

ANNUAL
REPORT
2019



WILTSHIRE
PENSION FUND

REPORT & ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2019

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CHAIRMAN'S FOREWORD

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

The year to 31 March 2019 has seen continued strong investment performance for the Fund's assets, which delivered returns of 7.4% this year. This has taken the value of the assets to £2.6bn at the end of the year. We are far from complacent about this performance, as there are uncertain times ahead. The Pension Fund Committee continues to closely monitor the investment portfolios, and is currently in the process of reviewing its strategic asset allocation. This will determine the mix of assets which will give the Fund the best chance of meeting its objectives over the long term.

We have continued to work with nine other local government pension scheme funds as part of the Brunel Pension Partnership pool. We will eventually be pooling all our investment assets together with the other funds, as dictated by Government, in order to achieve savings on the fees charged by our investment managers. This year marked the first portfolios to be moved into the pool. Now our passive UK equities and passive fundamental equities are managed via the Brunel pool, after being transferred into the pool in July 2018. This first stage has realised savings for Wiltshire of approximately £75k per quarter. Both myself and officers are heavily involved in monitoring performance of the Brunel pool, and in keeping track of savings and costs, and you can read more about this significant area in the Pooling Report on page 34.

We are now beginning the important work of the triennial actuarial valuation, which will set the employers' contribution rates for the next few years. I am pleased to report that following a competitive tender process, Hymans Robertson have been reappointed as the Fund's actuary, and I am looking forward to working alongside them in the coming months. We will report back on the results of the valuation in due course.

Wiltshire Pension Fund has launched a new website called My Wiltshire Pension for active and deferred members to see their pension online and for the Fund to provide further education and engagement with its membership. Members will be able to change their personal details, see the pension accrued to date and forecast what pension they could receive at a future date. The Fund are half way through the implementation phase with circa 40,000 members being contacted in a staged implementation.

Another exciting development in the Administration area was the launch of an ePayslips facility for circa 20,000 pensioners to access their payslips online. The first invites for participation in the scheme went out to pensioner members who live overseas and those who retired from the Fund within the past two years or took flexible retirement. The Fund will be inviting all other existing and new pensioner members over the course of the next few months in a phased implementation. ePayslips will provide pensioner members with quicker access to their payslips while making a saving in both paper and cost.

Wiltshire Pension Fund appreciates not all pensioners are comfortable with computers and still maintains a provision for those preferring to use the Royal Mail.

There are now 186 employers within the Wiltshire Pension Fund with approximately 77,180 members (17,222 pensioners, 22,541 current employees and 37,417 deferred members). The average pension paid in 2018/19 was £5,200.

In the wider LGPS world, there are a number of challenges and opportunities on the horizon which the Committee and officers are monitoring. These include consultations on Exit Payments, Fair Deal and Quadrennial Valuations and also the McCloud case and its potential impact on adjustments to the Scheme as part of the Cost Cap mechanism. The Fund is taking an active role in responding and engaging with these matters and awaits with interest to see the different outcomes.

During the year up to March 2019 there have been some changes to the membership of the Pension Fund Committee. Councillors Tom Rounds, Tim Swinyard and George Jeans joined the Committee, bringing experience from the Armed Forces, Planning & Commercial business respectively. Councillor Simon Jacobs, Steve Weisinger and Tom Rounds left the Committee during the year and we thank them for their contribution and wish them well for the future.

Over the last 12 months the Committee has undertaken a programme of work challenging its existing oversight and governance arrangements in conjunction with the Fund's Local Pension Board to ensure that it continues to operate in the most efficient & effective way following the implementation of the investment & technological changes outlined. In consultation with our Actuarial Consultants the Committee has introduced a new training strategy, reviewed & defined the sequence of its operating practices & approved changes to several strategy documents such as the Fund's Governance Compliance Statement, Business Plan & Investment Strategy Statement. The Committee intends to continue with its programme of changes during the course of the 2019/20 Scheme year.

The Committee is also responsible for the administrative performance of the Fund which is administered by key officers, namely Becky Hellard (Interim Treasurer to the Pension Fund), Andy Cunningham (Head of Pensions Administration and Relations) and Jennifer Devine (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).

Many thanks for taking the time to read this report. Please don't hesitate to contact me if you have any questions, and I look forward to updating you on where we are in a year's time.

Tony Deane, Chairman

On behalf of the Wiltshire Pension Fund Committee
18th July 2019

SCHEME MANAGEMENT AND GOVERNANCE

Administering authority	Wiltshire Council County Hall Trowbridge Wiltshire BA14 8JN
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PENSION FUND COMMITTEE AS AT 31 MARCH 2019

Wiltshire Council members	Councillor Tony Deane (Chairman) Councillor Roy While (Vice Chairman) Councillor Gordon King Councillor Christopher Newbury Councillor George Jeans
Swindon Borough Council members	Councillor Steve Allsopp
Employee observers	Mike Pankiewicz (observer) – Wiltshire Council Stuart Dark (observer) – Swindon Unison Branch
Admitted bodies	Mrs Diane Hall – Selwood Housing Association
Education scheduled bodies	Vacant as at 31 March 2019

OFFICERS, ADVISORS & MANAGERS AT 31 MARCH 2019

Wiltshire Council officers	Becky Hellard – Interim Treasurer to the Fund Andy Cunningham – Head of Pensions Administration and Relations Jennifer Devine – Investment Manager
Investment managers	Baillie Gifford & Co Brunel Pension Partnership CBRE Global Multi Manager Loomis Sayles Legal & General M&G Financing Fund Partners Group Barings Asset Management Investec Asset Management
AVC providers	Prudential Clerical Medical Funds NPI Funds Equitable Life Assurance Society
Investment consultant	Mercers
Actuary	Hymans Robertson
Independent adviser	Jim Edney, Independent Adviser, CIPFA Business Limited
Auditor	Deloitte LLP
Custodian	State Street
Legal adviser	Osborne Clarke
Bankers of the Fund	HSBC

MANAGEMENT OF THE SCHEME

The members who served on the Wiltshire Pension Fund committee during the year are shown in the table opposite.

MEMBERS TABLE

Wiltshire Pension Fund Members, their roles & dates of Appointment &/or Departure during the Fund Year						
NAME	ROLE	APPOINTED	LEFT	COMMITTEE MEMBER	INVESTMENT SUB-COMMITTEE MEMBER	BOARD MEMBER
Cllr T Deane	Committee Chairman	–	–	•	•	
Cllr R While	Committee Vice Chairman	–	–	•	•	
Cllr G King	Committee Member	–	–	•	•	
Cllr C Newbury	Committee Member	–	–	•		
Cllr T Rounds	Committee Member	21/06/2018	26/02/2019	•		
Cllr G Jeans	Committee Member	26/02/2019	–	•		
Cllr S Jacobs	Committee Member	–	21/06/2018	•		
Cllr S Allsop	Committee Member	–	–	•		
Cllr T Swinyard	Committee Member	21/06/2018	–	•	•	
Cllr S Weisinger	Committee Member	–	21/06/2018	•	•	
L Stuart	Committee Employer rep.	–	21/07/2018	•		
Vacant	Committee Employer rep.	–	–	Vacant		
D Hall	Committee Employer rep.	–	–	•		
M Pankiewicz	Committee & Board Member rep.	–	–	•	•	•
S Dark	Employee Member Observer	–	–	•		
H Pearce	Board Chairman	–	–			•
S Holbrook	Board Vice-Chairman / Employer rep.	–	–			•
D Bowater	Board Member rep.	–	–			•
B Reed	Board Member rep.	–	–			•
Cllr Britton	Board Employer rep.	–	–			•
Vacant	Board Employer rep.	–	–			Vacant

Please note the following points concerning Members;

- Cllr T Swinyard was replaced by Cllr Brian Ford on 17 May 2019
- Vacant Committee Employer rep. – Chris Moore has replaced L Stuart. His formal appointment date will be in 2019.
- Mike Pankiewicz sits on the ISC as a member observer without voting rights.
- Substitute members are not included in this table.

SCHEME MEMBERSHIP AND GOVERNANCE (continued)

THE WILTSHIRE PENSION FUND COMMITTEE

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.

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.

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.

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

<https://cms.wiltshire.gov.uk/ieListMeetings.aspx?CId=142&Year=0>

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 total assets).

The ISC consists of four members of the main committee, being the Chairman, Vice-Chairman, along with two other co-opted Members 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:

<https://cms.wiltshire.gov.uk/ieListMeetings.aspx?CId=1281&Year=0>

LOCAL PENSION BOARD (LPB)

The Wiltshire Pension Fund Committee is supported 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 establishment 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. The LPB has an oversight function to ensure the Fund is compliant with the Pensions Regulator.

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

<https://cms.wiltshire.gov.uk/ieListMeetings.aspx?CId=1280&Year=0>

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/media/4208/lpb-annual-report-2018.pdf>

STATUTORY STATEMENTS

The Fund's statutory statements are summarised and linked in section 9, on pages 49-50. The strategic fund documents reviewed during the year were as follows:

Strategic Fund documents approved during the Fund Year	
Date	Document
21/06/2018	Governance Compliance Statement
21/06/2018	Investment Strategy Statement
20/09/2018	Employer Charging Policy
20/09/2018	Employer Cessation Policy
12/12/2018	LPB Code of Conduct & Conflict of Interest Policy
14/03/2019	Business Plan

PENSIONS COMMITTEE ATTENDANCE

The Wiltshire Pension Fund Committee met 4 times in 2018/19. Below shows the attendance of the Members of this Committee:

Member	Meetings attended (max 4)
Cllr Tony Deane	3
Cllr Simon Jacobs	0
Cllr Christopher Newbury	4
Cllr Roy While	4
Cllr Steve Allsopp	3
Cllr Steve Weisinger	0
Cllr Tom Rounds	1
Cllr Tim Swinyard	0
Cllr Gordon King	2
Cllr George Jeans	1
Mike Pankiewicz	4
Stuart Dark	2
Diane Hall	2
Linda Stuart	1

Governance arrangements concerning Wiltshire's involvement in the Brunel Pension Partnership are covered in detail in the Pooling Report on page 34.

TRAINING REPORT

BACKGROUND

The Public Service Pensions Act 2013 provides for the regulation of the LGPS by the Pensions Regulator and accordingly an increased emphasis on member and Pensions Board training, knowledge and understanding. The Fund's new member training policy was approved in January 2019 and as part of the policy a record of the training activity undertaken by members will be kept and reported. To formulate the new 3-year training policy both Committee & Board members were asked to complete 3 external on-line surveys co-ordinated by the Fund's Actuarial Consultants Hymans Robertson during the course of 2018. The surveys were;

- A nation confidence survey
- A knowledge & understanding assessment
- A member effectiveness questionnaire

By implementing and participating in this new training policy Committee and Board members will be better placed to make well-informed decisions and consequently, will be able to comply with the increased requirements of the Regulator and the overarching governance requirements of the Fund. A major factor in the governance arrangements of the Fund is to ensure that Committee and Board members, as well as their officers, have the relevant skills and knowledge through application of the CIPFA Knowledge and Skills Framework on which the surveys were based. Eight areas of knowledge and skills have been identified as technical requirements for those members associated with Wiltshire Pension Fund:

- Accounting & Auditing
- Actuarial Method
- Administration
- Financial Markets & Products
- Governance
- Investment performance & risk
- Legislation
- Procurement & Relationship Mgt

As an administering authority Wiltshire Council recognises the importance of ensuring that all officers and members of the Pension Fund Committee and Investment Sub Committee charged with the financial management and decision making of the pension scheme are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them.

In preparing this new training plan for both the Fund's Committee & Investment sub-Committee consideration were given to the following factors:

- that the training plan is designed as a living document to enable the substitution of topical training items as they arise as well as recognise the need for flexibility by inviting members of the different groups to attend training organised for other groups

- that consideration has been given to the co-ordination of future training & development reviews as part of the strategy. In particular;
 - a) To coincide future reviews with Local Government elections to enable the early assessment of training needs for new members of the Committee.
 - b) That members of the Investment sub-committee will be required to complete an annual declaration stating that they continue to consider themselves to be MiFID II competent
 - c) That an annual self-assessment returns will continue to be completed by all members
- that in addition to ongoing training, new members to the Committee (& Board) will be asked to complete the following basic training requirements;
 - a) Attend the three sections of the LGPS Fundamentals training course conducted by the LGA;
 - b) Complete the Pension Regulator's (tPR) toolkit within six months of being appointed a member of either the Committee or Board;
 - c) Attend an officer lead induction training session or one-to-one training session; and
 - d) Receive a copy of the Member's handbook
- Specific to the Investment sub-Committee links to the Myners principles on best practice in managing investment funds will be made available. In particular, Principle 1 'effective decision making' states administering authorities should ensure that:
 - a) Decisions are taken by persons or organisations with the skills, knowledge, advice and with the resources necessary to make them effective and monitor implementation; and
 - b) Those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive and manage conflicts of interest.

Regular training will be delivered through several means including in-house at Committee meetings, structured training events undertaken by advisers, as well as briefings and research material. All members will also be encouraged to attend conferences, seminars & other external events as part of their ongoing development.

A separate plan for the training of the Local Pension Board is also in place and outlined in its annual report. Both plans are managed by the Fund Governance & Performance Manager on behalf of the Treasurer to the Fund who is responsible for ensuring that the training plans are implemented.

The table below illustrates the training undertaken by Committee members during the period 2018/19. Training undertaken by Board members during the same period is set out in the Wiltshire Pension Fund's Local Pension Board's Annual Report.

ASSESSMENTS & TRAINING UNDERTAKEN

Date of Training	Topics Covered	Clr. Tony Deane	Clr. Roy White	Clr. Gordon King	Clr. Christopher Newbury	Clr. Tom Rounds	Clr. George Jeans	Clr. Simon Jacobs	Clr. Steve Allsopp	Clr. Timothy Swinyard	Clr. Steve Weisinger	Linda Stuart	Diane Hall	Mike Pankiewicz	Stuart Dark
		Wiltshire Councillors					Swindon Councillors				Employer Reps	Member Reps			
09/05/2018	Investment Away Day – Collateral Management – Mercer	✓						✓					✓		
12/07/2018	Governance – GDPR													✓	
19/09/2018	Local Pension Board Induction Day					✓									
11/10/2018	Governance – Fund Delegations & Controls	✓												✓	
11/10/2018	tPR and its role in relation to the LGPS	✓												✓	
11/10/2018	Governance – Contract Management	✓												✓	
12/12/2018	Actuarial – Valuation training	✓	✓	✓	✓				✓				✓	✓	✓
17/01/2019	Annual LGPS Governance Conference													✓	
24/01/2019	Administration – Introduction of new software and use of new online services	✓												✓	
14/03/2019	Enhancing your LGPS Pension – AVCs	✓	✓	✓	✓		✓		✓				✓	✓	
14/03/2019	2019 Actuarial – Valuation training – Assumption setting	✓	✓	✓	✓		✓		✓				✓	✓	
19/03/2019	Investment – Mallowstreet DB Indaba	✓													

Notes

Tom Rounds – Appointed 21st June 2018, left 26th February 2019

George Jeans – Appointed 26th February 2019

Simon Jacobs – Left 21st June 2018

Timothy Swinyard – Appointed 21st June 2018

Steve Weisinger – Left 21st June 2018

Linda Stuart – Left 21st July 2018

TRAINING REPORT (continued)

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 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 & Procurement 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.

