

# AGENDA

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**Meeting:** Local Pension Board  
**Place:** The Kennet Room - County Hall, Trowbridge BA14 8JN  
**Date:** Wednesday 20 July 2016  
**Time:** 10.30 am

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Please direct any enquiries on this Agenda to Libby Beale, of Democratic Services, County Hall, Bythesea Road, Trowbridge, direct line 01225 718214 or email [elizabeth.beale@wiltshire.gov.uk](mailto:elizabeth.beale@wiltshire.gov.uk)

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## **Chairman's Briefing:**

**Wednesday 20 July, Kennet Room, County Hall- 9:30am**

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## **Membership:**

**Howard Pearce (Chairman)**  
**Mike Pankiewicz**  
**David Bowater**  
**Barry Reed**  
**Lynda Croft**  
**Cllr Christopher Newbury**  
**Sarah Holbrook**

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# AGENDA

## Part 1

Items to be considered when the meeting is open to the public.

1 **Membership**

To note any changes to the membership of the Board.

2 **Attendance of non-members of the Board**

To note the attendance of any non-members of the Board present.

3 **Election of the Vice-Chairman**

To appoint a Vice-Chairman from the employer member representatives on the Board for the forthcoming year.

4 **Apologies**

To receive any apologies for absence.

5 **Minutes** (*Pages 9 - 26*)

To confirm as a true and correct record the minutes of the previous meeting held on 7 April 2016.

The Board's action log is also attached for members' information.

6 **Declarations of Interest**

To receive any declarations of disclosable interest.

Board Members' Registers of Interest are published [here](#), members are reminded to review their RoI on a regular basis and report any changes to Democratic Services.

7 **Chairman's Announcements**

To receive any announcements through the Chairman.

8 **Public Participation and Councillors Questions**

The Council welcomes contributions from members of the public.

### Statements

If you would like to make a statement at this meeting on any item on this agenda, please register to do so at least 10 minutes prior to the meeting. Up to 3 speakers are permitted to speak for up to 3 minutes each on any agenda item. Please contact the officer named above for any further clarification.

### Questions

To receive any questions from members of the public or members of the Council received in accordance with the constitution. Those wishing to ask questions are required to give notice of any such questions in writing to the officer named above (acting on behalf of the Corporate Director), no later than 5pm on **Wednesday 13 July** to be guaranteed a written response or no later than two clear working days before the meeting to receive a verbal response. Please contact the officer named on the first page of this agenda for further advice. Questions may be asked without notice if the Chairman decides that the matter is urgent.

Details of any questions received will be circulated to Committee members prior to the meeting and made available at the meeting and on the Council's website.

9 **Minutes and Key Decisions of the Wiltshire Pension Fund Committee**

To consider an update and the Part 1 (public) minutes from the meeting of Wiltshire Pension Fund held on 30 June 2016 (to follow).

10 **Scheme, Legal Regulatory and Fund update** (*Pages 27 - 36*)

The Head of Pensions will provide an update on latest developments from the Scheme, Legal, Regulatory and Fund, alongside a report which presents the Wiltshire Pension Fund's response to the amendment regulations consultation and provides an update on the insurance indemnity issue for Local Pension Board members.

The Board is asked to note:

- a) the proposed draft response outlined on the attached report on the LGPS amending regulations consultation; and
- b) the latest position on the indemnity insurance issue for Local Pension Board Members.

11 **Risk Register** (*Pages 37 - 44*)

A report presents the current Risk Register for the Wiltshire Pension Fund for

review.

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

12 **Review of the Wiltshire Pension Fund Statement of Accounts** *(Pages 45 - 80)*

A report presents the Fund's financial accounts for 2015-16, approved by the Wiltshire Pension Fund Committee, for review.

The Board is asked to note the draft Wiltshire Pension Fund Financial Statements 2015-16, approved for publication by the Wiltshire Pension Fund Committee subject to the completion of the audit

13 **Internal and External Audits for 2016** *(Pages 81 - 110)*

A report outlines the key controls audit from the South West Audit Partnership, considered by the Wiltshire Pension Fund Committee, and updates the progress of the external audit from KPMG for 2016 for review.

The Board is asked to note the update and attached Internal Audit Report and agreed Action Plan.

14 **Statement of Investment Principles** *(Pages 111 - 130)*

A report presents the annual update of the Statement of Investment Principles, approved by the Wiltshire Pension Fund Committee at its last meeting, for review.

15 **Update on the Business Plan** *(Pages 131 - 140)*

A report presents an update on the implementation of the current Business Plan for the Board to note.

16 **Assessing the Impact of the Local Pension Board** *(Pages 141 - 144)*

A report from the Chairman outlines revised performance indicators, following discussion at the last meeting of the Board, for consideration.

17 **Local Pension Board Annual Report** *(Pages 145 - 170)*

A report presents the draft Local Pension Board Annual Report for review and approval.

18 **How did the Board do?**

The Chairman will lead a discussion on how the meeting went and request feedback on how the Local Pension Board could be developed and for members to feedback any relevant updates.

19 **Urgent items**

Any other items of business which, in the opinion of the Chairman, should be considered as a matter of urgency. Urgent items of a confidential nature may be considered under Part II of this agenda.

20 **Date of next meeting and Forward Work Plan (Pages 171 - 174)**

The next meeting of the Board will be held on 20 October 2016.

The Board's Forward Work Plan is attached for members' consideration.

21 **Exclusion of the Public**

To consider passing the following resolution:

To agree that in accordance with Section 100A(4) of the Local Government Act 1972 to exclude the public from the meeting for the business specified in Item Numbers 22 – 23 because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraph 3 of Part I of Schedule 12A to the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public.

## Part II

22 **Brunel Pension Partnership and Investment Pooling 2016 (Pages 175 - 210)**

A training session will be presented by the Head of Pensions outlining the latest position on investment pooling and the current work undertaken by the Brunel Pension Partnership.

A paper is also circulated which outlines the response template to the Government's consultation on investment pooling from the Brunel Pension Partnership as approved by the Wiltshire Pension Fund Committee.

The Board is asked to note the joint submission of the Brunel Pension Partnership as the Fund's detailed proposal to the Government's consultation on investment reforms approved by the Wiltshire Pension Fund Committee on 30 June 2016.

23 **Minutes and Key Decisions of the Wiltshire Pension Fund Committee and**

**Investment Sub-Committee** (*Pages 211 - 218*)

To consider an update and the Part 2 (confidential) minutes from the meetings of the meetings of the Investment Sub Committee held on 16 June 2016 and Wiltshire Pension Fund Committee held on 30 June 2016 (to follow).

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## LOCAL PENSION BOARD

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### **MINUTES OF THE LOCAL PENSION BOARD MEETING HELD ON 7 APRIL 2016 AT KENNET ROOM - COUNTY HALL, TROWBRIDGE BA14 8JN.**

#### **Present:**

David Bowater, Lynda Croft, Sarah Holbrook, Mike Pankiewicz and Howard Pearce (Chairman)

#### **Also Present:**

David Anthony, Luke Webster, Zoe Stannard and Richard Warden.

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#### **25 Membership**

The Chairman welcomed Sarah Holbrook, Finance Operations Manager, to the Office of the Police and Crime Commissioner, who had been appointed as an Employer Member Representative to the Board following the resignation of Kirsty Cole.

#### **Resolved:**

**To note the changes to the membership and welcome Sarah Holbrook to the Board.**

#### **26 Attendance of non-members of the Board**

Luke Webster (Fund Administrator), Zoe Stannard (Fund Communications Manager) and Richard Warden (Hymans Robertson) were in attendance.

#### **27 Apologies**

Apologies for absence were received from Michael Hudson (Treasurer to the Wiltshire Pension Fund) and Barry Reed (Scheme Member Representative).

#### **28 Minutes**

Members considered the minutes of the previous meeting held on 14 January 2016 and the Board's action log.

It was noted that an action from October 2015 for all members to complete a Register of Interest form was coded amber as one form was still outstanding; a review of timescales for measures to reduce risks had also not been finalised and members asked that it be coded accordingly. In respect of actions relating to audit arrangements, the Head of Pensions updated that the Treasurer to the Fund was in discussions on reviewing audit arrangements and a meeting had been arranged with the South West Audit Partnership on the potential for undertaking a review. The Head of Pensions advised that he had benchmarked the Fund's charge-out rate, which was in the mid-range in comparison to other funds, the figures would be circulated to members. The Chairman requested that the benchmarking exercise be undertaken annually.

In relation to ongoing actions in the log, it was confirmed that the Board members handbook was currently being collated and the implications of the Public Sector Exit Cap were not yet known but would be communicated to members once available.

**Resolved:**

**To confirm the minutes of the meeting held on 14 January 2016.**

**To note the action log for the Board and to update the colour-coding of the action on a review of timescales for measures to mitigate risks.**

**To add an annual benchmarking of charge-out rates to the work plan.**

**29 Declarations of Interest**

Members were reminded to regularly review their Register of Interest which were available on the Wiltshire Council website.

There were no declarations of interest.

**30 Chairman's Announcements**

The agenda pack indicated that Sarah Holbrook's professional biography was available on the Wiltshire Council and Wiltshire Pension Fund website and members of the Board introduced themselves.

The Chairman updated that the National Scheme Advisory Board had appointed a Chairperson and that the Pensions Regulator had updated its training resources; members were encouraged to undertake training and attend the conferences advertised by officers. Members also heard that a complaint had been made by the Salisbury Green Party against the Unison nominated members of the Board, and this was currently being investigated.

### 31 **Public Participation and Councillors Questions**

There was no public participation.

### 32 **Minutes and Key Decisions of the Wiltshire Pension Fund Committee and Investment Sub-Committee**

The Board considered the Part 1 (public) minutes of the meetings of the Wiltshire Pension Fund Committee held on 1 February and 10 March 2016 and the meeting of the Investment Sub-Committee held on 25 February 2016. It was acknowledged that the Committee had agreed the Board's proposed budget at its last meeting. A question was raised on the Fund's request for a reply to its submission to the Government on the changes to Investment Regulations consultation by 1 April, it was confirmed that no such reply had been received.

#### **Resolved:**

**To note the minutes and key decisions of the Wiltshire Pension Fund Committee meetings held on 1 February and 10 March 2016 and Investment Sub-Committee held on 25 February 2016.**

### 33 **Scheme, Legal, Regulatory and Fund update**

The Head of Pensions updated that the Fund had submitted high-level proposals for pooling with other funds in the South West ('Project Brunel') in February and was awaiting a response to this submission. Officers considered that the size and scale of the proposed pool would be acceptable, however it remained to be seen whether a Joint Committee Approach would be accepted as the Government preferred an Authorised Contractual Scheme for pooling arrangements.

Wiltshire Pension Fund was working with the other South West funds to finalise the details of the proposals and had appointed an interim project manager to oversee the arrangements. A Shadow Operations Board (for the Chairmen of funds) and Shadow Operational Board (for officers supporting funds) had been established. The Chairman questioned the transparency of the oversight board and was advised that this was a priority and officers would be discussing this since they were conscious that transparency was needed to ensure the Local Pension Board has a role as a stakeholder.

The Board also heard that the Fund's Governance Compliance statement would need updating in response to the new arrangements and the Fund was waiting to hear back about changes in the Investment Regulations. Members were advised that a recent Counsel view on the legal status of Local Pension Boards had indicated that the Board was not a Committee of the Council, this had insurance indemnity implications and a report would be brought to the next meeting.

**Resolved:**

**To note the updates from the Head of Pensions.**

**To request that a report on insurance cover for the Local Pension Board be brought to the next meeting.**

**34 Training Item- Triennial Valuation 2016**

A training session was presented by Hymans Robertson which outlined the purpose and process for the 2016 triennial valuation. The valuation was designed to set a credible funding plan for the Fund and was a central part of risk management. It was explained the actuary would make liability valuation assumptions using financial and demographic assumptions to help develop a funding plan; it was confirmed that 'length-of-life' assumptions were analysed at the individual member level. As of March 2016 the Fund had been preparing for the valuation, data was to be submitted in Quarter 2 2016, following which a report to the Scheme Advisory Board would be submitted in September 2016. In Quarter 4 the valuation results would be released and employers would be consulted on contribution rates, prior to the new rates being payable from April 2017. The Board discussed the member contribution rates and understood that, in some circumstances, employers could discuss phasing arrangement for any increases with the Fund.

The Board considered the value it could add to the valuation process and agreed it could question data quality, the assumption approach, compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance and extent of employer consultation, meeting deadlines and negotiations with employers. The Chairman highlighted that the role of the Board was to review process and ensure transparency; he considered that the Board could also look at Scheme Advisory Board benchmarking.

**Resolved:**

**To thank Richard Warden for the informative presentation.**

**35 Wiltshire Pension Fund Risk Register**

A report presented the current Fund Risk Register for review. It was noted that an additional risk had been identified since the last report in December 2015 'PEN023: Resources of Officers and Members to Meet expansion of Business Items' which reflected the additional pressure faced from the current number of consultations, regulatory changes to the scheme, governance requirements and investment issues. Two risks had also moved from low to medium 'PEN006b Significant rises in employer contributions for non-secure employers due to increases in liabilities' and 'PEN007b Significant rises in employer contributions for non-secure employers due to poor/negative investment returns'. The escalation was to highlight the concern that current market conditions had

recently worsened as the Fund approached the Triennial Valuation on 31 March 2016.

Board members questioned whether the academisation of schools, announced in the 2016 Budget, would pose a risk to the Fund. Officers agreed that transition of all schools to academies would be an extra administration burden and cost on officer resource to the Fund. It was also acknowledged that there would be implications arising from changes in groups of employers and the Funds was looking at different investment strategies for them. It was agreed that this issue be added to the risk register.

**Resolved:**

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

**To recommend that the Fund include the academisation of schools as a risk on the register.**

36 **High Level Assessment on Compliance with the Pension Regulator Code of Practice Code 14**

A report presented the officers' review of Wiltshire Pension Fund's compliance with the Regulators Code of Practice and the Chairman reminded members that this was a key responsibility of the Board. The Code set out the legal requirements and practical guidance in relation to the governance and administration of public service pension schemes in four key areas: Governance, Managing Risks, Administration and Resolving Issues. Officers considered that the Fund was compliant in most areas and actions were in place for areas of partial compliance. Key areas highlighted by the review were scheme record keeping and the provision of information to scheme members. Actions identified and anticipated timeframes were detailed in the appendix and officers planned to review the implementation of the required changes at the end of 2016. It was noted that the Fund had previously reported to the Committee and this Board that Annual Benefit Statements had been distributed 4 days after the 31 August deadline in 2015 due to a printing problem and this was the highest priority for 2016.

Following questions from members it was confirmed that employers within the Fund could find details of its current priorities and forthcoming priorities in its technical newsletter.

**Resolved:**

**To note the outcome from the review of the tPRs Code of Practice No. 14 and recommend the implementation of the proposed actions to the Pension Fund Committee to ensure the Fund secures full compliance with this guidance.**

### **37 Review of the Wiltshire Pension Fund Governance Compliance Statement**

The Board was presented with the Wiltshire Pension Fund Governance Compliance Statement for review. Following suggestions from the Board it was agreed that the Fund should give further consideration to Item F in the report, on the subject of involvement of lay members, as part of the compliance assessment and that voting rights be reviewed following proposed asset pooling with other Funds.

#### **Resolved:**

**To endorse the statement and recommend that lay membership and voting rights be reviewed following the proposed asset pooling as part of the compliance process and pooling arrangements.**

### **38 Internal and External Audit Plans for 2016**

A report outlined the Fund's audit plans for 2016 for review; the Fund was subject to an internal audit by the South West Audit Partnership and external audit by KPMG as part of its governance assurance responsibilities. The internal audit would examine the Fund from a management perspective examining procedures and processes to ensure they were robust. The implementation of actions arising from the 2015 audit would be reviewed and the audit would focus on compliance with the Pensions Regulator Code of Practice. KPMG was drafting the audit plan for 2015-16 and, once finalised, this would be brought to the Board for review. The report of the internal audit would be presented to the Wiltshire Pension Fund Committee in June 2016.

The Chairman encouraged that the Fund be prepared and audited against the 2014 LGPS regulations, Pensions Statement of Recommended Practice (SORP 2014 edition), CIPFA 2014 guidance on LGPS funds annual reports, and LGPS funds 2015/16 accounting disclosures. Members commented they would wish to meet with the auditors should any material issues arise from this years' reports.

#### **Resolved:**

**To note the audit process and proposed plans for 2016.**

**To recommend that the Fund be prepared and audited against the 2014 LGPS regulations, Pensions Statement of Recommended Practice (SORP 2014 edition), CIPFA 2014 guidance on LGPS funds annual reports, and LGPS funds 2015/16 accounting disclosures**

### **39 Review of the Wiltshire Pension Fund Communications Strategy**

The agenda pack contained the Fund's Communications Strategy which was reviewed every three years and Zoe Stannard, Communication Manager,

introduced members to the Fund's website. Members agreed that the Fund's website contained useful information and encouraged officers to keep it up to date with the latest news. It was recommended that the description of the Board on the website reflect that it was an oversight body.

Following questions from members it was explained that there had been little take-up of electronic communications by members of the Fund and employer member representatives on the Board could encourage this were possible amongst their employees. It was intended that self-service of pensions information would be available online in the future. The Chairman suggested that electronic copies of the Annual Benefit Statement could help to make efficiencies compared to hard copies.

### **Resolved**

**To note the Communications Strategy and thank Zoe Stannard for the informative presentation.**

#### **40 Assessing the Impact of the Local Pension Board**

A report from the Chairman outlined potential performance indicators that could be used to measure the impact and performance of the Board. Following further discussion, and comparison to other Boards, the proposals would be refined for consideration at the next Board meeting.

Members agreed that the proposals were a sound basis for evaluating the Board and considered it pertinent that it be assessed whether the Board's recommendations were useful and practical for the Fund to implement. It was suggested that, where possible, the Board's annual report be combined with the Fund's report. Members considered it essential that the Board be evaluated in terms of value for money, by identifying how much it cost the Fund. It was suggested that further work be undertaken to identify the level of engagement the Board achieved and to refine the measure of effectiveness of communications.

### **Resolved:**

**To agree the initial proposals for Key Performance Indicators and request that these be further refined, in particular that further consideration be given to the measures of engagement and communications and cost-effectiveness, and reported to the next meeting.**

**To recommend that the Board's annual statutory report be included as an annex to the Fund's annual report.**

#### **41 Local Pension Board Annual Report Draft Structure**

A report outlined the proposed contents for an Annual report for the Board to consider. The Board was required to publish an annual report on its work to be included in the Fund's own annual report, the report would cover the last 12 months activity and look forward to the work plans for the forthcoming year. Members recommended that their attendance at meetings also be included in the report.

**Resolved:**

**To agree the proposed approach for the Local Pension Board Annual Report with the addition of members' attendance statistics.**

**42 How did the Board do?**

Members considered that the Board now had an established work plan and that reporting from officers had been of a very high standard. It was agreed that training sessions at the meetings were very beneficial.

**43 Urgent items**

There were no urgent items.

**44 Date of next meeting and Forward Plan**

The next meeting of the Board was to be held on 20 July 2016. The Chairman advised that the Forward Plan would be updated following assessment of the Fund's compliance with the Pensions Regulator Code of Practice. It was noted that members hoped to discuss Key Performance Indicators at the next meeting and officers expected to bring an update on implications of the Public Sector Exit Cap to the October 2016 meeting. It was agreed that it would be preferable for the Board's Annual Report to include details of activities since inception in 2015.

**Resolved:**

**To note the Board's current Forward Work Plan and that an updated Work Plan would be brought to the next meeting.**

**45 Exclusion of the Public**

**Resolved:**

**That in accordance with Section 100A(4) of the Local Government Act 1972 to exclude the public from the meeting for the business specified in Minutes number 46 because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraph 3 of Part I of Schedule 12A to the Act and the public**



**interest in withholding the information outweighs the public interest in disclosing the information to the public.**

**46 Minutes and Key Decisions of the Wiltshire Pension Fund Committee and Investment Sub-Committee**

The Board considered the Part 2 (confidential) minutes of the meetings of the Wiltshire Pension Fund Committee held on 1 February and 10 March 2016 and the meeting of the Investment Sub-Committee held on 25 February 2016.

**Resolved:**

**To note the minutes and key decisions of the Wiltshire Pension Fund Committee meetings held on 1 February and 10 March 2016 and Investment Sub-Committee held on 25 February 2016.**

(Duration of meeting: 10.30 am - 12.45 pm)

The Officer who has produced these minutes is Libby Beale, of Democratic Services, direct line 01225 718214, e-mail [elizabeth.beale@wiltshire.gov.uk](mailto:elizabeth.beale@wiltshire.gov.uk)

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## Local Pension Board Action log

	<b>Action</b>	<b>Who</b>	<b>Deadline</b>	<b>Completed</b>
	<b>July 2015</b>			
1.1	Briefing Note to be prepared on effect of budget announcement	DA	ASAP	
1.2	ToR to be amended following LPB recommendations & agreed by Section 151 officer	DA/MH	October 2015	
1.3	ToR to be amended following officer suggestions and ratification at October meeting	DA/MH	October 2015	
1.4	Conflict of interest and register of interest policy to be developed and relevant training provided	DA/EL/LB	October 2015	
1.5	Develop breaches policy	DA/EL	On-going	
1.6	Full minutes of ISC and WPF to be submitted to the LPB	LB	On-going	
1.7	Develop a training plan for members in line with additional recommendations made by LPB	DA	On-going	
1.8	LPB members to receive WPF and ISC meeting dates and list of LPB member contact details	LB	ASAP	
1.9	Website to show LPB contact details via Board Secretary	LB	ASAP	
1.10	Fund website to show info prescribed in ToR	DA	ASAP	

1.11	Develop a Forward Work Plan showing future agenda items and record issues considered. This should include: training and review of the Valuation process, review of discretions policy, and internal policies of the Fund.	DA	October 2015	
1.12	To add the following items to the work plan: <ul style="list-style-type: none"> <li>• to examine the Fund's compliance with tPR code of practice</li> <li>• to review governance arrangements of the WPF and ISC</li> <li>• to review and compare attitudes to the risk register and consider aligning the work programme to risks</li> <li>• to develop a success criteria for the LPB</li> <li>• to examine the Fund's Statement of Investment Principles</li> <li>• to examine the potential impact from pooling investments and input into the forthcoming Government consultation</li> <li>• to input into the consultation process for the audit plans.</li> <li>• to review the SWAP audit report and action plan</li> <li>• to explore officer support for the Board in the context of overlap with supporting the management of the Fund.</li> <li>• to explore the effectiveness of the Fund's Communications Policy</li> </ul>	DA		
1.13	Recommend prioritising items on the Business Plan and acknowledge resource sensitivity and risk and update the LPB on these issues	DA	July 2016	
	<b>October 2015</b>			
2.1	To produce an action tracker for each meeting.	LB	October 2015	
2.2	Register of Interest to be circulated to members for completion, and then published online	LB	January 2016	
2.3	Terms of Reference to be signed by Associate Director and published online	LB	ASAP	
2.4	<b>To recommend to the Wiltshire Pension Funds that plans are put in place with employers and printers so all Annual Benefit Statements are issued</b>	DA	August 2016	

	by the 31st August 2016.			
2.5	To recommend to the Wiltshire Pension Fund that full consideration is given to the legal duties of the Fund and the administration of assets arising from pooling assets in a Collective Investment Vehicle.	DA	June 2016	
2.6	To recommend to the Wiltshire Pension Fund that changes arising from the public sector exit cap be communicated to employers and members and that the impact of changes on the Funds valuation be considered.	DA	December 2015	
2.7	To recommend that future annual reports to contain details of governance earlier in the report, a five-year timeline for performance, and details of breaches reported to the regulator.	DA	September 2016	
2.8	Officers to confirm the process for appointing auditors/reviewing arrangements	DA	January 2016	
2.9	To recommend that the 2015/16 Annual Report, Accounts and the external auditors report are reviewed by the Board prior to external publication.	DA	December 2016	
2.10	To recommend officers consider adding the pooling of investments and the public sector exit cap to the risk register	DA	ASAP	
2.11	To recommend the risks categorising of the risk register	DA	ASAP	
2.12	Head of Pensions to circulate slides from Ian Colvin, Hymans Robertson training on COI & Breaches Policy	DA	ASAP	
2.13	Members to be added to Hymans Robertson distribution list	LB	ASAP	
2.14	LPB member conflicts of interest to be disclosed and published	LB/DA	On going	
2.15	To recommend that the Conflict of Interest Policy be adopted by the Administering Authority.	DA	December 2015	

	<b>To recommend to the WPF to adopt the draft breaches policy subject to an additional note that breaches be reported to the Board, published in the Fund's annual report and also on the website.</b>	DA	December 2015	
<b>2.16</b>	<b>To recommend that the Pension Fund Committee consider whether the Monitoring Officer should be responsible for the reporting of breaches instead of the Section 151 officer</b>	DA	December 2015	
<b>2.17</b>	<b>To recommend that future amendments to the Breaches Policy be reported to the Local Pension Board.</b>	DA/LB	Ongoing	
<b>2.18</b>	<b>To recommend to the Pension Fund Committee that its members undertake tPR training</b>	DA	On-going	
<b>2.19</b>	<b>The Pensions regulator toolkit to be circulated to members</b>	DA	ASAP	
<b>2.20</b>	<b>To receive an update at the next meeting on self-assessment forms</b>	DA	January 2016	
2.21	Feedback from conferences LPB members have attended to be a standing item on each agenda	LB	On-going	
<b>2.22</b>	<b>To include LPB members training records in the Annual Report.</b>	DA	June 2016	
2.23	To categorise the LPB work plan, and the July 2015 meeting be added to track progress	DA	ASAP	
<b>2.24</b>	<b>To report the work plan to the Pension Fund Committee.</b>	DA	December 2015	
2.25	The biographies of members to be published on the website.	LB	January 2016	
2.26	To recruit a new member to the LPB to replace Kirsty Cole.	DA	March 2016	
	<b>January 2016</b>			

3.1	To request that the process for reviewing external audit or appointment arrangements be reported to the next meeting of the Board.	MH	April 2016	
3.2	To encourage the Pension Fund Committee to ensure that robust governance requirements, clear auditing mechanisms, and transparency are identified for the proposals arising from pooling and that the impact of pooling arrangements be communicated to Fund members.	DA	February 2016	
3.3	Officers to make increased use of hyperlinks to reduce length of reports for the Local Pension Board.	DA/LB	Ongoing	
3.4	To recommend a review of the timescales for measures to reduce risks.	DA	March 2016	
3.5	To recommend that officers communicate the implications of the public sector exit cap to the Fund's members once known	DA	ASAP	
3.6	To suggest that officers investigate the responses of other funds in the South West to the Pension Regulator's Survey as part of the due diligence work for potential asset pooling.	DA	April 2016	
3.7	To request that officers report back at the next meeting on the options for an independent review of Wiltshire Pension Fund compliance with TPR new requirements following discussion with audit partners in the South West.	MH	April 2016	
3.8	To include training slides from Hymans Robertson in members handbook.	DA	ASAP	
3.9	To check that members are on the Hymans Robertson distribution list.	LB	ASAP	
3.10	Board members to complete the tPR on-line toolkit within 12 months of appointment	DA	July 2016	
3.11	To recommend that progress on training be monitored using colour-coding.	DA	January 2017	

3.12	To recommend that officers review the charge-out rate for the calculation of costs from persistent failure to meet targets or resolve cases to ensure it is in line with other Funds.	DA	September 2018	
3.13	To recommend to the Wiltshire Pension Fund Committee that the proposed Local Pension Board Budget be included in the Fund's Administration Budget for 2016-17.	MH	March 2016	
3.14	To assess the Board's Registers of Interest and the method of reviewing them.	LB	April 2016	
	<b>April 2016</b>			
4.1	To add an annual benchmarking of charge-out rates to the work plan.	DA	ASAP	
4.2	Benchmarking of charge-out rates to be circulated to members.	DA	ASAP	
4.3	To investigate insurance indemnity and other implications arising from Counsel view on the legal status of Local Pension Boards and to report back to the next meeting of the Board.	DA	July 2016	
4.4	To recommend that the Fund include the academisation of schools as a risk on the register.	DA	ASAP	
4.5	To note the outcome from the review of the tPRs Code of Practice No. 14 and recommend the implementation of the actions outlined in the report to the Pension Fund Committee to ensure the Fund secures full compliance with this guidance.	DA	December 2016	
4.6	Review the progress of actions to address partial compliance with the tPR.	DA	January 2017	
4.7	To endorse the Governance Compliance statement and recommend that lay membership and voting rights be reviewed following the proposed	DA	April 2017	



	<b>asset pooling as part of the compliance process and pooling arrangements.</b>			
4.8	<b>To recommend that the Fund be prepared and audited against the 2014 LGPS regulations, Pensions Statement of Recommended Practice (SORP 2014 edition), CIPFA 2014 guidance on LGPS funds annual reports, and LGPS funds 2015/16 accounting disclosures</b>	DA/MH	April 2016	
4.9	Officers to investigate legal requirement for hard-copy Annual Benefit Statements.	DA	ASAP	
4.10	Amendments to LPB page on Fund website as requested by members	ZS	ASAP	
4.11	<b>To agree the initial proposals for Key Performance Indicators and request that these be further refined, in particular that further consideration be given to the measures of engagement and communications and cost-effectiveness, and reported to the next meeting.</b>	HP/DA	July 2016	
4.12	<b>To recommend that the Board's annual statutory report be included as an annex to the Fund's annual report.</b>	DA	September 2016	
4.13	<b>To agree the proposed approach for the Local Pension Board Annual Report with the addition of members' attendance statistics.</b>	DA	July 2016	
4.14	Contact details for LPB members to be re-circulated to all members	LB	ASAP	
4.15	<b>To update the Forward Work Plan to be brought to the next meeting.</b>	DA	July 2016	

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## WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD  
20 July 2016

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### **SCHEME, LEGAL, REGULATORY AND FUND UPDATE**

#### **Purpose of the Report**

1. This report introduces two scheme updates in respect of the Local Government Pension Scheme (LGPS). The Head of Pensions will also provide a verbal update at the Board meeting.
2. The first is to provide an update of a consultation on the LGPS amending regulations issued on 27 May 2016 from the Department of Communities and Local Government (DCLG). The closing date for responses is 20 August 2016 and the Wiltshire Pension Fund Committee has delegated the formal response to officers in consultation with the Chairman and Vice Chairman of the Wiltshire Pension Fund Committee.
3. The second is to provide a further update on the indemnity insurance issue for Members of the Local Pension Board.

