

WILTSHIRE PENSION FUND

Report & Accounts

For the year ended 31 March 2018

WILTSHIRE PENSION FUND

REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018

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1. Chairman's foreword

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

Wiltshire Council, which administers the Fund, is one of the 190 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 new Academies setting up.

The Fund has seen an increase of 600 contributing members to 21,800, while the number of retired employees receiving regular payments has increased by around 800 to 16,300. The average pension paid was £4,189. The number of deferred members has increased by around 1,200. 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 £211 million to £2,398 million as at 31 March 2018 reflecting strong asset returns across all asset classes.

Interim monitoring reports show the funding level of 86% as at 31 March 2018. In 2017-18 the Fund had overall returns of 9% against a universal average 4.5%.

Over the 12 month period to 31 March 2018 growth assets performed well with good returns. This was tempered by a correction to Equity markets in the first quarter of 2018 due to a shift in market sentiment; driven by rising trade tensions between the US and China which fuelled volatility and other geopolitical tensions both in the Korean peninsular and Middle East. The Fund is continuing to monitor the impact of Brexit and there is continued uncertainty regarding the possibility of a future trade deal issues surrounding the Irish Border.

During the year up to March 2018 there have been some changes to the membership of the Pension Fund Committee. Councillor Sheila Parker and Tony Gravier have left the Committee and we thank them for their contribution over the years and wish them 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. Councillor Christopher Newbury joins the Committee, bringing experience from the Local Pension Board, and Councillor Simon Jacobs contributes a business background. Stuart Dark has also joined the Committee as an observer from Unison.

The Committee is also responsible for the administrative performance of the Fund which is administered by key officers, namely Ian Duncan (Interim Treasurer to the Pension Fund), Andy Cunningham (Head of Pensions Administration and Relations) and Nick Weaver (Interim Investment 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.

During the year we have continued to work with nine other Administering Authorities to implement the Government's requirement to pool the management and investment of our assets with other LGPS Funds and have established the Brunel Pension Partnership Ltd. (Brunel). Brunel was launched as a new company on 18th July 2017 and has obtained authorisation from the Financial Conduct Authority. Brunel will be responsible for implementing the Strategic Asset Allocation of all ten client Funds. The Fund is both a shareholder and client of Brunel.

As part of the transition to pooling, all ten funds within the Brunel Pool will be moving their custodian to State Street. This will enable the first assets to start moving over to Brunel in July 2018.

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
24th July 2018



2. Scheme Management and Governance

Administering authority

Wiltshire Council
County Hall
Trowbridge
Wiltshire BA14 8JN

Pension fund committee as at 31 March 2018

Wiltshire Council members

Councillor Tony Deane (Chairman)
Councillor Roy While (Vice Chairman)
Councillor Gordon King
Councillor Christopher Newbury
Councillor Simon Jacobs

Swindon Borough Council members

Councillor Steve Allsopp
Councillor Steve Weisinger

Employee observers

Mike Pankiewicz (observer) – Wiltshire Council
Stuart Dark (observer) – Swindon Unison Branch

Admitted bodies

Mrs Diane Hall/Sue Eley – Selwood Housing Association

Education scheduled bodies

Mrs Linda Stuart – Hardenhuish Academy

Officers, advisors & managers at 31 March 2017

Wiltshire Council officers

Ian Duncan – Interim Treasurer to Pension Fund
Andy Cunningham – Head of
Pensions Administration and Relations
Nick Weaver – Interim Investment Manager

Investment managers

Baillie Gifford & Co
CBRE Global Multi Manager
Loomis Sayles
Legal & General
M&G Financing Fund
Partners Group
Barings Asset Management
Investec Asset Management

AVC providers

Equitable Life Assurance Society
Clerical Medical Funds
NPI Funds
Prudential

Investment consultant

Mercers

Actuary

Hymans Robertson

Independent adviser

Jim Edney, Independent Pension Fund Adviser

Auditor

KPMG LLP

Custodian

State Street

Legal adviser

Osborne Clarke

Bankers of the Fund

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 addition, a separate Investment Sub Committee meets periodically to review specific issues relating to Fund investments. The role of the pension board is 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](#):

Local Pension Board

The Wiltshire Pension Fund Committee is overseen by a Local Pension Board which is 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/wiltshire-pension-fund/about-us/local-pension-board/>

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-2018.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 The Fund's Governance Compliance Statement can be viewed on page 8.

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 State Street who replaced BNY Mellon as custodian to the Fund during the year 2017/18. State Street 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*".

3. 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,	N/A

AREA	PRINCIPLE	LEVEL OF COMPLIANCE	REASON FOR NON-COMPLIANCE
		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.	
	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> <ul style="list-style-type: none"> i. employing authorities (including non-scheme employers, e.g., admitted bodies); ii. scheme members (including deferred and pensioner scheme members); 	<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>N/A</p> <p>N/A</p>

AREA	PRINCIPLE	LEVEL OF COMPLIANCE	REASON FOR NON-COMPLIANCE
	<p>iii. independent professional observers; and</p> <p>iv. expert advisors (on an ad-hoc basis).</p> <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.</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>FULL – All members of the Committee are given equal access to papers, meetings and training and are able to fully participate in debates.</p>	<p>N/A</p> <p>N/A</p>
C) Selection and Role of Lay Members	<p>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.</p> <p>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.</p>	<p>FULL – Full Induction Training and Governance is given and each member is given a Members’ Handbook outlining their responsibilities amongst other information.</p> <p>FULL – this is a standard part of committee procedure.</p>	<p>N/A</p>
D) Voting	<p>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.</p>	<p>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</p>	<p>N/A</p>

AREA	PRINCIPLE	LEVEL OF COMPLIANCE	REASON FOR NON-COMPLIANCE
		<p>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.</p>	
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

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

Pensions Committee as at 31 March 2018

The Wiltshire Pension Fund Committee met 4 times in 2017-18. Below shows the attendance of the Members of this Committee:

Members	Number of meetings attended (max 5)
Councillor Tony Deane	4
Councillor Simon Jacobs	3
Councillor Christopher Newbury	3
Councillor Roy While	4
Councillor Gordon King	4
Councillor Philip Whitehead	2
Councillor Steve Allsopp	2
Councillor Steve Weisinger	0
Mike Pankiewicz	2
Stuart Dark	2
Diane Hall	3
Linda Stuart	3

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 101 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.

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;
 - 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

	2017-18 £000	2016-17 £000	2015-16 £000	2014-15 £000	2013-14 £000
Contributions and Benefits					
Contributions receivable	100,221	95,901	89,449	85,529	79,128
Employers Additional Capital Contributions	0	0	0	0	0
Individual transfers	3,798	3,604	2,491	1,785	2,902
	104,019	99,505	91,940	87,314	82,030
Benefits payable	-83,315	-78,814	-76,841	-74,067	-76,669
Payments to and on account of leavers	-4,003	-4,808	-3,948	-31,249	-4,789
	-87,318	-83,622	-80,789	-105,316	-81,458
Management Expenses	-9,081	-11,181	-9,336	-8,610	-4,679
	7,620	4,702	1,815	-26,612	-4,107
Returns on Investments					
Investment Income	11,701	10,076	11,764	21,443	18,377
Change in market value of investments	191,688	334,031	-27,521	212,608	136,981
Net returns on investments	203,389	344,107	-15,757	234,051	155,358
Net increase in the fund during the year	211,009	348,809	-13,942	207,439	151,251

Membership Summary

	2017-18	2016-17	2015-16	2014-15	2013-14
Contributors	21,781	21,245	21,831	21,606	21,655
Pensioners and Dependants	16,273	15,523	14,905	14,200	13,729
Deferred Pensioners	29,253	28,087	26,517	23,789	22,262

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 2017/18 cashflow (excluding investment income) was broadly neutral; this continues to be monitored closely.

Cost benchmarking

The Fund benchmarks its administrative costs against the SF3 data collected annually by the Department for Communities and Local Government. The most recent data is that for the financial year 2016/17 and is available on the following link

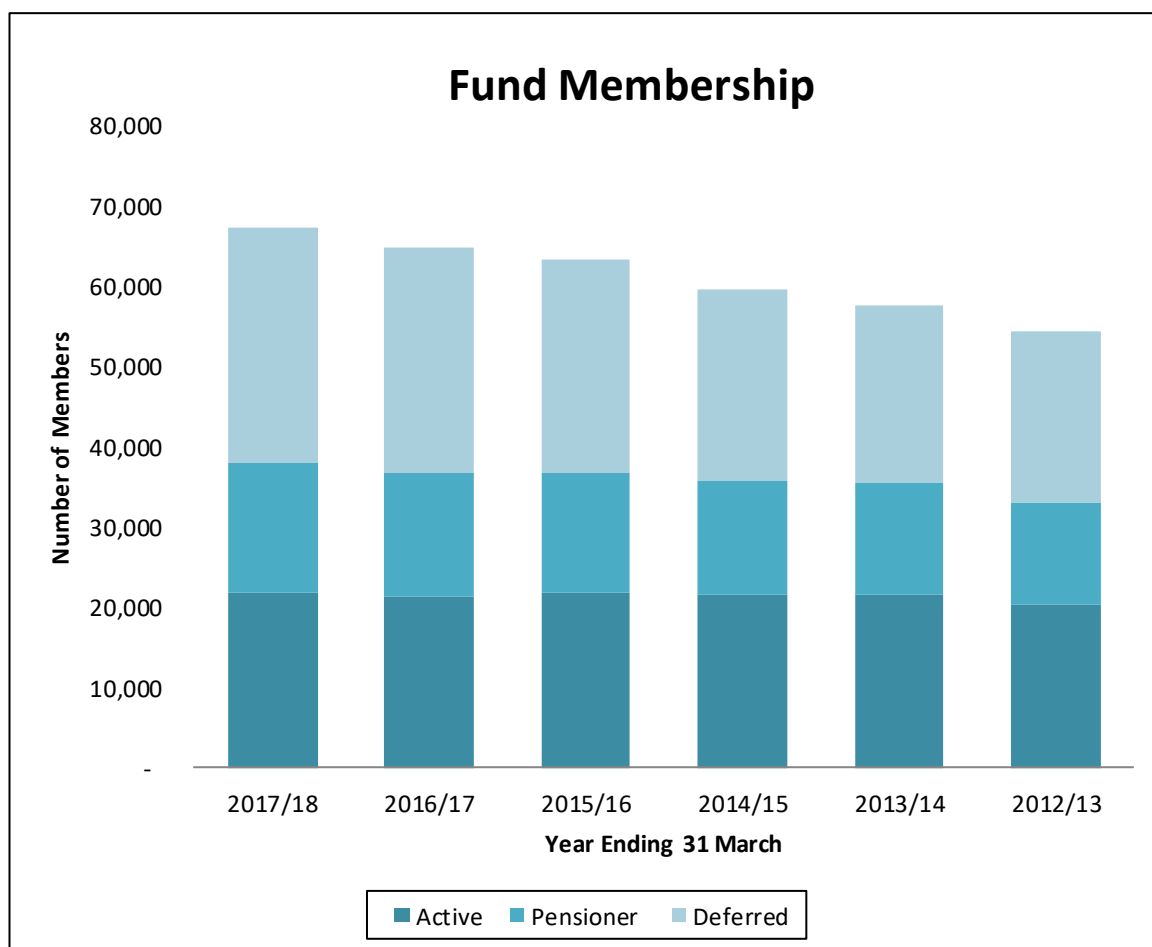
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/631710/SF3_2016-17_v1.0.xlsx