Becky Hellard

Interim Treasurer of Pension Fund

18 July 2019

MEMBERS TRAINING PLAN OCTOBER 2018 – MARCH 2020

Wiltshire Pension Fund Committee & Investment sub-Committee – Training Plan 2018 - 2020					
Period	Actual Meeting Date	Meeting Type	CIPFA Framework Category	Proposed training item	Comments
New members inducted to the Committee will receive a Member Handbook, Induction training from Officers, attend the LGPS Fundamentals training course & be recommended to complete the Pension Regulator's on-line toolkit					
All members, in addition to the organised training set out below will be invited to attend additional internal training events, plus external conferences, seminars & pension forums to supplement & maintain their knowledge & understanding. Technical notes will also be circulated as required.					
Q4 2018	11/10/2018	Board meeting	Procurement & Relationship Mgt	Fund Procurement Process	Committee members invited
Q4 2018	12/12/2018	Committee meeting	Actuarial Method	Valuation training	Board members to be invited
Q1 2019	21/02/2019	Investment sub-Committee	Financial Markets & Products	Manager Presentations	
Q1 2019	14/03/2019	Committee meeting	Governance	Business Plan 2019	
Q2 2019	05/06/2019	Investment sub-Committee	Financial Markets & Products	Manager Presentations & BPP Update	Board members will be invited. Will include AVC annual performance review.
Q2 2019	18/07/2019	Committee meeting	Accounting & Audit	Statutory Annual Accounting & Reporting standards	
Q3 2019	22/08/2019	Board meeting	Governance	Pension Administration strategy document 2019	Committee members to be invited
Q3 2019	05/09/2019	Investment sub-Committee	Financial Markets & Products & Governance	MiFID II compliance & Investment Regulations	
Q3 2019	26/09/2019	Committee meeting	Legislation	Code of Practice 14 requirements	
Q4 2019	To be confirmed	Committee meeting	Actuarial Method	Valuation results	Board members to be invited
Annual self-assessment review					
Annual self-MiFID II review					
Q4 2019	14/11/2018	Board meeting	Administration	Record keeping & Data Improvement – including GMP Rectification	Committee members to be invited
Q4 2019	28/11/2019	Investment sub-Committee	Financial Markets & Products	Manager Presentations	
Q4 2019	17/12/2019	Committee meeting	Investment performance & Risk	Performance management monitoring	Board members to be invited
Q1 2020	27/02/2020	Investment sub-Committee	Financial Markets & Products	Manager Presentations	
Q1 2020	26/03/2020	Committee meeting	Financial Markets & Products	Fund ESG policy	Board members to be invited

SCHEME ADMINISTRATION REPORT

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 pages 21–22.

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 specifies the member contribution rates payable. Members have the freedom to opt out of the Scheme and make alternative arrangements. 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;
 - Taken early 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.

HOW THE SERVICE IS DELIVERED

The Fund undertakes nearly all pension administration services in-house as part of the Wiltshire Pension Fund team. Pensioners and dependents are paid by Wiltshire Council’s payroll based on instructions from Wiltshire Pension Fund. The Fund use a number of external providers to support its administration services such as actuaries, legal advisers, technical advisors, tracing agents and AVC providers. However, with the exception of some AVC providers, nearly all members only need to directly contact either Wiltshire Pension Fund or Wiltshire Council payroll as per the contact details on the website.

Value for Money

The Fund is committed to becoming an exemplar Fund, which will include providing value for money. Earlier this year, the Fund outlined its Business Plan for 2019 to 2022 which set out how it intended to achieve this goal. The Fund is overseen by both a Local Pension Board and Wiltshire Pension Fund Committee and is subject to internal and external audit reviews which assess its efficiency and effectiveness amongst other matters. For administration matters, the Fund informally compares itself to other funds on an adhoc basis but it does not compare itself using any standardised key performance indicators as it believes there are material differences in methodology used by different funds which means like for like comparisons are not possible. This includes the tPR Common and Conditional Data scores. The Fund’s most recent Common Data score was 94.2%, based on data at February 2019 and its interpretation of the tPR guidelines for producing this percentage. Data quality forms part of the Fund’s risk register and the actuary’s considerations when valuing fund liabilities.

Accuracy and Confidentiality

All pension administration staff are trained on their area of work before they begin to work independently, either internally or externally as appropriate for their role and needs. Work is logged on the pension administration software using workflows which outline the process to be followed and contain checklist items. All work which results in a payment out of the Fund is peer checked and approved before payment is made. The Fund also employs three data quality officers whose responsibility is to undertake reconciliations, improve and maintain high data quality standards. Internal and external audits also take place each year to test controls.

To help ensure confidentiality is maintained, staff are trained on data protection and procedures integrate with policies on data protection.

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.

Deloitte has now replaced KPMG as external auditor and 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 July. Any recommended actions are periodically reviewed by the pension committee.

Use of Technology

The Fund has launched a new website called My Wiltshire Pension for active and deferred members to see their pension online and for the Fund to provide further education and engagement with its membership. Members will be able to change their personal details, see the pension accrued to date and forecast what pension they could receive at a future date. The Fund is half way through the implementation phase with circa 40,000 members being contacted in a staged implementation.

The Fund also provide an online ePayslip facility for circa 20,000 pensioners to access their payslips. ePayslips provide pensioner members with quicker access to their payslips while making a saving in both paper and cost to the Fund.

Employer Satisfaction

The Fund currently issues requests for employer feedback following each quarterly employer forum and it plans to start issuing a more generic periodic employer satisfaction survey later this year.

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 Director of Finance & Procurement 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 2018-19, the Fund received one application under the Stage 1 IDRP process. The determination by Muse Consultancy was that they were unable to uphold the applicant's complaint. To date, this application has not moved to stage 2 following this determination.

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'

SCHEME ADMINISTRATION REPORT (continued)

newsletters, issuing of Annual Benefit Statements, delivery of presentations, road shows, 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 IAS19/FRS102 information to employer organisations within the Fund. The team comprises of four members of staff.

KEY STAFFING INDICATORS

Staff to fund-member ratios:

Average cases per member of staff

	All Staff	Processing related staff*
Ratio to Fund	(34)	(22.5)
Active	1:663	1:1002
Pensioner (& Dependant)	1:507	1:766
Deferred	1:1100	1:1663
Ratio to Fund	1:2270	1:3430

*All benefits, data and systems related staff but excludes roles in management, communication, governance, finance and investments.

Average (completed) cases per member of staff

	All Staff	Processing related staff*
	(34)	(22.5)
Total cases completed	12353	12353
Average per member of staff	363	549

*All benefits, data and systems related staff but excludes roles in management, communication, governance, finance and investments.

COST AND PERFORMANCE BENCHMARKING

Cost benchmarking

The Fund benchmarks its costs against the SF3 data collected annually by the Department for Communities and Local Government. The most recent data is for the financial year 2017/18.

Unit cost per member

Process	2015/16	2016/17	2017/18
Investment management expenses			
Total cost (£'000)	7,731	9,117	9,401
Total membership no.	63,253	64,855	67,307
Cost per member (£)	122.22	140.58	139.67
Administration costs			
Total cost (£'000)	1,496	1,955	1,867
Total membership no.	63,253	64,855	67,307
Cost per member (£)	23.65	30.14	27.74
Oversight and governance costs			
Total cost (£'000)	109	109	135
Total membership no.	63,253	64,855	67,307
Cost per member (£)	1.72	1.68	2.01
Total cost per member (£)	147.60	172.40	182.88

2017/18 figures have been reclassified to correct an error. This has resulted in an increase of £3.2m in investment management expenses. Please refer to Note 12 of the accounts on page 75 for more information.

SCHEME ADMINISTRATION REPORT (continued)

KEY PERFORMANCE INDICATORS (KPIs)

The Fund monitors performance against internally set KPIs as well as the legal requirements. The Fund also monitors cases outstanding at the beginning and end of the period, as shown in the following two tables:

Table 1

Process		No. cases outstanding at start of period	No. of cases commenced in year	No. of cases completed in year	No. cases outstanding at year end	% completed in year	Notes
Deaths – initial letter acknowledging death of active/deferred/pensioner member		83	469	467	85	84.6%	See note 1a
Deaths – letter notifying amount of dependant's pension		3	451	450	4	99.1%	See note 1a
Retirements – letter notifying estimate of retirement benefits (including all retirement types: normal, ill health, early, later etc)	Active	54	869	833	90	90.2%	See notes 1a & 3
	Deferred	64	1396	1435	25	98.3%	
	Total	118	2265	2268	115	95.2%	
Retirements – letter notifying actual retirement benefits (including all retirement types: normal, ill health, early, later etc)	Active	5	458	457	6	98.7%	See notes 1a, 2 & 3
	Deferred	4	651	646	9	98.6%	
	Total	9	1109	1103	15	98.7%	See note 1a
Retirements – process and pay benefits on time	Active	5	458	457	6	98.7%	See notes 1a, 2 & 3
	Deferred	4	651	646	9	98.6%	
	Total	9	1109	1103	15	98.7%	
Deferment – calculate and notify deferred benefits		1189	3280	3022	1847	67.6%	See notes 1b, 4 & 6
Transfers in – letter detailing transfer in quote		2	81	83	0	100.0%	See note 1a
Transfers in – letter detailing transfer in		0	50	50	0	100.0%	See note 1a
Transfers out – letter detailing transfer out quote		28	485	479	34	93.4%	See note 1a
Transfers out – letter detailing transfer out		0	501	501	0	100.0%	See note 1a

Process		No. cases outstanding at start of period	No. of cases commenced in year	No. of cases completed in year	No. cases outstanding at year end	% completed in year	Notes
Refund – process and pay a refund		343	981	725	199	54.8%	See notes 1b & 4
Divorce quote – letter detailing cash equivalent value and other benefits		1	183	184	0	100.0%	See note 1a
Divorce settlements – letter detailing implementation of pension sharing order		0	5	4	1	80.0%	See note 1a
Member estimates/projections		29	583	589	23	96.2%	See note 1a
Joiners – Send notification of joining the LGPS to scheme member		0	3732	3732	0	100.0%	See note 5
Aggregation – Send notification of aggregation options		1310	3254	552	4012	12.1%	See notes 1b & 6

Notes & Assumptions:

- The Fund has used two different approaches to producing the table above, as detailed in a) and b), to attempt to match its processes against the requirements of the table. This creates some apparent, relatively minor inconsistencies such as 'Deaths - letter notifying amount of dependant's pension' is greater than 'Deaths – initial letter acknowledging death' which are in fact due to the timing of different tasks.
 - Items relate to specific task within an overall case.
 - Items relate to actual cases rather than individual tasks.
- Retirements – 'letter notifying actual retirements' and 'process and pay benefits on time' are one in the same process for the Fund and hence the figures disclosed are identical.
- Ill Health estimates and retirements are all included within active status due to limitations in reporting capability.
- Deferments created and outstanding includes cases still to be decided if deferred or refund, this means that there is some movement between opening and closing figures across deferments and refunds.
- Joiners – notification of date of enrolment' is estimated as the statutory notifications are batched as part of a separate process and hence this information is not currently available.
- The Fund undertook an exercise during 2018/2019 to identify deferment and aggregation cases which had yet to be logged which accounted for the large increase in the number of cases set up.

SCHEME ADMINISTRATION REPORT (continued)

Table 2

Process		KPI (WPF) – (Working days)	% met target	No. cases completed within KPI	Legal Requirement (Calendar days)	% met target	No. cases within Leg Req
Deaths – initial letter acknowledging death of active/deferred/pensioner member		5 days	92.9%	418	2 months	99.1%	446
Deaths – letter notifying amount of dependant’s pension		5 days	69.3%	312	2 months	98.2%	442
Retirements – letter notifying estimate of retirement benefits (including all retirement types: normal, ill health, early, later etc)	Active	10 days	n/a	915	2 months	n/a	
	Deferred		n/a			n/a	
	Total		38.1%			88.1%	2115
Retirements – letter notifying actual retirement benefits (including all retirement types: normal, ill health, early, later etc)	Active	10 days	58.8%	277	2 months	85.6%	403
	Deferred	5 days	53.5%	356		99.2%	660
	Total		55.7%	633		93.5%	1063
Deferment – calculate and notify deferred benefits		20 days	2.8%	61	2 months	17.0%	374
Transfers in – letter detailing transfer in quote		10 days	66.7%	54	2 months	95.1%	77
Transfers out – letter detailing transfer out quote		10 days	51.8%	260	2 months	81.5%	409
Refund – process and pay a refund		20 days	48.7%	192	2 months	61.2%	241
Divorce quote – letter detailing cash equivalent value and other benefits		46 days	97.3%	179	3 months	99.5%	183

Process		KPI (WPF) – (Working days)	% met target	No. cases completed within KPI	Legal Requirement (Calendar days)	% met target	No. cases within Leg Req
Divorce settlements – letter detailing cash equivalent value and application of pension sharing order		46 days	75.0%	3	3 months	100.0%	4
Joiners – Send notification of joining the LGPS to scheme member					2 months		

Notes & Assumptions:

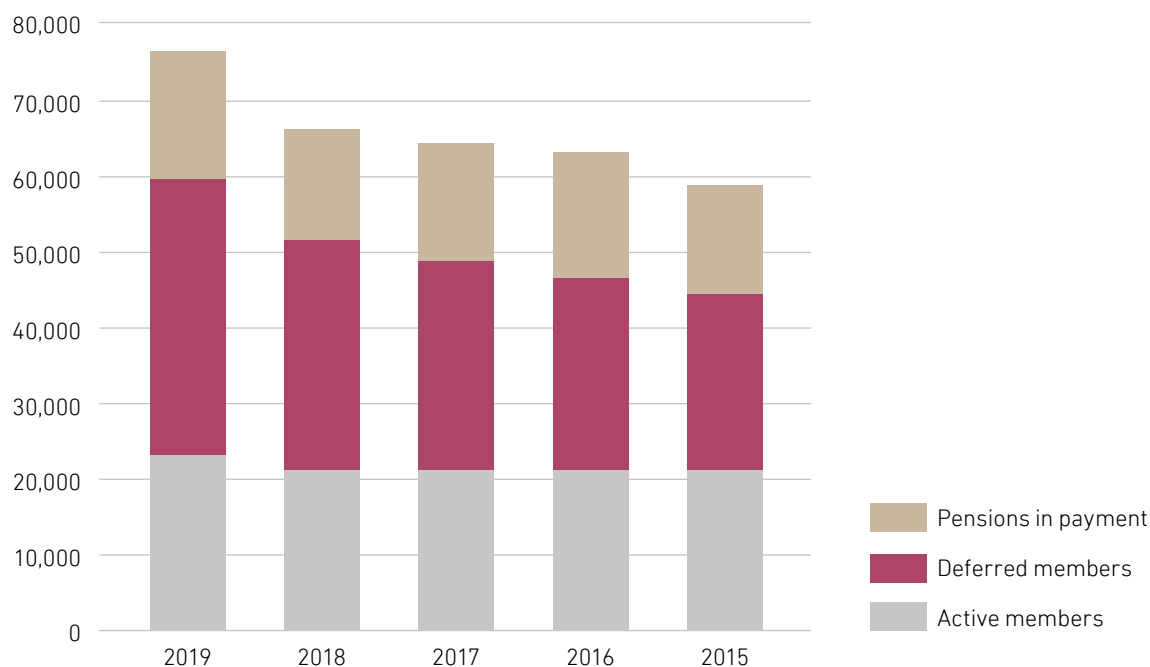
1. This table just covers completed cases in the year.
2. The Fund uses working days for its KPIs and has assumed 23 working days per calendar month.
3. Retirements – ‘letter notifying actual retirements’ and ‘process and pay benefits on time’ are treated as one and the same for this purpose.
4. Joiners – Due to the current way starters are loaded onto the administration system it is not possible to report on the date of creation and this issue of notifications at this time.
5. Refunds excludes those where no response was received from the member.

