financial markets continue to be sensitive to the actions of the world's major central banks. In the US, the Federal Reserve Bank ('the Fed') matched investors' expectations by increasing its target interest rate by 0.25% at its December 2016 meeting and then a further 0.25% at its March 2017 meeting. Elsewhere the European Central Bank ('ECB') announced in December 2016 that its extended quantitative easing programme would continue until December 2017 at the earliest, albeit at a slightly reduced pace of asset purchases. The ECB subsequently confirmed in the first quarter of 2017 that a further extension to this is unlikely to be needed in the near term. The Bank of Japan

announced an explicit shift to yield curve targeting in September 2016.

While significant political and economic uncertainty remains in the UK following the referendum vote, economists now forecast Real GDP growth for 2017 to be 1.7% (a reduction from 2.1% forecast before the vote but an increase from 0.7% from the forecast just after) whereas inflation, as measured by the change in the Consumer Price Index, is expected to increase to 2.6% (from a forecast of 1.6% before the vote) reflecting the depreciation of Sterling.

### Fee structures

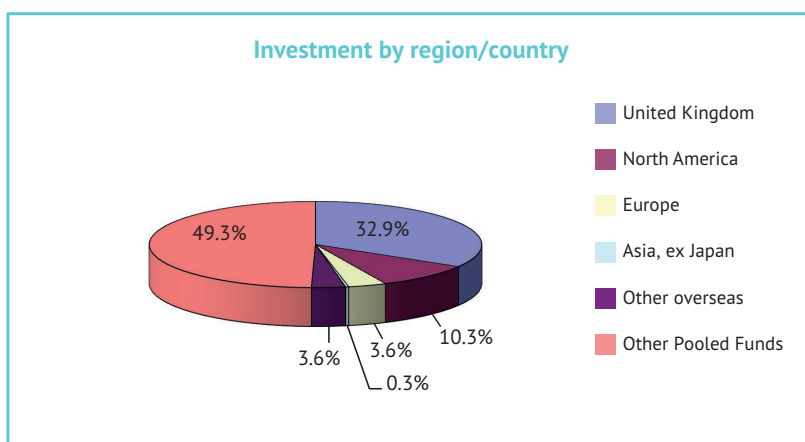
The Committee generally has an ad-valorem fee scale applied in respect of the investment management services it receives. This is generally accepted practice for passive tracking mandates and is easily understood. A performance related fee basis is sometimes set, however if it is believed to be in the overall financial interests of the Fund, particularly for active mandates where higher fees are paid for more consistent outperformance of market indices. The approach taken varies depending on the type of investment and the target being set.

The Fund is required to report in line with the CIPFA requirements under the Transparency Code and requires its investment managers to provide sufficient information to fulfil this requirement.

### Distribution of investments

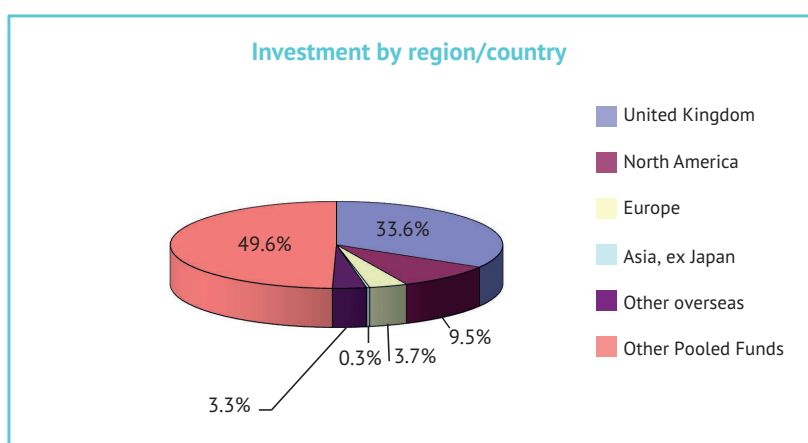
#### Analysis of investments as at 31 March 2017

Geographical analysis	£000	% of Fund total
United Kingdom	714,517	32.9
North America	223,585	10.3
Europe	78,315	3.6
Asia, ex Japan	6,441	0.3
Other overseas	78,009	3.6
Other Pooled Funds	1,073,238	49.3
	<b>2,174,105</b>	<b>100.00</b>



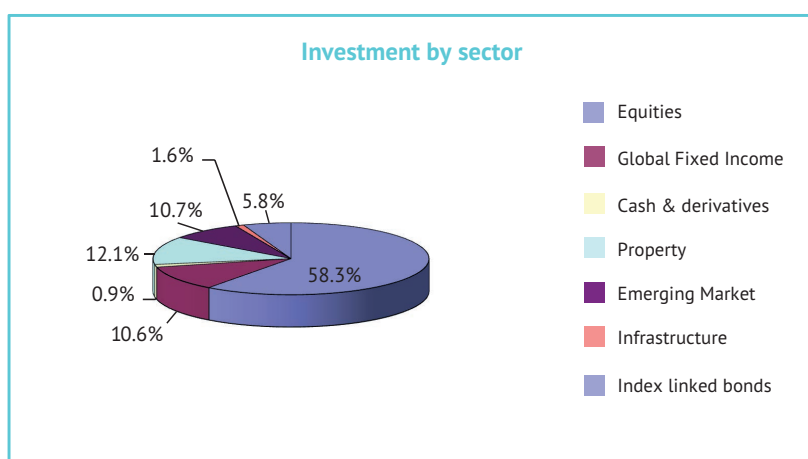
## Analysis of investments as at 31 March 2016

Geographical analysis	£000	% of Fund total
United Kingdom	614,025	33.6
North America	172,806	9.5
Europe	67,766	3.7
Asia, ex Japan	6,167	0.3
Other overseas	60,648	3.3
Other Pooled Funds	904,980	49.6
	<b>1,826,392</b>	<b>100.00</b>