Scheme membership

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

	2017/18	2016/17
Active Members		
Active membership at start of year	21,245	21,831
New Entrants	4,399	3,868
Linked deferred members		
Unfrozen actives		
<i>Leavers and exits during the year:</i>		
Retirements	-175	-289
Death	-11	-6
Deferred members	-39	-225
Refunds / Transfer outs / opt outs	-86	-104
Undecided	-2,600	-1,972
Other	-952	-1,858
Active membership at end of year	21,781	21,245
Pensioners		
In payment at start of year	15,523	14,905
<i>New pensioners in year resulting from:</i>		
Retirement of active members	175	289
Retirement of deferred members	524	408
Cessation of benefits	-429	-384
Other	480	305
In payment at end of year	16,273	15,523
Deferred members		
At start of year	28,087	26,517
New deferred pensioners	39	225
<i>Cessation of deferred pensions resulting from:</i>		
Retirements		
Linked to active records	0	0
Full commutations	0	0
Transfers-out	-178	-106
Deaths	-29	-26
Other	1,858	1,885
At end of year	29,253	28,087

5 year analysis of fund membership



5 Year Analysis of Fund Membership Data

	2018	2017	2016	2015	2014
Active members	21,781	21,245	21,831	21,606	21,655
Deferred Beneficiaries					
Deferred Members	29,253	28,087	26,517	23,789	22,262
Frozen Refunds					
Pensions in Payment	16,273	15,523	14,905	14,200	13,729
Total Membership	67,307	64,855	63,253	59,595	57,646

Age profile of Fund Membership at 31 March 2018

Age Band Years	Pensioner Type % of members			
	Active	Deferred	Pensioner	Total
<20	219	7	129	355
20 - 24	892	341	25	1,258
25 - 29	1,403	1,436	-	2,839
30 - 34	1,728	2,034	2	3,764
35 - 39	2,305	2,796	10	5,111
40 - 44	2,866	3,547	15	6,427
45 - 49	3,654	5,492	70	9,216
50 - 54	3,737	6,244	113	10,094
55 - 59	2,896	5,117	595	8,608
60 - 64	1,655	1,992	2,835	6,482
65 - 69	344	187	4,380	4,911
70 - 74	83	50	3,569	3,701
75 - 79	-	7	2,017	2,024
80 - 84	-	2	1,305	1,307
85 - 89	-	-	815	815
>90	-	-	395	395

Employer and Employee Contributions

Employer Name	TOTAL ERS	TOTAL EES	Employer Name	TOTAL ERS	TOTAL EES
Wiltshire County Council	29,737,955.67	7,564,583.60	Woodford Valley Acad	41,089.26	9,573.76
Swindon Borough Council	18,875,365.43	4,823,467.42	Smrst Care Pt2 Selwd	0.00	1,732.53
SBC - Agincare	20,916.95	5,315.52	Great Western Hosptl	2,546.52	959.04
New College	944,803.21	258,031.18	John of Gaunt Acadmy	243,094.18	56,747.79
Swindon College	1,177,906.03	247,879.89	Bybrook Valley Acadm	31,797.91	8,677.30
Wiltshire College	1,964,316.80	497,813.21	The Mead Primary Aca	302,671.19	83,961.67
TPCouncils	1,370,016.04	413,697.48	Holy Trinity Calne A	44,427.76	9,635.41
Wiltshire Police	4,676,329.13	1,630,985.53	Sevenfields Academy	106,191.03	31,162.52
Wiltshire Fire	764,192.44	223,351.12	Collaborative School	17,933.76	4,996.27
Swindon Academy	390,790.52	139,414.90	Oxford Health NHS Tr	9,043.39	2,489.66
ABM Catering Ltd	3,000.00	0.00	White Horse Federati	1,406,758.56	389,868.64
Action for the Blind	374,000.00	0.00	King William Academy	44,763.88	10,634.42
Aster Group	250,003.56	10,294.49	Wilts&Swin Sprts Prt	29,323.75	10,409.70
AsterPropMgmt	75,117.72	18,280.75	Elior UK plc	7,624.87	1,821.35
Aster Living (Old)	5,864.76	1,615.32	Excalibur Academy	401,942.06	91,672.16
Sarsen Housing	288,344.92	13,497.32	Holy Family Academy	78,903.75	19,423.94
Capita Business	6,404.13	1,727.26	St Catherine's Acad	43,734.10	9,804.46
CIPFA	2,125,279.40	207,124.40	Wansdyke Academy	51,887.75	11,177.73
Community First	57,912.96	8,670.84	Education Fellowship	238,360.87	53,178.86
DC Leisure	241,122.64	24,216.21	Longmeadow Academy	37,531.59	8,649.41
Devizes Museum	21,000.00	0.00	Rowde Academy	54,500.01	11,294.84
FOCSA	0.00	7,693.14	Malmesbury Prim Acad	105,523.71	25,437.28
Order of St John	674,383.96	29,416.51	Atkins Limited	66,781.49	19,927.09
Salisbury Museum	46,837.32	8,808.22	GLL	52,223.45	19,968.75
SelwoodHsgSoc	613,820.60	115,016.89	Crime Reduction Init	0.00	1,907.23
Swindon Dance	11,508.36	2,442.12	Lifeways	20,165.40	4,203.30
Westlea	509,000.00	0.00	Reach	37,553.36	8,446.26
Direct Cleaning	1,859.27	382.58	Hazelwood Academy	60,173.59	13,361.99
Salisbury City Council	220,203.98	67,319.65	Dauntsey Primary Aca	30,330.66	7,923.24
Wellington Academy	248,193.41	89,779.26	Morgan Vale&Woodfall	21,908.66	4,794.56
Swindon Commercl Srv	160,575.62	44,197.67	Christian Malford Ac	230,972.55	57,802.00
Hardenhuish Schl Ltd	357,385.12	86,655.90	Millbrook Academy	120,538.16	30,155.35
Goddards Park PS	195,796.38	68,439.95	Peatmoor Primary Aca	49,370.46	11,844.77
Sarum Academy	87,304.53	22,289.73	Westlea Academy	100,832.53	24,731.02
Caterlink	0.00	402.33	Whitesheet Academy	295,688.22	67,697.26
Lavington Academy	131,645.51	31,707.99	Shawridge Academy	78,436.20	20,405.52
S.Wilts Grammar Acad	164,624.84	45,823.19	Mears Care Ltd	87,600.32	11,313.12
Bishop Wordsworth	149,420.82	38,100.81	All Saints (Netherav	29,663.76	7,031.71
Corsham Primary Acad	42,010.54	10,024.20	Pewsey Primary Acade	46,083.26	10,956.40
Corsham Secondary Ac	251,390.35	67,236.87	Salisbury 6th Form C	20,915.29	9,656.74
Sheldon Academy	271,756.93	63,176.78	Queens Crescent Acad	20,903.71	4,636.14
Wootton Bassett Scho	354,469.76	88,626.47	Twigmarket	17,388.61	6,131.69
Pewsey Vale Academy	85,925.21	20,475.00	Churchill Services	10,506.98	1,828.76
Highworth Warneford	196,497.72	45,944.23	Direct Cleaning(Wan)	1,569.37	291.12
Commonweal Academy	327,566.18	79,612.85	UTC Swindon	16,704.67	4,522.38
Holy Rood Infants Ac	90,675.64	21,402.73	Somerset Road Academ	358,959.64	80,021.96
Holy Rood Junior Aca	60,132.40	14,555.37	Wiltshire CCG	4,792.55	1,153.41
Lethbridge Academy	118,631.96	29,993.04	Uplands Education Tr	19,449.45	6,864.90
Lydiard Academy	284,467.60	62,712.62	ATOM	672,831.30	135,735.57
Ridgeway Academy	75,972.61	20,022.26	Greenwich Leisure Li	214,576.68	57,082.95
St Joseph's Academy	371,187.81	94,632.67	Create Studios	19,907.65	2,778.86
St Mary's Academy Sw	83,954.86	20,112.94	Exclusive Contracts	3,472.70	0.00
Kingdown Academy	442,705.95	120,839.41	Athelstan Trst BradF	367,054.17	87,022.46
St Laurence Academy	280,306.75	63,409.11	Idverde	350,807.29	128,917.83
Kingsdown Academy Sw	312,459.81	76,070.82	South Wiltshire UTC	44,334.17	14,362.98
St Josephs Dev Acadm	27,574.73	6,653.35	Swindon Wildcats	4,355.53	966.96
Holy Trinity CE P Ac	28,844.30	6,989.44	Blue Kite Academy	221,151.02	59,908.79
St Augustines Acadmy	159,190.91	44,343.08	Spurgeons	7,146.05	1,498.81
Churchfield Academy	82,706.41	17,698.57	Salisbury Plain MAT	285,907.67	56,473.58
St Edmunds Calne Aca	43,339.37	10,496.70	Ringway	146,986.02	32,599.63
Eastrop Infants Acad	28,789.89	6,656.65	BPP - Brunel Pension	108,970.79	60,255.82
Southfield Junior Ac	39,807.98	8,917.53	Mears Care East 2	13,261.80	2,650.32
Visit Wiltshire	12,375.94	3,805.98	Mears Care North 1	16,755.09	3,695.10
St Leonards P Acadmy	23,677.95	5,447.43	Mears Care West 1	26,251.99	5,043.65
Springfields Academy	350,733.66	70,023.30	First City Nursing	54,774.05	11,300.08
John Bentley Academy	180,712.52	45,104.54	Edwards & Ward Ltd -	1,291.78	315.77
Somerset Care Ltd	0.00	5,305.34	Edwards & Ward S.Pet	3,980.18	882.23
Colebrook Infants Ac	33,232.09	7,714.12	Pickwick Academy Tru	229,898.84	54,092.57
Dorcan Technology Ac	188,231.33	50,013.74	Magna Learning Partn	475,797.71	117,033.46
				80,161,205.91	20,059,962.35