#### **Background**

##### **Amendment Regulations Consultation**

4. The attached Wiltshire Fund Committee paper outlines the details of the LGPS amending regulations consultation issued on 27 May 2016. This is effectively a tidying up process to amend anomalies from the implementation of the reforms of the LGPS from 1 April 2014.
5. This latest Government consultation can be found at the following link:  
<https://www.gov.uk/government/consultations/local-government-pension-scheme-regulations>
6. The attached paper included a proposed draft response to the consultation from the Wiltshire Pension Fund, with the final response to be finalised in conjunction with the Chairman and Vice Chairman of the Wiltshire Pension Fund Committee.

##### **Indemnity Insurance for Local Pension Board Members**

7. As reported at the last Board meeting, the Local Government Employers Associations (LGE) took counsel's opinion on the legal status of Local Pension Boards (see link below) to obtain a view on the legality of Fund's combining Pension Boards with their Committees:  
[http://www.lgpsboard.org/images/Guidance/Pension\\_Boards\\_opinion.pdf](http://www.lgpsboard.org/images/Guidance/Pension_Boards_opinion.pdf)
8. The opinion concluded that the Local Pension Board isn't necessarily a Committee of the Council as the Public Service Pension Act 2013 under which the Board was formed isn't aligned with the Local Government Act 1972.

9. An issue arising from this relates to Clause 44 of the opinion which refers to insurance and states:-
- (1) Given that a Pension Board is a creature of the 2013 Act and not a council committee, the council's indemnity insurance will not automatically cover the Pension Board's membership;
  - (2) There may nonetheless be circumstances in which the Pension Board's members would be potentially liable; and
  - (3) Therefore –
    - (i) The Council should extend its insurance, or
    - (ii) The Pension Board should procure its own insurance.
10. Officers have looked at the possibility of extending the Council's insurance. The insurers (Zurich Municipal) have reviewed this and formed a view they cannot identify any specific way in which a loss could be sustained, either as a Board or as individual. The Boards operate within the regulatory environment but it is difficult to envisage the Regulator bringing any form of action against them. They concluded that no other form of cover could be appropriate for the Local Pension Boards (for example, not Pensions Trustee Liability because the individuals are not acting as trustees).
11. Wiltshire Council legal team have also reviewed the current situation. They agree that it is difficult to envisage what liability Members could possibly incur given the Board's oversight role. If Members act within the Code of Conduct and Conflict of Interest policy (including acting in the best interests of the Fund and not exploiting their position for personal gain, etc) then the risk of any potential personal claim against them is extremely hard to identify. The only potential for any claim would be an act for personal gain or against the best interests of the Fund, in which case any insurance policy wouldn't cover their actions anyway. Please note that this advice was given to Wiltshire Pension Fund and should not be relied on by anyone else.
12. This is a matter for national concern and all administering authorities are waiting further direction from the Scheme Advisory Board (SAB). The expectation is further guidance will be issued in respect of this.
13. The current view from Wiltshire legal team is there is no need for immediate insurance cover for Members of the Board given the minimal risk and the Fund should await further guidance from SAB.
14. While the Fund awaits further guidance, it's also looking at alternative options. Some actuaries are exploring the potential for setting up a bespoke policy for their clients to provide a level of insurance cover. Another option that could be considered is for each member to arrange professional indemnity cover themselves and claim this back from the Administering Authority. However, the former option would administratively be a preferred option.
15. Officers will provide a further update at the next meeting.

#### **Considerations for the Committee**

16. To review the proposed draft response to the amendment regulations.
17. To note the current position on the indemnity insurance cover for members of the Local Pension Board and a further update will be provided to the meeting on 20 October 2016.

### **Legal Implications**

18. There are no direct legal implications to the Fund from the proposed response to the consultation. The implications will be on the public service employers within the Fund who must ensure their contractors become admitted bodies of the Pension Fund to protect an employee's pension rights
19. Further legal advice and updates will be provided in relation to the indemnity insurance issue once further guidance has been issued by the SAB.

### **Risks Assessment**

20. There are no direct increased risks from the consultation and its proposed response.
21. The indemnity risk is minimal based on the current legal view and that of the insurance providers. Work is on-going to establish the most cost-effective outcome to manage any perceived risk while further guidance for the SAB is pending.

### **Environmental Impact of the Proposal**

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

### **Safeguarding Considerations/Public Health Implications/Equalities Impact**

23. There are no known implications at this time.

### **Financial Implications**

24. There are no direct financial implications from the amendment of these regulations.
25. There are currently no financial implications from the indemnity insurance update although there may be a potential cost to the Fund to provide future indemnity cover based on the outcome of any guidance.

### **Reason for Proposals**

26. The Board requires an update to on the latest scheme developments.

### **Proposals**

27. The Board is asked to note:
  - a) the proposed draft response outlined on the attached report on the LGPS amending regulations consultation; and
  - b) the latest position on the indemnity insurance issue for Local Pension Board Members.

MICHAEL HUDSON  
Treasurer to the Pension Fund

Report Author: David Anthony, Head of Pensions

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Unpublished documents relied upon in the production of this report:

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## **WILTSHIRE COUNCIL**

WILTSHIRE PENSION FUND COMMITTEE  
30 June 2016

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### **LOCAL GOVERNMENT PENSION SCHEME (LGPS): DRAFT AMENDING REGULATIONS**

#### **Purpose of the Report**

1. This report introduces a consultation on the LGPS amending regulations issued on 27 May 2016 from the Department of Communities and Local Government (DCLG). The closing date for responses is 20 August 2016 and Members will be asked to delegate the formal response to officers in consultation with the Chairman and Vice Chairman of the Wiltshire Pension Fund.

#### **Background**

2. Following the implementation of the reforms of the LGPS from 1 April 2014, DCLG has continued with practitioners to identify areas in the regulations that require clarification and correction. The amending regulations are the product of that work and contain other policy developments such as provisions as a result of the Pension Schemes Act 2015 and measures relating to Fair Deal.
3. Fair Deal for Staff Pensions sets out how pension issues are to be dealt with when staff are compulsorily transferred from the public sector to independent providers delivering public services. Currently, the provider must achieve admitted body status so staff can continue to be eligible to be in the LGPS, or, they must offer a broadly comparable private pension scheme.
4. The Pension Schemes Act 2015 delivered the government's policy of "Freedom & Choice" that allows members of Defined Contribution pension schemes greater flexibility when accessing their pension benefits.

#### **Considerations for the Committee**

5. This latest Government consultation can be found at the following link:

<https://www.gov.uk/government/consultations/local-government-pension-scheme-regulations>

6. This is a technical paper and officers will provide a verbal summary at the meeting.
7. The Fund has drafted an initial response (see Appendix). The Committee is asked to consider the officer's comments and is invited to provide any further feedback. The formal response will then be submitted following agreement with the Chairman and Vice Chairman of the Committee ahead of the closing date of 20 August 2016.

#### **What's in the draft Regulations?**

8. The consultation outlines the proposal that staff that are transferring to an independent provider must remain in the LGPS therefore removing the option of transferring to a broadly comparable scheme.

9. The intention is for the current admitted body status framework to continue to apply where the bodies are required to pay the appropriate amounts to the Fund to meet pensions that accrue for members they employ.
10. Under the proposed regulations, the costs of providing the LGPS to transferring staff should be clearly set out in the tender documentation.
11. For previous contracts involving members who were previously transferred out and joined a broadly comparable scheme, the draft regulations do not include a requirement that, at retender, the formerly transferred member must be brought back into the LGPS. This is because the individual is not being transferred out of the public sector at that point as they are employed by the current external provider. It will remain the case that new providers at a retender can access the scheme if they wish via the admitted body status but it is not a requirement to do so.
12. This is an important area for employer to make sure they understand their responsibilities when outsourcing and letting contracts. The Fund has arranged an Employer Forum meeting on 7 September to update them of these potential changes to supplement the technical updates circulated and information available to them on our website.
13. The amendments regulations also intend to increase the scope of AVCs to allow members to withdraw their AVC funds upon reaching 55 but continue to accrue their main LGPS benefits. This is to align AVCs with the government's "Freedom and Choice" policy.
14. A further intention is to extend the ability for members who stopped paying into the LGPS prior to 1 April 2014 to voluntarily access their benefits at age 55.
15. The remaining regulations mainly deal with cleansing minor errors and anomalies to the current scheme working versions.

#### Areas for consultation

16. The first point DCLG has asked is for comments is to establish if there are better ways to adopt the reformed Fair Deal in local government aside from utilising the current admitted body status framework. They invite respondents to recommend an alternative approach along with their rationale.
17. The second question is to ascertain whether DCLG have outlined the correct approach in not making it compulsory for providers to automatically provide the LGPS for members who previously transferred to a broadly comparable scheme. If consultees recommend an alternative approach they must outline why that approach should be considered and how practically it can be achieved.
18. The third question is to gauge whether consultees think that the regulations should be extended to permit all members to voluntarily access their benefits at age 55 regardless of when they stopped paying into the LGPS and how this can be achieved under earlier revoked regulations.

#### Summary

19. The proposed response reflects the view of officers from the position of the Wiltshire Pension Fund. Wiltshire Council may wish to respond from an employer's perspective and officers will liaise with the Council to support any separate submission or incorporate any additional comments into the proposed response.



### **Legal Implications**

20. There are no direct legal implications to the Fund from these proposed amendments. The implications will be on the public service employers with the Fund who must ensure their contractors become admitted bodies of the Pension Fund to protect an employee's pension rights.

### **Risks Assessment**

21. There are no direct increased risks from the consultation being issued. Communication with employers will be essential to ensure they are aware of their obligations to protect staff pension rights for public service workers when outsourcing contracts. However, the main material change is that contractors will be unable to utilise 'broadly comparable' schemes and must become an Admitted body within the Fund.

### **Environmental Impact of the Proposal**

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

### **Safeguarding Considerations/Public Health Implications/Equalities Impact**

23. There are no known implications at this time.

### **Financial Implications**

24. There are no direct financial implications from the amendment of these regulations.

### **Reason for Proposals**

25. The Fund should respond to this consultation to be proactive in shaping the future of the scheme and officers now need to consider the issues for implementation.

### **Proposals**

26. Members are recommended to delegate the approval of the formal response from the Wiltshire Pension Fund to the Chairman and Vice Chairman taking into considerations the officers proposed response and the points raised at this meeting.

MICHAEL HUDSON  
Treasurer to the Pension Fund

Report Author: Craig Payne, Technical & Compliance Manager

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Unpublished documents relied upon in the production of this report:

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Vincent Kiddell  
 LGPS Amendment Regulations  
 Workforce, Pay and Pensions  
 Department for Communities and Local Government  
 SE Quarter, Fry Building  
 2 Marsham Street  
 London  
 SW1P 4DF

[Vincent.kiddell@communities.gsi.gov.uk](mailto:Vincent.kiddell@communities.gsi.gov.uk)

Please ask for: David Anthony      Our ref: PENS/IR

30 June 2016

Dear Mr Kiddell,

### **Local Government Pension Scheme: Amendment Regulations**

Please find below the response from the Wiltshire Pension Fund (WPF) in respect to the Local Government Pension Scheme: Amendment Regulations following discussion at its Committee meeting on 30 June 2016.

**Q1. Are there any better ways to adopt the reformed Fair Deal in local government aside from utilising the current “admitted body status” framework? If yes, please recommend this alternative approach along with the rationale.**

The WPF supports the proposed approach and the use of the current admitted body framework. This avoids the ambiguity over the use of either the LGPS or Broadly Comparable scheme and should assist in simplifying the tender documentation for Scheme Employers when tendering and assessing outsourcing contracts.

**Q2. Is the suggested approach of not making it compulsory for providers, at retender, to automatically provide the LGPS for members previously transferred to a broadly comparable scheme correct? If not then please recommend an alternative approach and detail how this can be achieved from a practical perspective.**

The WPF supports this approach.

**Q3. Should the regulations be further amended to allow members to voluntarily access their benefits at age 55 regardless of when they stopped paying into the LGPS? If yes, how can this be achieved under earlier revoked regulations?**

The WPF recommends that earlier regulations should be amended to permit all members to voluntarily access their benefits regardless of when they ceased paying into the scheme.

Not only will this provide a fair and transparent approach for all members, it will also make greater strides in the scheme evidencing Lord Hutton's recommendation of giving members a "greater choice over when they start drawing their pension benefits". This approach will also align the scheme with the principles contained in the Government's "Freedom & Choice" policy.

#### **Further comments**

#### **Additional Voluntary Contributions (AVC) – Draft Regulation 8 & 9**

WPF supports the introduction of permitting members to flexibly access their AVCs, however, the Fund has slight concerns regarding providers exhibiting excessive exit fees. WPF believes the outcomes from consultations on this subject in the last year by HM Treasury and DWP should be a source of reference for capping fees.

#### **Pension Accounts – Draft Regulation 11**

WPF fully supports this amendment and welcomes reverting to the pre 1 April 2014 approach. If possible, the Fund requests that this amendment is made retrospectively from 1 April 2014.

#### **Conclusion**

The WPF welcomes and agrees with the majority of the proposed changes in the Amendment Regulations and hope that our comments and suggestions are considered.

Yours sincerely,

David Anthony  
Head of Pensions

Michael Hudson  
Treasurer to the Pension Fund

Councillor Tony Deane  
Chairman of Pension Fund

## WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD  
20 July 2016

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### WILTSHIRE PENSION FUND RISK REGISTER

#### Purpose of the Report

1. The purpose of this report is to update the Board in relation to changes to the Fund's Risk Register (see Appendix).

#### Background

2. The Risk Register for the Wiltshire Pension Fund highlights, particularly upward/downward movements in individual risks, and reported back to the Committee on a quarterly basis. This Risk Register was reviewed by the Wiltshire Pension Fund Committee at its meeting on 30 June 2016.

#### Key Considerations for the Committee / Risk Assessment

3. The significance of risks is measured by interaction of the likelihood of occurrence (likelihood) and the potential impact of such an occurrence (impact). This register uses the Council's standard "4x4" approach, which produces a risk status of Red, Amber or Green (RAG).
4. There are two additional new risks reported since the last report.
5. **PEN024: Impact of EU Referendum.** This reflected the potential for increased market volatility from a vote to exit from the EU. The Fund has agreed with Berenberg to change its currency hedging overlay benchmark from 50% to 0% during the days prior and after the national vote. The rationale is that an exit outcome may lead to a more volatile reaction and see Sterling initially being devalued against the US dollar. This operational decision was agreed by the Treasurer to the Pension Fund in conjunction with the Chairman and Vice Chairman to the Committee.
6. **PEN025:Academisation of Schools** This reflects the Government's policy of encouraging all schools to convert to academy status. This has the potential to increase the number of employers in the Fund from approximately 170 to between 400-500. This will require additional resources to manage the extra administration and governance requirements associated with this increase. This risk will be closely monitored over the coming months.
7. There is one other risk that moved from low to medium since March 2016. **PEN012 Over-reliance on key officer** This reflects the announcement the Fund's Benefit Manager will be taking maternity leave from October. Options are now being considered as to how to cover this post on a temporary basis to ensure service delivery continues unaffected. This risk will be reduced once a solution to cover this period has been ascertained.
8. Work continues to mitigate where possible the other remaining medium risks highlighted on the risk register.

**Financial Implications**

9. There are no known implications from the proposals.

**Legal Implications**

10. There are no known implications from the proposals.

**Environmental Impacts of the Proposals**

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

**Safeguarding Considerations/Public Health Implications/Equalities Impact**

12. There are no known implications at this time.

**Proposals**

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

MICHAEL HUDSON  
Treasurer to the Pension Fund

Report Author: David Anthony, Head of Pensions

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

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Wiltshire Pension Fund Risk Register							22-Jun-16													
Ref.	Risk	Risk Category	Cause	Impact	Risk Owner	Controls in place to manage the risk	Current Risk Rating			Further Actions necessary to manage the risk	Risk Action Owner	Date for completion of action	Target Risk Rating			Date of Review	Direction of Travel			
							Impact	Likelihood	x				Level of risk	Impact	Likelihood			x	Level of risk	
PEN001	Failure to process pension payments and lump sums on time	Benefits Administration	Non-availability of ALTAIR pensions system, SAP payroll system, key staff, or error, omission, etc.	Retiring staff will be paid late, which may have implications for their own finances. It also has reputational risk for the Fund and a financial cost to the employers if interest has to be paid to the members.	David Anthony	Maintenance and update of ALTAIR and SAP systems, sufficient staff cover arrangements, sufficient staff training and QA checking of work. Adherence to Pension Administration Strategy and regular monitoring of performance. Documentation of processes and reconciliations.	2	2	4	Low	None	David Anthony		2	2	4	Low	22 June 16	→	
PEN004	Inability to keep service going due to loss of main office, computer system or staff	Benefits Administration	Fire, bomb, flood, etc.	Temporary loss of ability to provide service	David Anthony	Business Continuity Plan reviewed in Dec 2015 and in place. The team have the ability to work from home or remotely if required. The pension system is also hosted by its supplier, which reduces the risk should Wiltshire Council's IT servers fail. The Fund also operates a paperless office.	4	1	4	Low	None	David Anthony		4	1	4	Low	22 June 16	→	
PEN005	Loss of funds through fraud or misappropriation	Benefits Administration	Fraud or misappropriation of funds by an employer, agent or contractor	Financial loss to the Fund	David Anthony	Internal and External Audit regularly test that appropriate controls are in place and working. Regulatory control reports from investment managers, custodian, etc, are also reviewed by audit. Due Diligence is carried out whenever a new manager is appointed. Reliance is also placed in Financial Services Authority registration.	4	1	4	Low	None	Catherine Dix		4	1	4	Low	22 June 16	→	
PEN014	Failure to provide the service in accordance with sound equality principles	Benefits Administration	Failure to recognise that different customers have different needs and sensitivities.	Some customers may not be able to access the service properly or may be offended and raise complaints. At worst case, this could result in a court case, etc.	David Anthony	The Fund has done an Equality Risk Assessment and has an Equality Implementation Plan in place	2	1	2	Low	None	David Anthony		2	1	2	Low	22 June 16	→	
PEN021	Ability to implement the Public Sector Exit Cap	Benefits Administration	Introduction of exit cap will require an additional burden on the administration team.	Changes need to be communicated to individuals and employers and systems adapted once the revised regulations have been approved	David Anthony	Currently monitoring the progress of the current consultations and responding where appropriate. Briefings being provided to team and stakeholders. Concern that further information is still pending from Government.	2	2	4	Low	Discussions with employers on how to implement. Training for the team on how to implement. Project to amend systems and letters to accommodate changes	Craig Payne	Apr-16	1	3	3	Low	22 June 16	↑	
PEN022	Reconciliation of GMP records	Benefits Administration	From 1 April 2016 SERPS will cease and HMRC no longer provide GMP data on members. Fund will be unable to check accuracy of its GMP records.	If GMP records for members is inaccurate there is the potential for incorrect liabilities being paid by the Fund.	David Anthony	Project has been set up and 2 Data Analysts employed to assist with resources.	2	4	8	Medium	To review resources available against scope of project. Additional software from Heywood's to process amendments in bulk have been processed. Need to agree policies for tolerances with Committee.	Mark Anderson	Dec-17	1	3	3	Low	22 June 16	→	

Ref.	Risk	Risk Category	Cause	Impact	Risk Owner	Controls in place to manage the risk	Current Risk Rating				Further Actions necessary to manage the risk	Risk Action Owner	Date for completion of action	Target Risk Rating				Date of Review	Direction of Travel
							Impact	Likelihood	x	Level of risk				Impact	Likelihood	x	Level of risk		
PEN003	Insufficient funds to meet liabilities as they fall due	Funding & Investments	Contributions from employees / employers too low, failure of investment strategy to deliver adequate returns, significant increases in longevity, etc.	Immediate cash injections would be required from the scheme employers. This shouldn't be an issue for the Fund but it looks likely that investment income might need to be used within the next 12 months.	David Anthony	Funding Strategy Statement, Investment Strategy, Triennial Valuations, membership of Club Vita, modelling of future cash flows.	2	2	4	Low	None	David Anthony		4	1	4	Low	22 June 16	→
PEN006a	Significant rises in employer contributions for secure employers due to increases in liabilities	Funding & Investments	Scheme liabilities increase disproportionately as a result of increased longevity, falling bond yields, slack employer policies, etc. The current price of gilts lead to a worsening Funding Position.	Employer contribution rates become unacceptable, causing upward pressure on Council Tax and employers' costs.	David Anthony	Longevity and bond yields are really beyond the control of the Fund although some Funds have considered buying longevity insurance through the use of SWAPS. However, the Fund and each employer must have a Discretions Policy in place to help control discretionary costs (e.g. early retirements, augmented service, etc). Quarterly monitoring in liabilities movements is undertaken providing advance warning to employers.	2	1	2	Low	The Stabilisation Policy has limited increases for secure employer. The approach to the 2016 Valuation is currently being considered by Committee. This will review the appropriateness of the Stabilisation Policy.	David Anthony	Oct-16	2	2	4	Low	22 June 16	→
PEN006b	Significant rises in employer contributions for non-secure employers due to increases in liabilities	Funding & Investments	Scheme liabilities increase disproportionately as a result of increased longevity, falling bond yields, slack employer policies, etc. The current price of gilts lead to a worsening Funding Position.	Employer contribution rates become unacceptable, causing upward pressure on Council Tax and employers' costs.	David Anthony	Longevity and bond yields are really beyond the control of the Fund although some Funds have considered buying longevity insurance through the use of SWAPS. However, the Fund and each employer must have a Discretions Policy in place to help control discretionary costs (e.g. early retirements, augmented service, etc). Quarterly monitoring as described above. The 2016 Valuation will set employer rates for the 3 years from April 2017.	2	3	6	Medium	The rates for the 2016 Valuation will be presented in October. Current market conditions suggest the potential for significant increases in employer contribution rates. The actuary will outline to this Committee the approach to be taken with non-secure employers for this Valuation.	David Anthony	Oct-16	2	2	4	Low	22 June 16	→
PEN007a	Significant rises in employer contributions for secure employers due to poor/negative investment returns	Funding & Investments	Poor economic conditions, wrong investment strategy, poor selection of investment managers	Poor/negative investment returns, leading to increased employer contribution rates	David Anthony	Use of expert consultants in the selection of investment strategy and selection of investment managers, regular monitoring of investment managers (1/4ly), regular reviews of investment strategy (annually). There is a monthly review of the % of the Fund held in each mandate and strategy. There is also a flight path strategy to take risk of the table as funding levels improve.	2	1	2	Low	The implementation of the Stabilisation Policy limits increases for secure employer. This policy will be reviewed as part of the 2016 Valuation and reported to Committee in October.	David Anthony	Oct-16	2	2	4	Low	22 June 16	→
PEN007b	Significant rises in employer contributions for non-secure employers due to poor/negative investment returns	Funding & Investments	Poor economic conditions, wrong investment strategy, poor selection of investment managers	Poor/negative investment returns, leading to increased employer contribution rates	David Anthony	Use of expert consultants in the selection of investment strategy and selection of investment managers, regular monitoring of investment managers (1/4ly), regular reviews of investment strategy (annually). There is a monthly review of the % of the Fund held in each mandate and strategy.	2	3	6	Medium	The review of employers long term financial stability and the policy for stepping in contribution rates to assist in affordability issues is being reviewed as part of the 2016 Valuation process.	David Anthony	Oct-16	2	2	4	Low	22 June 16	→



Ref.	Risk	Risk Category	Cause	Impact	Risk Owner	Controls in place to manage the risk	Current Risk Rating				Further Actions necessary to manage the risk	Risk Action Owner	Date for completion of action	Target Risk Rating				Date of Review	Direction of Travel
							Impact	Likelihood	x	Level of risk				Impact	Likelihood	x	Level of risk		
PEN015	Failure to collect payments from ceasing employers	Funding & Investments	When an employer no longer has any active members a cessation valuation is triggered and a payment is required if a funding deficit exists to meet future liabilities	Failure to collect cessation payments means the cost of funding future liabilities will fall against the Wiltshire Pension Fund	David Anthony	The Pension Fund Committee approved a new Cessation Policy in March 2016 to provide an updated agreed framework for recovery of payments. All new admitted bodies require a guarantor to join the Fund. It also provides additional flexibilities for the Fund dealing with employers cessation payments.	2	2	4	Low		David Anthony		2	1	2	Low	22 June 16	→
PEN016	Treasury Management	Funding & Investments	The Fund's treasury function is now segregated from Wiltshire Council. This includes the investment of surplus cash in money markets.	Exposure to counterparty risk with cash held with external deposit holders could impact of Funding level of the Fund	David Anthony	The Pension Fund agreed 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.	3	1	3	Low	The Council uses Sector's credit worthiness service using ratings from three rating agencies to provide a score. Surplus cash is transferred to the Custodian at month end ensuring cash balances are minimal.	Catherine Dix		3	1	3	Low	22 June 16	→
PEN024	Impact of EU Referendum	Funding & Investments	The impact of the EU referendum	A vote to exit the EU may produce short term volatile market movements which could impact on asset performance.	David Anthony	The Fund has liaised with its investment managers on the potential impact of an exit. The Fund has agreed to change the benchmark for the Berenberg currency overlay hedge mandate to zero for the days prior and just after the vote in case of a BREXIT outcome and a sharp devaluation in Sterling during this period.	3	2	6	Medium		Catherine Dix	Jul-16	3	1	3	Low	22 June 16	↑
PEN022	Failure to collect and account for contributions from employers and employees on time	Regulatory & Governance	Non-availability of SAP systems, key staff, error, omission, failure of employers' financial systems, failure to communicate with employers effectively. LGPS 2014	Adverse audit opinion for failure to collect contributions by 19th of month, potential delays to employers' FRS17 year-end accounting reports and to the Fund's own year-end accounts.	David Anthony	Robust maintenance and update of ALTAIR and SAP systems, sufficient staff cover arrangements, sufficient staff training and QA checking of work. We constantly work with employers to ensure they understand their responsibilities to pay by 19th of the month. The Breaches framework now require the Fund to log material late payments.	2	1	2	Low	None	Catherine Dix		2	2	4	Low	22 June 16	→
PEN008	Failure to comply with LGPS and other regulations	Regulatory & Governance	Lack of technical expertise / staff resources to research regulations, IT systems not kept up-to-date with legislation, etc	Wrong pension payments made or estimates given. Investment in disallowed investment vehicles or failure to comply with governance standards. Effect: Unhappy customers, tribunals, Ombudsman rulings, fines, adverse audit reports, etc	David Anthony	Sufficient staffing, training and regulatory updates. Competent software provider and external consultants. Technical & Compliance post reviews process and procedures and maintains training programme for the team.	2	3	6	Medium	The Pension Regulator now has responsibility from 1 April 2015 for Public Sector Pension Schemes. Their code of practice includes a number of new requirements which the Fund has assessed itself against. Work continues to ensure the Fund can comply fully with these requirements but this may lead to areas of non-compliance in the short term. Any "material" non-compliance will be reported to the Regulator.	David Anthony	Dec-16	2	2	4	Low	22 June 16	→