## Analysis of investments by sector as at 31 March 2017

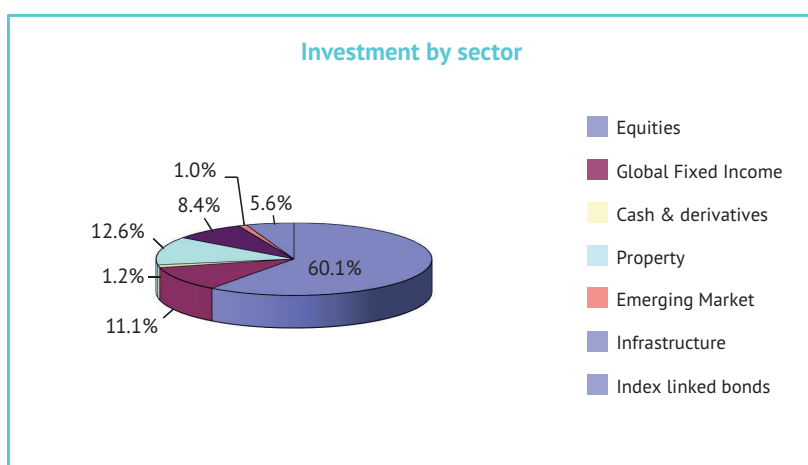
Sector analysis	£000	% of Fund total
Equities	1,266,793	58.3
Global Fixed Income	231,301	10.6
Cash & derivatives	19,968	0.9
Property	262,758	12.1
Emerging Market	232,595	10.7
Infrastructure	35,741	1.6
Index linked bonds	124,949	5.8
	<b>2,174,105</b>	<b>100.00</b>



## Analysis of investments by sector as at 31 March 2016

### Sector analysis

	£000	% of Fund total
Equities	1,098,050	60.1
Global Fixed Income	202,162	11.1
Cash & derivatives	22,402	1.2
Property	230,505	12.6
Emerging Market	152,986	8.4
Infrastructure	17,888	1.0
Index linked bonds	102,399	5.6
	<b>1,826,392</b>	<b>100.00</b>



## Twenty largest holdings at 31 March 2017

	£000	% of Fund total
1. Legal & General Equity Index Fund	285,230	13.12
2. Investec - Emerging Markets	232,595	10.70
3. Barings - Dynamic Asset Allocation Fund	210,749	9.69
4. Loomis Sayles Alpha Bond Fund	138,504	6.37
5. Legal & General World Equity Index	96,098	4.42
6. Loomis Sayles World Credit Fund	92,797	4.27
7. Amazon.Com Inc Com	33,069	1.52
8. Facebook Inc	29,192	1.34
9. Tencent Holdings Ltd	29,032	1.34
10. Tesla Motors Inc	26,738	1.23
11. Partners Group Global Infrastructure	26,495	1.22
12. Illumina Inc	25,878	1.19
13. Schroders UK Real Estate	22,672	1.04
14. Industrial Property IPIF Feeder	21,878	1.01
15. Alibaba Group Holdings Ltd	21,279	0.98
16. Baidu Inc	17,471	0.80
17. Curlew Student Trust	16,495	0.76
18. Industria De Diden Textil	15,695	0.72
19. Alphabet Inc	14,899	0.69
20. Airport Industrial	13,689	0.63
	<b>1,370,455</b>	<b>63.04</b>

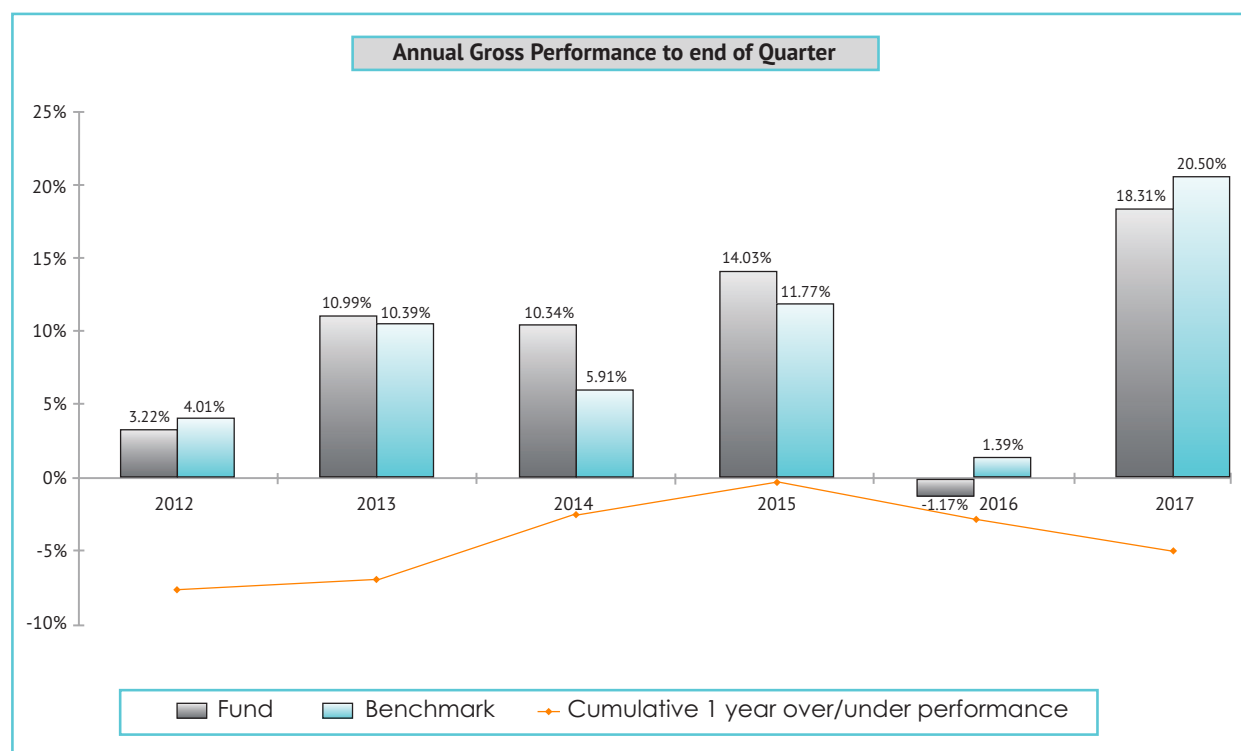


## Twenty largest holdings at 31 March 2016

	£000	% of Fund total
1. Legal & General Equity Index Fund	233,029	12.76
2. Barings Alpha Funds - Dynamic Asset Allocation Fund	190,362	10.42
3. Investec - Emerging Markets	152,986	8.38
4. Loomis Sayles Alpha Bond Fund	119,954	6.57
5. Legal & General World Equity Index	107,282	5.87
6. Loomis Sayles World Credit Fund	82,208	4.50
7. Amazon.Com Inc Com	24,845	1.36
8. Illumina Inc	23,333	1.28
9. Facebook Inc	22,684	1.24
10. Schroders GBP	22,479	1.23
11. Industrial Property Investment Fund	20,998	1.15
12. Baidu Inc	20,071	1.10
13. Tencent Holdings Ltd	19,499	1.07
14. Tesla Motors Inc	19,199	1.05
15. Partners Group Global Infrastructure	17,888	0.98
16. West End of London Property	15,403	0.84
17. Curlew Student Trust	15,221	0.83
18. Industria De Diden Textil	14,921	0.82
19. Ardstone UK Regional Office	14,043	0.77
20. UBS Global Asset Management Triton Property	13,094	0.72
	<b>1,149,499</b>	<b>62.94</b>

## Investment Performance

The following table shows the performance of the Fund (gross of fees) relative to its strategic benchmark.