5. Risk

Risk Management

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

Financial/Funding Risk

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

- Investment Risk – This is the risk that the investments assets underperform the level assumed in the Triennial Actuarial Valuation. This can occur due to poor economic/market conditions, the wrong investment strategy or poor selection of investment managers.
- Liability Risk – This is the risk that there is a fall in the so-called “risk free” returns on Government bonds, which form the basis of assumptions about future investment returns. The assumed future investment return is used to “discount” future liabilities (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 2016 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 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 generally beyond the control of the Fund although some Funds have considered buying longevity insurance through the use of SWAPS. However, the Fund and each employer must have a Discretions Policy in place to help control discretionary costs (e.g. early retirements, augmented service, etc). Quarterly monitoring in liabilities movements is undertaken providing advance warning to employers.
PEN006b	Significant rises in employer contributions for non-secure employers due to increases in liabilities	Employer contribution rates become unacceptable, causing upward pressure on Council Tax and employers' costs.	Longevity and bond yields are really beyond the control of the Fund although some Funds have considered buying longevity insurance through the use of SWAPS. However, the Fund and each employer must have a Discretions Policy in place to help control discretionary costs (e.g.. early retirements, augmented service, etc). The Fund undertakes quarterly monitoring as stated above. The 2016 Valuation will set employer rates for the 3 years from April 2017 and new employers are set employer rates based on up to date financial data and actuarial assumptions

Ref.	Risk	Impact	Controls
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, fines from the Information Commissioner, reputational risk of failure to meet Data Protection legislation.	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.
PEN010	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.
PEN011	Lack of expertise of Pension Fund Officers and Service Director, Finance	Bad decisions made may be made in relation to any of the areas on this register, but particularly in relation to investments.	Officers ensure that they are trained and up-to-date in the key areas through attendance at relevant courses and seminars, reading, discussions with consultants and peers, etc. The Technical & Compliance Manager has formulated annual Training Plans and Relevant officers are also reviewed against the CIPFA Knowledge & Skills Framework to ensure adequate expertise exists.
PEN012	Over-reliance on key officers	If someone leaves or becomes ill, a big knowledge gap if 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.
PEN013	Failure to communicate properly with stakeholders	Scheme Members are not aware of the rights and privileges of being in the scheme and may make bad decisions as a result. Employers are not aware of the regulations, the procedures, etc, and so the data flow from them is poor.	The Fund has a Communications Manager and Employer Relationship Manager dedicated to these areas full-time, including keeping the website up-to-date, which is a key communications resource. The Fund also has a Communications Policy.
PEN014	Failure to provide the service in accordance with sound equality principles	Some customers may not be able to access the service properly or may be offended and raise complaints. At worst case, this could result in a court case, etc.	The Fund has done an Equality Risk Assessment and has an Equality Implementation Plan in place

Ref.	Risk	Impact	Controls
PEN015	Failure to collect payments from ceasing employers	Failure to collect cessation payments means the cost of funding future liabilities will fall against the Wiltshire Pension Fund	The Pension Fund Committee approved a 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.
PEN016	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.
PEN017	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.
PEN019	Establishment of Local Pension Board & Investment Sub-Committee	Reputational risk from a national perspective and failure to adhere to legislation resulting in action by the Government or the Pension Regulator. Ineffective operation of the Investment sub-Committee leading to bad decision making.	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.
PEN020	Pooling of LGPS assets	Poor implementation 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.
PEN021	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.
PEN022	Reconciliation of GMP records	If GMP records for members is inaccurate there is the potential for incorrect liabilities being paid by the Fund.	Large on-going project is currently in place using 2 Data Quality Analysts to assist with resources. Additional software from Heywood's to process amendments in bulk has been purchased.
PEN023	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.
PEN024	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.

Ref.	Risk	Impact	Controls
PEN025	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.
PEN026	Impact of MiFid II Regulations	If Wiltshire Pension Fund is unable to attain "professional" status it will limit the range of investments available and may lead to the forced sale of assets.	The Fund is awaiting national guidance as LGA discuss implications for LGPS with FCA.

6. Training report

Approach

As an administering authority of the Local Government Pension Scheme, this council recognises the importance of ensuring that all staff and members of the Pension Fund Committee 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 covered the following topics:

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

This current Members Training Plan runs from April 2015 to December 2018, 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.

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.

Ian Duncan
Interim Treasurer of Pension Fund
24 July 2018

MEMBERS' TRAINING PLAN – April 2015-2018

TRAINING NEED	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-Learning (e.g.. Webcasts, Videos)	One-to-One Briefing with an officer	
GENERAL TRAINING								
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
SPECIFIC ISSUES IDENTIFIED FROM MEMBERS SELF ASSESSMENTS								
General Pension Framework								
<ul style="list-style-type: none"> Terms of Reference for Pension Committee, Investment Sub-Committee & Local Pension Board 	✓		✓					July 2015
<ul style="list-style-type: none"> LGPS discretions policies 			✓					July 2015
<ul style="list-style-type: none"> Update following Government's response to consultation on the review of the LGPS 		✓		✓	✓			September 2015
<ul style="list-style-type: none"> Review of the Fund's communication policy & tools 	✓			✓				May 2016
Pensions Legislation & Governance:								
<ul style="list-style-type: none"> Role of the Pension Regulator, National Scheme Advisory Board & Local Pension Board 	✓			✓				December 2018
<ul style="list-style-type: none"> Review of the importance on data quality and implications of the end of contracting out in 2016 	✓			✓				December 2018
<ul style="list-style-type: none"> Overview of all the relevant sources of legislation that impact on the Fund 	✓							July 2018
Pension Accounting & Auditing standards:								
<ul style="list-style-type: none"> Update on the new reporting requirements for the Fund's Annual Report 			✓					December 2018
Financial Services procurement:								
<ul style="list-style-type: none"> Current public procurement policy & procedures 	✓							July 2018
<ul style="list-style-type: none"> Brief overview of UK & EU procurement legislation 	✓							July 2018
<ul style="list-style-type: none"> Awareness of support services suppliers and contract monitoring 	✓			✓				July 2018
Investment Performance & Risk Management:								
<ul style="list-style-type: none"> Monitoring asset returns relative to liabilities and monitoring funding level risk 	✓	✓		✓	✓			September 2015
<ul style="list-style-type: none"> Understanding the purpose of "flight paths" & asset liability matching 		✓		✓	✓			September 2015 / January 2017
<ul style="list-style-type: none"> Implications of setting different investment strategies for employers 				✓				April 2016
<ul style="list-style-type: none"> Investment Pooling / Brunel Pension Partnership updates 				✓	✓			June 2016 / October 2016
Financial markets & products knowledge:								
<ul style="list-style-type: none"> Review of asset allocation and investment strategy 		✓		✓				June 2015 / 2016 / 2017
<ul style="list-style-type: none"> Limits placed by regulation on investment activities in the LGPS 	✓			✓				September 2016
<ul style="list-style-type: none"> Environmental, Social and Governance considerations for investing 				✓				September 2017
<ul style="list-style-type: none"> Specific investment opportunities 		✓		✓	✓			As required
Actuarial methods, standards and practices:								
<ul style="list-style-type: none"> Review purpose of the Funding Strategy Statement / Investment Strategy Statement 		✓						January 2017
<ul style="list-style-type: none"> Triennial Valuation refresher 			✓	✓				April 2016
<ul style="list-style-type: none"> Considerations in relation to outsourcing and bulk transfers 	✓			✓				July 2018
CHAIRMAN / VICE CHAIRMAN TRAINING								
<ul style="list-style-type: none"> Strategic forward planning 							✓	on-going
<ul style="list-style-type: none"> Stakeholder feedback 		✓					✓	on-going
<ul style="list-style-type: none"> Appreciation of changes to scheme rules 		✓			✓			Invite to be circulated to relevant ones

7. Administration report

Recent developments

Implementation: Approach to Asset Pooling

We have worked with nine other Administering Authorities to implement Government's requirement to pool the management and investment of our assets with other LGPS Funds, and have established Brunel Pension Partnership Ltd. (Brunel). Brunel was launched on 18 July 2017 as a new company wholly owned by the ten Administering Authorities. Brunel obtained authorisation from the Financial Conduct Authority (FCA) in March 2018 to act as an investment manager and an Investment advisor.