Ref.	Risk	Risk Category	Cause	Impact	Risk Owner	Controls in place to manage the risk	Current Risk Rating			Further Actions necessary to manage the risk	Risk Action Owner	Date for completion of action	Target Risk Rating			Date of Review	Direction of Travel	
							Impact	Likelihood	x Level of risk				Impact	Likelihood	x Level of risk			
PEN009	Failure to hold personal data securely	Regulatory & Governance	Poor procedures for data transfer to partner organisations, poor security of system, poor data retention, disposal, backup and recovery policies and procedures.	Poor data, lost or compromised	David Anthony	Compliance with Wiltshire Council's Data Protection & IT Policies. Annual Data Protection training given to the team. On-going cleansing of data undertaken by Systems Team.	2	2	4	Low	Martin Downes		2	1	2	Low	22 June 16	→
PEN010	Failure to keep pension records up-to-date and accurate	Regulatory & Governance	Poor or non-existent notification to us by employers and members of new starters, changes, leavers, etc	Incorrect records held, leading to incorrect estimates being issues to members and incorrect pensions potentially being paid.	David Anthony	Systems Team constantly working to improve data quality, data validation checks carried out through external partners (e.g. the Fund's actuaries and tracing agencies), pro-active checks done through national fraud initiative.	2	3	6	Medium	Martin Downes	Dec-16	2	1	2	Low	22 June 16	→
PEN011	Lack of expertise of Pension Fund Officers and Service Director, Finance	Regulatory & Governance	Lack of training, continuous professional development and continuous self assessment of skills gap to ensure knowledge levels are adequate to carry out roles to the best of their ability	Bad decisions made may be made in relation to any of the areas on this register, but particularly in relation to investments.	David Anthony	Officers ensure that they are trained and up-to-date in the key areas through attendance at relevant courses and seminars, reading, discussions with consultants and peers, etc. The Technical & Compliance Manager has formulated annual Training Plans and Relevant officers are also reviewed against the CIPFA Knowledge & Skills Framework to ensure adequate expertise exists.	2	2	4	Low	David Anthony		2	1	2	Low	22 June 16	→
PEN012	Over-reliance on key officers	Regulatory & Governance	The specialist nature of the work means that there are inevitably relatively experts in investments and the local authority pension regulations	If someone leaves or becomes ill, a big knowledge gap if less behind.	David Anthony	Key people in the team are seeking to transfer specialist knowledge to colleagues. In the event of a knowledge gap, however, we can call on our external consultants and independent advisors for help in the short-term.	2	3	6	Medium	David Anthony	Sep-16	2	1	2	Low	22 June 16	↑
PEN017	Lack of expertise on Pension Fund Committee	Regulatory & Governance	Lack of structured training and continuous self assessment of skills gap to ensure knowledge levels are adequate to carry out roles to the best of their ability	Bad decisions made may be made in relation to any of the areas on this register, but particularly in relation to investments. There is also a requirement for Fund's to 'Comply or Explain' within their Annual Report on the skills knowledge of members of the Committee	David Anthony	Members are given Induction Training when they join the Committee, as well as subsequent opportunities to attend courses/seminars and specialist training at Committee ahead of key decisions. There is a Members' Training Plan and Governance Policy. Further training and advice can be called on from our consultants, independent advisors and investment managers too.	2	2	4	Low	David Anthony		2	1	2	Low	22 June 16	→

Ref.	Risk	Risk Category	Cause	Impact	Risk Owner	Controls in place to manage the risk	Current Risk Rating				Further Actions necessary to manage the risk	Risk Action Owner	Date for completion of action	Target Risk Rating				Date of Review	Direction of Travel
							Impact	Likelihood	x	Level of risk				Impact	Likelihood	x	Level of risk		
PEN018	Failure to implement the LGPS 2014 Reforms	Regulatory & Governance	Failure to implement the LGPS 2014 in time for April 2014 in terms of systems changes, data requirements, communications and training.	Unable to meet the new legislative requirements of the scheme and to administer the Fund correctly.	David Anthony	A communication policy implemented to inform all members of the changes. Implementation Plan is on-going. Systems team in close contact with Software are providers to ensure developments will be actioned. Review of process has been undertaken by Technical & Compliance Manager to ensure changes are compliant.	2	2	4	Low		David Anthony		2	2	4	Low	22 June 16	→→→
PEN019	Establishment of Local Pension Board & Investment Sub-Committee	Regulatory & Governance	Failure for Wiltshire Council to establish a Local Pension Board, from finding suitable representatives and the officer time required to support this Board and the newly formed pension sub-committee.	Reputational risk from a national perspective and failure to adhere to legislation resulting in action by the Government or the Pension Regulator. Ineffective operation of the Investment sub-Committee leading to bad decision making.	David Anthony	Local Pension Board, approved by Wiltshire Council on 24 February. Following. Recruitment has taken place and all places filled with first meeting scheduled for 16 July 2015, following induction session on 2 July 2015. These Boards will place additional demands on both Members, in particular the need to undertake training and the pension officers time in the support and provision of information.	2	2	4	Low	As the Board becomes established a review of resources and officer time required to manage this Committee will occur to ensure no negative impact on the Pension Fund service delivery.	David Anthony	Jul-16	1	3	3	Low	22 June 16	→→→
PEN020	Pooling of LGPS assets	Regulatory & Governance	The Fund needs to respond to the Government's consultation for significantly ambitious proposals for pooling of LGPS assets	If not involved in forming proposals the Government may impose of pooling arrangement on the Fund over which it has not control. If implemented incorrectly this could be costly in terms of additional fees and poor investment returns.	David Anthony	The Fund is being proactive in exploring options with Project Brunel on the potential feasibility of setting up a pooling arrangement. Progress and updates regularly reported to Committee.	2	4	8	Medium	Brunel Pension Partnership proposal is on this agenda for consideration as the submission to the Government in July 2016. A key factor will be consideration of the detailed business case and associated risks to the Fund.	David Anthony	Jul-16	1	3	3	Low	22 June 16	→→→
PEN023	Resources of Officers and Members to meet the expansion of business items	Regulatory & Governance	The recent expansion of business items resulting from continued consultations, pooling of assets, and additional governance requirements.	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.	David Anthony	More use of web links within the Committee papers to reduce the size of the packs.	2	3	6	Medium	The adequacy of officers resources to support the Fund's 3 committees, the on-going pooling agenda and the additional complexities arising from regulatory scheme changes will need to be monitored through work planning and appraisals.	David Anthony	Jul-16	1	2	2	Low	22 June 16	→→→
PEN025	Academisation of Schools	Regulatory & Governance	The recent proposals from the Government to encourage all school to convert to academy status.	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.	David Anthony	Regular communications with schools to understand their intentions. Questionnaires recently sent to Schools.	2	3	6	Medium	If the number of employers increases significantly the Fund will need to consider resources for managing this increased administration and governance workload. To be kept under review.	Denise Robinson	Apr-17	1	1	1	Low	22 June 16	↑

Ref.	Risk	Risk Category	Cause	Impact	Risk Owner	Controls in place to manage the risk	Current Risk Rating				Further Actions necessary to manage the risk	Risk Action Owner	Date for completion of action	Target Risk Rating				Date of Review	Direction of Travel
							Impact	Likelihood	x	Level of risk				Impact	Likelihood	x	Level of risk		
PEN013	Failure to communicate properly with stakeholders	Communication	Lack of clear communications policy and action, particularly with employers and scheme members.	Scheme Members are not aware of the rights and privileges of being in the scheme and may make bad decisions as a result. Employers are not aware of the regulations, the procedures, etc, and so the data flow from them is poor.	David Anthony	The Fund has a Communications Manager and Employer Relationship Manager dedicated to these areas full-time, including keeping the website up-to-date, which is a key communications resource. The Fund also has a Communications Policy.	2	2	4	Low	Member communication continues to be developed and the current round of pension clinics are being held. Both Employer and Members newsletters have been sent out during March / April. An employer Forum was held in April with a further event planned for September.	Zoe Stannard / Denise Robinson	Sep-16	1	1	1	Low	22 June 16	→→→

## WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD  
20 July 2016

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### DRAFT STATEMENT OF ACCOUNTS FOR 2015-16

#### Purpose of the Report

1. The purpose of this report is to present the attached draft Wiltshire Pension Fund Financial Statements 2015-16 which were approved by the Wiltshire Pension Fund Committee on 30 June 2016 for review.

#### Background

2. As last year the Financial Statements were approved by the Wiltshire Pension Fund Committee on 30 June 2016 subject to final audit while the complete Annual Report will be presented to the September Pension Fund Committee meeting.
3. The Pension Financial Statements will also go to the Audit Committee on 27 July 2016.
4. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/2016 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. Enhancements have been made in some areas to take account of established practices such as those set out in the 2007 Pension SORP (Statement of Recommended Practice) issued by PRAG (Pension Research Accountants Group) and guidance such as CIPFA guidance Accounting for Local Government Pension Scheme Management Costs.
5. The Pension Fund Financial Statements are included within the Statement of Accounts of the Council as well as the Pension Fund Annual Report.

#### Risk Assessment

6. The audit of the Wiltshire Pension Fund is not yet finalised and therefore the Audit Opinion and Certificate had not been issued at the time this report was prepared. The Final Audit Report will be presented at the September Pension Fund Committee meeting and reported to this meeting on 20 October 2016.

#### Financial Considerations

7. These will be considered in the Annual Report.

#### Legal Implications of the Proposals

8. There are none.

#### Environmental Impact of the Proposals

9. There are none.

#### Safeguarding Considerations/Public Health Implications/Equalities Impact

10. There are no known implications at this time.

## **Proposals**

11. The Board is asked to note the draft Wiltshire Pension Fund Financial Statements 2015-16, approved for publication by the Wiltshire Pension Fund Committee subject to the completion of the audit.

Michael Hudson  
Treasurer to the Pension Fund

Report Author: Catherine Dix, Strategic Pension Manager

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

## Wiltshire Pension Fund

The Fund is administered by Wiltshire Council for local authorities within Wiltshire and other local government associated organisations. It meets the cost of pension benefits due to current and former employees of these organisations. The current membership as at 31 March 2016 included 21,831 active members, 14,905 pensioners and 26,517 deferred members.

### Responsibility for the Report

#### Wiltshire Council

The Council has to arrange for the proper administration of the Wiltshire Pension Fund. In particular, it needs to ensure an economic, efficient and effective use of resources in carrying out this administration and that the Fund's investments are safeguarded.

The Council has delegated this responsibility to the Wiltshire Pension Fund Committee. It also, however, has to ensure that one of its officers has responsibility for the financial aspects of that administration, this being the Associate Director Finance.

#### Wiltshire Pension Fund Committee

There are seven elected members of the Committee, comprising five Wiltshire Councillors and two Swindon Borough Council members. In addition, there are two representatives of the admitted bodies and two observers representing staff interests. Details of the membership of the Committee in 2015/2016 are shown in the Wiltshire Pension Fund Annual Report.

Included amongst the powers delegated by the Council to the Committee are requirements to:

- arrange and keep under review the investments of the Fund through one or more properly authorised investment managers, and to
- appoint investment managers and external advisers as necessary to support the work of the Committee.

#### Local Pensions Board

The Local Pension Board was established in April 2015 to assist the Committee in securing compliance with the scheme regulations and the effective and efficient governance and administration of the Fund. It is made up of 3 scheme members' representatives and 3 scheme employers' representatives along with a non-voting independent chairman

The Fund will liaise closely with the Local Pension Board, so they can fulfil their duties and form appropriate opinions.

#### Chief Finance Officer

The Chief Finance Officer is responsible for preparing the financial statements of the Wiltshire Pension Fund, which must show the financial position of the Fund at the accounting date and its income and expenditure for the year.

In preparing the statements, suitable accounting policies must be selected and applied consistently and judgements and estimates made where necessary that are reasonable and prudent and comply with the appropriate accounting Code of Practice.

Proper accounting records must be maintained and kept up to date and all reasonable steps must be taken to prevent and detect fraud and other irregularities. An anti-fraud and corruption and whistle blowing policy has been implemented for the Fund.

**Actuarial Statement**

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 latest Wiltshire Council Funding Strategy Statement (FSS). In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the Fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members' /dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (NB this will also minimise the costs to be borne by Council Tax payers)
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

The FSS sets out how the administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable.

For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is still a better than 2 in 3 chance that the Fund will return to full funding over 20 years.

**Funding Position as at the last formal valuation**

The most recent actuarial valuation carried out under Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008 was as at 31 March 2013. This valuation revealed that the Fund's assets, which at 31 March 2013 were valued at £1,484 million, were sufficient to meet 71% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2013 valuation was £610 million.

Individual employers' contributions for the period 1 April 2014 to 31 March 2017 were set in accordance with the Fund's funding policy as set out in its FSS.

**Principal Actuarial Assumptions and Methods used to value the liabilities**

Full details of the methods and assumptions used are described in the actuary's report dated 31 March 2014.

**Method**

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.



**Assumptions**

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2013 valuation were as follows:

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

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Funds VitaCurves with improvements in line with the CMI\_2010 model, assuming the current rate of improvements has reached a peak and will converge to a long term rate of 1.25%p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	22.3 years	24.5 years
Future Pensioners*	24.1 years	26.9 years

\*Currently aged 45

Copies of the 2013 valuation report and Funding Strategy Statement are available on request from Wiltshire Council, the administering authority to the Fund.

**Experience over the year since April 2013**

Experience has been worse than expected since the last formal valuation (excluding the effect of any membership movements). Real bond yields have fallen placing a higher value on liabilities. The effect of this has partially been offset by the effect of strong asset returns. Funding levels are therefore likely to have worsened slightly and deficits increased over the period.

The next actuarial valuation will be carried out as at 31 March 2016. The Funding Strategy statement will also be reviewed at that time.

**Audit**

KPMG act as the external auditor of the Council, and therefore the pension fund.

**Investment Management Policy**

Overall responsibility for investment policy lies with the Wiltshire Pension Fund Committee, which reports directly to Wiltshire Council.

The Investment Strategy is revised annually by the Fund. The latest Strategic review was undertaken during 2011, new mandates have been implemented resulting from this.

The current strategy has the dual aim of increasing returns and reducing risk by increasing diversification and alternative approaches. Details of the strategy are provided in the Fund's Statement of Investment Principles (SIP) – the Wiltshire Fund's SIP can be supplied upon request or viewed at [www.wiltshirepensionfund.org.uk/investment-principles](http://www.wiltshirepensionfund.org.uk/investment-principles).

The full list of managers as at 31 March 2016 were:

Company	Mandate	Share of Fund
Baillie Gifford	Global Equity	15.0%
CBRE Global Multi Manager	Property	13.0%
Loomis Sayles	Fixed Income	10.5%
Barings	Absolute Return Fund	10.0%
Legal & General	Passive UK Equity	12.5%
Legal & General	Global Equities	5.0%
Legal & General	Government Bonds	5.0%
Legal & General	Fundamental Equities	12.5%
Investec	Emerging Market Multi Asset	10.0%
Partners Group	Infrastructure	5.0%
M&G Investment Management	UK Companies Financing Fund	1.5%

During the year, the managers transacted purchases of £539.9 million (£940.3m 2014/15) and sales of £523.4 million (£946.9m 2014/15). The value of assets under management at 31 March 2016 was £1,826.4 million, broken down by managers as follows:

Legal & General	£696.2 million
Baillie Gifford	£299.6 million
CBRE Global Multi Manager	£254.4 million
Barings Asset Management	£190.4 million
Loomis Sayles	£202.2 million
M&G Investment Management	£9.8 million
Berenberg Bank	£2.9 million
Partners Group	£17.9 million
Investec	£153.0 million
<b>Total</b>	<b>£1,826.4 million</b>

		£ million	% of Fund total
<b>Geographical analysis</b>	United Kingdom	614.0	33.6
	North America	172.8	9.5
	Europe	67.8	3.7
	Asia, ex Japan	6.2	0.3
	Other - Overseas	60.6	3.3
	Other - Pooled Funds	905	49.6
		<b>1,826.4</b>	<b>100.0</b>
<b>Sector analysis</b>	Equities	1098.0	60.1
	Fixed interest bonds	202.2	11.1
	Cash & Derivatives	22.4	1.2
	Property	230.5	12.6
	Long-Short Hedge Fund	0.0	0.0
	Emerging Market	153.0	8.4
	Infrastructure	17.9	1.0
	Index linked bonds	102.4	5.6
	<b>1,826.4</b>	<b>100.0</b>	

Comparative figures for 2014/15 are shown below.

		£ million	% of Fund total
<b>Geographical analysis</b>	United Kingdom	586.0	31.9
	North America	169.7	9.2
	Europe	65.8	3.6
	Asia, ex Japan	7.6	0.4
	Other - Overseas	73.1	4.0
	Other - Pooled Funds	935.2	50.9
		<b>1,837.4</b>	<b>100.0</b>
<b>Sector analysis</b>	Equities	1148.3	62.5
	Fixed interest bonds	201.4	11.0
	Cash & Derivatives	14.3	0.8
	Property	191.7	10.4
	Long-Short Hedge Fund	22.8	1.2
	Emerging Market	137.9	7.5
	Infrastructure	10.5	0.6
	Index linked bonds	110.5	6.0
		<b>1,837.4</b>	<b>100.0</b>

Safe custody of all investments is the responsibility of BNY Mellon and as such, they are registered in the name of, and are held by, its nominee companies or, alternatively, by overseas agents.

## The Wiltshire Pension Fund

<b>Fund Account</b>	<b>Notes</b>	<b>2015/2016</b>	<b>2014/2015</b>
<b>For the year ended 31 March 2015</b>			<b>Restated</b>
		<b>£000</b>	<b>£000</b>
<b>Contributions and benefits</b>			
Contributions receivable	<b>5</b>	89,449	85,529
Individual transfers		2,491	1,785
		<b>91,940</b>	<b>87,314</b>
Benefits payable	<b>6</b>	(76,841)	(74,067)
Payments to and on account of leavers	<b>7</b>	(3,948)	(31,249)
		<b>(80,789)</b>	<b>(105,316)</b>
Management Expenses	<b>8&amp;12</b>	(9,336)	(8,610)
		<b>1,815</b>	<b>(26,612)</b>
<b>Returns on investments</b>			
Investment income	<b>9</b>	11,764	21,443
Change in market value of investments	<b>11</b>	(27,521)	212,608
<b>Net returns on investments</b>		<b>(15,757)</b>	<b>234,051</b>
<b>Net Increase in the fund during the year</b>		<b>(13,942)</b>	<b>207,439</b>
<b>Opening Net Assets of the Fund</b>		1,852,603	1,645,164
<b>Closing Net Assets of the Fund</b>		<b>1,838,661</b>	<b>1,852,603</b>

**Net Asset Statement**  
**At 31 March 2015**

	Notes	31 March 2016	31 March 2015
		£000	£000
<b>INVESTMENT ASSETS</b>	<b>11</b>		
Fixed interest securities		0	0
Index linked securities		0	0
Equities		320,848	342,126
Pooled investment vehicles		1,252,637	1,289,293
Property		230,505	191,695
Derivative assets		4,170	1,171
Cash held on deposit		20,977	15,383
Other investment balances		179	431
		<b>1,829,316</b>	<b>1,840,099</b>
<b>INVESTMENT LIABILITIES</b>	<b>11</b>		
Derivatives liabilities		(2,924)	(2,702)
<b>Total net investments</b>		<b>1,826,392</b>	<b>1,837,397</b>
Current assets	<b>13</b>	16,183	18,912
Current liabilities	<b>14</b>	(3,914)	(3,706)
<b>Net assets of the Fund at 31 March</b>		<b>1,838,661</b>	<b>1,852,603</b>

The accounts summarise the transactions of the Fund and deal with the net assets at the disposal of Wiltshire Council. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Fund year. The actuarial position of the Fund, which does take account of such obligations, is dealt with in the actuarial statements and these accounts should be read in conjunction with these.

**Notes**

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

**1. Basis of Preparation**

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/2016 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

IAS26 requires the actuarial present value of promised benefits to be disclosed. A separate report has been prepared by Hymans Robertson and is enclosed below after note 19. The Chancellor's budget statement on 22 June 2010 declared that future pension increases should be linked to the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). The report after note 19 has been prepared on the CPI basis.

The accounts have been prepared on an accruals basis except where otherwise stated, i.e. income and expenditure is accounted for as it is earned or incurred, rather than as it is received and paid.

## 2. Accounting Policies

The principal accounting policies of the Fund are as follows:

### Contributions

Contributions are received from employer bodies in respect of their own and their pensionable employees' contributions. Employers' contributions (for both Normal and Deficit Funding) are prescribed in the Actuary's Rates and Adjustment Certificate following the review of the Fund's assets and liabilities during the triennial valuation. The Employees' contributions are included at the rates prescribed by the Local Government Pension Scheme Regulations.

Employer augmentation contributions are accounted for in accordance with the agreement under which they are being paid.

### Benefits and Refund of Contributions

The benefits payable and refunds of contributions have been brought into account on the basis of all valid claims approved during the year.

### Transfers to and from Other Schemes

No account is taken of liabilities to pay pensions and other benefits after the year end. Transfer values, which are those sums paid to, or received from, other pension schemes relating to previous periods of employment, have been brought into account on a cash basis.

### Investment Income

Dividends, interest and coupon receipts have been accounted for on an accruals basis. Income on pooled investments is accumulated and reflected in the valuation of units.

### Valuation of Investments

Investments are shown in the accounts at market value, determined on the following basis:

- (i) **Quoted securities**  
Quoted Securities have been valued at 31 March 2016 by the Fund's custodian using the bid price where a quotation was available on a recognised stock exchange or unlisted securities market.
- (ii) **Unquoted securities**  
Unquoted securities have been valued according to the latest trades, professional valuation, asset values or other appropriate financial information.
- (iii) **Pooled investment vehicles**  
Pooled investments are stated at bid price for funds with bid/offer spreads, or single price/net asset value where there are no bid/offer spreads, as provided by the investment manager.
- (iv) **Fixed Interest Stocks**  
Segregated fixed interest stocks are valued on a clean basis. Accrued income is accounted for within investment income.
- (v) **Derivative Contracts**  
Derivatives are stated at market value. Exchange traded derivatives are stated at market values determined using quoted prices. For exchange traded derivative contracts which are assets, market value is based on quoted bid prices. For exchange traded derivative contracts which are liabilities, market value is based on quoted offer prices.

Over the Counter (OTC) derivatives are stated at market value using pricing models and relevant market data as at the year end date.

Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.

All gains and losses arising on derivative contracts are reported within 'Change in Market Value'.

Reported changes in the market value of investments over the year of account include realised gains or losses arising upon the disposal of investments during the year.

### **Foreign Currency Translation**

All investments held in foreign currencies are shown at market value translated into sterling using the WM 4PM rate on 31 March 2016.

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

### **Investment Management Expenses**

Investment management expenses are based on the quarter end market value of the investments held. The fees paid are determined by the agreed fee scales for each individual manager.

### **Acquisition Costs of Investments**

Transaction costs are charged as part of investment management expenses. These include costs charged directly to the fund such as fees, commissions, stamp duty and other fees.

### **Administration Expenses**

A proportion of the relevant officers' salaries, salary on-costs and general overheads, have been charged to the Fund on the basis of time spent on Fund administration.

### **Taxation**

The Fund is a registered pension scheme for tax purposes and as such is not liable for UK income tax on investment income, nor capital gains tax. As Wiltshire Council is the administering authority, VAT input tax is recoverable on all expenditure.

Income earned from investments in stocks and securities in the USA is exempt from US tax and is not subject to withholding tax. Most tax deducted from income on European investments is also recoverable.

### **Management Expenses**

Pension fund management expenses are accounted for in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Costs. The comparator figures for 2014/15 have been restated to reflect the implementation of the CIPFA guidance. Consequently management expenses reported in the Fund Account for 2014/15 have been increased by £7.1m to £8.6m and Profit and Loss on disposal of investments and changes in the market value of investments has similarly been changed from £211.1m to £212.6m to reflect the fees which had been deducted at source.

### **Additional Voluntary Contributions (AVCs)**

The accounts of the Fund in accordance with regulation 5 (2) (C) of the Pension Scheme (Management and Investment of Funds) Regulations 1998 do not include transactions in respect of AVCs. These are money purchase arrangements made by individual Fund members under the umbrella of the Local Government Pension Scheme, to enhance pension benefits.

**3. Critical Judgement in Applying Accounting Policies****Pension Fund Liability**

The Pension Fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in the actuarial position statement (on page 98). This estimate is subject to significant variances based on changes to the underlying assumptions.

**4. Assumptions made about the Future and Other Major Sources of Estimation Uncertainty**

The Statements of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the net asset statement at 31 March 2016 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 2016, the fund had a balance of £16.2m for debtors (£3.9m relate to a long term debtor). A review of significant balances suggested that no impairment is currently necessary. However, in the current economic climate, it is not certain that all debts will be paid.	If collection rates deteriorate it may be necessary for an allowance to be included in the accounts for doubtful debts.



## 5. Contributions Receivable

	2015/2016 £000	2014/2015 £000
<b>Employer</b>		
- Normal	55,708	51,605
- Augmentation	1,068	868
- Deficit Funding*	13,344	13,765
<b>Members</b>		
- Normal	19,100	19,047
- Additional Contributions	229	244
	<b>89,449</b>	<b>85,529</b>
<b>Analysis of contributions receivable</b>		
	2015/2016 £000	2014/2015 £000
<i>Contributions from employees (Including Additional Contributions)</i>		
- Wiltshire Council	7,693	8,224
- Other scheduled bodies Admitted bodies	10,335	9,460
	1,301	1,608
	<b>19,329</b>	<b>19,292</b>
<i>Contributions from employers (Including Augmentations)</i>		
- Wiltshire Council	27,882	26,016
- Other scheduled bodies	35,163	32,725
- Admitted bodies	7,075	7,496
	<b>70,120</b>	<b>66,237</b>
Total contributions receivable	<b>89,449</b>	<b>85,529</b>

\* Deficit funding contributions are being paid by the employer for the three years commencing from 1 April 2014 with a minimum specified in the Rates and Adjustment Certificate dated 31 March 2014 in order to improve the Fund's funding position. The recovery period at the last valuation over which the deficit funding is recovered is mainly 20 years for scheduled bodies and 14 years or the length of the employer's contract (whichever is the shorter) for admitted bodies.

**6. Benefits payable**

	2015/2016 £000	2014/2015 £000
Pensions	63,698	62,118
Commutation and lump sum retirement benefits	11,495	10,648
Lump sum death benefits	1,648	1,301
	<b>76,841</b>	<b>74,067</b>
<b>Analysis of benefits payable</b>	<b>2015/2016 £000</b>	<b>2014/2015 £000</b>
<i>Pensions payable</i>		
- Wiltshire Council	34,705	34,225
- Other scheduled bodies	23,018	21,566
- Admitted bodies	5,975	6,327
	<b>63,698</b>	<b>62,118</b>
<i>Retirement and Death grants payable</i>		
- Wiltshire Council	4,832	4,586
- Other scheduled bodies	6,154	5,609
- Admitted bodies	2,157	1,754
	<b>13,143</b>	<b>11,949</b>
Total benefits payable	<b>76,841</b>	<b>74,067</b>

**7. Payments to and on account of leavers**

	2015/2016 £000	2014/2015 £000
Individual transfer out to other schemes	3,577	3,961
Bulk transfer out to other schemes	0	27,167
Refunds to members leaving service	258	98
State Scheme Premiums	113	23
	<b>3,948</b>	<b>31,249</b>

**8. Management Expenses**

	2015/2016 £000	2014/2015 £000
Administration costs	1,496	1,471
Investment Management expenses	7,731	7,016
Oversight & Governance	109	123
	<b>9,336</b>	<b>8,610</b>

The Fund has applied CIPFA's guidance Accounting for Local Government Pension Scheme Management Costs, which was introduced in June 2014. This requires management expenses to be analysed by the three headings shown above (previously there were two: administration

expenses and investment management expenses). The 2014/15 figures have been restated to comply with this guidance fully.

The guidance also requires a change in the reporting of external investment management fees that are deducted from asset values (rather than invoiced and paid directly). These are now shown gross: the effect of this has been to increase investment management expenses from £5.4 million to £7.7 million (2014/15: £5.5m to £7.0m). Wherever possible, these figures are based on actual costs disclosed by the manager; where actual costs were not available, best estimates have been made using other available information. It is important to note that this is a change in reporting only and does not represent an actual increase in costs, nor a decrease in Fund's resources available to pay pension benefits.

Investment Management expenses includes £1.8m of performance-related fees paid to the fund's investment managers (2014/1: £1.5m).