## FINANCIAL PERFORMANCE

### Movement in Assets and Liabilities

The funding level (i.e. the ratio of the assets to liabilities) at 31 March 2016 (last valuation) was 82% being valued at £1.831 million. Hymans Robertson's previous valuation at 31 March 2013 was 71%. This means that the total of the Funds assets were sufficient to meet 82% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2016 valuation was £415 million.

Since the last formal valuation, real bond yields have fallen placing a higher value on the liabilities. The effect of this has been broadly offset by strong asset returns.

### 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

<b>Fund Account</b>	<b>2016/17</b>	<b>2015/16</b>	<b>Notes</b>
	<b>£000</b>	<b>£000</b>	
Net Contributions	15,883	11,151	Increased contributions in 2016/17
Return on Investments	334,107	-15,758	Strong year for growth assets in 2016/17
<b>Net increase in the Fund</b>	<b>359,990</b>	<b>-4,607</b>	
<b>Net Asset Statement</b>	<b>2016/17</b>	<b>2015/16</b>	<b>Notes</b>
	<b>£000</b>	<b>£000</b>	
Fixed Interest	-	-	
Indexed-linked	-	-	
Equities	372,221	320,848	Growth in Assets
Pooled Funds	1,519,157	1,252,637	Growth in Assets
Property	262,758	230,505	Positive Returns
Derivatives	-	1,246	Dynamic Currency hedge program terminated in 2016/17
Cash	19,799	20,977	
Other	170	179	
<b>Total Net Investments</b>	<b>2,174,105</b>	<b>1,826,392</b>	

## 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	19,155	18,881	98.6%	275	1.4%
Employer	76,745	75,760	98.7%	985	1.3%
<b>Total</b>	<b>95,900</b>	<b>94,641</b>	<b>98.7%</b>	<b>1,260</b>	<b>1.3%</b>

In total 83 monthly contribution payments were received late of which 74 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 2 years to 31 March 2017.

Fund Account	2017/18	2016/17		2015/16	
	Forecast £000	Forecast £000	Actual £000	Forecast £000	Actual £000
Contributions	100,503	92,859	99,508	88,187	91,940
Payments	-83,622	-80,789	-83,622	-86,947	-80,789
Management expenses	-10,169	-10,201	-11,181	-7,193	-9,336
Net investment income	10,000	12,000	10,076	20,000	11,764
Change in market value	119,889	99,903	334,031	224,186	-27,521
<b>Net increase in the Fund</b>	<b>136,601</b>	<b>113,772</b>	<b>348,812</b>	<b>238,233</b>	<b>-13,942</b>

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	2017/18	2016/17		2015/16	
	Forecast £000	Forecast £000	Actual £000	Forecast £000	Actual £000
Equities	1,342,801	1,163,933	1,266,793	1,232,121	1,098,050
Fixed income	365,868	312,784	356,249	326,827	304,561
Cash	19,898	21,082	19,799	15,460	20,977
Property	274,582	240,878	262,758	202,238	230,505
Alternatives	290,608	185,057	268,336	187,956	170,874
Other	13,603	14,831	13,535	14,099	13,694
<b>Total Investment Assets</b>	<b>2,307,359</b>	<b>1,938,564</b>	<b>2,187,470</b>	<b>1,978,701</b>	<b>1,838,661</b>

The forecasts for total investment assets are based on the actual figures for 2016/17 multiplied by the forecast long term returns for each asset used at the last strategic asset allocation review in 2017. 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	6.0%
Fixed Income	2.7%
Cash	0.5%
Property	4.5%
Alternatives	8.3%
<b>Total</b>	<b>5.6%</b>

### Operational Expenses

	2017/18	2016/17		2015/16	
	Budget £000	Budget £000	Actual £000	Budget £000	Actual £000
<b>Fund Investment</b>					
<b>Investment Management Fees</b>	<b>7,897</b>	<b>7,955</b>	<b>8,617</b>	<b>7,378</b>	<b>7,478</b>
Investment Administration Recharge	120	113	112	108	105
Investment Custodial & Related Services	23	30	-304	56	22
Investment Professional Fees	149	107	222	153	107
Corporate Governance Services	40	40	38	39	39
Performance Measurement	37	40	31	46	40
<b>Investment Administration Costs</b>	<b>369</b>	<b>330</b>	<b>99</b>	<b>402</b>	<b>313</b>
<b>Scheme Administration</b>					
Pension Scheme Administration Recharge	1,632	1,514	1,556	1,459	1,276
Actuarial Services	123	234	373	111	194
Audit	33	58	33	58	10
Legal Fees	20	20	8	20	19
Committee and Governance Recharge	95	90	57	82	62
<b>Scheme Administration Costs</b>	<b>1,903</b>	<b>1,916</b>	<b>2,028</b>	<b>1,730</b>	<b>1,562</b>
<b>Grand Total (Exc Invest Man Fees)</b>	<b>2,272</b>	<b>2,246</b>	<b>2,127</b>	<b>2,132</b>	<b>1,875</b>
<b>Grand Total (Inc Invest Man Fees)</b>	<b>10,169</b>	<b>10,201</b>	<b>10,744</b>	<b>9,510</b>	<b>9,353</b>

### Cash Flow

Officers continue to monitor the cash flow position of the Fund to ensure sufficient resources are available to pay benefits as they fall due. The position for 2015/16 is shown below:

#### Year ending 31 March 2017

£m

Receipts	94.3
Payments	(86.8)
Surplus/ (Deficit)	7.5
Funds sent to Investment Managers	6.5

This shows that excluding investment income, cash flow is broadly neutral for the year. This will be closely monitored as employer rates will increase again from 1 April 2017.