SCHEME ADMINISTRATION REPORT (continued)

SCHEME MEMBERSHIP

The membership of the scheme at the end of the year is set out below:

5-year analysis of fund membership



	2019	2018	2017	2016	2015
Active Members	22,541	21,781	21,245	21,831	21,606
Deferred Members	37,417	29,253	28,087	26,517	23,789
Pensions in Payment	17,222	16,273	15,523	14,905	14,200
Total members	77,180	67,307	64,855	63,253	59,595

In 2019 for the first time, members categorised as undecided leavers and frozen refunds have been included in the membership numbers, under deferred members. There were 5,857 such members in 2019. Consequently, there is a higher increase in deferred members for 2019 compared to the historical trend

New retirements during the year are analysed as follows:

New Pensioners by retirement type (from active and deferred status)	No. of cases
Ill Health Retirements	30
Early Retirements (Under 65)	951
Normal Retirements and others	155
Total	1136

EMPLOYER (ERS) AND EMPLOYEE (EES) CONTRIBUTIONS

EMPLOYER NAME	TOTAL ERS	TOTAL EES	EMPLOYER NAME	TOTAL ERS	TOTAL EES
WCCPost1April97	32,579,769.76	7,723,996.42	Kingsdown Academy Sw	292,003.05	71,710.02
SBC	18,741,444.46	4,792,585.61	St Josephs Dev Acadm	29,368.34	6,850.65
SBC – Agincare	16,711.72	4,852.20	Holy Trinity CE P Ac	30,192.77	6,820.83
New College	1,009,825.13	272,047.02	St Augustines Acadmy	169,326.22	40,468.00
Swindon College	1,065,874.58	230,944.85	St Edmunds Calne Aca	46,255.79	10,373.41
Wiltshire College	2,373,495.86	512,826.76	Eastrop Infants Acad	40,710.75	9,321.70
TPCouncils	1,489,649.55	471,761.94	Southfield Junior Ac	35,323.13	7,411.46
Wiltshire Police	5,402,259.88	1,840,011.63	Visit Wiltshire	5,629.84	1,802.61
Wiltshire Fire	1,231,553.83	367,666.66	St Leonards P Acadmy	27,932.98	6,843.48
Swindon Academy	406,299.29	142,069.69	Springfields Academy	280,497.71	66,154.77
Aster Group	230,367.96	8,496.24	John Bentley Academy	177,995.30	44,992.67
AsterPropMgmt	62,416.21	15,082.02	Somerset Care Ltd	0.00	5,312.26
Sarsen Housing	290,474.85	14,008.26	Colebrook Infants Ac	30,865.90	7,112.73
Capita Business	6,463.85	1,834.72	Dorcan Technology Ac	198,800.12	51,626.76
CIPFA	1,899,611.63	170,704.94	Woodford Valley Acad	40,544.34	9,328.42
Community First	63,978.68	9,036.13	Smrst Care Pt2 Selwd	0.00	774.02
DC Leisure	83,534.39	19,730.13	Great Western Hosptl	2,688.84	1,012.68
Devizes Museum	21,000.00	0.00	John of Gaunt Acadmy	272,785.23	65,114.99
FOCSA	0.00	2,873.88	Bybrook Valley Acadm	36,024.85	9,415.92
Order of St John	666,599.75	28,388.78	The Mead Primary Aca	337,175.37	95,843.71
Rethink	130,000.00	0.00	Holy Trinity Calne A	46,926.07	9,725.55
Salisbury Museum	46,533.67	7,736.34	Sevenfields Academy	109,733.90	30,543.41
SelwoodHsgSoc	652,348.15	112,186.65	Collaborative School	24,248.30	6,578.12
Swindon Dance	12,839.54	2,738.42	Oxford Health NHS Tr	9,051.12	2,491.80
Westlea	513,702.42	141.79	White Horse Federati	2,343,169.36	596,686.99
Direct Cleaning	1,469.35	53.68	King William Academy	45,310.15	10,372.93
Salisbury City Council	170,504.31	65,883.24	Wilts&Swin Sprts Prt	31,855.16	10,868.96
Wellington Academy	278,356.24	92,213.06	Elior UK plc	3,480.10	811.81
Swindon Commercl Srv	112,935.43	41,668.96	Excalibur Academy	483,431.80	103,271.57
Hardenhuish Schl Ltd	332,818.56	80,946.21	Holy Family Academy	88,985.24	21,789.50
Goddards Park PS	226,099.57	72,072.48	St Catherine's Acad	46,848.26	10,703.32
Caterlink	0.00	414.85	Wansdyke Academy	58,776.75	12,462.75
Lavington Academy	142,394.60	32,797.92	Education Fellowship	104,568.52	22,979.59
S.Wilts Grammar Acad	178,772.17	47,219.21	Longmeadow Academy	26,327.48	6,335.51
Bishop Wordsworth	169,111.24	39,818.04	Rowde Academy	55,552.27	11,605.92
Corsham Secondary Ac	269,537.35	65,127.49	Malmesbury Prim Acad	111,497.30	26,442.97
Sheldon Academy	274,882.43	80,807.62	Atkins Limited	44,839.95	13,244.45
Wootton Bassett Scho	489,308.54	116,332.46	GLL	39,993.49	16,762.31
Pewsey Vale Academy	78,779.47	17,987.35	Reach	20,897.01	4,622.38
Highworth Warneford	192,914.09	45,280.00	Hazelwood Academy	62,202.13	14,186.91
Commonweal Academy	322,084.84	76,417.92	Dauntsey Primary Aca	25,794.43	6,216.89
Holy Rood Infants Ac	110,833.08	25,302.00	Morgan Vale&Woodfall	28,846.29	6,196.66
Holy Rood Junior Aca	68,484.41	16,657.27	Christian Malford Ac	263,722.02	63,748.79
Lethbridge Academy	129,309.52	31,374.86	Millbrook Academy	136,034.39	31,239.66
Lydiard Academy	355,076.95	80,738.39	Peatmoor Primary Aca	52,265.90	12,034.84
St Joseph's Academy	386,431.05	97,103.42	Westlea Academy	101,861.64	23,751.27
St Mary's Academy Sw	86,384.77	20,749.98	Whitesheet Academy	400,767.51	95,748.71
Kingdown Academy	619,422.21	161,344.68	Shawridge Academy	91,329.32	22,814.43
St Laurence Academy	278,074.05	65,240.86	Mears Care Ltd	29,789.73	5,583.12

SCHEME ADMINISTRATION REPORT (continued)

EMPLOYER (ERS) AND EMPLOYEE (EES) CONTRIBUTIONS (continued)

EMPLOYER NAME	TOTAL ERS	TOTAL EES
All Saints (Netherav)	27,199.89	6,025.60
Pewsey Primary Acade	51,090.20	10,977.17
Salisbury 6th Form C	10,011.56	3,643.52
Twigmarket	18,402.10	6,427.79
Churchill Services	10,975.24	1,911.25
Direct Cleaning(Wan)	1,556.40	305.72
UTC Swindon	23,160.91	5,621.56
Somerset Road Academ	390,341.11	87,408.54
Wiltshire CCG	4,139.72	988.11
Uplands Education Tr	11,207.47	3,541.61
ATOM	204,200.30	45,400.83
Greenwich Leisure Li	156,388.26	43,627.69
Create Studios	18,748.70	2,369.42
Athelstan Trst BradF	373,089.01	86,578.01
The Landscape Grp15	156,844.73	59,463.05
South Wiltshire UTC	46,176.49	10,341.71
Swindon Wildcats	4,355.52	966.96
Blue Kite Academy	267,844.62	70,854.09
Spurgeons	5,212.80	1,364.52
Salisbury Plain MAT	374,818.46	77,586.63
Ringway	157,308.17	36,951.99
BPP – Brunel Pension	1,447,825.21	205,504.58
Mears Care East 2	12,116.41	2,420.39
Mears Care North 1	12,241.39	2,750.16
Mears Care West 1	7,552.16	1,476.22
First City Nursing	31,038.27	6,431.05
NHS South Central &	11,404.50	4,616.95
Edwards & Ward Ltd –	1,311.01	320.47
Edwards & Ward S.Pet	2,196.87	481.39
Deeland Ltd t/a Serv	4,104.02	674.47
Eynon Catering	2,862.46	499.78
Pickwick Academy Tru	400,612.62	84,566.65
Magna Learning Partn	598,705.18	147,638.02
Wyclean	7,528.03	1,676.28
SEQOL GWH NHS	76,940.57	16,703.78
Turning Point (CGL)	9,923.22	1,618.32
Julian House	12,387.09	429.24
Sodexo Ltd Manor Acd	8,676.96	2,290.20
Churchill Cont Serv2	4,359.28	1,157.27
Grt West Academ-270	19,520.16	5,677.23
Hills Group Ltd-410	438,987.81	102,046.50
Braybourne Facilitie	1,295.28	290.81
Brunel SEN MAT - 497	457,831.90	108,215.24
Direct Cleaning (Wes	6,985.96	1,372.22
Total	87,102,443.53	21,104,598.23

EMPLOYER ACTIVITY

This year we have a total of 186 employers within Wiltshire Pension Fund, this has reduced due to the amalgamation of schools into Multi Academy Trusts, so despite the number of employers decreasing slightly the number of members has remained steady. We have seen an increase again this year in the outsourcing of Catering and Cleaning Services made by Academies and LEA Schools and we expect this to continue.

The full list of employers can be seen on pages 21-22.

A summary of employers for the year to 31 March 2019 is as follows:

	Active 2018	New	Ceased	Total 2019
Scheduled Body	124	7	10	121
Admitted Body	63	7	5	65
Total	187	14	15	186

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 is used as a substantive source of employer information, along with the regular technical newsletters and Employer Forums meetings. The Fund works alongside Employer organisations to assist and provide training on their pension responsibilities and undertakes 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/>

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 following pay bands and contribution rates will apply in the main and 50/50 sections of the LGPS from 1 April 2019 to 31 March 2020 (inclusive)

Band	Salary Range	Main section Contribution %	50/50 section Contribution %
1	£0 to £14,400	5.50%	2.75%
2	£14,401 to £22,500	5.80%	2.90%
3	£22,501 to £36,500	6.50%	3.25%
4	£36,501 to £46,200	6.80%	3.40%
5	£46,201 to £64,600	8.50%	4.25%
6	£64,601 to £91,500	9.90%	4.95%
7	£91,501 to £107,700	10.50%	5.25%
8	£107,701 to £161,500	11.40%	5.70%
9	£161,501 or more	12.50%	6.25%

Further information on the LGPS 2014 scheme can be found at <https://www.lgpsregs.org/>

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 standard 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's website is frequently reviewed and updated 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 also kept up to date 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.

SCHEME ADMINISTRATION REPORT (continued)

PENSION INCREASE

Public Service Pensions which have been in payment for at least one year will have received a 2.4% increase effective from 8 April 2019. This is based on the Consumer Price Index (CPI) as at September of the previous year. Pensions which have been in payment for less than one year will receive a proportionate increase based on the amount of time they have been in payment.

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 IAS 19 and FRS102 accounting reports from the actuary, so that they can meet their obligations to show their pension liabilities relative to their pension assets in their annual accounts.

INVESTMENT REPORT

CUSTODIAL ARRANGEMENTS

Fund assets are held by State Street who handles all custodial arrangements of the Fund. The custodian is also able to carry out stock lending on behalf of the Fund. Fund assets are held under the legal name "Wiltshire County Council Pension Fund".

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 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 growth assets 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 active manager returns in excess of passive market returns, through high alpha equity strategies.

INVESTMENT REPORT (continued)

At the time of publication, the Wiltshire Pension Fund Committee, alongside the Fund actuaries and investment consultants, is in the process of revising its strategic asset allocation, in order to best position the Fund's investments to meet the long-term funding objectives. The current strategic asset allocation can be seen in the table on page 28.

All Local Government Pension Scheme (LGPS) funds must produce, consult on and publish an Investment Strategy Statement– this can be supplied upon request or viewed at:

<https://www.wiltshirepensionfund.org.uk/media/3391/investment-strategy-statement-2018.pdf>

The Investment Strategy Statement will be reviewed and updated as part of the work on the strategic asset allocation review mentioned above.

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, by exercising its voting rights.

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. The Fund believes taking account of such considerations forms part of the investment managers' normal fiduciary duty.

The Fund has a commitment to ensuring that companies in which it invests adopt a responsible attitude towards 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 reviews its Statement of Compliance with the code annually and all our global equity managers comply fully with the code. The Financial Reporting Council categorises signatories to the Stewardship Code into tiers based on the quality of their Code statements. Wiltshire Pension Fund has been designated a 'tier 1' authority. The FRC awards Tier 1 status when 'Signatories provide a good quality and transparent description of their approach to stewardship and explanations of an alternative approach where necessary'.

Flight Path

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. Conversely it may be decided to re-risk when the funding level decreases. Triggering of the flightpath is not automatic; officers need to seek approval from the Pension Fund Committee and no action will be taken until all relevant factors have been considered.

The trigger levels are:

86.5% funding – 5% from UK Equities to Gilts

91.0% funding – 5% from UK Equities to Gilts

95.5% funding – 2.5% from UK Equities to Gilts

100% funding – 2.5% from Fundamental equities to Gilts

In 2018/19 the flight path was triggered in May when the funding level was 91% triggering a 5% transfer from equity to gilts.

