

AGENDA

Meeting: Local Pension Board
Place: The Salisbury Room - County Hall, Trowbridge
Date: Thursday 12 July 2018
Time: 10.30 am

Please direct any enquiries on this Agenda to Libby Johnstone, of Democratic Services, County Hall, Bythesea Road, Trowbridge, direct line 01225 718214 or email libby.johnstone@wiltshire.gov.uk

Press enquiries to Communications on direct lines (01225) 713114/713115.

This Agenda and all the documents referred to within it are available on the Council's website at www.wiltshire.gov.uk

Membership:

David Bowater
Cllr Richard Britton
Sarah Holbrook

Mike Pankiewicz (Vice-Chairman)
Howard Pearce (Chairman)
Barry Reed

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Public Participation

Please see the agenda list on following pages for details of deadlines for submission of questions and statements for this meeting.

For extended details on meeting procedure, submission and scope of questions and other matters, please consult [Part 4 of the council's constitution](#).

The full constitution can be found at [this link](#).

For assistance on these and other matters please contact the officer named above for details

PART 1

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

Membership

To note any changes to the membership of the Board.

2 **Apologies**

To receive any apologies for absence.

3 **Minutes** (*Pages 7 - 20*)

To confirm as a true and correct record the minutes of the previous meeting held on 15 March 2018.

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

4 **Declarations of Interest**

To receive any declarations of disclosable interest.

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

5 **Chairman's Announcements**

To receive any announcements through the Chairman.

6 **Public Participation and Councillors Questions**

The Board 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

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 Thursday 5 July in order to be guaranteed a written response prior to the meeting. Any question received between the above deadline, and no later than 5pm two clear working days before the meeting, may only receive a verbal response at the meeting.

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 Board members prior to the meeting and made available at the meeting and on the Council's website.

7 **Election of Vice Chairman**

To appoint a Vice-Chairman for the Board from the Employer Member Representatives.

8 **Minutes and Key Decisions of the Wiltshire Pension Fund Committee** *(Pages 21 - 28)*

To consider the Part 1 (public) minutes of the Wiltshire Pension Fund Committee held on 21 June.

9 **Draft Statement of Accounts** *(Pages 29 - 64)* **10:35am**

The Chief Accountant will present the draft annual accounts for consideration.

10 **Training item: GDPR** *(Pages 65 - 74)* **10:50am**

A presentation by the Governance & Performance Manager on how GDPR affects the Pension Fund

11 **GDPR Progress Update** *(Pages 75 - 78)* **11:00am**

A report updating the LPB on the Fund's progress on implementing GDPR

12 **Local Pension Board Annual Report** *(Pages 79 - 104)* **11:10am**

The Board is invited to consider the Annual Report.

13 **The Pensions Regulator Code of Practice 14 Record Keeping Compliance** *(Pages 105 - 108)* **11:20am**

Members are asked to note the Fund's self-assessment against the tPR Code of Practice No 14

14 **Internal Audit report** *(Pages 109 - 122)* **11:30am**

The Head of Pensions Administration and Relations will introduce the latest internal audit report on financial controls.

15 **Scheme Legal, Regulatory and Fund update** *(Pages 123 - 130)* **11:40am**

A report provides an update on the latest Scheme, Legal, Regulatory and Fund developments for the Board's information.

- 16 **Risk Register Update** *(Pages 131 - 138)* **11:50am**
A report presents the current Risk Register for the Wiltshire Pension Fund for review by the Board.
- 17 **Quarterly Update on Key Performance Indicators** *(Pages 139 - 146)* **12:00pm**
A report presents the Fund's administration Key Performance Indicators for review by the Board.
- 18 **Review Fund Communication: Employers and Members** *(Pages 147 - 156)* **12:10pm**
A presentation by the Fund Communications Manager on the Fund Communications.
- 19 **Investment Strategy Statement** *(Pages 157 - 198)* **12:20pm**
A short report updating the 2017 version for recent changes and incorporating some additional information about Brunel.
- 20 **LPB Training Strategy Update 2018** *(Pages 199 - 202)* **12:30pm**
An update from the Governance & Performance Manager on the Board's training plan.
- 21 **How did the Board do?**
The Chairman will lead a discussion on how the meeting went and request feedback on how the Board could be developed, and feedback any relevant updates.
- 22 **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.
- 23 **Date of next meeting and Forward Plan** *(Pages 203 - 206)*
The next meeting of the Board will be held on 11 October 2018, other future dates can be found [here](#).
The Board's Forward Work Plan is attached for members' consideration.
- 24 **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 25-28 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

Item(s) during consideration of which it is recommended that the public should be excluded because of the likelihood that exempt information would be disclosed.

- 25 **LPB Insurance Indemnity Policy update** *(Pages 207 - 210)* **12:50pm**
A paper reviewing the existing policy and recommending that officers review the policy is presented for consideration.
- 26 **Brunel Pension Partnership update** *(Pages 211 - 216)* **13:00pm**
To receive a verbal update on the implementation of Brunel Pension Partnership.
- 27 **Minutes and Key Decisions of the Wiltshire Pension Fund Committee, Investment Sub-Committee and Brunel Oversight Board** *(Pages 217 - 226)* **13:10pm**
To consider the Part 2 (private) minutes of the meetings of the Wiltshire Pension Fund Committee and Investment Sub-Committee held on 21st and 7th June, and of the Brunel Oversight Board on 22nd March.
- 28 **Minutes** *(Pages 227 - 234)* **13:20pm**
To confirm as a true and correct record the Part 2 minutes of the meeting held on 15 March 2018.

Close 13:30pm

LOCAL PENSION BOARD

PART 1 MINUTES OF THE LOCAL PENSION BOARD MEETING HELD ON 15 MARCH 2018 AT THE USHER SUITE, TROWBRIDGE CIVIC CENTRE, ST STEPHEN'S PLACE, TROWBRIDGE BA14 8AH.

Present:

David Bowater, Cllr Richard Britton, Mike Pankiewicz (Vice-Chairman), Howard Pearce (Chairman) and Barry Reed

Also Present:

Cllr Tony Deane, Cllr Tony Jackson, Michael Hudson, Andy Cunningham, Richard Bullen and Jennie Green.

1 Welcome

The Chairman welcomed those present to the meeting.

2 Apologies

Apologies for absence had been received from Sarah Holbrook.

The Chairman advised that Lynda Croft has resigned from the Board since she was no longer in post at Wiltshire College. The Board expressed their thanks to Lynda for her contribution to the work of the Board over the last 3 years.

3 Minutes

The minutes of the last meeting were presented, alongside the Board's Action Log.

Resolved:

To confirm the minutes of the meeting held on 18 October 2018.

To make the following changes to the action log:

- 4.7 is complete – remove
- 7.15 and 7.20 – defer until September
- 8.4 is complete – remove

- 8.5 – defer until April 2018 and further report in September 2018
- 8.6 is complete – remove
- 8.7 – include reference to statutory timeframes and defer until October 2018
- 8.8 – defer until April 2019
- 8.12 –defer until October 2018
- 9.5 – mark as complete
- 9.9 – defer until September 2018
- 9.13- defer until October 2018
- 10.5 – defer until September 2018
- 10.8 – mark as complete
- 10.9- mark as complete
- 10.11- defer until July 2018

4 **Declarations of Interest**

There were no declarations of interest.

5 **Chairman's Announcements**

The Chairman reminded members of the remit of the Local Pension Board and made the following announcements:

- The Pensions Regulator was to increase scrutiny of Funds and the Board would have a role supporting this;
- Board members should update Richard Bullen (Fund Governance and Performance Manager) on training they had undertaken and an update on training plans would be provided to the next meeting;
- The Pensions Advisory Service has been merged with the Pensions Ombudsman and it was recommended the fund update its Internal Dispute Resolution Process accordingly.

6 **Public Participation and Councillors Questions**

There were no statements or questions from members of the public.

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

The Board considered the minutes of the last Committee meeting and was updated that at the meeting of the Committee earlier that morning, the Board's budget had been agreed as part of the wider Administration Budget.

Resolved:

To note the minutes of the Wiltshire Pension Fund Committee meeting held on 23 November 2017 and verbal update from the meeting on 15 March 2018.

8 **Training Item: WPF Annual Reporting Requirements**

The Head of Pensions Administration and Relations presented a training session providing an overview of Wiltshire Pension Fund's annual reporting requirements as detailed in the report.

The majority of reporting requirements were statutory, and the Board noted the requirement seemed to be increasing. It was agreed as Brunel Pension Partnership became established, the Fund should compare performance on statutory and periodic reporting against other funds within BPP.

Resolved:

To note the Fund's Annual Reporting Requirements and benchmarking the performance of the fund against other funds within BPP be included in the LPB work plan.

9 **Annual Business Plan Update**

An update from the Head of Pensions Administration was provided on the progress of implementing items on the Annual Business Plan. Two actions were high priority and with medium resource risk, these related to the implementation of performance reporting and covenant reviews for employers and the GMP reconciliation project. These workstreams were both in progress and resources had been prioritised to ensure their completion. The first phase of the GMP reconciliations project was expected to be completed by the end of the year.

It was explained some other, lower- priority, Business Plan action had been delayed due to recent changes in personnel and vacancies in the structure. It was noted the contract review of the Independent Governance Adviser was considered low priority, and therefore had been delayed, since this was one of many different sources of advice for the Fund. The establishment of a formal process for reviewing the performance of other advisors was also delayed since performance was already monitored informally. The Chairman advised the Pensions Regulator expected advisors to be regularly reviewed and requested this be allocated a higher priority.

A question was raised as to why completed actioned remained on the Business Plan and it was confirmed this was to demonstrate that action had been taken. It was noted the Business Plan was to be reviewed for 2019 as the current Plan ran until the end of 2018. Officers acknowledged that preparations for the General Data Protection Regulations were not included in the Plan, however this was captured on the Fund's Risk Register and pensions team were taking steps to prepare.

The Board discussed a self-service portal for members, officers advised this had been delayed due to a need to link this work up with a review of pensions

administration software that was to be completed later in 2018. On discussion of item 35 in respect of ESG arrangements, the Interim Investment Manager explained this had been raised with the Responsible Investment Officer at Brunel, and the Committee would receive further training on this.

Resolved:

To note the progress of implementing items on the Annual Business Plan and to recommend item 12 be upgraded to medium priority.

To request that future Business Plan updates include new items which have occurred since the business plan was first produced, and include on going work items that have rolled-forward from previous plans, to capture the full picture of existing and new work.

10 **Local Pension Board Budget**

It was explained the Board's total budget had been agreed earlier in the day by the Pension Fund Committee, and since publication of this agenda the budget had been updated to include provision for an extension of the indemnity insurance policy. Despite this change, the overall budget remained the same, the updated budget is attached to these minutes.

The Chairman encouraged members to make the most of the training budget.

Resolved:

To note the Board's budget.

11 **Scheme Legal, Regulatory and Fund update**

The Head of Pensions Administration and Relations presented the Fund, Scheme, Legal and Regulatory update for the Committee to consider. Key updates included that the Government had extended the temporary arrangements on Guaranteed Minimum Pensions (GMP), and a Private Member's Bill on reforms to public sector exit payments was expected in May 2018. Members also heard it was now confirmed the age for auto-enrolment into the LGPS would be lowered to 18, this was to take effect from the mid-2020s. The Officer also advised a pensions 'Dashboard' was planned for 2019 and this project was being led by the Department for Work and Pensions.

Following questions on preparations for the implementation of the General Data Protection Regulation it was confirmed the Fund was working with Wiltshire Council and other LGPS Funds to share best practice and preparatory work. It was highlighted the Fund now had a Governance and Performance Manager, Richard Bullen, now in post who would lead on this work.

The Chairman advised the Scheme Advisory Board was to start 3 projects in 2018 relating to: improving member data to meet the Pensions Regulator requirements, identifying regulations requiring statutory guidance and the drafting of such guidance, and the potential benefits of further increasing the level of separation between the host authority and scheme manager role.

Resolved:

To note the changes highlighted within the report and request the three Scheme Advisory Board projects be included in future updates.

12 Pension Fund Risk Register

The Head of Pensions Administration and Relations updated he had decreased one risk in the Fund's Risk Register, PEN023 'Resources of Officers and Members to meet the expansion of business items' since a Fund Governance and Performance Manager was now in post to support the Committee and the Board. Two high risks remained: PEN012 'Over-reliance on key officers', due to Treasurer leaving the Fund in May 2018, and PEN020: 'Pooling of LGPS assets' due to the resource required to produce the accounts and support Brunel Pension Partnership.

In respect of PEN021, it was noted the Risk Register should be updated to reflect the latest review date. It was also requested PEN019 be updated to reflect the establishment of the LPB.

Resolved:

To note the Risk Register and request PEN021 and PEN019 be updated as detailed above.

13 Administration Key Performance Indicators

An update was provided from the Head of Pensions Administration and Relations on the latest administrative KPIs for members to consider. The number of refund of contributions and leavers to deferred status processed within target time had fallen, this was due to the Fund processing a high number of backlog cases, therefore affecting the short-term performance indicator. It was however noted that performance on the active to retirement metric was down and improvement was need, therefore additional resources was to be deployed to these areas. The Head of Pensions advised he planned to develop the methodology for KPIs to provide more detail on the cause of delays by the October 2018 report, and would then progress work to link KPIs to statutory time limit requirements.

In response to questions, it was confirmed the Fund aspired to compare its KPIs against other funds, however this would not be a simple comparison as funds used different measures. The Chairman suggested CIPFA should be requested

to update their guidance. Officers confirmed the team working to support key tasks were trained to complete this specialist work and there was a good level of resilience within the service.

Resolved:

To note the Fund's performance against Key Performance Indicators and the improvement work taking place.

14 **Review of the LPB Code of Conduct and Conflict of Interest Policy**

The Board was presented with its Code of Conduct and Conflict of Interest Policy which was due to be reviewed. No changes were proposed other than to review the document bi-annually instead.

Resolved:

To endorse the Code of Conduct and Conflict of Interest Policy Guidelines to the Wiltshire Pension Fund Committee, subject to an amendment that these guidelines will be reviewed and approved by the Committee at least every two years, or upon any material changes to the Regulations, relevant legislation and scheme guidance.

15 **Governance Compliance Statement**

The Board was presented with the Fund's Governance Compliance Statement for review. It was suggested that information on the delegation of asset management to Brunel Pension Partnership be included, and also a link to the LPB Terms of Reference. Cllr Richard Britton suggested there was a requirement for the Pension Fund Committee to report into the Council's Audit Committee and recommended clarity on this matter be sought prior to final agreement of the Governance Compliance Statement.

Resolved:

To note the Governance Compliance Statement and make the following recommendations to officers:

- **That section 1A be updated to reflect the delegation of asset management to Brunel Pension Partnership**
- **That a hyperlink be added to the Board's Terms of Reference.**
- **In section Fc) TPR requirements be added at the end**

To request that officers seek clarity on any requirement for the Pension Fund Committee to report into the Audit Committee, prior to consideration of the Governance Compliance Statement by the Committee.

16 **How did the Board do?**

Members commented they were satisfied with the workplan of the Board.

17 **Urgent items**

There were no urgent items.

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

It was noted the next meeting was planned for 18 April 2018, subject to there being sufficient business. An updated Forward Look would be presented to the next meeting.

19 **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 Numbers 20-22 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.

20 **Brunel Pension Partnership Update**

The Interim Investment Manager updated on the progress of implementing asset pooling and minutes from the last meeting of Brunel Oversight Board were attached to the agenda.

Resolved:

To note the update on the progress of Brunel Pension Partnership

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

Resolved:

To note the confidential update from the Wiltshire Pension Fund Committee, Investment Sub Committee and Brunel Oversight Board

22 **Minutes**

Resolved:

To confirm the Part 2 minutes from 18 October 2017.

(Duration of meeting: 2.00 - 3.45 pm)

The Officer who has produced these minutes is Libby Johnstone, of Democratic Services, direct line 01225 718214, e-mail libby.johnstone@wiltshire.gov.uk

Press enquiries to Communications, direct line (01225) 713114/713115

WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND LOCAL PENSION BOARD

15 March 2018

Local Pension Board Budget**Purpose of the Report**

1. The purpose of this report is to present a proposed Local Pension Board Budget for 2018-19 for the Board to consider and recommend to the Pension Fund Committee for inclusion in the Wiltshire Pension Fund Administration Budget 2018-19.
2. The Wiltshire Pension Fund Committee will consider the Fund's Administration budget at its meeting on the morning of this meeting – 15th March 2018.
3. As such any decisions of the Board which require amendment to the budget will have to be subsequently reflected in the full Wiltshire Pension Fund Administration Budget at a later date.

Background

4. To ensure good governance, budgets are required to monitor the stewardship of the Fund's expenditure and financial plans assist in mitigating risks by allocating necessary resources to develop the service. The Wiltshire Pension Fund Committee approves the Pension Fund Administration budget each year.
5. The Scheme regulations state that the operational cost of the Local Pension Board must be borne as an expense to the administering Fund's budget.
6. Therefore, the Local Pension Board's budget is approved by the Pension Fund Committee when setting its budget for the year. Should any further expenditure be required beyond this, then approval must be obtained from the Wiltshire Council Associate Director, Finance.

Main Considerations for the Board

7. The main financial headings for the Local Pension Board Budget and key financial totals are presented in the table below.

Wiltshire Local Pension Board Proposed Budget 2018-19

	2016-17 Actual	2017-18 Budget	2017-18 Actual (Apr-Feb)	2017-18 Forecast	Changes	2018-19 Budget
	£	£	£	£	£	£
Independent Chair Remuneration	9,216	9,214	6,912	9,216	-	9,214
Independent Advisor Fees	5,000	7,000	3,205	4,905	-	7,000
Training	5,000	6,000	515	640	- 1,800	4,200
Printing	-	1,000	-	-	- 1,000	-
Committee Services Recharge	2,067	3,000	-	3,000	-	3,000
Travel & Subsistence & costs	331	800	790	1,053	-	800
Catering	-	400	87	87	-	400
Insurance	-	-	2,800	2,800	2,800	2,800
	21,614	27,414	14,309	21,701	-	27,414

8. The overall proposed budget for 2018-19 is £27,414, a continuation of the total budget for 2017-18.
9. The overall projection is for an underspend in 2017-18 circa £5,700.
10. During the year a Pensions Trustees Liability insurance premium including tax was paid totalling £2,800. As no provision was made in the budget for this it has been allocated a matching sum in the budget for 2018-19.
11. As the overall position seems to point to an underspend the insurance budget for 2018-19 has been made up from removing the Printing budget of £1,000 and reducing the training budget by £1,800.
12. We would propose retaining the £7,000 budget for an independent governance advice. The Terms of Reference entitles the Board to independent expert advice.

Environmental Impact of the Proposals

13. There are none.

Legal Implications

14. There are no known implications at this time.

Financial Considerations & Risk Assessment

15. In line with good governance practice, officers bring budget monitoring reports back to the Pension Fund Committee twice a year. In the interim, variations against budget will be monitored and if they become very significant, the Associate Director, Finance will approve variations to the budget and report these to Committee retrospectively for ratification.
16. a

Safeguarding Considerations/Public Health Implications/Equalities Impact

17. There are no known implications at this time.

Reason for Proposal

18. The recommendation of the Local Pension Board budget to the Pension Committee is in line with best practice and assists in mitigating a number of risks outlined in the Risk Register.

Proposal

19. The Board is asked to agree the draft Local Pension Budget and recommend to the Pension Fund Committee that this is included in the Fund's Administration budget for 2018-19.

MICHAEL HUDSON
Treasurer to Pension Fund

Report Author: Chris Ashton, Fund Accountant - Maternity

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

Local Pension Board Action log

A full action-tracker showing complete and pending items is included to monitor progress from the last 3 Board meetings. Actions identified prior to this are include only where they remain outstanding. Actions in bold denote where the action is a formal recommendation of the Board.

	Action	Who	Deadline	Completed
	January 2016			
3.5	To recommend that officers communicate the implications of the public sector exit cap to the Fund's members once known	AC	Once known	
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.	AC	September 2018	
	January 2017			
7.15	To request that SWAP benchmark the fund against other similar funds in a future audit report.	AC/SWAP	September 2018	
7.20	To request that a benchmarking exercise is undertaken against the training undertaken by Board members of other Funds.	LJ	September 2018	
	April 2017			
8.5	To note that a report on data protection and quality standards would be presented to a future meeting and request this report include key risks for data management.	AC	April 2018 and September 2018	

8.7	To recommend that once the KPI process is established it is developed to allow comparisons to be made against other Funds and to identify the administration costs associated with each process, and includes performance against statutory timeframes.	AC	October 2018	
8.8	To recommend that consideration is given in the future to developing a graduate recruitment programme for the Fund.	AC/NW	April 2019	(Changed status)
8.12	To note the Investment Strategy Statement and associated future review process in 12-18 months time in light of asset pooling.	NW	October 2018	(Changed status)
	July 2017			
9.6	To recommend future SoA reports contain the details of key management personnel and wording describing the role of the Local Pension Board be amended to reflect that it provides advice and support to the administering authority.	NW	July 2018	
9.7	To recommend that resource be directed to address risks identified in the internal audit report in respect of reconciliations and data management.	AC	Ongoing	(Changed status)
9.8	To support plans for future AGMs to coincide with the publication of the Annual Report and recommend officers review the format in response to the needs of employers and scheme members.	AC/NW	September 2018	(Changed status)
9.9	To delegate authority to officers, in consultation with the Chairman, to amend the LPB Annual report to track tPR checklist compliance and the implementation of Board recommendations using a RAG status.	AC	September 2018	
9.12	To recommend costs transparency be factored into the Wiltshire Pension Fund and Brunel Pension Partnership manager appointment process.	NW	April 2018	

9.13	To review the timetabling and work plan of Board meetings following consideration of the SAB survey results.	AC	October 2018	
	October 2017			
10.2	Officers to progress a new website hosted by Hymans to include an FAQ page for members.	AC	ASAP	(Changed status)
10.4	Members to review their Register of Interest and professional bio.	Board	ASAP	
10.5	To include an audit against tPR Code of Practice 14 as part of the 2018 internal audit plan.	AC	January 2018 July 2018	(Changed status)
10.6	To request any risks for the Fund arising from the GMP reconciliations project be reviewed once the exercise is complete.	AC	December 2018	
10.7	To request that in 2018 if employers have not submitted complete and correct data to the Fund over a three year period, they be contacted to investigate the route cause, and if there is no resolution, consideration be given to reporting them to the Pension Regulator.	AC	September 2018	
10.10	To provide a flow chart to outline the delegated and reserved decision-making process within Brunel Pension Partnership to improve transparency.	NW	December 2018	
	March 2018			
11.1	Update the status of actions on the action log.	LJ	ASAP	(Changed status)
11.2	IDRP process to be updated to reflect the Pensions Advisory Service has been merged with the Pensions Ombudsman.	AC	ASAP	
11.3	To upgrade item 12 on the Business Plan to medium priority.	AC	ASAP	(Changed status)
11.4	To request that future Business Plans updates include new items which	AC	ASAP	

	have occurred since the business plan was first produced and include items that have rolled-forward from previous plans.			
11.4	To request the three additional SAB projects for 2018 be included in the Fund, Scheme, Legal and Regulatory update.	AC	ASAP	(Changed status)
11.5	To update the wording of PEN019 and PEN021 on the Risk Register.	AC	April 2018	(Changed status)
11.6	To review the LPB Code of Conduct and Conflict of Interest Policy in two years.	RB	April 2020	
11.7	To make the following changes to the Governance Compliance Statement: That section 1A be updated to reflect the delegation of asset management to Brunel Pension Partnership That a hyperlink be added to the Board's Terms of Reference.	AC	June 2018	(Changed status)
11.8	To request that officers seek clarity on any requirement for the Pension Fund Committee to report into the Audit Committee, prior to consideration of the Governance Compliance Statement by the Committee.	RB	June 2018	(Changed status)
11.9	Board FWP to be reviewed.	AC & HP	April 2018	(Changed status)

WILTSHIRE PENSION FUND COMMITTEE

PART 1 MINUTES OF THE WILTSHIRE PENSION FUND COMMITTEE MEETING HELD ON 21 JUNE 2018 AT THE KENNET ROOM - COUNTY HALL, TROWBRIDGE BA14 8JN.

Present:

Cllr Steve Allsopp, Jim Edney, Cllr Gordon King, Cllr Christopher Newbury, Mike Pankiewicz,
Cllr Tom Rounds, Linda Stuart and Cllr Roy While (Vice-Chairman, in the Chair)

Also Present:

Cllr Philip Whitehead

20 Membership

The Committee was advised the following changes had been made to the membership:

Cllr Simon Jacobs was replaced by Cllr Tom Rounds
Cllr Steve Weisinger was replaced by Cllr Tim Swinyard
Cllr Jon Hubbard was replaced as a substitute by Cllr Gavin Grant.

21 Apologies for Absence

Apologies for absence had been received from Cllr Tony Deane, Diane Hall,
Tim Swinyard and Stuart Dark.

22 Minutes

Resolved:

To confirm the Part 1 minutes of the meeting held on 15 March 2018

23 Declarations of Interest

Cllr While declared he was a member of the Fund.

24 Chairman's Announcements

There were no Chairman's Announcements.

25 **Public Participation**

There were no members of the public present.

26 **Membership of the Investment Sub Committee**

Resolved:

To ratify the constitution of the Investment Sub Committee in accordance with its Terms of Reference, with the following membership:

Cllr Tony Deane, Cllr Roy While, Cllr Gordon King and Cllr Tim Swinyard.

27 **Minutes and Key Decisions of the Local Pensions Board**

The Committee considered the recommendations arising from the Local Pension Board meeting on 15 March.

Resolved:

To note the minutes and recommendations arising from the Local Pension Board.

28 **Scheme Regulatory and Legal Update**

The Head of Pensions Administration and Relations gave a Scheme, Regulatory and Legal update to the Committee. The update included that consideration of Public Sector Exit Payments was to go to Parliament as a Private Members Bill. Officers advised the LGPS Regulations had been changed in respect of cessation payments and there had been an alignment of the age members could take their benefits. It was highlighted the General Data Protection Regulation was now in force and the Fund was working towards compliance.

Other updates included that Section 13 of the Public Services Act 2013 required GAD to review the funding valuations and employer contribution rates across the LGPS, the results were expected in summer 2018 and it was not anticipated that any concerns would be raised against the Fund. The Scheme Advisory Board (SAB) was considering the impact of academies on LGPS funds in respect of contribution rates and which funds they should be in, and also their impact on fund administration. SAB had three new projects on separation, guidance, and data which were planned for the future and detailed in the report. The Committee heard officers had recently signed a new contract for their administration software which would help the Fund deliver Business Plan priorities.

Resolved:

To note the updates and changes highlighted in the report.

29 **Pension Fund Risk Register**

Officers explained the changes that had been made to the Fund's Risk Register since the last report to Committee. PEN012 'Over-reliance on Key Officers' had been reduced to an amber risk since a number of key officer roles had been filled. PEN020 'Pooling of LGPS assets' remained a red risk due to the significant amount of officer resource that continued to be required to support pooling. A new risk has been added PEN027 'Significant structural change to LGPS Funds or our Fund' in response to the scope of reviews being undertaken by SAB and the on-going environment of shared service and LGPS Fund mergers.

In response to questions, officers advised to mitigate the risks of pooling they were engaging in the Brunel Client Group and were in the process of recruiting a permanent Investment Manager to oversee the transition. Members discussed the current economic environment for academies within the fund, acknowledging academies would likely reduce their support staff over the coming years, therefore reducing the active members in the Fund. It was also probable there would be more Multi Academy Trusts. In respect of GDPR the Fund's Governance and Performance Advisor explained the Fund was a data controller and considered admitted bodies as joint data controllers; information had also been issued to employers about their respective roles in data controlling and processing.