## 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.

	2016-17 £000	2015-16 £000	2014-15 £000	2013-14 £000
Overpayments recovered	29	19	28	14
Overpayments not recovered	12	10	9	7
<b>Total</b>	<b>41</b>	<b>29</b>	<b>37</b>	<b>21</b>
Annual Payroll	65,540	63,698	62,118	59,388
Write offs as a % of Payroll	0.02%	0.02%	0.02%	0.01%
Number of cases - not recovered	185	151	106	106
Number of cases - recovered	41	35	24	24
Number of cases - In process of recovery	11	6	-	-

# ACTUARIAL POSITION

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

## Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated September 2016. 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 (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.

## Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2016. This valuation revealed that the Fund's assets, which at 31 March 2016 were valued at £1,831 million, were sufficient to meet 82% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2016 valuation was £415 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS. Individual employers' contributions for the period 1 April 2017 to 31 March 2020 were set in accordance with the Fund's funding policy as set out in its FSS.

## 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 2016 valuation were as follows:

Financial Assumptions	31 March 2016
Discount rate	4.0%
Salary increase assumption	2.4%
Benefit increase assumption (CPI)	2.1%



The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2013 model, assuming the current rate of improvements has reached a peak and will converge to 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	22.5 years	24.9 years
Future Pensioners*	24.1 years	26.7 years

\*Aged 45 at the 2016 Valuation.

Copies of the 2016 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

### Experience over the period since 31 March 2016

Since the last formal valuation, real bond yields have fallen placing a higher value on the liabilities. The effect of this has been broadly offset by strong asset returns. Both events have roughly cancelled each other out in terms of the impact on the funding position as at 31 March 2017.

The next actuarial valuation will be carried out as at 31 March 2019. The Funding Strategy Statement will also be reviewed at that time.

### Robert McInroy FFA

For and on behalf of Hymans Robertson LLP  
3 May 2017

### Hymans Robertson LLP

20 Waterloo Street, Glasgow, G2 6DB

# 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 2017. 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 2017.

## Michael Hudson

Associate Director of Finance

## Wiltshire Pension Fund

7th July 2017

## 12. AUDIT OPINION

### **Independent auditor's report to the members of Wiltshire Council on the pension fund financial statements published with the Pension Fund Report & Accounts**

We have examined the pension fund financial statements for the year ended 31 March 2016 on pages 60 to 86.

#### **Respective responsibilities of the Associate Director of Finance and the auditor**

As explained more fully in the Statement of Responsibilities for the Financial Statements the Associate Director of Finance is responsible for the preparation of the pension fund financial statements in accordance with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Our responsibility is to report to you our opinion on the consistency of the pension fund financial statements included in the Pension Fund Report & Accounts with the pension fund financial statements included in the annual published statement of accounts of Wiltshire Council, and their compliance with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

In addition, we read the information given in the Pension Fund Report & Accounts to identify material inconsistencies with the pension fund financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Our report on the administering authority's annual published statement of accounts describes the basis of our opinion on those financial statements.

#### **Opinion**

In our opinion, the pension fund financial statements are consistent with the pension fund financial statements included in the annual published statement of accounts of Wiltshire Council for the year ended 31 March 2016 and comply with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

We have not considered the effects of any events between the date we signed our report on the full annual published statement of accounts on 27 July 2016 and the date of this report.

#### **Matters on which we are required to report by exception**

The Code of Audit Practice requires us to report to you if:

- the information given in the Pension Fund Report & Accounts for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters relating to the pension fund have been reported in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit.

We have nothing to report in respect of these matters.



**Darren Gilbert**

**For and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants

66 Queen Square

Bristol

BS1 4BE

23 September 2016

# STATEMENT OF ACCOUNTS

## Fund Account

For the year ended 31 March 2017

	Notes	2016-17 £000	2015-16 £000
<b>Contributions and benefits</b>			
Contributions receivable	5	95,901	89,449
Individual transfers		3,604	2,491
		<b>99,505</b>	<b>91,940</b>
Benefits payable	6	-78,814	-76,841
Payments to and on account of leavers	7	-4,808	-3,948
		<b>-83,622</b>	<b>-80,789</b>
Management Expenses	8 & 12	-11,181	-9,335
		<b>4,702</b>	<b>1,816</b>
<b>Returns on investments</b>			
Investment income	9	10,076	11,764
Change in market value of investments	11	334,031	-27,522
		<b>344,107</b>	<b>-15,758</b>
		<b>348,809</b>	<b>-13,942</b>
Add opening net assets of the funds restated		1,838,661	1,852,603
<b>Closing net assets of the scheme</b>		<b>2,187,470</b>	<b>1,838,661</b>

## Net Asset Statement

At 31 March 2017

	Notes	31-Mar-17 £000	31-Mar-16 £000
<b>Investment assets</b>			
	11		
Fixed interest securities		0	0
Index linked securities		0	0
Equities		372,221	320,848
Pooled investment vehicles		1,519,157	1,252,637
Property		262,758	230,505
Derivative assets		0	4,170
Cash held on deposit		19,799	20,977
Other investment balances		170	179
		<b>2,174,105</b>	<b>1,829,316</b>
<b>Investment liabilities</b>			
Derivatives liabilities	11		-2,924
<b>Total net investments</b>		<b>2,174,105</b>	<b>1,826,392</b>
Current assets	13	17,047	16,183
Current liabilities	14	-3,682	-3,914
<b>Net assets of the scheme at 31 March</b>		<b>2,187,470</b>	<b>1,838,661</b>

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

### Related notes form an integral part of these financial statements

#### 1. Basis of preparation

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/2017 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 20. 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 20 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 2017 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 2017.

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.

## **Management Expenses**

The Fund discloses its management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Costs.

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.

Where a management fee notification has not been received by the time of preparing the accounts, an estimate based upon the market value of the mandate is used for inclusion in the Fund account.

## **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 60). 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 2017 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 2017, the fund had a balance of £17.0m for debtors (£2.9m 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.