### 9. Investment Income

	2015/2016 £000	2014/2015 £000
<i>Quoted securities</i>		
- UK fixed interest bonds (coupon receipts)	0	10,183
- Overseas fixed interest bonds (coupon receipts)	0	259
- UK index linked bonds (coupon receipts)	0	0
- UK equities	587	138
- Overseas equities	1,089	1,177
<i>Pooled Investment Vehicles</i>		
- Overseas equities	0	0
- UK property	10,018	9,535
- Infrastructure	0	0
<i>Cash held on deposit</i>		
- Sterling Cash	66	136
- Overseas Cash	4	15
	<b>11,764</b>	<b>21,443</b>

### 10. Stock Lending

The Council participates in a securities lending programme administered by BNY Mellon. Securities in the beneficial ownership of the Council to a value of £5.7 million (0.30% of the total) were on loan at 31 March 2016. Collateral for these securities is held in a pooled form, the Wiltshire Pension Fund's share (0.01%) representing a value of £6.2 million (108.6%). Income earned from this programme amounted to £0.03 million in the year.

	2015/2016 £ million	2014/2015 £ million
WPF Securities on loan	5.7	17.5
<i>(percentage of total)</i>	0.30%	1.00%
WPF Collateral share of pool	0.01%	0.04%
Value of WPF pooled share	6.2	18.8
Percentage of securities on loan	108.6%	107.0%
Income earned in year	0.03	0.048

## 11. Investments

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

	Value at 01 April 2015	Purchases at cost & derivative payments	Sales Proceeds and derivative receipts	Change in Market Value	Value at 31 March 2016
	£000	£000	£000	£000	£000
Fixed interest securities	0	0	0	0	0
Index linked securities	0	0	0	0	0
Equities	342,126	56,753	(93,423)	15,392	320,848
Pooled funds:					
- Other	1,289,293	56,877	(61,734)	(31,799)	1,252,637
- Property	191,695	52,576	(28,845)	15,079	230,505
Derivative assets					
- Futures	0	0	0	0	0
- Options	0	0	0	0	0
- Forward FX	(1,531)	121,548	(94,942)	(23,829)	1,246
	<b>1,821,583</b>	<b>287,754</b>	<b>(278,944)</b>	<b>(25,157)</b>	<b>1,805,236</b>
Cash deposits	15,383	252,183	(244,205)	(2,384)	20,977
Other Investment Balances	431	0	(272)	20	179
	<b>1,837,397</b>	<b>539,937</b>	<b>(523,421)</b>	<b>(27,521)</b>	<b>1,826,392</b>

	Value at 01 April 2014	Purchases at cost & derivative payments	Sales Proceeds and derivative receipts	Change in Market Value	Value at 31 March 2015
	£000	£000	£000	£000	£000
Fixed interest securities	163,143	25,298	(202,461)	14,020	0
Index linked securities	933	3,904	(4,943)	106	0
Equities	267,461	91,392	(85,347)	68,620	342,126
Pooled funds:					
- Other	997,888	428,559	(250,431)	113,277	1,289,293
- Property	170,936	39,699	(38,288)	19,348	191,695
Derivative assets					
- Futures	(49)	1,445	(113)	(1,283)	0
- Options	0	0	0	0	0
- Forward FX	1,632	82,535	(86,723)	1,025	(1,531)
	<b>1,601,944</b>	<b>672,832</b>	<b>(668,306)</b>	<b>215,113</b>	<b>1,821,583</b>
Cash deposits	26,042	267,445	(275,638)	(2,466)	15,383
Other Investment Balances	3,465	0	(2,995)	(39)	431
	<b>1,631,451</b>	<b>940,277</b>	<b>(946,939)</b>	<b>212,608</b>	<b>1,837,397</b>

The PRAG guidance, Accounting for Derivatives in Pension Schemes, recommends that derivatives are set out separately in the investment reconciliation table for reasons of clarity and are reconciled on a 'net' basis as opposed to 'gross' as reported in the Net Assets Statement.

Transaction costs have been debited through the Fund Account and have been disclosed as part of the Investment Management Expenses. Costs are also borne by the Fund in relation to transactions in pooled investment vehicles.

Details of investments held at year end

	31 March 2016 £000	31 March 2015 £000
<b>INVESTMENT ASSETS</b>		
<b><i>Fixed Interest Securities</i></b>		
- UK fixed interest Government bonds	0	0
- UK fixed interest Corporate bonds	0	0
- Overseas fixed interest Government bonds	0	0
- Overseas fixed interest Corporate bonds	0	0
- Emerging markets government bonds	0	0
	<b>0</b>	<b>0</b>
<b><i>Index Linked Securities</i></b>		
- UK index linked Corporate bonds	0	0
	<b>0</b>	<b>0</b>
<b><i>Equities</i></b>		
- UK equities	31,597	36,739
- Overseas equities	289,251	305,387
	<b>320,848</b>	<b>342,126</b>
<b><i>Pooled Investment Vehicles</i></b>		
- UK equities	233,029	242,103
- Overseas equities	544,173	564,066
- UK fixed interest Government bonds	0	0
- Overseas fixed income	202,162	201,386
- Overseas fixed interest Government bonds	0	0
- Overseas fixed interest Corporate bonds	0	0
- UK index linked Government bonds	102,399	110,472
- Property	230,505	191,695
- Emerging Market Debt	84,601	67,981
- Emerging Market Equities	68,385	69,911
- Long-Short Hedge Fund	0	22,839
- Infrastructure	17,888	10,535
	<b>1,483,142</b>	<b>1,480,988</b>
<b><i>Cash held on deposit</i></b>		
- Sterling Cash	20,730	15,132
- Overseas Cash	247	251
	<b>20,977</b>	<b>15,383</b>
<b><i>Other Investment Balances</i></b>		
- Derivatives Assets	4,170	1,171
- Outstanding dividend entitlements	5	10
- Recoverable tax	174	421
	<b>4,349</b>	<b>1,602</b>
<b>INVESTMENT LIABILITIES</b>		
- Derivatives Liabilities	(2,924)	(2,702)
<b>Total of investments held</b>	<b>1,826,392</b>	<b>1,837,397</b>
<b>NET CURRENT ASSETS &amp; LIABILITIES</b>		
Current Assets	16,183	18,912
Current Liabilities	(3,914)	(3,706)
<b>Total net current assets</b>	<b>12,269</b>	<b>15,206</b>
	<b>1,838,661</b>	<b>1,852,603</b>

**Derivative Contracts*****Objectives and Policies***

The Wiltshire Pension Fund Committee have authorised the use of derivatives by their investment managers as part of the investment strategy for the Fund.

The main objective for the use of key classes of derivatives and the policies followed during the year are summarised as follows:

***Options*** – The Fund allows its managers to invest in options as part of their portfolio construction to assist them in achieving performance targets. These options are limited to ‘Over-the-Counter’ contracts purchased on major exchanges and must not exceed specified limits. Option exposures are limited and hedged through the use of futures.

***Futures*** – The Fund allows a number of its managers to invest in futures, within specified exposure limits, as part of their overall portfolio construction to assist them in achieving performance targets.

***Forward foreign exchange*** – In order to maintain an appropriate diversification of investments within the Fund and take advantage of overseas investment returns a proportion of the investment portfolio is invested overseas. To balance the risk of investing in foreign currencies a dynamic currency hedging programme, using forward foreign contracts, is in place to reduce the currency exposure of the overseas investments. The overseas equity investments are hedged this way.

The Fund had the following derivative contracts outstanding at the year end relating to its dynamic currency mandate. The details are:

**Forward Cash Currency Contracts**

Contract	Settlement date	Currency bought	Currency sold	Asset value	Liability value
				£000	£000
Forward OTC	0 to 6 months	Sterling	Australian Dollar		(73)
Forward OTC	0 to 6 months	Sterling	Brazil Real		(42)
Forward OTC	0 to 6 months	Sterling	Canadian Dollar		(91)
Forward OTC	0 to 6 months	Sterling	Chilean Peso		(1)
Forward OTC	0 to 6 months	Sterling	Danish Krone		(38)
Forward OTC	0 to 6 months	Euro	Sterling	167	
Forward OTC	0 to 6 months	Sterling	Euro		(318)
Forward OTC	0 to 6 months	Hong Kong Dollar	Sterling		(62)
Forward OTC	0 to 6 months	Sterling	Hong Kong Dollar	297	(47)
Forward OTC	0 to 6 months	Sterling	Indian Rupee		(6)
Forward OTC	0 to 6 months	Sterling	Indonesian Rupiah	1	
Forward OTC	0 to 6 months	Sterling	Israeli Shekel		(7)
Forward OTC	0 to 6 months	Japanese Yen	Sterling		(216)
Forward OTC	0 to 6 months	Sterling	Japanese Yen	165	(30)
Forward OTC	0 to 6 months	Sterling	Malysian Ringgit		(18)
Forward OTC	0 to 6 months	Sterling	Mexican New Peso		(11)
Forward OTC	0 to 6 months	Sterling	New Taiwan Dollar		(14)
Forward OTC	0 to 6 months	Sterling	New Turkish Lira		(4)
Forward OTC	0 to 6 months	Sterling	New Zealand Dollar		(4)
Forward OTC	0 to 6 months	Sterling	Norwegian Krone		(11)
Forward OTC	0 to 6 months	Sterling	Polish Zloty		(5)
Forward OTC	0 to 6 months	Sterling	Russian Ruble		(49)
Forward OTC	0 to 6 months	Sterling	Singapore Dollar		(7)
Forward OTC	0 to 6 months	Sterling	South African Comm Rand		(55)
Forward OTC	0 to 6 months	Sterling	South Korean Won		(87)
Forward OTC	0 to 6 months	Swedish Krona	Sterling	69	
Forward OTC	0 to 6 months	Sterling	Swedish Krona		(113)
Forward OTC	0 to 6 months	Sterling	Swiss Franc		(60)
Forward OTC	0 to 6 months	Sterling	Thailand Baht	5	
Forward OTC	0 to 6 months	US Dollar	Sterling	3	(749)
Forward OTC	0 to 6 months	Sterling	US Dollar	3,463	(806)
				<b>4,170</b>	<b>(2,924)</b>

**Financial Instruments****Classification of financial instruments**

The accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category and net asset statement heading. No financial assets were reclassified during the accounting period.

**As at 31 March 2016**

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



	Designated as Fair value through Profit and Loss	Loans and Receivables	Financial liabilities at amortised cost
	£000	£000	£000
<b>Financial assets</b>			
Fixed interest securities	0	0	0
Index linked securities	0	0	0
Equities	330,341	11,785	0
Pooled investment vehicles	1,289,293	0	0
Property	191,695	0	0
Derivative assets	1,171	0	0
Cash held on deposit	0	21,364	0
Other Investment balances	431	0	0
Debtors	0	12,931	0
	1,812,931	46,080	0
<b>Financial Liabilities</b>			
Derivative Liabilities	(2,702)	0	0
Creditors	0	(3,706)	0
	(2,702)	(3,706)	0
	1,810,229	42,374	0

**Net gains/(losses) on financial instruments**

	2016 £000	2015 £000
<b>Financial assets</b>		
Fair value through profit and loss	(29,810)	211,110
Loans and receivables	(2,378)	(2,468)
<b>Financial liabilities</b>		
Fair value through profit and loss	(2,924)	(2,792)
Loans and receivables		
Total	(35,112)	205,850

**Financial Risk Disclosure**

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

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

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

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

#### **a) Market Risk**

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

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

##### **1) Market Price Risk**

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

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

##### **Market Price - Sensitivity Analysis**

The sensitivity of the Fund's investments to changes in market prices has been analysed using the volatility of returns experienced by asset classes. The volatility data has been provided by the Fund's Investment Advisor (Mercers) and is broadly consistent with a one-standard deviation movement. The volatility is measured by the (annualised) estimated standard deviation of the returns of the assets relative to the liability returns. Such a measure is appropriate for measuring "typical" variations in the relative values of the assets and liabilities over short time periods. It is not appropriate for assessing longer term strategic issues. The analysis assumes that all other variables, in particular, interest rates and foreign exchange rates, remain constant.

Movements in market prices would have increased or decreased the net assets valued at 31 March 2016 and 2015 by the amounts shown below.

**As at 31 March 2016**

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

**As at 31 March 2015**

	<b>Value £000</b>	<b>Volatility of return</b>	<b>Increase £000</b>	<b>Decrease £000</b>
Baillie Gifford - Global Equity	322,041	17.20%	55,391	(55,391)
CBRE - Property	209,920	14.60%	30,648	(30,648)
Western Asset Management - Corporate Bonds	3,603	4.00%	144	(144)
Legal & General - Equity	242,102	17.20%	41,642	(41,642)
Legal & General - Gilts	110,472	8.40%	9,280	(9,280)
Legal & General - Global Equity	106,920	17.20%	18,390	(18,390)
Legal & General - Fundamentals	259,715	17.20%	44,671	(44,671)
Jubilee Advisors - Long/Short Hedge Funds	22,839	8.10%	1,850	(1,850)
Barings - Dynamic Assets Allocation	197,431	12.00%	23,692	(23,692)
Partners Group - Infrastructure	10,535	15.60%	1,643	(1,643)
Investec - Emerging Markets	137,892	19.00%	26,199	(26,199)
Loomis Sayles - Multi Asset Credit	97,217	6.00%	5,833	(5,833)
Loomis Sayles - Absolute Return Bond Fund	100,570	6.00%	6,034	(6,034)
M&G - Financing Fund	11,785	0.00%	0	0
Berenberg Bank - Dynamic Currency Fund	4,324	0.00%	0	0
Capital International - Global Equity	21	0.00%	0	0
Capital International - Absolute Income Grower	10	0.00%	0	0
	<b>1,837,397</b>		<b>265,417</b>	<b>(265,417)</b>

**2) Interest Rate Risk**

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

The Fund's exposure to interest rate movements from its investments in cash & cash equivalents, fixed interest and loans at 31 March 2016 and 2015 are provided below.

<b>31 March 2016</b>	
<b>£000</b>	
Cash held on deposit	20,977
Fixed Interest Securities	202,162
Loans	9,799
	<b><u>232,938</u></b>
<b>31 March 2015</b>	
<b>£000</b>	
Cash held on deposit	15,383
Fixed Interest Securities	201,386
Loans	11,785
	<b><u>228,554</u></b>

**Interest Rate – Sensitivity Analysis**

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

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

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

A 1% increase in interest rates will reduce the fair value of the relevant net assets and vice versa. The loans identified are part of the M&G Financing Fund. Borrowers pay a fixed annual interest rate agreed at the outset.

**3) Currency Risk**

Currency risk represents the risk that the fair value of financial instruments will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in a currency other than sterling. When sterling depreciates the sterling value of foreign currency denominated investments will rise and when sterling appreciates the sterling value of foreign currency denominated investments will fall.

Currently Wiltshire Pension Fund has a dynamic hedging arrangement in place. This reduces the volatility of returns over the long term.

The tables below show approximate exposures to each of the three major foreign currencies based on manager benchmarks and target allocations. This is based on the two global equity managers Baillie Gifford and Legal & General.

<b>2016</b>	US Dollar	Euro	Yen
Benchmark Weights	20.89%	4.86%	1.96%
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Net Currency Exposure</b>	<b>381,611</b>	<b>88,782</b>	<b>35,759</b>

<b>2015</b>	US Dollar	Euro	Yen
Benchmark Weights	18.43%	7.02%	3.40%
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Net Currency Exposure</b>	<b>338,723</b>	<b>129,005</b>	<b>62,417</b>

### Currency Risk – Sensitivity Analysis

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

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

<b>2016</b>	<b>Assets Held</b>	<b>Change in net assets</b>	
	<b>at Fair Value</b>	<b>+10%</b>	<b>-10%</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
US Dollar	381,611	38,161	(38,161)
Euro	88,782	8,878	(8,878)
Yen	35,759	3,576	(3,576)
<b>Net Currency Exposure</b>	<b>506,152</b>	<b>50,615</b>	<b>(50,615)</b>

<b>2015</b>	<b>Assets Held</b>	<b>Change in net assets</b>	
	<b>at Fair Value</b>	<b>+10%</b>	<b>-10%</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
US Dollar	338,723	33,872	(33,872)
Euro	129,005	12,901	(12,901)
Yen	62,417	6,242	(6,242)
<b>Net Currency Exposure</b>	<b>530,145</b>	<b>53,015</b>	<b>(53,015)</b>

As the Fund has a dynamic hedging arrangement in place only a proportion of the gains/losses would be experienced. One important point to note is that currency movements are not independent of each other. If sterling strengthened generally it may rise against all the above currencies producing losses across all the currencies.

### b) Credit Risk

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

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

A securities lending programme is run by the Fund's custodian, BNY Mellon, who manage and monitor the counterparty risk, collateral risk and the overall lending programme. The minimum level of collateral

for securities on loan is 102%, however more collateral may be required depending upon the type of transaction. This level is assessed daily to ensure it takes account of market movements. The current collateral Wiltshire Pension Fund accepts is AAA rated supranational debt, AA rated 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.

Forward currency contracts are entered into by the Fund's currency overlay manager – Berenberg. These contracts are subject to credit risk in relation to the counterparties of the contracts which are primarily banks. The responsibility for these contracts rests with Berenberg. Prior to appointment full due diligence was undertaken, they are regulated by BaFin (the German equivalent of FCA) and meet the requirements set out in the LGPS (Management and Investment of Funds) Regulations 2009.

Another source of credit risk is the cash balances held internally or by managers. The Pension Fund's bank account is held at HSBC, which holds a AA- long term credit rating and it maintains its status as a well capitalised and strong financial institution. The management of the cash held in this account is managed by the Council's Treasury Management Team in line with the Fund's Treasury Management Strategy which sets out the permitted counterparties and limits. Cash held by investment managers is invested with the custodian in a diversified money market fund rated AAAM.

The Fund's exposure to credit risk at 31 March 2016 and 2015 is the carrying amount of the financial assets.

**2016**

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

**2015**

	<b>£000</b>
Global Fixed interest pooled	201,386
Cash held on deposit	15,383
Other investment balances	431
Current assets	18,912
	<b><u>236,112</u></b>

**c) Liquidity Risk**

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The main liabilities of the Fund relate to the benefits payable which fall due over a long period of time. The investment strategy reflects this and 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 2016 and 2015, grouped into relevant maturity dates.

<b>2016</b>	<b>Carrying Amount £000</b>	<b>Less than 12 months £000</b>	<b>Greater than 12 months £000</b>
Accounts Payable	51	51	0
Benefits Payable	500	500	0
Sundry Creditors	3,363	3,363	0
	<b>3,914</b>	<b>3,914</b>	<b>0</b>

<b>2015</b>	<b>Carrying Amount £000</b>	<b>Less than 12 months £000</b>	<b>Greater than 12 months £000</b>
Accounts Payable	68	68	0
Benefits Payable	511	511	0
Sundry Creditors	3,127	3,127	0
	<b>3,706</b>	<b>3,706</b>	<b>0</b>

### Fair Value Hierarchy

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

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

The tables below analyse financial instruments, measured at fair value at the end of the reporting period 31 March 2016 and 31 March 2015, 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 BNY Mellon.

<b>2016</b>	<b>£000 Level 1</b>	<b>£000 Level 2</b>	<b>£000 Level 3</b>	<b>£000 Total</b>
Fixed Interest Securities				0
Index Linked Securities				0
Equities	307,771		13,077	320,848
Pooled Funds:				0
- Other		1,234,749	17,888	1,252,637
- Property		113,247	117,258	230,505
Derivative assets				0
- Futures				0
- Options				0
- Forward FX				0
	<b>307,771</b>	<b>1,347,996</b>	<b>148,223</b>	<b>1,803,990</b>
Cash Deposits	22,223			22,223
Other Investment balances	179			179
	<b>330,173</b>	<b>1,347,996</b>	<b>148,223</b>	<b>1,826,392</b>

<b>2015</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Fixed Interest Securities				0
Index Linked Securities				0
Equities	328,117		14,009	342,126
Pooled Funds:				0
- Other		1,278,757	10,536	1,289,293
- Property		128,513	63,182	191,695
Derivative assets				0
- Futures				0
- Options				0
- Forward FX				0
	<b>328,117</b>	<b>1,407,270</b>	<b>87,727</b>	<b>1,823,114</b>
Cash Deposits	13,852			13,852
Other Investment balances	431			431
	<b>342,400</b>	<b>1,407,270</b>	<b>87,727</b>	<b>1,837,397</b>

During 2015/16 there were no transfers between level 1 and 2 of the fair value hierarchy.

The following tables present the movement in level 3 instruments for the year end 31 March 2016 and 31 March 15.

<b>2016</b>	<b>£000</b>
Opening balance	87,727
Total gains/losses	24,358
Purchases	39,537
Sales	-3,399
Transfer out of Level 3	0
Closing balance	<b>148,223</b>

<b>2015</b>	<b>£000</b>
Opening balance	51,758
Total gains/losses	4,016
Purchases	34,633
Sales	-2,680
Transfer out of Level 3	0
Closing balance	<b>87,727</b>



**12 Investment management expenses**

	2015/2016 £000	2014/2015 £000
Management & Investment Admin Fees	7,644	6,912
Custody & Performance Measurement	87	104
	<b>7,731</b>	<b>7,016</b>

**13 Current assets**

	31 March 2016 £000	31 March 2015 £000
Contributions due from other authorities and bodies		
- Employees	1,390	1,424
- Employers	5,386	4,549
Income due from external managers and custodians	0	0
Debtors (Magistrates)	3,860	4,825
Other	1,562	2,133
Cash balances	3,985	5,981
	<b>16,183</b>	<b>18,912</b>
Less:		
Long term debtors (Magistrates)	3,860	4,825
<b>Net Current Assets</b>	<b>12,323</b>	<b>14,087</b>

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

On 8<sup>th</sup> 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 £4.825m, of this the following year's instalment (£0.965m) is classified as a debt repayable in one year, and the remaining balance £3.9m is a long term debtor.

**14 Current Liabilities**

	31 March 2016 £000	31 March 2015 £000
Managers / Custody fees	1,873	1,207
HMRC	737	702
Other	1,304	1,797
	<b>3,914</b>	<b>3,706</b>

**15. Additional Voluntary Contributions (AVCs)**

Fund members paid contributions totalling £0.649 million (£0.593 million in 2014/15) into their AVC funds during the year. At the year end, the value of funds invested on behalf of Fund members totalled £3.700 million (£3.529 million in 2014/15), made up as follows:

	£ million
<i>Equitable Life Assurance Society</i>	
- With Profits Fund	0.512
- Unit Linked Managed Fund	0.197
- Building Society Fund	0.015
<i>Clerical Medical Funds</i>	
- With Profits Fund	0.150
- Unit Linked Managed Fund	0.880
<i>NPI Funds</i>	
- Managed Fund	0.026
- With Profits Fund	0.101
- Global Care Unit Linked Fund	0.051
- Cash Deposit Fund	0.024
<i>Prudential</i>	
- With Profits Cash Accumulation Fund	0.676
- Deposit Fund	0.272
- Diversified Growth Fund	0.245
- Equity Passive	0.034
- Long Term Growth Fund	0.207
- Pre-Retirement Fund	0.128
- Property Fund	0.182
	<b>3.700</b>

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

#### 16. Employer Related Assets

There are no employer related assets within the Fund.

#### 17. Related Party Transactions

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

The Council incurred costs of £1.174m (2014/15: £1.097m) 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 £28m to the Fund in 2015/16 (2014/15: £26m). A balance of £0.68m 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 2016, the fund had an average investment balance of £5m (31 March 2015: £3.5m), earning interest of £27k (2014/15: £19k) in these funds.

#### Governance

There are two members of the Pension Fund Committee D Hall and L Stuart that are active members of the Pension Fund. These individuals are the employer bodies' representatives.

#### 18. Guaranteed Minimum Pension

The Fund continues to make progress on updating the details of Guaranteed Minimum Pensions (GMP) that were not previously shown on member's records. The Fund is working with HMRC on the GMP reconciliation project where all records will need to be reconciled by March 2018.

GMP elements of member's LGPS pension whose State Pension Age (SPA) is prior to 06/04/2016 are not increased by the Fund for Pre 1988 GMP (in respect of the period 06/04/1978 to 05/04/1988). But for Post 1988 element (in respect of the period 06/04/1988 to 05/04/1997) it is increased by a maximum of 3%. The Government increase the State Pension for the member fully on the Pre 1988 GMP element and for Post 1988 GMP element it is only increased if CPI is above 3%.

The effect of LGPS pensions not showing the correct amount of GMP for its members would mean that their pension would be increased by more than it should be.

Although these overpayments are costs to the Fund they have been included as expenditure in previous pension fund accounts, therefore no restatement is necessary.

The Government has announced that future GMP increases will be met in full by the Fund where a member's SPA is on or after 06/04/2016.

#### **19. Contingent Liabilities and Contractual Commitments**

Outstanding capital commitments (investments) at 31 March 2016 totalled Euro 30.550m (31 March 2015: Euro 36.285m).

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.

**Actuarial Statement in respect of IAS26 as at 31.03.2016****Introduction**

CIPFA's Code of Practice on Local Authority Accounting 2015/16 requires administering authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits.

The actuarial present value of promised retirement benefits is to be calculated similarly to the defined obligation under IAS19. There are three options for its disclosure in pension fund 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 Pension Fund's funding assumptions.

I have been instructed by the Administering Authority to provide the necessary information for the Wiltshire Council Pension Fund, which is in the remainder of this note.

**Present value of Promised Retirement Benefits**

£m	Year ended	
	31 March 2016	31 March 2015
Active members	1,318	1,336
Deferred pensioners	558	632
Pensioners	881	974
<b>Total</b>	<b>2,757</b>	<b>2,942</b>

Liabilities have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2013. The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable. However, I am satisfied the aggregate liability is a reasonable estimate of the actuarial present value of the benefit promises. I have not made any allowance for unfunded benefits.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the accounts of the Pension Fund. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

**Assumptions**

The assumptions used are those adopted for the Administering Authority's IAS19 report as required by the Code of Practice. These are given below. I estimate that the impact of the change of assumptions to 31 March 2016 is to decrease the actuarial present value by £275m.

**Financial assumptions**

My recommended financial assumptions are summarised below:

Year ended	31 Mar 2016 % p.a.	31 Mar 2015 % p.a.
Inflation/Pension Increase Rate	2.2%	2.4%
Salary Increase Rate	4.2%	4.3%
Discount Rate	3.5%	3.2%

**Longevity assumption**

As discussed in the accompanying report, the life expectancy assumption is based on the Fund's VitaCurves with improvements in line with the CMI\_2010 model, assuming the current rate of improvements has reached a peak and will converge to a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	<b>Males</b>	<b>Females</b>
Current Pensioners	22.3 years	24.5 years
Future Pensioners*	24.1 years	26.9 years

*\*Future pensioners are assumed to be currently aged 45 at the most recent formal valuation as at 31 March 2013.*

Please note that the assumptions are identical to those used for the previous IAS26 disclosure for the Fund.