Resolved:

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

30 **Local Pension Board Code of Conduct & Conflict of Interest Policy**

The Head of Pensions Administration and Relations recommended a change to the Local Pension Board Code of Conduct and Conflict of Interest Policy, endorsed by the Board, that it be reviewed every two years, or upon any material change to the relevant guidance and regulations. Questions were raised over the form for registering interests in respect of the following:

- The legal need to declare 'none' where no interests exist
- Whether interests members were legally obliged to declare could be explicitly identified from other requests
- Whether the interests of the member and their spouse, civil partner or cohabitee need be separated

Resolved:

To request the Fund's legal advisors consider the questions raised as detailed above and possible revisions to the document.

31 **Governance Compliance Statement**

The Head of Pensions Administration and Relations advised the Governance Compliance Statement was a legal requirement and would be included in the Fund's Annual Report.

Resolved:

To approve the Governance Compliance Statement.

32 **Internal Audit Report**

The Head of Pensions Administration and Relations advised South West Audit Partnership had given the Fund a 'Reasonable Assurance' audit opinion. Officers had taken action on the recommendations arising from the audit and a statement would be made to confirm when reconciliation work had been completed.

Resolved:

To note the update and attached SWAP Internal Audit Report and recommendations and management's response to these recommendations.

33 **Pension Fund Administration Outturn Statement 2017/18**

The Interim Investment Manager presented the Fund's Outturn Statement, it was explained the variance between planned and actual expenditure was mostly due to higher performance fees for investment managers and actuarial costs. The Actuary had provided additional resource to support the Fund during a period of high staff turnover. It was explained that a national comparison existed and officers could present this to Committee if considered useful.

Resolved:

To note the Administration Outturn Statement and offer to present national comparisons in future reports.

34 **Draft Statement of Accounts**

The Interim Investment Manager explained the production of the Fund's accounts had been a challenge for 2017-18 due to staff changes and the change of custodian as a result of asset pooling. It was considered the Fund

was now well placed for a smoother process the following year as staff were fully trained. The Committee was advised the lead auditor was confident with the Fund's accounts and the audit was expected to go well.

Resolved:

To approve the draft Wiltshire Pension Fund Financial Statements 2017/18, subject to the completion of the audit and to refer the accounts to the Audit Committee to consider as part of the Wiltshire Pension Fund Committee accounts.

To thank officers for their hard work in producing the accounts over a challenging transition period.

35 **Investment Strategy Statement**

The Committee considered an updated Investment Strategy for the Fund and it was suggested reference to the Flight Path and risk management tools could be made earlier in the document to contextualise details provided. It was also recommended further detail be provided on Brunel Pension Partnership.

Members commented the cover report for the Investment Strategy Statement stated there were no environmental implications of the policy, however the policy itself gave a broad statement on Environment Social and Governance issues and the Fund considered ESG implications as part of its investments.

Resolved:

To approve the 2018 Investment Strategy Statement, subject to amendments to include further detail on Brunel and the Flight Path/risk management; the wording of such amendments to be delegated to officers. And to request the Committee is updated on changes at a future meeting.

To request future cover reports for the Investment Strategy Statement include a statement in respect of ESG issues.

36 **Date of Next Meeting**

The next meeting was to be held on 20 September 2018.

37 **Urgent Items**

There were no urgent items.

38 **Exclusion of the Public**

Resolved:

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 Minute Numbers 39-44 because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraphs 1 & 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.

39 **Employer Investment Strategies - Progress Update**

Catherine McFadyen and Barry Dodds from Hymans-Robertson LLP presented on separate employer investment strategies for the Fund.

Resolved:

To endorse the approach set out by Hymans and delegate to officers to implement the proposal and develop a detailed timeline to plan actions for the next four quarters.

To request an update on progress with investment strategies in September and case study examples of the impact on employers of switching out of the main strategy.

40 **Brunel Pension Partnership update**

The Interim Investment Manager gave an update on the progress of Brunel Pension Partnership.

Resolved:

To note the verbal update on the progress of Brunel Pension Partnership.

41 **Investment Quarterly Progress Report**

An update on the Fund's investment performance was provided.

Resolved:

To note the reports and performance of the Fund's investments.

42 **Minutes and Key Decisions of the Investment Sub Committee**

The Committee considered the recommendations arising from the Investment Sub Committee, and noted key decisions in respect of risk management that would link into the investment strategies work led by Hymans.

Resolved:

To note the minutes and key decisions of the Investment Sub Committee held on 7 June 2018.

To recommend an amendment to minute 27 to clarify a reference to investment advisors.

43 **Minutes**

Resolved:

To confirm the Part 2 minutes of the meeting held on 15 March 2018.

44 **Urgent Item**

Representatives from Hymans Robertson and Jim Edney, Independent Advisor, left the meeting due to a conflict of interest.

The Committee was invited to consider the contracts for the Fund's investment adviser, independent adviser and actuary.

Resolved:

To note that officers would make the necessary procurement arrangements for an actuarial contract, and would update the Committee on progress. And to endorse the recommendation that the optimum time be found for the contract to come to an end during the valuation cycle, however to also note that decisions are subject to procurement law.

To note the Investment Advisor contract would be reviewed in 2019, closer to the expiry date of the contract.

To request a proposal on the contract for an Independent Governance Advisor be brought to the next meeting.

(Duration of meeting: 10.30 am - 12.40 pm)

The Officer who has produced these minutes is Libby Johnstone, of Democratic Services, direct line 01225 718214, e-mail libby.johnstone@wiltshire.gov.uk

Press enquiries to Communications, direct line (01225) 713114/713115

WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD
12 JULY 2018

DRAFT STATEMENT OF ACCOUNTS FOR 2017-18

Purpose of the Report

1. The purpose of this report is to present the attached draft Wiltshire Pension Fund Financial Statements 2017-18 for Members to note.

Background

2. As last year, the Financial Statements was presented at the June Wiltshire Pension Committee meeting and the Complete Annual Report will be presented to the September Committee.
3. The Pension Financial Statements will also go to the Audit Committee on 24 July 2018.
4. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/2018 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.
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 external 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 Committee meeting.

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. Members are asked to approve the draft Wiltshire Pension Fund Financial Statements 2017-18 for publication, subject to the completion of the audit.

Ian Duncan
Treasurer to the Pension Fund

Report Author: Nick Weaver, Investment Manager

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 2018 included 21,781 active members, 16,273 pensioners and 29,253 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 2017/2018 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 Administering Authority 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 providing support and advice to the Administering Authority.

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 Administering Authority's Funding Strategy Statement (FSS), dated September 2016. In summary, the key funding principles are as follows:

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

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

Funding Position as at the last formal valuation

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

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

Principal Actuarial Assumptions and Method used to value the liabilities

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

Method

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

Assumptions

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

The key financial assumptions adopted for the 2016 valuation were as follows:

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

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2013 model, assuming the current rate of improvements has reached a peak and will converge to long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	22.5 years	24.9 years
Future Pensioners*	24.1 years	26.7 years

*Aged 45 at the 2016 Valuation

Copies of the 2016 valuation report and Funding Strategy Statement are available on request from Wiltshire Council, the administering authority to the Fund.

Experience over the period since 31 March 2016

Since the last formal valuation, real bond yields have fallen placing a higher value on the liabilities and there have been strong asset returns, particularly during 2016/17. Both events are of broadly similar magnitude with regards to the impact on the funding position.

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

Audit

KPMG LLP 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 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 Investment Strategy Statement (ISS) which can be supplied upon request or viewed at www.wiltshirepensionfund.org.uk.

The full list of managers as at 31 March 2018 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	7.5%
Legal & General	Global Equities	5.0%
Legal & General	Government Bonds	10.0%
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%

The value of assets under management at 31 March 2018 was £2,382.2 million, broken down by managers as follows:

	31-Mar-18	31-Mar-17
Legal & General	£876.3 million	£808.8 million
Baillie Gifford	£372.5 million	£356.1 million
CBRE Global Multi Manager	£314.7 million	£291.7 million
Barings Asset Management	£242.2 million	£210.7 million
Loomis Sayles	£276.1 million	£231.3 million
M&G Investment Management	£2.1 million	£5.8 million
Partners Group	£35.7 million	£37.1 million
Investec	£252.4 million	£232.6 million
Cash held at custodian	£9.4 million	
Long-term investment - Brunel Pension Partnership	£0.8 million	
Total	£2,382.2 million	£2,174.1 million

2018

		£ million	Fund total	% of
Geographical analysis	United Kingdom	762.7		32.0
	North America	212.3		8.9
	Europe	78.6		3.3
	Asia, ex Japan	5.9		0.2
	Other - Overseas	102.2		4.3
	Other - Pooled Funds	1,220.5		51.2
			2,382.2	
Sector analysis	Long term assets	0.8		0.0
	Equities	1,251.6		52.5
	Fixed interest bonds	276.1		11.6
	Cash & Derivatives	29.1		1.2
	Property	281.4		11.8
	Emerging Market	252.4		10.6
	Infrastructure	35.7		1.5
	Index linked bonds	255.1		10.7
		2,382.2		100.0

Comparative figures for 2016/2017 are shown below.

		£ million	Fund total	% of
Geographical analysis	United Kingdom	714.5		32.9
	North America	223.6		10.3
	Europe	78.3		3.6
	Asia, ex Japan	6.4		0.3
	Other - Overseas	78.0		3.6
	Other - Pooled Funds	1073.3		49.4
			2,174.1	
Sector analysis	Equities	1,266.8		58.3
	Fixed interest bonds	231.3		10.6
	Cash & Derivatives	20.0		0.9
	Property	262.8		12.1
	Emerging Market	232.6		10.7
	Infrastructure	35.7		1.6
	Index linked bonds	124.9		5.7
			2,174.1	

Safe custody of all investments is the responsibility of State Street and some legacy assets with 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

Fund Account For the year ended 31 March	Notes	2017/2018	2016/2017
		£000	£000
Contributions and benefits			
Contributions receivable	5	100,221	95,901
Individual transfers		3,798	3,604
		104,019	99,505
Benefits payable	6	(83,315)	(78,814)
Payments to and on account of leavers	7	(4,003)	(4,808)
		(87,318)	(83,622)
Management Expenses	8&12	(12,646)	(11,181)
		4,055	4,702
Returns on investments			
Investment income	9	11,701	10,076
Change in market value of investments	11	195,253	334,031
Net returns on investments		206,954	344,107
Net Increase in the fund during the year		211,009	348,809
Opening Net Assets of the Fund		2,187,470	1,838,661
Closing Net Assets of the Fund		2,398,479	2,187,470

Net Asset Statement At 31 March	Notes	31 March 2018	31 March 2017
		£000	£000
LONG TERM INVESTMENTS			
Brunel Pension Partnership		840	0
INVESTMENT ASSETS	11		
Equities		388,220	372,221
Pooled investment vehicles		1,682,651	1,519,157
Property		281,427	262,758
Cash held on deposit		28,614	19,799
Other investment balances		472	170
		<u>2,381,384</u>	<u>2,174,105</u>
INVESTMENT LIABILITIES	11		
Derivatives liabilities		0	0
Total net investments		<u>2,382,224</u>	<u>2,174,105</u>
Current assets	13	19,767	17,047
Current liabilities	14	(3,513)	(3,682)
Net assets of the Fund at 31 March		<u>2,398,478</u>	<u>2,187,470</u>

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

Notes**Related notes form an integral part of these financial statements****1. Basis of Preparation**

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

IAS26 requires the actuarial present value of promised benefits to be disclosed. A separate report has been prepared by Hymans Robertson and is enclosed below after note 20. The Chancellor's budget statement on 22 June 2010 declared that future pension increases should be linked to the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). The report after note 20 has been prepared on the CPI basis.

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

2. Accounting Policies

The principal accounting policies of the Fund are as follows:

Contributions

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

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

Benefits and Refund of Contributions

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

Transfers to and from Other Schemes

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

Investment Income

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

Valuation of Investments

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

- (i) **Quoted securities**
Quoted Securities have been valued at 31 March 2018 by the Fund's custodian using the bid price where a quotation was available on a recognised stock exchange or unlisted securities market.
- (ii) **Unquoted securities**
Unquoted securities have been valued according to the latest trades, professional valuation, asset values or other appropriate financial information.
- (iii) **Pooled investment vehicles**
Pooled investments are stated at bid price for funds with bid/offer spreads, or single price/net asset value where there are no bid/offer spreads, as provided by the investment manager.
- (iv) **Fixed Interest Stocks**
Segregated fixed interest stocks are valued on a clean basis. Accrued income is accounted for within investment income.
- (v) **Derivative Contracts**
Derivatives are stated at market value. Exchange traded derivatives are stated at market values determined using quoted prices. For exchange traded derivative contracts which are assets, market value is based on quoted bid prices. For exchange traded derivative contracts which are liabilities, market value is based on quoted offer prices.

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

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

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

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

Foreign Currency Translation

All investments held in foreign currencies are shown at market value translated into sterling using the WM 4PM rate on 31 March 2018.

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

Management Expenses

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

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

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

Acquisition Costs of Investments

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

Administration Expenses

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

Taxation

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

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

Additional Voluntary Contributions (AVCs)

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

3. Critical Judgement in Applying Accounting Policies

Pension Fund Liability

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

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

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

The items in the net asset statement at 31 March 2018 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Debtors	At 31 March 2018, the fund had a balance of £19.8m for debtors (£1.9m relate to a long-term debtor). A review of significant balances suggested that no impairment is currently necessary. However, in the current economic climate, it is not certain that all debts will be paid.	If collection rates deteriorate it may be necessary for an allowance to be included in the accounts for doubtful debts.

5. Contributions Receivable

	2017/2018 £000	2016/2017 £000
Employer		
- Normal	65,373	61,280
- Augmentation	1,976	1,401
- Deficit Funding*	12,812	14,064
Members		
- Normal	19,846	18,959
- Additional Contributions	214	197
	100,221	95,901
Analysis of contributions receivable		
	2017/2018 £000	2016/2017 £000
<i>Contributions from employees (Including Additional Contributions)</i>		
- Wiltshire Council	7,565	7,063
- Other scheduled bodies Admitted bodies	11,582 914	11,123 970
	20,061	19,156
<i>Contributions from employers (Including Augmentations)</i>		
- Wiltshire Council	29,737	30,194
- Other scheduled bodies Admitted bodies	43,461 6,962	40,188 6,363
	80,160	76,745
Total contributions receivable	100,221	95,901

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

improve the Fund's funding position. The recovery period at the last valuation over which the deficit funding is recovered is mainly 20 years for scheduled bodies and 14 years or the length of the employer's contract (whichever is the shorter) for admitted bodies.

6. Benefits payable

	2017/2018 £000	2016/2017 £000
Pensions	68,166	65,540
Commutation and lump sum retirement benefits	13,412	11,141
Lump sum death benefits	1,737	2,133
	83,315	78,814
Analysis of benefits payable		
	2017/2018 £000	2016/2017 £000
<i>Pensions payable</i>		
- Wiltshire Council	35,824	34,940
- Other scheduled bodies	25,578	24,200
- Admitted bodies	6,763	6,400
	68,165	65,540
<i>Retirement and Death grants payable</i>		
- Wiltshire Council	5,831	5,651
- Other scheduled bodies	7,751	6,186
- Admitted bodies	1,568	1,437
	15,150	13,274
Total benefits payable	83,315	78,814

7. Payments to and on account of leavers

	2017/2018 £000	2016/2017 £000
Individual transfer out to other schemes	3,690	4,394
Bulk transfer out to other schemes	0	2
Refunds to members leaving service	259	269
State Scheme Premiums	54	143
	4,003	4,808

8. Management Expenses

	2017/2018 £000	2016/2017 £000
Administration costs	2,773	1,955
Investment Management expenses	9,738	9,117
Oversight & Governance	135	109
	12,646	11,181

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

The guidance requires the reporting of external investment management fees that are deducted from asset values (rather than invoiced and paid directly). These are now shown gross. Wherever possible, these figures are based on actual costs disclosed by the manager; where actual costs were not available, best estimates have been made using other available information. It is important to note that

this is a change in reporting only and does not represent an actual increase in costs, nor a decrease in Fund's resources available to pay pension benefits.

Investment Management expenses includes £1.6m of performance-related fees paid to the fund's investment managers (2016/2017: £2.3m).

9. Investment Income

	2017/2018 £000	2016/2017 £000
<i>Quoted securities</i>		
- UK fixed interest bonds (coupon receipts)	0	0
- Overseas fixed interest bonds (coupon receipts)	0	0
- UK index linked bonds (coupon receipts)	0	0
- UK equities	146	545
- Overseas equities	1,099	999
<i>Pooled Investment Vehicles</i>		
- Overseas equities	62	0
- UK property	8,944	8,616
- Global property	89	0
- Infrastructure	1,226	0
<i>Cash held on deposit</i>		
- Sterling Cash	50	77
- Overseas Cash	85	-161
	11,701	10,076

10. Stock Lending

The Council participates in a securities lending programme administered by State Street. Securities in the beneficial ownership of the Council to a value of £52.1 million (2.2% of the total) were on loan at 31 March 2018. Collateral for these securities is held in a pooled form, the Wiltshire Pension Fund's share (0.019%) representing a value of £55.8million (107.28%). Income earned from this programme amounted to £0.306 million in the year.

	2017/2018 £ million	2016/2017 £ million
WPF Securities on loan	52.1	77.8
(percentage of total)	2.19%	3.58%
WPF Collateral share of pool	0.02%	0.01%
Value of WPF pooled share	55.9	84.9
Percentage of securities on loan	107.3%	109.1%
Income earned in year	0.306	0.367

11. Investments

Reconciliation of investments held at beginning and end of year

	Value at 01 April 2017	Purchases at cost & derivative payments	Sales Proceeds and derivative receipts	Change in Market Value	Value at 31 March 2018
	£000	£000	£000	£000	£000
Long term investments					
- Brunel Pension Partnership	0	840	0	0	840
Fixed interest securities	0	0	0	0	0
Index linked securities	0	0	0	0	0
Equities	372,221	32,081	(110,404)	94,322	388,220
Pooled funds:					
- Other	1,519,157	437,221	(357,228)	83,500	1,682,650
- Property	262,758	45,107	(37,085)	10,647	281,427
Derivative assets					
- Futures	0	0	0	0	0
- Options	0	0	0	0	0
- Forward FX	0	0	0	0	0
	2,154,136	515,249	(504,717)	188,469	2,353,137
Cash deposits	19,799			(349)	28,614
Other Investment	170			6	473
Balances					
	2,174,105			188,126	2,382,224

	Value at 01 April 2016	Purchases at cost & derivative payments	Sales Proceeds and derivative receipts	Change in Market Value	Value at 31 March 2017
	£000	£000	£000	£000	£000
Fixed interest securities	0	0	0	0	0
Index linked securities	0	0	0	0	0
Equities	320,848	39,154	(84,266)	96,485	372,221
Pooled funds:					
- Other	1,252,637	459,029	(486,619)	294,110	1,519,157
- Property	230,505	63,985	(30,907)	(825)	262,758
Derivative assets					
- Futures	0	0	0	0	0
- Options	0	0	0	0	0
- Forward FX	1,246	163,377	(117,950)	(46,673)	0
	1,805,236	725,545	(719,742)	343,097	2,154,136
Cash deposits	20,977			(9,086)	19,799
Other Investment	179			20	170
Balances					
	1,826,392			334,031	2,174,105

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

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

Details of investments held at year end

	31 March 2018 £000	31 March 2017 £000
LONG TERM ASSETS		
Brunel Pension Partnership	840	0
INVESTMENT ASSETS		
Equities		
- UK equities	24,939	23,851
- Overseas equities	363,281	348,370
	388,220	372,221
Pooled Investment Vehicles		
- UK equities	171,423	285,230
- Overseas equities	691,999	609,342
- Overseas fixed income	276,116	231,301
- UK index linked Government bonds	255,092	124,948
- Property	281,427	262,758
- Emerging Market Debt	100,946	93,038
- Emerging Market Equities	151,419	139,557
- Infrastructure	35,656	35,741
	1,964,078	1,781,915
Cash held on deposit		
- Sterling Cash	14,966	17,561
- Overseas Cash	13,648	2,238
	28,614	19,799
Other Investment Balances		
- Derivatives Assets	0	0
- Outstanding dividend entitlements	304	4
- Recoverable tax	168	166
	472	170
INVESTMENT LIABILITIES		
- Derivatives Liabilities	0	0
Total of investments held	2,382,224	2,174,105
NET CURRENT ASSETS & LIABILITIES		
Current Assets	19,767	17,047
Current Liabilities	(3,512)	(3,682)
Total net current assets	16,255	13,365
	2,398,479	2,187,470

Derivative Contracts**Objectives and Policies**

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

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

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

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

Forward foreign exchange – In order to maintain an appropriate diversification of investments within the Fund and take advantage of overseas investment returns a proportion of the investment portfolio is invested overseas.

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

Financial Instruments**Classification of financial instruments**

The accounting policies describe how different asset classes of financial 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 2018

	Designated as Fair value through Profit and Loss	Loans and Receivables	Financial liabilities at amortised cost
	£000	£000	£000
Long Term Investments			
Brunel Pension Partnership	840	0	0
Financial assets			
Fixed interest securities	0	0	0
Index linked securities	0	0	0
Equities	386,131	2,088	0
Pooled investment vehicles	1,682,651	0	0
Property	281,427	0	0
Derivative assets	0	0	0
Cash held on deposit	0	36,324	0
Other Investment balances	473	0	0
Debtors	0	12,057	0
	<u>2,350,682</u>	<u>50,469</u>	<u>0</u>
Financial Liabilities			
Derivative Liabilities	0	0	0
Creditors	0	(3,512)	0
	<u>0</u>	<u>(3,512)</u>	<u>0</u>
	<u>2,351,522</u>	<u>46,957</u>	<u>0</u>

As at 31 March 2017

	Designated as Fair value through Profit and Loss	Loans and Receivables	Financial liabilities at amortised cost
	£000	£000	£000
Financial assets			
Fixed interest securities	0	0	0
Index linked securities	0	0	0
Equities	367,664	4,557	0
Pooled investment vehicles	1,519,157	0	0
Property	262,758	0	0
Derivative assets	0	0	0
Cash held on deposit	0	25,468	0
Other Investment balances	170	0	0
Debtors	0	11,378	0
	<u>2,149,749</u>	<u>41,403</u>	<u>0</u>
Financial Liabilities			
Derivative Liabilities	0	0	0
Creditors	0	(3,682)	0
	<u>0</u>	<u>(3,682)</u>	<u>0</u>
	<u>2,149,749</u>	<u>37,721</u>	<u>0</u>
Net gains/(losses) on financial instruments			
	2018 £000	2017 £000	
Financial assets			
Fair value through profit and loss	188,124	327,104	
Loans and receivables	(334)	(9,079)	
Financial liabilities			
Fair value through profit and loss	0	0	
Loans and receivables	0	0	
Total	<u>187,790</u>	<u>318,025</u>	

Financial Risk Disclosure

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

All the Fund's investments are managed by appointed Investment Managers. All investments are held by State Street 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 2018 and 2017 by the amounts shown below.

As at 31 March 2018	Value £000	Volatility of return	Increase £000	Decrease £000
Baillie Gifford - Global Equity	372,482	17.90%	67	(67)
CBRE Global Multi Manager - Property	314,744	14.10%	44	(44)
Legal & General - Equity	171,423	15.60%	27	(27)
Legal & General - Gilts	255,092	9.60%	24	(24)
Legal & General - Global Equity	125,350	15.60%	20	(20)
Legal & General - Rafi Equity	324,477	15.60%	51	(51)
Barings - Dynamic Assets Allocation	242,173	10.20%	25	(25)
Partners Group - Infrastructure	35,656	14.30%	5	(5)
Investec - Emerging Markets	252,365	18.60%	47	(47)
Loomis Sayles - Multi Asset Credit	115,238	4.70%	5	(5)
Loomis Sayles - Absolute Return Bond Fund	160,878	4.70%	8	(8)
M&G - Financing Fund	2,089	0.00%	0	0
Cash held at custodian	9,417	0.00%	0	0
Long-term investment - Brunel Pension Partner	840	0.00%	0	0
	<u>2,382,224</u>		<u>322</u>	<u>(322)</u>

As at 31 March 2017	Value £000	Volatility of return	Increase £000	Decrease £000
Baillie Gifford - Global Equity	356,091	17.30%	61,604	(61,604)
CBRE - Property	291,670	14.50%	42,292	(42,292)
Legal & General - Equity	285,230	17.00%	48,489	(48,489)
Legal & General - Gilts	124,949	8.80%	10,996	(10,996)
Legal & General - Global Equity	96,098	17.00%	16,337	(16,337)
Legal & General - Fundamentals	302,496	17.00%	51,424	(51,424)
Barings - Dynamic Assets Allocation	210,749	11.90%	25,079	(25,079)
Partners Group - Infrastructure	37,111	15.00%	5,567	(5,567)
Investec - Emerging Markets	232,595	20.10%	46,752	(46,752)
Loomis Sayles - Multi Asset Credit	92,798	6.00%	5,568	(5,568)
Loomis Sayles - Absolute Return Bond Fund	138,504	6.00%	8,310	(8,310)
M&G - Financing Fund	5,807	0.00%	0	0
Berenberg Bank - Dynamic Currency Fund	7	0.00%	0	0
	<u>2,174,105</u>		<u>322,418</u>	<u>(322,418)</u>

2) Interest Rate Risk

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

The Fund's exposure to interest rate movements from its investments in cash & cash equivalents, fixed interest and loans at 31 March 2018 and 2017 are provided below.

	31 March 2018 £000
Cash held on deposit	28,614
Fixed Interest Securities	276,116
Loans	2,089
	<u>306,818</u>

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

Interest Rate – Sensitivity Analysis

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

As at 31 March 2018	Value	Change in net assets	
	£000	£000	£000
		+100 BP	-100 BP
Cash held on deposit	28,614	286	(286)
Fixed Interest Securities	276,116	(9,149)	9,149
Loans	2	0	0
	306,818	(8,863)	8,863

As at 31 March 2017	Value	Change in net assets	
	£000	£000	£000
		+100 BP	-100 BP
Cash held on deposit	19,799	198	(198)
Fixed Interest Securities	231,301	(6,676)	6,676
Loans	4,557	0	0
	255,657	(6,478)	6,478

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.

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

2018	US Dollar	Euro	Yen
Benchmark Weights	12.21%	2.79%	0.00%
Net Currency Exposure	£'000 290,850	£'000 66,428	£'000 0

2017	US Dollar	Euro	Yen
Benchmark Weights	12.85%	3.04%	0.02%
Net Currency Exposure	£'000 279,400	£'000 66,015	£'000 530

Currency Risk – Sensitivity Analysis

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

A 10% strengthening or weakening of Sterling against the various currencies at 31 March 2018 and 31 March 2017 would have increased or decreased the net assets by the amount shown below.

2018	Assets Held at Fair Value £000	Change in net assets	
		+10% £000	-10% £000
US Dollar	290,850	29,085	(29,085)
Euro	66,428	6,643	(6,643)
Yen	0	0	0
Net Currency Exposure	357,278	35,728	(35,728)

2017	Assets Held at Fair Value £000	Change in net assets	
		+10% £000	-10% £000
US Dollar	279,400	27,940	(27,940)
Euro	66,015	6,602	(6,602)
Yen	530	53	(53)
Net Currency Exposure	345,945	34,595	(34,595)

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

b) Credit Risk

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

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

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

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

The Fund's exposure to credit risk at 31 March 2018 and 2017 is the carrying amount of the financial assets.

2018

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

2017

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

c) Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The main liabilities of the Fund relate to the benefits payable which fall due over a long period of time. The investment strategy reflects this and 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 2018 and 2017, grouped into relevant maturity dates.