## 5. Contributions receivable

	2016-17 £000	2015-16 £000
<b>Employer</b>		
- Normal	61,280	55,708
- Augmentation	1,401	1,068
- Deficit funding*	14,064	13,344
<b>Members</b>		
- Normal	18,959	19,100
- Additional contributions	197	229
	<b>95,901</b>	<b>89,449</b>

### Analysis of contributions receivable

	2016-17 £000	2015-16 £000
<i>Contributions from employees (Including Additional Contributions)</i>		
- Wiltshire Council	7,063	7,693
- Other scheduled bodies	11,123	10,335
- Admitted bodies	970	1,301
	<b>19,156</b>	<b>19,329</b>
<i>Contributions from employers (Including Augmentations)</i>		
- Wiltshire Council	30,194	27,882
- Other scheduled bodies	40,188	35,163
- Admitted bodies	6,363	7,075
	<b>76,745</b>	<b>70,120</b>
<b>Total contributions receivable</b>	<b>95,901</b>	<b>89,449</b>

\* 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

	2016-17 £000	2015-16 £000
Pensions	65,540	63,698
Commutation and lump sum retirement benefits	11,141	11,495
Lump sum death benefits	2,133	1,648
	<b>78,814</b>	<b>76,841</b>

### Analysis of benefits payable

	2016-17 £000	2015-16 £000
<i>Pensions payable</i>		
- Wiltshire Council	34,940	34,705
- Other scheduled bodies	24,200	23,018
- Admitted bodies	6,400	5,975
	<b>65,540</b>	<b>63,698</b>

## Benefits payable – contd.

### Analysis of benefits payable – contd.

	2016-17 £000	2015-16 £000
<i>Retirement and Death grants payable</i>		
- Wiltshire Council	5,651	4,832
- Other scheduled bodies	6,186	6,154
- Admitted bodies	1,437	2,157
	<b>13,274</b>	<b>13,143</b>
<b>Total benefits payable</b>	<b>78,814</b>	<b>76,841</b>

## 7. Payments to and on account of leavers

	2016-17 £000	2015-16 £000
Individual transfer out to other schemes	4,394	3,577
Bulk transfers out to other schemes	2	0
Refunds to members leaving service	269	258
State Scheme Premiums	143	113
	<b>4,808</b>	<b>3,948</b>

## 8. Management expenses

	2016-17 £000	2015-16 £000
Administration costs	1,955	1,496
Investment Management expenses	9,117	7,731
Oversight & Governance	109	109
	<b>11,181</b>	<b>9,336</b>

The Fund has applied CIPFA's guidance Accounting for Local Government Pension Scheme Management Costs.

The guidance requires the reporting of external investment management fees that are deducted from asset values (rather than invoiced and paid directly). These are now shown gross. Wherever possible, these figures are based on actual costs disclosed by the manager; where actual costs were not available, best estimates have been made using other available information. It is important to note that this is a change in reporting only and does not represent an actual increase in costs, nor a decrease in Fund's resources available to pay pension benefits.

Investment Management expenses includes £2.3m of performance-related fees paid to the fund's investment managers (2015/16: £1.8m).

## 9. Investment income

	2016-17 £000	2015-16 £000
<i>Quoted securities</i>		
- UK fixed interest bonds (coupon receipts)	-	-
- Overseas fixed interest bonds (coupon receipts)	-	-
- UK index linked bonds (coupon receipts)	-	-
- UK equities	545	587
- Overseas equities	999	1,089
<i>Pooled investment vehicles</i>		
- Overseas equities	-	-
- UK property	8,616	10,018
- Infrastructure	-	-
<i>Cash held on deposit</i>		
- Sterling cash	77	66
- Overseas cash	-161	4
	<b>10,076</b>	<b>11,764</b>

## 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 £77.8 million (3.6% of the total) were on loan at 31 March 2017. Collateral for these securities is held in a pooled form, the Wiltshire Pension Fund's share (0.014%) representing a value of £84.9million (109.1%). Income earned from this programme amounted to £0.367 million in the year.

	2016-17 £million	2015-16 £million
WC securities on loan	77.8	5.7
<i>(percentage of total)</i>	3.6%	0.3%
WC collateral share of pool	0.01%	0.01%
Value of WC pooled share	84.9	6.2
Percentage of securities on loan	109.1%	108.6%
Income earned in year	0.367	0.030

## 11. Investments

### Reconciliation of investments held at beginning and end of year

	Value at 1 April 2016	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market Value	Value at 31 March 2017
	£000	£000	£000	£000	£000
Fixed interest securities	0	0	0	0	0
Index linked securities	0	0	0	0	0
Equities	320,848	39,154	-84,266	96,485	372,221
Pooled funds	0				
- Other	1,252,637	459,029	-486,619	294,110	1,519,157
- Property	230,505	63,985	-30,907	-825	262,758
Derivative assets	0				
- Futures	0	0	0	0	0
- Options	0	0	0	0	0
- Forward FX	1,246	163,377	-117,950	-46,673	0
	<b>1,805,236</b>	<b>725,545</b>	<b>-719,742</b>	<b>343,097</b>	<b>2,154,136</b>
Cash deposits	20,977	313,901	-305,993	-9,086	19,799
Other Investments balances	179	0	-29	20	170
	<b>1,826,392</b>	<b>1,039,446</b>	<b>-1,025,764</b>	<b>334,031</b>	<b>2,174,105</b>

	Value at 1 April 2015	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market Value	Value at 31 March 2016
	£000	£000	£000	£000	£000
Fixed interest securities	0	0	0	0	0
Index linked securities	0	0	0	0	0
Equities	342,126	56,753	-93,423	15,392	320,848
Pooled funds					
- Other	1,289,293	56,877	-61,734	-31,799	1,252,637
- Property	191,695	52,576	-28,845	15,079	230,505
Derivative assets					
- Futures	0	0	0	0	0
- Options	0	0	0	0	0
- Forward FX	-1,531	121,548	-94,942	-23,829	1,246
	<b>1,821,583</b>	<b>287,754</b>	<b>-278,944</b>	<b>-25,157</b>	<b>1,805,236</b>
Cash deposits	15,383	252,183	-244,205	-2,384	20,977
Other Investment balance	431	0	-272	20	179
	<b>1,837,397</b>	<b>539,937</b>	<b>-523,421</b>	<b>-27,521</b>	<b>1,826,392</b>

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 2017 £000	31 March 2016 £000
<b>Investment assets</b>		
<i>Equities</i>		
- UK equities	23,851	31,597
- Overseas equities	348,370	289,251
	<b>372,221</b>	<b>320,848</b>
<i>Pooled investment vehicles</i>		
- UK equities	285,230	233,029
- Overseas equities	609,342	544,173
- Global fixed income	231,301	202,162
- UK index linked government bonds	124,948	102,399
- Property	262,758	230,505
- Emerging Market Debt	93,038	84,601
- Emerging Market Equities	139,557	68,385
- Long-short hedge fund	0	0
- Infrastructure	35,741	17,888
	<b>1,781,915</b>	<b>1,483,142</b>
<i>Cash held on deposit</i>		
- Sterling cash	17,561	20,730
- Overseas cash	2,238	247
	<b>19,799</b>	<b>20,977</b>
<i>Other investment balances</i>		
- Derivatives assets		4,170
- Outstanding dividend entitlements	4	5
- Recoverable tax	166	174
	<b>170</b>	<b>4,349</b>
<i>Investment liabilities</i>		
- Derivatives liabilities		-2,924
<b>Total of investments held</b>	<b>2,174,105</b>	<b>1,826,392</b>
<i>Net current assets &amp; liabilities</i>		
- Current assets	17,047	16,183
- Current liabilities	-3,682	-3,914
<b>Total net current assets</b>	<b>13,365</b>	<b>12,269</b>
	<b>2,187,470</b>	<b>1,838,661</b>

## 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. Wiltshire Pension Fund moved from a dynamic hedging arrangement to a 50% passive hedge of overseas equities during the year.