**Commutation**

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:

Change in assumptions for the year ended 31 March 2016	Approximate % Increase in liabilities	Approximate monetary amount (£m)
0.5% decrease in discount rate	11%	293
1 year increase in member life expectancy	3%	83
0.5% increase in salary increase rate	3%	91
0.5% increase in pensions increase rate	7%	197

**Professional notes**

This paper accompanies my covering report titled 'Actuarial Valuation as at 31 March 2016 for accounting purposes'. The covering report identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Catherine McFadyen FFA  
For and on behalf of Hymans Robertson LLP  
5 May 2016

**Schedule of Employer Bodies****Scheduled/Resolution bodies**

Wiltshire Council  
 Swindon Borough Council  
 Wiltshire & Swindon Fire Authority  
 Wiltshire Police PCC & CC  
 Alderbury Parish Council  
 Amesbury Parish Council  
 Blunsdon St Andrews Parish Council  
 Bradford-on-Avon Town Council  
 Calne Town Council  
 Chippenham Town Council  
 Corsham Town Council  
 Cricklade Town Council  
 Devizes Town Council  
 Haydon Wick Parish Council  
 Highworth Town Council  
 Malmesbury Town Council  
 Marlborough Town Council  
 Melksham Town Council  
 Melksham Without Parish Council  
 Mere Parish Council  
 Purton Parish Council  
 Redlynch  
 Royal Wootton Bassett Town Council  
 Salisbury City Council  
 Steeple Ashton Parish Council  
 Stratton St Margaret Parish Council  
 Trowbridge Town Council  
 Wanborough Town Council  
 Warminster Town Council  
 Westbury Town Council  
 Wilton Town Council  
 Wroughton Parish Council  
 All Saints (Netheravon) Academy  
 ATOM  
 Bishop Wordsworth Academy  
 Bybrook Valley Academy  
 Christian Malford Academy  
 Churchfield Academy  
 Colebrook Infants Academy  
 Commonweal Academy  
 Corsham Primary Academy  
 Corsham Secondary Academy  
 inc Corsham Regis  
 Dauntseys Academy  
 Devizes Academy  
 Diocese of Bristol Academy Trust  
 Diocese of Salisbury Academy Trust  
 Dorcan Technology Academy  
 Eastrop Infants Academy  
 Education Fellowship  
 Excalibur Academy  
 Goddards Park Academy  
 Gorse Hill Academy  
 Hardenhuish School Ltd  
 Hazelwood Academy  
 Highworth Warneford Academy  
 Holy Family Academy

Holy Rood Infants Academy  
 Holy Rood Junior Academy  
 Holy Trinity Calne Academy  
 Holy Trinity Devizes Academy  
 John Bentley Academy  
 John of Gaunt Academy  
 King William Academy  
 Kingdown Academy  
 Kingsdown Academy  
 Lavington Academy  
 Lethbridge Academy  
 Lydiard Academy  
 Malmesbury Academy  
 Malmesbury Primary Academy  
 The Mead Primary Academy  
 inc Castle Mead Academy  
 inc River Mead Academy  
 Millbrook Academy  
 Morgan Vale Academy  
 New College  
 Oasis Community Learning  
 Peatmoor Primary Academy  
 Pewsey Primary Academy  
 Pewsey Vale Academy  
 Queens Crescent Academy  
 Ridgeway Academy  
 Rowde Academy  
 Royal Wootton Bassett School  
 Salisbury 6th Form Academy  
 Sarum Academy  
 Sevenfields Academy  
 Shaw Ridge Academy  
 Sheldon Academy  
 Somerset Road Academy  
 South Wilts Grammar School  
 South Wilts UTC  
 Southfield Junior Academy  
 Springfields Academy  
 St Augustine's School  
 St Catherine's Academy  
 St Edmund's Calne Academy  
 St Edmunds Girls Academy Salisbury  
 St Joseph's Academy Devizes  
 St Joseph's Academy Swindon  
 St Laurence Academy  
 St Leonard's Academy  
 St Mary's Swindon Academy  
 Swindon College  
 United Learning Trust  
 Uplands Education Trust  
 UTC Swindon  
 Wansdyke Academy  
 Wellington Academy  
 Westlea Academy  
 White Horse Academies  
 Whitesheet Academy  
 Wiltshire College  
 Woodford Valley Academy

**Admitted bodies**

4 Children  
 ABM Catering Ltd  
 Action for Blind People  
 Agincare  
 Aster Communities  
 Aster Group  
 Aster Living  
 Aster Property Management  
 Atkins Ltd  
 Balfour Beatty  
 Barnardos  
 Capita Business Services Ltd  
 Care & Support Swindon (SEQOL)  
 Caterlink  
 Churchill Services  
 CIPFA  
 Collaborative Schools  
 Community First  
 Crime Reduction Initiatives  
 Developing Health & Independence  
 Devizes Museum  
 Direct Cleaning  
 Direct Cleaning Wansdyke  
 Elixir UK  
 Enara  
 FCC Environment  
 GLL  
 Greenwich Leisure Limited pt2  
 Great Western Hospital  
 Greenwich Leisure Limited  
 Host  
 Innovate Services  
 Leonard Cheshire  
 Lifeways  
 Mainline Contract Services  
 Mears Care Ltd  
 Nuffield Health  
 Places For People Leisure  
 The Order Of St John Care Trust  
 Oxford Health NHS Trust  
 Reach  
 Salisbury and South Wilts Museum  
 Sarsen Housing  
 Selwood Housing  
 Seren Group  
 Somerset Care Ltd  
 Southern Health NHS Foundation Trust  
 Swindon Commercial Services  
 Swindon Dance  
 Twigmarket  
 Visit Wiltshire  
 Westlea Housing Association  
 Wiltshire and Swindon Sports Partnership  
 Wiltshire CCG

These accounts form a summary from the Wiltshire Pension Fund Annual Report and Financial Statements publication. This provides information on its activities and a full detailed statement of its accounts. Requests for this report, or any other queries arising from the Wiltshire Pension Fund Accounts, should be addressed to the Chief Financial Officer, County Hall, Bythesea Road, Trowbridge, BA14 8JN.

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## WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD  
20 July 2016

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### **INTERNAL AND EXTERNAL AUDIT UPDATE**

#### **Purpose of the Report**

1. This report updates the Board of the findings of the internal auditors report from South West Audit Partnership (SWAP) on the Wiltshire Pension Fund from their 2015-16 audit which was presented to the Wiltshire Pension Fund Committee on 30 June 2016.
2. The report also provides an update on the external audit.

#### **Background**

3. The internal audit of Pensions has been completed by SWAP in accordance with the Internal Audit plan for 2015-16. The scope of this audit was to assess the adequacy of key controls and procedures in place for Wiltshire Council which included Pensions.
4. This supports the annual audit undertaken by KPMG (the external auditors). The key controls identified specifically for the Wiltshire Pension Fund for this audit are set out within the attached extract of the full Audit Report.

#### **Key Considerations for the Committee**

##### *Internal Audit - SWAP*

5. Internal Audit has reported a "Reasonable Assurance" opinion. This means that most areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
6. There were no significant findings to report from this audit, although two medium risks were identified which are being addressed by the management in their area of responsibility.
7. The attached report provides a summary of the audit findings and assurances provided along with the recommendation if appropriate for the expected key controls. The agreed Action Plan can be found at the end of the document.
8. Of the two medium risks identified all have either been addressed or will by 31 December 2016.
9. The Internal Audit Plan for 2016-17 is still being finalised with the intention to include a third party review of the Fund's compliance Pension Regulator's Code of Practice No 14.

##### *External Audit - KPMG*

10. The External Audit of the 2015-16 financial statements is still on-going. KPMG undertook an interim audit in the spring and did not need to report any issues at this stage of the process. The final audit is now reaching its conclusion with the audit being presented to

the Audit Committee on 27 July 2016. Any recommendations or actions will be included within this report and presented to the Wiltshire Pension Fund Committee on 29 September 2016.

11. For information the KPMG audit plan for Wiltshire Council which includes the audit of the Wiltshire Pension Fund is attached.

### **Risks Assessment**

12. The risks reflected in this Internal Audit report are included in the Risk Register which is updated quarterly and presented to this Board.

### **Financial Implications**

13. The internal audits fees are based on an annual recharge from Wiltshire Council. The fee for the 2015-16 external audit by KPMG is £24,246 and a direct charge to the Fund.

### **Legal Implications**

14. None have been identified as arising directly from this report.

### **Safeguarding Considerations/Public Health Implications/Equalities Impact**

15. There are no known implications at this time.

### **Proposals**

16. The Board is asked to note this update and the attached Internal Audit Report and agreed Action Plan.

MICHAEL HUDSON  
Treasurer to the Pension Fund

Report Author: David Anthony, Head of Pensions

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

**Final Report  
(Extract from Key Control  
Consolidated Report 2015-16)**



**Wiltshire Council**

▶ **Pension Fund**

**Issued to:** David Anthony  
*Head of Pensions*

Catherine Dix  
*Strategic Pension Manager*

*Working in partnership with*



**Date of Report:** 15 June 2016

**Issued by:** Jennifer Strahan  
*Assistant Director*

**Payroll and pensions**

**Management Summary**

As part of the 2015-16 audit plan a review has been undertaken to assess the adequacy of the controls and procedures in place for Payroll and pensions. This is to support the annual audit undertaken by the organisation’s External Auditors.

The Key Control audit process focuses primarily on key risks relating to the organisation’s major financial systems. It is essential that all key controls identified by the External Auditor are operating effectively to provide management with the necessary assurance. The key controls identified for this audit are attached as Appendix ‘A’.

This report provides Management with a summary of the audit findings and assurance that, in no order of priority, each of the expected key controls are in place and managing the associated risk in a ‘satisfactory’ manner. Where expected controls are not met, a recommendation for improvement is offered to assist in managing the risk.

It should be noted that, where a test has identified a weakness, SWAP are required to obtain an undertaking for corrective action from the appropriate manager. These responses are captured in the Action Plan.

**Summary of Significant Corporate Risks**

The following table records the inherent risk (the risk of exposure with no controls in place) and the manager’s initial assessment of the risk (the risk exposure on the assumption that the current controls are operating effectively) captured at the outset of the audit. The final column of the table is the Auditors summary assessment of the risk exposure at Corporate level after the control environment has been tested. All assessments are made against the risk appetite agreed by the SWAP Management Board.

Areas identified as significant corporate risks, i.e. those being assessed as ‘high’ or ‘very high’ risk areas in line with the definitions attached should be addressed as a matter of urgency.

Risks	Inherent Risk Assessment	Auditors Assessment
The failure to properly manage and control the Pension System could mean that errors / exceptions are not detected and incorrect payments made. This could undermine confidence in the system and adversely affect the corporate financial systems’ data integrity.	High	Low

## Summary of Significant Findings

The following were identified as key findings for the service and therefore categorised, in accordance with the definitions attached, as a level '4' or '5' priority in the action plan.

There were no significant findings identified during this review.

Further details of audits' findings can be viewed in the full audit report, which follows this Management Summary.

## Conclusion and Audit Opinion

▲★★★ Reasonable

I am able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

The key areas for improvement are related to more regular reconciliation and checks between Altair and the SAP Pension Payroll data and an updated full reconciliation between the two sets of data.

### Objectives & Risks

The key objective of the service and risks that could impact on the achievement of this objective were discussed and are identified below.

**Objective:** To ensure the key financial system controls are operating effectively and that fraud and error are minimised.

**Risks:**

- The failure to properly manage and control the Pension System could mean that errors / exceptions are not detected and incorrect payments made. This could undermine confidence in the system and adversely affect the corporate financial systems' data integrity.

### Findings

The following paragraphs detail all findings that warrant the attention of management.

The findings are all grouped under the objective and risk that they relate.

**5.1 Risk: 5. The failure to properly manage and control the Pension System could mean that errors / exceptions are not detected and incorrect payments made. This could undermine confidence in the system and adversely affect the corporate financial systems' data integrity.**

**5.1.1 Key Control: 1.4 Periodic reconciliation of the pension payroll system to the general ledger**

Given that reconciliations should be undertaken on a monthly basis, a sample of 3 reconciliations of each of the following type were selected for review at the start, during and end of the period of audit (April 2015 to December 2015) as follows:

- New Pensioners
- New Dependants
- Lump Sum Payments
- Commutations
- Underpayments
- Overpayments
- Pension Payroll Reporting to SAP GL Control Account and BACS

The latest balance figures and variance analysis between monthly balances were also reviewed.

A checklist of reconciliations is maintained on a spreadsheet record by Wiltshire Pension Fund (WPF) Finance Staff to evidence when they are prepared and checked. Review of the spreadsheet revealed that such reconciliations have not been undertaken on a regular monthly basis. The review of a sample of reconciliations (3 months each) for New Pensioners, New

Dependents, Lump Sum Payments, Commutations, Over- and Underpayments, highlighted delays between the period end and recorded checked date from 28 to 61 days. Similarly checks of the latest version of the Unitisation Spreadsheet showing variance analysis of monthly balances highlighted that whilst this had been updated with January 2016 SAP data, it had not been marked as checked since November 2015 although triggering variances were flagged. The failure to undertake checks and reconciliations between the two systems could increase the risk of making inaccurate payments to pensioners.

**5.1.1a I recommend that reconciliations between the Altair Pension system and SAP Pensions Payroll including variance analysis of pension payroll balances should be undertaken on a regular, monthly basis.**

A further review of the above sample testing confirmed that the reconciliations undertaken, by the Central Finance Team, of SAP Payroll and BACS payments cast with only minor balancing items identified. All balances were fully supported by extracted reports from SAP GL (BACS payments) and SAP Payroll reporting as appropriate. In addition, sample testing in respect of reconciliations undertaken by the WPF Finance Team also confirmed that those for lump sums, commutations and underpayments cast between SAP GL / Payroll and Altair had no material balancing items and extracts from supporting reports were retained to support reconciled balances. Checks between SAP GL and Altair in respect of overpayments were also found to be appropriately evidenced, although outstanding balances could not be reconciled as outstanding balances are not reported in Altair.

Further checks undertaken as part of reconciliation process of new dependants and new pensioners revealed an initial lack of clear evidence as to whether cumulative balances for Altair and SAP GL / Payroll cast for payments made to pensioners. Only a line by line analysis of expected total pension payments with any changes to either Altair or Payroll was found to be evidenced. An examination of supporting variances confirmed that this does prompt review of any changes to payments made to pensioners. However a check of the spreadsheet dated January 2016 highlighted variances above the 5% trigger identified in December 2015 for which an explanation had not been noted (last updated in November 2015). It is also noticed that the last full reconciliation of the system was undertaken in 2011.

Whilst we appreciate there should be no changes to pensioners' payments other than annual uplift or cessation, we would reiterate the need for timely reconciliations as reported in the recommendation 5.1.1a above. We also make the following advisory recommendation to provide further assurance that the two systems cast.

**5.1.1b I recommend that an updated full reconciliation be undertaken between Altair and SAP Payroll to provide further assurance that payments made to pensioners cast. This should provide the basis for a monthly reconciliation of cumulative balances. Cross checks to facilitate this may be possible through the use of IDEA data analysis software with the assistance of SWAP Internal Audit.**

The Agreed Action Plan provides a formal record of points arising from this audit and, where appropriate, the action management has agreed to take and the timescale in which the action will be completed. All findings have been given a priority rating between 1 and 5, where 1 is low and 5 is high.

It is these findings that have formed the opinion of the service's control environment that has been reported in the Management Summary.

Finding	Recommendation	Priority Rating	Management Response	Responsible Officer	Implementation Date
<p><b>Objective:</b> To ensure the key financial system controls are operating effectively and that fraud and error are minimised.</p>					
<p><b>Risk:</b> The failure to properly manage and control the Pension System could mean that errors / exceptions are not detected and incorrect payments made. This could undermine confidence in the system and adversely affect the corporate financial systems' data integrity.</p>					
<p>5.1.1a Reconciliations and checks between Altair and the SAP Pension Payroll / GL data have been delayed. Average delays were noted between the period end and recorded checked date from 28 to 61 working days.</p>	<p>I recommend that reconciliations between the Altair Pension system and SAP Pensions Payroll including variance analysis of pension payroll balances should be undertaken on a regular, monthly basis.</p> <p style="text-align: right;"><i>SWAP Ref: 31646</i></p>	<p>3</p>	<p>The reconciliations have been behind due to the recent staff changes. The officer undertaking the reconciliations moved to a new role during the year, and their replacement who only recently joined the Fund is being trained. During this period the monthly reconciliations had been picked up on a quarterly basis, leading to the extended period. This will be addressed as the team is fully resourced and the new officer comes up to speed.</p>	<p>Strategic Pension Manager</p>	<p>June 2016</p>



Finding	Recommendation	Priority Rating	Management Response	Responsible Officer	Implementation Date
5.1.1b The last full reconciliation between Altair and Pensions Payroll records and balances was undertaken in 2011.	<p>I recommend that an updated full reconciliation be undertaken between Altair and SAP Payroll to provide further assurance that payments made to pensioners cast. This should provide the basis for a monthly reconciliation of cumulative balances. Cross checks to facilitate this may be possible through the use of IDEA data analysis software with the assistance of SWAP Internal Audit.</p> <p style="text-align: right;"><i>SWAP Ref: 31752</i></p>	3	<p>A full reconciliation of the Altair to Pensions Payroll is a challenge due to different ways the two systems undertake their calculations leading to rounding differences that are cumulative. The main risk is setting up new pensioners which are reconciled on a monthly basis. Due to the size of the payroll and lines of records involved, reconciliations based on sampling is the intended basis for review moving forward. However, the current GMP exercise means that officers are currently reviewing all the records on Altair against HMRC figures due for completion in 2018. As part of this the Altair records will be compared against the SAP Payroll. The Fund is also considering the use of Altair Payroll which would negate the need for reconciliations in future and officers will report back to Committee on progress.</p>	Head of Pensions	December 2016

## Audit Framework Definitions

### Control Assurance Definitions

<b>Substantial</b>	▲☆☆☆☆	I am able to offer substantial assurance as the areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.
<b>Reasonable</b>	▲★★☆☆	I am able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
<b>Partial</b>	▲★☆☆☆	I am able to offer Partial assurance in relation to the areas reviewed and the controls found to be in place. Some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
<b>None</b>	▲☆☆☆☆	I am not able to offer any assurance. The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

### Categorisation Of Recommendations

When making recommendations to Management it is important that they know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. No timeframes have been applied to each Priority as implementation will depend on several factors, however, the definitions imply the importance.

Priority 5: Findings that are fundamental to the integrity of the unit's business processes and require the immediate attention of management.

Priority 4: Important findings that need to be resolved by management.

Priority 3: The accuracy of records is at risk and requires attention.

Priority 2: Minor control issues have been identified which nevertheless need to be addressed.

Priority 1: Administrative errors identified that should be corrected. Simple, no-cost measures would serve to enhance an existing control.

### Definitions of Corporate Risk

Risk	Reporting Implications
<b>Low</b>	Issues of a minor nature or best practice where some improvement can be made.
<b>Medium</b>	Issues which should be addressed by management in their areas of responsibility.
<b>High</b>	Issues that we consider need to be brought to the attention of senior management.
<b>Very High</b>	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.

## Appendix A

Control	Specific area of testing	Detailed testing requirements
<b>G - Pension Fund audits – DCC and WC</b>		
<b>G1</b> - Authorisation of benefit payments to include lump sums on death, lump sums on retirement and transfer out payments.	Discuss the review and authorisation process for calculations of benefits on death, retirees and transfers out.	For a sample of lump sums on death, retirement and transfers out obtain copies of signed leaver forms and benefit calculations. Ensure that the benefit calculation and subsequent payment has been reviewed and authorised.  For death benefits ensure that there is a death certificate on file.
<b>G2</b> - Production and independent review of exception reports produced for pension payroll	Discuss the process for the production and review of exception reports. Ensure this is appropriate and for one report ensure this has been performed in line with our understanding.	For a sample of payments highlighted by the exception report, confirm that there is evidence of investigation and formal sign off of the review.
<b>G3</b> - Authorisation of starters and leavers to the pension payroll	Discuss the process for adding and removing employees from the pension scheme. Ensure that this is appropriate. For one starter per the system, and one leaver per HR, ensure that the process has been performed appropriately and in a timely manner.	For a sample in line with the sizes on page 6, obtain signed copy of starters form and ensure that individual is added to the payroll accurately and in a timely fashion in accordance with the pension calculation.  For a sample of leavers in line with the sizes on page 6, agree the individuals leaving date to their leavers form and death certificate. Ensure that the individual is removed from the payroll in a timely manner.
<b>G4</b> - Periodic reconciliation of the pension payroll system to the general ledger	Discuss the reconciliation and review process with management. Ensure it is appropriate and done in a timely manner. For one reconciliation ensure that it has been performed and reconciling items appropriately followed up.	Confirm that reconciliations have been produced in a timely fashion and have been evidenced as prepared and reviewed.  Confirm that the reconciliation casts and any material reconciling items exist and agree to supporting documentation.
<b>G5</b> - Bank reconciliations	Discuss the reconciliation and review process with management. Ensure it is appropriate and done in a timely manner. For one reconciliation ensure that it has been performed and reconciling items appropriately followed up.	Confirm that reconciliations have been produced in a timely fashion and have been evidenced as prepared and reviewed.  Confirm that the reconciliation casts and agree systems balances and significant reconciling items to supporting documentation.
<b>G6</b> - Evidence of regular discussions with Governors and the actuary on the pension deficit. (relates to DCC and WC only)	Ensure that discussions regarding the pension deficit have taken place during the year.	Obtain copies of any meeting minutes or notes available to confirm that appropriate discussions have taken place.
<b>G7</b> - Management approval of IAS 19 assumptions. (relates to DCC and WC only)	Ensure that the assumptions used by the actuary in the IAS 19 valuation have been reviewed and approved by management.	Confirm that management have reviewed and approved the IAS 19 assumptions through enquiry, and observation of any supporting documentation. Eg. formal sign off.

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# External Audit Plan



**Wiltshire Council**

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April 2016

## Financial statement audit

**There are no significant changes to the Code of Practice on Local Authority Accounting in 2015/16, which provides stability in terms of the accounting standards the Authority need to comply with.**

### Materiality

Materiality for planning purposes has set at £12.0 million for the Authority and £25 million for the Pension Fund.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance and this has been set at £0.6 million for the Authority and £1.25 million for the Pension Fund.

### Significant risks

One risk requiring specific audit attention and procedures to address the likelihood of a material financial statement error has been identified as:

- Better Care Fund Accounting.

### Other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding have been identified as:

- Non-Domestic Rates Deficit;
- Valuation of PPE; and
- Provisions.

**See pages 3 to 6 for more details.**

## Value for Money Arrangements work

The National Audit Office has issued new guidance for the VFM audit which applies from the 2015/16 audit year. The approach is broadly similar in concept to the previous VFM audit regime, but there are some notable changes:

- There is a new overall criterion on which the auditor's VFM conclusion is based; and
- This overall criterion is supported by three new sub-criteria.

Our risk assessment regarding your arrangements to secure value for money has identified the following VFM significant risks:

- Better Care Fund Governance; and
- Savings Plans.

**See pages 8 to 11 for more details.**

## Logistics

Our team is:

- Darren Gilbert – Director;
- Adam Bunting – Manager; and
- Rob Andrews – Assistant Manager.

More details are on **page 14**.

Our work will be completed in four phases from December to July and our key deliverables are this Audit Plan and a Report to those charged with Governance as outlined on **page 13**.

Our fee for the audit is £167,420 for the Authority (a reduction of £55,806 compare to 2014/15) and £24,246 for the Pension Fund see **page 12**.

# Introduction

## Background and Statutory responsibilities

This document supplements our Audit Fee Letter 2015/16 presented to you in April 2015, which also sets out details of our appointment by Public Sector Audit Appointments Ltd (PSAA).

Our statutory responsibilities and powers are set out in the Local Audit and Accountability Act 2014 and the National Audit Office's Code of Audit Practice.

Our audit has two key objectives, requiring us to audit/review and report on your:

- Financial statements (including the Annual Governance Statement): Providing an opinion on your accounts; and
- Use of resources: Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the value for money conclusion).

The audit planning process and risk assessment is an on-going process and the assessment and fees in this plan will be kept under review and updated if necessary.

## Acknowledgements

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

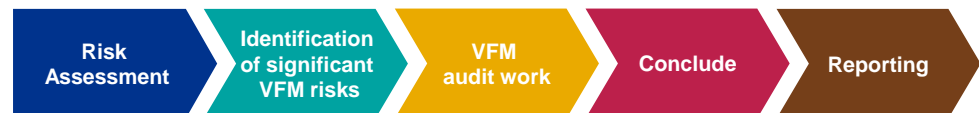
## Financial Statements Audit

Our financial statements audit work follows a four stage audit process which is identified below. Appendix 1 provides more detail on the activities that this includes. This report concentrates on the Financial Statements Audit Planning stage of the Financial Statements Audit.



## Value for Money Arrangements Work

Our Value for Money (VFM) Arrangements Work follows a five stage process which is identified below. Page 8 provides more detail on the activities that this includes. This report concentrates on explaining the VFM approach for the 2015/16 and the findings of our VFM risk assessment.



# Financial statements audit planning

## Financial Statements Audit Planning

Our planning work takes place during December to March 2016. This involves the following key aspects:

- Risk assessment;
- Determining our materiality level; and
- Issuing this audit plan to communicate our audit strategy.

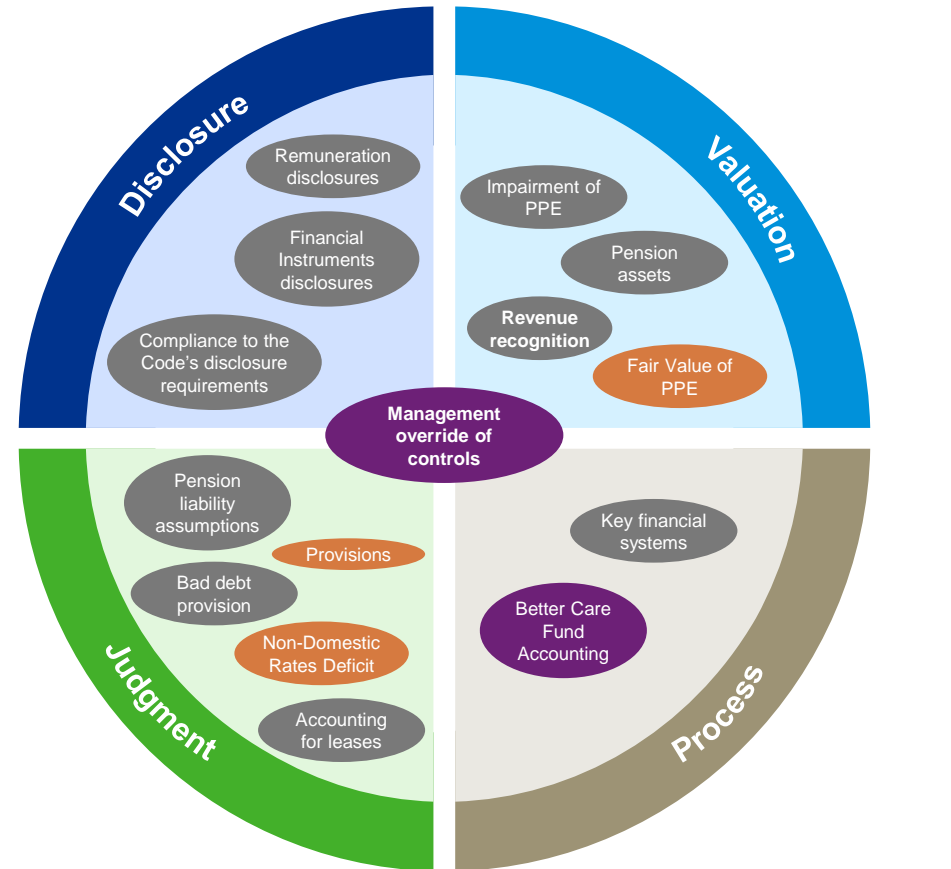
## Risk assessment

Professional standards require us to consider two standard risks for all organisations. We are not elaborating on these standard risks in this plan but consider them as a matter of course in our audit and will include any findings arising from our work in our SA 260 Report.

96 Management override of controls – Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual. This risk also applies to the pension fund audit.

- Fraudulent revenue recognition – We do not consider this to be a significant risk for local authorities as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebut this risk and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures.

The diagram opposite identifies, significant risks and other areas of audit focus, which we expand on overleaf. The diagram also identifies a range of other areas considered by our audit approach.