2018	Carrying Amount £000	Less than 12 months £000	Greater than 12 months £000
Accounts Payable	107	107	0
Benefits Payable	538	538	0
Sundry Creditors	2,866	2,866	0
	3,511	3,511	0

2017	Carrying Amount £000	Less than 12 months £000	Greater than 12 months £000
Accounts Payable	143	143	0
Benefits Payable	493	493	0
Sundry Creditors	3,046	3,046	0
	3,682	3,682	0

Fair Value Hierarchy

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

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

The tables below analyse financial instruments, measured at fair value at the end of the reporting period 31 March 2018 and 31 March 2017, by the level in the fair value hierarchy into which the fair value measurement is categorised. This has been produced from analysis provided by our custodian State Street.

2018	£000	£000	£000	£000
	Level 1	Level 2	Level 3	Total
Brunel Pension Partnership	840	0	0	840
Fixed Interest Securities	0	0	0	0
Index Linked Securities	0	0	0	0
Equities	384,770	0	3,450	388,220
Pooled Funds:	0	0	0	0
- Other	0	1,646,995	35,656	1,682,651
- Property	0	111,402	170,025	281,427
Derivative assets	0	0	0	0
- Futures	0	0	0	0
- Options	0	0	0	0
- Forward FX	0	0	0	0
	385,610	1,758,397	209,130	2,353,138
Cash Deposits	28,614	0	0	28,614
Other Investment balances	473	0	0	473
	414,697	1,758,397	209,130	2,382,224

2017	£000	£000	£000	£000
	Level 1	Level 2	Level 3	Total
Fixed Interest Securities	0	0	0	0
Index Linked Securities	0	0	0	0
Equities	365,697	0	6,523	372,221
Pooled Funds:	0	0	0	0
- Other	0	1,483,417	35,741	1,519,158
- Property	0	106,923	155,835	262,758
Derivative assets	0	0	0	0
- Futures	0	0	0	0
- Options	0	0	0	0
- Forward FX	0	0	0	0
	365,697	1,590,340	198,099	2,154,136
Cash Deposits	19,799	0	0	19,799
Other Investment balances	170	0	0	170
	385,666	1,590,340	198,099	2,174,105

During 2017/18 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 2018 and 31 March 2017.

2018	£000
Opening balance	198,100
Total gains/losses	10,373
Purchases	42,242
Sales	-41,583
Transfer out of Level 3	0
Closing balance	209,132

2017	£000
Opening balance	148,223
Total gains/losses	2,618
Purchases	70,693
Sales	(23,436)
Transfer out of Level 3	0
Closing balance	198,098

The following table shows the sensitivity of assets valued

Sensitivity of assets valued at level 3

	Assessed Valuation range (+/-)	Value at 31 March 2018 £'000	Value on increase £'000	Value on decrease £'000
Pooled Property	14.10%	171,386	195,551	147,221
M&G Financing Fund	0.00%	2,089	2,089	2,089
Infrastructure	14.30%	35,656	40,755	30,557
		209,131	238,395	179,867

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

Security	31 March 2018	
	Market value £m	% of total market value
Legal & General - Rafi Equity	324.5	13.6
Investec - Emerging Markets	252.4	10.6
Barings - Dynamic Asset Allocation Fund	242.2	10.2
Legal & General Equity Index Fund	171.4	7.2
Loomis Sayles Alpha Bond Fund	160.9	6.8
LSAA 2068 Index Linked Gilts	127.9	5.4
LUAB 2062 Index Linked Gilts	127.2	5.3
Legal & General World Equity Index	125.4	5.3
	1531.9	64.3

12 Investment management expenses

	2017/2018 £000	2016/2017 £000
Management & Investment Admin Fees	9,639	9,047
Custody & Performance Measurement	99	70
	<u>9,738</u>	<u>9,117</u>

13 Current assets

	31 March 2018 £000	31 March 2017 £000
Contributions due from other authorities and bodies		
- Employees	1,570	1,536
- Employers	5,589	5,199
Income due from external managers and custodians	0	0
Debtors (Magistrates)	1,930	2,895
Other	2,966	1,748
Cash balances	7,710	5,669
	<u>19,765</u>	<u>17,047</u>
Less:		
Long term debtors (Magistrates)	1,930	2,895
Net Current Assets	<u>17,835</u>	<u>14,152</u>

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

On 8 April 2011 Wiltshire Pension Fund received confirmation from the Government Actuary's Department that they agreed to make a payment to the Fund to cover the liabilities in respect of the Magistrates Courts. In the past active members employed by the Magistrates Courts were transferred out of the LGPS but pensioners/deferred members remained in. The payment would be in 10 instalments over the next 10 years. The total amount of the remaining debt is £2.895m, of this the following year's instalment (£0.965m) is classified as a debt repayable in one year, and the remaining balance £1.930m is a long-term debtor.

14 Current Liabilities

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

15. Additional Voluntary Contributions (AVCs)

Fund members paid contributions totalling £0.773 million (£0.782million in 2016/2017) into their AVC funds during the year. At the year end, the value of funds invested on behalf of Fund members totalled £4.421 million (£4.528 million in 2016/2017), made up as follows:

	£ million
<i>Equitable Life Assurance Society</i>	
- With Profits Fund	0.471
- Unit Linked Managed Fund	0.145
- Building Society Fund	0.000
<i>Clerical Medical Funds</i>	0.000
- With Profits Fund	0.178
- Unit Linked Managed Fund	0.900
<i>NPI Funds</i>	0.000
- Managed Fund	0.012
- With Profits Fund	0.097
- Global Care Unit Linked Fund	0.062
- Cash Deposit Fund	0.024
<i>Prudential</i>	0.000
- With Profits Cash Accumulation Fund	0.893
- Deposit Fund	0.444
- Diversified Growth Fund	0.422
- Equity Passive	0.059
- Long Term Growth Fund	0.340
- Pre-Retirement Fund	0.187
- Property Fund	0.188
	4.422

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

16. Employer Related Assets

There are no employer related assets within the Fund.

17. Related Party Transactions

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

The Council incurred costs of £1.472m (2016/2017: £1.430m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The Council is also the single largest employer of members of the Pension Fund and contributed £30m to the Fund in 2017/2018 (2016/2017: £30m). A balance of £0.9m was owed by the Pension Fund to the Council at year end.

Part of the pension fund cash holdings are invested on the money markets by the treasury management operations of Wiltshire Council, through a service level agreement. During the year to 31 March 2018, the fund had an average investment balance of £7.6m (31 March 2017: £5.6m), earning interest of £21k (2016/2017: £21k) in these funds.

Governance

There are two members of the Pension Fund Committee D Hall and L Stuart that are active members of the Pension Fund. These individuals are the employer bodies' representatives. Councillor Roy While is also a pensioner member of the Pension Fund.

18. Guaranteed Minimum Pension

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

GMP elements of 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 falls between 06/04/2016 and 05/12/2018. However, we are awaiting further confirmation from the Government as to how GMPs will be increased for those member's whose SPA is after 05/12/2018.

19. Contingent Liabilities and Contractual Commitments

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

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

Actuarial Statement in respect of IAS26 as at 31.03.2018

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2017/18 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the Wiltshire Pension Fund ("the Fund").

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

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

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

Present value of Promised Retirement Benefits

£m	Year ended	
	31 March 2018	31 March 2017
Active members	1,469	1,349
Deferred pensioners	848	853
Pensioners	1,116	1,163
Total	3,433	3,365

The promised retirement benefits at 31 March 2018 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2016. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

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

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

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2018 and 31 March 2017. I estimate that the impact of the change in financial assumptions to 31 March 2018 is to decrease the actuarial present value by £67m. There is no impact from any change in the demographic and longevity assumptions because they are identical to the previous period.

Financial assumptions

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

Longevity assumption

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2013 model, assuming the current rate of improvements has reached a peak and will converge to a long term rate of 1.25% p.a.. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	22.5 years	24.9 years
Future Pensioners*	24.1 years	26.7 years

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

Please note that the longevity assumptions have not changed since the previous IAS26 disclosure for the Fund.

Commutation assumptions

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

Sensitivity Analysis

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

Sensitivity to the assumptions for the year ended 31 March 2018	Approximate % Increase to liabilities	Approximate monetary amount (£m)
0.5% p.a. increase in the Pension Increase Rate	8%	284
0.5% p.a. increase in Salary Increase Rate	1%	46
0.5% decrease in Real Discount Rate	10%	349

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

This paper accompanies my covering report titled 'Actuarial Valuation as at 31 March 2018 for accounting purposes'. The covering report identifies the appropriate reliance and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Prepared by:-

Barry Dodds FFA

27 April 2018

For and on behalf of Hymans Robertson LLP

DRAFT

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

Wiltshire Council
Swindon Borough Council
Wiltshire & Swindon Fire Authority
Wiltshire Police PCC & CC
Aldbury Parish Council
Amesbury Parish Council
Blunsdon Parish Council
Bradford-on-Avon Town Council
Calne Town Council
Central Swindon North Parish Council
Central Swindon South Parish Council
Chippenham Town Council
Corsham Town Council
Cricklade Town Council
Devizes Town Council
Durrington Town Council
Haydon Wick Parish Council
Highworth Town Council
Ludgershall Town Council
Idminster Parish 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
St Andrews Parish 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
Acorn Academy
All Saints (Netheravon) Academy
Athelston Trust (Bradon Forest)
Athelston Trust (Malmesbury Academy)
ATOM
Bishop Wordsworth Academy
Blue kite 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 Cross Catholic Primary
Holy Family Academy
Holy Rood Primary Academy
Holy Trinity Calne Academy
Holy Trinity Devizes Academy
John Bentley Academy
John of Gaunt Academy
King William Academy
Kingsdown Academy
Lavington Academy
Lethbridge Academy
Lydiard Academy
Magna Learning Partnership
Malmesbury Primary Academy
Millbrook Academy
Morgan Vale Academy
New College
Oasis Community Learning
Peatmoor Primary Academy
Pewsey Primary Academy
Pewsey Vale Academy
Pickwick Academy Trust
Queens Crescent Academy
Reach South Academy Trust
Rowde Academy
Royal Wootton Bassett School
Salisbury 6th Form Academy
Salisbury Plain MAT
Sarum Academy
Sevenfields Academy
Shaw Ridge Academy
Sheldon Academy
Somerset Road Academy
South Wilts Grammar School
South Wilts UTC
Southbroom Infants Academy
Southfield Junior 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
The Mead Primary Academy
inc Castle Mead Academy
inc River Mead Academy
The Parks Academy Trust
United Learning Trust
Uplands Education Trust
UTC Swindon
Wansdyke Academy
Wellington Academy
West Ashton Academy
Westlea Academy
White Horse Academies
Wiltshire College
Woodford Valley Academy

Admitted bodies

Agincare
Aster Communities
Aster Group
Aster Living
Aster Property Management
Atkins Ltd
Brunel
Capita Business Services Ltd
Care Home Select (CHS)
Caterlink 1
Caterlink 2
Caterlink 3
Change Grow Live
Churchill Services 1
Churchill Services 2
CIPFA
Collaborative Schools
Community First
Create Studios
Deeland
Devizes Museum
Direct Cleaning
Direct Cleaning Wansdyke
Edwards and Wards - Nythe School
Edwards and Wards - St Peters School
Elior UK
Eynon
FCC Environment
First City Nursing
GLL
Great Western Hospital
Greensquare (Westlea Housing Association)
Greenwich Leisure Limited
Greenwich Leisure Limited pt2
Ilderde
Innovate Services
KGB Cleaning
Lifeways
Mears Care East 2
Mears Care Ltd North 1
Mears care Ltd West 1
Oxford Health NHS Trust
Places For People Leisure
Public Power Solutions
Reach
Ringway
Salisbury and South Wilts Museum
Sarsen Housing
Selwood Housing
Seren Group
Sodexo
Sodexo 2
Somerset Care Ltd
Southern Health NHS Foundation Trust
Spurgeons
Swindon Dance
Swindon Wildcats
The Order Of St John Care Trust
Twigmarket
Visit Wiltshire
Wiltshire and Swindon Sports Partnership
Wiltshire CCG
Wyclean

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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GDPR – Fund Implementation update

Richard Bullen
Fund Governance & Performance Manager

12 July 2018

Introduction

- A recap of the key points
- GDPR changes affecting the Fund
- What has the Fund done to date?
- Employer responsibilities
- Service provider contracts
- What has the Fund left to do?



**General
Data
Protection
Regulation**

Key points

- GDPR came into force from 25 May 2018 and is based on the GDPR (EU) Regulations.
- The Data Protection Act 2018 received Royal Assent on 23 May 2018 bringing EU Regulation into UK law
- Information Commissioner Officer is the regulator and responsible for ensuring UK compliance.
- Fund and each employers will be defined as 'joint data controllers'.
- Wiltshire Pension Fund will use the Wiltshire Council Data Protection Officer (DPO).
- A review of the Fund's policies & procedures are required to ensure compliance

GDPR changes affecting the Fund

1. **Breach notifications** - 72 hours to report from becoming aware of a breach
2. **Right to access** (Data Subject Access Requests – SAR's) - Timescale changed from 40 calendar days and optional £10 fee to 30 calendar days and free of charge
3. **Right to be forgotten** (aka data erasure) - Individuals can ask for any or all of their information to be removed from all systems
4. **Data portability** - Individual's data must be able to be transferred in a "commonly used" and machine readable format
5. **Privacy by design** - Inclusion of data protection from the onset of designing systems, policies and procedures
6. **Data Protection Officer** - DPO is mandatory only for controllers and processors whose core activities consist of processing and monitoring on a large scale or of special categories of data or data relating to criminal convictions and offences.

What has the Fund done to date?

- Undertaken a Data mapping exercise.
- We've sent out privacy notices and maintain privacy statements on our website.
- We've sent out a Memorandum of Understanding (MOU) to Employers.
- We've appointed a Data Protection Officer
- We've embarked on a programme of training & awareness to all staff, stakeholders & decision makers
- We're undertaking data reviews and resolving any inaccuracies.
- We've updated a number of our policies & procedures
- We're liaising with Scheme Employers concerning the due diligence & data sharing agreements

Employer responsibilities

- To confirm agreement to the Memorandum of Understanding
- Ensure their own compliance with GDPR, including:
 - Personal data is sent securely to us (e.g. password protected)
 - Understanding what personal data they hold and why they hold it.
 - Review their contracts and privacy notices
 - Review their communications with 'data subjects'.
 - Review their policies and procedures.

Service Provider contracts

- The Fund currently uses 36 contractual service providers
 - 31 contracted directly by the Fund. Of these;
 - a) 15 manage personal data
 - b) 16 don't manage personal data
 - 5 contracted through Wiltshire Council
 - a) All manage personal data
- The criteria for review
 - Ensuring GDPR compliance
 - General contractual review
- Internal Service Agreements with other Wiltshire Council Depts.

What has the Fund left to do?

- Confirm receipt from all Employers that they agree to the MOU
- Complete the Fund's review of contracts with Service Providers
- Complete & implement the outstanding procedures
- Arrange for an independent audit
- Undertake a rolling programme of departmental audits & reviews

Local Government Pension Scheme (LGPS)



Questions



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WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND LOCAL PENSION BOARD
12 July 2018

PENSION FUND COMPLIANCE WITH GDPR

Purpose of the Report

1. The purpose of this report is to present to the Board a summary of the Fund's implementation of the General Data Protection Regulations (GDPR) 2016 which came into force on 25th May 2018.

Background

2. The concept of data protection & the protection of living individual's personal data first came into fruition with the United Nations Universal Declaration of Human Right in 1948. Over the years, various pieces of legislation on data protection have been introduced notably the Data Protection Act 1998, which enshrined 8 data protection principles originally identified in 1980. The GDPR 2016 is the latest generation of legislation designed to protect the rights of living individuals in relation to their personal data and was enshrined into UK law with the Data Protection Act 2018 which received Royal Assent on 23rd May 2018.
3. The introduction of the GDPR has been in response to the changing way in which personal data is managed. In particular, the use of software and the communication and controlling of transferred personal data via the internet and around the world. Personal data is now recognised as a commodity. Whilst the Fund has already protected that commodity in accordance with the Data Protection Act 1998, it is now required to ensure that the protections are appropriate for the modern age.
4. As at 31st March 2018 the Fund had an estimated 24,200 active, 29,250 deferred & 16,250 pensioner & dependant members, who each on average have a record containing an estimated 200 items of personal data. The Pension Regulator (tPR) categorises this personal data in terms of common & conditional data & in turn sets the Fund quality standards by which that data must be maintained.
5. Whilst tPR sets the quality standards, it is the Information Commissioners Office (ICO) that oversees the requirements of GDPR, in particular the Fund's management of personal data & its right to lawfully process it. As a Data Controller, the Fund on behalf of Wiltshire Council is therefore required to undertake a review of it's policies & procedures to ensure that all parties involved in the management of members personal data comply with the new legislation.

Considerations for the Board

6. To note the steps taken by the Fund to implement & comply with the requirements of the GDPR 2016 are sufficient. In particular;
 - Undertaking a data mapping exercise, including flowcharts to identify where members personal comes from, how it is processed and where the data goes to;
 - Reviewing all of our Internal and External advisers' contracts ad Agreements to ensure that they too have taken all appropriate steps to be compliant with GDPR;

- Communicating with the Fund's membership through the distribution of a Privacy Notice, articles in Newsletters and updates on the Fund's website;
 - Appointing a Data Protection Officer (DPO);
 - Distributing a Memorandum of Understanding (MOU) to all Scheme Employers, detailing how the Fund will process member data with Scheme Employers & the standards we expect from them;
 - Reviewing the Fund's policies and procedures and implementing changes in the way we work to ensure compliance under the new law;
 - Embarking on a programme of training and awareness to ensure that all staff, stakeholders and decision makers are clear about their responsibilities;
 - Arranging for an Internal Auditor to review the implementation of GDPR within the Fund.
 - Undertaking Privacy Impact Assessments to ensure that all significant changes made by the Fund, which impact on the processing of personal data are validated; and
 - Responding to due diligence requests and data sharing agreements submitted to us by Scheme Employers.
7. Separately the Fund is currently developing a wider programme of contractual reviews with all of its partners. This review is part of a package of initiatives to ensure that the Fund's contracts & agreements are consistent with the range of services that are now required.

Conclusions

8. Completion of the data mapping exercise has been more complicated than first anticipated due to the array of environments, service providers & types of personal data which the Fund currently holds. Providing a visual display through flowcharts has helped Officers to assess the mapping of data & identify the next steps.
9. The Fund has sought to integrate its procedures with Wiltshire Council's procedures to enable a seamless approach to communicating events which will impact on both the Fund & the Council, notably breach reporting, Subject Access Requests & data security. This integrated approach has required alterations to a number of our existing procedures where the Council has also made changes. Implementation of new procedures has also been the catalyst for a number of activities in relation to our processes.
10. Staff awareness and training has played a crucial part of the implementation of GDPR, not only in terms of highlighting the changes, but in terms of actively adopting the new procedures and working with them as part of the staff's daily operating practices.
11. On completion of the project the Fund will request an audit of its GDPR changes by SWAP. The audit scope will include stress testing our procedures to identify any weaknesses.
12. Negotiations with a small number of the Fund's partners are ongoing concerning the clarification of their data protection status, i.e. as a Data Controller or Data Processor.

Environmental Impact

13. There is no environmental impact from this report.

Financial Considerations

14. There are no immediate financial considerations resulting from the reporting of the Fund's compliance with GDPR.

Risk Assessment

15. There are no direct risks to the Fund associated with this report although 'Failure to hold personal data securely' is covered by PEN009 on the risk register.

Legal Implications

16. There are no immediate legal implications arising from this report.

Safeguarding Considerations/Public Health Implications/Equalities Impact

17. There are no implications at this time.

Proposals

18. The Board is requested to note the Fund's progress on the implementation of GDPR.

ANDY CUNNINGHAM
Head of Pensions Administration and Relations

Report Author: Richard Bullen – Fund Governance & Performance Manager

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WILTSHIRE
PENSION FUND

Local Pension Board Annual Report

12 July 2018

Wiltshire Council
Where everybody matters

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Chairman's introduction

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

The Board, which comprised 7 members recruited by Wiltshire Council, was established in 2015.

This report covers the period from 1st April 2017 to 31st March 2018 during which the Board has held 4 meetings over this period. The focus of the LPB during 2017-18 has been on ensuring;

- a) the LPB governance complies with the statute and LGPS regulations that apply to it and best practice guidance issued by the national LGPS Advisory Board.
- b) its members are fully conversant with the LPB's statutory duties and responsibilities such as the requirements of the Pensions Regulator.
- c) the Wiltshire fund continues 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 third year.

The LPB made a number of recommendations to the Pensions Committee (see pages 11 to 17).

Perhaps the most important was in respect of management of resource risks in connection with the pooling of the funds asset with the Brunel Pensions Partnership and the increasing administration pressures on the fund arising from the requirements of the TPR and growth in new employers, especially academies, joining the fund.

The LPB was pleased that the Administering Authority has addressed these concerns in the development of a new staffing structure for the fund which will help future proof it.

The LPB has undertaken a review of the compliance with the Pensions Regulators Code of Practice 14. The LPB welcomes the actions being implemented by the fund to ensure it fully complies with the Code.

The LPB has also reviewed the Pension Funds website and stressed the need for information to be kept up to date and the new fund website being user friendly fund members and employers to increase its usage.

Looking ahead the LPB will seek to assist and support the Fund in respect of increased data quality requirements from the Pensions Regulator and the risks & opportunities arising from the next stages of pooling of the Fund's assets in the Brunel Pensions Partnership in 2018.

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. Details of how the Chair and members of the Local Pensions Board were and are appointed can be found in the terms of reference <http://www.wiltshirepensionfund.org.uk/media/3560/terms-of-reference-local-pension-board.pdf>

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 Ministry of Housing, Communities and Local Government.

Wiltshire Council has 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 structure 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>

LPB members register and declarations of interests

Local Pension Board as at 31 March 2018

Role	Member	Date of Appointment	Date Left	Number of meetings attended (maximum 4)
Independent Chairman	Howard Pearce	12/05/2015		4
Employer Member Representatives	Lynda Croft	14/07/2015	05/03/2018	3
	Sarah Holbrook	23/02/2016		2
	Cllr. Richard Britton	16/05/2017		2
	Cllr. Christopher Newbury	14/07/2015	16/07/2017	1
Scheme Member Representative	David Bowater	14/07/2015		3
	Mike Pankiewicz	14/07/2015		4
	Barry Reed	14/07/2015		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

Richard Britton, 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 2013¹ 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

¹ 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 Strategy Statement or Investment Strategy Statement)

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:

Date of meeting	Topics Covered	HP	MP	DB	BR	CN	LC	SH	RB
06/04/2017	Data Protection & Quality Standards	✓	✓	✓	✓	✓	✓		
13/07/2017	Complaints & Dispute Handling	✓	✓		✓		✓	✓	✓
20/07/2017	General Data Protection Regulations	✓							
18/10/2017	Fraud Prevention & Mitigation	✓	✓	✓			✓	✓	
15/03/2018	Annual Reporting Requirements	✓	✓	✓	✓				✓

The following were joint training sessions with the pension committee:

Date of meeting	Topics Covered	HP	MP	DB	BR	CN	LC	SH	RB
22/05/2017	LGPS, Investment Strategy, Governance & the Brunel Pensions Partnership	✓	✓	✓			✓	✓	

The following were additional training opportunities undertaken by Board Members:

Date of meeting	Topics Covered	HP	MP	DB	BR	CN	LC	SH	RB
16/05/2017	PSLA Local Government Conference		✓						
21/06/2017	Fund AGM	✓	✓						
08/09/2017	LGPS Investment training	✓	✓						
01/11/2017	Fund Investment Away day		✓						
10/11/2017	LGPS Summit	✓							
15/11/2017	Brunel Pensions Partnership engagement	✓	✓						
07/02/2018	CIPFA LPB training	✓							
01/03/2018	LGC Investment Conference		✓						
26/03/2018	CIPFA LPB training	✓							
27/03/2018	Scheme Advisory Board LPB/PC Forum	✓							

Key:

HP – Howard Pearce, Independent Chair

MP – Mike Pankiewicz, Member Representative

DB – David Bowater, Member Representative

MP – Barry Reed, Retired Member Representative

CN – Councillor Newbury, Employer Representative

LC – Lynda Croft, Employer Representative

SH – Sarah Holbrook, Employer Representative

RB – Richard Britton, Employer Representative

LPB Year 3 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 Investment Strategy Statement.
- 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 – 2018/19 can be found here under Item <https://cms.wiltshire.gov.uk/documents/s136187/Item%20%20-%20LPB%20Forward%20Plan.pdf>

Agenda for the Local Pension Board, Thursday, 12 July 2018

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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.
6 April 2017	Administration Key Performance Indicators	<p>The LPB welcomed the proposed KPIs for measuring the summary of the Fund's performance against key performance indicators and to request that statutory timeframes for administration processes are factored into the KPIs.</p> <p>The LPB <u>recommended</u> that once the KPI process is established it is developed to allow comparisons to be made against other Funds and to identify the administration costs associated with each process.</p>
6 April 2017	Risk Register update	<p>The LPB noted that the Pensions Committee had requested that Financial Instruments Directive II (MiFid II), and the impact of an increasing number of Multi Academy Trusts, be added to the Risk Register. On discussion of succession planning for staff, it was noted that the Apprenticeship Levy would be a tool for the Fund to train new staff, however it was suggested that the Fund may also benefit from a graduate recruitment scheme.</p> <p>The LPB noted the measures being taken to mitigate risks, and <u>recommended</u> that consideration is given in the future to developing a graduate recruitment programme for the Fund.</p>
6 April 2017	Internal Audit Key Controls report and update on actions from previous audits	The LPB noted that SWAP internal audit report had given the Fund a 'Reasonable Assurance' opinion, and there were no significant findings in the report with only two medium risks identified. Of the two medium risks, the outstanding reconciliations between Altair and SAP were now back up

	Area	Action
		<p>to date, the reconciliation between Altair and Pension Payroll remained and was being addressed as part of the GMP reconciliation project. In respect of compliance with the Pension Regulator's Code of Practice No.14 there were no significant findings and the Fund was found to be fully compliant in publishing information about the scheme and managing risk.</p> <p>The LPB discussed the impact of asset pooling on the funds auditing arrangements and it was <u>recommended</u> that in future the Fund's auditors would need to collaborate with the auditors for Brunel Pension Partnership (BPP).</p>
6 April 2017	Review of Investment Strategy Statement	The LPB noted the updated Investment Strategy Statement and the need for a future review process in 12-18 months time in light of asset pooling.
6 April 2017	Business Plan update	The LPB noted the revised target dates and priorities, as previously requested by the Board. Members considered the highest risk items in terms of resourcing were establishing the Brunel Pension Partnership. It was noted that although the tender process for appointing a fund actuary was a high priority it was not yet time critical. The LPB noted that the Business Plan would be reviewed in 2018 and would also include priorities in respect of Brunel Pension Partnership.
6 April 2017	Review of Fund Communication	<p>The LPB noted that the strategy had been developed in 2015 and included various mediums of communication to all types of members and stakeholders of the fund including: website updates, Annual Benefit Statements and Newsletters. The team offered Pension Clinics for members of the Fund to meet with officers, these meetings had proven very popular and further dates were being offered.</p> <p>The Board concluded it was content with the current communication strategy, especially due to the pressure on resources as a result of Brunel Pension Partnership.</p>
13 July 2017	Chairman's Announcements	The Chairman and the Vice Chairman recently attended a CIPFA conference at which there had been much discussion around new information from the Pensions Regulator and insurance indemnity for Board members. Advisers at the conference had recommended that funds purchase insurance for their Board members, since they were non-Council committees and therefore were not covered by their insurance policy. It was noted other Funds had not developed their Local Pension Boards and risk management to the same extent as Wiltshire.
13 July 2017	Election of the Vice-Chairman	The LPB appointed Mike Pankiewicz as Vice Chairman for 2017-18
13 July 2017	Key Decisions of the Wiltshire Pension Fund Committee	The LPB noted the Committee had agreed the legal documentation for Brunel Pension Partnership and agreed to its Admitted Body Status in the Fund