The Fund did not have any derivative contracts outstanding at the year end.

## Financial Instruments

### Classification of financial instruments

The accounting policies describe how different asset classes of financial instrument 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 2017

	Designated as Fair value through Profit and Loss £000	Loans and Receivables £000	Financial liabilities at amortised cost £000
<b>Financial assets</b>			
Fixed interest securities	0	0	0
Index linked securities	0	0	0
Equities	367,664	4,557	0
Pooled investment vehicles	1,519,157	0	0
Property	262,758	0	0
Derivative assets	0	0	0
Cash held on deposit	0	25,468	0
Other Investment balances	170	0	0
Debtors	0	11,378	0
	<b>2,149,749</b>	<b>41,403</b>	<b>0</b>
<b>Financial Liabilities</b>			
Derivative Liabilities	0	0	0
Creditors	0	-3,682	0
	<b>0</b>	<b>-3,682</b>	<b>0</b>
	<b>2,149,749</b>	<b>37,721</b>	<b>0</b>

## As at 31 March 2016

	Designated as Fair value through Profit and Loss £000	Loans and Receivable £000	Financial liabilities at amortised cost £000
<b>Financial assets</b>			
Fixed interest securities	0	0	0
Index linked securities	0	0	0
Equities	311,049	9,799	0
Pooled investment vehicles	1,252,637	0	0
Property	230,505	0	0
Derivative assets	4,170	0	0
Cash held on deposit	0	24,962	0
Other Investment balances	179	0	0
Debtors	0	12,198	0
	<b>1,798,540</b>	<b>46,959</b>	<b>0</b>
<b>Financial Liabilities</b>			
Derivative Liabilities	-2,924	0	0
Creditors	0	-3,914	0
	<b>-2,924</b>	<b>-3,914</b>	<b>0</b>
	<b>1,795,616</b>	<b>43,045</b>	<b>0</b>

## Net gains/(losses) on financial instruments

	2017 £000	2016 £000
<b>Financial assets</b>		
Fair value through profit and loss	327,104	-29,810
Loans and receivables	-9,079	-2,378
<b>Financial liabilities</b>		
Fair value through profit and loss		-2,924
Loans and receivables		
<b>Total</b>	<b>318,025</b>	<b>-35,112</b>

## Financial Risk Disclosure

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

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

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



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

## a) Market Risk

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

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

### 1) Market Price Risk

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

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

### Market Price - Sensitivity Analysis

The sensitivity of the Fund's investments to changes in market prices 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 2017 and 2016 by the amounts shown below.

### As at 31 March 2017

	Value £'000	Volatility of return	Increase £000	Decrease £000
Baillie Gifford - Global Equity	356,091	17.30%	61,604	(61,604)
CBRE - Global Multi Manager - Property	291,670	14.50%	42,292	(42,292)
Legal & General - Equity	285,230	17.00%	48,489	(48,489)
Legal & General - Gilts	124,949	8.80%	10,996	(10,996)
Legal & General - Global Equity	96,098	17.00%	16,337	(16,337)
Legal & General - Rafi Equity	302,496	17.00%	51,424	(51,424)
Barings - Dynamic Assets Allocation	210,749	11.90%	25,079	(25,079)
Partners Group - Infrastructure	37,111	15.00%	5,567	(5,567)
Investec - Emerging Markets	232,595	20.10%	46,752	(46,752)
Loomis Sayles - Multi Asset Credit	92,798	6.00%	5,568	(5,568)
Loomis Sayles - Absolute Return Bond Fund	138,504	6.00%	8,310	(8,310)
M&G - Financing Fund	5,807	0.00%	0	0
Berenberg Bank - Dynamic Currency Fund	7	0.00%	0	0
	<b>2,174,105</b>		<b>322,418</b>	<b>(322,418)</b>

## As at 31 March 2016

	Value £'000	Volatility of return	Increase £000	Decrease £000
Baillie Gifford - Global Equity	299,625	17.30%	51,835	(51,835)
CBRE - Global Multi Manager - Property	254,412	14.70%	37,399	(37,399)
Legal & General - Equity	233,029	17.30%	40,314	(40,314)
Legal & General - Gilts	102,399	8.50%	8,704	(8,704)
Legal & General - Global Equity	107,282	17.30%	18,560	(18,560)
Legal & General - Rafi Equity	253,529	17.30%	43,861	(43,861)
Barings - Dynamic Assets Allocation	190,362	12.10%	23,034	(23,034)
Partners Group - Infrastructure	17,908	15.50%	2,776	(2,776)
Investec - Emerging Markets	152,985	21.50%	32,892	(32,892)
Loomis Sayles - Multi Asset Credit	82,208	6.00%	4,932	(4,932)
Loomis Sayles - Absolute Return Bond Fund	119,954	6.00%	7,197	(7,197)
M&G - Financing Fund	9,799	0.00%	0	0
Berenberg Bank - Dynamic Currency Fund	2,875	0.00%	0	0
Capital International - Global Equity	17	0.00%	0	0
Capital International - Absolute Income Grower	8	0.00%	0	0
	<b>1,826,392</b>		<b>271,504</b>	<b>(271,504)</b>

## 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 2017 and 2016 are provided below.

	31-Mar-2017 £000
Cash held on deposit	19,799
Fixed interest securities	231,301
Loans	4,557
	<b>255,657</b>
	31-Mar-2016 £000
Cash held on deposit	20,977
Fixed interest securities	202,162
Loans	9,799
	<b>232,938</b>

## 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 effect 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 2017	Value £000	Change in net assets	
		£000	£000
		+100 BP	-100 BP
Cash held on deposit	19,799	198	-198
Fixed interest Securities	231,301	-6,676	6,676
Loans	4,557	0	0
	<b>255,657</b>	<b>-6,478</b>	<b>6,478</b>

As at 31 March 2016	Value £000	Change in net assets	
		£000	£000
		+100 BP	-100 BP
Cash held on deposit	20,977	210	-210
Fixed interest Securities	202,162	-5,827	5,827
Loans	9,799	0	0
	<b>232,938</b>	<b>-5,617</b>	<b>5,617</b>

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 moved from a dynamic hedging arrangement to a 50% passive hedge of overseas equities during the year.