Brunel has made excellent progress since launch, with key milestones being:

- Appointment of State Street as Custodian and Administrator of the partnership.
- Establishing and moving into new offices at 101 Victoria Street, Bristol
- Recruitment of some 25 members of staff in addition to the executive directors.
- Agreed the 24 outcome driven investment portfolios and made first investment manager appointment of Legal and General as equity passive manager.
- Establishing a clear Brunel culture: making long-term sustainable investments; protecting the interests of Brunel partner funds and their beneficiaries; and helping to forge better futures by investing for a world worth living in.
- Appointed a range of service providers including tax advisor, internal and external auditors, technology support.
- Establishing its Responsible Investment policy and being the first LGPS pool to join the UN-backed Principles for Responsible Investment.
- Development and launch of its private markets proposition to cover areas such as property and infrastructure.

The arrangements for asset pooling for the Brunel pool have been formulated to meet the requirements of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and Government guidance. Importantly, Brunel has met the Government's requirement for the Pool to become operational from April 2018 and the transition of assets to start. Regular reports have been made to Government on progress towards the pooling of investment assets, and Brunel has received positive feedback on its progress so far.

It is anticipated that investment assets will be transitioned across from our existing investment managers to the portfolios managed by Brunel between June 2018 and March 2020 in accordance with a timetable that will be agreed with Brunel, starting with passive equities. Until such time as transitions take place, we will continue to maintain the relationship with our current investment managers and oversee their investment performance, working in partnership with Brunel where appropriate.

The Fund, through the Pensions Committee, retains the responsibility for setting the detailed Strategic Asset Allocation for the Fund and allocating investment assets to the portfolios provided by Brunel. We are also able to suggest new portfolios to Brunel and engage with Brunel on the structure and nature of existing portfolios.

Brunel will be responsible for implementing the detailed Strategic Asset Allocations of its ten Client Funds by providing and implementing a suitable range of outcome focused investment "portfolios". In particular, it will research and select the professional external investment managers responsible for making the day to day investment decisions at the portfolios. In some cases, a portfolio will have a single external manager who provides the fund structure for a portfolio. In other cases, Brunel will allocate to a number of different externally managed funds. For active equities Brunel is sponsoring the creation of an authorised

contractual scheme (ACS), in conjunction with an external fund operator, as this structure in these markets offers significant cost and tax benefits. Brunel will be the investment manager of the ACS and as above will delegate to its chosen sub managers.

The Fund is both a shareholder and a client of Brunel. As a client we have the right to expect certain standards and quality of service. A detailed service agreement has been agreed which will set out the duties and responsibilities of Brunel, and our rights as a client. It includes a duty of care of Brunel to act in its clients' interests.

The governance of the Brunel partnership is of the utmost important to us to ensure our assets are invested well and our needs and those of our beneficiaries are met. Governance controls exist at several levels within Brunel:

- As shareholders in Brunel we entered into a shareholder agreement with the company and the other shareholders. This gives us considerable control over Brunel – several matters, including significant changes to the operating model, are reserved matters requiring the consent of all shareholders.
- An Oversight Board comprising representatives from each of the Administering Authorities has been established. Acting for the Administering Authorities, it has a primary monitoring and oversight function. Meeting quarterly, it can request papers from Brunel or interrogate its management. However, it cannot take decisions requiring shareholder approval, which will be remitted back to each Administering Authority individually.
- The Oversight Board is supported by the Client Group, comprised primarily of pension investment officers drawn from each of the Administering Authorities, but also drawing on finance and legal officers from time to time. It will have a leading role in reviewing the implementation of pooling by Brunel, and provide a forum for discussing technical and practical matters, confirming priorities, and resolving differences. It will be responsible for providing practical support to enable the Oversight Board to fulfil its monitoring and oversight function.
- A separate level of governance is provided by the Board of Directors at Brunel, which are appointed by ourselves and the other shareholders. It comprises four highly experienced and independent non-executive directors, chaired by Denise Le Gal and four executive directors.
- Finally, as an authorised firm, Brunel has to meet the extensive requirements of the Financial Conduct Authority, which cover areas such as training and competency, policy and process documents, and internal controls.

Following the completion of the transition plan outlined above, it is envisaged that all of our assets will be invested through Brunel. However, the Fund has certain commitments to long term illiquid investment funds which will take longer to transition across to the new portfolios to be set up by Brunel. These assets will be managed in partnership with Brunel until such time as they are liquidated, and capital is returned.

First trigger of flightpath was reached

The principle of a Flight Path is to reduce the level of risk which the Fund is exposed to, as and when it becomes affordable to do so. It is triggered by the funding position - as it improves risk reduction steps can be taken.

The Wiltshire Flight Plan has been developed over recent years:

2014 - High level initial discussions on the principles.

2015 - Further discussions / proposal, and implementation plan

2016 - Updated funding levels, agreed with the Fund Actuary.

The trigger levels are:

86.5% funding - 5% from UK Equity to Gilts

The funding level at 31 December 2017 was 88.1% triggering the first 5% switch from passive UK Equity to Gilts.

Employer Activity

This year we have 9 new employers who joined the Fund, (2 of the new employers were new academies), and 5 ceasing bringing the total number of employers to 190. 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 20.

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 web addresses:

<https://www.wiltshirepensionfund.org.uk/wiltshire-pension-fund/about-us/employers/>

<https://www.wiltshirepensionfund.org.uk/wiltshire-pension-fund/about-us/forms-and-publications/>

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 (01225 713505).

Member Scheme Contributions

The contribution bandings due from 1 April 2018 are shown in the table below.

Pensionable Pay Contribution	Gross Contribution after Tax Relief*	
Up to £14,100	5.5%	4.40%
£14,101 - £22,000	5.8%	4.64%
£22,001 - £35,700	6.5%	5.20%
£35,701 - £45,200	6.8%	5.44%
£45,201 - £63,100	8.5%	5.10%
£63,101 - £89,400	9.9%	5.94%
£89,401 - £105,200	10.5%	6.30%
£105,201 - £157,800	11.4%	6.84%
More than £157,801	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/

2016 Triennial Valuation

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)
Funding Level	71%	82%

The improvement in funding position between 2013 and 2016 was 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). This trend continued during 2017/18.

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.

Next year will see the 2019 triennial valuation exercise with the results known in October which will set employer contribution rates from April 2020 onwards. The Fund is extremely conscious of the cost pressures facing employers and their ability to absorb future increases for what will be another challenging valuation exercise and we will try to work with them to manage any changes.

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/media/3308/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.

The Wiltshire Pension Fund FSS was approved by this Committee on 29 September 2016. 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/media/3178/funding-strategy-statement.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/media/3391/investment-strategy-statement.docx>

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:

<https://www.wiltshirepensionfund.org.uk/wiltshire-pension-fund/about-us/forms-and-publications/>

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. The policy can be viewed at the following link:

<http://www.wiltshirepensionfund.org.uk/media/3811/cessation-policy.pdf>

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:

<https://cms.wiltshire.gov.uk/documents/s91960/Wiltshire%20Pension%20Fund%20Business%20Plan%202015-18.pdf>

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 can be viewed on the Wiltshire Pension Fund website at:-

<http://www.wiltshirepensionfund.org.uk/media/3183/communications-policy.pdf>

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.

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 ten voting members. This consists of six Wiltshire Council members, including the Chairman, two members from Swindon Borough Council as the second largest employer and two employer representatives.

During the year, there have been several changes to the Wiltshire Pension Fund Committee. Councillor Sheila Parker and Tony Gravier left and Councillor Christopher Newbury and Simon Jacobs joined. Councillor Charles Howard stepped down from the role of Vice-Chairman. Stuart Dark has joined the Committee as an independent observer and replaces Tony Gravier in this capacity.

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 four times last year for regular business. 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 and roles:

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 twelve members of staff.

The Data & 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 eight 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 Strategy. 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. This role also supports employer communications and helps ensure that all team members are trained accordingly.

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.

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 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 Governance and Performance Manager is responsible for supporting the Wiltshire Pension Fund Committee and Local Pension Board, including with overseeing governance training and supporting governance recruitment. The role is also responsible for overseeing Fund administration and service performance, including the performance of various service providers.

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 four members of staff.

Assurance Framework

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

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

Internal Dispute Resolution Procedure

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

Under Stage 1 of the process, the Wiltshire Pension Fund will appoint a "nominated person" to investigate a complaint concerning a pension. This person will review the dispute and 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 2017-18, the Fund received three applications under the Stage 1 process. None of these applications have moved to stage 2 following the determination by Muse Consultancy.

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 3% increase effective from 6 April 2018. This is based on the Consumer Price Index (CPI) as at September the previous year.

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/media/3556/wiltshire-pension-fund-discretions-policy.pdf>

Each employer in the Fund must have completed their own discretions policy which guides the Fund as to how to process their employee 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:

<https://www.wiltshirepensionfund.org.uk/media/3476/employer-discretions-policy-and-template.docx>

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.

8. Investment report

Funding policy

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

All LGPS funds are required to publish a document called a “Funding Strategy Statement” (FSS). The Wiltshire FSS was updated in connection with the 2016 triennial valuation and can be supplied upon request or viewed at:-

<https://www.wiltshirepensionfund.org.uk/media/3178/funding-strategy-statement.pdf>

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

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

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

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

Investment 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 considered 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 2018 the Fund's strategic allocation was to be invested 55% in Equities, 20.5% 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. The first flight path trigger was reached in January which resulted in a 5% transfer of Fund assets from Equities to Bonds.