	Area	Action
13 July 2017	Training Item- Complaints and Dispute Handling	<p>The LPB noted that once a dispute was raised with the Fund, officers try to resolve it, if the matter cannot be resolved it would be referred to an independent adjudicator, and following that to the Associate Director for Finance with support from Hymans Robertson. Should a dispute progress pass these stages, the final stages were referral to the Ombudsman and then the courts</p> <p>The LPB noted that fund employers were required to provide details of the adjudicators they used in disputes, the Fund had requested these details and recently provided employers with further guidance, particularly in respect of ill health retirement cases</p>
13 July 2017	Scheme, Legal, Regulatory and Fund update	<p>The LPB noted that a recent High Court decision which ruled that Government guidance that funds should not pursue policies contrary to UK defence or foreign policy was unlawful. The ruling would impact on guidance for preparing an Investment Strategy Statement. The implication of the Markets in Financial Instruments Directive II (MiFid II) consultation paper was discussed, the Fund had responded to the consultation and an update on the matter would be brought to the next meeting. The Board also heard that PwC had produced a report 'Options for Academies in the LGPS', which highlighted issues experienced by stakeholders, recommendations on the matter would be progressed by the Scheme Advisory Board (SAB). In respect of the Wiltshire Pension Fund, it was heard that officers were in the process of introducing an ill-health liability insurance for scheme employers.</p>
13 July 2017	Risk Register Update	<p>The Board noted the risk register and <u>recommended</u> administrative support for the Fund to remain in house and the Fund should review staffing resources to ensure it supported the statutory requirements of the Fund.</p>
13 July 2017	Review of the Statement of Accounts	<p>The LPB noted the Wiltshire Pension Fund Statement of Accounts and <u>recommended</u> future reports should disclose details of key management personnel, and wording describing the role of the Local Pension Board be amended.</p>
13 July 2017	Internal Audit	<p>The LPB notes the Internal Audit report and recommend that resource be directed to address the risks in respect of reconciliations and data management</p>
13 July 2017	Feedback from the Wiltshire Pension Fund Annual General Meeting	<p>The LPB noted the update from the AGM and support a move to hold this later in the year to coincide with the publication of the funds Annual Report.</p> <p>The LPB <u>recommended</u> officers review the format of the AGM in response to the needs of employers and scheme members</p>
13 July 2017	Review of Governance Compliance Statement	<p>The Chairman advised the DCLG guidance referenced in the Governance Compliance Statement was several years out of</p>

	Area	Action
		<p>date and DCLG would need to renew this to update it for asset pooling.</p> <p>The LPB noted the updated Governance Compliance Statement</p>
13 July 2017	Local Pension Board Annual Report and Benchmarking	The LPB noted the Annual Report and delegated authority to officers, in consultation with the Chairman, to amend the document to track tPR compliance and the implementation of Board recommendations
13 July 2017	The Pensions Regulator Code of Practice 14 Survey Results	The LPB noted the summary results of the Pensions Regulator's Code 14 survey and it was considered the Fund has responded positively and ensured improvement plans were in place. Currently the Fund was investigating software through which data submitted by employers would be reviewed before submission to the Fund to ensure only quality data was included. The LPB made the point that summary results did not allow for differentiation between LGPS and other national schemes, and some of the questions had been unclear which could have affected the results
13 July 2017	Proposed Response to Scheme Advisory Board Local Pension Board Survey	The LPB agreed the proposed response to the SAB survey, with the addition of comments to support more collaboration and benchmarking between Boards.
13 July 2017	Review of Wiltshire Pension Fund Website	The LPB were requested to submit their feedback on the Wiltshire Pension Fund website prior to the October Local Pension Board meeting
13 July 2017	Implementation of Costs Transparency	The LPB noted the update on the implementation of the code on investment costs transparency and <u>recommended</u> it be factored into the Wiltshire Pension Fund and Brunel Pension Partnership manager appointment process.
13 July 2017	How did the Board do?	The LPB agreed to review the timetabling and work plan of Board meetings following consideration of the SAB survey results once published
18 Oct 2017	Training Item: Fraud Prevention and Mitigation	The LPB noted the key focus of the funds fraud prevention work and safeguard was on: cyber-fraud, fraud by scheme members, and fraud committed by employees working for the Fund. It was confirmed the Fund safeguarded against fraudulent investments by employing an external auditor and custodian to check on investments held. Similar arrangements would also be in place for Brunel Pension Partnership. It was noted scheme members were at risk of being tricked into transferring out of the Fund and making poor investments by rogue companies, the Fund warned members against transferring out of the Fund, however was not able to stop them. In respect of employer members in the Fund, it was noted they had a requirement to ensure accurate employee records were submitted to the Fund.
18 Oct 2017	Scheme Legal, Regulatory and Fund update	The LPB noted two items which were categorised as high risk were the implementation of the General Data

	Area	Action
		Protection Regulations in May 2018 and the Markets in Financial Instruments Directive II. In preparation for the GDPR the Fund was developing a project plan to ensure its data controller and data processor practices were compliant with the new regulations and was sharing best practice with other funds to ensure its practice was pension- specific. In response to MiFid II the Fund was in the process of opting up to 'professional' investor status and had sent letters to its investment managers.
18 Oct 2017	Risk Register Update	The LPB noted the Risk Register and measures being taken to mitigate risks, and that a report on WPF compliance with GDPR would be presented to its April 2018 meeting.
18 Oct 2017	Administration Key Performance Indicators	The LPB noted the Fund's performance against its Key Performance Indicators and that future reports would include performance against legally defined deadlines. The LPB commented that the KPIs identified that Active to Retirement cases had seen a fall each quarter in meeting the target timeframe due to resourcing issues. Refund of contributions had also seen a fall in terms of meeting targets. It could be useful to compare performance and costs with other funds. It was confirmed the costs were compared in the CIPFA benchmarking report, however performance comparisons were difficult to make as they were not like for like. The Chairman mentioned that inter-fund transfers were low relative to the target and this was perhaps an area to monitor in the future.
18 Oct 2017	External and Internal Audit Update	The LPB noted the Final Audit Report and the verbal update on the appointment of the Fund's external auditor. The LPB <u>recommended</u> the Fund be audited against the Pensions Regulator Code of Practice 14 as part of the 2018 internal audit plan.
18 Oct 2017	Guaranteed Minimum Pension (GMP) Project update	The LPB noted the progress of the GMP reconciliations project and request any risks arising for the Fund be reviewed in December 2018
18 Oct 2017	Annual Benefit Statement Publication Review	The LPB noted the report on the publication of the Annual Benefit Statement. The LPB <u>recommended</u> that in 2018 if employers have not submitted complete and correct data to the Fund over a three year period, they be contacted to investigate the route cause, and if there is no resolution, consideration be given to reporting them to the Pension Regulator
18 Oct 2017	Employers Contributions Review	The LPB noted late contributions were reducing for the Fund, and of those, most were received within the month. Officers explained the Fund required a robust internal control system in place to monitor contributions now an increasing number of employers were within the Fund. The Fund was investing more into monitoring late contributions and providing a clear process of initial warning to

	Area	Action
		<p>employers, with this escalating to a fine and reporting a breach to the Board if the matter was not resolved.</p> <p>The LPB encouraged the Fund to charge employers for late contributions in accordance with the current WPF policy</p>
18 Oct 2017	Local Pension Board Feedback on the Wiltshire Pension Fund Website	The LPB noted the comments received on the content and style of the Fund's website, and members were requested to visit other Fund websites to feedback and inform the design of the Wiltshire site. The Board was advised that Hymans Robertson would provide and manage a new off-the-shelf website which would be more attractive to members, the Fund intended to progress this as a short-term solution until a bespoke site could be developed
15 Mar 2018	Training Item	The LPB welcomed the Head of Pensions Administration and Relations who presented a training session on WPF Annual Reporting Requirements. The LPB <u>recommended</u> benchmarking the performance of the fund against other funds within BPP be included in the LPB work plan.
15 Mar 2018	Annual Business Plan Update	The LPB noted the progress of implementing items on the Annual Business Plan and to recommend item 12 be upgraded to medium priority. The LPB <u>recommended</u> that future Business Plan updates include new items which have occurred since the business plan was first produced, and include on-going work items that have rolled-forward from previous plans, to capture the full picture of existing and new work.
15 Mar 2018	Local Pension Board Budget	The LPB noted the budget had been updated to include provision for an extension of the indemnity insurance policy
15 Mar 2018	Scheme Legal, Regulatory and Fund update	The LPB noted that the Scheme Advisory Board want to start 3 projects in 2018 relating to improving member data to meet the Pensions Regulator requirements, identifying regulations requiring statutory guidance and the drafting of such guidance, and the potential benefits of further increasing the level of separation between the host authority and scheme manager role.
15 Mar 2018	Pension Fund Risk Register	The LPB noted that in respect of PEN021, the register should be updated to reflect the latest review date and PEN019 be updated to reflect the establishment of the LPB
15 Mar 2018	Administration Key Performance Indicators	The LPB noted the Fund's performance against Key Performance Indicators and the improvement work taking place. It was confirmed the Fund aspired to compare its KPIs against other funds, however this would not be a simple comparison as funds used different measures. The Chairman suggested CIPFA should be requested to update their guidance. Officers confirmed the team working to support key tasks were trained to complete this specialist work and there was a good level of resilience within the service.

	Area	Action
15 Mar 2018	Review of the LPB Code of Conduct and Conflict of Interest Policy	The LPB endorsed the Code of Conduct and Conflict of Interest Policy Guidelines to the Wiltshire Pension Fund Committee and agreed one amendment that the guidelines be reviewed and approved by the Committee at least every two years, or upon any material changes to the Regulations, relevant legislation and scheme guidance.
15 Mar 2018	Governance Compliance Statement	<p>The LPB noted the updated Governance Compliance Statement and made the following <u>recommendations</u>:</p> <ul style="list-style-type: none"> • That section 1A be updated to reflect the delegation of asset management to Brunel Pension Partnership • That a hyperlink be added to the Board's Terms of Reference. • In section Fc) TPR requirements be added at the end <p>The LPB advised that officers seek clarity on any requirement for the Pension Fund Committee to report into the Audit Committee, prior to consideration of the Governance Compliance Statement by the Committee.</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 under Item 4.

[Agenda for the Local Pension Board, Thursday, 12th July 2018](#)

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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.

A full external review of the Wiltshire Pension Fund's compliance with the Regulators Code of Practice was undertaken by the South West Audit Partnership on 25th January 2017.

Outlined in the South West Audit Partnership report was that the Fund had been audited for compliance with the Pension Regulators Code of Practice No 14 and a 'Reasonable Assurance' opinion had been given. The Auditors representatives found generally a high degree of compliance recording only the following exceptions all of which are considered to have only a low impact on the scheme:

- the code specifies the measures that the scheme is required to adopt to ensure that pension board members acquire the appropriate knowledge and understanding of scheme matters and relevant law to undertake their roles but the audit found minor omissions in the schemes framework in this respect
- not all Pension Board members have completed conflict of interest declarations
- not all member record address details are complete (although this is a known issue and there is a continual data cleansing and completeness review being undertaken by the scheme database administrator)
- Some employer contributions and deficit instalments paid to the scheme were seen to be overdue but had not been reported to the regulator (although we appreciate only 'material' overdue sums require reporting)
- not all 2015 and 2016 Annual Benefit Statements were issued within the regulatory timescale
- not all features of the scheme's documented dispute resolution procedures required by the code are in place in the documents of the scheme
- Scheme documents do not record the 'reasonable period' by which responses to disputes will be made (although we appreciate that the code does not expressly state this as a requirement)

All the above areas are being addressed by Officers and the Board agreed to monitor their implementation.

The full review can be viewed under Item 13 on the following agenda: [Local Pension Board Agenda, 25 January 2017](#)

During 2017 progress was made in some of the areas highlighted in the auditor's report. In particular;

- The meeting minutes record Board Members declaring their conflicts of interest and the register of interests being updated
- The 2017 Annual Benefit Statements were issued within the regulatory timescale
- That further work had been undertaken concerning the Fund's data cleansing process in line with the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014 ('the Record Keeping Regulations'). Namely, the Guaranteed Minimum Pension reconciliation exercise with HMRC'S records.
- It has been recognised that due to a restructure within the Pensions Department & following the departure of key officers to new roles the strategy framework relating to Board members knowledge & understanding had not been immediately implemented following the South West Audit Partnership report. The Chairman of the Board & new Officers are now reviewing the training strategy framework and have agreed to implement an externally co-ordinated self-assessment training review superseding the review undertaken in 2015, along with a Board effectiveness review. A report of the results of this independent survey will be prepared by the Consulting Actuary's to the Fund for submission to the Board.

A report of an independent survey will be reported to the Board of the Wiltshire Pension Fund setting out the work that had been done in undertaking a further assessment of the Fund's compliance with the requirements of the Code of Practice 14 report.

The assessment will be similar to an external audit and measure the performance in fulfilling the Fund's 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 focus for Officers is to continue to undertake a review of the compliance requirements and carefully project plan to ensure compliance with any statutory deadlines.

The full officers Regulators Compliance check can be found here;
<https://cms.wiltshire.gov.uk/ieListDocuments.aspx?CId=1280&MId=9433&Ver=4>

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 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>

In the first quarter of 2018 Members of the Local Pension Board were given access to a new Wiltshire Pension Fund website supported by the Actuarial Consultants & gave their feedback of the design & content of the new website. In April 2018, the existing website was replaced by the new design.

www.wiltshirepensionfund.org.uk

[@WiltsPensions](https://twitter.com/WiltsPensions) 

LPB operational costs for 2017-18 & Budget for 2018-19

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 2017-18 and 2018 – 19 can be seen below.

	2017-18 Budget £	2017-18 Actual £	2018-19 Budget £
Independent Chair Remuneration	9,214	9,216	9,214
Independent Advisor Fees	7,000	4,905	7,000
Training	6,000	640	4,200
Printing	1,000	0	0
Committee Services Recharge	3,000	3,000	3,000
Travel & Subsistence & costs	800	1,053	800
Catering	400	87	400
Insurance	-	2,800	2,800
Total	27,414	21,701	27,414

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 20th September 2018

LPB forward look to 2018-19 and proposed work plans

The Board's workplan for 2017-18 can be found here;

<https://cms.wiltshire.gov.uk/documents/s136187/Item%2020%20-%20LPB%20Forward%20Plan.pdf>

The Board's workplan for 2018-19 can be found here;

<http://www.wiltshirepensionfund.org.uk/local-pension-board-forward-plan-july-2018.pdf>

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WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND LOCAL PENSION BOARD
12 July 2018

PENSION FUND – TPR CODE OF PRACTICE 14 REVIEW

Purpose of the Report

1. This report updates the Board on the findings of an internal review of the Wiltshire Pension Fund compliance with the Pension Regulator's Code of Practice 14 for the Fund year 2017-18.

Background

2. The scope of the internal review of Pensions was assessed by Officers in relation to the adequacy of the key controls and procedures in place for the Wiltshire Pension Fund. The specification of the review was set out by an independent questionnaire originally provided by Aon Consulting.

Considerations for the Board

3. The questionnaire posed 84 questions covering all areas of the Fund's internal controls & the answers to most of the areas reviewed were that they were found to be adequately controlled. On the whole risks were being well managed but some practices required improvement of their internal controls to ensure the achievement of objectives.
4. Of the 16 areas identified as requiring improvement 2 had shown improvement and have moved from a greater risk to a lesser risk. This left 13 risks where no significant progress had been made & 1 new risk where the risk rating had worsened. The key risks identified where progress had worsened or no improvement had been made are set out below. Officers will set in place an updated Action Plan to address all risks falling below the adequate standard.

New Risks identified		
Risk No.	Description of the risk	Remedy date
E8	Internal controls should be reflected in the Fund's service provider contracts.	Rolling programme

Ongoing Risks identified		
Risk No.	Description of the risk	Remedy date
E7	A review of internal controls is required to ensure all Fund procedures are up to date	December '18
F2	Ensuring that Employers provide timely & accurate information	December '18
F9	Implementing a data improvement plan	December '18
F10	Setting in place procedures to reconcile Fund & Employer records	December '18
H6	Are AVC statements compliant with legal requirements?	April '19
H7	Are Employers issuing new Scheme members will all the essential basic Scheme information?	September '18

H8	Is the format for issuing basic Scheme information to members in the required legal format?	September '18
H9	Is all information to members provided within the required legal timescales?	July '19
I2	Does the IDRPP procedure highlight whether a case is exempt?	September '18
I3	Does the IDRPP procedure clearly set out the process for the applicant?	September '18
I4	Where Employers make Stage 1 IDRPP decisions, can the Fund confirm that those Employers have a formal IDRPP process in place?	September '18
I8	Does the Fund regularly verify its own effectiveness of its IDRPP arrangements?	September '18
I9	Where required, does the Fund regularly verify the effectiveness of Employer Stage 1 IDRPP processes?	September '18

Conclusions

5. It was recognised that 20% of the internal controls highlighted by the questionnaire require improvement in their practices, however thematically many of the risks relate to a common issue such as the IDRPP process & the reconciliation of data received from Employers. Addressing these themes will in turn address a number of risks in one exercise.
6. It is also noted that a number of the risks relate to a monitoring nature rather than an actual concern that a procedure or arrangement was actually failing to occur. Setting in place an active monitoring strategy of processes will address this nature of risk identified.
7. The implementation of GDPR, the transfer of investment services to the Brunel Pension Partnership & the decision to purchase additional software from our pension database provider have all contributed to an overall review of our service provider contracts & agreements. Whilst this review has uncovered some dormant risks it has also been an opportunity to reframe the services offered under our existing contracts & bring them up to date.

Environmental Impact

8. There is no environmental impact from this report.

Financial Considerations

9. There are no immediate financial considerations resulting from the reporting of the Fund's compliance with tPR Code of Practice 14.

Risk Assessment

10. The risks reflected in this Internal Audit by Officers shall be included in the Risk Register which is updated quarterly and presented to this Board.

Legal Implications

11. There are no immediate legal implications arising from this report.

Safeguarding Considerations/Public Health Implications/Equalities Impact

12. There are no implications at this time.

Proposals

13. The Board is asked to note the internal, self-assessment undertaken by Officers.

ANDY CUNNINGHAM

Head of Pensions Administration and Relations

Report Author: Richard Bullen – Fund Governance & Performance Manager

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WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD
12 July 2018

INTERNAL AUDIT UPDATE

Purpose of the Report

1. This report updates the Board on the 2017-18 key controls final report by the SWAP internal audit team.

Background

2. The internal audit of Pensions has been completed by SWAP in accordance with an agreed Internal Audit plan. This supports the annual audit undertaken by KPMG (the external auditors).

Key Considerations for the Board

Internal Audit of Key Controls 2017-18

3. The internal audit of the key controls for 2017-18 is now finalised. This takes a risk-based approach to ensure the key financial system controls are operating effectively for the Wiltshire Pension Fund and that fraud, error or corruption is minimised. The Terms of Reference, which outlines the scope and coverage for this Audit, and the Final Report is attached at the end of this report for the Board's information.
4. SWAP has given the Fund a "Reasonable Assurance" opinion. There were no significant findings in the report, with one new priority 3 risk identified and two more priority 3 risks remaining from the 2016-2017 year (one of which was not due until December 2019). In addition, there was one advisory recommendation.
5. The new priority 3 risk related to the Fund Investment & Accounting Manager ensuring that she can demonstrate she has verified reconciliations prepared by the Accounting Technician; this check is now in place and occurring monthly.
6. For the two other risks, the monthly reconciliations of New Pensioners and New Dependents between the Altair Pension system and SAP Pension Payroll is currently being put in place while the full reconciliation between all Altair and Pension Payroll records is planned to start towards the end of 2018, once the first stage of the GMP Reconciliation project is complete.
7. The management responses to these areas are outlined in the report and officers will work to ensure these are implemented.

Risks Assessment

8. 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

9. The internal audits fees are based on an annual recharge from Wiltshire Council.

Legal Implications

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

Safeguarding Considerations/Public Health Implications/Equalities Impact

11. There are no known implications at this time.

Proposals

12. The Board is asked to note this update, the attached SWAP Internal Audit Report and recommendations and management's response to these recommendations.

IAN DUNCAN
Treasurer to the Pension Fund

Report Author: Andy Cunningham, Head of Pension Administration & Relations

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

Terms of Reference

Client: Wiltshire Council
 Assignment: Pension Funds – Key Financial Controls
 Issued by: Paul Crandley, Principal Auditor
 Date: 19th February 2018

Purpose

The Terms of reference (ToR) sets out the scope and coverage of the audit of Wiltshire Pension fund. The brief described here should not be regarded as an exhaustive programme of work and the Auditor is expected to use initiative and discretion in completing the audit assignment.

The ToR is developed from our discussions risk identification meeting with management. We require management to sign a copy of the ToR as confirmation that the scope of the audit addresses the significant risks and covers the relevant areas.

Objective & Scope

The audit review will be undertaken using our Risk Based Audit (RBA) approach whereby the controls will be identified, documented and evaluated in relation to the risks that could impact on the business objectives.

Our findings, conclusions and recommendations will be discussed with management prior to being included in a formal report. It is planned at this stage to issue the draft report to Andrew Cunningham, Head of Pensions Administration and Relations and Nick Weaver, Interim Investments Manager

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

Objective: To ensure that key financial system controls are operating effectively for the Wiltshire pension fund and that fraud, error, or corruption are minimised.

Risk	Inherent Risk Assessment	Manager's Initial Assessment	Include in Scope
1. Pensions contributions and pensions payroll are incorrect.	Medium	Low	Yes
2. Council accounts are misrepresented due to inadequate accounting practices relating to the administration of the pension fund.	Medium	Low	Yes
3. The council is exposed to greater risk because previous audit recommendations have not been implemented.	Medium	Low	Yes

The audit will require interviews with service staff and access to the complete range of records and documents they maintain. Every endeavour will be made to minimise disruption to service staff.

Timescale & Resources

Role	Auditor
Principal Auditor	Paul Crandley
Auditor	Andrew Adlam

It is expected that the audit will commence by 19th February 2018. The target dates for completion of the audit work are as follows

Milestone	Target Date	Notes
Completion of fieldwork	5 th March 2018	
Close Out Meeting	9 th March 2018	TBC
Draft Report	12 th March 2018	
Final Report	19 th March 2018	

The above timescale requires commitment from management, as well as audit, to consider and respond promptly to any issues raised in the audit.

Client Agreement

Name & Position:

Signature:

Date:


Wiltshire Pension Fund 2017-18

Final Report




Issue Date: 18 April 2018




Executive Summary

-  This section provides an overview for senior management to understand the main conclusions of this audit review, including the opinion, significant findings and a summary of the corporate risk exposure.

Findings and Outcomes

-  This section contains the more detailed findings identified during this review for consideration by service managers. It details individual findings together with the potential risk exposure and an action plan for addressing the risk.

Appendices:

-  Audit Framework Definitions
-  Support and Distribution
-  Statement of Responsibility

Executive Summary

Overview

As part of the 2017/18 Internal Audit Plan for Wiltshire Council, an audit has been undertaken to assess the adequacy of the key financial controls and procedures in place for Wiltshire Pension Fund.

The Wiltshire Pension Fund administer the Local Government Pension Scheme (LGPS) on behalf of around 175 participating employers, including Councils, Schools, Police and Fire Authorities, other public bodies, charities and private sector companies. As at 31st March 2017, total membership was reported in excess of 63k active, deferred members and pensioners with financial holdings in excess of £2.187bn of investment assets.

Given the materiality of balances, the fund is subject to an annual internal audit as part of the Wiltshire Council's key financial controls assurance process.

Objective

To ensure key system controls for the pension fund are operating effectively and that fraud, error or corruption is minimised.

Audit Opinion:

Reasonable

We are 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.

This opinion reflects that two recommendations from last year's audit both remain outstanding one was due by September 2017 and the other by December 2019. These are in relation to:

- Reconciling New Pensioners and New Dependants between the Altair Pension system and SAP Pensions Payroll monthly; and
- Carrying out a full reconciliation of Altair and SAP Payroll to provide further assurance that payments made to pensioners cast and provide the basis for a monthly reconciliation of cumulative balances.

An additional recommendation has also been made for the service to demonstrate that monthly reconciliations are verified, and an advisory recommendation has been made to ensure payment authorisations are always retained or recorded to show who approves each payment.

Well Controlled Areas of the Service

Systems and processes prove to be well embedded with associated key financial controls operating satisfactorily in respect of:

- Review and Authorisation of Benefits Calculations;
- Authorisation of Starters and Leavers (Members and Pensioners);
- Production and independent Review of Pensions Payroll Exception Reports;
- Reconciliation of the pension payroll system to the general ledger;
- Ongoing and regular review by the Wiltshire Pension Fund Committee of the Fund investments between triennial Actuarial Valuation; and
- Continuing approval of IAS 19 assumptions applied to stating the Funds liabilities.

Corporate Risk Assessment

Risks	Inherent Risk Assessment	Manager's Initial Assessment	Auditor's Assessment
1. Pensions contributions and pensions payroll are incorrect.	Medium	Low	Low
2. Council accounts are misrepresented due to inadequate accounting practices relating to the administration of the pension fund.	Medium	Low	Low
3. The Council is exposed to greater risk because previous audit recommendations have not been implemented.	Medium	Low	Low

Findings and Outcomes

Method and Scope

This audit has been undertaken using an agreed risk-based approach. This means that:

- the objectives and risks are discussed and agreed with management at the outset of the audit;
- the controls established to manage risks are discussed with key staff and relevant documentation reviewed;
- these controls are evaluated to assess whether they are proportionate to the risks and evidence sought to confirm controls are operating effectively;
- at the end of the audit, findings are discussed at a close-out meeting with the main contact and suggestions for improvement are agreed.

1. Pensions contributions and pensions payroll are incorrect.

Low

1.1. Review and authorisation process for calculations of benefit

The calculations of lump sum payments are reviewed by a separate officer than the person who made the calculation through the Altair system. The system records who carried out these tasks and when, however it does not record who has authorised the payment. The Payments Schedule produced by Altair, records who made the calculation and who checked it and relies on the authorising officer to physically sign it. The Pension Team Managers check the calculations and do not sign the Schedule. Instead they send the Payment Schedules to Pensions Payroll or Accounts Payable under a covering email. The email is intended to provide the authorisation.

From testing the work flow for 15 lump sum payments made this year, we found all have been calculated and checked by a different officer. We identified the authorising officer for 14 of the payments. These were made in accordance to a Payment Schedule and were supported by a covering email from which we can confirm that these instructions were sent by managers authorised to request the payments. In one case the Payment Schedule was not supported by a covering email to allow us to check who sent the instructions to Accounts Payable.

The Pensions Team stopped signing the notification / schedule three years ago to save time and resources. Audit made an advisory recommendation in 2015-16 for managers to consider whether efficiency gains from not retaining a record of authorisation in Altair outweigh the loss of being able to efficiently find managers' authorisations of payments.

Controls could be strengthened by ensuring that the authoriser for payment instructions can be easily identified. We do acknowledge the need for proportionality in controls and as such do not make a formal recommendation in this area. The Head of Pensions Administration & Relations has also confirmed that identification of authorisers in work flows is currently being considered.

2 Council accounts are misrepresented due to inadequate accounting practices relating to the administration of the pension fund.

Low

2.1. Reconciliation of the pension payroll system to the general ledger

The reconciliations for New Pensioners and New Dependents should be undertaken quarterly. The Fund System and Data Manager has confirmed that the New Pensioners reconciliation is currently

being carried out. We continue to recommend that the New Dependents reconciliation should also be carried during the financial year, thus the following agreed outcome from the previous audit remains outstanding:

It has been agreed that reconciliations of New Pensioners and New Dependants between the Altair Pension system and SAP Pensions Payroll are undertaken on a monthly, basis.

