

WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
22 July 2011

STATEMENT OF INVESTMENT PRINCIPLES

Purpose of the Report

1. This report provides Members with an annually updated Statement of Investment Principles (SIP) for the Wiltshire Pension Fund. The Fund is currently undertaking a Strategic Review of its asset allocation and where applicable the SIP has been updated to reflect the changes agreed to date.

Background

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

The 2011 SIP

3. The SIP for the Wiltshire Pension Fund has now been refined a number of times and this latest version is fully updated to take account of all the revisions to the Investment Strategy agreed to date.
4. The main change since the publication of the previous SIP is the on-going current strategic review of asset allocations which started in April 2011. The SIP reflects the changes agreed to date.
5. The SIP also discusses the voluntary requirement of the Fund to produce a compliance statement with the Stewardship Code which was introduced in 2010. This outlines the how institutional investors disclose and discharge their stewardship responsibilities with reference to the assets it owns. To meet this requirement the Fund intends to publish a statement during 2011 following presentation to this committee in September.
6. The Fund's long term Investment Strategy aspirations remain as follows:
 - to move the UK equity allocation downwards towards 30%, in favour of global equities as opportunities arise,
 - to move the UK equity allocation to being predominantly managed passively and the global equity allocations to being predominantly actively managed, as opportunities arise, and
 - to increase the passive investment management in the Fund from the current 5% to a long term target of 20%, covering both equities and bonds, but this will only be implemented at times when it would be cost effective and have the least impact on returns.
7. There is also a requirement to report the Fund's compliance in line with the 6 revised Myners principles. As reported last year the previous 10 principles have now been reduced to 6. These 6 principles are a re-presentation of the 2002 ones with a stronger emphasis on training and development of Members and officers, the involvement of and

communication with stakeholders, performance management of the committee itself and of its advisors and a framework for measuring risk and the strength of the covenants of employers. Funds need to demonstrate compliance with these principles or explain the reasons why not.

8. The SIP has been updated to reflect the Fund's developments with its compliance to the 6 Myners principles since last year. The Fund is now fully compliant with the six principles although an area that still requires development is within principle 4. Performance Assessment where the implementation of a formal assessment of its advisers to ensure the cost, quality and consistency of the advice is monitored is still required.

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

9. This paper does not include new policy proposals. PEN011 and PEN017 on the Risk Register elsewhere on this agenda highlight the need to ensure that adequate training is in place for both Members and officers.

Proposal

10. The Committee is asked to approve the 2011 Statement of Investment Principles.

MICHAEL HUDSON
Interim Chief Finance Officer

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

WILTSHIRE PENSION FUND

Statement of Investment Principles

Introductory Comment

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

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

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

Michael Hudson
Interim Chief Finance Officer
July 2011

Background to the Wiltshire Pension Fund

Outline of Local Government Pension Scheme

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

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

Role of the Administering Authority

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

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

Objectives of the Pension Fund

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

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

Liabilities of the Pension Fund

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

Objectives of Investment Policy

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

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

Funding Strategy Statement

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

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

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

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

Investment Powers

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

Responsibility for Decisions

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

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

Policy on Investments

Types of Investments held

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

The Fund therefore invests in quoted UK and overseas securities (equities, government and corporate fixed interest and index linked bonds), pooled funds managed by properly authorised organisations (property, equities, active currency and long-short equity hedge funds) and sterling and overseas cash deposits. The Fund also hedges 50-75% of its overseas currency exposure (obtained from equities). It may also invest in futures and options, as well as limited investment in direct property.

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

Balance between the Various Types of Investments

An explanation of the relative amount to be invested in each type of investment is provided in the Section below on the strategic benchmark adopted by the Committee (see "Overall Investment Strategy"). In very broad terms, the result is that the Fund is to be invested 65% in equities, 19% in bonds, 13% in property, 2% in M&G Financing Fund and 1% in Passive Currency although these are currently being reviewed. However, that does not mean that these percentages need to be rigidly maintained.

Expected Returns on Investments

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

Risk Control

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

Further control on the Fund is imposed by employing three active equity managers of differing, but complementary styles (ie. growth, value, unbiased). The employment of a currency manager to manage a passive hedging currency mandate also reduces risk.

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

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

Realisation of Investments

The Fund does not currently need to realise investments to meet its pension liabilities and it is projected that this will be the case for a number of years ahead.

Environmental, Social and Governance (ESG)

The Council seeks to use its position as a shareholder to actively encourage good corporate governance practice in those companies in which it invests. It does this by contracting to the Pensions & Investment Research Consultants Limited (PIRC) who provides a global service for a standard voting policy and casting of votes along with the provision of company research and reporting tools.

It is also a member of the Local Authorities Pension Fund Forum (LAPFF), to enable it to act with other local authorities on corporate governance issues. The Forum currently has 52 member funds with assets of more than £100 billion.

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

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

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

The introduction of the Stewardship Code in July 2010 by the Financial Reporting Council strongly encouraged best practice in respect of investor engagement. The expectation is that institutional investors should publish a statement in respect of their adherence to the code. Compliance with the Code is currently on a voluntary basis. The Wiltshire Pension Fund aims to publish its statement stating its compliance to the code during 2011. Two out of our three global equities managers currently comply with the code fully.