This is the third time the flight path has been triggered since its introduction.

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 summarises 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%

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.

The 2019 triennial valuation exercise commenced during 2018/19 and the results will be known later in 2019. This valuation 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.

INVESTMENT REPORT (continued)

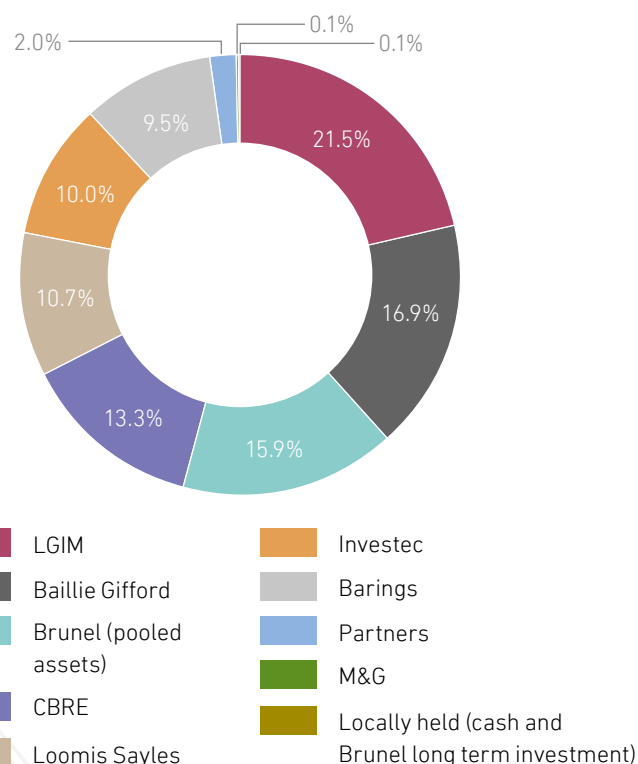
INVESTMENT MANAGEMENT ARRANGEMENTS

The Fund's current asset allocation as at 31 March 2019 is shown in the following table:

Portfolio	Strategic Allocation	Actual Allocation as at 31 March 2019	MV as at 31 March 2019 (£m)
Baillie Gifford active global equities	15.0%	16.9%	436.6
LGIM hedged passive global equities	5%	5.1%	132.9
Investec Emerging markets multi-asset	10.0%	10.0%	257.8
Brunel passive fundamental equities	12.5%	13.3%	343.7
Brunel passive UK equities	2.5%	2.6%	66.1
LGIM UK Index Linked Gilts	15.0%	16.4%	424.1
Loomis Sayles Multi Asset Credit	4.2%	4.5%	116.3
Loomis Sayles Absolute Return Bond	6.3%	6.2%	160.4
Barings Diversified Growth Fund	10.0%	9.5%	246.1
M&G private debt fund	1.5%	0.1%	1.5
Partners infrastructure	5.0%	2.0%	51.6
CBRE property	13.0%	13.3%	343.1
Cash	0.0%	0.0%	1.0
Total	100.0%	100.0%	2,581.3
Long term Brunel investment			0.8
Total investment assets			2,582.1

Split of Assets by Manager

Manager	£m	% of Fund Total
LGIM	557.0	21.5
Baillie Gifford	436.6	16.9
Brunel (pooled assets)	409.8	15.9
CBRE	343.1	13.3
Loomis Sayles	276.7	10.7
Investec	257.8	10.0
Barings	246.1	9.5
Partners	51.6	2.0
M&G	1.5	0.1
Locally held (cash and Brunel long term investment)	1.8	0.1
TOTAL	2,582.1	100.00

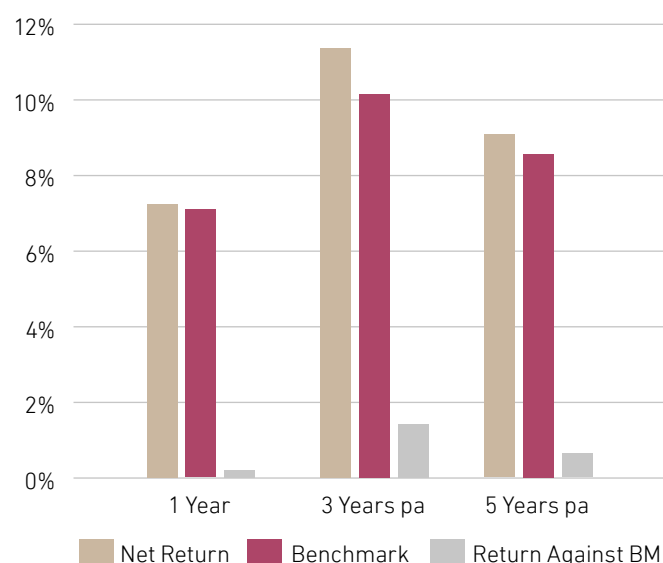


Performance

This section shows performance for the whole fund, and all investment portfolios over 1, 3 and 5 year periods against the benchmarks. Performance for all periods over 1 year is per annum. The passive UK equities and passive fundamental equities portfolios were transferred into the Brunel pool in July 2018, so there is no complete 1 year period of performance data yet for these portfolios. The data below shows a composite of performance for these portfolios from pre- and post-pooling. In future years, it will be possible to show the performance for the pooled portfolios completely separately.

Over the year, global equities returned 11% as measured by the MSCI All Countries World Index, and UK equities returned 6.4%. UK Index Linked Gilts returned 5.7% over the year. Wiltshire's overall returns benefitted from this performance due to holding a significant allocation to equities and gilts, and the whole fund return for the year to 31 March 2019 was 7.4%. This represented an outperformance of 0.4% relative to a composite of the managers' benchmarks.

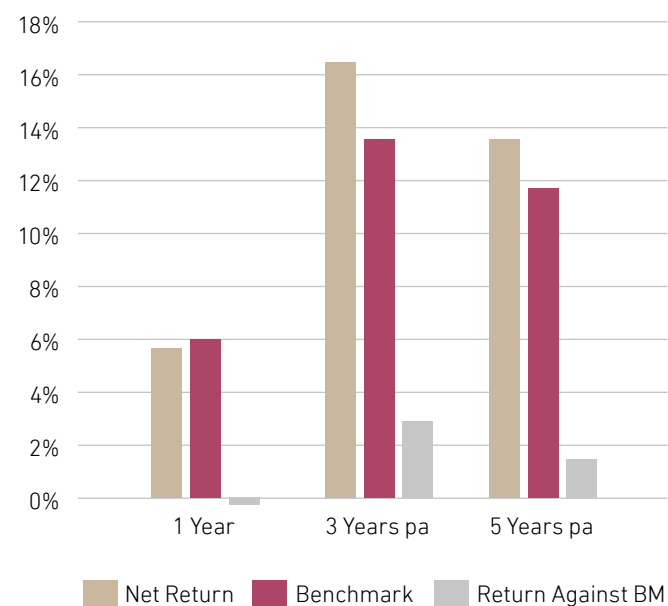
Whole Fund	1 Year	3 Years pa	5 Years pa
Net Return	7.4%	11.4%	9.2%
Benchmark	7.2%	10.1%	8.6%
Return Against BM	0.2%	1.3%	0.6%



LGIM and Brunel passive portfolios

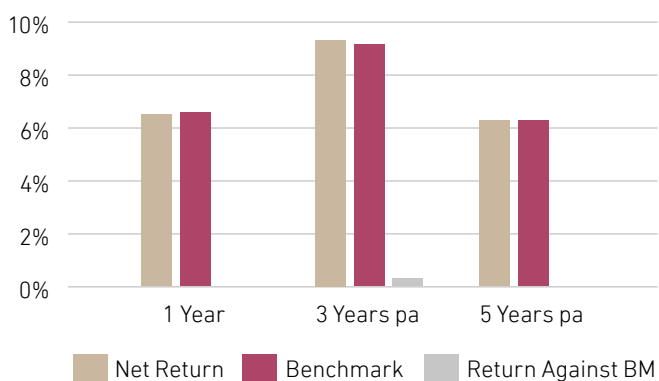
These portfolios aim to match their benchmark indices, and so have met their performance objectives over all periods. As mentioned above, Brunel have only been managing assets since July 2018, so performance is shown as a composite of pre- and post-pooling returns. In future years, when there is greater than 12 months of available data, returns of pooled portfolios will be shown separately.

LGIM passive global equities	1 Year	3 Years pa	5 Years pa
Net Return	5.9%	16.4%	13.6%
Benchmark	6.0%	13.5%	11.9%
Return Against BM	-0.1%	2.9%	1.7%

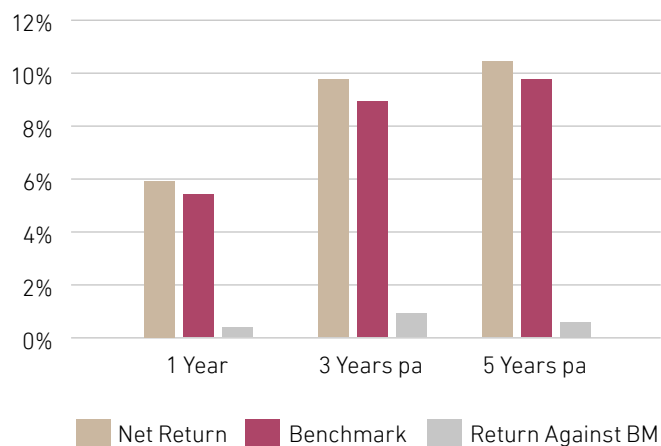


INVESTMENT REPORT (continued)

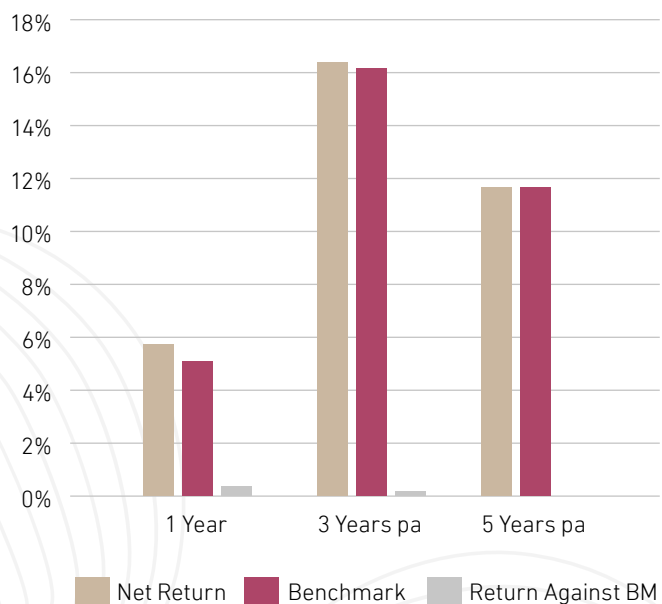
Brunel passive UK equities	1 Year	3 Years pa	5 Years pa
Net Return	6.3%	9.6%	6.1%
Benchmark	6.4%	9.5%	6.1%
Return Against BM	0.0%	0.1%	0.0%



LGIM passive UK gilts	1 Year	3 Years pa	5 Years pa
Net Return	6.0%	9.8%	10.3%
Benchmark	5.7%	8.9%	9.8%
Return Against BM	0.3%	0.9%	0.6%



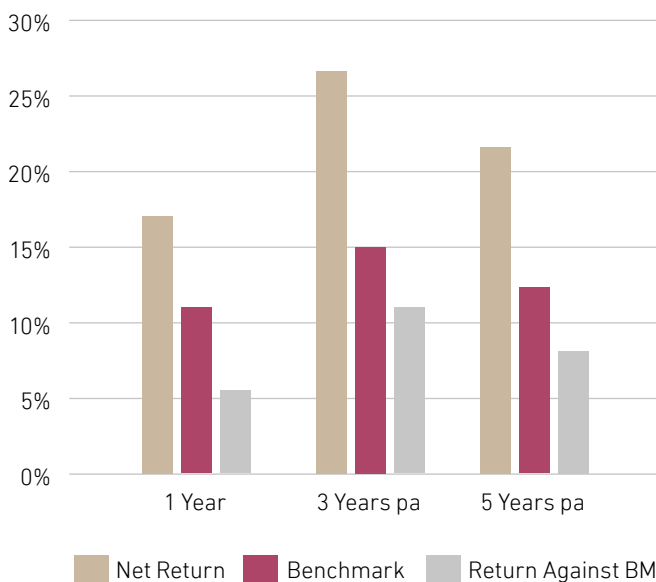
Brunel passive fundamental equities	1 Year	3 Years pa	5 Years pa
Net Return	5.8%	16.5%	11.9%
Benchmark	5.3%	16.2%	11.9%
Return Against BM	0.5%	0.3%	0.0%



Baillie Gifford

Baillie Gifford's global equities portfolio has outperformed their MSCI All Countries World Index benchmark strongly over all periods due to their stock selection and long term view of their holdings. The manager is also set an outperformance target of 3% on top of the benchmark, and this has also been met over all periods.

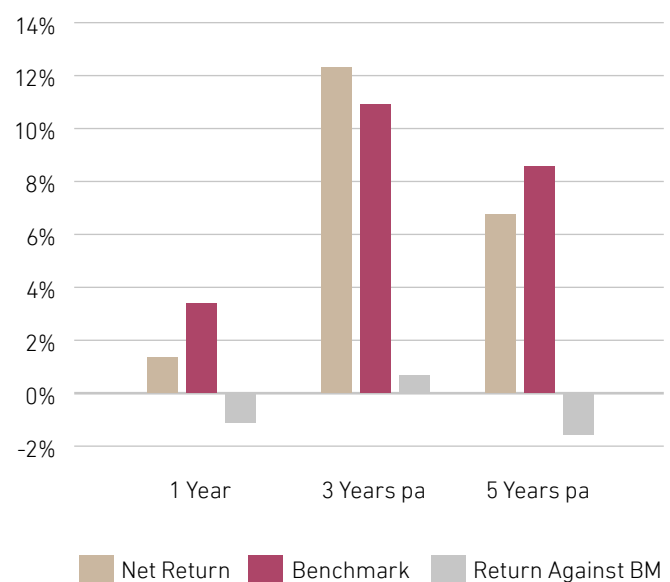
Baillie Gifford	1 Year	3 Years pa	5 Years pa
Net Return	17.0%	26.5%	21.8%
Benchmark	11.1%	15.0%	12.4%
Return Against BM	5.9%	11.5%	9.3%



Investec

Investec's emerging market multi-asset portfolio is made up of 50% equities and 50% debt investments. This portfolio has a composite benchmark which reflects the composition of the portfolio, plus an outperformance target of 2-4%. This portfolio has underperformed this outperformance target over all time periods, but has delivered strong returns since inception.