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 £230 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 as at 31 March 2018 was as follows:

Asset Allocation	%
Equities:	
Long-Only	
UK*	7.50%
Overseas (Global)**	27.50%
Absolute Return (Lower Volatility)	10.00%
Emerging Market Multi Asset	<u>10.00%</u>
	55.00%
Bonds	20.50%
Property	13.00%
Alternatives:	
Infrastructure	5.00%
M&G Financing Fund	1.50%
Opportunistic Investment	<u>5.00%</u>
	11.50%
	100.00%

* (sits at approximately 9.0% if including the UK element of the global mandates. This is based on where equities are domiciled and not where revenues are from)

** (includes active and fundamental indexation)

The allocation of mandates to managers as at 31 March 2018 was as follows:

MANAGER/MANDATE ALLOCATION	%
Baillie Gifford	
Global Equities	15.0%
Legal & General	
Passive UK Equities**	7.5%
Passive Global Equities*	0.0%
Passive Fundamental Equities	12.5%
Passive Index-Linked Bonds (UK)**	10.0%
Barings	
Absolute Return Fund	10.0%
Loomis Sayles	
Multi Asset Credit	4.2%
Absolute Return Bonds	6.3%
Investec	
Emerging Market Multi Asset Mandate	10.0%
CBRE Global Multi Manager	
Property Fund of Funds (UK & Europe)	13.0%
Partners Group	
Infrastructure	5.0%
M&G Investment Management	
UK Companies Financing Fund	1.5%
Opportunistic Investment*	5.0%
TOTAL	100.0%

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

** Activation of first flight path trigger in January 2018 led to a 5% transfer from passive uk equities to passive UK Index-Linked Bonds

Investment as at 31 March 2018

During the year, the managers transacted purchases of £1,039.4 million (£1,039.4 m 31 March 2017) and sales of £1,018.8 million (£1,018.8m 31 March 2017). The value of assets under management at 31 March 2018 was £2,174.1 million (£2,174.1m 31 March 2017), broken down by managers as follows:

Legal & General	£876.3 million *
Baillie Gifford	£372.5 million
CBRE Global Multi Manager	£314.7 million
Loomis Sayles	£276.1 million
Barings Asset Management	£242.2 million
Investec	£252.4 million
Partners Group	£ 35.7 million
M&G Financing Fund	£ 2.1 million
Cash held at custodian	£ 9.4 million
Long-term investment – Brunel Pension Partnership	£0.8 million
	<u>£2,382.22 million</u>

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

The Council participates in a securities lending programme administered by State Street. Securities in the beneficial ownership of the Council to a value of £52.1 million (2.2% of the total) were on loan at 31 March 2018. Collateral for these securities is held in a pooled form, the Wiltshire Pension Fund's share (0.019%) representing a value of £55.9 million (107.28%). Income earned from this programme amounted to £0.306 million in the year.

Investment markets

Over the 12 month period to 31 March 2018, growth assets generally performed well against a backdrop of broad economic expansion, while defensive assets saw lower returns. Over the first quarter of 2018, however, equity markets experienced a correction. This shift in market sentiment was largely a reaction to a combination of escalating trade and geo-political tensions along with expectations of monetary tightening, especially in the US.

Even though economic activity and business, as well as consumer, confidence improved significantly over the year, concerns have started to surface that some economies, most notably the US, might be starting to overheat which would accelerate the tightening cycle by central banks. Persistent geopolitical tensions over the year, both on the Korean peninsula and in the Middle East, as well as rising trade tensions between the US and China in the first quarter of 2018 also weighed on financial markets and fuelled a resurgence in volatility, which had been abnormally low in the prior year.

In the UK, Brexit continues to remain at the forefront of investors' minds. Since the triggering of Article 50 in March 2017 by Prime Minister Theresa May, some progress has been made but, complex negotiations with regards to a future trade deal and the Irish border lie ahead. The UK economy has held up reasonably well over 2017 with real GDP growth of 1.4% while the consensus forecast for 2018 is for 1.6% growth.

An increase in inflation over the year prompted the Bank of England to increase the base rate in November 2017 for the first time in 10 years; the Consumer Price Index reached 3.0% at the end of the year even though inflation seemed to have peaked in November 2017 at 3.1% and has fallen back to 2.5% in March 2018. Currency volatility was a feature of the 12 month period, with sterling rallying against the yen and dollar, but falling against the Euro.

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.

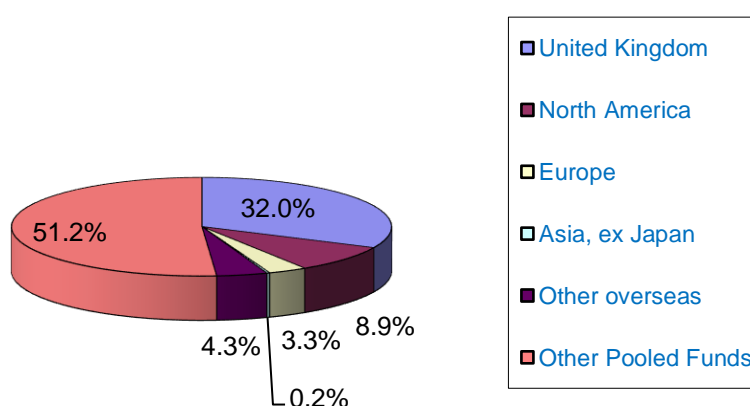
Distribution of investments

Analysis of investments as at 31 March 2018

Geographical analysis

	£000	% of Fund total
United Kingdom	762,727	32.0
North America	212,347	8.9
Europe	78,566	3.3
Asia, ex Japan	5,943	0.2
Other overseas	102,160	4.3
Other Pooled Funds	1,220,480	51.2
	2,382,224	100.00

Investment by region/country

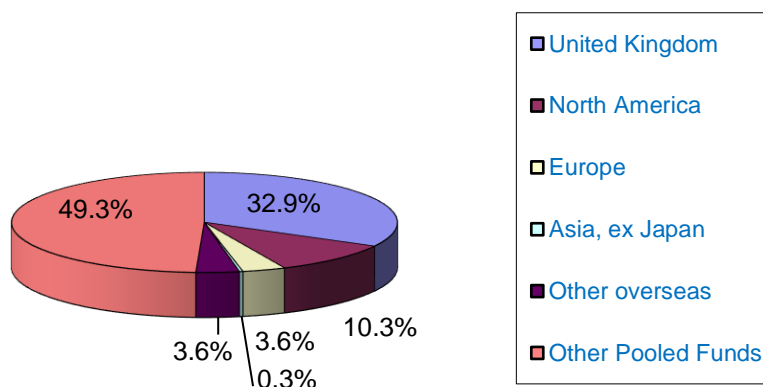


Analysis of investments as at 31 March 2017

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
	<u>2,174,105</u>	<u>100.00</u>

Investment by region/country

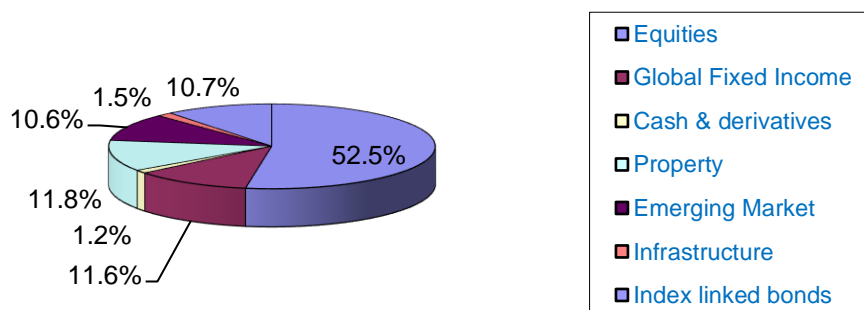


Analysis of investments by sector as at 31 March 2018

Sector analysis

	£000	% of Fund total
Long-term investment - Brunel Pension Partnership	840	0.0
Equities	1,251,642	52.5
Global Fixed Income	276,116	11.6
Cash & derivatives	29,086	1.2
Property	281,427	11.8
Emerging Market	252,365	10.6
Infrastructure	35,656	1.5
Index linked bonds	255,092	10.7
	2,382,224	100.00

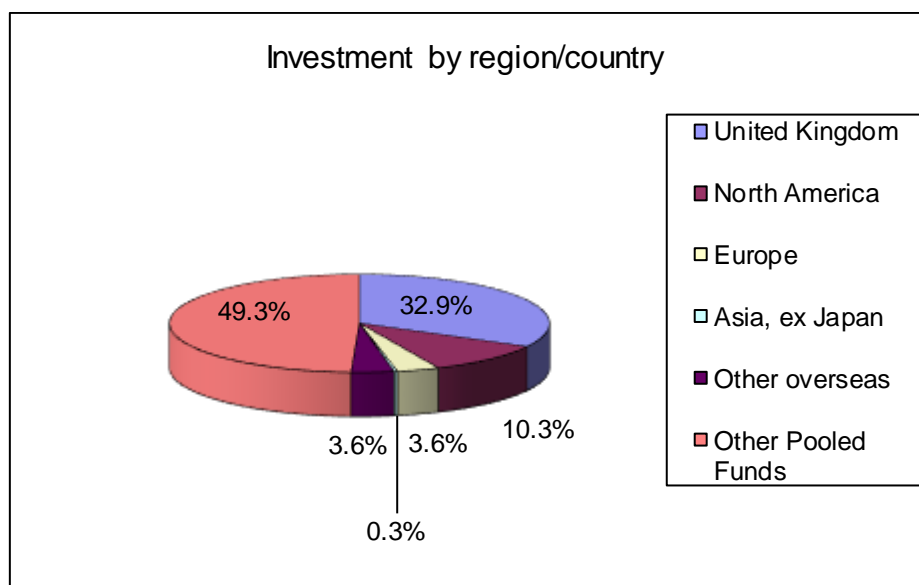
Investment by sector



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
	2,174,105	100.00



Twenty largest holdings at 31 March 2018

1 Legal & General - Rafi Equity	324,477	13.62
2 Investec - Emerging Markets	252,365	10.59
3 Barings - Dynamic Asset Allocation Fund	242,173	10.17
4 Legal & General Equity Index Fund	171,423	7.20
5 Loomis Sayles Alpha Bond Fund	160,878	6.75
6 LSAA 2068 Index Linked Gilts	127,873	5.37
7 LUAB 2062 Index Linked Gilts	127,219	5.34
8 Legal & General World Equity Index	125,350	5.26
9 Loomis Sayles World Credit Fund	115,238	4.84
10 CBRE GIP Global Alpha Fund	48,797	2.05
11 Amazon.com	35,907	1.51
12 Tencent Holdings Ltd	33,048	1.39
13 Industrial Property Investment Mutual Fund	26,496	1.11
14 Alibaba Group Holdings Ltd	26,382	1.11
15 Illumina Inc	26,013	1.09
16 Schroders UK Real Estate	24,352	1.02
17 Facebook Inc	23,741	1.00
18 Partners Group Global Infrastructure	22,141	0.93
19 Tesla Motors Inc	18,649	0.78
20 CBRE UK Property PAIF	18,232	0.77