Securities Lending

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

Other Matters

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

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

Current Investment Strategy

Solvency Position of the Wiltshire Pension Fund

The results of the actuarial valuation of the Fund as at 31 March 2010 showed that Fund liabilities totalled £1,563 million, whilst assets stood at £1,167 million. The Fund therefore had a deficit of assets of £396 million, or expressed another way, had a solvency level of 75%. This compared with a solvency position at 31 March 2007 of 85%. This decrease of 10% places Wiltshire Pension Fund broadly in line with the average LGPS scheme.

Funding Policy

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

- to achieve a funding level of 100%, both at the whole Fund level and for the share attributable to individual employers, within a timescale that is prudent and affordable;
- to ensure that sufficient liquid funds are available to meet all benefits as they fall due for payment;
- not to restrain unnecessarily the investment strategy of the Fund so that the Administering Authority can seek to maximise investment returns (and hence minimise the cost of the benefits) for an appropriate level of risk;
- to help employers recognise and manage pension liabilities as they accrue;
- to maximise the degree of stability in the level of each employer's contributions to the extent that the Administering Authority (in consultation with the actuary) is able to do so in a prudent and justifiable way;
- 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; and

- to address the different characteristics of the disparate employers or groups of employers to the extent that this is practical and cost-effective.

Fulfilment of Funding Strategy through Investment Strategy

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

Although the Fund is maturing slowly, cash flow is very strong and is thought unlikely to be a problem for a number of years and so there is no need to plan for the forced selling of investments to meet pension liabilities. This also lends itself to a long-term view. However, this position will be monitored in regards to the Governments announcements on changes to the LGPS scheme and its subsequent impact on scheme members opting. The on-going restructuring of public bodies may also lead to a declining active membership as staffing levels are reduced.

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

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

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

Investment Goal

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

Investment Strategy

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

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

- Allocations to more diversified and less correlated asset classes such as bonds, property, hedge funds and income-based equity products to achieve stabilisation.
- The achievement of some “alpha” (manager) returns independently of “beta” (market) returns, through currency, high alpha equity and hedge fund strategies.

In terms of equity investment, there is significant concentration in the UK market and many of the larger companies in the UK Index derive a high proportion of their earnings overseas, so the extent to which they should be regarded as UK companies is questionable. As a consequence, the Fund’s proportion invested in UK equities has gradually been reduced to approximately 30% of total equity holdings, with a corresponding increase in the proportion invested in overseas/global equities, which now stands at 70%.

In July 2006, the Committee finalised its review of the Fund’s investment strategy, which had had two aims; to increase *expected* returns and reduced *expected* volatility. Both objectives were achieved, at least in theory, based on the modelling available from the Fund’s investment consultant.

In July 2008, 5% of the Fund was moved from Capital International’s “active” equity mandate and invested into a UK Passive Equity Mandate with Legal and General. The aim was to reduce management fees and reduce exposure to an underperforming equity manager.

In September 2008, a review of the current investment arrangements was undertaken in light of recent investment managers’ performance. The Committee agreed on the following long term investment aspirations for the Fund:

- To limit new individual mandates to allocations of no more than 12.5% of the overall Fund.
- To move the UK equity allocation downwards towards 30%, in favour of global equities as opportunities arise.
- To move the UK equity allocation to being predominantly managed passively and the global equity allocations to being predominantly actively managed, as opportunities arise.
- To increase the passive investment management in the Fund from the current 5% to a long term target of 20%, covering both equities and bonds, but this will only be implemented at times when it would be cost effective and have the least impact on returns.

Resulting from this review, on 1 July 2009 the index linked bond & gilt elements actively managed by Western Asset Management (WAM) (7% of the Fund) were moved to passive management by Legal & General, leaving WAM with an allocation of 10.5%. WAM will now be concentrating on corporate bonds, including the ability to invest overseas on a tactical basis where opportunities to add value arise.

The Committee is also agreed in May 2009 to invest 2% of its bond allocation into the M&G UK Companies Financing Fund, to take advantage of an opportunity arising from the reduced liquidity in the banking market. The Fund aims to provide a relatively stable bond like return over a 5 to 10 year time frame. This will be funded from the bond allocation passively managed by Legal & General.

In line with the long term aspirations namely to more passively manage its UK equities while reducing its allocation, the committee decided to terminate the Baillie Gifford UK mandate representing 12.5% of the Fund. The majority of this allocation (9.5%) was transferred in May 2010 to Legal & General to manage within their UK passive equities mandate with the remaining 3% passed to Edinburgh Partners as an addition to their Global Equities Fund.

In May 2011 the Committee approved to remove the 2% Strategic Allocation for active currency to 0% until further notice.