Keys: ● Significant risk ● Other area of audit focus ● Example other areas considered by our approach



# Financial statements audit planning (cont)

Significant audit risks		
Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error.		
	Risk	Approach
Page 97	<p><b>Better Care Fund Accounting</b></p> <p>The introduction of the Better Care Fund, which results in pooling of budgets between local authorities and clinical commissioning groups, represents a significant change in relation to the way in which care is delivered throughout the country. Wiltshire Council formed part of the pilot group in relation to the establishment of the Better Care Fund and, as a result, has more extensive experience of administering the Fund. Despite this, the Fund continues to represent a significant accounting risk for the Authority. This is, in part, due to the need to ensure that any under or overspends are appropriately shared between the Authority and Wiltshire CCG and that such sharing is agreed between the parties and founded upon an appropriate basis.</p> <p>In addition, the Code of Practice on Local Authority Accounting in 2015/16 sets out disclosure requirements in relation to the Better Care Fund which must be complied with in the preparation of the Council's financial statements for the year ended 31 March 2016. The Authority will need to ensure that appropriate records and documents are in place to facilitate and support the preparation of these disclosures.</p>	<p>We will review the processes which the Authority has implemented to identify the appropriate costs and contribution to be recognised in its financial statements to ensure that they are effective and appropriate. We will subsequently:</p> <ul style="list-style-type: none"> <li>— agree the value of costs and contributions allocated to the Authority to supporting records and documents;</li> <li>— confirm that the wider values disclosed in relation to the overall Better Care Fund agree to supporting records; and</li> <li>— check that the disclosures related to the Better Care Fund are in line with the requirements of the CIPFA Code of Practice on Local Authority Accounting in 2015/16.</li> </ul>

# Financial statements audit planning (cont)

Other areas of audit focus		
Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding.		
	Issue	Approach
Page 98	<p><b>Non-Domestic rates deficit</b></p> <p>In 2013/14 additional responsibilities in relation to the management of non-domestic rates were transferred to local authorities. In return, authorities were permitted to retain 49% of the revenue raised from non-domestic rates. During that year, a change in the guidance issued in relation to the completion of non-domestic rates returns (NDR1 and NDR3) resulted in the Authority recognising a deficit in the non-domestic rates element of the Collection Fund. The Council is seeking to recover this deficit through in-year surpluses going forward, but the position requires careful monitoring in order to ensure that this is achieved.</p>	<p>We will review the progress that the Council has made in relation to recovering the historic deficit and the plans for further recovery in future years in order to ensure that they are reasonable and based upon appropriate assumptions in relation to collection rates and growth in the total rateable value of properties in the areas.</p>
	<p><b>Valuation of PE</b></p> <p>The regional discount rates approved for valuing council housing are currently in the process of being revised. It is likely that this change will have a significant impact upon the valuation of the Council's housing stock. Whilst the revised values are currently awaiting Ministerial approval, if finalised and released they will need to be incorporated into the Authority's financial statements should this occur prior to the publication of final audited accounts.</p>	<p>We will monitor the progress made in relation to the approval of the revised discount rates throughout the process of our audit. In conjunction with this, we will review the valuation methodology adopted by the Authority's valuers and ensure that the discount rate is appropriate and reflects the most recent guidance. Where a change in valuation approach is required, we will work with the Council and its valuers to agree the revised value of the affected properties.</p>
	<p><b>Provisions</b></p> <p>As part of its ongoing response to the reductions in central government funding, the Authority is making ongoing changes to its structure and delivery models. As a result of this, the Authority has frozen recruitment and has made some staff redundant. There is a need to ensure that redundancy costs to be paid after the year end are appropriately considered when determining the costs to be recognised in the financial statements for year ended 31 March 2016 and it may be necessary to recognise a provision in relation to these costs.</p> <p>In addition the Council is required to establish a provision arising from its responsibilities in relation to non-domestic ratings appeals. These appeals have the potential to be backdated to the most recent valuation date and, as a result, can have a material impact on the Authority's financial statements.</p>	<p>We will consider the methodology that the Authority has developed for estimating the value of provisions (specifically in relation to redundancy costs and non-domestic rates appeals) in order to ensure that:</p> <ul style="list-style-type: none"> <li>— they are based upon sound assumptions;</li> <li>— the most recent information is utilised in developing the provision; and</li> <li>— they have been accurately calculated based upon these assumptions and the available information.</li> </ul> <p>We will also review the historic accuracy of these provisions by comparing the value provided for to the actual costs incurred.</p>

# Financial statements audit planning (cont)

## Materiality

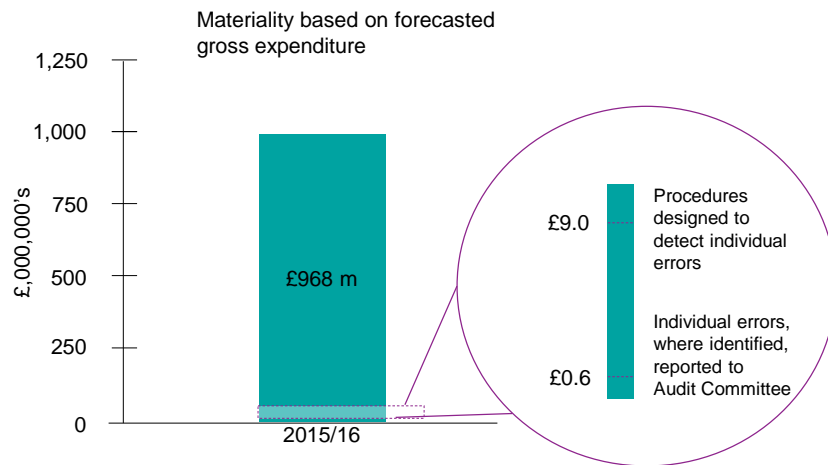
We are required to plan our audit to determine with reasonable confidence whether or not the financial statements are free from material misstatement. An omission or misstatement is regarded as material if it would reasonably influence the user of financial statements. This therefore involves an assessment of the qualitative and quantitative nature of omissions and misstatements.

Generally, we would not consider differences in opinion in respect of areas of judgement to represent 'misstatements' unless the application of that judgement results in a financial amount falling outside of a range which we consider to be acceptable.

For the Authority, materiality for planning purposes has been set at £12.0 million, which equates to approximately 1.25% percent of gross expenditure.

For the Pension Fund, materiality for planning purposes has been set at £18.5 million.

We design our procedures to detect errors in specific accounts at a lower level of precision.



## Reporting to the Audit Committee

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

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

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.6 million.

In the context of the Pension Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £1.25 million.

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

# Value for money arrangements work

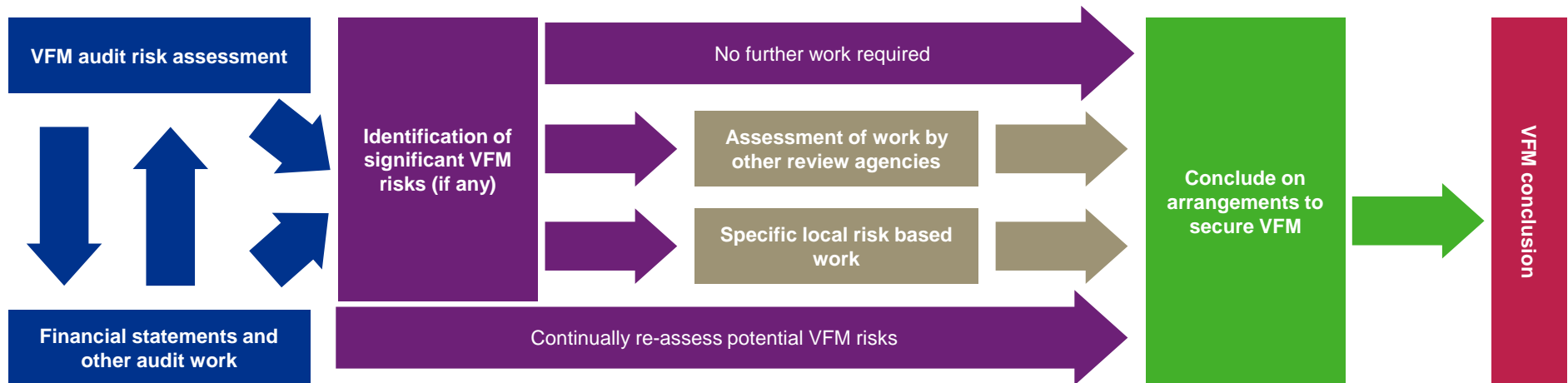
## Background to approach to VFM work

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

The VFM approach is fundamentally unchanged from that adopted in 2014/2015 and the process is shown in the diagram below. However, the previous two specified reporting criteria (financial resilience and economy, efficiency and effectiveness) have been replaced with a single criteria supported by three sub-criteria. These sub-criteria provide a focus to our VFM work at the Authority. The diagram to the right shows the details of this criteria.

**Overall criterion**  
In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.



# Value for money arrangements work (cont.)

VFM audit stage	Audit approach
<b>VFM audit risk assessment</b>	<p>We consider the relevance and significance of the potential business risks faced by all local authorities, and other risks that apply specifically to the Authority. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors' responsibilities under the Code of Audit Practice.</p> <p>In doing so we consider:</p> <ul style="list-style-type: none"><li>— The Authority's own assessment of the risks it faces, and its arrangements to manage and address its risks;</li><li>— Information from the Public Sector Auditor Appointments Limited VFM profile tool;</li><li>— Evidence gained from previous audit work, including the response to that work; and</li><li>— The work of other inspectorates and review agencies.</li></ul>
<b>Linkages with financial statements and other audit work</b>	<p>There is a degree of overlap between the work we do as part of the VFM audit and our financial statements audit. For example, our financial statements audit includes an assessment and testing of the Authority's organisational control environment, including the Authority's financial management and governance arrangements, many aspects of which are relevant to our VFM audit responsibilities.</p> <p>We have always sought to avoid duplication of audit effort by integrating our financial statements and VFM work, and this will continue. We will therefore draw upon relevant aspects of our financial statements audit work to inform the VFM audit.</p>
<b>Identification of significant risks</b>	<p>The Code identifies a matter as significant 'if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.'</p> <p>If we identify significant VFM risks, then we will highlight the risk to the Authority and consider the most appropriate audit response in each case, including:</p> <ul style="list-style-type: none"><li>— Considering the results of work by the Authority, inspectorates and other review agencies; and</li><li>— Carrying out local risk-based work to form a view on the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.</li></ul>

Page 101

# Value for money arrangements work (cont.)

VFM audit stage	Audit approach
<p>Assessment of work by other review agencies and Delivery of local risk based work</p>	<p>Depending on the nature of the significant VFM risk identified, we may be able to draw on the work of other inspectorates, review agencies and other relevant bodies to provide us with the necessary evidence to reach our conclusion on the risk.</p> <p>If such evidence is not available, we will instead need to consider what additional work we will be required to undertake to satisfy ourselves that we have reasonable evidence to support the conclusion that we will draw. Such work may include:</p> <ul style="list-style-type: none"><li>— Meeting with senior managers across the Authority;</li><li>— Review of minutes and internal reports;</li><li>— Examination of financial models for reasonableness, using our own experience and benchmarking data from within and without the sector.</li></ul>
<p>Concluding on VFM arrangements</p>	<p>At the conclusion of the VFM audit we will consider the results of the work undertaken and assess the assurance obtained against each of the VFM themes regarding the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources.</p> <p>If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our VFM conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors' decisions.</p>
<p>Reporting</p>	<p>On the following page, we report the results of our initial risk assessment.</p> <p>We will report on the results of the VFM audit through our ISA 260 Report. This will summarise any specific matters arising, and the basis for our overall conclusion.</p> <p>The key output from the work will be the VFM conclusion (i.e. our opinion on the Authority's arrangements for securing VFM), which forms part of our audit report.</p>

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# Value for money arrangements work Planning

Significant VFM Risks		
Those risks requiring specific audit attention and procedures to address the possibility that proper arrangements are not in place to deliver value for money.		
	Risk	Approach
Page 103	<p><b>Better Care Fund Governance</b></p> <p>As set out on page 4, the Better Care Fund represents a significant development for local authorities and their NHS partners. Whilst Wiltshire Council was part of the pilot scheme for the Fund, the need to ensure that appropriate governance structures are in place remains essential. Without such, there is a significant risk that funds contributed by the Authority will fail to deliver the desired outcomes and benefits (both for the public and for the Authority). One of the key challenges in establishing effective governance arrangements is the need to balance the demands of the Authority and partnering Clinical Commissioning Group.</p>	<p>We will review the governance structure and processes which the Authority has put in place in relation to the management of the Better Care Fund and the way in which this is designed to ensure that the objectives of the fund are met. This will include interviews with key members of staff from both the Authority and Wiltshire CCG.</p>
	<p><b>Savings Plans</b></p> <p>The Authority has identified the need to make savings of £30m in 2015/16. The period 9 forecast showed that the Authority would deliver a £3m overspend against its budget before management actions. Additional savings were sought to offset this and the resulting forecast for 2015/16 is a breakeven position.</p> <p>The Authority's budget for 2016/17 was approved at the Council meeting on 23 February 2016 and recognised a need for £26m in savings. The approved budget includes individual proposals to support the delivery of the overall savings requirement. Further savings of £126m will be required over the period 2017/18 and 2020/21 to principally address future reductions to local authority funding alongside service cost and demand pressures. As a result, the need for savings will continue to have a significant impact on the Authority's financial resilience.</p>	<p>As part of our additional risk based work, we will review the controls the Authority has in place to identify the need for financial savings and to deliver these. This will include considering whether the Medium Term Financial Plan has duly taken into consideration factors such as funding reductions, salary and general inflation, demand pressures, restructuring costs and sensitivity analysis given the degree of variability in the above factors.</p>

# Other matters

## Whole of government accounts (WGA)

We are required to review your WGA consolidation and undertake the work specified under the approach that is agreed with HM Treasury and the National Audit Office. Deadlines for production of the pack and the specified approach for 2015/16 have not yet been confirmed.

## Elector challenge

The Local Audit and Accountability Act 2014 gives electors certain rights. These are:

- The right to inspect the accounts;
- The right to ask the auditor questions about the accounts; and
- The right to object to the accounts.

As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form our decision on the elector's objection. The additional work could range from a small piece of work where we interview an officer and review evidence to form our decision, to a more detailed piece of work, where we have to interview a range of officers, review significant amounts of evidence and seek legal representations on the issues raised.

The costs incurred in responding to specific questions or objections raised by electors is not part of the fee. This work will be charged in accordance with the PSAA's fee scales.

## Our audit team

Our audit team will be led by Darren Gilbert, supported by Adam Bunting and Rob Andrews which will deliver continuity with prior years. Appendix 2 provides more details on specific roles and contact details of the team.

## Reporting and communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but also in ensuring the audit team are accountable to you in addressing the issues identified as part of the audit strategy. Throughout the year we will communicate with you through meetings with the finance team and the Audit Committee. Our communication outputs are included in Appendix 1.

## Independence and Objectivity

Auditors are also required to be independent and objective. Appendix 3 provides more details of our confirmation of independence and objectivity.

## Audit fee

Our Audit Fee Letter 2015/2016 presented to you in April 2015 first set out our fees for the 2015/2016 audit. This letter also sets out our assumptions. We have not considered it necessary to make any changes to the agreed fees at this stage.

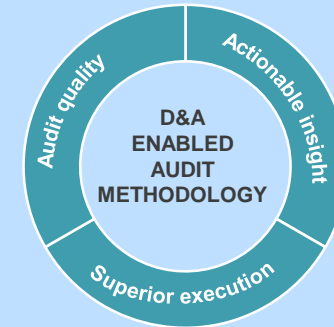
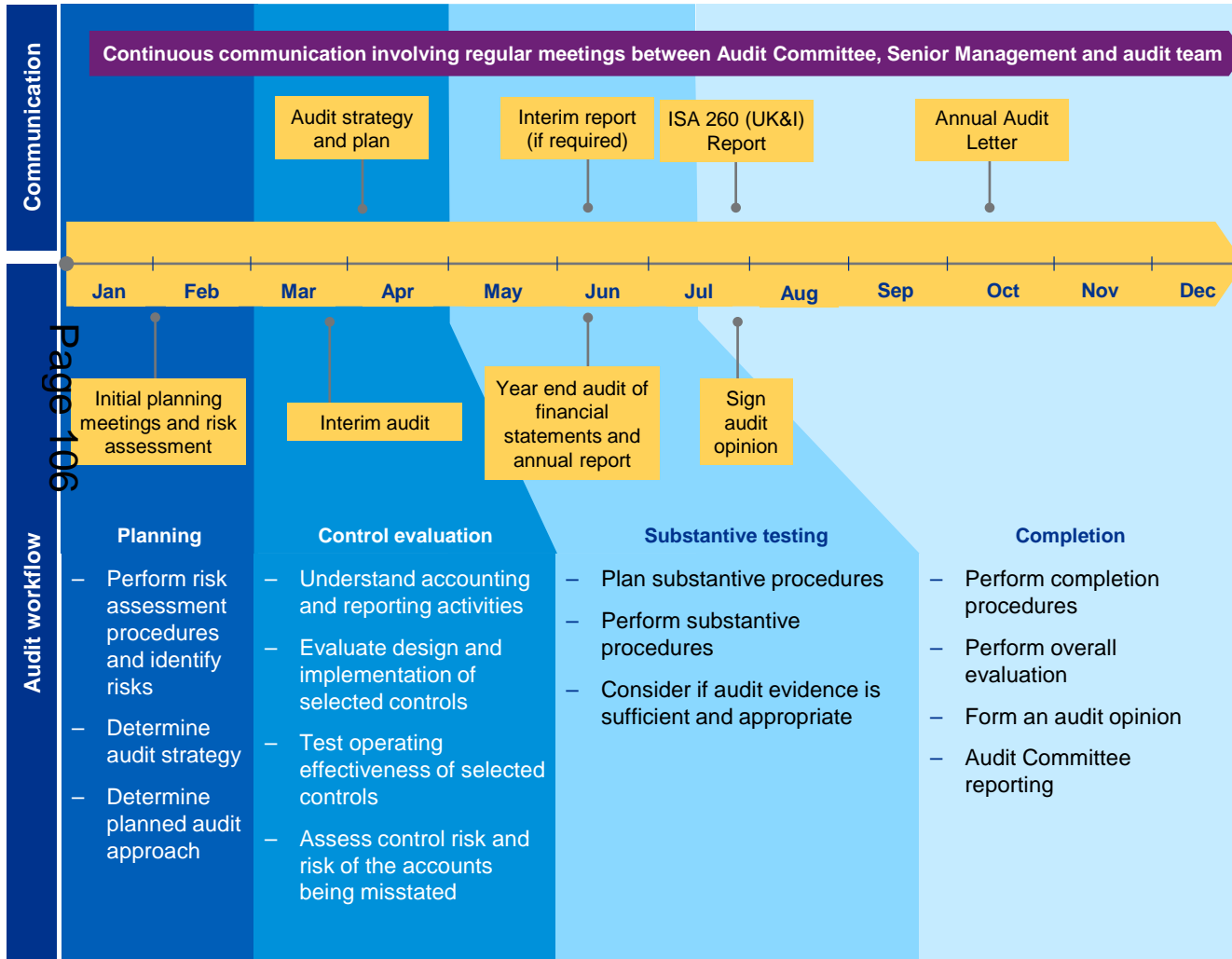
The planned audit fee for 2015/16 is £167,420 for the Authority. This is a reduction in audit fee compared to 2014/2015 of £55,806 (25%). The planned audit fee for 2015/16 is £24,246 for the Pension Fund (2014/15 £24,246).





# Appendices

# Key elements of our financial statements audit approach



## Driving more value from the audit through data and analytics

Technology is embedded throughout our audit approach to deliver a high quality audit opinion. Use of Data and Analytics (D&A) to analyse large populations of transactions in order to identify key areas for our audit focus is just one element. We strive to deliver new quality insight into your operations that enhances our and your preparedness and improves your collective 'business intelligence.' Data and Analytics allows us to:

- Obtain greater understanding of your processes, to automatically extract control configurations and to obtain higher levels assurance.
- Focus manual procedures on key areas of risk and on transactional exceptions.
- Identify data patterns and the root cause of issues to increase forward-looking insight.

**We anticipate using data and analytics in our work around key areas such as accounts payable and journals. We also expect to provide insights from our analysis of these tranches of data in our reporting to add further value from our audit.**

## Appendix 2

# Audit team

Your audit team has been drawn from our specialist public sector assurance department. Our audit team were all part of the Wiltshire Council audit last year.



<b>Name</b>	Darren Gilbert
<b>Position</b>	Director
	'My role is to lead our team and ensure the delivery of a high quality, valued added external audit opinion. I will be the main point of contact for the Audit Committee and Corporate Directors.'

Page 107  
Darren Gilbert  
Director  
T: 0117 905 8205  
E: darren.gilbert@kpmg.co.uk



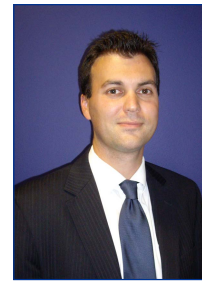
<b>Name</b>	Adam Bunting
<b>Position</b>	Manager
	'I provide quality assurance for the audit work and specifically any technical accounting and risk areas. I will work closely with Darren to ensure we add value. I will liaise with the Associate Director of Finance and other Executive Directors.'

Adam Bunting  
Manager  
T: 0117 905 4470  
E: adam.bunting@kpmg.co.uk



<b>Name</b>	Rob Andrews
<b>Position</b>	Assistant Manager
	'I will be responsible for the on-site delivery of our work and will supervise the work of our audit assistants.'

Rob Andrews  
Assistant Manager  
T: 0117 905 4773  
E: rob.andrews@kpmg.co.uk



<b>Name</b>	Duncan Laird
<b>Position</b>	Manager – Pension Fund
	'I provide quality assurance for the Pension Fund audit work and specifically any pension-related technical accounting and risk areas.'

Duncan Laird  
Manager  
T: 0117 905 4253  
E: duncan.laird@kpmg.co.uk

# Independence and objectivity requirements

### Independence and objectivity

Professional standards require auditors to communicate to those charged with governance, at least annually, all relationships that may bear on the firm's independence and the objectivity of the audit engagement partner and audit staff. The standards also place requirements on auditors in relation to integrity, objectivity and independence.

The standards define 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case this is the Audit Committee.

KPMG LLP is committed to being and being seen to be independent. APB Ethical Standard 1 Integrity, Objectivity and Independence requires us to communicate to you by writing all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place, in our professional judgement, that may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Engagement Lead and the audit team.

Further to this auditors are required by the National Audit Office's Code of Audit Practice to:

- Carry out their work with integrity, independence and objectivity;
- Be transparent and report publicly as required;
- Be professional and proportional in conducting work;
- Be mindful of the activities of inspectorates to prevent duplication;
- Take a constructive and positive approach to their work;
- Comply with data statutory and other relevant requirements relating to the security, transfer, holding, disclosure and disposal of information.

PSAA's Terms of Appointment includes several references to arrangements designed to support and reinforce the requirements relating to independence, which auditors must comply with. These are as follows:

- Auditors and senior members of their staff who are directly involved in the management, supervision or delivery of PSAA audit work should not take part in political activity.
- No member or employee of the firm should accept or hold an appointment as a member of an audited body whose auditor is, or is proposed to be, from the same firm. In addition, no member or employee of the firm should accept or hold such appointments at related bodies, such as those linked to the audited body through a strategic partnership.
- Audit staff are expected not to accept appointments as Governors at certain types of schools within the local authority.
- Auditors and their staff should not be employed in any capacity (whether paid or unpaid) by an audited body or other organisation providing services to an audited body whilst being employed by the firm.
- Auditors appointed by the PSAA should not accept engagements which involve commenting on the performance of other PSAA auditors on PSAA work without first consulting PSAA.
- Auditors are expected to comply with the Terms of Appointment policy for the Engagement Lead to be changed on a periodic basis.
- Audit suppliers are required to obtain the PSAA's written approval prior to changing any Engagement Lead in respect of each audited body.
- Certain other staff changes or appointments require positive action to be taken by Firms as set out in the Terms of Appointment.

### Confirmation statement

We confirm that as of April 2016 in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Engagement Lead and audit team is not impaired.



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## WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD  
20 July 2016

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### **STATEMENT OF INVESTMENT PRINCIPLES**

#### **Purpose of the Report**

1. This report provides Members with the annually updated Statement of Investment Principles (SIP) for the Wiltshire Pension Fund for review which was approved by the Wiltshire Pension Fund Committee on 30 June 2016.

#### **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.
3. In November 2015 the Department for Communities and Local Government (DCLG) issued a consultation proposing revoking and replacing the LGPS (Management and Investment of Funds) Regulations 2009. Within this consultation, proposals were made removing the requirement to prepare a Statement of Investment Principles and replacing with an Investment Strategy Statement. These regulations have not yet come into force but the Fund will ensure compliance when the new regulations are introduced.

#### **The 2016 SIP**

4. 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. The purpose of the annual review of the SIP is to update it for changes to the investment strategy in year and to provide an opportunity for Committee to reconsider any of the principles.
5. The 2016 SIP has been updated to reflect the small change in terms of asset allocation, whereby the Loomis Sayles Strategic allocation has been changed to 60% Absolute Return Bonds/40% Multi Asset Credit split from a previous 50%/50% split.
6. 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 how institutional investors disclose and discharge their stewardship responsibilities with reference to the assets it owns. A revised code came into effect October 2012. The Fund first published a statement in September 2011 and an updated statement is attached in Supplement 2 to reflect the revisions to the Code. There are no amendments to this from last year.
7. There is also a requirement to report the Fund's compliance in line with the 6 revised Myners principles. 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 Fund is compliant with five out of the six principles, while there is an area that still requires development within principle 4. To be fully compliant the implementation of a formal assessment of its advisers to ensure the cost, quality and consistency of the advice is monitored is required.

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

9. This paper does not include new policy proposals. The SIP attempts to mitigate the risks outlined in PEN007 *Significant rises in employers contributions due to poor investment returns* outlined in the Fund's Risk Register.

#### **Safeguarding Considerations/Public Health Implications/Equalities Impact**

10. There are no known implications at this time.

#### **Proposal**

11. The Board is asked to note the 2016 Statement of Investment Principles approved by the Wiltshire Pension Fund Committee on 30 June 2016.

MICHAEL HUDSON  
Treasurer to the Wiltshire Pension Fund

Report Author: Catherine Dix, Strategic Pension Manager

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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.

Following the financial crisis one of the recommendations of the Walker review was that the Financial Reporting Council (FRC) should have responsibility for a new Stewardship Code, setting out best practice in respect of investor engagement. At the start of July 2010 the FRC published the Stewardship Code, whilst principally aimed at asset managers, other institutional investors - including pension funds - were encouraged to report under it. Wiltshire Pension Fund published the Fund's compliance statement in September 2011, this statement has been updated to comply with the revised Code which came into effect October 2012.

Michael Hudson  
Treasurer to the Pension Fund  
June 2016

## **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 Treasurer to the Pension Fund. 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, infrastructure, currency and long-short equity hedge funds) and sterling and overseas cash deposits. The Fund also hedges 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 60% in equities, 15.5% in bonds, 13% in property and 11.5% in Alternatives. 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.

Key themes were considered during the latest review including return generation, inflation protection, nimbleness and illiquidity/Cashflow management.

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 or Inflation plus targets.

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**

Officers continue to monitor the Cashflow position of the Fund to ensure sufficient resources are available to pay benefits as they fall due. For 2015-16 cashflow was broadly neutral excluding investment income. Therefore there is no specific requirement for the current realisation of investments.

### **Environmental, Social and Governance (ESG)**

The Fund seeks to use its position as a shareholder to actively encourage good corporate governance practice in those companies in which it invests. It does this by contracting to Pensions & Investment Research Consultants Limited (PIRC) who provides a global proxy service for the Fund using PIRC Shareholder Voting Guidelines that are approved by the Fund. The Fund receives proxy research and voting recommendations for each company AGM and EGM holding the Fund has that can be voted.

It is also a member of the Local Authorities Pension Fund Forum (LAPFF), to enable it to act with other local authorities on corporate governance issues. The Forum currently has 70 member funds with assets of more than £175 billion.

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

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

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

The introduction of the Stewardship Code in July 2010 by the Financial Reporting Council strongly encouraged best practice in respect of investor engagement. The expectation is that institutional investors should publish a statement in respect of their adherence to the code. Compliance with the Code is currently on a voluntary basis. The Wiltshire Pension Fund published its statement of compliance with the code during 2011 and this is reviewed annually. All of our global equities managers currently comply fully with the code. The Fund's compliance statement can be found at the end of this document in Supplement 2.

## **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 2013 showed that Fund liabilities totalled £2,094 million, whilst assets stood at £1,484 million. The Fund therefore had a deficit of assets of £610 million, or expressed another way, had a solvency level of 71%. This compared with a solvency position at 31 March 2010 of 75%. This decrease of 4% places Wiltshire Pension Fund broadly in line with the average LGPS scheme. The next actuarial valuation as at 31 March 2016 is currently being undertaken.

### **Funding Policy**

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

- 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'/dependents' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (NB this will also minimise the costs 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.

### **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.

Given the on-going restructuring of public bodies the Fund is now maturing faster than originally expected. Cashflow were broadly neutral for 2015-16 excluding investment income. Investment income is available if the Fund does go Cashflow negative, this position is being closely monitored but at this time it is not felt necessary to change the investment strategy of the Fund.

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, infrastructure, and absolute return products to achieve to achieve stabilisation; and
- The achievement of some “alpha” (manager) returns independently of “beta” (market) returns, through high alpha equity 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 31% of total equity holdings, with a corresponding increase in the proportion invested in overseas/global equities, which now stands at 69%.

In the summer of 2011 a review of the current investment arrangements was commenced in light of investment managers’ performance. The strategic asset allocation of the Fund changed a little as a result however a number of new manager searches followed from the review. The Committee resolved:

- an aspiration to move the Fund’s equities split to 30% UK/70% overseas as opportunities arise from changes in the equities mandates;
- to remove the 12.5% limit for new investment mandates and to set a limit of 20% for a single active manager and 30% for a passive manager;
- to implement a dynamic currency hedging programme;
- to make a strategic allocation of 10% to an Absolute Return Fund Mandate;
- to make a strategic allocation of 5% to an infrastructure manager;
- to make a strategic allocation of 5% to a global equities passive ‘fundamental’ index product;
- to hold a passive global equities allocation of 10% on a temporary basis;

These changes were implemented during 2012/13.

At the February/June 2013 Committee meeting further changes were made to the strategic allocation moving forward. Steps have now been taken to put these in place.

- At the February/June 2013 meeting the Committee resolved to terminate the Edinburgh Partners mandate (7.5% of the Funds assets and place these assets in the Fundamental Indexation mandate (with L&G);
- to agree a strategic allocation of 10% to an Emerging market Equity/Debt product for the funds placed temporarily with Legal & General (Passive Global



Equities) and for officers to commence the appropriate procurement process to enable a suitable manager to be appointed by the Committee;

- to terminate the Jubilee Advisors (formally Fauchier Partners) mandate (5% of the Fund's assets) and place these assets temporarily with Legal & General (Passive Global Equities) mandate; and
- to agree up to a 5% initial allocation for the purpose of Opportunistic Investing.