Testing of additional payroll costs reconciliations confirmed these were prepared by the Accounting Technician and carried out promptly, they were cast and there were no material reconciling items. However, the Fund Investment & Accounting Manager's verification of the reconciliations is not evident.

2.1a Proposed Outcome: Priority 3

We recommend that the Fund Investment & Accounting Manager ensures that he can demonstrate that he has verified reconciliations prepared by the Accounting Technician by saving the spreadsheet with his name in the title and by ensuring the monthly checklist is completed.

Action Plan:

Person Responsible:	Fund Investment & Accounting Manager	Target Date:	May 2018
Management Response:	Agreed. An officer has recently returned from maternity leave meaning that additional resource is now available. Reconciliation verification and the monthly checklist will be completed moving forward.		

3. The Council is exposed to greater risk because previous audit recommendations have not been implemented. Low

3.1. Implementation of previously made Internal Audit recommendations

The Internal Audit report from 2015-16 records two agreed recommendations, both priority 3. Both relate to reconciliation of the payroll system to the general ledger. These were repeated from the previous year's audit (2015-16) because a full reconciliation of the two systems had not taken place by last year combined with reconciliations for New Pensioners and New Dependants not having been carried out quarterly.

Reconciliations for New Pensioners and New Dependants have not been carried out throughout the current financial year. The Fund System and Data Manager says they have started reconciling New Dependants from April up to December 2017, whilst New Pensioners is viewed as less of a risk.

The recommendations from last year's audit were scheduled for implementation by September 2017 and December 2019 respectively, these are:

It has been agreed that reconciliations of New Pensioners and New Dependants between the Altair Pension system and SAP Pensions Payroll are undertaken on a monthly, basis.

It has been agreed 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.

These agreed recommendations have not yet been implemented and one is now over due for completion (it is acknowledged that an update on progress towards completing this recommendation has been provided).

Audit Framework and Definitions

Assurance Definitions

None	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.
Partial	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.
Reasonable	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.
Substantial	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.

Definition of Corporate Risks

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

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 and 1 Actions will normally be reported verbally to the Service Manager.

Report Authors

This report was produced and issued by:

Andrew Adlam, Auditor
Paul Crandley, Principal Auditor
Ian Withers, Assistant Director

Support

We would like to record our thanks to the following individuals who supported and helped us in the delivery of this audit review:

Mark Anderson, Fund Systems & data Manager
Debbie Rawlings, Senior Pension Officer
Chris Ashton, Fund Investment & Accounting Manager (Maternity)
Janine Davis, Payroll Assistant, Payroll & Service Development
David Marshall, Management Accountant, Finance & Procurement

Distribution List

This report has been distributed to the following individuals:

Andy Cunningham, Head of Pensions Administration & Relations
Nick Weaver, Investment Manager (Agency)

Draft Report

Michael Hudson – Director – Finance & Procurement

Final Report

Ian Duncan, Director – Finance & Procurement (Interim)



Working in Partnership with

Cheltenham Borough Council	Sedgemoor District Council
Cotswold District Council	Somerset County Council
Devon & Cornwall Police & OPCC	South Somerset District Council
Dorset County Council	Taunton Deane Borough Council
Dorset Police & OPCC	West Dorset District Council
East Devon District Council	West Oxfordshire District Council
Forest of Dean District Council	West Somerset Council
Herefordshire Council	Weymouth and Portland Borough Council
Mendip District Council	Wiltshire Council
North Dorset District Council	Wiltshire Police & OPCC
Powys County Council	

Statement of Responsibility

Conformance with Professional Standards

SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Auditing Standards.

SWAP Responsibility

Please note that this report has been prepared and distributed in accordance with the agreed Audit Charter and procedures. The report has been prepared for the sole use of the Partnership. No responsibility is assumed by us to any other person or organisation.

WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD
12 July 2018

Scheme, Fund, Regulatory & Fund Update

Purpose of the Report

1. The purpose of this report is to highlight the latest legal, regulatory and Fund updates.

Background

2. The attached appendix outlines the current and recent scheme and regulatory changes. The purpose is to keep the Board abreast at a high level of the latest changes and developments involving the Local Government Pension Scheme.
3. The Head of Pensions Administration and Relations will provide a verbal update on these changes at this meeting for discussion with the Board.

Considerations for the Board

4. To note the discussions in relation to the latest scheme and regulatory updates as listed in the table in the appendix.

Environmental Impact of the Proposal

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

Safeguarding Considerations/Public Health Implications/Equalities Impact

6. There are no known implications at this time.

Financial Considerations & Risk Assessment

7. There is no financial consideration resulting from this proposal.

Proposals

8. The Board is asked to note the changes highlighted within this report.

ANDY CUNNINGHAM,
Head of Pensions Administration and Relations

Report Author: Andy Cunningham, Head of Pensions Administration and Relations

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

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APPENDIX 1

Organisation	Subject	Link	Status	Comments	Risk
HM Treasury	Pensions scams: consultation response	https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/638844/Pension_Scams_consultation_response.pdf	No change since the last meeting	On 21 August 2017, the Government published its response to its consultation on pension scams issued in December 2016. As part of this response it has confirmed it intends to bring forward legislation banning cold calling in relation to pensions (to include texts and email), when Parliamentary time allows, to consider making it harder for fraudsters to open dubious pension schemes and to limit the statutory right to transfer to some occupational pension schemes.	
	Indexation and equalisation of GMP in public service pension schemes	https://www.gov.uk/government/consultations/indexation-and-equalisation-of-gmp-in-public-service-pension-schemes	No change since the last meeting	Following the Government's consultation on how to address the implications of State Pension reforms for Guaranteed Minimum Pensions (GMP) of public servants below State Pension age, on 22 January 2018 the Government decided to extent the temporary arrangements which initially came into force for the period 2016 to 2018. The temporary arrangements effectively mean that for pensioners who reach state pension age between 6 April 2016 and 5 April 2021, any GMP element of the member's pensions receive the same pension increase amounts as the non-GMP element of a member's pension. The Government has extended the temporary arrangement as it has still not decided what to do in the long-term in this area.	
	Reforms to public sector exit payments	https://www.gov.uk/government/consultations/further-consultation-on-limiting-public-sector-exit-payments	Updated	This Bill has been delayed and is now expected to have its second reading debate on 6 July 2018. It was presented to Parliament on Tuesday 5 September 2017 and there was no debate. It is a Private Member's Bill, which are often not printed until close to the second reading debate and was still not printed at the date of writing. The text is not available yet.	
HM Revenues & Customs	Revenue and Customs Brief 14 (2016): VAT, Deduction of VAT on pension fund management costs following Court of Justice of the European Union decision in PPG	https://www.gov.uk/government/publications/revenue-and-customs-brief-14-2016-vat-deduction-of-vat-on-pension-fund-management-costs-following-court-of-justice-of-	No change since the last meeting	Changes to the reclamation of VAT on fund management costs may affect LGPS funds once pooling is in place. These changes were originally due with effect from 1st January 2017 but have now been pushed back to at least 1st January 2018. Project Brunel will be keeping an eye on how it is evolving and take appropriate advice.	

Organisation	Subject	Link	Status	Comments	Risk
		the-european-union-decision			
MHCLG	Local Government Pension Scheme (Amendment) Regulations 2018	http://www.legislation.gov.uk/ukSI/2018/493/contents/made	New	<p>MHCLG made a number of changes to the LGPS Regulations which vary in importance from minor technical changes to some more significant points. Correcting amendments were backdated to 1 April 2014 while other changes apply from 14 May 2018.</p> <p>Noteworthy changes were:</p> <ul style="list-style-type: none"> • A provision to allow cessation surpluses to be repaid to ceasing employers. Previously the Regulations were asymmetrical and only cessation deficits could be charged to employer while surpluses were absorbed by the Fund. In certain respects, this is a positive change for the Fund as it makes targeting a 100% cessation funding position easier although employers may have tax consequences of receiving such a payment. • An allowance for deferred members who left prior to 1 April 2014 to take their benefits from age 55 (with reductions to benefits applying) <p>MHCLG delayed making the long-awaited changes to Fair Deal (below) to allow more time to consider the impact and decided against changing back the way that aggregation operates despite feedback from Funds that the current approach creates significantly administrative complications</p>	
	LGPS Regulations: Best Value & Fair Deal consultation	https://www.gov.uk/government/consultations/local-government-pension-scheme-regulations	Updated	<p>Due to changes in Fair Deal guidance, the MHCLG had planned to make changes to the LGPS Regulations to reflect this. However, as part of the release of the LGPS Amendments, MHCLG stated:</p> <p><i>“In view of the range and diversity of issues highlighted in the consultation responses, the Government consider that introducing the draft regulations which were consulted upon in May 2016 would not be in the best interests of LGPS administering authorities members or employers....Nevertheless, we remain committed to introducing Fair Deal into the LGPS and intend to commence a consultation on new proposals for achieving Fair Deal in the LGPS by the end of the year”</i></p> <p>We will see what the new consultation proposes and then respond accordingly.</p>	

Organisation	Subject	Link	Status	Comments	Risk
	Guidance on Preparing and Maintaining an Investment Strategy Statement' (ISS)	https://www.gov.uk/government/publications/local-government-pension-scheme-guidance-on-preparing-and-maintaining-an-investment-strategy-statement	No change since the last meeting	<p>Following the High Court ruling on 23rd June that elements of the Governments Statutory Guidance on preparing and maintaining an Investment Strategy Statement was unlawful the Government subsequently published updated guidance removing the offending clauses - that funds should not pursue policies that are contrary to UK foreign policy or UK defence policy.</p> <p>The Government has been given leave to appeal the High Court decision, so further updates will be given once the outcome of any appeal is known.</p>	
The Department of Work and Pensions (DWP)	Auto-enrolment changes	https://www.gov.uk/government/publications/automatic-enrolment-review-2017-maintaining-the-momentum	No change since the last meeting	<p>On the 18 December 2017, DWP published report on <i>Automatic-enrolment review 2017: maintaining the momentum</i>. The report reviews the level of success of auto-enrolment to date and confirms the intention to: lower minimum age criteria from 22 years to 18 years, apply pension contributions from the first pound of earnings but maintain an earnings trigger of £10,000.</p> <p>The changes are not planned until the mid-2020s and are unlikely to have a significant effect on the LGPS and the Fund.</p>	
The Department of Work and Pensions (DWP)	Pension dashboard project	https://pensionsdashboardproject.uk/industry/about-the-pensions-dashboard-project/	Updated	<p>During the 2016 Budget, the government made the commitment that Pension Dashboards would be created by the pensions industry, enabling everyone to view details of all their pensions together (all private, public and state pensions).</p> <p>DWP has now taken over from HM Treasury in leading this project and the intention is to 'go live' during 2019.</p> <p>In April 2018, the Work and Pensions Committee called on the Government to compel all pension providers to supply the necessary information to the single pensions dashboard.</p>	
Information Commissioners Office	General Data Protection Regulations (GDPR)	https://ico.org.uk/for-organisations/data-protection-reform/overview-of-the-gdpr/	Updated	<p>GDPR came into force on 25 May 2018. Wiltshire Pension Fund complies with the key principles of GDPR but further work is still required on some of the details which will continue to take place over the coming months. This approach appears consistent with the ICO's expectations.</p>	

Organisation	Subject	Link	Status	Comments	Risk
Government Actuaries Department (GAD)	Section 13 of the Public Services Act 2013 requires GAD to review the funding valuations and employer contribution rates across the LGPS	https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/651721/GAD_E-news_issue_29_Oct_2017.pdf	Updated	GAD has confirmed that it will issue final reports during the summer of 2018 to outline the outcome of its Section 13 review. It has informally been confirmed that there will be no impact on Wiltshire Pension Fund.	
Financial Conduct Authority (FCA)	CP16/29: Markets in Financial Instruments Directive II (MIFID2)	https://www.fca.org.uk/publications/consultation-papers/cp16-29-mifid-ii-implementation http://www.lgpsboard.org/index.php/schemedata/mifidii	Completed	<p>In early July 2017, the FCA published their final policy statement on the implementation of the EU's Markets in Financial Instruments Directive II (MIFID2) from January 2018.</p> <p>On coming into force, MIFID2 re-designated local authorities as 'retail' investors from their current status as 'professional' investors. The policy statement confirmed significant revisions to the criteria via which a local authority pension fund will be able to opt up to professional status and follows detailed discussions undertaken by the SABEW with the FCA.</p> <p>Further information on the implications of MIFID2 on LGPS administering authorities can be found on the Scheme Advisory Website. Wiltshire Pension Fund has opted up to professional status. All investment managers and Brunel Pension Partnership have been notified.</p>	
Scheme Advisory Board (SAB)	Academies' review	http://www.lgpsboard.org/index.php/structure-reform/review-of-academies	Updated	<p>SAB commissioned PwC to produce a report on "Options for Academies in the LGPS" commissioned and the report was published in May 2017. The report identified and highlighted problems/issues experienced by stakeholders. No recommendations were made in the report, although the potential benefits of new approaches to the management of academies within the LGPS were highlighted. The proposals were wide ranging from minor alterations to academies being grouped together in a single LGPS Fund.</p> <p>On 17 July 2017, SAB issued a consultation on LGPS academy objectives which then closed on 29 September 2017.</p> <p>Following the consultation, the SAB, on 16 November 2017, has created two work streams to take the project forward which are based on a). Administration/overall service and b). Funding.</p> <p>SAB's work is still on-going and Bob Holloway from the LGA stated earlier this month that a wide range of options in both work streams are</p>	

Organisation	Subject	Link	Status	Comments	Risk
				still be considered. For example, changing the administration arrangements or putting academies into their own Fund etc. However, a consultation will be released on any changes proposed before they are put into force.	
	Investment fees - Code of Transparency	http://www.lgpsboard.org/index.php/structure-reform/cost-transparency	No change since the last meeting	<p>The move toward investment fee transparency and consistency is seen by the Board as an important factor in the LGPS being perceived as a value led and innovative scheme. Transparency is also a target for the revised CIPFA accounting standard issued for inclusion in the statutory annual report and accounts and included in the government's criteria for pooling investments.</p> <p>To assist LGPS funds in obtaining the data they require in order to report costs on a transparent basis SAB has published its Code of Transparency in May 2017. The Code is voluntary and asset managers who sign up will demonstrate their commitment to transparent reporting of costs. SAB will procure a third party to monitor compliance of those who sign up.</p>	
	Tier 3 employers	http://www.lgpsboard.org/index.php/board-publications/invitation-to-bid	No Change	<p>Covers those Fund employers with no tax raising powers or guarantee (excludes academies).</p> <p>SAB is keen to identify the issues and risks related to these employers' participation in the LGPS and to see if any improvements/changes can be made. There are currently two concurrent phases of work involved – collating data and identification of issues. SAB will then assess the risks to Funds and consider next steps.</p> <p>Aon Hewitt have been commissioned to produce a report on this area. They are currently gathering feedback from Funds (we have contributed to this).</p>	
	Separation Project	http://www.lgpsboard.org/images/PDF/BoardFeb18/PaperBItem50218.pdf	New	<p>The Separation Project objective is to identify both the issues deriving from the current scheme administrative arrangements and the potential benefits of further increasing the level of separation between host authority and the scheme manager role.</p> <p>This project is at an early stage and no further information is available at this time.</p>	

Organisation	Subject	Link	Status	Comments	Risk
	Guidance Project	http://www.lgpsboard.org/images/PDF/BoardFeb18/PaperBItem50218.pdf	New	<p>The Guidance project will identify regulations which may be better sited within statutory guidance and to both propose the necessary amendments and assist HMCLG with the drafting of guidance.</p> <p>Similarly, this project is at an early stage and no further information is available at this time.</p>	
	Data Project	http://www.lgpsboard.org/images/PDF/BoardFeb18/PaperBItem50218.pdf	New	<p>The SAB describes this project as: The Data project will aim to assist administering authorities in meeting the Pension Regulators requirements for monitoring and improving data and include the identification of scheme specific conditional data and the production of guidance for authorities and employers.</p> <p>Similarly, this project is at an early stage and no further information is available at this time.</p>	
Wiltshire Pension Fund	Pension Administration Software review		Updated	In June, Wiltshire Pension Fund signed a new software contract with Aquila-Heywood, concerning the Altair software package and extensions for Member Self Service, Bulk Document Upload and Process Automation.	

WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD
12 July 2018

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 Committee approved a Risk Register for the Wiltshire Pension Fund at its meeting on 12 May 2009. Members requested that the highlights, particularly upward/downward movements in individual risks, be reported back to the Committee on a quarterly basis.

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. One risks has decreased since the last report in March 2018: **PEN012: Over-reliance on key officers:** (From Red to Amber) A number of key officer roles have now been filled and the new structure means there is greater resource in key management areas. However to further mitigate this risk, the Director of Finance & Investment Manager roles need to be filled on a permanent basis.
5. One risk has increased since the last report: PEN010: **Failure to keep records up to date and accurate** (From Green to Amber): Following the methodology changes made by the Pension Regulator in respect of the Common & Conditional Data measurements, the accompanying rhetoric by tPR and the current on-going SAB consultation on Conditional/Scheme Data, the level of Wiltshire Pension Fund data quality poses a greater risk than assessed previously even though their has been no material deterioration in quality. Officers are aware of these shortcoming but staff shortages have limited its ability to address these difficulties to date although as vacancies continue to be filled, officers should be better resourced to tackle these difficulties.
6. There remains one "red", high risk: **PEN020: Pooling of LGPS assets:** Significant amount of resource still required by officers to progress this project. However, the 17/18 financial year-end is going well, despite a new Custodian and limited staff experience.
7. One new risk has been added: **PEN027: Significant structural change to LGPS Funds or to our Fund:** This new risk has been added partly in response to the scope of reviews being undertaken by the Scheme Advisory (E.g. Tier 3 employer and Academies) but also in response to the on-going environment of shared-service and LGPS Fund mergers which are taking place in parts of the UK. This new risk has initially been assessed as "amber".
8. Work continues to mitigate where possible the risks above along with the other remaining medium risks highlighted on the risk register.

Financial Implications

9. There is a potential increase in staff costs as a result of any further staffing review that will be funded from the Wiltshire Pension Fund administration budget.

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.

ANDY CUNNINGHAM
Head of Pensions Administration and Relations

Report Author: Andy Cunningham, Head of Pensions Administration and Relations

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

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				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.	Andy Cunningham	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	N/A	N/A	2	2	4	Low	→
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	Andy Cunningham	Business Continuity Plan reviewed in Dec 2016 and in place. The team have the ability to work from home or remotely if required. The pension system is also hosted by its supplier, which reduces the risk should Wiltshire Council's IT servers fail. The Fund also operates a paperless office.	4	1	4	Low	None	N/A	N/A	4	1	4	Low	→
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	Andy Cunningham	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	N/A	N/A	4	1	4	Low	→
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.	Andy Cunningham	The Fund has done an Equality Risk Assessment and has an Equality Implementation Plan in place	2	1	2	Low	None	N/A	N/A	2	1	2	Low	→
PEN021	Ability to Implement the Public Sector Exit Cap	Benefits Administration	Introduction of exit cap will require an additional burden on the administration team as is likely to effect all redundancy calculations.	Changes need to be communicated to individuals and employers and systems adapted once the revised regulations have been approved	Andy Cunningham	Currently monitoring the progress of the developments to allow adequate time to take any actions necessary.	2	2	4	Low	None at the moment. Not anticipating any change to occur quickly (2nd reading in the House of Commons is not due until July 2018 before additional readings etc). Depending on the final outcomes, WPF will set up a project cover: discussions with employers and changes to employer discretions policies, benefit and systems calculations and the associate communications.	Andy Cunningham	N/A	1	3	3	Low	→
PEN022	Risks related to reconciliation of GMP records (increase in staff resource & reputational)	Benefits Administration	From 1 April 2016, State Second Pension ceases and HMRC no longer provides GMP data on members to Funds.	If GMP records for members are inaccurate there is the potential for incorrect liabilities being paid by the Fund.	Andy Cunningham	Large on-going project is currently in place to assist with resources. Additional software from Heywood's to process amendments in bulk has been purchased.	2	4	8	Medium	Reconciliation project is still on-going. We are ahead of most LGPS Funds but are reliant on HMRC responses to complete the first stage of comparing Altair records to those of HMRC which is taking time. We are waiting to see if a national agreement on tolerance limits and rectification is put in place before deciding on a localised approach for Stage 2.	Richard Bullen	Dec-18	1	3	3	Low	→
							Current Risk Rating				Target Risk Rating							
Ref.	Risk	Risk Category	Cause	Impact	Risk Owner	Controls in place to manage the risk	Impact	Likelihood	x	Level of risk	Further Actions necessary to manage the risk	Risk Action Owner	Date for completion of action	Impact	Likelihood	x	Level of risk	Direction of Travel

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.	Nick Weaver	Funding Strategy Statement, Investment Strategy, Triennial Valuations, membership of Club Vita, modelling of future cash flows.	2	2	4	Low	None	Nick Weaver	N/A	4	1	4	Low	→
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.	Andy Cunningham	Longevity and bond yields are generally beyond the control of the Fund although the Investment Sub-committee is currently considering certain risk management techniques such as Liability Driven Investments. Furthermore, the Fund and each employer must have a Discretions Policy in place to help control discretionary costs (e.g. early retirements, augmented service, etc).	2	1	2	Low	None	Andy Cunningham	N/A	2	2	4	Low	→
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.	Andy Cunningham	As above	2	2	4	Low	As above	Andy Cunningham	N/A	2	2	4	Low	→
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 consideration of all financial & non-financial risks including ESG issues.	Poor/negative investment returns, leading to increased employer contribution rates	Nick Weaver	Use of expert consultants in the selection of investment strategy and investment managers, regular monitoring of investment managers (1/4ly), regular reviews of investment strategy (annually). Monthly review of % of Fund held in each mandate. Also a flight path strategy implemented to take off risk as funding levels improve. Fund member of LAPFF & uses PIRC to proxy vote on shares in line with agreed policy for ESG issues. Compliance with Stewardship code.	2	1	2	Low	The implementation of the Stabilisation Policy limits increases for secure employers. In February 2018 Mercer recommended the Fund go to market for a single provider to manage all aspects of risk management. Further training, open to all Committee and Board members, will take place in the next couple of months, to allow a recommendation to be brought to the June meeting.	Nick Weaver	N/A	2	1	2	Low	→

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							Impact	Likelihood	x				Level of risk	Impact	Likelihood		x	Level of risk
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 consideration of all financial & non-financial risks including ESG issues.	Poor/negative investment returns, leading to increased employer contribution rates	Nick Weaver	Use of expert consultants in the selection of investment strategy and investment managers, regular monitoring of investment managers (1/4ly), regular reviews of investment strategy (annually). Monthly review of % of Fund held in each mandate. Also a flight path strategy implemented to take off risk as funding levels improve. Fund member of LAPFF & uses PIRC to proxy vote on shares in line with agreed policy for ESG issues. Compliance with Stewardship code.	2	2	4	Low	A risk based framework is now in place to review employers long term financial stability. This informs the policy for stepping in contribution rates to assist in affordability issues where requested by an employer. It will be continuously reviewed, as part of the updating of the Investment Strategy Statement.	Nick Weaver	N/A	2	2	4	Low	→

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	Andy Cunningham	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	The Employer Relationship Manager is currently contacting all employers which appear close to ceasing (e.g. because they have few active members remaining or their service contract coming to an end) to make them aware of the cessation process and consider ways to mitigate this risk. We are also considering making changes to our cessation policy and funding strategy statement to help mitigate the risk of a cessation deficit occurring following the breakup of failure of a Multi-Academy Trust (MAT).	Andy Cunningham	Aug 2018 - for contacting employers. Dec 2018 - to consider revisions to policies.	2	1	2	Low	→
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	Nick Weaver	The Pension Fund will review an updated Treasury Management Strategy at the March meeting which follows the same criteria adopted by Wiltshire Council but limits individual investments with a single counterparty to £6m.	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.	Roz Vernon	N/A	3	1	3	Low	→
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.	Nick Weaver	The Fund has liaised with its investment managers on the potential impact of an exit. The Fund has agreed to revert to a 50% overseas equities hedged position for the current timeframe to reflect the current weakness of sterling.	3	2	6	Medium	The markets and weightings are closely monitored as part of the "fightpath" and "rebalancing" processes. A single provider to manage all aspects of risk management, is also under consideration.	Nick Weaver	Jun-18	3	1	3	Low	→
PEN026	Impact of MiFid II Regulations	Funding & Investments	New MiFID 2 investment regulations from Jan 2018 will classify LGPS Funds as "retail" investors. They will need to opt up to professional status	If Wiltshire Pension Fund is unable to attain "professional" status it will limit the range of investments available and may lead to the forced sale of assets.	Nick Weaver	The Fund is awaiting national guidance as LGA discuss implications for LGPS with FCA.	2	2	4	Low	Guidance is being produced for LGPS funds and managers with regard to communications post Jan 2018 under MiFID II. Jeff Huston will be providing an update on progress at the LGC Investment Conference in early March 2018.	Nick Weaver	Jun-18	3	1	3	Low	→

											Current Risk Rating			Target Risk Rating				
Ref.	Risk	Risk Category	Cause	Impact	Risk Owner	Controls in place to manage the risk	Impact	Likelihood	x	Level of risk	Further Actions necessary to manage the risk	Risk Action Owner	Date for completion of action	Impact	Likelihood	x	Level of risk	Direction of Travel
PEN002	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.	Nick Weaver	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	2	4	Low	Implemented. Reconciled to the bank account every month and monitored in dedicated monthly meeting, by management. From 1 April 18 will be regularly reported to the Committee. Will also be included in the 18/19 statutory accounts.	Roz Vernon	Nov-18	2	2	4	Low	→
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	Andy Cunningham	Sufficient staffing, training and regulatory updates. Competent software provider and external consultants. Technical & Compliance post reviews process and procedures and maintains training programme for the team. The Pension Regulator now has responsibility from 1 April 2015 for Public Sector Pension Schemes. Their code of practice includes a number of new requirements which the Fund has assessed itself against	2	2	4	Low	A new Technical & Compliance Manager is now in place and as part of his remit he will be undertaking mini compliance audits to test our compliance, to produce an internal manual and update procedures as well as to act as the in-house technical expert. The Governance & Performance Manager role is also partially responsibility for ensuring compliance and that adequate controls are in place. The Funds has undertaken a self-assessment against tPR Code of Practice no 14 to identify a gaps in compliance.	Andy Cunningham	On-going	2	2	4	Low	→

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, fines from the Information Commissioner, reputational risk of failure to meet Data Protection legislation.	Andy Cunningham	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.	3	3	9	Medium	The Fund has processes and policies to mitigate against the risk of experiencing a data breach. As part of our implementation of the GDPR requirements, the Fund has issued privacy statements and reviewed its existing policies and contracts and is continuing to put further changes in place to strengthen its controls.	Andy Cunningham	On-going	2	1	2	Low	→
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 issued to members and incorrect pensions potentially being paid.	Andy Cunningham	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.	3	2	6	Medium	The Fund has assessed itself against the tPR Common Data and Conditional Data targets and is using this as a basis to identify areas where data quality needs to be improved, these measurements now form part of quarterly KPIs. The Fund will put a data improvement plan in place.	Mark Anderson	Sep-18	2	1	2	Low	↑
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.	Andy Cunningham	Officers ensure that they are trained and up-to-date in the key areas through attendance at relevant courses and seminars, reading, discussions with consultants and peers, etc. The Governance & Performance Manager has formulated annual Training Plans and Relevant officers are also reviewed against the CIPFA Knowledge & Skills Framework to ensure adequate expertise exists.	3	3	9	Medium	Staff are now in place for all senior roles in the pension management structure, leaving only some junior roles vacant. However, the Director of Finance and Investment Manager are both currently filled on an interim basis while permanent staff are sought. It is hoped that both posts will be filled by October 2018.	Andy Cunningham	Oct-18	2	1	2	Low	→