The resulting asset allocation is shown below:

ASSET ALLOCATION FROM JULY 2011	
Equities:	
Long-Only:	
UK	15.5%
Overseas (Global)	<u>37.0%</u>
	52.5%
Bonds	16.5%
Property	13.0%
Alternatives:	
Income Biased (long-only equities & bonds)	10.0%
Long-Short Equities - Global	5.0%
Currency (Passive)	1.0%
M& G Financing Fund	<u>2.0%</u>
	18.0%
TOTAL	100.0%

However, around 13% of the Alternatives shown above are equity based, so the effective equity allocation is just over 65%.

Investment Management Mandates

The table overleaf shows the manager and mandate line-up with effect from July 2011:

MANAGER/MANDATE ALLOCATION	
Capital International	
Global Equities	14.0%
Absolute Income Grower (Equities, Bonds & Cash)	10.0%
Baillie Gifford	
Global Equities	12.5%
Legal & General	
Passive UK Equities	15.5%
Passive Gilts (UK)	3.0%
Passive Index-Linked Bonds (UK)	3.0%
Western Asset Management	
Corporate Bonds (UK & Overseas)	10.5%
ING Real Estate	
Property Fund of Funds (UK & Europe)	13.0%
Edinburgh Partners	
Global Equities	10.5%
Fauchier Partners	
Equity Long-Short Fund of Funds (Global)	5.0%
Record Currency Management	
Passive Currency Hedge	1.0%
M&G Investment Management	
UK Companies Financing Fund	2.0%
TOTAL	100.0%

Timeframe for Investment Managers' Targets

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

Review and Policy

The Committee formally monitors the investment performance of the managers against their individual performance targets and meets them on an annual basis, although it does receive quarterly performance and asset allocation figures based on reports provided by the Council's global custodian, BNY Mellon.

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

The Committee also formally reviews its investment strategy once a year. Currently the Fund is undertaking a high level Strategic Review of its asset allocation. This is looking primarily at the investment structure to establish opportunities to improve the efficiency of the portfolio by increasing the expected returns, mainly through the use of diversification, for the same level of risk. This review started in April 2011 and will be approved by the Pension Fund Committee during the year.

Other Matters

Fee Structures

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

Compliance with Government (Myners) Investment Principles

In response to the Treasury report *Updating the Myners Principles: A Response to Consultation* (October 2008), LGPS administering authorities will be required to prepare, publish and maintain statements of compliance against a set of six principles for pension fund investment, scheme governance, disclosure and consultation. These principles have been adopted by CLG (the central government department with responsibility for oversight of the LGPS) and replace the ten Myners principles published in 2001.

The Fund is required to report its approach to meeting the principles on a 'comply or explain' basis. The principles will apply to all pension committee members (elected and other appointments) and officers.

The Committee believes that these principles are complied with in broad terms and as set out in the following supplement.

Supplement

The Myners Principles

Compliance with Investment Principles for Defined Benefit Schemes

1. Effective decision-making

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

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

The Fund also has a Business Plan outlining the purpose, scope, goals and business objectives along with an action plan and key target dates. The current plan will be refreshed at the July 2011 Committee meeting and will outline the major milestones for the next three years between 2011-2014. This enables the Committee to plan, anticipate and to resource key actions over this period which inform the Pension Fund's annual budget. The budget and Business Plan processes involve a continuous reappraisal of the adequacy of the Committee's resources.

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

The Committee does have a clear commitment to training. All Committee Members are given induction training and are supplied with a Members' handbook outlining their responsibilities, how the Fund is governed and its operations. A self assessment audit was undertaken of Members during July/August 2010, this identified areas for further development. As a result a Members training plan was also adopted by the Committee in December 2010 which covers the period 2011-2012 to ensure Members have knowledge of background issues to enable them to make informed decisions.

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

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

the Committee, Chief Finance Officer, Head of Pensions, Pension Fund Accountant and Investment officers.

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

2. Clear objectives

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

The Wiltshire Pension Fund is fully compliant with this principle. The Triennial Valuation 2010 report, Funding Statement Strategy, and Statement of Investment Principles explain in detail the objectives of the Fund.

3. Risk and Liabilities

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

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

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

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

4. Performance Assessment

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

The Wiltshire Pension Fund is fully compliant with this principle with reference to measuring performance of investments and investment managers.

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

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

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

5. Responsible Ownership

Administering authorities should:

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

The Wiltshire Pension Fund is fully compliant with this principle. It outsources its voting responsibilities to PIRC on a global basis. PIRC's voting guidelines are based on their experience with Corporate Governance issues and take account of environmental, social and governance factors. They link their underlying principles to the Combined Code published by the Financial Reporting Council in 2003 and Revised Corporate Governance Code in 2009 although their view on best practice tends to go beyond the existing legal and regulatory requirements.

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

The Fund undertakes its engagement activities through its membership of the Local Authority Pension Fund Forum. Further details are contained within the SIP which is available to all stakeholders. It is also intended that the Fund will produce a compliance statement in respect of the Stewardship Code.

6. Transparency and reporting

Administering authorities should:

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

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

- Governance Compliance Statement
- Pension Fund Annual Report
- Funding Strategy Statement
- Communications Policy
- Statement of Investment Principles

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

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