The assets from the Edinburgh Partners mandate have now all been transitioned across to the Legal & General Fundamental Indexation mandate. The Committee approved on 24 January 2014 the appointment of Investec to manage 10% of the Fund's assets in the Emerging Market Multi-Asset Strategy. The initial investment took place in Quarter 2 2014. The Jubilee Advisors mandate was retained until Investec were fully funded which was completed July 2015. The reason was to use the Jubilee Advisors mandate to fund the Investec mandate to avoid duplication on transitions costs.

At the Committee meeting on 17 July 2014 officers presented concerns as to whether the bond mandate in its current form would provide sufficient ongoing returns because of historical low bond yields and their sensitivities to interest rates which could rise in the next 12 to 24 months. To address this, Mercer recommended expanding the bond mandate from traditional corporate credit to Multi Asset Credit (MAC) and Absolute Return Bonds (ARB). A procurement exercise followed and a shortlist of managers presented to the Committee on 3 December 2014. Loomis Sayles was appointed at that meeting to manage two mandates; MAC and ARB with a strategic allocation of 5.25% each. Assets were transitioned from Western Asset Management during March 2015.

Due to market conditions the strategic allocation between the two Loomis Sayles mandates was changed in March 2016 to 6.3% ARB and 4.2% MAC.

This means the Fund's asset allocation is as follows:

<b>Asset Allocation</b>	<b>Moving Forward</b>
Equities:	
Long-Only	
UK*	12.5%
Overseas (Global)**	27.5%
Absolute Return (Lower Volatility)	10.0%
Emerging Market Multi Asset	10.0%
	60.0%
Bonds	15.5%
Property	13.0%
Alternatives:	
Infrastructure	5.0%
M&G Financing Fund	1.5%
Opportunistic Investment	5.0%
	11.5%
	100.0%

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

\*\* (includes active and fundamental indexation)

## Investment Management Mandates

The allocation of mandates to managers is as follows:

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

\* “Opportunistic” allocation held within L&G global equities until invested

## 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 Investment Sub-Committee now formally monitors the investment performance of the managers against their individual performance targets and meets them on an annual basis, reporting back to the main pension committee. All Members of the Committee receive quarterly performance and asset allocation figures based on reports provided by the Council’s global custodian, BNY Mellon.

A quarterly 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 reviews its investment strategy once a year. The next formal review will take place in July 2016.

## **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.

## Supplement 1

### **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 latest Business Plan was updated and approved by the Pension Fund Committee in July 2015. This outlines the major milestones for the three years between 2015-2017. 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 2014, these identified areas for further development. As a result a Members training plan was also adopted by the Committee in March 2015 which covers the period 2015-2017 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, Treasurer to the Pension Fund, Head of Pensions, Strategic Pension Manager, 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 2013 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, however the Fund is partially compliance in respect of measuring the performance of advisors and the Funds Committee's effectiveness.

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 revised by this Committee in December 2015, this outlines the administrative service standards expected from by both the Wiltshire Pension Fund and employers. This ensures the efficient administration of the scheme and 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. The Fund manages its ownership responsibilities through its partnership with PIRC. PIRC's voting guidelines are based on their expertise and track record of monitoring and developing corporate governance best practice spanning environmental, social and governance factors. They link their underlying Shareholder Voting Guidelines to the

UK Corporate Code, published by the Financial Reporting Council in 2010 and subsequent revisions. PIRC's approach to best practise in corporate governance also in some areas goes beyond the existing legal and regulatory requirements.

PIRC reports 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 in conjunction with expectations of its asset managers to report on their engagement activities on a regular basis. Further details are contained within the SIP which is available to all stakeholders. The Fund has also produced 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
- Reports under the Stewardship Code

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.

## **Supplement 2**

### **UK Stewardship Code – Wiltshire Pension Fund Response**

#### **Principle 1 – Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.**

Wiltshire Pension Fund takes its responsibilities as a shareholder seriously. Various policy documents are produced which identify how we meet our Stewardship responsibilities including our Statement of Investment Principles and Governance Compliance Statement.

In practice the Fund's policy is to apply the Code both through its arrangements with asset managers and through membership of the Local Authority Pension Fund Forum (LAPFF). In addition expects its Asset Managers to take account of social, environmental and ethical considerations when making investment decisions. The objective of LAPFF is to promote the investment interests of local authority pension funds, and to maximise their influence as shareholders whilst promoting social responsibility and corporate governance at the companies in which they invest. Formed in 1990, the forum brings together a diverse range of local authority pension funds with combined assets of over £175 billion. We also have amended our Statement of Investment Principles in recognition of the Stewardship Code.

The Fund seeks to use its position as a shareholder to actively encourage good corporate governance practice in those companies in which it invests. It does this in Partnership with Pensions & Investment Research Consultants Limited (PIRC) as set out above.

#### **Principle 2 – Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.**

Wiltshire Pension Fund encourages all its asset managers to have effective policies in place to address potential conflicts of interests. The need to avoid conflicts of interest is also highlighted in our asset manager mandates and contracts with external parties.

All equity managers are instructed to vote in line with PIRC recommendations. Should a conflict arise the asset manager would notify the Fund and the ultimate decision would be made by officers in consultation with the Chairman of the Pension Committee.

In respect of conflicts of interests within the Fund, Committee members are required to make declarations of interest at the start of all meetings. A public register of interest is also maintained for all Councillors.

#### **Principle 3 – Institutional investors should monitor their investee companies.**

Day-to-day responsibility for managing our equity holdings is delegated to our appointed asset managers, and the Fund expects them to monitor companies, intervene where necessary, and report back regularly on engagement activities. Reports from our asset managers detailing engagement activities are available for the Pensions Committee on a quarterly basis.



Wiltshire Pension Fund manages its ownership responsibilities in partnership with PIRC. See above.

**Principle 4 – Institutional investors should establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value.**

As highlighted above, responsibility for day to day interaction with companies is delegated to the fund managers, including the escalation of engagement. Their guidelines for such activities are anticipated to be disclosed in their own statement of adherence to the Stewardship Code.

Occasionally, the Fund may choose to escalate activity directly, principally through engagement activity by the Local Authority Pension Fund Forum. When this occurs the Chairman of the Pension Committee in communication with the Vice Chairman, Treasurer to the Pension Fund and Head of Pensions will decide whether to participate in the proposed activity.

**Principle 5 – Institutional investors should be willing to act collectively with other investors where appropriate.**

Wiltshire Pension Fund seeks to work collaboratively with other institutional shareholders in order to maximise the influence that it can have on individual companies. The Fund seeks to achieve this through membership of the Local Authority Pension Fund Forum, which engages with companies over environmental, social and governance issues on behalf of its members.

**Principle 6 – Institutional investors should have a clear policy on voting and disclosure of voting activities.**

Wiltshire Pension Fund manages its ownership responsibilities in partnership with PIRC. The Wiltshire Pension Fund committee have reviewed and agreed to adopt PIRC's shareholder voting guidelines. These voting guidelines are regularly updated and publicly available on their website. PIRC provide a proxy voting service across the holdings of all our global equity managers.

**Principle 7 – Institutional investors should report periodically on their stewardship and voting activities.**

Wiltshire Pension Fund annually reviews and updates its Statement of Investment Principles, which sets out the Fund's approach to responsible investing. The activity undertaken by the Local Authority Pension Fund Forum is regularly made available to Committee and in addition reported in the Fund's Annual Report and Accounts.

**Wiltshire Pension Fund  
June 2016**

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## WILTSHIRE COUNCIL

### WILTSHIRE LOCAL PENSION BOARD

20 July 2016

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#### Wiltshire Pension Fund Business Plan 2015-18 Priorities

##### Purpose of the Report

1. The purpose of this report is to provide the Board with an update in the implementation of the Wiltshire Pension Fund Business Plan 2015-18 specifically reviewing priorities and risks of resource sensitivity.

##### Background

2. The Wiltshire Pension Fund Business plan was approved by the Committee at its meeting on 25 June 2015. The detailed plan can be found at the following link [Business Plan 2015-18](#) .
3. An annual update is provided on the implementation of the Plan to Committee and the Board. A request was made by the Board to review the plan in terms of priorities and risk of resources.

##### Considerations for the Board

4. The attached Appendix present the action plan from the 2015-18 Business Plan.
5. Two additional columns have been added to this action plan to reflect the priority of each action and the perceived resource risk that may delay the completion of that action. The priority and resource risks are colour coded Red (high), Amber (medium) and Green (Low). Those actions completed are shaded grey.
6. There is one action which is both a high priority and high risk in terms of resources. This is *number 38 - the opportunity for collaboration with partners* which is effectively the on-going work with Investment Pooling and the Brunel Pension Project. The additional resource being utilised in this project has a implication for the other actions creating medium risks in a number of cases. The resources for this project are currently being considered by Section 151 officers involved in the Brunel Partnership.
7. There are 3 actions that are high priorities with a medium resource risk. These relate to the 2016 Triennial Valuation and the implementation of performance reporting for employers. The resource concern surrounds the current capacity of the Head of Pensions to support the newly appointed Employer Relationship Manager and Fund Development Manager who are undertaking this process for the first time.
8. Of the outstanding actions, none are currently business critical.

##### Environmental Impact of the Proposal

9. Not applicable.

### **Financial Considerations & Risk Assessment**

10. The financial implications of the Business plan are considered in the budget set for the Fund. The main risks highlighted above are incorporated into the Fund's Risk Register where appropriate, elsewhere on this agenda.

### **Legal Implications**

11. There are no legal implications from this report.

### **Safeguarding Considerations/Public Health Implications/Equalities Impact**

12. There are no known implications at this time.

### **Reasons for Proposals**

13. To provide an update of the implementation of the Wiltshire Pension Fund Business Plan.

### **Proposals**

14. The Board is asked to note the updated position from the Business Plan to date.

MICHAEL HUDSON  
Treasurer to the Pension Fund

Report Author: David Anthony, Head of Pensions

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

**WILTSHIRE PENSION FUND ACTION PLAN 2015-18**

Activity	Deadline	Links to Objective No.	Purpose	Priority	Resource Risk
1 Refresh key policy documents: -Statement of Investment Pripls. - Communication Strategy - Administration Strategy - Admin Authority Directions Policy - Cessation Policy - Funding Strategy Statement - Governance Comp. Statement	Annually 2015 June 2015 Sept 2015 Dec 2015 Dec 2016 Jan 2017 Mar 2017	1	To seek Member approval and formally publish.	High	Low
Establish, train & agree work plan for the Local Pension Board	On-going from June 2015	3	To ensure the Local Pension Board becomes operational from 31 July 2015 in line with legislation.		
3 Rolling annual schedule of Pension Clinics	June 2015 onwards	6	To ensure a regular schedule of pension clinics take place every year.		
4 Review contract for Independent Governance Adviser	<b>July 2015</b>	3	In line with good governance contracts should be reviewed on a periodic basis and this contract has been in place for 5 years.	Low	Medium
5 Members' training: a) Specific issues b) Implement Plan	As required, July 2015	1 & 3	To provide training on specific issues ahead of relevant decisions by the Committee.		

Activity	Deadline	Links to Objective No.	Purpose	Priority	Resource Risk
c) Refresh Training Plan	Nov 2017		To provide training for all Members of the Committee in line with the CIPFA Knowledge & Skills Framework as outlined in the current training plans.		
6 Gather external customers feedback on pension services & effectiveness	July 2015 onwards	8 & 6	To measure the quality and experience of the pension services being provided to see what developments are needed.		
7 Consider the Government's response to future of the LGPS consultation	Autumn 2015 onwards	10	To ensure the Fund is involved in trying to shape the future of the scheme and its implementation.		
Procurement & Implementation of new investment mandates resulting from Investment Review	Sept 2015 onwards	4	A number of new mandates could be required from the annual asset allocation review.		
9 Undertake overseas members existence exercise	Sept 2015	1 & 8	An audit requirement is that existence testing is carried out periodically on the membership to avoid overpayments. Separate exercise required for overseas pensioners.		
10 Run Annual Employer / Pensioner Meetings and other more regular road shows/seminars	<b>Sept 2015 onwards</b>	8 & 6	To improve communications with the Fund's members and employers organisations in line with best practice.	<b>Low</b>	<b>Low</b>

Activity	Deadline	Links to Objective No.	Purpose	Priority	Resource Risk	
11	Implementation of regular covenant & risk review of employer bodies, including regular monitoring against the performance requirements within the Pension Administration Strategy	<b>Sept 2015 onwards</b>	7	To ensure regular engagement takes place with all employers and that risks to the Fund are periodically assessed.	<b>High</b>	<b>Medium</b>
12	Set up a formal process for monitoring the performance of the Fund's advisors	<b>Oct 2015</b>	3	To ensure the Fund meets best practice and complies with the Myners Principle for Performance monitoring.	<b>Low</b>	<b>Medium</b>
13	Review Pension Fund Website	Dec 2015	1, 6, 8	To ensure that the Fund's website provision has been reviewed, up-to-date, in line with best practice and serving the needs of our customers as well as possible.		
14	Implement Bi-annual Performance Reporting	<b>Dec 2015</b>	1 & 8	To improve management information to assist with performance monitoring and increase transparency.	<b>Medium</b>	<b>Medium</b>
15	Review / Retender Custody Contract	Dec 2015	1 & 5	To ensure that the Fund achieves best value for money in relation to its investment custody arrangements.		
16	Develop use of social media in development of communications strategy	<b>March 2016</b>	6	To consider all forms of digital communications / social media that may assist in communicating with the membership.	<b>Low</b>	<b>Low</b>

	Activity	Deadline	Links to Objective No.	Purpose	Priority	Resource Risk
17	Set up a formal process for monitoring the performance of the Committee	<b>March 2016</b>	12	To ensure the Fund meets best practice and complies with the Myners Principle for Performance monitoring.	<b>Low</b>	<b>Medium</b>
18	Retender print contract	March 2016	8 & 6	To ensure most cost-effective contract in place.		
19	Consider implementation of "flight path" liability monitoring framework	March 2016	4	To have a framework / plan in place should funding levels (i.e. gilt yields revert) improve that could reduce the future funding risk.		
20	Review potential to implement differing investment strategies for employers	March 2016	4 & 11	In light of the differing set of risks different employers in the Fund now face there is a potential need for different investment strategies when looking at ways for employers to address deficits.		
21	Monitor the Fund's performance against the Pension Regulator's Record Keeping requirements and ensure plan in place to meet targets	March 2016	1 & 8	To ensure the Fund has liaised with its employers, checked and cleansed its own data and have processes in place to ensure compliance, while developing the Fund's own data cleansing practices using mortality screening against governmental databases.		
22	Implement changes to tax liability information for members	April 2016	1 & 8	To provide the correct information to members for the changes in the tax relief allowances and ensure the systems are able to accommodate any additional procedures from a administration perspective.		



Activity		Deadline	Links to Objective No.	Purpose	Priority	Resource Risk
23	Full Actuarial Valuation (Actuary)	May - Oct 2016	1 & 8	To identify the Funding Level at a whole Fund and Employer level and the associated Employer Contribution Rates.	High	Medium
24	Members' Handbook	May 2016	1 & 12	To refresh the Members' Handbook for the benefit of newly elected Members of the Committee.	Low	Medium
25	Review effectiveness and work plan of Investment Sub-Committee	June 2016	4	To consider the effectiveness of the recently established ISC and its contribution to overall governance.	Low	Medium
26	Discuss & agree Actuarial Valuation results with Committee & employers	Oct - Dec 2016	1 & 8	To have the Actuarial Valuation formally signed off by 31 December 2016 (three months ahead of statutory deadline).	High	Medium
27	Draft separate Financial Standards for the Pension Fund	Oct 2016	1 & 5	The Pension Fund currently uses the Wiltshire Council standards which are not always applicable.	Low	Low
28	Implement scheme members self-service	Dec 2016	5, 6, 10	To improve the level of access for members for their benefits.	Medium	Medium
29	Complete GMP reconciliations project	Dec 2016	1 & 8	To reconcile all the GMP members data on the pension database to ensure it matches with HMRC as HMRC are removing this support facility in 2016.	High	Low
30	Refresh Funding Strategy Statement	Jan 2017	1	To have an up-to-date Funding Strategy Statement, which is a statutory document required to set-out the longer-term view of how liabilities will be funded and the agreed level of compromise between stability and	High	Low

Activity	Deadline	Links to Objective No.	Purpose	Priority	Resource Risk	
			affordability of employer contributions.			
31	Review / Retender Altair Pension Software contract	Jan 2017	1 & 8	To ensure the Fund is achieving best value from its current contract.	Medium	Low
32	Re-tender / drawdown from framework Actuarial Contract	Sept 2017	1 & 12	To ensure that there is an up-to-date and competitive actuarial contract in place.	High	Low
33	Re-tender / drawdown from framework Investment Consultancy contract	Sept 2017	1 & 12	To ensure that there is an up-to-date and competitive investment consultancy contract in place.	High	Low
34	Review pension payroll service	Jan 2018	1 & 8	To review the potential options for pension payroll.	Medium	Low
35	Review, retendering and implementation of the Fund's ESG arrangements	Jan 2018	1 & 4	To ensure that the Fund is complying with best practice and is achieving best value in relation to environmental, social and governance issues.	Low	Low
36	Review employers method of data submission & potential for self-service	Mar 2018	6, 8, 10	To improve the quality of data submission and access to employer bodies.	Medium	Low

Activity		Deadline	Links to Objective No.	Purpose	Priority	Resource Risk
37	Continue to develop a high performing team	On-going	2	To have a highly motivated staff team with the necessary professional, managerial and customer skills to provide excellent service, implement changes and have the technical detail to meet the ever increasing complexities of the scheme.	Medium	Low
38	Continually review opportunities for further collaboration with partners	On-going	12	To continue to be involved and utilise national frameworks to reduce the procurement costs of adviser services and to benefit from bulk discounts.	High	High
39	Review potential for “opportunistic” investments and ‘inward’ investments as they arise	On-going	4	To keep abreast of potential opportunities for the Fund.	Medium	Low

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## WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD  
20 July 2016

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### Assessing the impact of the Local Pension Board

#### Purpose of the Report

1. The purpose of this report is to present for discussion how the Local Pension Board (LPB) might annually assess its own performance for potential inclusion in the LPB annual report.

#### Background

2. Some 89 LPBs were established by DCLG in 2015 with the aim of assisting the 89 Administering Authorities of the 89 Local Government Pension Scheme (LGPS) funds. The role of each LPB is to ensure their fund is compliant with the LGPS regulations and the requirements of the Pension Regulator, and to ensure their funds governance and administration are effective and efficient.

#### Key Considerations for the Board

3. Attached at Annex 1 are some updated (after discussion at our last meeting) and revised proposed performance assessments for discussion and approval by the LPB.

#### Financial Considerations

4. The intention is the annual assessment will utilise existing data and information and so it is not envisaged there will be any new or additional costs, and if there are they would be marginal.

#### Risk Assessment

5. The risks associated with undertaking this annual assessment are viewed to be low and it should benefit the overall governance of the Wiltshire Fund.

#### Legal Implications & Environmental Impact of the Proposal

6. None

#### Safeguarding Considerations/Public Health Implications/Equalities Impact

7. None

#### Reasons for Proposals

8. To assist the LPB undertake its statutory duties.

#### Proposals

9. To discuss Annex 1 and consider amendments to be re-considered and approved by the Board at its July meeting.

HOWARD PEARCE  
Chairman of the Local Pension Board

**Report Author:** Howard Pearce, Independent Chair of the Pension Board, and Wiltshire Pension Fund in consultation with David Anthony, Head of Pensions

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

## Annex 1

### Assessing the impact of the Local Pension Board

The purpose of these measures and key performance indicators (KPIs) is to measure and assess the performance, impact, and achievements of the LPB.

	<b>Topic</b>	<b>Description of measure</b>	<b>How assessed</b>	<b>Assessment July 2015 to July 2016</b>
<b>1</b>	<b>Conflicts of interest</b>	LPB members have no or only minimal conflicts of interest with any fund investments or pensions paid by the fund	All LPB members conflicts of interest are disclosed on the LPB public register	Achieved (TBC)
<b>2</b>	<b>Participation and engagement</b>	Attendance at quarterly meetings and valued inputs to the fund management between meetings	Full attendance at LPB meetings. Comments made on meeting papers. Other contributions to LPB and fund business between meetings by email or phone.	Partly achieved  Some meeting absences and no in absentia comments on the papers.
<b>3</b>	<b>Pensions knowledge</b>	LPB members level of understanding of the LGPS, the fund objectives, the fund compliance, and its relative performance	All LPB members passed all modules of the TPR public sector pensions training, attended LGPS fundamentals and all in-house fund training at LPB meetings, and all LPB training logged	Partly achieved  Member training underway.
<b>4</b>	<b>Work planning</b>	LPB members contribute to the development of the LPB work plan and its implementation	LPB has a defined work plan for at least one year ahead which is reviewed at each meeting and updated accordingly	Achieved
<b>5</b>	<b>Influence</b>	LPB members recommendations to positively contribute to the development of the overall fund strategy and policies drawing on their collective and individual experience and expertise.	Recommendations made by LPB acted upon by the fund and used in redrafting of policies or to adapt processes to assist with the internal implementation and communication of the fund compliance and stewardship.	Achieved
<b>6</b>	<b>Compliance</b>	LPB work ensures compliance with the TPR code of practice on enforcement	LPB members agreed breaches policy and reviewed fund compliance against TPR code.	Achieved
<b>7</b>	<b>Governance</b>	LPB work ensures fund complies with statutory governance standards	Fund governance compliance statement and its achievement based on DCLG standard and	Achieved

			assessment measures and refers to role of the LPB.	
<b>8</b>	<b>Administration</b>	Fund participation in annual CIPFA LGPS funds annual administration survey	LPB work encourages fund administration to adopt best LGPS practice	Achieved.  Fund compared its charges made to non-complying employers with other funds.
<b>9</b>	<b>Efficiency and Effectiveness</b>	LPB work encourages fund to actively benchmark its performance	LPB assessment of fund governance, administration, investment, and costs per member being within the range of similar sized LGPS funds	Achieved
<b>10</b>	<b>Value for money</b>	Costs of LPB	LPB actual spend less than budgeted spend	Achieved
<b>11</b>	<b>Communications and reporting</b>	LPB meetings, papers, minutes and annual reports	All available and published on fund website	Achieved
<b>12</b>	<b>Enhanced fund reputation</b>	Input by LPB members help funds external reputation to be enhanced	Positive feedback on fund and LPB in meetings, in letters, or in the news media, or Pension Fund Awards. Improving rank position in relation to other LGPS funds in national surveys.	Not achieved  Too early to assess
<b>13</b>	<b>Succession planning for LPB members</b>	Fund have high quality people saying they want to be future members of LPB	Ease of external recruitment of new or replacement LPB members based on number and suitability of future applicants.	Not achieved  Too early to assess

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## WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD  
20 July 2016

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### **Draft Local Pension Board Annual Report**

#### **Purpose of the Report**

1. The purpose of this report is to present the draft Local Pension Board's (LPB) Annual Report.

#### **Background**

2. As part of its terms of reference the LPB is required to publish an annual report on the work of the Board which will be referenced in the Fund's own annual report. This will cover the Board's activities over the past 12 months and look forward to the proposed work plans for the forthcoming year.

#### **Key Considerations for the Board**

3. Attached is the proposed draft LPB Annual Report for consideration by Members of the Board. The report is based on the structure agreed by the Board at its meeting on 7 April 2016. The intention is the approved LPB Annual Report will be presented to the Wiltshire Pension Committee at its meeting on 29 September 2016. The report will be published as a standalone report on the Wiltshire Pension Fund website.

#### **Financial Considerations & Risk Assessment**

4. The cost of the annual report is included with the LPB budget within the Fund's administration budget.
5. The annual report is an integral part of the LPB's role in ensuring the Fund is securing compliance with the Regulations and therefore forms another tool in mitigating the risks outlined on the Fund's Risk register.

#### **Legal Implications and Environmental Impact of the Proposal**

6. There are no material legal or environmental impacts of these proposals.

#### **Safeguarding Considerations/Public Health Implications/Equalities Impact**

7. There are no known implications at this time.

#### **Reasons for Proposals**

8. The draft LPB annual report is an important document in the governance of the Fund and the formal reporting of the activities of the Board. Therefore, its important Board Members approve an agreed document to be presented to the Wiltshire Pension Fund Committee.

#### **Proposals**

9. The Board is asked to approve the attached draft LPB Annual Report.

MICHAEL HUDSON

Treasurer to the Pension Fund

**Report Author:** David Anthony, Head of Pensions in consultation with Howard Pearce, Independent Chair of the Pension Board.

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

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WILTSHIRE  
PENSION FUND

# Local Pension Board Annual Report

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20 July 2016

Wiltshire Council  
Where everybody matters

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## Chairman's introduction

Welcome to the first Annual Report of the Local Pension Board (LPB) of Wiltshire Pension Fund.

The Board was established in 2015 and this report covers the period to 31st March 2016. It has held 4 meetings over this period.

Following the recruitment and selection by Wiltshire Council of its 7 members the initial focus of the LPB has been on

- a) ensuring its governance complies with the statute and LGPS regulations that apply to it and best practice guidance issued by the national LGPS Advisory Board. For example agreeing policies on conflicts of interest and reporting breaches of the law
- b) agreeing a training plan so its members are fully conversant with their duties and responsibilities for example on the requirements of the Pensions Regulator.
- c) developing and starting to implement a rolling work programme to fulfil its statutory duties.

I am delighted to say that with the support of the officers and advisors to the Wiltshire Pension Fund the LPB has made good progress in fulfilling its terms of reference in its first year.

The LPB has made a number of recommendations to the Pensions Committee (see pages 12-16). One example being in respect of some enhancements to its risk register and some other areas which have been accepted and are being implemented.

One of the most important reviews the LPB has undertaken is the funds compliance with the Pensions Regulators Code of Practice 14 (see page 20 onwards). The LPB welcomes the actions being implemented by the fund to ensure it fully complies with the Code before the LPB does its next annual review of compliance.

The LPB has also reviewed the Pension Funds communications and stressed the need for information to be kept up to date and the importance of the fund website to fund members

Looking ahead the LPB will seek to assist and support the Wiltshire Pension Fund in respect of minimising potential governance and other risks arising from the Governments proposed asset pooling in 2017-18.

Last not least could I thank my fellow Board members for their commitment to their roles on the LPB and I commend this report to you

Howard Pearce

Independent Chair

## Legal basis of LPB and annual reporting

The Local Government Pension Scheme Regulations 2013 (“the Regulations”) establish Wiltshire Council as the administering authority for the Wiltshire Pension Fund, with responsibility for managing and maintaining the Fund. The Regulations further require that Wiltshire Council in its capacity as administering authority, and in accordance with the Public Service Pensions Act 2013, establish a Local Pension Board for the purposes of assisting it;

- to secure compliance with the LGPS Regulations, other legislation relating to the governance and administration of the LGPS, and the requirements imposed by the Pension Regulator in relation to the LGPS; and
- to ensure the effective and efficient governance and administration of the LGPS

The functions of the Local Pension Board do not sit neatly within the typical arrangements that apply to local authority committees, including those that apply to the Wiltshire Pension Fund’s Pension Committee. Importantly, the Local Pension Board cannot be delegated to carry out the functions and responsibilities that legally pertain to the administering authority. This sometimes leads to people describing the local pension board as having no decision making authority.

The creation of a Local Pension Boards does not change the core role of the administering authority or the way it delegates its pension functions. Instead the local pension board operates outside of the usual local authority committee structure and serves an advisory and compliance role for the Fund. The role of the Local Pension Board is sometimes likened to that of a “critical friend”.

The Regulations require that the Local Pension Board must be constituted of at least 4 members, two of whom must represent the membership of the fund and two of who must represent the fund’s employers. Employer and Scheme member representatives are required to have the capacity to represent their respective constituencies. While it is permissible for the local pension board to contain “independent” members i.e. those who are neither member nor employer representatives, such members are not permitted to vote.

The Wiltshire Pension Fund Local Pension Board is comprised of;

- 3 scheme member representatives, and
- 3 employer representatives, and
- 1 non-voting Independent Chair

The Regulations do permit an administering authority to combine its Local Pension Board with the pension committee to which it has delegated some or all of its decision making responsibilities in respect of the maintenance of the fund. Such a combined committee and board may only be created with the express permission of the Secretary of State for the Department of Communities and Local Government.

Wiltshire Council have chosen not to operate a combined local pension board and pension committee.

In addition to making Local Pension Boards a mandatory part of the LGPS governance the Public Service Pensions Act 2013 also brought about a new role for The Pensions Regulator. The Regulator

now has the role of overseeing good governance within all Public Service Schemes, which includes the LGPS. The Regulator can issue enforcement notices where it believes that LGPS Funds are not complying with certain pension legislation, including, in respect of Local Pension Boards, matters such as representation and ensuring that conflicts of interest do not exist on Boards.