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				Direction of Travel
							Impact	Likelihood	x	Level of risk				Impact	Likelihood	x	Level of risk	
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.	Andy Cunningham	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.	3	3	9	Medium	As per PEN011, a number of key roles have now been filled and the new structure means there is greater resource in key management areas. However to further mitigate this risk, the Director of Finance & Investment Manager roles need to be filled on a permanent basis.	Ian Duncan	Oct-18	2	1	2	Low	↓
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 Funds to 'Comply or Explain' within their Annual Report on the skills knowledge of members of the Committee	Andy Cunningham	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	3	6	Medium	The Governance & Performance Manager is now rolling out a new self-assessment exercise to identify gaps in Committee knowledge. Two new Councillor members joined the committee from 21 June 2018 and one further employer representative is required. A induction process will be put in place for all new members. Despite the turnover of staff, other control mechanisms are in place such as the presence and availability of governance and investment advisers to reduce the risk of poor decisions being made. Furthermore, the Committee has had a long period of stability in the position of the Chairman.	Richard Bullen	Sep-18	2	1	2	Low	→

PEN019	Maintenance of Local Pension Board & Investment Sub-Committee	Regulatory & Governance	Failure of Wiltshire Council to maintain a Local Pension Board, from finding suitable representatives and the officer time required to support the Board and 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.	Andy Cunningham	Mechanisms are in place to recruit to vacancies as they arise.	2	2	4	Low	None. A review of the effectiveness of the Investment Sub-Committee was undertaken which indicates its effectiveness and positive contribution in considering investments in more detail and freeing up Pension Committee agenda time. The Local Pension Board Annual Reports has shown how its been effective in the effectiveness of administration of the Fund.	Andy Cunningham	N/A	1	3	3	Low	→
PEN020	Pooling of LGPS assets	Regulatory & Governance	The Fund needs to pool its LGPS assets with other Funds using the Brunel Pensions Partnership.	Poor implementation could be costly in terms of additional fees and poor investment returns.	Nick Weaver	The Fund is being proactive in exploring options with Project Brunel on the potential feasibility of setting up a pooling arrangement. Progress and updates regularly reported to Committee. The Fund approved the submission to Government in response to the consultation in July 2016. The full business case was approved by Council in February. The implementation phase now commences.	3	4	12	High	Significant amount of resource still required by officers to progress this project. The next couple of months will be particularly challenging as the fund goes through the 17/18 financial year-end, with a new Custodian and limited staff experience.	Nick Weaver	Ongoing	1	3	3	Low	→

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							Impact	Likelihood	x	Level of risk				Impact	Likelihood	x	Level of risk	
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.	Andy Cunningham	More use of web links within the Committee papers to reduce the size of the packs. The adequacy of officers resources to support the Fund's 3 committees, the on-going pooling agenda and the additional complexities arising from regulatory scheme changes will need to be monitored through work planning and appraisals.	3	3	9	Medium	None. Following appointments to the Head of Pensions Administration, Investment Manager and Fund Governance & Performance Manager, the ability of officers to satisfactorily support members should be increased and continue to increase as resourcing levels elsewhere in the structure improve.	Andy Cunningham	N/A	1	2	2	Low	→
PEN025	Academisation of Schools, the possibility of MAT breakups and cross fund movements.	Regulatory & Governance	Potential for further schools to convert to academy status, MATs to breakdown	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.	Andy Cunningham	Regular communications with schools to understand their intentions. Questionnaires recently sent to Schools.	2	3	6	Medium	PWC report issued on academies, identifies the issues but no recommendations. Fund is reviewing how academies are dealt with when MATs break-up and the additional governance involved but we will wait for the outcome of the SAB review before making any significant changes.	Denise Robinson	N/A	1	1	1	Low	→
PEN027	Significant structural change to LGPS Funds or to our Fund	Regulatory & Governance	A merger, takeover from another Fund or of another Fund. Significant changes to how certain employer categories participate in the Fund - for example Tier 3 employers or academies.	Depending on its nature and scale: a major impact on employer numbers, governance, control and operational matters.	Andy Cunningham/Nick Weaver	To keep abreast of any national development and respond to consultations when they occur. To take appropriate opportunities to increase the membership and the numbers of employer of the Fund. For example, where a multi academy Trust wishes to consolidate its cross-Fund operations within a single Fund.	4	2	8	Medium	None	Andy Cunningham/Nick Weaver	N/A	3	1	3	Low	New
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.	Andy Cunningham	The Fund has a Communications Manager and Employer Relationship Manager posts dedicated to these areas full-time, including keeping the website up-to-date, which is a key communications resource. The Fund also has a Communications Policy.	2	2	4	Low	Fund Communications Manager's role was filled in May 2018 and who is reviewing and looking to improve all of our communications. Both Employer and Members newsletters are sent out each year. Employer forums are held in April and September with an AGM being planned for later in the year. The Fund has a Twitter account and a new website. Annual Benefit Statement are sent to members by 31 August each year.	Denise Robinson/Ashleigh Salter	N/A	1	1	1	Low	→

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WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND LOCAL PENSION BOARD
21 June 2018

PENSION FUND KEY PERFORMANCE INDICATORS

Purpose of the Report

1. The purpose of this report is to present the Fund's performance against its key performance indicators (KPIs) in relation to the administration of benefits.

Background

2. As part of the Fund's 2015/18 Business Plan, the Fund has a commitment to introduce performance reporting of KPIs in order to improve management information, assist with performance monitoring and increase transparency of the administration performance. This objective fits in with our overriding objectives to ensure the effective management and governance of the Fund and to provide an effective, customer friendly benefits administration service.
3. This commitment is also in line with the Pensions Regulator's increased focus on governance of public service pension schemes resulting from the extension of its remit to cover public service pension schemes via the Public Service Pension Act 2013 and the resulting *Code of Practice 14 - Governance and administration of public service pension scheme* which sets out the wide-ranging governance requirements the Regulator expects to see adhered to.
4. At its meeting on 23 March 2017, the Committee agreed a set of KPIs that the Fund would be measured against which are now attached to this report in Appendix 1.
5. As discussed at the Board meeting on 15 March 2018, Officers will continue to expand its range of reportable KPIs and, accordingly, The Pension Regulator (tPR) KPIs are now shown in Appendix 2 and will be reported quarterly to the Board as part of this item. tPR related KPIs are becoming increasingly important as they will now form part of the Scheme Annual Return (next due in around October 2018).

Considerations for the Board

Benefits Administration KPIs

6. The following KPIs are reported on and shown on the attached Appendix 1 for 2017-18 Quarter 4 along with a trend analysis for the previous 3 quarters:
 - Putting benefits into payment on retirement from active status;
 - Commencing payment of benefits for deferred members;
 - Provision of retirement estimates;
 - Provision of deferred benefit statements to members who leave before 55;
 - Processing of transfer payments into and out of the Fund;
 - Provision of cash equivalent values in cases of divorce;
 - Processing of refunds of contributions;
 - Processing of inter-LGPS Fund transfers; and
 - Payment of death grants and applicable survivor's pensions.

7. The data is subdivided into the time taken to complete each task into different tranches (0 to 5 days, 6 to 10 days, etc.), as well as setting out those instances where performance was outside of the statutory time limits. This information allows the Fund to look at trends and to provide a better understanding of any potential issues impacting the day-to-day administration of the Fund.
8. Separately the Fund is currently developing its reporting capability to provide splits between employer and Fund performance and also to provide comparisons against statutory disclosure timelines and the Fund's administration strategy.

tPR KPIs

9. tPR defines data as either Common Data, data that it would expect all schemes to hold, and Conditional/Scheme Specific data, data that is relevant and important to that particular Scheme.
10. The Fund has calculated Common and Conditional/Scheme Specific percentages in line with the tPR guidance document '*A quick guide to measuring your data*'. However, the Scheme Specific measurement methodology is still subject to a consultation exercise by the Scheme Advisory Board (SAB) and hence the methodology used in this report may need to change. Furthermore, there is a lack of clarity in how tPR expects each percentage should be calculated which we lead to difficulties in making any like with like comparisons across Funds. We have highlighted these issues to SAB.

Conclusions

Benefits Administration KPIs

11. The **Active to retirement** metric following the slight recovery in Q3 has improved again to the highest level in the last 4 quarters (see chart 1). Despite the resourcing issues cover for the work has been maintained by using staff with the required knowledge from outside the benefits team. The number of active retirement cases completed was at its highest level over the four quarters in Q2 (see chart 2). Of the other metrics, only the **Interfund transfers** failed to improve in percentage terms but levels were at there highest in Q4.
12. The number of **Active to Retirement** cases that met the 20 days reduced due to an increase in the number of cases that required clarification from the member's employer's payroll agents. The Fund is continually striving to work with employers to highlight and address educational issues to ensure processes are seamless in providing the very best service for the member. Internal training needs to be conducted to ensure correct use of workflow when the Fund are waiting for responses from Employers and members.
13. **Refund of contributions and leavers to deferred status** has also seen a fall in terms of number of processed cases that meet targets. Although the number of completed cases has seen a significant increase in Q3 and Q4, the focus of completing backlogs is reflecting in the increase in cases. Leavers to deferred cases increased from 383 cases in Q2 up to 796 cases in Q3 and a further 735 cases in Q4, with the subsequent impact of a drop from 92% completed on time in Q2 to only 42% in Q3 but a rise to 60% in Q4. Refunds of contributions followed a similar pattern.

tPR KPIs

14. As at 31 March 2018, Wiltshire Pension Fund had an approximate Common data measurement of 95% and a Conditional/Scheme Specific data measurement of 88%. The

target for both measurements is 100%. The main reasons for the failures and high level summary of planned actions is outlined in Appendix 2.

15. The Fund will be implementing a data improvement plan to address these deficiencies and will continue to work with stakeholders to improve data quality and liaise with other Funds and Regulators to agree on the appropriate methodology.

Environmental Impact

16. There is no environmental impact from this report.

Financial Considerations

17. There are no immediate financial considerations resulting from the reporting of the Fund's performance against its key performance indicators.

Risk Assessment

18. There are no direct risks to the Fund associated with this report.

Legal Implications

19. There are no immediate legal implications arising from this report.

Safeguarding Considerations/Public Health Implications/Equalities Impact

20. There are no implications at this time.

Proposals

21. The Board is requested to note the Fund's performance against its key performance indicators.

ANDY CUNNINGHAM
Head of Pension Administration and Relations

Report Authors:
Mark Anderson, Systems and Data Manager;
Andy Cunningham, Head of Pensions Administration and Relations

APPENDIX 1, Table 1

Wiltshire Pension Fund

Benefit Administration Key Performance Indicators

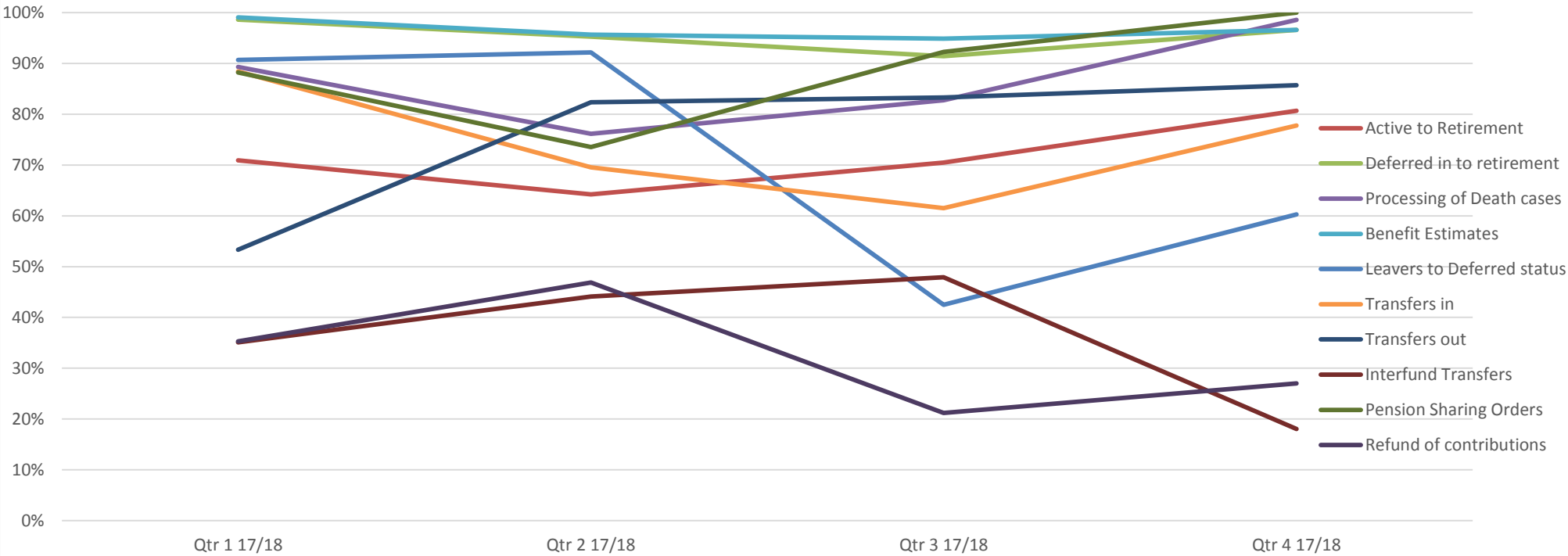
Period 01/01/2018 to 31/03/2018

Type of case	Time to complete						Total	Timescales % on target	Timescales working days
	0 - 5 days	6 - 10 days	11 - 15 days	16 - 20 days	20 - 40 days	40 days +			
Active to Retirement	40	41	28	8	13	15	145	81%	20
Deferred in to retirement	104	28	7	3	3	2	147	97%	20
Processing of Death cases	116	19	7	0	2	0	144	99%	20
Benefit Estimates	65	54	20	14	19	6	178	97%	40
Leavers to Deferred status	124	55	34	25	205	292	735	60%	40
Transfers in	8	4	1	0	1	4	18	78%	40
Transfers out	3	3	2	1	3	2	14	86%	30
Interfund Transfers	2	2	2	2	3	50	61	18%	40
Pension Sharing Orders	32	13	3	1	0	0	49	100%	30
Refund of contributions	61	20	7	10	59	206	363	27%	20
Grand Total	555	239	111	64	308	577	1854		
Percentage	30%	13%	6%	3%	17%	31%			

APPENDIX 1, Chart 1

KPIs Q1 17-18 to Q4 17-18

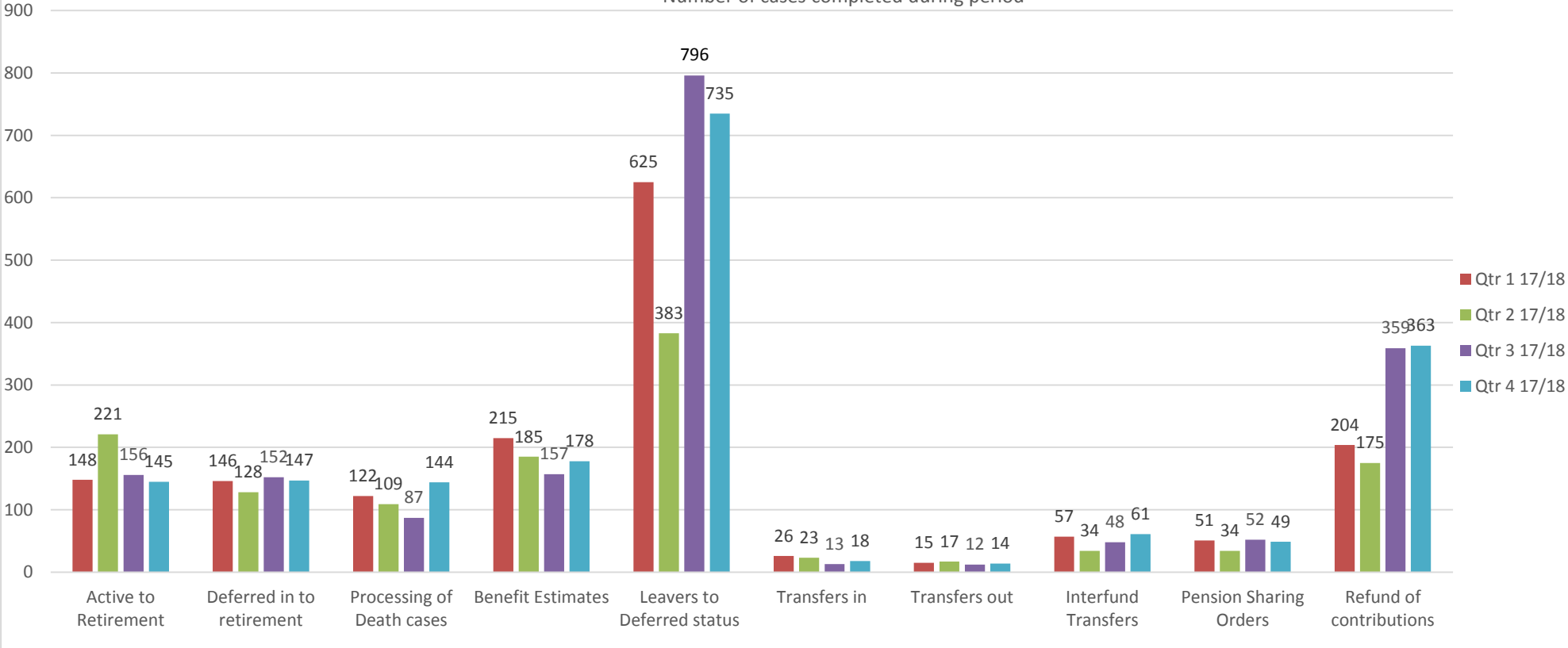
%age of cases completed within target number of days



APPENDIX 1, Chart 2

KPI Totals Qtr 1 17/18 to Qtr 4 17/18

Number of cases completed during period



APPENDIX 2: tPR measurements

Wiltshire Pension Fund

The Pension Regulator: Common and Conditional/Scheme Specific data measurement as at 31 March 2018:

Measurement	Percentage	Key reasons for shortfall ³ (Percentage failure rate)	Planned actions ⁴
Common¹	95%	*Incorrect membership status (3.5%) *Addresses (1.5%)	*Incorrect membership status failures are mainly due to a backlog in deferring member processing. Additional staff are being recruited to tackle this issue and overtime has been offered to staff. *Address data quality issues are an on-going issue as a result of deferred and pensioner members not telling us when they move house. We use tracing agents to help identify these members but addresses are likely to be an on-going issue.
Conditional/Scheme Specific^{1,2}	88%	*Post 88 GMP (6.4%) *Transfer details (5.7%) *CARE data (3.8%) *Pre 88 GMP (1.4%) *FTE salary (1.3%) (Note: Many of the failures are interrelated and more than one may exist on a single record and hence the above errors add up to more than 12%)	*GMP data quality will improve once the GMP reconciliation work is completed and bulk updated to records. *CARE & FTE data issues are largely a timing issue but will be addressed as part of end of year.

Notes:

- 1). Both measurements have been calculated based on Officers interpretation of current tPR guidance, as outlined in the document “*A quick guide to measuring your data*”. As the guidance is brief, a number of areas are open to interpretation.
- 2). The exact list of scheme specific data items is a matter to be agreed by each Scheme. Due to the multi-Fund nature of the LGPS, the Scheme Advisory Board, in consultation with Funds and the LGA, is seeking to come to an agreement on the list of required data items. At the time of writing, no agreement has been reached and thus the above percentage has been calculated based on a prudent assumption of which data items should be included and what methodology to apply.
- 3). Some of the failures established are ‘technical’ failures in that they relate to the inconsistent way data is held on Altair. Some of the reasons for these inconsistencies are historical in nature due to the way records were migrated across from legacy systems. There are significant complications in calculating these percentages and to establish the difference between technical failures, which could potentially be excluded, and real data failures.

4). The guidance is also not clear on how to take account of timing issues. For example, inevitably there is a time lag in processing between a deferred benefit and the date a member left. During this lag, the member is arguably not held on the correct membership status however, it is unclear on whether or not this should be classed as a failure and if some level of lag is acceptable, how long. Similar scenarios apply concerning updating pay figures.



WILTSHIRE
PENSION FUND

Communications Review

2018 Update

Website

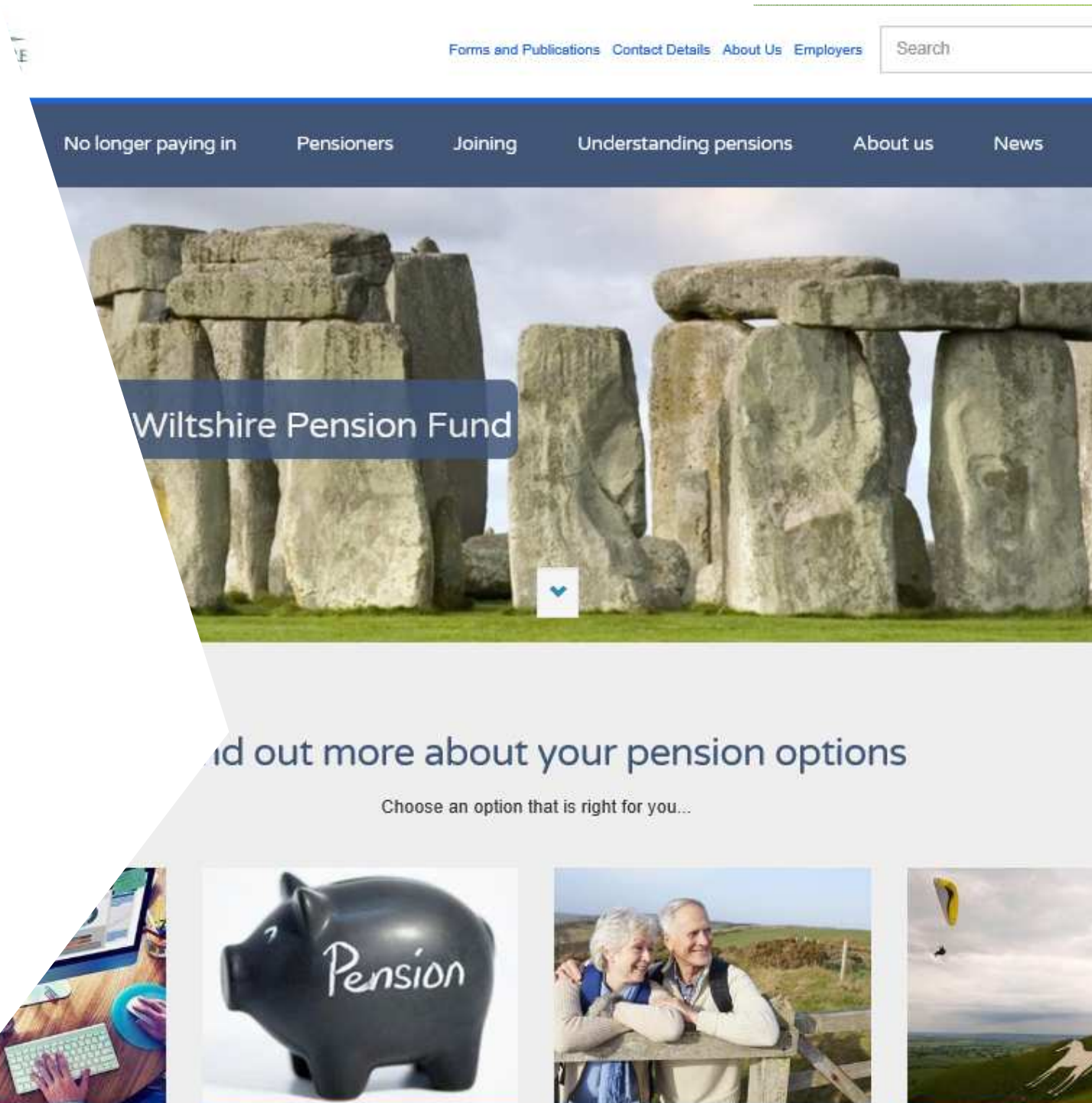
- ▶ New layout & design
- ▶ A modern template
- ▶ Has been well received

GDPR

- ▶ Privacy Policy sent out to all members in April 2018

Fund Communications Manager

- ▶ Background in employee engagement through staff benefits, customer relationship management and event management



Moving Forwards

- ▶ Create high quality communication streams
- ▶ Increase awareness to both members and employers
- ▶ Ensure that our messages are clear, concise and compliant
- ▶ Strengthen member engagement
- ▶ Manage and perform employer training
- ▶ Review the Communications Policy

Brand Positioning

- ✓ We stand out amongst the crowd
- ✓ We are modern & contemporary
- ✓ Enhancing member engagement
- ✓ Wiltshire at the heart of the design

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administered by
Wiltshire Council
Where everybody matters

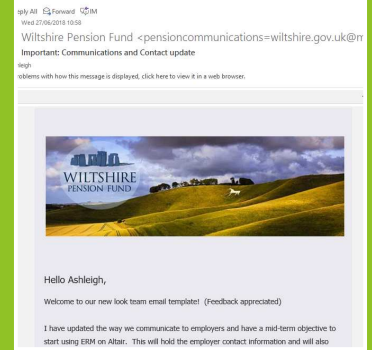


Enhancing the way we communicate

New PowerPoint Template



New email Template



New Auto-Complete Forms

WILTSHIRE PENSION FUNDS

Employer Contact Form

Information requested is mandatory to complete for Wiltshire Pension Fund to administer your Pension Scheme.

Please ensure that there is at least one contact assigned as an authority on each action Leavers, Ill Health, Estimates and Annual Returns requests. Failure to do so will affect processing of these actions.

Employer Name	Payroll Provider (if applicable)
	Address
Telephone	Post Code

New ABS Supporting Notes

ABS 2018 Supporting Notes

Important – Please remember to inform us if you change address in the future.

Name, NI Number and Date of Birth are all required, and are unique identifiers, to administer your pension scheme.

Date of Leaving is the date that you ceased paying into the scheme

If you have more than one job where you've paid into the LGPS then you'll receive a statement enclosed for each separate job.

Date Benefits Payable from is the date of your Normal Pension Age (NPA). It is possible to draw your benefits from prior to the age of 55 but deductions and certain conditions will apply, depending on when you were an active member of the scheme.

Current Annual Pension

This is the value of the pension built up to the date you stopped paying into the scheme and including all cost of living increases up to and including the increase of 3.5% as at 9 April 2018.

Automatic Lump Sum

In the Pipeline

- ▶ Member Self Service (MSS): Project kick starts in July 2018
- ▶ Utilizing the Employer Relationship Management (ERM) application on AlFair
- ▶ Employer's Portal
- ▶ Recorded webinars
- ▶ Video tutorials
- ▶ Enhanced promotional materials;
 - ▶ Posters for staff areas
 - ▶ Pens & Stationary for events
 - ▶ Banners



Communications Policy Review

Current appendix:

Communications Material	Paper Based	Mailed	Website	Frequency	When Reviewed
Brief guide to the LGPS	✓	X	✓	Constantly available	Annually
New starter pack	✓	✓	✓	Constantly available	Annually
Scheme members Annual Benefit Statements	✓	✓	X	Annually	Annually
Deferred member Annual Benefit Statements	✓	✓	X	Annually	Annually
Active member newsletter	✓	✓	✓	Annually	Annually
Pensioners newsletter	✓	✓	✓	Annually	Annually
Retirement packs	✓	✓	✓	Constantly available	Annually
Pay advice/P60	✓	✓	X	March, April & May each year	Annually
Employer guide	X	X	✓	Annually	Annually
Technical newsletter	X	X	✓	Quarterly	Quarterly
PLOG presentations	X	X	✓	Quarterly	N/A
Committee members handbook	✓	X	X	3 years	3 years
Pension Committee minutes	✓	X	✓	Quarterly	N/A
Business plan	✓	X	✓	3 years	3 years
Annual report	✓	X	✓	Annually	Annually
Valuation report	✓	X	✓	3 years	3 years
Fund Policies	✓	X	✓	3 years	As required

To Add:

- New communication streams;
- Update how we communicate with employers and members

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7 NOVEMBER
WILTSHIRE
PENSION FUND
CONFERENCE 2018

Thank You



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Fund Communications Manager

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Twitter: @WiltsPensions

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WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
21 June 2018

Investment Strategy Statement

Purpose of the Report

1. This report presents the draft 2018 Investment Strategy Statement (ISS) for consideration and approval. It is an update to the 2017 ISS approved on 23 March 2017.