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.

### 2017

	US Dollar	Euro	Yen
Benchmark Weights	12.85%	3.04%	0.02%
	£'000	£'000	£'000
<b>Net Currency Exposure</b>	<b>279,400</b>	<b>66,015</b>	<b>530</b>

### 2016

	US Dollar	Euro	Yen
Benchmark Weights	20.89%	4.86%	1.96%
	£'000	£'000	£'000
<b>Net Currency Exposure</b>	<b>381,611</b>	<b>88,782</b>	<b>35,759</b>

## Currency Risk – Sensitivity Analysis

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

A 10% strengthening or weakening of Sterling against the various currencies at 31 March 2016 and 31 March 2015 would have increased or decreased the net assets by the amount shown below.

### 2017

	Assets Held at Fair Value £'000	Change in net assets	
		+10% £'000	-10% £'000
US Dollar	279,400	27,940	-27,940
Euro	66,015	6,602	-6,602
Yen	530	53	-53
<b>Net Currency Exposure</b>	<b>345,945</b>	<b>34,595</b>	<b>-34,595</b>

### 2016

	Assets Held at Fair Value £'000	Change in net assets	
		+10% £'000	-10% £'000
US Dollar	381,611	38,161	-38,161
Euro	88,782	8,878	-8,878
Yen	35,759	3,576	-3,576
<b>Net Currency Exposure</b>	<b>506,152</b>	<b>50,615</b>	<b>-50,615</b>

The Fund does hedge 50% of its overseas equity holdings therefore only a proportion of the gains/losses would be experienced. One important point to note is that currency movements are not independent of each other. If sterling strengthened generally it may rise against all the above currencies producing losses across all the currencies.

## b) Credit Risk

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

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

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

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 an 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 2017 and 2016 is the carrying amount of the financial assets.

## 2017

	£'000
Global Fixed Interest Pooled	231,301
Cash held on deposit	19,799
Other investment balances	170
Current assets	17,047
	<b>268,317</b>

## 2016

	£'000
Global Fixed Interest Pooled	202,162
Cash held on deposit	20,977
Other investment balances	179
Current assets	16,183
	<b>239,501</b>

### 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 2017 and 2016, grouped into relevant maturity dates.

## 2017

	Carrying Amount £'000	Less than 12 months £'000	Greater than 12 months £'000
Accounts Payable	143	143	0
Benefits Payable	493	493	0
Sundry Creditors	3,046	3,046	0
	<b>3,682</b>	<b>3,682</b>	<b>0</b>

## 2016

	Carrying Amount £'000	Less than 12 months £'000	Greater than 12 months £'000
Accounts Payable	51	51	0
Benefits Payable	500	500	0
Sundry Creditors	3,363	3,363	0
	<b>3,914</b>	<b>3,914</b>	<b>0</b>

## 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 2017 and 31 March 2016, by the level in the fair value hierarchy into which the fair value measurement is categorised. This has been produced from analysis produced by our custodian BNY Mellon.

### 2017

	£000 Level 1	£000 Level 2	£000 Level 3	£000 Total
Fixed Interest Securities				0
Index Linked Securities				0
Equities	365,698		6,523	372,221
Pooled Funds:				0
- Other		1,483,417	35,740	1,519,157
- Property		106,923	155,835	262,758
Derivative assets				0
- Futures				0
- Options				0
- Forward FX				0
	<b>365,698</b>	<b>1,590,340</b>	<b>198,098</b>	<b>2,154,136</b>
Cash Deposits	19,799			19,799
Other Investments	170			170
	<b>385,667</b>	<b>1,590,340</b>	<b>198,098</b>	<b>2,174,105</b>

### 2016

	£000 Level 1	£000 Level 2	£000 Level 3	£000 Total
Fixed Interest Securities				0
Index Linked Securities				0
Equities	307,771		13,077	320,848
Pooled Funds:				0
- Other		1,234,749	17,888	1,252,637
- Property		113,247	117,258	230,505
Derivative assets				0
- Futures				0
- Options				0
- Forward FX				0
	<b>307,771</b>	<b>1,347,996</b>	<b>148,223</b>	<b>1,803,990</b>
Cash Deposits	22,223			22,223
Other Investments	179			179
	<b>330,173</b>	<b>1,347,996</b>	<b>148,223</b>	<b>1,826,392</b>

During 2016/17 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 2017 and 31 March 16.

### 2017

	£000
Opening balance	148,223
Total gains/losses	2,618
Purchases	70,693
Sales	-23,436
Transfer out of Level 3	0
<b>Closing balance</b>	<b>198,098</b>

### 2016

	£000
Opening balance	87,727
Total gains/losses	24,358
Purchases	39,537
Sales	-3,399
Transfer out of Level 3	0
<b>Closing balance</b>	<b>148,223</b>

The following table shows the sensitivity of assets valued

#### Sensitivity of assets valued at level 3

	Assessed Valuation range(+/-)	Value at 31 March 2017 £'000	Value on increase £'000	Value on decrease £'000
Pooled Property	14.50%	157,801	180,682	134,920
M&G Financing Fund	0.00%	4,557	4,557	4,557
Infrastructure	15.00%	35,741	41,102	30,380
		198,099	226,341	169,857

The following investments represent more than 5% of the net assets of the scheme.

#### Security

	31 March 2017	
	Market value £m	% of total market value
L&G UK Passive Equities	285.2	13.1
Investec - Emerging Market Mult Asset	232.6	10.7
Barings - Dynamic Asset Allocation Fund	210.7	9.7
Loomis Sayles Strategic Alpha Fund	138.5	6.4
	<b>867.0</b>	<b>39.9</b>



## 12. Investment management expenses

	2016-17 £000	2015-16 £000
Managers & Investment Admin Fees	9,047	7,644
Custody and Performance	70	87
	<b>9,117</b>	<b>7,731</b>

## 13. Current assets

	31 March 2017 £000	31 March 2016 £000
Contributions due from other authorities and bodies		
- Employees	1,536	1,390
- Employers	5,199	5,386
Income due from external managers and custodians	-	-
Debtors (Magistrates)	2,895	3,860
Other	1,748	1,562
Cash balances	5,669	3,985
	<b>17,047</b>	<b>16,183</b>
Less:		
Long Term debtors (Magistrates)	2,895	3,860
<b>Net current assets</b>	<b>14,152</b>	<b>12,323</b>

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

On 8th April 2011 Wiltshire Pension Fund received confirmation from the Government Actuary's Department that they agreed to make a payment to the Fund to cover the liabilities in respect of the Magistrates Courts. In the past active members employed by the Magistrates Courts were transferred out of the LGPS but pensioners/deferred members remained in. The payment would be in 10 instalments over the next 10 years. The total amount of the remaining debt is £3.86m, of this the following year's instalment (£0.965m) is classified as a debt repayable in one year, and the remaining balance £2.895m is a long term debtor.