Investec	1 Year	3 Years pa	5 Years pa
Net Return	1.7%	12.1%	6.8%
Benchmark	2.8%	11.4%	8.5%
Return Against BM	-1.2%	0.6%	-1.7%

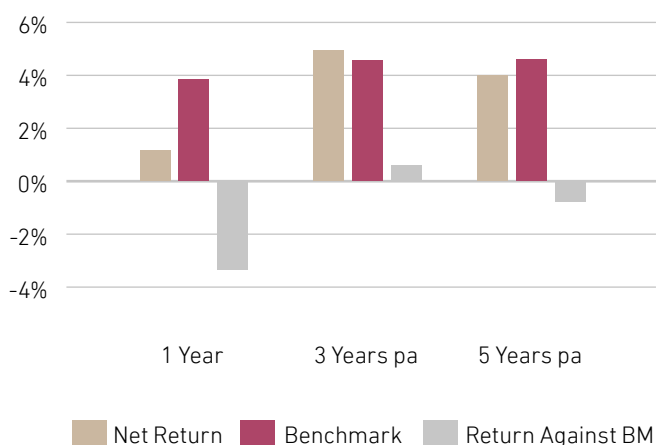


INVESTMENT REPORT (continued)

Barings

Barings manage a diversified growth fund portfolio, which is benchmarked against cash +4%. The portfolio has met this target over the 3 year period, but has underperformed over the last 1 year and 5 year periods. Performance over the last year was particularly hit in the last quarter of 2018, when several sectors of the market, where Barings held a significant position, delivered strong negative returns.

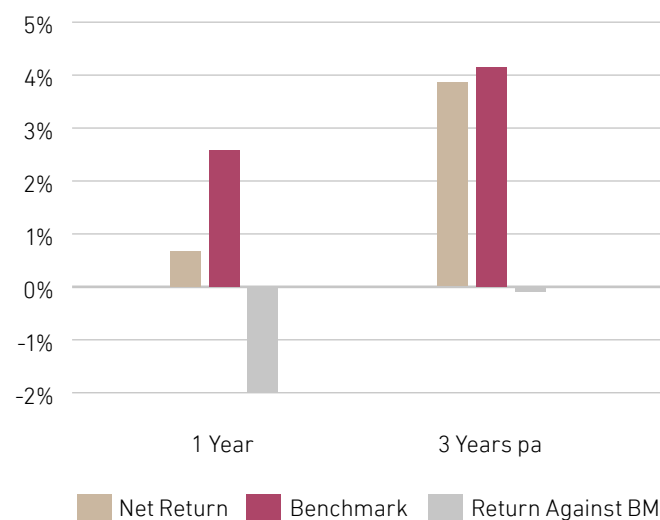
Barings	1 Year	3 Years pa	5 Years pa
Net Return	1.3%	5.0%	4.0%
Benchmark	4.9%	4.6%	4.6%
Return Against BM	-3.6%	0.4%	-0.6%



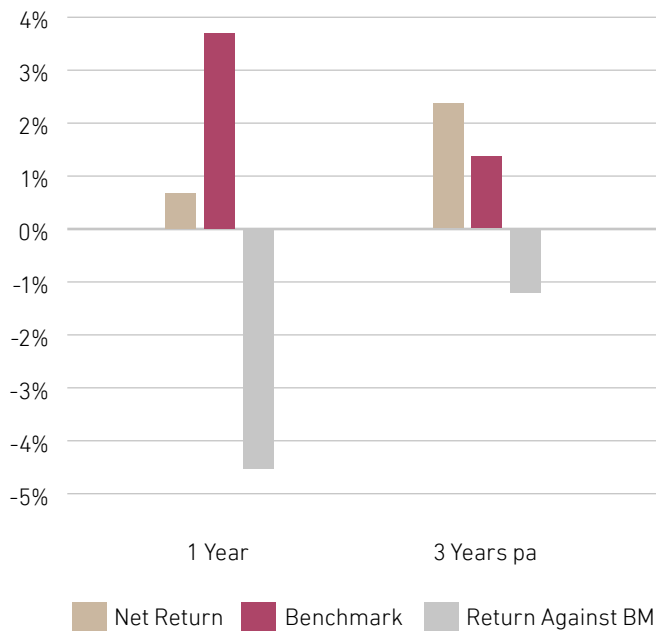
Loomis Sayles

Loomis Sayles manage a global bonds portfolio for Wiltshire, which is currently split 40:60 between a multi-asset credit fund, and an absolute return bond fund. Inception for these portfolios was March 2015 so 5 year performance is not yet available. The multi-asset credit portfolio has a composite benchmark which reflects the composition of the portfolio, which it has underperformed over both 1 and 3 years. The absolute return bond fund has a target of cash+3%, which it has also underperformed over both 1 and 3 years. The Committee are closely monitoring the position.

Loomis – Multi-asset credit	1 Year	3 Years pa
Net Return	0.7%	3.9%
Benchmark	2.7%	4.1%
Return Against BM	-2.0%	-0.1%



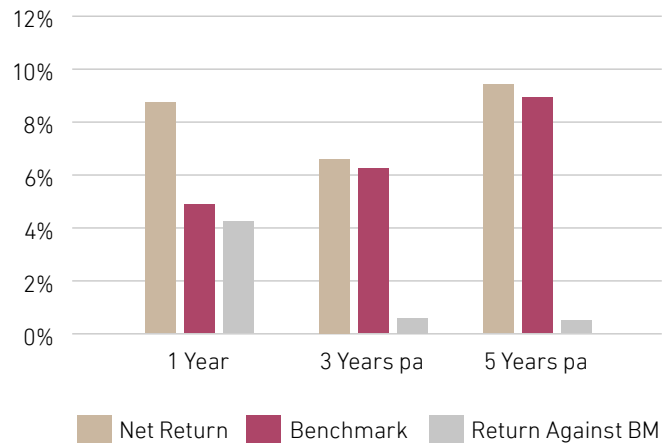
Loomis – absolute return bond fund	1 Year	3 Years pa
Net Return	-0.7%	2.4%
Benchmark	3.8%	3.5%
Return Against BM	-4.5%	-1.1%



CBRE

CBRE manage a portfolio of indirect property funds, split approximately 75% UK and 25% global. The performance objective is to deliver a return in excess of a 75:25 benchmark based on the MSCI/AREF UK QPFI All Balanced Property Fund Index and the MSCI Global Property Fund Index over 5 years. There is also an outperformance target of 0.4% on top of this benchmark. CBRE have met this outperformance target over all time periods.

Investec	1 Year	3 Years pa	5 Years pa
Net Return	8.9%	6.7%	9.5%
Benchmark	4.8%	6.1%	9.1%
Return Against BM	4.1%	0.5%	0.4%



POOLING REPORT

IMPLEMENTATION: APPROACH TO ASSET POOLING

Wiltshire Pension Fund 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.

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.

The first assets transferred over to Brunel in July 2018, and Wiltshire's passive UK equities and passive fundamental equities portfolios are now held within the pool. The remaining assets are scheduled to transfer into Brunel over the next two years. Until transitions take place, Wiltshire officers and members will continue to maintain the relationship with our current investment managers and oversee their investment performance

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 is responsible for providing and implementing a suitable range of investment portfolios. It will research, select, appoint and monitor the professional external investment managers responsible for making the day to day investment decisions at the portfolios.

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 has a leading role in reviewing the implementation of pooling by Brunel, and provides 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 must 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 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 by Wiltshire until capital is returned.

In order to monitor progress, the following information has been prepared to show set-up and ongoing costs associated with investment pooling, along with actual and projected savings.

Set up costs

The following table shows the set up costs (all of which were charged in prior years), and the current year's transition costs associated with transferring the passive UK and fundamental equities to Brunel.

2018/19				
Set up costs:	Direct £'000s	Indirect £'000s	Total £'000s	Cumulative £'000s
Recruitment	–	–	–	18
Legal	–	–	–	133
Consulting, Advisory & Procurement	–	–	–	82
Other support costs eg IT accommodation	–	–	–	–
Share purchase	–	–	–	840
Other working capital provided eg loans	–	–	–	–
Staff Costs	–	–	–	–
Total set up costs	–	–	–	1,072
Transition costs	–	33	33	33

Projected Savings

The following table shows the expected costs and savings up to 2036, as taken from the Brunel business plan. These figures come from the original 2015 business case submission to the Ministry of Housing, Communities & Local Government (MHCLG), in line with the CIPFA guidance. Since then the business case has been revised to include a significant budget increase, as well as increased savings projections. The figures show that Wiltshire is expected to breakeven from pooling in 2023. The revised business case is still consistent with this position.

	2016/ 2017 £'000	2017/ 2018 £'000	2018/ 2019 £'000	2019/ 2020 £'000	2020/ 2021 £'000	2021/ 2022 £'000	2022/ 2023 £'000	2023/ 2024 £'000	2024/ 2025 £'000	2025/ 2026 £'000	2026/ 2036 £'000	Total
Set up costs	117	1,041	–	–	–	–	–	–	–	–	–	1,158
Transition costs	–	–	1,350	2,644	13	–	–	–	–	–	–	4,007
Ongoing costs associated with management and running of the pool	–	–	430	558	577	595	614	634	655	676	8,093	12,883
Internal client savings	–	–	(150)	(154)	(159)	(163)	(168)	(173)	(179)	(184)	(2,172)	(3,502)
Projected fee savings	–	–	(343)	(1,159)	(1,888)	(2,031)	(2,181)	(2,339)	(2,503)	(2,676)	(39,695)	(54,815)
Projected annual savings	117	1,041	1,287	1,889	(1,457)	(1,599)	(1,735)	(1,878)	(2,027)	(2,184)	(33,775)	(40,320)
Projected net savings (cumulative)	117	1,158	2,445	4,334	2,877	1,278	(457)	(2,335)	(4,362)	(6,546)	(40,320)	

POOLING REPORT (continued)

Client savings represent the cost savings as a result of moving over some of the management of investments to Brunel. These were estimated to mainly be for expenses such as fund investment advice, financial / performance measurement and custodian costs. In 2018/19, only a saving for custodian costs has been recognised, as shown in the table below.

Expected vs Actual Costs and Savings to date

The following table shows a comparison between the expected and the actual savings and costs achieved to date, for the past two years and cumulatively. Budget figures are those from the original 2015 business case submission to the MHCLG, in line with the CIPFA guidance.

	2017/18				2018/19			
	Actual		Budget		Actual		Budget	
	In year	Cumulative to date	In year	Cumulative to date	In year	Cumulative to date	In year	Cumulative to date
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Set up costs	1,072	1,072	1,041	1,158	–	1,072	–	1,158
Transition costs	–	–	–	–	33	33	1,350	1,350
Ongoing costs	–	–	–	–	693	693	430	430
Client savings	–	–	–	–	(13)	(13)	(150)	(150)
Fee savings	–	–	–	–	(281)	(281)	(343)	(343)
Net savings realised	1,072	1,072	1,041	1,158	432	1,504	1,268	2,446

Ongoing investment management costs

The following information has been prepared in order to enable comparison between the ongoing investment management costs between asset pools and non-pooled investments.

INVESTMENT MANAGEMENT COSTS FOR YEAR TO 31 MARCH 2019										
	Asset Pool				Non-Asset Pool				Fund Total	
	Direct £'000	Indirect £'000	Total £'000	Bps	Direct £'000	Indirect £'000	Total £'000	Bps	£'000	Bps
Management Fees	–	155	155	3.8	3,266	5,220	8,486	39.3	8,641	33.7
Performance Fees	–	–	–	–	2,283	–	2,283	10.6	2,283	8.9
Fees and costs of underlying fund investments	–	–	–	–	–	2,668	2,668	12.4	2,668	10.4
Total fees	–	155	155	3.8	5,549	7,888	13,437	62.3	13,592	52.9
Asset pool shared costs	693	–	693	n/a	–	–	–	n/a	693	n/a
Transaction costs:										
Transaction taxes	–	47	47	1.1	–	88	88	0.4	136	0.5
Broker commission	–	3	3	0.1	–	767	767	3.6	770	3.0
Implicit costs	–	191	191	4.7	–	1,060	1,060	4.9	1,251	4.9
Entry/exit charges	–	157	157	3.8	–	165	165	0.8	323	1.3
Indirect transaction costs	–	94	94	2.3	–	658	658	3.1	752	2.9
Other transaction costs	–	-95	-95	-2.3	–	-221	-221	-1.0	-316	1.2
Total transaction costs	–	398	398	9.7	–	2,517	2,517	11.7	2,915	11.4
Admin Fees	–	–	–	–	–	24	24	0.1	24	0.1
Custody Fees	–	–	–	–	–	70	70	0.3	70	0.3
General expenses	–	–	–	–	–	440	440	2.0	440	1.7
Total of all fees and costs	693	553	1,246	30.4	5,549	10,939	16,487	76.4	17,116	66.7

POOLING REPORT (continued)

Direct costs are those which are directly invoiced to Wiltshire Pension Fund. Indirect costs are those which are charged to the underlying investments – these are disclosed to Wiltshire by cost transparency reporting each year, and are accounted for in the total investment management costs reported in the statement of accounts. These includes fees and costs charged by the underlying funds held in the property and infrastructure portfolios, in order to show a complete reflection of the costs of holdings these investments, in line with the CIPFA guidance on accounting for local government pension scheme management expenses 2016.

Asset pool shared costs represent the quarterly amounts invoiced by the Brunel pool for management and ongoing running costs, and also includes monthly consultancy costs associated with administering the Brunel client and oversight board groups.

Custody fees in the table above relate to custody fees incurred by the investment managers in the course of managing their portfolios, and do not relate to the custody fees paid by Wiltshire to its global custodian, State Street. These are shown separately in Note 12 to the accounts.

The fee rates in basis points (bps) shown in the table above are based on the fees or costs as a percentage of the closing market value total assets held in the pool or held outside the pool. Assets currently held in the pool are passive UK equities and passive fundamental equities, and therefore incur far lower management fees than the active portfolios currently held outside the pool.

Asset performance

Asset performance for portfolios held inside and outside the pool is shown as part of the Investment Report on pages 29–33.

FINANCIAL PERFORMANCE

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	2018/19 £'000	2017/18 £'000	Notes
Net Contributions	45,105	16,701	Large Bulk transfer in in 2018/19 (c. £25m)
Return on Investments	197,489	206,617	
Net increase in the Fund	242,594	223,318	

Net Asset Statement	2018/19 £'000	2017/18 £'000	Notes
Long Term Investments -- Brunel	840	840	
Equities	432,614	388,220	Positive returns
Pooled investment vehicles	1,800,530	1,682,650	Positive returns and reclassification of some assets in 18/19
Property	334,978	281,427	Positive returns
Cash	15,321	28,614	
Other	182	473	
Purchases	(2,326)		
Total Net Investments	2,582,139	2,382,223	

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 Fund's assets was 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, the impact of changes in yields and inflation has increased the liabilities, but this has been more than offset by higher than anticipated investment returns on the Fund's assets. At 31 March 2019 the funding level was approximated to be 87%.