1,950,754

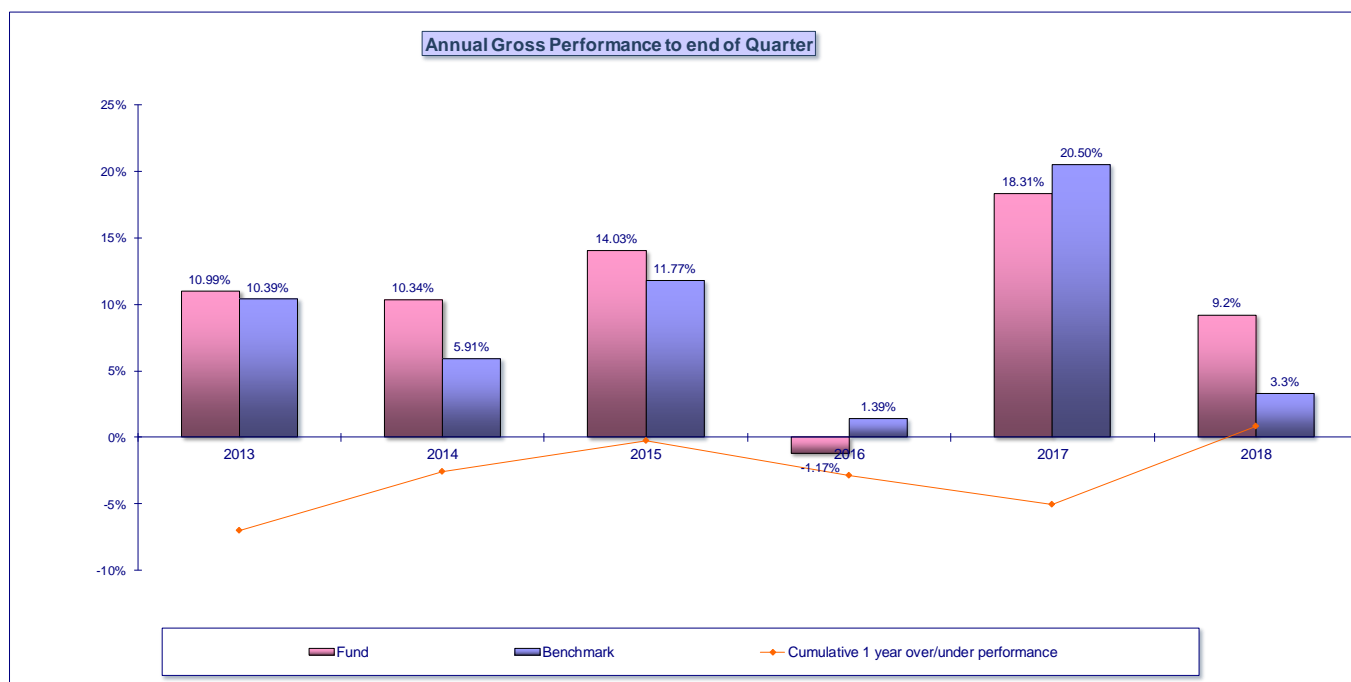
81.89

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 Diseno Textil	15,695	0.72
19 Alphabet Inc	14,899	0.69
20 Airport Industrial	13,689	0.63
	1,370,455	63.04

Investment Performance

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



9. 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 and there have been strong asset returns, particularly during 2016/17. Both events are of broadly similar magnitude with regards to the impact on the funding position.

Analytical Review

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

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

Fund Account	2017/18	2016/17	Notes
	£000	£000	
Net Contributions	16,701	15,883	Increased contributions in 2017/18
Return on Investments	203,389	344,107	Strong years for growth assets in 2016/17 and 2017/18
Net increase in the Fund	220,090	359,990	

Net Asset Statement	2017/18	2016/17	Notes
	£000	£000	
Long Term Investments - Brunel	840	-	Inception of Brunel Pension Partnership
Fixed Interest	-	-	
Indexed-linked	-	-	
Equities	388,220	372,221	Growth in Assets
Pooled Funds	1,682,651	1,519,157	Growth in Assets
Property	281,427	262,758	Positive Returns
Cash	28,614	19,799	
Other	472	170	
Total Net Investments	2,382,223	2,174,105	

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	20,060	19,519	97.3%	541	2.7%
Employer	80,161	78,573	98.0%	1,589	2.0%
Total	100,221	98,092	97.9%	2,130	2.1%

In total 53 monthly contribution payments were received late of which 47 were received within the month, 6 received between 1 and 3 months late and 0 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 2018.

Fund Account	2018/19	2017/18		2016/17	
	Forecast £000	Forecast £000	Actual £000	Forecast £000	Actual £000
Contributions	105,059	100,503	104,019	92,859	99,505
Payments	- 88,191	- 83,622	- 87,318	- 80,789	- 83,622
Management expenses	- 9,172	- 10,169	- 9,081	- 10,201	- 11,181
Net investment income	11,000	10,000	11,701	12,000	10,076
Change in market value	210,857	119,889	191,688	99,903	334,031
Net increase in the Fund	229,553	136,601	211,009	113,772	348,809

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	2018/19	2017/18		2016/17	
	Forecast £000	Forecast £000	Actual £000	Forecast £000	Actual £000
Equities	1,327	1,163,933	1,252	1,163,933	1,266,793
Fixed income	546	312,784	531	312,784	356,249
Cash	29	21,082	29	21,082	19,799
Property	294	240,878	281	240,878	262,758
Alternatives	312	185,057	288	185,057	268,336
Other	18	14,831	18	14,831	13,535
Total Investment Assets	2,525	1,938,564	2,398	1,938,564	2,187,470

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%
Total	5.6%

Operational expenses

	2018/19 Budget £000	2017/18 Budget £000	Actual £000	2016/17 Budget £000	Actual £000
Fund Investment					
Investment Management Fees	8,645	7,897	9,128	7,955	8,617
Investment Administration Recharge	135	120	119	113	112
Investment Custodial & Related Services	23	23 -	246	30 -	304
Investment Professional Fees	94	149	116	107	222
Corporate Governance Services	40	40	34	40	38
Performance Measurement	37	37	40	40	31
Investment Administration Costs	329	369	63	330	99
Scheme Administration					
Pension Scheme Administration Recharge	1,817	1,590	1,573	1,514	1,556
Actuarial Services	173	173	274	234	373
Audit	33	33	28	58	33
Legal Fees	20	20	38	20	8
Committee and Governance Recharge	95	87 -	26	90	57
Scheme Administration Costs	2,138	1,903	1,887	1,916	2,028
Grand Total (Exc Invest Man Fees)	2,467	2,272	1,950	2,246	2,127
Grand Total (Inc Invest Man Fees)	11,112	10,169	11,078	10,201	10,744

Cash Flow

Officers continue to monitor the cashflow position of the Fund to ensure sufficient resources are available to pay benefits as they fall due. The position for 2017/18 is shown below:

	Year ending 31 March 2018 £m
Receipts	98.6
Payments	(92.1)
Surplus/ (Deficit)	6.5
Funds sent to Investment Managers	4.3

This shows that excluding investment income, cashflow is broadly neutral for the year. This will continue to be closely monitored.

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.

	2017/18	2016/17	2015/16	2014/15	2013/14
	£000	£000	£000	£000	£000
Overpayments recovered	29	29	19	28	14
Overpayments not recovered	12	12	10	9	7
Total	41	41	29	37	21
Annual Payroll	68,165	65,540	63,698	62,118	59,388
Write offs as a % of Payroll	0.02%	0.02%	0.02%	0.02%	0.01%
Number of cases - not recovered	167	185	151	106	106
Number of cases - recovered	52	41	35	24	24
Number of cases - In process of recovery	9	11	6	-	-

10. 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.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2016 valuation report.

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 and there have been strong asset returns, particularly during 2016/17. Both events are of broadly similar magnitude with regards to the impact on the funding position.

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

Barry Dodds FFA
For and on behalf of Hymans Robertson LLP
25 April 2018

Hymans Robertson LLP
20 Waterloo Street, Glasgow, G2 6DB

11. Statement of Responsibilities for the Financial Statements

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

Administration Authority

The Administering Authority is required to:

- Make arrangements for the proper administration of the financial affairs of the Pension Fund and to secure that an officer has the responsibility for those affairs. In this Authority, that officer is the Head of Finance.
- Prepare, approve and publish a statement in accordance with the Accounts and Audit Regulations 2015.

Associate Director of Finance

The Director of Finance & Procurement 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 2018. 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 2018.