## 14. Current liabilities

	31 March 2017 £000	31 March 2016 £000
Managers/custody fees	1,510	1,873
HMRC	717	737
Other	1,455	1,304
	<b>3,682</b>	<b>3,914</b>

## 15. Additional Voluntary Contributions (AVCs)

Fund members paid contributions totalling £0.782 million (£0.649 million in 2015/16) into their AVC funds during the year. At the year end, the value of funds invested on behalf of Fund members totalled £4.529 million (£3.700 million in 2015/16), made up as follows:

	£ Million
<b>Equitable Life Assurance Society</b>	
- With Profits Fund	0.486
- Unit Linked Managed Fund	0.216
- Building Society Fund	-
<b>Clerical Medical Funds</b>	
- With Profits Fund	0.160
- Unit Linked Managed Fund	0.939
<b>NPI Fund</b>	
- Managed Fund	0.012
- With Profits Fund	0.097
- Global Care Unit Linked Fund	0.062
- Cash Deposit Fund	0.024
<b>Prudential</b>	
- With Profits Cash Accumulation Fund	0.893
- Deposit Fund	0.444
- Diversified Growth Fund	0.422
- Equity Passive	0.059
- Long Term Growth Fund	0.340
- Pre-Retirement Fund	0.187
- Property Fund	0.188
	<b>4.529</b>

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 £1.430m (2015/16: £1.174m) 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 £30m to the Fund in 2016/17 (2015/16: £28m). A balance of £1.2m was owed by the Pension Fund to the Council at year end.

Part of the pension fund cash holdings are invested on the money markets by the treasury management operations of Wiltshire Council, through a service level agreement. During the year to 31 March 2017, the fund had an average investment balance of £5.6m (31 March 2016: £5m), earning interest of £21k (2015/16: £27k) 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. Councillor Roy White is also a pensioner member of the Pension Fund.

## 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 members' LGPS pension whose State Pension Age (SPA) is prior to 06/04/2016 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 element (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.

The Government has announced that future GMP increases will be met in full by the Fund where a member's SPA falls between 06/04/2016 and 05/12/2018. However, we are awaiting further confirmation from the Government as to how GMPs will be increased for those members whose SPA is after 05/12/2018.

## 19. Contingent Liabilities and Contractual Commitments

Outstanding capital commitments (investments) at 31 March 2017 totalled Euro 24.9m and USD 48.2m; representing GBP 59.84m (31 March 2016: Euro 30.550m; GBP 24.193m).

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.

## 20. Post Balance Sheet Event

On 25th November 2015 the Department of Communities and Local Government (DCLG) issued a consultation titled "Investment Reform Criteria and Guidance" inviting administering authorities to submit by 19th February 2016 their initial proposals for pooling LGPS assets into six 'British Wealth Funds' from April 2018 onwards, each containing at least £25bn of assets with the intention to reduce investment management costs while improving the net performance.

In response to the government agenda, Project Brunel was set up to explore the options for pooling investment assets across ten Funds. The founding Funds include The Environment Agency Pension Fund, and the Local Government Funds of Avon, Buckinghamshire, Cornwall, Devon, Dorset, Gloucestershire, Oxfordshire, Somerset and Wiltshire. The collective assets of the pool was approximately £23 billion as at March 2015.

Significant progress has been made by officers to set up a FCA regulated company called Brunel Pension Partnership. It is anticipated that key legal documents will be signed July 2017 formally establishing the company. Following this the FCA application will be submitted with the expected commencement date of pooling assets from April 2018.

# IAS26 STATEMENT

## Pension Fund Accounts Reporting Requirement

### Introduction

CIPFA's Code of Practice on Local Authority Accounting 2016/17 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. I have been instructed by the Administering Authority to provide the necessary information for the Wiltshire Pension Fund ("the Fund").

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

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

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

### Present value of promised retirement benefits

Year ended	31 March 2017	31 March 2016
Active members (£m)	1,349	1,318
Deferred members (£m)	853	558
Pensioners (£m)	1,163	881
<b>Total (£m)</b>	<b>3,365</b>	<b>2,757</b>

The promised retirement benefits at 31 March 2017 (2016) have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2016 (2013). The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the pension fund accounts. 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 and are different as at 31 March 2017 and 31 March 2016. I estimate that the impact of the change in financial assumptions to 31 March 2017 is to increase the actuarial present value by £505m. I estimate that the impact of the change in demographic and longevity assumptions is to decrease the actuarial present value by £42m.

## Financial assumptions

Year ended (% p.a.)	31 March 2017	31 March 2016
Pension Increase Rate	2.4%	2.2%
Salary Increase Rate	2.7%	4.2%
Discount Rate	2.5%	3.5%

## Longevity assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2013 model, assuming the current rate of improvements has reached a peak and will converge to 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	22.5 years	24.9 years
Future pensioners (assumed to be aged 45 at the latest frmal valuation)	24.1 years	26.7 years

Please note that the longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

## Commutation assumptions

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.

## Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

Sensitivity to the assumptions for the year ended 31 March 2017	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.5% p.a. increase in the Pension Increase Rate	8%	282
0.5% p.a. increase in the Salary Increase Rate	3%	90
0.5% p.a. decrease in the Real Discount Rate	11%	379

The principal demographic assumption is the longevity assumption. For sensitivity purposes, I estimate that a 1 year increase in life expectancy would approximately increase the liabilities by around 3-5%.

## Professional notes

This paper accompanies my covering report titled 'Actuarial Valuation as at 31 March 2017 for accounting purposes'. 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.

Prepared by:-

**Robert McInroy FFA**

3 May 2017

**For and on behalf of Hymans Robertson LLP**

## 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](http://www.wiltshirepensionfund.org.uk) or by emailing [pensionenquiries@wiltshire.gov.uk](mailto: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:

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Adobe Stock



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PENSION FUND

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