ANALYSIS OF PENSION CONTRIBUTIONS

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

	Total	On time		Late	
	£'000	£'000	%	£'000	%
Employer	21,105	20,420	96.8	685	3.2
Employee	87,102	85,109	97.7	1,994	2.3
Total	108,207	105,529	97.5	2,679	2.5

In total 68 monthly contribution payments were received late of which 62 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.

FINANCIAL PERFORMANCE (continued)

FORECASTS

The following table shows the forecast and outturn for the Fund Account and Net Asset Statement for the 2 years to 31 March 2019.

Fund Account	2019/20	2018/19		2017/18	
	Forecast £'000	Forecast £'000	Actual £'000	Forecast £'000	Actual £'000
Contributions	142,104	105,059	138,715	100,503	104,019
Payments	-95,897	-88,191	-93,610	-83,662	-87,318
Investment management expenses	-21,669	-9,172	-21,152	-10,169	-12,309
Net investment income	11,500	11,000	11,355	10,000	12,006
Change in market value	204,747	210,857	186,134	119,889	194,611
Net increase in the Fund	240,786	229,553	221,442	136,601	211,009

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	2019/20	2018/19		2017/18	
	Forecast £'000	Forecast £'000	Actual £'000	Forecast £'000	Actual £'000
Equities	1,296,307	1,326,740	1,222,931	1,163,933	1,251,641
Fixed income	719,800	545,550	700,876	312,784	531,208
Cash	39,351	28,757	15,321	21,082	28,614
Property	350,052	294,091	334,978	240,878	281,427
Alternatives	335,010	311,925	309,336	185,057	288,019
Other	38,998	17,658	38,804	14,831	17,570
Amounts payable for purchases	–	–	(2,326)	–	–
Total Investment Assets	2,779,518	2,524,721	2,619,921	1,938,564	2,398,479

The forecasts for total investment assets are based on the actual figures for 2018/19 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 considered 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

Fund Investment	2019/20	2018/19		2017/18	
	Forecast £'000	Forecast £'000	Actual £'000	Forecast £'000	Actual £'000
Investment Management Fees	9,567	9,279	17,766	7,897	9,128
Securities Lending Income	-300	-20	-606	-20	-246
Investment Administration Recharge	148	135	132	120	119
Investment Custodial & Related Services	-	-	-	43	-
Investment Professional Fees	118	84	130	149	116
Corporate Governance Services	9	8	47	40	34
Performance Measurement	-	-	4	37	40
Investment Administration Costs	275	228	313	389	309
Scheme Administration					
Pension Scheme Administration Recharge	1,941	1,895	1,648	1,590	1,573
Actuarial Services	235	173	291	173	274
Audit	27	33	16	33	28
Legal Fees	50	20	48	20	38
Committee and Governance Recharge	90	95	79	87	26
Scheme Administration Costs	2,342	2,216	2,082	1,903	1,887
Grand Total (Exc Invest Man Fees)	2,618	2,444	2,395	2,292	2,196
Grand Total (Inc Invest Man Fees)	11,885	11,703	19,555	10,169	11,078

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 2018/19 is shown below:

	Year ending 31 March 2019 £m
Receipts	113
Payments	(100)
Surplus/ (Deficit)	13
Funds sent to Investment Managers	14

This shows that excluding investment income, cashflow is broadly neutral for the year.

FINANCIAL PERFORMANCE (continued)

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.

Analysis of Pension Overpayments	2018/19 £'000	2017/18 £'000	2016/17 £'000	2015/16 £'000	2015/16 £'000
Overpayments recovered	19	29	29	19	28
Overpayments not recovered	14	12	12	10	9
Total	33	41	41	29	37
Annual Payroll	72,224	68,165	65,540	63,698	62,118
Write offs as a % of Payroll	0.02%	0.02%	0.02%	0.02%	0.02%
Number of cases – not recovered	204	167	185	151	106
Number of cases – recovered	31	52	41	35	24
Number of cases – in process of recovery	7	9	11	6	–

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 must 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.

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 several 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

There is a risk to the Pension Fund that an employer will be unable to meet its financial obligations during its membership or when it ceases. An employer may cease due to the end of a service contract or the last active contributing member leaves the Fund. If a guarantor is in place then they will pick up the cost of any default, if there is no guarantor and the employer is unable to meet its obligations the cost will be spread across all the employers in the Pension Fund.

Management Risk

This risk can manifest itself in several 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 (ISAE3402 and SSAE16) are received and reviewed regularly for any non-compliance issues. These are also reviewed by our internal and external auditors.

RISK (continued)

RISK REGISTER

REF. & OWNER	RISK	IMPACT	CONTROLS
PEN001 Head of Pensions	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. When workloads are high, payments to members are prioritised above other work.
PEN004 Head of Pensions	Inability to keep service going due to loss of main office, computer system or staff	Temporary loss of ability to provide service	An updated Business Continuity Plan has now been drafted in line with the new Council template. The team can 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 mostly paperless office.
PEN005 Head of Pensions	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.
PEN014 Head of Pensions	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
PEN021 Head of Pensions	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 developments to allow adequate time to take any actions necessary. We are not anticipating any changes to occur quickly and, depending on the final outcomes, WPF will set up a project cover: discussions with employers and changes to employer discretions policies, benefit and systems calculations and the associate communications.
PEN022 Head of Pensions	Risks related to reconciliation of GMP records (increase in staff resource & reputational)	If GMP records for members are inaccurate there is the potential for incorrect liabilities being paid by the Fund.	Large project is still ongoing and software from Heywood's is being used to process amendments to Altair on bulk. Progress has been delayed due to the Fund trying to engage with Government to agree on a nationwide approach and to undertake further analysis of the problems identified.

REF. & OWNER	RISK	IMPACT	CONTROLS
PEN003 Head of Pensions	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.
PEN006a Investment Manager	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.	<p>Longevity and bond yields are generally beyond the control of the Fund as are the values of the liabilities in general. However, the Fund has started the 2019 Triennial Valuation process and it is concurrently reviewing its investment strategy and implementing separate employer investment strategies.</p> <p>Furthermore, the Fund and each employer must have a Discretions Policy in place to help control discretionary costs (e.g. early retirements, augmented service, etc).</p>
PEN006b Investment Manager	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.	As above
PEN007a Head of Pensions	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 Investment Manager	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.

RISK (continued)

RISK REGISTER (continued)

REF. & OWNER	RISK	IMPACT	CONTROLS
PEN015 Head of Pensions	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 revised cessation policy on 20 September 2018 to address regulatory changes made in May 2018 and certain scenarios which had arisen which the previous policy did not adequately address. Furthermore, all new admitted bodies require a guarantor to join the Fund which means that a stable Scheme Employer is required to act as the ultimate guarantor.
PEN016 Investment Manager	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.
PEN024 Investment Manager	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 50% overseas equities hedged position for the current timeframe to reflect the current weakness of sterling.
PEN026 Investment Manager	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.	Wiltshire Fund is now being treated as a Professional Client, having followed due process.
PEN002 Investment Manager	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.
PEN008 Head of Pensions	Failure to comply with LGPS and other regulations	Wrong pension payments paid, 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	<ul style="list-style-type: none"> • 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. • KPIs against statutory standards • Imbedding checks and controls into all processes.

REF. & OWNER	RISK	IMPACT	CONTROLS
PEN009 Head of Pensions	Failure to comply with Data Protection Legislation (GDPR & Data Protection Act 2018)	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. The Fund has produced a new suite of procedures and controls following the introduction of GDPR.
PEN010 Head of Pensions	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.	Data & 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 Head of Pensions	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 Governance & Performance Manager has formulated annual Training Plans and Relevant officers are also reviewed against the CIPFA Knowledge & Skills Framework to ensure adequate expertise exists.
PEN012 Head of Pensions	Over-reliance on key officers	If someone leaves or becomes ill, a large knowledge gap could be left behind.	Key people in the team are seeking to transfer specialist knowledge to colleagues by documenting procedures and notes. In the event of a knowledge gap, however, we can call on our external consultants and independent advisors for help in the short-term.
PEN017 Head of Pensions	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 Funds 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 Head of Pensions	Maintenance 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.	Officers are planning to review the terms of reference for the LPB and Committee in due course, partly to make the process of recruiting to the LPB easier but also to help ensure the LPB remains effective.

RISK (continued)

RISK REGISTER (continued)

REF. & OWNER	RISK	IMPACT	CONTROLS
PEN020 Investment Manager	Pooling of LGPS assets	Poor implementation could be costly in terms of additional fees and poor investment returns.	The Fund is working with Brunel Pension Partnership on pooling arrangements. Progress and updates regularly reported to Committee. The Fund's passive portfolios have been pooled with significant fee savings, but a budget increase is also currently being proposed. The final position is still uncertain.
PEN023 Head of Pensions	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 is still being monitored through work planning and appraisals.
PEN025 Head of Pensions	Academisation of Schools, the possibility of MAT breakups and cross fund movements.	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. Revised cessation policy aims to address some of the risks relating to MAT breakups.
PEN027 Head of Pensions	Significant structural change to LGPS Funds or to our Fund	Depending on its nature and scale: a major impact on employer numbers, governance, control and operational matters.	To keep abreast of any national development and respond to consultations when they occur. To take appropriate opportunities to increase the membership and the numbers of employer of the Fund. For example, where a multi academy Trust wishes to consolidate its cross-Fund operations within a single Fund.
PEN013 Head of Pensions	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 posts 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.

STATUTORY STATEMENTS

BUSINESS PLAN

The latest Business Plan was approved by the Pension Fund Committee in March 2019 and outlines the planned activities of the Fund up to 2018. This plan can be viewed at the following link:

<https://www.wiltshirepensionfund.org.uk/media/4565/business-plan-2019-2022-final.pdf>

CESSATION POLICY

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:

<https://www.wiltshirepensionfund.org.uk/media/3811/employer-cessation-policy-1-oct-2018.pdf>

COMMUNICATIONS POLICY STATEMENT

The Communications Policy Document sets out the mechanisms that Wiltshire Pension Fund uses to meet its communication responsibilities and is subject to periodic review.

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

PENSION ADMINISTRATION STRATEGY

The pension administration strategy 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. This policy was last approved by the Pension Fund Committee in December 2015 following consultation with employers.

Following approval of the Fund's new Business Plan in March 2019 an updated pensions administration strategy policy is being prepared and after consultation with employers will be submitted for approval to the Wiltshire Pension Fund Committee.

This policy can be found at the following link:

<http://www.wiltshirepensionfund.org.uk/media/3308/pension-administration-strategy-2015.pdf>

WILTSHIRE PENSION FUND DISCRETIONS POLICY

This policy outlines discretions made under the following LGPS Regulations approved by the Fund's Committee on 10 December 2015

<https://www.wiltshirepensionfund.org.uk/media/3556/wiltshire-pension-fund-discretions-policy.pdf>

WILTSHIRE PENSION FUND FULL PRIVACY NOTICE

This notice is designed to give members of the Fund information about the data we hold about them, how we use it, their rights in relation to it and the safeguards that are in place to protect it.

<https://www.wiltshirepensionfund.org.uk/media/3666/wiltshire-pension-fund-full-privacy-notice.pdf>

GOVERNANCE POLICY STATEMENT

The Governance Compliance Statement lays out the overarching framework within which the Wiltshire Pension Fund Committee operate. Notably it identifies the structure of operations, the representation and selection of Members, their voting rights and the scope of the Committee's responsibilities. The Statement was approved in June 2018 & will be reviewed as required, subject to a formal review every three years.

https://www.wiltshirepensionfund.org.uk/media/4115/governance_compliance_statement.pdf

TREASURY MANAGEMENT STRATEGY

The purpose of this strategy is to outline the process and policies for the cash held by the Fund. 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 strategy will be reviewed during 2019, and the current version can be viewed on the Wiltshire Pension Fund website at the following link:

<http://www.wiltshirepensionfund.org.uk/media/4214/wpf-treasury-management-strategy.pdf>

DATA IMPROVEMENT STRATEGY AND PLAN

This document outlines Wiltshire Pension Fund's Data Improvement Strategy & Plan:

<https://www.wiltshirepensionfund.org.uk/media/4559/wpf-data-improvement-strategy-and-plan.pdf>

STATUTORY STATEMENTS (continued)

FUNDING STRATEGY STATEMENT

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 FSS was approved by the Pension Fund Committee in September 2016.

The FSS will be reviewed and a new version drafted in 2019/20 following completion of the 2019 valuation.

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

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

STEWARDSHIP CODE COMPLIANCE STATEMENT

This document describes the Fund's approach to stewardship and how it seeks to comply with each of the seven principles outlined in the FRC Stewardship Code 2016.

As a signatory to the Code, Wiltshire Pension Fund has been given tier 1 status which describes the good quality and transparent description of our approach to stewardship.

The current statement can be viewed at the following link:

<https://www.wiltshirepensionfund.org.uk/media/3379/stewardship-code-compliance-statement-2016.pdf>

TRIENNIAL VALUATION REPORT 2016

A triennial valuation is used to set employers' contributions and to provide recommendations on funding decisions. The Fund is currently undergoing a valuation and the results will be available later in the year.

The results of the last valuation in 2016 can be viewed at the following link:

<https://www.wiltshirepensionfund.org.uk/media/3184/valuation-report.pdf>

INVESTMENT STRATEGY STATEMENT

The Committee approved the current ISS at its meeting on 21st June 2018.

The ISS sets out the Funds current Investment Strategy. Investment regulations specify the areas that must be included in the statement.

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 particular when there is a material change in risk, and at least every three years. The document will be reviewed in 2019 following the Triennial Valuation and a review of the Fund's Investment Strategy.

The current ISS can be viewed at the following link:

<https://www.wiltshirepensionfund.org.uk/media/3391/investment-strategy-statement-2018.pdf>

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.

The 2019 triennial valuation exercise commenced during 2018/19 and the results will be known later in 2019. This valuation will set employer contribution rates from April 2020 onwards.

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.

ACTUARIAL POSITION (continued)

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 but there have been strong asset returns over the 3 years. Both events are of broadly similar magnitude with regards to the impact on the funding position.

Barry Dodds FFA
For and on behalf of Hymans Robertson LLP
2 May 2019
Hymans Robertson LLP
20 Waterloo Street, Glasgow, G2 6DB

STATEMENT OF RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

ADMINISTRATION AUTHORITY

The Administering Authority is required to:

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

DIRECTOR OF FINANCE & PROCUREMENT

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 2019. This report includes the financial statements for the Pension Fund only.

In preparing these financial statements, the Director of Finance & Procurement 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 2019.

Becky Hellard
Interim Director Finance & Procurement
Wiltshire Pension Fund
18th July 2019

INDEPENDENT AUDITOR'S STATEMENT

TO THE MEMBERS OF WILTSHIRE PENSION FUND

ON THE PENSION FUND FINANCIAL STATEMENTS

We have examined the pension fund financial statements for the year ended 31 March 2019, which comprise the Fund Account, the Net Assets Statement and the related notes 1 to 19.