Ian Duncan
Interim Director Finance & Procurement
Wiltshire Pension Fund
24th July 2018

12. Audit opinion

To be added

13. Statement of accounts

Fund Account

For the year ended 31 March 2018

	Notes	2017-18 £000	2016-17 £000
Contributions and benefits			
Contributions receivable	5	100,221	95,901
Individual transfers		3,798	3,604
		104,019	99,505
Benefits payable	6	-83,315	-78,814
Payments to and on account of leavers	7	-4,003	-4,808
		-87,318	-83,622
Management Expenses	8 & 12	-9,081	-11,181
		7,620	4,702
Returns on investments			
Investment income	9	11,701	10,076
Change in market value of investments	11	191,688	334,031
		203,389	344,107
Net returns on investments		203,389	344,107
Net increase in the fund during the year		211,009	348,809
Add opening net assets of the funds restated		2,187,470	1,838,661
Closing net assets of the scheme		2,398,479	2,187,470

Net Asset Statement

At 31 March 2018

	Notes	31-Mar-18 £000	31-Mar-17 £000
Long Term Investments			
Brunel Pension Partnership		840	0
		840	0
Investment assets			
	11		
Fixed interest securities		0	0
Index linked securities		0	0
Equities		388,220	372,221
Pooled investment vehicles		1,682,650	1,519,157
Property		281,427	262,758
Cash held on deposit		28,614	19,799
Other investment balances		473	170
		2,382,224	2,174,105
Investment liabilities			
	11		
Derivatives liabilities		0	0
Total net investments		2,382,224	2,174,105
Current assets	13	19,767	17,047
Current liabilities	14	-3,512	-3,682
Net assets of the scheme at 31 March		2,398,479	2,187,470

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 2017/18 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

IAS26 requires the actuarial present value of promised benefits to be disclosed. A separate report has been prepared by Hymans Robertson and is enclosed below after note 19.

The 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 2018 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 2018.

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 56). 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 2018 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 2018, the fund had a balance of £19.8m for debtors (£1.9m 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

	2017-18 £000	2016-17 £000
Employer		
- Normal	65,373	61,280
- Augmentation	1,976	1,401
- Deficit funding*	12,812	14,064
Members		
- Normal	19,846	18,959
- Additional contributions	214	197
	100,221	95,901

Analysis of contributions receivable

	2017-18 £000	2016-17 £000
<i>Contributions from employees (Including Additional Contributions)</i>		
- Wiltshire Council	7,565	7,063
- Other scheduled bodies	11,582	11,123
- Admitted bodies	914	970
	20,061	19,156
<i>Contributions from employers (Including Augmentations)</i>		
- Wiltshire Council	29,737	30,194
- Other scheduled bodies	43,461	40,188
- Admitted bodies	6,962	6,363
	80,160	76,745
Total contributions receivable	100,221	95,901

* Deficit funding contributions are being paid by the employer for the three years commencing from 1 April 2017 with a minimum specified in the Rates and Adjustment Certificate dated 31 March 2017 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

	2017-18 £000	2016-17 £000
Pensions	68,166	65,540
Commutation and lump sum retirement benefits	13,412	11,141
Lump sum death benefits	1,737	2,133
	<u>83,315</u>	<u>78,814</u>

Analysis of benefits payable

	2017-18 £000	2016-17 £000
<i>Pensions payable</i>		
- Wiltshire Council	35,824	34,940
- Other scheduled bodies	25,578	24,200
- Admitted bodies	6,763	6,400
	<u>68,165</u>	<u>65,540</u>
<i>Retirement and Death grants payable</i>		
- Wiltshire Council	5,831	5,651
- Other scheduled bodies	7,751	6,186
- Admitted bodies	1,568	1,437
	<u>15,150</u>	<u>13,274</u>
Total benefits payable	<u>83,315</u>	<u>78,814</u>

7. Payments to and on account of leavers

	2017-18 £000	2016-17 £000
Individual transfer out to other schemes	3,690	4,394
Bulk transfers out to other schemes	0	2
Refunds to members leaving service	259	269
State Scheme Premiums	54	143
	<u>4,003</u>	<u>4,808</u>

8. Management expenses

	2017-18 £000	2016-17 £000
Administration costs	2,773	1,955
Investment Management expenses	6,173	9,117
Oversight & Governance	135	109
	<u>9,081</u>	<u>11,181</u>

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 £1.6m of performance-related fees paid to the fund's investment managers (2016/17: £2.3m).

9. Investment income

	2017-18 £000	2016-17 £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	146	545
- Overseas equities	1,099	999
<i>Pooled investment vehicles</i>		
- Overseas equities	62	-
- UK property	8,944	8,616
- Global property	89	-
- Infrastructure	1,226	-
<i>Cash held on deposit</i>		
- Sterling cash	50	77
- Overseas cash	85	161
	11,701	10,076

10. Stock lending

The Council participates in a securities lending programme administered by State Street. Securities in the beneficial ownership of the Council to a value of £52.1 million (2.2% of the total) were on loan at 31 March 2018. Collateral for these securities is held in a pooled form, the Wiltshire Pension Fund's share (0.019%) representing a value of £55.9million (107.28%). Income earned from this programme amounted to £0.306 million in the year.

	2017-18 £m	2016-17 £m
WC securities on loan	52.1	77.8
<i>(percentage of total)</i>	2.2%	3.6%
WC collateral share of pool	0.02%	0.01%
Value of WC pooled share	55.9	84.9
Percentage of securities on loan	107.3%	109.1%
Income earned in year	0.306	0.367

11. Investments

Reconciliation of investments held at beginning and end of year

	Value at 1 April 2017	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market Value	Value at 31 March 2018
	£000	£000	£000	£000	£000
Long term investments					
- Brunel Pension Partnership	0	840	0	0	840
Fixed interest securities	0	0	0	0	0
Index linked securities	0	0	0	0	0
Equities	372,221	32,081	-110,464	94,382	388,220
Pooled funds					
- Other	1,519,157	437,221	-360,730	87,002	1,682,650
- Property	262,758	45,107	-37,085	10,647	281,427
Derivative assets					
- Futures	0	0	0	0	0
- Options	0	0	0	0	0
- Forward FX	0	0	0	0	0
	2,154,136	515,249	-508,279	192,031	2,353,137
Cash deposits	19,799			-349	28,614
Other Investment balances	170			6	473
	2,174,105			191,688	2,382,224

	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					
- 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					
- Futures	0	0	0	0	0
- Options	0	0	0	0	0
- Forward FX	1,246	163,377	-117,950	-46,673	0
	1,805,236	725,545	-719,742	343,097	2,154,136
Cash deposits	20,977			-9,086	19,799
Other Investment balances	179			20	170
	1,826,392			334,031	2,174,105

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 2018 £000	31 March 2017 £000
Long term investments		
Brunel Pension Partnership	840	0
Investment assets		
<i>Fixed interest securities</i>		
- UK fixed interest government bonds	0	0
- UK fixed interest corporate bonds	0	0
- Overseas fixed interest government bonds	0	0
- Overseas fixed interest corporate bonds	0	0
- Emerging markets government bonds	0	0
	0	0
<i>Index linked securities</i>		
- UK index linked corporate bonds	0	0
	0	0
<i>Equities</i>		
- UK equities	24,939	23,851
- Overseas equities	363,281	348,370
	388,220	372,221
<i>Pooled investment vehicles</i>		
- UK equities	171,423	285,230
- Overseas equities	691,999	609,342
- Global fixed income	276,116	231,301
- UK index linked government bonds	255,092	124,948
- Property	281,427	262,758
- Emerging Market Debt	100,946	93,038
- Emerging Market Equities	151,419	139,557
- Infrastructure	35,655	35,741
	1,964,077	1,781,915
<i>Cash held on deposit</i>		
- Sterling cash	14,966	17,561
- Overseas cash	13,648	2,238
	28,614	19,799
<i>Other investment balances</i>		
- Derivatives assets		
- Outstanding dividend entitlements	304	4
- Recoverable tax	169	166
	473	170
<i>Investment liabilities</i>		
- Derivatives liabilities	0	
Total of investments held	2,382,224	2,174,105
Net current assets & liabilities		
Current assets	19,767	17,047
Current liabilities	-3,512	-3,682
Total net current assets	16,255	13,365
	2,398,479	2,187,470

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 2018

	Designated as Fair value through Profit and Loss £000	Loans and Receivables £000	Financial liabilities at amortised cost £000
Long Term Investments			
Brunel Pension Partnership	840	0	0
	840	-	-
Financial assets			
Fixed interest securities	0	0	0
Index linked securities	0	0	0
Equities	386,131	2,089	0
Pooled investment vehicles	1,682,651	0	0
Property	281,427	0	0
Derivative assets	0	0	0
Cash held on deposit	0	36,324	0
Other Investment balances	473	0	0
Debtors	0	12,057	0
	2,350,682	50,470	0
Financial Liabilities			
Derivative Liabilities	0	0	0
Creditors	0	-3,512	0
	0	-3,512	0
	2,351,522	46,958	0

As at 31 March 2017

	Designated as Fair value through Profit and Loss £000	Loans and Receivables £000	Financial liabilities at amortised cost £000
Financial assets			
Fixed interest securities	0	0	0
Index linked securities	0	0	0
Equities	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
	2,149,749	41,403	0
Financial Liabilities			
Derivative Liabilities	0	0	0
Creditors	0	-3,682	0
	0	-3,682	0
	2,149,749	37,721	0

Net gains/(losses) on financial instruments

	2018 £000	2017 £000
Financial assets		
Fair value through profit and loss	191,688	327,104
Loans and receivables	-334	-9,079
Financial liabilities		
Fair value through profit and loss	0	0
Loans and receivables	0	0
Total	191,354	318,025

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 State Street (apart from a small amount of legacy assets which are due to be transferred from the Fund's previous custodian bank, 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 because 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 2018 and 2017 by the amounts shown below.

As at 31 March 2018	Value £'000	Volatility of return	Increase £000	Decrease £000
Baillie Gifford - Global Equity	372,482	17.90%	66,674	-66,674
CBRE Global Multi Manager - Property	314,744	14.10%	44,379	-44,379
Legal & General - Equity	171,423	15.60%	26,742	-26,742
Legal & General - Gilts	255,092	9.60%	24,489	-24,489
Legal & General - Global Equity	125,349	15.60%	19,554	-19,554
Legal & General - Rafi Equity	324,477	15.60%	50,618	-50,618
Barings - Dynamic Assets Allocation	242,173	10.20%	24,702	-24,702
Partners Group - Infrastructure	35,655	14.30%	5,099	-5,099
Investec - Emerging Markets	252,365	18.60%	46,940	-46,940
Loomis Sayles - Multi Asset Credit	115,238	4.70%	5,416	-5,416
Loomis Sayles - Absolute Return Bond Fund	160,878	4.70%	7,561	-7,561
M&G - Financing Fund	2,089	0.00%	0	0
Cash held at custodian	9,419			
Long-term investment - Brunel Pension Partnership	840			
	2,382,224		322,174	-322,174

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
	2,174,105		322,418	(322,418)

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 2018 and 2017 are provided below.