Background

2. The primary change is to reflect the de-risking of the Strategic Asset Allocation, as a result of the Flightpath being triggered twice, in the last 6 months.
3. The targeted return, set by the Fund Actuary, has also been updated, reducing it from c.4.0% to c.3.6% per annum. (The target is 1.8% per annum in excess of gilt yields)
4. Finally, some additional information has been added to clarify the Brunel Pension Partnership approach.

Main Consideration for Committee

5. Attached is the draft ISS for this Committee's review and approval.
6. The 2017 version has been updated for the changes detailed above.
7. The Committee is asked to consider the changes and approve the 2018 ISS.

Financial Considerations

8. The Financial considerations are considered within the attached draft ISS.

Risk Assessment

9. The risk associated with a change to the Strategic Asset Allocation is assessed, as part of the operational process and reported to the Investment sub-committee.
10. All the other changes are for information only, having been previously approved by this committee.

Safeguarding Considerations/Public Health Implications/Equalities Impact

11. There are no known implications at this time.

Reasons for Proposals

12. To keep the Investment Strategy Statement up to date.

Environmental Impact of the Proposals

13. Environmental implications are considered as part of the Fund's investments in respect of ESG.

Proposal

14. The Committee is asked to approve the 2018 ISS for final publication.

IAN DUNCAN
Treasurer to the Wiltshire Pension Fund

Report Author: Nick Weaver, Interim Investment Manager

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

Wiltshire Pension Fund

Investment Strategy Statement (Draft)



June 2018

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WILTSHIRE PENSION FUND (“the Fund”)

1. Introduction and Background

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.

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.

Statutory Background

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require administering authorities to formulate and to publish a statement of its investment strategy, in accordance with guidance issued from time to time by the Secretary of State. Links to the new regulations and guidance on preparing the ISS can be found at the links below:

http://www.legislation.gov.uk/ukxi/2016/946/pdfs/ukxi_20160946_en.pdf

<https://www.gov.uk/government/publications/local-government-pension-scheme-guidance-on-preparing-and-maintaining-an-investment-strategy-statement>

This ISS has been designed to be a living document and is an important governance tool for the Fund. This document sets out the investment strategy of the Fund, based on its current policies and provides transparency in relation to how the Fund investments are managed, acts as a risk register, and has been kept as short in order to be read in as user-friendly manner as is possible. This document replaces the Fund's Statement of Investment Principles.

This statement will be reviewed by the Wiltshire Pensions Committee at least triennially or more frequently should any significant change occur. The Wiltshire Pension Fund is currently involved in the Brunel Pension Partnership (BPP) for investment pooling which is due to commence implementation in April 2018. Therefore, it's anticipated the ISS will be reviewed at this point to ensure its operational policies are aligned.

2. Investment of Money in a wide variety of investments

Objectives of the Pension Fund

The primary objective of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death before or after retirement for their dependants, in accordance with LGPS Regulations, 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. The projection is full funding is achieved over a 20 year time frame.

Funding Strategy Statement

The Funding Strategy Statement (FSS) and Investment Strategy Statement are intrinsically linked and together aim to deliver stable contribution rates for employers and a reduced reliance on employer contributions over time. The FSS can be viewed on the link below:

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

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 is:

- 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 2016, which outline the wide investment powers allowing committees to invest in line with its ISS, with certain restrictions as long as proper advice has been obtained.

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

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 (Mercers) and from the Head of Pension / Treasurer to the Pension Fund and the Committee is supported by its Independent Adviser (Jim Edney). It appoints external investment managers to implement investment policy, who are therefore responsible for day to day investment decisions. In future Brunel Pension Partnership Limited ("the pool") will be responsible for the appointment of external investments managers to implement the Fund's investment policy.

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.

Types of Investments held

The Committee has freedom to operate within the Regulations and its policy outlined below. 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 a proportion of its overseas currency exposure to equities. It may also invest in futures and options, as well as limited investment in direct property.

Balance between the Various Types of Investments

An explanation of the relative amount to be invested in each type of investment is provided in below on the strategic benchmark adopted by the Committee. However, that does not mean that these percentages need to be rigidly maintained and ranges are shown to outline the maximum and minimum investments.

The Fund invests 30% on a passive (index tracking) basis and 70% on an active basis (to outperform the benchmark).

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. The target return set by the actuary at the valuation is 1.8% per annum in excess of gilt yields. This is currently estimated at c.3.6% per annum.

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. This is explored later in the document, but the key themes for the Fund include equity risk, inflation and interest protection.

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 World Indices or Inflation plus targets.

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

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

Investment Beliefs and Objectives

The investment objective is therefore to maximise returns subject to an acceptable level of risk whilst increasing certainty of cost for employers, and minimising the long term cost of the Fund. Having a thorough understanding of the risks facing the Fund is crucial and these are covered later in this statement.

The Fund has formed the following investment beliefs which help to inform the investment strategy derived from the decision making process.

- Funding, investment strategy and contribution rates are linked.
- The strategic asset allocation is the key factor in determining the risk and return profile of the Fund's investments.
- Investing over the long term provides opportunities to improve returns.
- Diversification across asset classes can help to mitigate against adverse market conditions and assist the Fund to produce a smoother return profile due to returns coming from a range of different sources.
- Managing risk is a multi-dimensional and complex task but the overriding principle is to avoid taking more risk than is necessary to achieve the Fund's objectives.
- Environmental, Social and Governance are important factors for the sustainability of investment returns over the long term.
- Value for money from investments is important, not just absolute costs. Asset pooling is expected to help reduce costs over the long-term, whilst providing more choice of investments, and therefore be additive to Fund returns.
- High conviction active management can add value to returns, albeit with higher short-term volatility.

Securities Lending

The Council participates in a securities lending programme managed by its global custodian. It will recall securities or stocks lent out as part of the programme as requested to exercise its voting rights when required.

Other Matters

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

3. Investment strategy and the process for ensuring suitability of investments

Funding Policy

The objectives of the Wiltshire funding policy are expressed in its FSS. 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 increasingly faster. Positive cashflow are declining (investment income is available if the Fund does go Cashflow negative) and this position is being closely monitored. However, 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 (82% funded at the 2016 Triennial Valuation), 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 all the employer organisations in the Fund who feels the result of unstable employer rates, and for the precepting authorities, ultimately the local tax payer 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 Fund’s current asset strategy, along with an overview of the role each asset plays is set out in the table below:

Asset class	Strategic Asset Allocation %	De-Risked Strategic Asset Allocation % *	Minimum Range %	Maximum Ranges %	Role (s) within the strategy
Equity	55.0	45.0	32	54	Long term growth in excess of inflation expected; generate investment income i.e. dividends.
Index-Linked Gilts	5.0	15.0	14	16	Provide protection from changes in real yields both in terms of capital value and income
Growth Fixed Income	10.5	10.5	8.5	12.5	Diversified source of income and provides a degree of protection from changes in interest rates. Some credit above gilts expected
Diversified Growth / Multi – Asset	10.0	10.0	8	12	Diversification and dynamic asset allocation
Property	13.0	13.0	11	15	Diversification; generate investment income; provide some inflation-sensitive exposure; illiquidity premium
Infrastructure	5.0	5.0	4	6	Provides the Fund with access to a diversified (but long term, illiquid) return source and a stream of inflation related income
Private Loans	1.5	1.5	1	2	Offer a wide range of long-term investment opportunities; return diversification; as well as returns from expected illiquidity premium

*The Fund moved to the De-Risked Strategic asset allocation after hitting the 91% Funding Level Trigger

The maximum allocations outlined in the table above may be amended with the approval of the Pension Fund Committee for specific transition events when terminating or changing investment managers.

Current Investment Management Mandates

The implementation of the strategic asset allocation is shown in the current manager mandates below:

MANAGER/MANDATE ALLOCATION	Asset Allocation	Benchmark / Target p.a.
Baillie Gifford Global Equities	15.0%	MSCI All Countries +3%
Legal & General Passive UK Equities Passive Global Equities * Passive Fundamental Equities Passive Index-Linked Bonds (UK)	2.5% 0.0% 12.5% 15.0%	FTSE All-Share MSCI World (Hedged) L&G FTSE RAFI AW 3000 (Hedged) FTSE A Index-Linked Gilts
Barings Absolute Return Fund	10.0%	Cash (LIBOR) +4%
Loomis Sayles Multi Asset Credit Absolute Return Bonds	4.2% 6.3%	50% Barclays Global Agg, 25% Barclays Global HY, 15% JPM CEMBI, 10% S&P/LSTA Leveraged Loan 3-month US LIBOR +2 to 4%
Investec Emerging Market Multi Asset Mandate	10.0%	50% MSCI Emerging Market Equity NDR Index, 25% JP Morgan EMBI Global Diversified Index, & 25% JP Morgan GB-EM Global Diversified Index +2-4%
CBRE Global Multi Manager Property Fund of Funds (UK & Europe)	13.0%	IPD UK Quarterly Property Fund Index +0.4%
Partners Group Infrastructure	5.0%	8-12% net IRR
M&G Investment Management UK Companies Financing Fund	1.5%	Cash +3-6%
Opportunistic Investment *	5.0%	
TOTAL	100.0%	

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

Timeframe for Investment Managers' Targets

Three year targets are generally preferred when monitoring investment managers 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 Pensions Committee is responsible for the Fund's strategic asset allocation which is determined via a triennial strategy review as part of the valuation process. The review is both qualitative and quantitative and is undertaken by the Pension Committee in conjunction with the actuary, officers and independent advisers. The review considers:

- The required level of return that will ensure that the Fund can meet its future benefit obligations as they fall due.
- The level of risk that the Fund can tolerate in absolute terms, and in relation to its funding level and deficit.
- An analysis of the order of magnitude of the various risks facing the Fund is established in order that a priority order for mitigation can be determined.
- The desire for diversification across asset class, region, sector, and type of security.

The Committee takes the view that the Fund should only take as much risk as is necessary to recover the deficit and maintain contribution rates at an affordable, sustainable level. A risk management policy that uses funding level triggers to reduce risk when it is deemed affordable to do so has been implemented and will be further refined as part of the 2017 investment strategy review.

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 undertakes a high level asset allocation review once a year.

Fee Structures

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

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

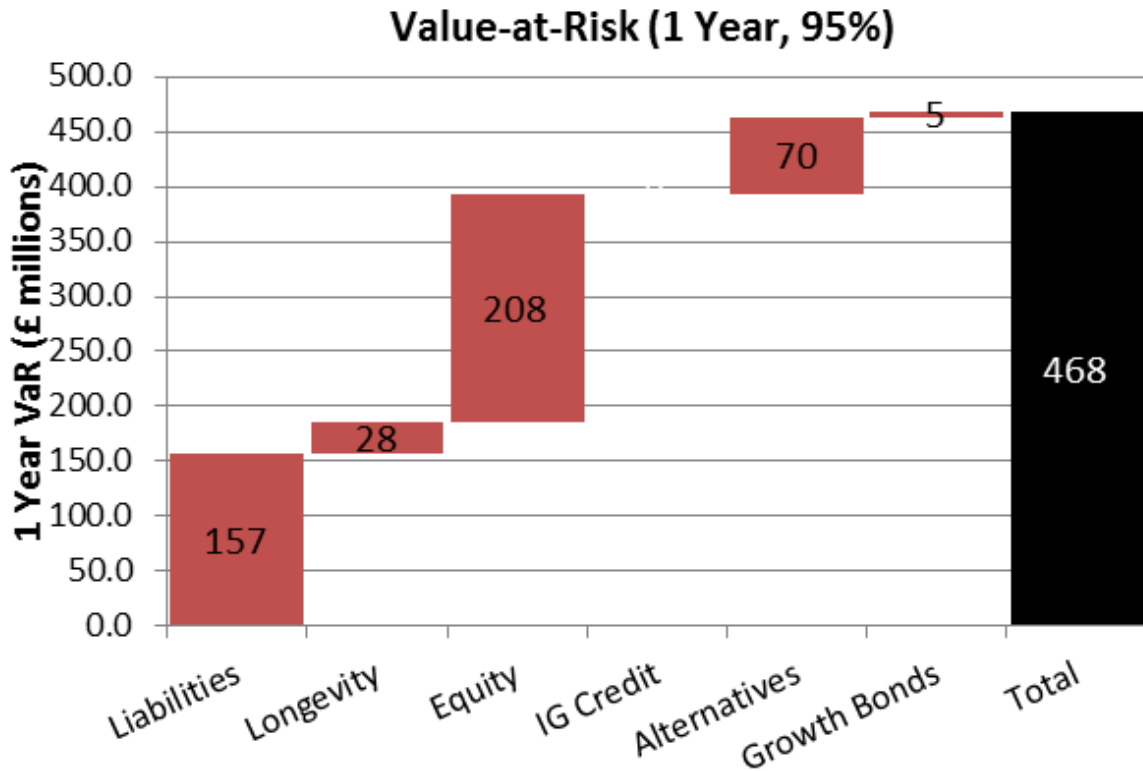
4. Approach to risk and how its measured & managed

Risk measurement and management

Risks are assessed both qualitatively and quantitatively as part of regular investment strategy reviews, and prioritised accordingly being a key element in setting its strategy. Sufficient risk is needed to achieve long term returns expectations but mitigated as appropriate to allow as far as possible constant employer contribution rates. This approach to risk is reviewed at least annually.

(a) Investment Risks

The Committee uses Risk Attribution Analysis to determine the order of magnitude of the main investment risks the Fund is facing. The chart below shows the VaR (Value at Risk, essentially the downside that would occur in a 1-in-20 event) facing the Fund, split into major risk categories, as at the last formal valuation date.



As an additional illustration of risk, the table below shows how a range of events could impact the Fund:

Event	Event movement	Impact on Deficit
Fall in equity markets	30% fall in equities	£320m
Rise in Inflation	1% increase in inflation	£398m
Fall in interest rates	1% fall in interest rates	£398m
Active manager underperformance	3% underperformance from all active managers	£38m

As shown in both the Value-at-Risk attribution chart and the table above, by far the two largest risks that the Fund is running are in relation to equities, and unhedged liabilities. Whilst not immaterial, the risk associated with the use of active management is far smaller.

Commentary on the major investment risks the Fund is running is as follows:

Liability related risks – One of the largest risks the Fund is running is in relation to its liabilities and the sensitivity of these to changes to long-term interest rates and inflation expectations. The Fund mitigates these risks to a degree through its holdings in index

linked gilts, other bonds and other sources of secured cashflow. The Committee is looking further at these risks as part of the current strategy review.

Equities – The other largest risk that the Fund is running is in relation to its equity holdings. Should equity market conditions deteriorate significantly this will have a large negative impact on the Fund's assets. The Fund holds equities in order to provide the necessary long-term expected returns to help ensure that the Fund remains affordable. The Committee believes that the extra returns that are expected to be generated by equities compensate for the level of risk equities bring to the Fund. However, the Committee is also looking at further ways of mitigating equity risk as part of the current strategy review.

Active manager risk – Investment managers are appointed to manage the Fund's assets on its behalf. This risk is small relative to other risks; however the Fund still addresses this risk. Extensive due diligence is undertaken before managers are selected, with a number of different managers chosen to mitigate against concentration risk. The investment managers are also monitored regularly by the Committee and by the Fund's Investment Consultant.

Liquidity risk – the Committee recognises that there is liquidity risk in holding assets that are not readily marketable and realisable. Given the long term investment horizon, the Committee believes that a degree of liquidity risk is acceptable, given the potential return. The majority of the Fund's assets are realisable at short notice.

Exchange rate risk – this risk arises from investing in unhedged overseas (non GBP denominated) assets. The Fund has a currency hedging policy in place to hedge c.50% of the overseas equity exposure. For other asset classes, currency hedging is reviewed on a case-by-case basis.

The Fund's portfolio is well diversified across asset classes, geography and asset managers. As different asset classes have varying correlations with other asset classes, the Fund can manage the level of risk run to the extent desired.

(b) Cashflow management risks

The Fund is becoming more mature and although it is cashflow positive after taking investment income, managing cashflow will become an increasingly important consideration in setting the investment strategy. Specifically should this position ever reverse, mitigating actions would be taken to manage the cashflow shortfall such as investing in assets that produce cashflows that could be used to meet these payments.

The table below sets out the cashflow position of the Fund over the last five fiscal years and is continually monitored.

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Contributions (£'000s)	93,432	81,634	82,030	87,314	91,940	99,508
Benefits (£'000s)	-65,687	-68,351	-76,669	-74,067	-76,841	-83,622
Investment Income (£'000s)	31,095	24,774	18,377	21,443	11,764	10,076
Net Position (£'000s)	58,840	38,057	5,379	34,690	26,863	25,962

Source: Fund Annual Accounts.

(c) Demographic risks

The Fund is subject to a range of demographic risks, but with particular reference to investment strategy, the Committee is aware of the potential for the Fund to mature over time as pensioner liabilities increase. A mature pension fund is likely to take less investment risk over time and this is considered at each strategy review. The more mature a pension fund, the more likely it is that disinvestments would need to be made to pay benefits. The Fund is not in that situation at present as income from contributions and investments are greater than benefit payments. However, this situation is monitored regularly and formally as part of the actuarial valuation and strategy review.

(d) Governance risks

The Pension Fund Committee believes that there is a benefit to the Fund to be gained from good governance in the form of either (or both) of an increased return and/or decreased risk. Poor governance can lead to opportunities and risks to be missed, and have a detrimental effect on the funding level and deficit. The current delegations and use of an investment sub-committee assist in managing this risk. There will also be additional governance risk from Wiltshire's participation in the BPP and the ways this can be mitigated and managed is being developed as part of the Brunel project in developing the shareholders and service agreements.

(e) Financial ESG risks

The Committee believes that ESG risks should be taken into account on an ongoing basis and are an integral part of the Fund's strategy and objective of being a long term investor.

The Committee believes that engagement is crucial in relation to strong corporate governance, which in turn is expected to help enhance returns. Details of the Fund's policies can be found later in this statement.

One area of focus of the 2017 strategy review is the risks caused by Climate Change and the associated issue of stranded assets. The strategy review looked at the carbon

footprint of the Fund's equity portfolio and consider reduction options, as well as conducting a temperature rise scenario analysis that may have implications for the Fund's future asset allocation. The Fund may consider an appropriate process for the management of climate change risk for its active and passive equity mandates in the future.

Contingency Plans

The investment risk is mitigated by regular monitoring of investment managers performance and review of the Fund's strategy on a quarterly basis. These, along with the other risks are monitored quarterly as part of the Fund's Risk Register and on-going funding level analysis undertaken by the actuary.

The Fund has also implemented a "Flight-path" policy that continually monitors its funding position and looks to de-risk by changing its allocation of growth and matching assets as the funding position improves.

The Fund is also exploring other "tools" for risk mitigation that could be implemented in the future to manage its main exposures including Liability Driven Investments and Equity Protection products.

As outlined in the FSS, the Fund is also committed to providing three different investment strategies in the future to assist employers in managing and mitigate their exposure to investment risk where this is most appropriate for their specific liabilities.

5. Approach to Pooling Investments, use of collective investment vehicles & shared services

The Wiltshire Pension Fund is working with nine other administering authorities to pool investment assets through the Brunel Pension Partnership Ltd. (BPP Ltd) that will meet the criteria set out in the November 2015 investment reforms.

With BPP Ltd. established the Wiltshire Pension Fund, through the Pension Committee, will retain the responsibility for setting the detailed Strategic Asset Allocation for the Fund and allocating investment assets to the portfolios provided by BPP Ltd. However, the fiduciary responsibility dictates that the Pension Fund Committee must always act in the best interest of the Fund and it will need to ensure the most appropriate investments are used in the implementation of its investment strategy. This will include ensuring BPP Ltd are able to implement the Committees strategic decisions, that they are held to account for performance and in extremis, potentially consider other investments if the value for money opportunity cannot be delivered through BPP Ltd in terms of collective and individual basis.

BPP Ltd is a new company which is wholly owned by the Administering Authorities. The company is authorised by the Financial Conduct Authority (FCA) to act as the operator of an unregulated Collective Investment Scheme. It is responsible for implementing the detailed Strategic Asset Allocations of the participating funds by investing Funds assets within defined outcome focused investment portfolios. In particular it researches and selects the Manager Operated Funds needed to meet the requirements of the detailed Strategic Asset Allocations. These Manager Operated Funds will be operated by professional external investment managers. Wiltshire Pension Fund is a client of BPP Ltd and as a client has the right to expect certain standards and quality of service. A detailed service agreement has been drafted which will set out the duties and responsibilities of BPP Ltd, and the rights of Wiltshire Pension Fund as a client. It includes a duty of care of BPP to act in its clients' interests.

An Oversight Board has been established. This comprises of representatives from each of the Administering Authorities. It has been set up by them according to an agreed constitution and terms of reference. Acting for the Administering Authorities, it will have ultimate responsibility for ensuring that BPP Ltd delivers the services required to achieve investment pooling. It therefore has a monitoring and oversight function. Subject to its terms of reference it is able to consider relevant matters on behalf of the Administering Authorities, but does not have delegated powers to take decisions requiring shareholder approval. These are to be remitted back to each Administering Authority individually.

The Oversight Board is supported by the Client Group, comprised primarily of pension investment officers drawn from each of the Administering Authorities but also drawing on Administering Authorities finance and legal officers from time to time. It will have a primary role in reviewing the implementation of pooling by BPP Ltd, and providing a forum for discussing technical and practical matters, confirming priorities, and resolving differences. It is responsible for providing practical support to enable the Oversight Board to fulfil its monitoring and oversight function.

The proposed arrangements for asset pooling for the Brunel pool have been formulated to meet the requirements of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and Government guidance. Regular reports have been made to Government on progress towards the pooling of investment assets, and the Minister for Local Government has confirmed that the pool should proceed as set out in the proposals made.

Wiltshire Council approved the full business case for the Brunel Pension Partnership on 21 February 2017. It is anticipated that investment assets will be transitioned across from the Wiltshire Pension Fund's existing investment managers to the portfolios managed by BPP Ltd between April 2018 and March 2020 in accordance with a timetable that will be agreed with BPP Ltd. Until such time as transitions take place, the Wiltshire Pension Fund will continue to maintain the relationship with its current investment managers and oversee their investment performance, working in partnership with BPP Ltd. where appropriate.

Following the completion of the transition plan outlined above, it is currently envisaged that the majority of the Wiltshire Pension Fund's assets will be invested through BPP Ltd. The Fund has certain commitments to long term illiquid investment funds which will take longer to transition across to the new portfolios to be set up by BPP Ltd.

Currently not all proposed portfolios to be offered by BPP Ltd provide a direct substitution for the Fund's investment strategy. For example, there is not a replication of the Fund's Emerging Market Multi Asset mandate, although this could be substituted with the use of separate Emerging Market equities and bond portfolios, and this is one of the ways that BPP can deliver the same outcomes by providing a different solution. However BPP currently doesn't have an Absolute Return Bond portfolio, although it's hoped this option will be available in the future. In this case, where BPP cannot accommodate a specific solution these assets would remain outside the Fund, these assets will be managed in partnership with BPP Ltd until such time as they are liquidated, and capital is returned.

More details on the Brunel Pension Partnership can be found in Appendix C.

6. Social, environmental and corporate governance policy

Approach to Environmental, Social and Governance (ESG)

ESG are important factors for the sustainability of investment returns over the long term. 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.

It is also a member of the Local Authorities Pension Fund Forum (LAPFF), to enable it to act with other local authorities (72 with assets in excess of £175bn) on corporate governance issues. LAPFF's mission is to protect the long-term investment interests of beneficiaries by promoting the highest standards of corporate governance and corporate responsibility amongst investee companies. Details of their activities can be found on the following link:

<http://www.lapfforum.org/about-us>

The Fund has a fiduciary duty and therefore expects its investment managers to take account of financially material social, environmental and ethical considerations in the selection, retention and realisation of investments as an integral part of the normal investment research and analysis process. This is insofar as these matters are regarded as impacting on the current and future valuations of individual investments. The Fund believes 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 the bodies 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 the bodies in which it invests, to raise standards in a way that is consistent with long term shareholder either through its membership of LAPFF or individually.

Non-Financial ESG Considerations

The pursuit of a financial return is the predominant concern for the Wiltshire Pension Fund to address the funding deficit and minimise the on-going cost of pension provision to its 170+ employer organisations. The Fund is aware it may also take purely non-financial considerations into account provided that doing so would not involve significant risk of financial detriment to the scheme and where they have good reason to think stakeholders would support the decision.

The Fund's Pensions Committee has two employer representatives and two employer observers, while the Local Pension Board has three employer body and three member representatives who both represent and can engage with beneficiaries and stakeholders to ensure the Fund is aware and can respond effectively to all stakeholders concerns.

The Fund also aims to communicate using its website, newsletters, Annual Report and proposed Annual General Meeting to engage directly with all stakeholders.

When formulating and developing any policy on non-financial social, environmental, and corporate governance factors, the Committee will take proper advice from either its investment consultant or other appropriate expertise in this area and ensure the Local Pension Board and other stakeholder views are considered through the use of specific Board reports and consultations. Any policies once developed would be available on the Fund's website.

Social Investment

Social investment includes a wide spectrum of investment opportunities. The Fund is consistent in the application of risk and returns requirements when evaluating all investment opportunities, including those that to address societal challenges. The Fund would invest in opportunities that address societal challenges but generate competitive financial returns.

Seeking such opportunities is generally delegated to our external fund managers, but would not limit the Fund to look at more local projects that may address societal challenges but generate competitive financial returns on an acceptable risk / reward profile.

Sanctions

The Fund does not exclude investments in order to pursue boycotts, divestment and sanctions against foreign nations and UK defence industries, other than where formal legal sanctions, embargoes and restrictions have been put in place by the Government.

Brunel Pension Partnership Policy

The Brunel Pension Partnership [Investment Principles](#) clearly articulate our commitment, and that of each Fund in the Partnership and its operator (Brunel Company), to be responsible investors and as such recognise that social, environment and corporate governance considerations are part of the processes in the selection, non-selection, retention and realisation of assets. One of the principal benefits, outlined in the BPP business case, achieved through scale and resources arising from pooling is the improved implementation of responsible investment and stewardship.

Every portfolio, in every asset class, under the Brunel Pension Partnership, explicitly includes responsible investment and which includes an assessment of how social, environment and corporate governance considerations may present financial risks to the delivery of the portfolio objectives. These considerations will therefore be taken into account in the selection, non-selection, retention and realisation of assets. The approach undertaken will vary in order to be the most effective in mitigating risks and enhancing investor value in relation to each portfolio and its objectives. For more information is on the [BPP website](#).

7. Policy for the exercise of rights (including voting rights) attaching to investments

Voting Policy

The fund believes that voting is integral part of the responsible investment and stewardship process. The Fund manages its ownership responsibilities through both its partnership with PIRC and via its investment managers. PIRC are a third party voting agency that exercise all the Fund's voting rights in line with the PIRC guidelines that have been approved by the Pension Committee.

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 and the membership through the website. PIRC also present annually to the

Pension Committee which assists Members to play a more active role in the Fund's voting activities.