RESPECTIVE RESPONSIBILITIES OF THE CHIEF FINANCIAL OFFICER AND THE AUDITOR

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the pension fund's financial statements in accordance with applicable United Kingdom law.

Our responsibility is to report to you my opinion on the consistency of the pension fund financial statements within the pension fund annual report with the pension fund financial statements in the statement of accounts of Wiltshire Council, and its compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

We also read the other information contained in the pension fund annual report and consider the implications for my report if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information consists of the Chairman's foreword, scheme management and governance report, training report, scheme administration report, investment report, pooling report, financial performance report, risk report, statutory statements, actuarial position, statement of responsibilities for the financial statements, IAS26 statement and further information & contacts.

We conducted my work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office. Our report on the administering authority's full annual statement of accounts describes the basis of our opinion[s] on those financial statements.

OPINION

In our opinion, the pension fund financial statements are consistent with the full annual statement of accounts of Wiltshire Council for the year ended 31 March 2019 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

[Signature]

Ian Howse (Appointed auditor)

For and on behalf of Deloitte LLP
Cardiff, UK

[Date]

STATEMENT OF ACCOUNTS

Fund Account For the year ended 31 March	Notes	2018/19 £'000	2017/18 £'000
CONTRIBUTIONS AND BENEFITS			
Contributions receivable	5a	108,207	100,221
Transfers in	5b	30,507	3,798
		138,714	104,019
Benefits payable	6	(89,608)	(83,315)
Payments to and on account of leavers	7	(4,002)	(4,003)
		(93,610)	(87,318)
Management expenses	8 & 12	(21,152)	(12,309)
		23,952	4,392
RETURNS ON INVESTMENTS			
Investment income	9	11,452	12,009
Taxes on income	–	(97)	(3)
Profits and losses on disposal of investments and changes in market value of investments	11	186,134	194,611
Net returns on investments		197,489	206,617
Net increase in net assets available for benefits		221,441	211,009
Opening Net Assets of the Fund		2,398,479	2,187,470
Closing Net Assets of the Fund		2,619,920	2,398,479

STATEMENT OF ACCOUNTS (continued)

Net Asset Statement At 31 March	Notes	31 March 2019 £'000	31 March 2018 £'000
LONG TERM INVESTMENTS			
Brunel Pension Partnership		840	840
INVESTMENT ASSETS	11		
Equities		432,614	388,220
Pooled investment vehicles		1,800,530	1,682,650
Property		334,978	281,427
Cash held on deposit		15,321	28,614
Other investment balances		182	473
		2,584,465	2,382,224
Investment liabilities	11	(2,326)	–
Total net investments		2,582,139	2,382,224
Current assets	13	43,120	19,767
Current liabilities	14	(5,339)	(3,512)
Net assets available to fund benefits at 31 March		2,619,920	2,398,479

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 current Code of Practice on Local Authority Accounting in the United Kingdom 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.

Group Transfers

Group transfers are accounted for on an accrual's basis at the point when the amount will be transferred.

Payments to and on account of leavers

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 2019 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.

STATEMENT OF ACCOUNTS (continued)

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 2019.

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

Investment Management Expenses

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. 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 considering 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 2019 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 2019, the fund had a balance of £43.2m for debtors (£0.9m 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.

5A. CONTRIBUTIONS RECEIVABLE

	2018/19 £'000	2017/18 £'000
Employer		
– Normal	71,279	65,373
– Augmentation	1,625	1,976
– Deficit funding*	14,198	12,812
Members		
– Normal	20,941	19,846
– Additional contributions	164	214
	108,207	100,221
Analysis of contributions receivable		
Contributions from employees (including Additional Contributions)		
– Wiltshire Council	7,724	7,565
– Other scheduled bodies	12,364	11,582
– Admitted bodies	1,017	914
	21,105	20,061
Contributions from employers (including Augmentations)		
– Wiltshire Council	32,580	29,737
– Other scheduled bodies	46,876	43,461
– Admitted bodies	7,646	6,962
	87,102	80,160
Total contributions receivable	108,207	100,221

* 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.

STATEMENT OF ACCOUNTS (continued)

5B. TRANSFERS IN FROM OTHER PENSION FUNDS

	2018/19 £'000	2017/18 £'000
Group transfers	25,003	–
Individual transfers	5,504	3,798
	30,507	3,798

Group transfers comprises an amount of £25m due from Dorset County Pension Fund in respect of a bulk transfer in of Dorset Fire civilians. This amount was received on 2 May 2019.

6. BENEFITS PAYABLE

	2018/19 £'000	2017/18 £'000
Pensions	72,224	68,166
Commutation and lump sum retirement benefits	15,168	13,412
Lump sum death benefits	2,216	1,737
	89,608	83,315
Analysis of benefits payable		
Pensions payable		
– Wiltshire Council	37,330	35,825
– Other scheduled bodies	27,709	25,578
– Admitted bodies	7,185	6,763
	72,224	68,166
Retirement and Death grants payable		
– Wiltshire Council	7,152	5,830
– Other scheduled bodies	8,303	7,751
– Admitted bodies	1,929	1,568
	17,384	15,149
Total benefits payable	89,608	83,315

7. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2018/19 £'000	2017/18 £'000
Individual transfer out to other schemes	3,751	3,690
Refunds to members leaving service	250	259
State Scheme Premiums	1	54
	4,002	4,003

8. MANAGEMENT EXPENSES

	2018/19 £'000	2017/18 £'000
Administration costs	2,929	2,773
Investment management expenses	18,070	9,401
Oversight & governance	134	115
Audit fees	19	20
	21,152	12,309

2017/18 figures have been reclassified to correct an error. This has resulted in an increase of £3.2m in investment management expenses. Please refer to Note 12 for more information.

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

STATEMENT OF ACCOUNTS (continued)

9. INVESTMENT INCOME

	2018/19 £'000	2017/18 £'000
Quoted securities		
– UK equities	–	146
– Overseas equities	1,370	1,102
Pooled investment vehicles		
– Overseas equities	–	62
– UK property	6,830	8,944
– Global property	1,544	89
– Infrastructure	162	1,226
Income from stock lending		
– Income from stock lending	596	305
Cash held on deposit		
– Sterling cash	878	50
– Overseas cash	72	85
	11,452	12,009

2017/18 figures have been reclassified to correct an error. This has resulted in an increase in stock lending income for 2017/18 of £0.3m. Please refer to Note 12 for more information.

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 £46.8 million (1.8% of the total) were on loan at 31 March 2019. Collateral for these securities is held in a pooled form, the Wiltshire Pension Fund's share (0.014%) representing a value of £51.0million (108.91%). Income earned from this programme amounted to £0.596 million in the year.

	2018/19 £ million	2017/18 £ million
WPF Securities on loan	46.8	52.1
<i>(percentage of total)</i>	1.81%	2.19%
WPF Collateral share of pool	0.01%	0.02%
Value of WPF pooled share	51.0	55.9
Percentage of securities on loan	108.9%	107.3%
Income earned in year	0.596	0.305

11. INVESTMENTS

Reconciliation of investments held at beginning and end of year	Value at 01 April 2018 £'000	Purchases at cost & derivative payments £'000	Sales Proceeds and derivative receipts £'000	Profit & loss on disposal & change in market value £'000	Value at 31 March 2019 £'000
Long term investments					
– Brunel Pension Partnership	840	–	–	–	840
Funds held with Brunel:					
Pooled investment vehicles	–	406,742	(235)	3,276	409,784
Equities	368,094	54,663	(55,383)	65,240	432,614
Pooled investment vehicles					
Other	1,684,739	611,670	(1,000,856)	95,192	1,390,746
Property	299,464	206,043	(192,692)	22,163	334,978
	2,353,138	1,279,118	(1,249,166)	185,871	2,568,961
Cash deposits	28,722			263	15,321
Other investment	364			–	(2,143)
Balances	2,382,224			186,134	2,582,139
	Value at 01 April 2017 £'000	Purchases at cost & derivative payments £'000	Sales Proceeds and derivative receipts £'000	Profit & loss on disposal & change in market value £'000	Value at 31 March 2018 £'000
Long term investments					
– Brunel Pension Partnership	–	840	–	–	840
Equities	372,221	32,081	(110,464)	94,382	388,220
Pooled investment vehicles:					
Other	1,519,157	437,221	(363,653)	89,925	1,682,650
Property	262,758	45,107	(37,085)	10,647	281,427
	2,154,136	515,249	(511,202)	194,954	2,353,137
Cash deposits	19,799			(349)	28,614
Other investment	170			6	473
Balances	2,174,105			194,611	2,382,224

* There are some differences in the split of the opening balances of assets compared to the closing balances of 2017/18 due to reclassification of some equity and property assets.

STATEMENT OF ACCOUNTS (continued)

2017/18 figures have been reclassified to correct an error. This has resulted in an increase in profit and loss on disposal and changes in value of investments for 2017/18 of £2.9m. Please refer to Note 12 for more information..

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	2018/19 £'000	2017/18 £'000
LONG TERM ASSETS		
Brunel Pension Partnership	840	840
INVESTMENT ASSETS		
Equities		
– UK equities	–	24,939
– Overseas equities	432,614	363,281
	432,614	388,220
Pooled investment vehicles		
– UK equities	88,011	171,423
– Overseas equities	702,307	691,999
– Overseas fixed income	276,736	276,116
– UK index linked government bonds	424,140	255,092
– Property	334,978	281,427
– Emerging market debt	128,890	100,946
– Emerging market equities	128,890	151,419
– Infrastructure	51,556	35,655
	2,135,508	1,964,077
Cash held on deposit		
– Sterling cash	10,433	14,966
– Overseas cash	4,888	13,648
	15,321	28,614
Other investment balances		
– Outstanding dividend entitlements	28	304
– Recoverable tax	154	169
	182	473

Details of investments held at year end	2018/19 £'000	2017/18 £'000
Investment liabilities		
– Amounts payable for purchases	(2,326)	–
Total of investments held	2,582,139	2,382,224
NET CURRENT ASSETS & LIABILITIES		
– Current assets	43,120	19,767
– Current liabilities	(5,339)	(3,512)
Total of investments held	37,781	16,255
	2,619,920	2,398,479

STATEMENT OF ACCOUNTS (continued)

Financial Instruments

Classification of financial instruments

The accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category and net asset statement heading.

As at 31 March 2019	Designated as Fair value through Profit and Loss £'000	Loans and Receivables £'000
LONG TERM INVESTMENTS		
Brunel Pension Partnership	840	–
FINANCIAL ASSETS		
Equities	432,614	–
Pooled investment vehicles	1,800,530	–
Property	334,978	–
Cash held on deposit	–	22,184
Other investment balances	182	–
Long-term debtors	–	965
Debtors	–	35,293
	2,568,304	58,442
FINANCIAL LIABILITIES		
Creditors	–	(5,339)
Amounts payable for purchases	(2,326)	–
	(2,326)	(5,339)
	2,566,818	53,103

As at 31 March 2018	Designated as Fair value through Profit and Loss £'000	Loans and Receivables £'000
LONG TERM INVESTMENTS		
Brunel Pension Partnership	840	–
FINANCIAL ASSETS		
Equities	386,131	2,089
Pooled investment vehicles	1,682,651	–
Property	281,427	–
Cash held on deposit	–	36,324
Other investment balances	473	–
Debtors	–	12,057
	2,350,682	50,470
FINANCIAL LIABILITIES		
Creditors	–	(3,512)
	–	(3,512)
	2,351,522	46,958

Net gains/(losses) on financial instruments	2019 £'000	2018 £'000
FINANCIAL ASSETS		
Fair value through profit and loss	185,871	194,953
Loans and receivables	263	(342)
FINANCIAL LIABILITIES		
TOTAL	186,134	194,611

STATEMENT OF ACCOUNTS (continued)

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 investment vehicles (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 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.

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.

Market Price Risk

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

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

Market Price – Sensitivity Analysis

The sensitivity of the Fund's investments to changes in market prices has been analysed using the volatility of returns experienced by asset classes. The volatility data in 2019 was provided by the Fund's custodian (State Street) and was calculated as the monthly volatility of returns using 36 months of historical data. In 2018, the volatility data was provided by the Fund's Investment Advisor (Mercers) and is broadly consistent with a one-standard deviation movement. This was 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 2019 and 2018 by the amounts shown below.

As at 31 March 2019	Value £'000	Volatility of Return	Increase £'000	Decrease £'000
Baillie Gifford – Global Equity	436,612	16.11%	70,338	(70,338)
CBRE Global Multi Manager – Property	343,114	2.76%	9,470	(9,470)
Brunel – Passive UK Equity	66,052	9.41%	6,215	(6,215)
Legal & General – Gilts	424,140	17.30%	73,376	(73,376)
Legal & General – Global Equity	132,922	10.40%	13,824	(13,824)
Brunel – Fundamental Equity	343,733	10.38%	35,679	(35,679)
Barings – Dynamic Assets Allocation	246,080	5.56%	13,682	(13,682)
Partners Group – Infrastructure	51,556	10.61%	5,470	(5,470)
Investec – Emerging Markets	257,780	12.22%	31,501	(31,501)
)Loomis Sayles – Multi Asset Credit	116,345	3.16%	3,677	(3,677)
Loomis Sayles – Absolute Return Bond Fund	160,391	1.78%	2,855	(2,855)
M&G – Financing Fund	1,531	31.78%	487	(487)
Cash held at custodian	1,044	0.00%	–	–
Long-term investment – Brunel Pension Partnership	840	0.00%	–	–
	2,582,139		266,574	(266,574)

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%	–	–
Cash held at custodian	9,419	0.00%	–	–
Long-term investment – Brunel Pension Partnership	840	0.00%	–	–
	2,382,224		322,174	(322,174)

STATEMENT OF ACCOUNTS (continued)

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, including those indirectly held in through pooled investment vehicles, in cash & cash equivalents, fixed interest and loans at 31 March 2019 and 2018 are provided below:

	31 March 2019 £'000	31 March 2018 £'000
Cash held on deposit	15,321	28,614
Fixed interest securities	276,736	276,116
Loans	1,531	2,089
	293,588	306,819

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 2019	Value £'000	Change in net assets	
		£'000 +100 BP	£'000 -100 BP
Cash held on deposit	15,321	153	(153)
Fixed interest securities	276,736	(6,680)	6,680
Loans	1,531	-	-
	293,588	(6,527)	6,527

As at 31 March 2018	Value £'000	Change in net assets	
		£'000 +100 BP	£'000 -100 BP
Cash held on deposit	28,614	286	(286)
Fixed Interest Securities	276,116	(9,149)	9,149
Loans	2,089	-	-
	306,819	(8,863)	8,863

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.

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.

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.