While there is no statutory obligation for the Local Pension Board to publish a report, it is recognised as best practice for the Board to report on its activities for the year and its future plans.

The Public Service Pensions Act 2013 does require an administering authority to publish information about its pension board. The administering authority is required to publish a governance compliance statement which, in addition to information on the governance of the Fund, should include details of the terms, structure and operational procedures relating to its Local Pension Board.

The Board is accountable solely to the Administering Authority for the effective operation of its functions and reports to the Pension Committee at least annually and more often if deemed necessary. The subject of the Board's reports shall include;

- a) a summary of the work undertaken since the last report
- b) the work plan for last year and the programme for the next 12 months
- c) areas raised to the Board to be investigated since the last report and how they were dealt with
- d) any risks or other areas of potential concern it wishes to raise
- e) details of training received since the last report and planned
- f) details of all expenses and costs incurred over the past 12 months and projected for the next year
- g) details of any conflicts of interest identified since the last report and how they were dealt with

The Governance Compliance Statement of the Wiltshire Pension Fund can be found <http://www.wiltshirepensionfund.org.uk/governance-compliance-statement-2015.pdf>

## Recruitment and appointment process of LPB members

The County Council has put in place processes for the recruitment and appointment of representatives to the Wiltshire Pension Board.

### **Member representatives**

The role of member representative was advertised on the Fund's website and the Wiltshire Council job vacancy website. Adverts contained the Board's Terms of Reference as well as additional information on the expectations of the role.

Applications were scored against the role criteria in order to produce a shortlist.

Shortlisted nominees were invited to an interview by the Administering Authority's Associate Director – Legal and Democratic Services and the Administering Authority's Associate Director – Finance (or their nominated representatives). A recommendation was then made to full council for the appointment to the Board of three nominees, two of whom represent nominations from a recognised trade union based on published criteria relating to ability to meet the capacity requirements of the role.

Full council approved the appointment of the three member representatives on 14 July 2015.

### **Employer representatives**

In order to ensure that employer representatives are truly representative of the employers within the Fund, while at the same time providing equal opportunity for representation to all groups, the Local Pension Board employer representatives are drawn from the following three Groups;

Group 1: Wiltshire Council;

Group 2: Swindon Borough Council and Wiltshire Police; and

Group 3: all other employer organisations within the Fund.

Every employer within each of the Groups was provided with information about the role of the Local Pension Board including Terms of Reference, details of the employer representative role, a nomination form and instructions for application. Each employer was invited to put forward one suitable nominee based on the criteria provided.

Applications were scored against the role criteria in order to produce a shortlist.

Shortlisted nominees were invited to an interview by the Administering Authority's Associate Director – Legal and Democratic Services and the Administering Authority's Associate Director – Finance (or their nominated representatives). A recommendation was then made to full council for the appointment to the Board of three nominees.

Full council approved the appointment of the three member representatives on 14 July 2015.



## **Independent Chair**

In this respect the term independent means having no pre-existing employment, financial or other material interest in either the Administering Authority or any scheme employer in the Fund and not being a member of the Fund, or a Wiltshire Councillor.

The role of the Independent Chair was advertised on the Fund's website and the Wiltshire Council job vacancy website. Adverts contained the Board's Terms of Reference as well as well as additional information on the expectations of the role.

Applications were scored against the role criteria in order to produce a shortlist.

Shortlisted nominees were invited to an interview by the Administering Authority's Associate Director – Legal and Democratic Services and the Administering Authority's Associate Director – Finance (or their nominated representatives). A recommendation was then be made to full council for the appointment of an Independent Chair.

Full council approved the appointment of the Independent Chair on 12 May 2015 subject to the subsequent approval of the majority of the employer and scheme member representatives. Such approval was given at the meeting of 16 July 2015.

## LPB members register and declarations of interests

### Local Pension Board as at 31 March 2016

Role	Member	Number of meetings attended (maximum 4)
<b>Independent Chairman</b>	Howard Pearce	4
<b>Employer Member Representatives</b>	Lynda Croft Kirsty Cole Cllr. Christopher Newbury Sarah Holbrook	4 2 (left 22 October 2015) 2 1 (appointed 7 April 2016)
<b>Scheme Member Representative</b>	David Bowater Mike Pankiewicz Barry Reed	4 4 3

### Biographies of the Local Pension Board Members

#### Independent Chairman:

Howard Pearce, former Head of Pension Fund Management, Environment Agency.

#### Employer Member Representatives:

Sarah Holbrook, Finance Operations Manager, Office of the Police and Crime Commissioner

Lynda Croft, Director of Finance, Wiltshire College

Christopher Newbury, Wiltshire Councillor

#### Scheme Member Representative:

David Bowater, Wiltshire Council employee, active member

Barry Reed, Unison representative, retired member

Mike Pankiewicz, Unison representative, active member

Full biographies for all Board Members can be found here

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

The register of interests for members of the Local Pension Board can be found here

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

## LPB approved training plan and members training logs

The Public Service Pensions Act 2013<sup>1</sup> requires that members of local pension boards have an appropriate level of knowledge and understanding in order to carry out their role. Any individual appointed to a local pension board must be conversant with;

- The regulations of the Local Government Pension Scheme, including historical regulations and transitional provisions, to the extent that they still affect members; and
- any document recording policy about the administration of the scheme

Local Pension Board members must also have knowledge and understanding of-

- the law relating to pensions, and
- such other matters as may be prescribed in other legislation

The degree of knowledge and understanding required Board members is that appropriate for the purposes of enabling the individual properly to exercise the functions of a member of the Local Pension Board.

The Wiltshire Pension Fund is committed to supporting Local Pension Board members to achieve the level of knowledge and understanding they require by providing the appropriate level of training and assistance.

### **Degree of Knowledge and Understanding**

Members of the local pension board are expected to be conversant with the rules of the LGPS and the policies of the Fund. "Being conversant with" implies a working knowledge of what is relevant to the subject under discussion. A Board member should have an understanding of what is relevant to their role and be able to identify and challenge a failure to comply with;

- the LGPS Regulations;
- other legislation relating to the governance and administration of the scheme;
- requirements imposed by the Pensions Regulator; and
- any failure to meet the standards and expectations set out in any relevant code of practice issued by the Pensions Regulator

### **Areas of Knowledge and Understanding**

The areas in which Local Pension Board Members would be expected to be conversant include, but are not limited to –

- Scheme approved policies (e.g. managing conflicts of interest, reporting breaches of the law or record keeping)
- Risk assessment and management
- Scheme booklets and other members communications
- The role of Local Pension Board Members and the scheme manager (Wiltshire Pension Fund)
- Policies in relation to the exercise of discretions

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<sup>1</sup> The Public Service Pensions Act 2013 made amendments to the Pensions Act 2004 (see s248A)

- Communications with scheme members and employers
- Key policy documents on administration, funding, and investment (e.g. the administration strategy, funding statement Strategy or statement of Investment principles)

### **Achieving the required level of knowledge and skills**

At its meeting of 16 July 2015 the Board agreed to develop a training strategy and plan for acquiring the necessary level of knowledge and skills. Among the recommendations were;

- That all Local Pension Board members complete a self-assessment form in order to identify any areas on which they require immediate further training.
- To use the results of the self-assessment to develop a training programme.
- That Board members attend a 3 day LGPS Pensions Fundamentals Course presented by the Local Government Association. The course covers all the key areas of the LGPS and provides a thorough understanding of the scheme, its legislation and an appreciation of the different areas of work.
- That Board members complete the Pension Regulator’s on-line toolkit designed to provide a sound understanding of the roles and responsibilities of public service pension board members.
- To continue to receive regular training as part of Local Pension Board meetings and to supplement knowledge by attendance at relevant seminars and conferences.

The Local Pension Board’s training plan can be viewed here [Wiltshire Local Pension Board Training Plan](#)

This year the Local Pension Board has received the following training sessions;

<b>Date of meeting</b>	<b>Topics Covered</b>
30 June 2015 (Board Induction Day)	Overview of the role and context of the LPB, details of the LGPS and specifically the background to the Wiltshire Pension Fund and its key documents and policies
16 July 2015	The Board received a report setting out the knowledge and understanding requirements of the role.
22 October 2015	Conflicts of Interest and Code of Conduct
14 January 2016	The Pension Regulators Code of Practice no 14 and 2014 Record Keeping Regulations
7 April 2016	Triennial Valuation 2016

## LPB Year 1 Work plan and outcomes

The primary function of the Local Pension Board is to assist the Administering Authority in securing compliance with the LGPS 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. In the pursuit of this aim it is for the Local Pension Board to set its own work plan.

The Local Pension Board's terms of reference require that it develop and report to the Wiltshire Pension Fund Committee, at least annually, on its work plan for the year. Examples of the areas that the Local Pension Board may wish to consider include (but are not limited to) the following;

- Review regular compliance monitoring reports which shall include reports to and decisions made under the Regulations by the Committee.
- Review management, administrative and governance processes and procedures in order to ensure they remain compliant with the Regulations, Relevant legislation and in particular the Pension Regulator's Code of Practice No. 14.
- Review the compliance of scheme employers with their duties under the Regulations and relevant legislation.
- Review such documentation as is required by the Regulations, including the Governance Compliance Statement, Funding Strategy Statement and Statement of Investment Principles.
- Review scheme members and employers communications as required by the Regulations and relevant legislation.
- Monitor complaints and performance on the administration and governance of the scheme.
- Review the Internal Dispute Resolution Process and Pensions Ombudsman cases.
- Review the arrangements for the training of Board members and those elected members and officers with delegated responsibilities for the management and administration of the Scheme.
- Review the complete and proper exercise of employer and administering authority discretions.
- Review the outcome of internal and external audit reports.
- Review draft accounts and Fund annual report.

The second core function of the Local Pension Board is to ensure the effective and efficient governance and administration of the Scheme. Again, the Local Pension Board may determine the areas it wishes to consider, including but not restricted to:

- Monitor performance of administration, governance and investments against key performance targets and indicators.
- Review the effectiveness of processes for the appointment of advisors and suppliers to the Administering Authority.
- Monitor investment costs including custodian and transaction costs.
- Monitor internal and external audit reports.
- Review the risk register as it relates to the scheme manager function of the Administering Authority
- Review the outcome of actuarial reporting and valuations.
- Provide advice and make recommendations when required to the Committee on areas that may improve the effectiveness and efficient operation and governance of the Fund.

The Local Pension Board's agreed workplan for 2015/16 – 2017/18 can be found here  
<https://cms.wiltshire.gov.uk/documents/s105891/Item%2018%20-%20Local%20Pension%20Board%20Workplan.pdf>

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## Outcomes and LPB recommendations made to the Administering Authority (Pension Committee)

Decisions about the running of the Pension Fund are made by the Wiltshire Pension Fund Committee and Investment Sub-Committee which are delegated to carry out that function by Wiltshire Council in its capacity as the Administering Authority for the Wiltshire Pension Fund.

The creation of the Local Pension Board does not change the core role of the Administering Authority nor the way it delegates its pension functions to the Pensions Committee or Investment Sub-Committee. The role of the Local Pension Board is to oversee decisions made by the Administering Authority and to make recommendations to improve the efficient and effective administration and governance of the pensions function, including funding and investments.

This year the Local Pension Board has fulfilled its role in the following ways;

	Area	Action
All meetings	Pension Committee and Investment Sub-Committee decision making	The Local Pension Board actively scrutinises all Pension Committee and Investment Sub-Committee papers and minutes.
16 July 2015	The Fund's Business Plan 2015-18 and Internal Audit Report were presented to the Board.	<p>Resolved:</p> <p>To note the minutes and attached reports.</p> <p>To request that the Board receive full minutes and meeting dates of both the Pension Fund and Investment Sub Committee.</p> <p>To request input into the consultation process for the audit plans.</p> <p>To request the audit report and action plan is reviewed again by the Board.</p> <p>To recommend that items on the Business Plan be prioritised and acknowledge resource sensitivity and risk and that the LPB be updated on these issues.</p>
22 October 2015	July budget announcement and proposed pooling of assets.	<p>Resolved:</p> <p>To note the updates.</p> <p>To recommend to the Wiltshire Pension Fund that full consideration is given to the legal duties of the Fund and the administration of assets arising from pooling assets in a Collective Investment Vehicle.</p> <p>To recommend to the Wiltshire Pension Fund that changes arising from the public sector exit</p>

	Area	Action
		<p>cap be communicated to employers and members and that the impact of changes on the Funds valuation be considered.</p> <p>To recommend to the Wiltshire Pension Fund that plans are put in place with employers and printers to ensure all Annual Benefit Statements are issued by the 31st August 2016.</p>
22 October 2015	The Pension Fund Annual Report for 2014/15, including its Financial Statements approved by the Pension Fund Committee for review.	<p>Resolved:</p> <p>To note the Pension Fund Annual Report for 2014/15.</p> <p>To recommend that future Annual Reports contain details of governance earlier in the report, a five-year timeline for performance, and details of breaches reported to the regulator.</p>
22 October 2015	The KPMG External Audit report for review.	<p>Resolved:</p> <p>To note the External Audit Report from KPMG.</p> <p>That the Head of Pensions confirm to the Board the process for appointing external auditors.</p> <p>To request that the 2015/16 Annual Report, Accounts and the external auditor report are reviewed by the Board prior to external publication.</p>
22 October 2015	The latest position in regards to the agreed action plan within the SWAP Internal Audit report for the Local Pension Board to note.	<p>Resolved:</p> <p>To note the updated position of the internal audit report and action plan.</p>
22 October 2015	The current Risk Register for the Wiltshire Pension Fund for review.	<p>Resolved:</p> <p>To note the Risk Register and measures being taken to mitigate risks.</p> <p>To recommend the adding of the pooling of investments and the public sector exit cap as risks.</p> <p>To recommend the risks be categorised, under strategic headings of 'Regulatory &amp; Governance', 'Funding &amp; Investments', Benefits Administration &amp; Communications'.</p>
14 January	The Board reviewed an action log designed to allow them to track	Resolved:



	Area	Action
2016	actions and recommendations.	To note the progress of actions recorded in the Board's action log.
14 January 2016	The Board received an update on the process for selecting and reviewing auditors.	To request that the process for reviewing external audit or appointment arrangements be reported to the next meeting of the Board
14 January 2016	The Board received a legal, regulatory and Scheme update including the latest position on the pooling of LGPS assets.	Resolved:  To note the attached consultation documents and the proposed timescale and process for formulating a Wiltshire Pension Fund response;  To encourage the Pension Fund Committee to ensure that robust governance requirements, clear auditing mechanisms and transparency are identified for the proposals arising from pooling and that the impact of pooling arrangements be communicated to Fund members.
14 January 2016	The current Risk Register for the Wiltshire Pension Fund for review.	Resolved:  To note the Risk Register and actions being taken to mitigate risks.  To recommend a review of the timescales for measures to reduce risks.  To recommend that officers communicate the implications of the public sector exit cap to the Fund's members once known.
14 January 2016	The Pension Regulator's survey and its findings on the review of governance in the public sector pension schemes for the Board's consideration	Resolved:  To note the survey and its findings on the review of governance arrangements.  To request that officers report back at the next meeting on the options for an independent review of Wiltshire Pension Fund compliance with The Regulator's new requirements following discussion with audit partners in the South West.
14 January 2016	The outcome of the 2015 CIPFA Benchmarking survey which benchmarks the Fund in a number of areas against other LGPS funds.	Resolved:  To note the outcome of the survey.
14 January 2016	The revised Pension Administration Strategy approved by the Pension Fund Committee on 10 December	Resolved:  To note the Administration Strategy for the Fund.

	Area	Action
	2015 for review.	To recommend that officers review the charge-out rate for the calculation of costs from persistent failure to meet targets or resolve cases to ensure it is in line with other Funds.
14 January 2016	The updated Administering Authorities Discretion Policy approved by the Pension Fund Committee on 10 December 2015 for review.	Resolved:  To note the updated Administering Authorities Discretion Policy.
14 January 2016	The latest update on the implementation of the actions identified in the 2015 Business Plan.	Resolved:  To note the update on actions identified in the Business Plan
14 January 2016	The current work plan and discuss any potential changes, amendments and request for work to be commissioned.	Resolved:  To approve the draft work plan
7 April 2016	Scheme, Legal, Regulatory and Fund update	Resolved:  To note the updates from the Head of Pensions.  To request that a report on insurance cover for the Local Pension Board be brought to the next meeting.
7 April 2016	The current Risk Register for the Wiltshire Pension Fund for review.	Resolved:  To note the Risk Register and measures being taken to mitigate risks.  To recommend that the Fund include the academisation of schools as a risk on the register.
7 April 2016	The officers review of the Wiltshire Pension Fund's compliance with the Regulators Code of Practice.	Resolved:  To note the outcome from the review of the tPRs Code of Practice No. 14 and recommend the implementation of the proposed actions to the Pension Fund Committee to ensure the Fund secures full compliance with this guidance.
7 April 2016	The current Governance Compliance Statement for review	Resolved:  To endorse the statement and recommend that lay membership and voting rights be reviewed following the proposed asset pooling as part of the compliance process and pooling arrangements.
7 April	The audit plans for 2016 for review	Resolved:

	Area	Action
2016		<p>To note the audit process and proposed plans for 2016.</p> <p>To recommend that the Fund be prepared and audited against the 2014 LGPS Regulations, Pensions Statement of Recommended Practice (SORP 2014 edition), CIPFA 2014 guidance on LGPS funds annual reports, and LGPS funds 2015/16 accounting disclosures.</p>
7 April 2016	The current Communications Strategy and the Fund's website.	<p>Resolved</p> <p>To note the Communications Strategy.</p>
7 April 2016	The potential performance indicators that could be used to measure the impact and performance of the Board for consideration.	<p>Resolved:</p> <p>To agree the initial proposals for Key Performance Indicators and request that these be further refined, in particular that further consideration be given to the measures of engagement and communications and cost-effectiveness, and reported to the next meeting.</p> <p>To recommend that the Board's annual statutory report be included as an annex to the Fund's annual report.</p>

## LPB Actions log

At its meeting of the 22 October 2015 the Local Pension Board agreed that an Actions Log should be developed in order to track the progress of actions. The Actions Log forms part of the Board's minutes and is considered at every meeting.

The most recent action log can be found here [Agenda for Local Pension Board on Thursday, 7th April, 2016, 10.30 am | Wiltshire Council](#)

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## Review of LPB compliance with the Pension Regulator's Code of Practice No.14

From April 2015 the Pensions Regulator assumed a new oversight responsibility in respect of Public Service Pension Schemes, including the LGPS. To assist schemes in understanding the Regulator's expectations they have issued Code of Practice No. 14 that applies specifically to the governance and administration of public service pension schemes setting out the legal requirements in these specific matters. It also provides practical guidance and sets out standards of conduct and practice expected of those who exercise functions in relation to the legal requirements. This guidance can be viewed on the following link;

[Governance and administration of public service pension schemes | The Pensions Regulator](#)

One of the key responsibilities of the Local Pension Board is to assist the Administering Authority, Wiltshire Council, to ensure compliance with any requirements imposed by the Pensions Regulator in relation to the Scheme.

At the meeting of 7 April 2014 the Local Pension Board received a report from officers of the Wiltshire Pension Fund setting out the work that had been done in assessing how well the Fund complies with the requirements of the Code of Practice.

The assessment measured the performance in fulfilling its legal obligations as well the areas of the Code that function as practical guidance. The Code is broken down into 4 sections;

- Governing your scheme
- Managing risks
- Administration
- Resolving issues

The Board learned that the Fund is fully compliant with all of the requirements set out under Governing your Scheme, Managing Risk and Resolving Issues and partially compliant with the requirements under Administration. The two areas where further work needs to be carried out to ensure full compliance are;

i. Scheme Record Keeping

The Fund is currently reviewing data against the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014 ('the Record Keeping Regulations') as part of its on-going data cleansing process. The formal monitoring of performance against the targets in the Record Keeping Regulations need to be formalised along with data improvement plans currently being worked on. There is also a need for a more formal approach to employer data audits to ensure the accuracy and timeliness of the information being received by employers and measuring this against the targets set out in the Pension Administration Strategy.

ii. Provision of information to scheme members

The issuing of Annual Benefit Statements by the 31 August remains a challenging deadline and work continues to ensure this statutory date will be met. The format of the deferred statement needs to

be amended to ensure it meets the legal requirements under the Regulations and a project implemented to ensure all member types receive a statement. The Fund is also trying to implement Key Performance Indicators (KPIs) to allow the more accurate monitoring of workloads and compliance with the timeframes outlined in Regulation.

The Code of Practice also highlights the specific areas of compliance which are requirements of the Local Pension Board. These include requirements around conflicts, representation and knowledge and skills. The Board has checked its own compliance against these requirements and is fully compliant.

The full Regulators Compliance check can be found here;

<https://cms.wiltshire.gov.uk/ieListDocuments.aspx?CId=1280&MId=9433&Ver=4>

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## Summary of LPB communications outlining links to the website

At its meeting of 7 April 2016 the Local Pension Board reviewed the Fund's Communication Strategy and website.

Under the LGPS Regulations each Fund must produce a statement setting out how it will communicate with its members, member's representatives, prospective members and the many employers who participate in the fund.

The Board noted the usefulness of the information provided to members by the Fund and emphasised the need to keep it up to date.

There was also consideration of the use of electronic communications and how these might be used to improve the information to members and achieve savings. While there is presently a fairly low take up of electronic member communication options it was felt that employers should encourage their employees to adopt electronic communications. It was suggested that electronic annual benefit statements would be one area where considerable efficiencies and improved member experiences could be achieved.

The complete Communications Strategy can be seen here;

<http://www.wiltshirepensionfund.org.uk/communications-policy-2015.pdf>

## LPB operational costs for 2015-16 & Budget for 2016-17

The cost of the Wiltshire Pension Fund Local Pension Board is part of the overall running costs of the Fund and should be seen in the context of its role in assisting with the good governance and administration of the Fund.

The budget for the Local Pension Board is approved by the Pension Fund Committee as part of the process of setting the Fund's budget for the year. Any expenditure in excess of the agreed budget must be approved by the Wiltshire Council Associate Director, Finance.

The budget for 2015-16 and 2016 – 17 can be seen below.

	<b>2015-16 Budget £</b>	<b>2015- 16 Actual £</b>	<b>2016-17 Budget £</b>
Independent Chair Remuneration	9,214	8,832	9,214
Independent Advisor Fees	7,000	8,000	7,000
Training	6,000	1,440	12,000
Printing	1,000	0	1,000
Committee Services Recharge	3,000	2,067	3,000
Travel & Subsistence & costs	800	1,210	800
Catering	700	207	400
<b>Total</b>	<b>27,714</b>	<b>21,756</b>	<b>33,414</b>

The main change in the budget reflects a change in the phasing of training costs. It had been originally agreed to allocate £6,000 in 2014-15 to pre-appointment training for Board members. In the end because of the timing of appointments, that money was not used and is instead now carried forward into 2016-17.



## Assurance of the LPB Annual Report

It is the role of the Local Pension Board to assist Wiltshire Pension Fund as the Administering Authority for the Wiltshire Pension Fund to secure compliance with;

- The LGPS Regulations and related legislation
- The requirements of the Pensions Regulator; and
- to ensure the effective and efficient governance and administration of the Scheme

The Local Pension Board is not intended to replace existing bodies such as the Wiltshire Pension Fund Committee or Investment Sub-Committee. Nor is the Board responsible for the auditing of the Wiltshire Pension Fund.

In carrying out its role, the Local Pension Board has;

- Considered the minutes of the Pension Fund Committee and Investment Sub-Committee
- Considered the main policies and documents of the Wiltshire Pension Fund
- Considered the Funds Business Plan, Audit Report and Risk Management Strategy
- Received a report on the Fund's compliance with the Pension Regulator's Code of Practice No. 14
- Received legal and regulatory updates on LGPS matters
- Received training from external advisers and Fund officers.

The funds external auditors have reviewed the LPB annual report as part of their annual audit of the Wiltshire Pension Fund but they do not provide any assurance over its contents.

This Report is intended for the information of Wiltshire Council and the Scheme members and employers who participate in the Wiltshire Pension Fund. This Report has been formally noted by the Wiltshire Pension Fund Committee at their meeting of [xxxxx]

## LPB forward look to 2016-17 and proposed work plans

The Board's workplan for 2016-17 can be found here;

<http://www.wiltshirepensionfund.org.uk/local-pension-board-forward-plan-july-2016.pdf>

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**LOCAL PENSION BOARD - WORK PLAN**

Meeting:	16-Jul-15	22-Oct-15	14-Jan-16	07-Apr-16	20-Jul-16	20-Oct-16	12-Jan-17	Apr 17	Jul 17	Oct 17	Jan 18	Apr 18	Jul 18	Oct 18	Jan 19
<b>Standard Items:</b>															
Membership	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Attendance of Non Members	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Apologies for absence	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Minutes of last Board & matters arising not on agenda		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Chairman's announcements	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Declaration of Interest	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Public Participation	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Date of Next Meeting	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Urgent Items	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
<b>Main business items:</b>															
<b>Board Governance</b>															
Election of Vice Chair	✓				✓				✓				✓		
Board Budget setting			✓				✓				✓				✓
Board KPIs to monitor				✓	✓			✓				✓			
Board Annual Report				✓	✓			✓				✓			
Review Board's Terms of Reference (if and as required)	✓				✓				✓				✓		
Board Annual Training Plan Update	✓	✓	✓			✓				✓				✓	
Training Item relevant to agenda		COI & Code of Conduct	tPR Code 14 and record keeping	2016 Triennial Valuation	Investment Pooling & the Brunel Pension Partnership	Data protection and quality standards	Complaints and dispute handling	Fraud prevention and mitigation	Annual Reporting requirements	TBC	TBC	TBC	TBC	TBC	TBC
Code of Conduct & Conflicts of Interest Policy	✓	✓				✓				✓				✓	
Role & purpose of the LPB	✓														
Forward Work Plan Review	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Review - how did the Board do?		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Meeting:	16-Jul-15	22-Oct-15	14-Jan-16	07-Apr-16	20-Jul-16	20-Oct-16	12-Jan-17	Apr 17	Jul 17	Oct 17	Jan 18	Apr 18	Jul 18	Oct 18	Jan 19
<b>Fund Governance</b>															
Scheme Legal, Regulatory & Fund update	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Review of Risk Register		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Fund update & comments on minutes of PC & ISC	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Review Governance Compliance Statement				✓				✓				✓			
Review Fund Training Programme			✓				✓				✓				✓
Review all Fund Declarations of Interest				✓				✓				✓			
tPR Code of Practice 14/record keeping compliance survey results				✓				✓				✓			
Results of national LGPS KPI survey and Funds own KPIs						✓				✓				✓	
Review external advisor appointments process/controls and internal SLAs						✓								✓	
Review Triennial Valuation Process						✓									
Review Triennial Valuation Results							✓								
Review fund delegations and internal controls							✓								✓
Review CIPFA Admin, WM investment and other Fund benchmarking results							✓				✓				✓
Meeting:	16-Jul-15	22-Oct-15	14-Jan-16	07-Apr-16	20-Jul-16	20-Oct-16	12-Jan-17	Apr 17	Jul 17	Oct 17	Jan 18	Apr 18	Jul 18	Oct 18	Jan 19
<b>Fund Plans, Policies &amp; Strategies</b>															
Review Fund Annual Business Plan	✓		✓				✓				✓				✓
Review Admin Strategy			✓				✓				✓				✓
Review Admin Authority Discretions			✓								✓				
Review Funding Strategy Statement								✓							
Review Statement of Investment Principles/compliance with FRC stewardship code					✓				✓				✓		

Meeting:	16-Jul-15	22-Oct-15	14-Jan-16	07-Apr-16	20-Jul-16	20-Oct-16	12-Jan-17	Apr 17	Jul 17	Oct 17	Jan 18	Apr 18	Jul 18	Oct 18	Jan 19
<b>Administration</b>															
Review employers compliance (data)						✓			✓				✓		
Review Fund fraud risk prevention and mitigation measures						✓								✓	
Review Fund website contents/resilience							✓								✓
Review of Fund IDRPs procedures & cases							✓								✓
Review Fund Communications (employers/members)				✓				✓				✓			
Review of Data Security & Business Recovery									✓				✓		
Review GMP reconciliation process										✓					
<b>Financials &amp; Audit</b>															
Review Fund Annual Report		✓				✓				✓				✓	
Review Fund Annual Accounts		✓			✓				✓				✓		
Review Internal Audit Report	✓	✓			✓				✓				✓		
Review External Audit Report		✓				✓				✓				✓	
Input to Annual External Audit Plan				✓				✓				✓			
Input to Annual Internal Audit Plan						✓				✓				✓	
<b>Total number of Agenda Items:</b>	21	24	24	25	25	28	27	26	25	25	24	25	25	26	26

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