	31 March 2018
	£000
Cash held on deposit	28,614
Fixed Interest Securities	276,116
Loans	2,089
	<u>306,819</u>

	31 March 2017
	£000
Cash held on deposit	19,799
Fixed Interest Securities	231,301
Loans	4,557
	<u>255,657</u>

Interest Rate – Sensitivity Analysis

The Pension Fund recognises that interest rates vary and can impact on the fair value of the assets. The sensitivity of the Fund's investments to changes in interest rates has been analysed by showing the 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 2018	Value	Change in net assets	
	£000	£000	£000
		+100 BP	-100 BP
Cash held on deposit	28,614	286	-286
Fixed Interest Securities	276,116	-9,149	9,149
Loans	2,089	0	0
	<u>306,819</u>	<u>-8,863</u>	<u>8,863</u>

As at 31 March 2017	Value	Change in net assets	
	£000	£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
	<u>255,657</u>	<u>-6,478</u>	<u>6,478</u>

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.

2018

	US Dollar	Euro	Yen
Benchmark Weights	12.21%	2.79%	0.00%
	£'000	£'000	£'000
Net Currency Exposure	290,850	66,428	0

2017

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

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 2018 and 31 March 2017 would have increased or decreased the net assets by the amount shown below.

2018

	Assets Held at Fair Value £'000	Change in net assets	
		+10% £'000	-10% £'000
US Dollar	290,850	29,085	-29,085
Euro	66,428	6,643	-6,643
Yen	0	0	0
Net Currency Exposure	357,278	35,728	-35,728

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
Net Currency Exposure	345,945	34,595	-34,595

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, State Street, 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 2018 and 2017 is the carrying amount of the financial assets.

2018

	£'000
Global Fixed Income Pooled	276,116
Cash held on deposit	28,614
Other investment balances	473
Current assets	<u>19,767</u>
	<u>324,970</u>

2017

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

c) Liquidity Risk

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

The following tables analyses the Fund's financial liabilities as at 31 March 2018 and 2017, grouped into relevant maturity dates.

2018

	Carrying Amount £'000	Less than 12 months £'000	Greater than 12 months £'000
Accounts Payable	107	107	0
Benefits Payable	539	539	0
Sundry Creditors	2,866	2,866	0
	3,512	3,512	0

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
	3,682	3,682	0

Fair Value Hierarchy

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

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

The tables below analyse financial instruments, measured at fair value at the end of the reporting period 31 March 2018 and 31 March 2017, 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 State Street for the period ending 31 March 2018 and the Fund's old custodian, BNY Mellon for the period ending 31 March 2017.

2018

	£000	£000	£000	£000
	Level 1	Level 2	Level 3	Total
Brunel Pension Partnership	840	0	0	840
Fixed Interest Securities	0	0	0	0
Index Linked Securities	0	0	0	0
Equities	384,770	0	3,450	388,220
Pooled Funds:	0	0	0	0
- Other	0	1,646,995	35,655	1,682,650
- Property	0	111,402	170,025	281,427
Derivative assets	0	0	0	0
- Futures	0	0	0	0
- Options	0	0	0	0
- Forward FX	0	0	0	0
	385,610	1,758,397	209,130	2,353,137
Cash Deposits	28,614	0	0	28,614
Other Investment balances	473	0	0	473
	414,697	1,758,397	209,130	2,382,224

2017

	£000	£000	£000	£000
	Level 1	Level 2	Level 3	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
	365,698	1,590,340	198,098	2,154,136
Cash Deposits	19,799			19,799
Other Investment balances	170			170
	385,667	1,590,340	198,098	2,174,105

During 2017/18 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 2018 and 31 March 2017.

2018

	£000
Opening balance	198,098
Total gains/losses	10,373
Purchases	42,242
Sales	-41,583
Transfer out of Level 3	0
Closing balance	209,130

2017

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

The following table shows the sensitivity of assets valued

Sensitivity of assets valued at level 3

	Assessed Valuation range (+/-)	Value at 31 March 2018 £'000	Value on increase £'000	Value on decrease £'000
Pooled Property	14.10%	171,386	195,551	147,221
M&G Financing Fund	0.00%	2,089	2,089	2,089
Infrastructure	14.30%	35,655	40,754	30,556
		<u>209,130</u>	<u>238,394</u>	<u>179,866</u>

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

Security	31 March 2018	
	Market value £m	% of total market value
Legal & General - Rafi Equity	324.5	13.6
Investec - Emerging Markets	252.4	10.6
Barings - Dynamic Asset Allocation Fund	242.2	10.2
Legal & General Equity Index Fund	171.4	7.2
Loomis Sayles Alpha Bond Fund	160.9	6.8
LSAA 2068 Index Linked Gilts	127.9	5.4
LUAB 2062 Index Linked Gilts	127.2	5.3
Legal & General World Equity Index	125.4	5.3
	<u>1531.9</u>	<u>64.4</u>

12. Investment management expenses

	2017-18 £000	2016-17 £000
Manager & Investment Admin Fees	6,074	9,047
Custody and Performance	99	70
	<u>6,173</u>	<u>9,117</u>

13. Current assets

	31 March 2018 £000	31 March 2017 £000
Contributions due from other authorities and bodies		
- Employees	1,570	1,536
- Employers	5,590	5,199
Income due from external managers and custodians	-	-
Debtors (Magistrates)	1,930	2,895
Other	2,967	1,748
Cash balances	7,710	5,669
	<u>19,767</u>	<u>17,047</u>
Less:		
Long Term debtors (Magistrates)	- 1,930	- 2,895
Net current assets	<u>17,837</u>	<u>14,152</u>

Contributions due at the yearend 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 £2.895m, of this the following year's instalment (£0.965m) is classified as a debt repayable in one year, and the remaining balance £1.930m is a long term debtor.

14. Current liabilities

	31 March 2018 £000	31 March 2017 £000
Managers / custody fees	1,646	1,510
HMRC	722	717
Other	1,144	1,455
	<u>3,512</u>	<u>3,682</u>

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
Equitable Life Assurance Society	
- With Profits Fund	0.471
- Unit Linked Managed Fund	0.145
- Building Society Fund	-
Clerical Medical Funds	
- With Profits Fund	0.178
- Unit Linked Managed Fund	0.900
NPI Fund	
- Managed Fund	0.012
- With Profits Fund	0.097
- Global Care Unit Linked Fund	0.062
- Cash Deposit Fund	0.024
Prudential	
- 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
	<hr/> 4.422 <hr/>

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

16. Employer related assets

There are no employer related assets within the Fund.

17. Related Party Transactions

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

The Council incurred costs of £1.472m (2016/2017: £1.430m) 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 2017/2018 (2016/2017: £30m). A balance of £0.9m 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 2018, the fund had an average investment balance of £7.6m (31 March 2017: £5.6m), earning interest of £21k (2016/2017: £21k) in these funds.

Governance

There are five members of the Pension Fund Committee that are active members of the Pension Fund, two of these individuals are the employer bodies representatives. Councillor Roy White is also a pensioner member of the Pension Fund.

18. Guaranteed minimum pension

The Guaranteed Minimum Pension (GMP) Reconciliation project has been split into a number of stages for Local Government Pension Schemes (LGPS). The Fund has nearly completed Stage 2, entitled "Review data inconsistencies, raise with HMRC & agree outcome" with more than 85% of the work completed. With HMRC extending the GMP reconciliation project with them to December 2018 the Fund is on track to complete this work.

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. Stage 3 entitled "Rectification" whereby LGPS pensions will be amended with the reconciled Stage 2 GMP information will take place following completion of Stage 2.

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 05/04/2021. We await further confirmation from the Government detailing how GMPs will be increased for those members whose SPA is after 05/04/2021.

19. Contingent Liabilities and Contractual Commitments

Outstanding capital commitments (investments) at 31 March 2018 totalled Euro 15.2m and USD 42.5m; representing GBP 43.59m

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

14. IAS26 statement

Pension Fund Accounts Reporting Requirement

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2017/18 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 2018	31 March 2017
Active members (£m)	1,469	1,349
Deferred members (£m)	848	853
Pensioners (£m)	1,116	1,163
Total (£m)	3,433	3,365

The promised retirement benefits at 31 March 2018 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2016. 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 2018 and 31 March 2017. I estimate that the impact of the change in financial assumptions to 31 March 2018 is to decrease the actuarial present value by £67m. There is no impact from any change in the

demographic and longevity assumptions because they are identical to the previous period.

Financial assumptions

Year ended (% p.a.)	31 March 2018	31 March 2017
Pension Increase Rate	2.4%	2.4%
Salary Increase Rate	2.7%	2.7%
Discount Rate	2.6%	2.5%

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 a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	22.5 years	24.9 years
Future pensioners (assumed to be aged 45 at the latest formal 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 2018	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.5% p.a. increase in the Pension Increase Rate	8%	284
0.5% p.a. increase in the Salary Increase Rate	1%	46
0.5% p.a. decrease in the Real Discount Rate	10%	349

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 2018 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:-

Barry Dodds FFA

27 April 2018

For and on behalf of Hymans Robertson LLP

15. Further information & contacts

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

Guide to the Local Government Pension Scheme

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

Employers' guide

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

Starter packs

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

Retirement packs

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

Newsletters

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

Annual benefit statements

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

Other information

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

For further information contact:

Ashleigh Salter
Fund Communications Manager

Tel: 01225 713605
Email: Ashleigh.Salter@wiltshire.gov.uk

Andy Cunningham
Head of Pensions Administration & Relations

Tel: 01225 718296
Email: Andy.Cunningham@wiltshire.gov.uk

Nick Weaver Investment Manager (Interim)

Email: Nick.Weaver@wiltshire.gov.uk