2019	US Dollar	Euro	HK Dollar
Benchmark weights	16.40%	3.65%	1.94%
Net currency exposure	£'000 423,420	£'000 94,325	£'000 49,973

2018	US Dollar	Euro
Benchmark weights	12.21%	2.79%
Net currency exposure	£'000 290,850	£'000 66,428

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 2019 and 31 March 2018 would have increased or decreased the net assets by the amount shown below:

2019	Assets held at Fair Value £'000	Change in net assets	
		+10% £'000	-10% £'000
US Dollar	423,420	42,342	(42,342)
Euro	94,325	9,433	(9,433)
HK Dollar	49,973	4,997	(4,997)
Net currency exposure	567,718	56,772	(56,772)

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)
Net currency exposure	357,278	35,728	(35,728)

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.

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 a AA- long term fitch 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, besides those in pooled investment vehicles, is invested with the custodian in a diversified money market fund rated AAAM.

The Fund's exposure to credit risk at 31 March 2019 and 2018 is the carrying amount of the financial assets.

	2019 £'000	2018 £'000
Global fixed interest pooled	276,736	276,116
Cash held on deposit	15,321	28,614
Other investment balances	182	473
Current assets	43,120	19,767
	335,359	324,970

STATEMENT OF ACCOUNTS (continued)

Liquidity Risk

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

The following tables analyse the Fund's financial liabilities as at 31 March 2019 and 2018, grouped into relevant maturity dates.

2019	Carrying Amount £'000	Less than 12 months £'000	Greater than 12 months £'000
Accounts payable	76	76	–
Benefits payable	1,977	1,977	–
Sundry creditors	3,286	3,286	–
	5,339	5,339	–

2018	Carrying Amount £'000	Less than 12 months £'000	Greater than 12 months £'000
Accounts payable	107	107	–
Benefits payable	539	539	–
Sundry creditors	2,866	2,866	–
	3,512	3,512	–

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 can 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 2019 and 31 March 2018, by the level in the fair value hierarchy into which the fair value measurement is categorised. This has been produced from analysis provided by our custodian State Street, which is based on valuations provided by the investment managers. The investment in Brunel Pension Partnership is valued at cost, as there is no market available for this investment.

2019	£'000 Level 1	£'000 Level 2	£'000 Level 3	£'000 Total
Brunel Pension Partnership	–	–	840	840
Equities	432,614	–	–	432,614
Pooled investment vehicles:				
– Other	–	1,747,442	53,087	1,800,529
– Property	–	167,237	167,741	334,978
	432,614	1,914,679	221,668	2,568,961
Cash deposits	15,321	–	–	15,321
Other investment balances	(2,143)	–	–	(2,143)
	445,792	1,914,679	221,668	2,582,139

2018	£'000 Level 1	£'000 Level 2	£'000 Level 3	£'000 Total
Brunel Pension Partnership	–	–	840	840
Equities	384,770	–	3,450	388,220
Pooled investment vehicles:				
– Other	–	1,646,995	35,655	1,682,650
– Property	–	111,402	170,025	281,427
	384,770	1,758,397	209,970	2,353,137
Cash deposits	28,614	–	–	28,614
Other investment balances	473	–	–	473
	413,857	1,758,397	209,970	2,382,224

Wiltshire Pension Fund determines that transfers between levels of the fair value hierarchy have occurred when the investment manager for those assets notifies the Fund's custodian of the change. During 2018/19 there were no transfers between level 1 and 2 of the fair value hierarchy. There were some movements between level 2 and 3 and this is reflected in the table below.

The following tables present the movement in level 3 instruments for the year end 31 March 2019 and 31 March 2018.

2019	£'000
Opening balance	209,970
Adjustment for reclassifications	47,109
Total gains/losses	10,627
Purchases	113,826
Sales	(159,864)
Transfer out of level 3	–
Closing balance	221,668

2018	£'000
Opening balance	198,098
Total gains/losses	10,373
Purchases	42,242
Sales	(41,583)
Transfer out of Level 3	–
Closing balance	209,130

*The opening balance for assets valued at level three has been adjusted to include the initial share-holding investment held in the Brunel Pension Partnership. This represents an increase in value of the opening value of £840k

STATEMENT OF ACCOUNTS (continued)

The following table shows the sensitivity of assets valued

Sensitivity of assets valued at level 3	Assessed Valuation range (+/-)	Value at 31 March 2019 £'000	Value on increase £'000	Value on decrease £'000
Pooled Property	2.76%	167,741	172,371	163,112
M&G Financing Fund	31.78%	1,531	1,531	1,531
Infrastructure	10.61%	51,556	57,026	46,086
Brunel Pension Partnership	0%	840	840	840
		221,668	231,768	211,569

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

Security	31 March 2019	
	Market Value £m	% of total market value
Investec – Emerging Markets	257.78	9.98
Barings – Dynamic Asset Allocation Fund	246.08	9.53
Legal & General – Multi Factor North America	225.94	8.75
LSAA 2068 Index Linked Gilts	213.56	8.27
LUAB 2062 Index Linked Gilts	210.58	8.16
Loomis Sayles Alpha Bond Fund	160.39	6.21
L&G World Equity Index	132.92	5.15
	1,447.25	56.1

12 INVESTMENT MANAGEMENT EXPENSES

	2018/19 £'000	2017/18 £'000
Management fees	8,683	6,298
Performance fees	2,283	1,649
Transaction and other costs (pooled investment vehicles)	2,714	360
Transaction and other costs (multi-manager portfolios)	604	761
Transaction and other costs (Segregated portfolios)	88	59
Underlying fees for funds in multi-manager portfolios	2,668	–
Custody fees	86	99
Transition costs	33	–
Costs associated with investment pooling	617	(89)
Indirect costs incurred in managing investment portfolios	294	263
	18,070	9,400

This Note has been reclassified for 2017/18 as a result of an error in the prior year, where some income codes were incorrectly allocated to investment management expenses. The resulting correction has resulted in an increase of £3.2m in investment management expenses. Corresponding corrections have resulted in an increase in stock lending income for 2017/18 of £0.3m, and an increase in profit and loss on disposal and changes in value of investments for 2017/18 of £2.9m. The other notes affected are 8, 9, 11, 11c and the Fund Account. There is no change to the overall movement in the fund during the year, or to the Net Asset Statement.

Due to the introduction of improved cost transparency reporting, it has been possible to include additional underlying figures this year associated with the costs of managing the portfolios. The fees and costs of the underlying fund investments in both Partners Group's infrastructure portfolio, and CBRE's pooled property portfolio have been included this year, which were not previously included. Please note that the increase in 2019 does not represent an increase in managers' fees, but better available information about the underlying costs of investment management.

STATEMENT OF ACCOUNTS (continued)

13 CURRENT ASSETS

	31 March 2019 £'000	31 March 2018 £'000
Contributions due from other authorities and bodies		
– Employees	1,674	1,570
– Employers	6,111	5,590
Debtors (Magistrates)	965	1,930
Other	27,507	2,967
Cash balances	6,863	7,710
	43,120	19,767
Less:		
Long term debtors (Magistrates)	965	1,930
Net current assets	42,155	17,837

Other assets include an amount of £25m due from Dorset County Pension Fund in respect of a bulk transfer in of Dorset Fire civilians. This amount was received on 2 May 2019.

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

On 8 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 £1.930m, of this the following year's instalment (£0.965m) is classified as a debt repayable in one year, and the remaining balance £0.965m is a long-term debtor.

14 CURRENT LIABILITIES

	31 March 2019 £'000	31 March 2018 £'000
Managers / custody fees	2,950	1,646
HMRC	792	722
Unpaid benefits	954	1,087
Other	643	57
	5,339	3,512

15 ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCS)

AVC contributions are not included in the Fund's financial statements as they do not come under the requirements of Regulation 4(1)(b) of the Pension Scheme (Management and Investment of Funds) Regulations 2016 regarding regulation 69(1)(a) of the Local Government Pension Scheme Regulations 2013.

Fund members paid contributions totalling £0.934 million (£0.773million in 2017/2018) into their AVC funds during the year. At the year end, the value of funds invested on behalf of Fund members totalled £5.467 million, made up as follows:

Additional Voluntary Contributions (AVCs)	£million
Equitable Life Assurance Society	
– With Profits Fund	0.441
– Unit Linked Managed Fund	0.152
Clerical Medical Funds	
– With Profits Fund	0.145
– Unit Linked Managed Fund	0.922
Prudential	
– With Profits Cash Accumulation Fund	1.402
– Deposit Fund	0.623
– Cash	0.022
– Discretionary	0.583
– Equity Passive	0.126
– Global Equity	0.003
– UK Equity	0.015
– Index Linked	0.002
– Long Term Growth Fund	0.498
– Pre-Retirement Fund	0.307
– Ethical	0.038
– Property Fund	0.188
	5.467

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 £1.477m (2017/2018: £1.472m) 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 £31.6m to the Fund in 2018/2019 (2017/2018: £30m). A balance of £1.3m 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 2019, the fund had an average investment balance of £6.9m (31 March 2018: £7.6m), earning interest of £44k (2017/2018: £21k) in these funds.

Brunel Pension Partnership Limited (BPP Ltd.) was formed on the 14th October 2016 and will oversee the investment of pension fund assets for Wiltshire, Avon, Buckinghamshire, Cornwall, Devon, Dorset, Environment Agency, Gloucestershire, Oxfordshire and Somerset Funds.

Each of the 10 local authorities, including Wiltshire Pension Fund own 10% of BPP Ltd. In 2017/18 the Pension Fund paid BPP £840,000 and there was no further investment in 2018/19.

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. One councillor 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 completed Stage 2, entitled "Review data inconsistencies, on 31st December 2018 & is now liaising with HMRC over a small number of residual queries. As a result of the reconciliation the Fund anticipates receiving a rebate from HMRC of £37.7k in respect of Contribution Equivalent Premium (CEP) overpayments.

Stage 3 entitled "Rectification" whereby LGPS pensions will be amended with the reconciled Stage 2 GMP information will now take place. However, before Stage 3 can be completed its timetable will be subject to a number of dependencies. These dependencies currently include guidance from the Scheme Advisory Board on a national approach concerning the incorrect payment of pensions due to missing GMP information, guidance from HMRC on scoping the treatment of multiple adjusted pension payments which may give rise to unauthorised payment tax charges, guidance on the outcome of the court of appeal case concerning Lloyds Banking Group Pensions Trustees Limited in respect of GMP equalisation and finally receipt of guidance from the Fund's legal advisers on how the Fund should determine the dependencies identified above.

The effect of LGPS pensions not showing the correct amount of GMP for its members means that their pensions will be increased by more than they should be. For LGPS members who have a State Pension Age (SPA) prior to 06/04/2016 their GMP should not be increased by the Fund for their Pre 1988 GMP (in respect of the period 06/04/1978 to 05/04/1988). But for their Post 1988 element (in respect of the period 06/04/1988 to 05/04/1997)

it will be increased by a maximum of 3%. The Government will 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%.

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.

STATEMENT OF ACCOUNTS (continued)

19 CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding capital commitments (investments) at 31 March 2019 totalled £94.7m.

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.

When the LGPS benefit structure was reformed in 2014, transitional protections were applied to certain older members close to normal retirement age. The benefits accrued from 1 April 2014 by these members are subject to an 'underpin' which means that they cannot be lower than what they would have received under the previous benefit structure. The underpin ensures that these members do not lose out from the introduction of the new scheme, by effectively giving them the better of the benefits from the old and new schemes.

In December 2018 the Court of Appeal upheld a ruling ("McCloud/Sargeant") that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. The implications of the ruling are expected to apply to the LGPS (and other public service schemes) as well. The UK Government has requested leave to appeal to the Supreme Court and is expected to hear later in 2019 if this will be granted. The impact is therefore still highly uncertain, as two opposing outcomes are possible:

1. The Supreme Court overturns the previous ruling and benefits remain as they are, with the underpin only applying as had been previously allowed for in actuarial valuations.
2. The Government's request for appeal is rejected, or the Supreme Court upholds the existing judgement, and benefits accrued from 2014 may need to be enhanced so that all members, regardless of age, will benefit from the underpin. Alternatively, restitution may be achieved in a different way, for example by paying compensation. In either case, the clear expectation is that many more members would see an enhanced benefit rather than just those currently subject to these protections. In this outcome, there would likely be a retrospective increase to members' benefits, which in turn would give rise to a past service cost for the Fund employers when the outcome is known.

Quantifying the impact of outcome 2 at this stage is very difficult because it will depend on the compensation awarded, members' future salary increases, length of service and retirement age, and whether (and when) members withdraw from active service. Salary increases in particular can vary significantly from year to year and from member to member

depending on factors such as budget restraint, job performance and career progression. The Government Actuary's Department (GAD) has estimated that the impact for the LGPS as a whole could be to increase active member liabilities by 3.2%, based on a given set of actuarial assumptions. A full description of the data, methodology and assumptions underlying these estimates is given in GAD's paper, dated 10 June 2019.

The Fund's actuary has adjusted GAD's estimate to better reflect the Wiltshire Pension Fund's local assumptions, particularly salary increases and withdrawal rates. The revised estimate as it applies to the Wiltshire Council Pool is that total liabilities (i.e. the increase in active members' liabilities expressed in terms of the employer's total membership) could be 0.16% higher as at 31 March 2019, an increase of approximately £2.7m.

These numbers are high level estimates based on scheme level calculations and depend on several key assumptions.

The impact on employers' funding arrangements will likely be dampened by the funding arrangements they have in place. However, if the judgement is upheld then there will be unavoidable upward pressure on contributions in future years.

IAS26 STATEMENT

PENSION FUND ACCOUNTS REPORTING REQUIREMENT

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2018/19 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

£m	Year Ended	
	31 March 2019	31 March 2018
Active members	1,750	1,469
Deferred pensioners	929	848
Pensioners	1,107	1,116
Total	3,786	3,433

The promised retirement benefits at 31 March 2019 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 2019 and 31 March 2018. I estimate that the impact of the change in financial assumptions to 31 March 2019 is to increase the actuarial present value by £217m. 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 2019	31 March 2018
Pension Increase Rate	2.5%	2.4%
Salary Increase Rate	2.8%	2.7%
Discount Rate	2.4%	2.6%

Longevity assumption

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*	24.1 years	26.7 years

*Future pensioners (assumed to be aged 45 at the latest formal valuation)

Please note that the longevity assumptions have not 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 2019	Approximate % Increase to liabilities	Approximate monetary amount (£m)
0.5% p.a. increase in the Pension Increase Rate	8%	321
0.5% p.a. increase in Salary Increase Rate	1%	51
0.5% decrease in Real Discount Rate	10%	394

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%.

This paper accompanies my covering report titled 'Actuarial Valuation as at 31 March 2019 for accounting purposes'. The covering report identifies the appropriate reliance 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
2 May 2019

For and on behalf of Hymans Robertson LLP

FURTHER INFORMATION & CONTACTS

The Council produces many 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 to fulfil their pension responsibilities correctly.

STARTER PACKS

These contain information that must 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 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.

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