The Fund undertakes its engagement activities through its active membership of the Local Authority Pension Fund Forum which targets specific areas of concern across the holdings of its LGPS membership.

The Fund also expects its asset managers to report on their engagement activities on a regular basis and summarises these in its quarterly updates.

Stewardship Code

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 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 is rated as Tier 1 compliant by the Financial Reporting Council. The Fund's compliance statement can be found at the end of this document in Appendix A.

Stewardship in Investment Pooling

As part of the Brunel Pension Partnership (BPP) we are actively exploring opportunities to enhance our stewardship activities. More information is on the [BPP website](#).

One of the principal benefits, outlined in the BPP full business case, achieved through scale and resources arising from pooling are the improved implementation of responsible investment and stewardship. Once established and fully operation the Brunel company will deliver best practice standards in responsible investment and stewardship as outline in the [BPP Investment Principles](#).

Principles of Investment Governance

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 previously LGPS administering authorities were required to prepare, publish and maintain statements of compliance against a set of six principles within the Statement of Investment Principles. Although not specifically required by the Regulations the Fund sees these Principles as a relevant governance tool and will continue to report on compliance.

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. A detailed breakdown of the Principles of Investment Governance and the Fund's adherence to these can be found in Appendix B.

Advice Taken

In creating this statement, the Fund has taken advice from its Investment Consultant. Also, in relation to each of the constituent parts, such as the asset allocation and risk mitigation, the Fund has taken advice from its Investment Consultant, Mercer, and the Scheme Actuary, Hymans Robertson. In providing investment advice, Mercer is regulated by the Financial Conduct Authority.

Appendix A

Wiltshire Pension Fund, Statement of Compliance with Stewardship Code

WILTSHIRE PENSION FUND

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. Our stewardship responsibilities extend over all assets of the Fund. All of our global equities managers currently comply fully with the code.

The Fund has published policy documents which identify how we meet our Stewardship responsibilities and these include, but are not limited to, our Investment Strategy Statement, our Voting Policy and our Governance Compliance Statement. These documents cover the following areas:

- Monitoring of manager decisions
- The exercise of voting rights
- Risk measurement and management
- ESG consideration in the Tender selection, retention and realisation of investments.
- Statement of compliance with the Myners Principles
- Stock lending

In practice the Fund's policy is to apply the Code both through its contractual arrangements with asset managers and through membership of the Local Authority Pension Fund Forum (LAPFF). In addition, the Fund 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.

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).

All new investment management agreements will now include the requirement for managers to observe the FRC's UK Corporate Governance Code and UK Stewardship code. Due diligence is carried out whenever a new manager is appointed. Reliance is also placed in Financial Conduct Authority's registration.

All relevant managers have published a Statement of Commitment to the code (see appendix 1 which lists the links to these statements) and all appropriate managers, (or in the case of one manager, their parent company), are signatories to the UN PRI, as evidenced on the UN PRI website.

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 interest. 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 Committee and Investment sub-group meetings. A public register of interests is maintained for all Councillors and could be subject to audit inspection at any time. Members are responsible for updating their register as and when their interests change. This is overseen by the Monitoring Officer. If a member declares that they have an interest at the start of a meeting, then the context would determine the action that would be taken i.e. if they declare that they have an interest that is either personal or financial to an item on the agenda, then they would more than likely be asked to leave the room for that item and would be excluded from any voting activities. It is also worth noting that all members, including members of the Wiltshire Pension Fund Committee, are covered by a code of conduct and this can be viewed on the Council's website at the following link

<http://cms.wiltshire.gov.uk/documents/s120932/Part%2012%20-%20Code%20of%20Conduct.pdf>

Wiltshire Pension Fund is administered by Wiltshire Council. All non-teaching employees of Wiltshire Council (which includes members of staff employed by Wiltshire Pension Fund) are governed by the Council's Code of Conduct which is published on the Council's website. The Code of Conduct includes a section on conflicts of interest and the expectations placed upon Council employees (the requirement to handle public funds in a responsible and lawful manner for example). Any member of staff found to be in breach of the policy may be the subject of disciplinary action and could be subject to dismissal. This includes staff who administers the investment side of the Fund. The Council also has a whistleblowing policy to enable staff to raise any concerns that they may have.

All of the Fund's managers have confirmed that they have conflict of interest policies in place and these are subject to regular review. All managers have confirmed that they have a conflict of interests board/ separate Committee to monitor and investigate conflicts of interest.

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. The Fund understands that regardless of this delegation, we retain overall responsibility for the Stewardship and responsible investment of the Fund assets.

The Fund engages with its asset managers on a regular basis using a variety of means including phone, email, in person and using formal written correspondence. The Fund uses its engagement with managers to monitor performance, evaluate risk, and to become aware of any ESG issues and opportunities.

Wiltshire Pension Fund monitors its asset managers very closely. We receive quarterly performance reports from each manager and information in the reports is discussed with managers at our meetings with them and also reported to and reviewed by Committee every quarter. The Fund also employs the services of an investment consultant. The investment consultant assists the Fund in the monitoring of its managers and produces a Quarterly Performance Update for Committee which provides an overview of manager performance and raises any corporate, social or governance issues for consideration by the Committee. Each of the managers meets with Committee once a year, and also with officers of the Fund once a year. Additional meetings with managers may also be arranged on an ad-hoc basis according to need. Manager performance is also reported annually in the Fund Annual Report which is published on the Fund website and made widely available to stakeholders.

The Fund receives Internal Control Reports from managers and our custodian every year and these are reviewed by officers of the Fund annually.

The Fund has a fiduciary duty and therefore expects its managers to take account of financially material social, environmental and ethical considerations in the selection, retention and realisation of investments and believes that this forms part of the manager's fiduciary duty to protect long term shareholder value. As such, the Fund has a commitment to ensuring that companies that it invests in adopt a responsible attitude toward the environment, and adopt high ethical standards and behave in a socially responsible manner by taking into account 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.

Wiltshire Pension Fund is a member of the Local Authority Pension Fund Forum (LAPFF) which has enabled us to develop our approach to shareholder engagement and responsible investment. Collective engagement through LAPFF enables us to maximise our influence. Officers of the Fund regularly attend LAPFF business meetings, which include presentations from expert speakers and detailed updates on engagement and policy work.

Wiltshire Pension Fund manages its ownership responsibilities in partnership with PIRC. The Fund receives quarterly reports from PIRC and these are published and made available to members in a secure area on the Wiltshire Pension Fund website. Furthermore our membership of PIRC enables us to benefit from their voting alerts service which highlights companies with material corporate governance failings. Full details of the alerts can be viewed on the LAPFF website in the members' area.

As an asset owner, Wiltshire Pension Fund owns a proportion of the assets we invest in and thus we seek to use our influence as an asset owner to encourage the companies we invest in to act in a responsible manner.

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 (see appendix 1 below) and may include the following activities:

1. Additional Meetings with management
2. Intervening jointly with other institutions – e.g. Fund managers have shown support for LAPFF alerts by publishing their voting intention online prior to AGM's
3. Promotion of UNPRI principles
4. Writing a letter to the board or meeting the board
5. Submitting resolutions at general meetings and actively attending to vote
6. Divestment of shares

Occasionally, the Fund may choose to escalate activity directly, principally through engagement activity by the Local Authority Pension Fund Forum. When this happens 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. Any concerns with the managers are added for discussion in the Investment Committee agenda and where there are specific concerns, the relevant managers will be invited to Investment Subcommittee to discuss concerns. As mentioned above, the Fund employs the services of an investment consultant, who, along with officers of the Fund, closely monitors the performance of the Fund Asset Managers. They help the Fund to monitor performance of the Fund and flag up any issues that it feels require consideration. The Investment Consultant will attend Committee meetings and assist the Committee in the questioning of the managers and in the discussions that follow, helping the Committee by providing any guidance they need to help them to make the right decisions for the Funds interests. Further details are contained within the ISS which is available on the Wiltshire Pension Fund website and can be found on the following link

<http://www.wiltshirepensionfund.org.uk/statement-of-investment-principles-2015.pdf>.

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 acts collectively with other Funds and organisations through a variety of means. This includes (but is not limited to) networking with other Funds, through participation in the Brunel Pension Partnership project (pooling of LGPS investment activities) and through our membership of the Local Authority Pension Fund Forum, LAPFF, which engages with companies over environmental, social and governance issues on behalf of its members.

The Fund also works closely with its asset managers, engaging with them on a regular basis and with other organisations such as LAPFF and PLSA. All of our managers work closely with other organisations as part of their collaborative engagements, advocacy and research activities, details of which are given in their quarterly and annual reports which are reported to Committee.

Each year, various officers and members of the Pension Committee attend LAPFF business meetings which include presentations from expert speakers and detailed updates on engagement and policy work. The Fund uses its membership of LAPFF to work collaboratively with other organisations, to engage in the companies in which it invests, the idea being that the Fund will wield more influence by collaboratively engaging with other investors.

The Fund collaborates and works closely with other Funds on various projects such as the National Pooling Initiative. Representatives from the Fund regularly attend various pension forums and conferences in order to stay abreast with the latest developments affecting LGPS pensions and investment markets and to use it as an opportunity to network and collaborate with other Funds and organisations connected to the LGPS and in doing so, benefit from the opportunities this presents.

The Fund's contact in relation to Stewardship activities is Rozalyn Vernon, Pension Fund Accountant.

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. PIRC's voting guidelines, which have been approved by the Fund, 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 practice in corporate governance also in some areas goes beyond the existing legal and regulatory requirements. The Fund receives proxy research and voting recommendations for each company AGM and EGM holding the Fund has that can be voted. PIRC reports quarterly on its voting activity and these reports are available to Committee members through the website. PIRC are also available to present to the Committee which assists Members to play a more active role in the Fund's voting activities.

As outlined in the paragraph above, Wiltshire Pension Fund manages its ownership responsibilities through PIRC and Investment Managers do not have any voting discretion. There are on occasion times when managers put forward proposals. These will be considered by the Fund with the ultimate decision being made in consultation with the Chairman of the Pension Committee.

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

Wiltshire Pension Fund annually reviews and updates its Investment Strategy Statement, which sets out the Fund's approach to responsible investing.

Wiltshire Pension Fund uses the Local Authority Pension Fund Forum (LAPFF) to undertake engagement activity. The activity undertaken by LAPFF is regularly made available to Committee.

Voting activity is reported to members of Committee via reports received from PIRC who provide a proxy voting service to the Fund and are made available on a secure area of the WPF website that members can access. Members and officers of the Fund receive voting alerts from PIRC and full details are available on the LAPFF website in the members' area.

The Fund's managers provide reports on an annual and quarterly basis, detailing their performance against benchmark along with details of collaborative engagements, advocacy and research activities. These are reported to Committee and made available to members on a secure area of the WPF website.

We ask that all our managers provide us with a copy of their latest regulatory control report each year and these are reviewed by officers of the Fund annually and subject to periodic audit. These reports form part of the Fund's controls against the loss of Fund assets through misappropriation or fraud.

All of the Fund's managers are independently verified by an external auditor, details of which are found in their ISAE 3402 made available by request or publically on their websites. Where there are exceptions the Fund would seek clarification from managers and reports its findings to the Committee.

Wiltshire Pension Fund
June 2018

Appendix A

Manager Stewardship Code Statements

Manager	Link
Baillie Gifford	https://www.bailliegifford.com/about-us/literature-library/corporate-governance/global-corporate-governance-principles-and-guidelines/ (see page 8)
Barings	http://www.barings.com/ucm/groups/public/documents/policiesprocedures/170433.pdf
CBRE	Document is held directly with Wiltshire Pension Fund and is available on request
M&G	http://www.mandg.com/en/corporate/about-mg/responsible-investment/the-uk-stewardship-code/
Investec	http://www.investecassetmanagement.com/united-kingdom/professional-investor/document/pdf/Investec-UK-Stewardship-Compliance-Statement.pdf
Legal & General	http://www.lgim.com/uk/en/capabilities/corporate-governance/policies/
Loomis	http://www.loomissaylesinvestmentslimited.co.uk/uk/internet.nsf/content?readform&ctype=landing&channel=about&id=5-4

N.B. Signatories from time to time will update their policies. In the instance that the above links are no longer active the most recently submitted statements can be located on the FRC website:

<https://www.frc.org.uk/Our-Work/Codes-Standards/Corporate-governance/UK-Stewardship-Code/UK-Stewardship-Code-statements.aspx>

Appendix B

Principles of Investment Governance – Assessment of Compliance 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 2016. 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 has 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 2016 report, Funding Statement Strategy, and Investment Strategy Statement 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 compliant in respect of measuring the performance of advisors and the 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 continued 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 (investment strategy statement)**
- **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. 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
- Investment Strategy Statement
- 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 identifying the different stakeholders.

Appendix C

Brunel Pension Partnership

High Level Investment Principles

Working with all the partner funds and the Brunel Pension Partnership, we have agreed a set of investment principles with the intention that they provide a framework for the investment strategy, operations, manager selection, monitoring and reporting. The principles are also designed to meet the Department for Communities and Local Government's Local Government Pension Scheme: Investment Reform Criteria and Guidance and the requirements and expectations of Financial Conduct Authority. They can be applied to all asset classes, although the detail of operation will vary by asset class.

The principles do not impose any restrictions on type, nature of companies or assets held within the portfolios. The principles do place an expectation that recognised best practice standards in governance, risk management, stewardship and value for money will be delivered.

Long-term investors	We are long-term investors: we implement our funds investment strategies that require productive assets that contribute to economic activity, such as equities, bonds and real assets. This may include the delegated responsibility to provide sustainable and sufficient return on their assets.
Responsible investors	We are responsible investors: we believe that in the long term we will generate better financial returns by investing in companies and assets that demonstrate they contribute to the long term sustainable success of the global economy and society.
Best practice governance	We adopt best practice collective governance with appropriate oversight, prioritisation, delegation and decision making at the right level, and clear accountability.
Decisions informed through experts and knowledgeable officers and committee	We make our decisions based on extensive expertise including trained and insightful operations' governance members, experienced and professional officers and high quality, knowledgeable advisors.
Evidence and research at heart of investments	We take an evidence and research-based approach to investment: continually learning and reappraising from academic research, investment professionals, and our peers, and seek continual development in our understanding of investment.
Leadership and innovation	We are prepared to be innovative and demonstrate thought leadership in collective investment, within the requirement of prudence and our respective fiduciary duties.

Right risk for right return	We will make our collective investments work as hard as possible to meet our funds' objectives: we will provide the right structure of sub funds and managers within asset classes. While we take account of market and economic levels in our decision making, we will avoid making decisions on purely a short term basis.
Full risk evaluation	We will be comprehensive in our consideration of our funds' risks assessed on their liabilities and contributions; consider financial and non-financial risk as appropriate; offer a pooled structure to accommodate the need to diversify risk, but also recognise the limits of that diversification – as long term investors we accept that our investment success depends substantially on the sustainable growth of the economy.
Responsible stewardship	We will enable our funds' to exercise responsible stewardship of the assets they hold, and act as a collective responsible voice in the broader investment community.
Cost effective solutions	We will seek the most cost-effective solutions to achieving our funds' objectives and implementing these principles collectively: we recognise the impact of costs on the Funds, but we are prepared to pay for active management and other services when we believe that the costs incurred are likely to be justified by the benefits. We will seek to gain leverage from our collective status through reduction in fees and avoidance of cost through increased resilience and sharing our peoples' strengths, knowledge and expertise.
Transparent and accountable	We believe in the importance of being transparent and accountable, to ensure correct decisions are taken and to minimise risk. This applies both in our own operations, those we work with, and our investments
Collaborate	We will collaborate with others whenever possible, to share ideas and best practice; to improve effectiveness and to minimise costs.

Implementation: Approach to Asset Pooling

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

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

- Appointment of State Street as Custodian and Administrator of the partnership.

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

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

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

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

Brunel will be responsible for implementing the detailed Strategic Asset Allocations of its ten Client Funds by providing and implementing a suitable range of outcome focused investment "portfolios". In particular, it will research and select the professional external investment managers responsible for making the day to day investment decisions at the portfolios. In some cases, a portfolio will have a single external manager who provides the fund structure for a portfolio. In other cases, Brunel will allocate to a number of different externally managed funds. For active equities Brunel is sponsoring the creation of an authorised contractual scheme (ACS), in conjunction with an external fund operator, as this structure in these markets offers significant cost and tax benefits. Brunel will be the investment manager of the ACS and as above will delegate to its chosen sub managers.

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

The governance of the Brunel partnership is of the utmost important to us to ensure our assets are invested well and our needs and those of our beneficiaries are met.

Governance controls exist at several levels within Brunel:

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

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

Responsible Investment

The consideration of environmental, social and governance considerations

The Brunel Pension Partnership Investment Principles clearly articulate our commitment, and that of each Fund in the Partnership and its operator (Brunel), to be responsible investors and as such recognise that social, environment and corporate governance considerations are part of the process in the selection, non-selection, retention and realisation of assets. One of the principal benefits, outlined in the Brunel business case,

achieved through scale and resources arising from pooling, is the improved implementation of responsible investment and stewardship.

Every portfolio, in every asset class, under the Brunel Pension Partnership, explicitly includes responsible investment and an assessment of how social, environment and corporate governance considerations may present financial risks to the delivery of the portfolio objectives. The approach undertaken will vary in order to be the most effective in mitigating risks and enhancing shareholder value in relation to each portfolio and its objectives.

Brunel has become a signatory to the UN backed Principles of Responsible Investment and has published a comprehensive Responsible investment Policy. The policy has been developed in conjunction with key stakeholders, including the Brunel Oversight Board, Brunel Client Group and Client RI Working Group, membership of which includes representatives from the administering authorities which it serves and Brunel staff. The policy provides a framework under which Brunel will publish supporting guidelines, position statements and annual implementation and engagement plans, proxy voting policy and voting records. More information is on the Brunel website.

Policy on the exercise of rights (including voting rights)

The UK Stewardship Code explains that “stewardship aims to promote the long-term success of companies in such a way that the ultimate providers of capital also prosper. Effective stewardship benefits companies, investors and the economy as a whole.”

We are fully supportive of the UK Stewardship Code and the effective oversight of the companies in which we invest, including the exercise of our rights as a shareholder.

As part of owning publicly listed companies Brunel, on behalf of its clients, will have the opportunity to vote at company meetings (AGM/ EGMs). To provide guidance, Brunel will have its own single voting policy for all assets managed by Brunel in segregated accounts. Implementation will be supported by the appointment of an engagement and voting service provider.

We will continue to operate under the current arrangements until they are transitioned into the new portfolios. Brunel will publish its voting policy and provide online voting records no less than twice a year.

Private Markets

Due to the illiquid nature of investments in the private markets, they will operate in a different way to the other Brunel portfolios. Each portfolio will be implemented through a single defined investment strategy. However, this will not be via a formal vehicle, instead each Client will effectively have a separate account. Brunel will act as a discretionary manager, providing a complete solution from investment origination to negotiation and post-investment monitoring. New money and/or reinvestment of distributions from existing investments will be committed to suitable new investments pro rata by Brunel’s Private

Markets Team. Commitments to investments will be in the Client Fund name, not Brunel's. Different investments will not be sought for different Clients.

As far as possible investments will be similar across clients in a portfolio but there will be scope for Brunel to (a) tailor future investments to existing holdings (a holistic portfolio view), (b) opt Clients out of particular investments to reflect individual Client fund predetermined guidelines, concerns or conflicts of interest.

To manage the process Brunel will ask Clients for commitments of amounts to invest in the various private market portfolios over a set period, typically two years. Initial allocations are for the period April 2018 to March 2020. Such allocations should reflect changes in strategic allocation, underweighted allocations and expected distributions.

Whilst property will initially be managed as above, the structure of current client holdings presents the opportunity to address existing management arrangements and costs.

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WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND LOCAL PENSION BOARD
12 July 2018

PENSION FUND TRAINING PLAN FOR LOCAL PENSION BOARD (LPB) MEMBERS

Purpose of the Report

1. The purpose of this report is to update LPB members on the Board's compliance with the Pension Regulator's requirements concerning knowledge & understanding
2. To outline to Board members the development of their training & development strategy

Background

3. Following the formation of the Board in July 2015 a training & development strategy assessment was undertaken. In October 2015, a training plan was presented to the Board & implemented.
4. Since 2015 the LPB has experienced a number of changes in the appointment & removal of members as well as Officers supporting the Board. In light of these changes & in view of the time that has elapsed it has been decided that an updated training & development strategy assessment should be undertaken.
5. Hyman Robertson have been asked to issue to members of the Board an on-line LGPS knowledge assessment tool and a Pension Board effectiveness review. In addition Hyman Robertson will request feedback on their national confidence assessment exercise. These tools were due to be issued from 26th June. The results of the feedback will be presented to LPB members at their meeting in October 2018.

Considerations for the Board

6. In the Fund year 2018/19 to October 2018 Officers have prepared a number of interim training sessions for Board members to attend & continue their compliance with the Pension Regulator's code of practice. These include;
 - 9th May – Pension Fund Investment Training Away Day
 - 12th July – GDPR training
 - Organising new member induction training in the Autumn of 2018
7. Separately the Fund has sponsored individual Board member training at conferences & seminars, where required.
8. Training logs for all members continue to be maintained, copies of which are enclosed within the meeting pack.

Conclusions

9. It is recognised that as a result of the implementation work involved with the Brunel Pensions Partnership completed by the former Wiltshire Pension Fund management

team & the appointment of the new team, the training & development strategy offered to Board members has not been as in depth as the Fund year 2016/17.

10. Hyman Robertson will be asked to comment on the pros & cons and experiences that they have had with their on-line surveys. They will also be asked for their guidance on whether a shorter or longer time gap is beneficial between assessments.

11. It is noted from the training feedback provided in the latest draft LPB Annual Report that Board members have continued to fulfil the compliance requirements in connection with their Knowledge & Understanding for the Fund year 2017/18.

Environmental Impact

12. There is no environmental impact from this report.

Financial Considerations

13. There are no immediate financial considerations resulting from the reporting of the Board's review of its Knowledge & Understanding requirements, other than the fees charged for undertaking the review.

Risk Assessment

14. There are no direct risks to the Fund associated with this reporting.

Legal Implications

15. There are no immediate legal implications arising from this report.

Safeguarding Considerations/Public Health Implications/Equalities Impact

16. There are no implications at this time.

Proposals

17. The Board is requested to note the Fund's progress in implementing an updated training & development strategy.

ANDY CUNNINGHAM
Head of Pensions Administration and Relations

Report Author: Richard Bullen – Fund Governance & Performance Manager

Local Pension Board - Members Training Log

Date	Mandatory / Advisory / Additional	Title	Event	Training Need	Chairman	Member Reps				Employer Reps											
					Howard Pearce	Mike Pankiewicz	David Bowater	Barry Read	Councillor Newbury	Councillor Britton	Lynda Croft	Sarah Holbrook	Kirsty Cole								
					Appointed	12/05/15	14/07/15	14/07/15	14/07/15	14/07/15	16/05/17	14/07/15	23/02/16	14/07/15							
					Next Re-election due	12/05/19	14/07/19	14/07/19	14/07/19	-	16/05/21	-	23/02/20	-							
Left	-	-	-	-	16/05/17	-	05/03/18	-	23/02/16												
					Service Dates																
Set up	-	Mandatory	Self-Assessment Questionnaire	Questionnaire	Establish Training Needs																
	02/07/15	Mandatory	Local Pension Board Induction Day	Local Pension Board Internal Presentation	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																
	07/04/16	Mandatory	Induction Session	One to One with Head of Pensions	As above																
	By 31 July 2016	Mandatory	TPR On-line Toolkit	On-line	tPR toolkit to fulfil requirement that all Board members should have the basic requisite knowledge and understanding							In progress June 2018									
-	Advisory	Local Pension Board Members Handbook	Sent by email / on website	Provides overview of role and structure of the LGPS with links to all main policy documents and regulations																	
2015/16	-	Advisory	Hymans Robertson Pension Updates	Email Newsletter	Update on latest pension issues for LGPS																
	13/07/15	Optional	Investment Review Away Day	Pension Committee Event - optional	Review of current investment issues															Not in LPB Annual Report?	
	16/07/15	Advisory	Knowledge & Understanding Requirements for the role	Local Pension Board Internal Presentation	Knowledge & Understanding of role																
	22/10/15	Advisory	Conflicts of Interest & Code of Conduct	Local Pension Board Internal Presentation	Awareness of conflicts and code of conduct requirements for Board members																
	14/01/16	Advisory	The Pension Regulator Code of Practice & Record Keeping Regulations	Local Pension Board Internal Presentation	Awareness of the Regulators requirements for the operation of a public service pension scheme																
	14/01/16	Advisory	Administering Authority Discretions	Local Pension Board Internal Presentation	Understanding on the discretions the Wiltshire Pension Fund can apply in the administration of the LGPS																
20/01/16	Additional	Unison Regional Forums for Local Pension Board Members																			
2016/17	07/04/16	Advisory	Triennial Valuation 2016	Local Pension Board Internal Presentation	Overview of the process for the valuation																
	20/07/16	Advisory	Investment Pooling & the Brunel Pension Partnership	Local Pension Board Internal Presentation	Update on the proposed investment pooling proposals in response to Government consultation																
	20/10/16	Advisory	Valuation Update	Local Pension Board Internal Presentation	Update on the outcome of the 2016 Triennial Valuation (+ Asset pooling training)																
	-	Optional	LGA Fundamentals Training	External 3 day course - optional	Overview of LGPS operations, regulations, investments and governance																Not in LPB Annual Report?
	25/04/16	Optional	LGPS Pensions Board Seminar	External event	Review of common themes from Board's nationally																Not in LPB Annual Report?
	09/06/16	Optional	Members Training Away Day	Pension Committee Event - optional	Investment Pooling, Baillie Gifford, investment regs, Asset Allocation review																
	17/05/16	Optional	PLSA Local Government Conference	External 2 day conference - optional	Covering pooling, governance, administration and investment issues including LPBs.																
	06/09/16	Optional	LGC Investment Conference	External 2 day conference - optional	Covering investments and valuation issues																
	14/10/16	Optional	Brunel Pension Engagement day	Co-host Wiltshire Pension Fund - optional	Update on the latest investment proposal and introduction to the Full Business Case																
	13/04/16	Additional	LGPS Asset Pooling Conference	1/2 day seminar																	
	06/06/16	Additional	Responsible Investor EU 2016	2 day conference																	
	27/07/16	Additional	LGPS Communications Training	1/2 day seminar																	
	10/08/16	Additional	Investment Pooling Q&A sessions	External event																	
	29/09/16	Additional	GAD LGPS Section 13 Training Event	1 day seminar																	
	07/10/16	Additional	Responsible Investment ESG Manager selection - LGPS pooling	1 day conference																	
	13/10/16	Additional	Unison Regional Forums for Local Pension Board Members																		
	02/11/16	Additional	Brunel Pension Partnership training		BPP external event																Not in LPB Annual Report?
17/11/16	Additional	SPS LGPS Fund event	1 day seminar																		
12/12/16	Additional	Unison LGPS Annual Forum																			
19/01/17	Additional	Unison Regional Forums for Local Pension Board Members																			
02/02/17	Additional	LAPF LGPS event	External 1 day conference - optional																	Not in LPB Annual Report?	
2017/18	06/04/17	Advisory	Data Protection & Quality Standards - Hymans	Local Pension Board Internal Presentation																	
	13/07/17	Advisory	Complaints & Dispute Handling	Local Pension Board Internal Presentation																	
	18/10/17	Advisory	Fraud Prevention & Mitigation update - Hymans	Local Pension Board Internal Presentation																	
	15/03/18	Advisory	Annual Reporting Requirements	Local Pension Board Internal Presentation																	
	16/05/17	Optional	PLSA Local Government Conference																		
	22/05/17	Optional	LGPS, Investment Strategy, Governance, BPP - Hymans	Pension Committee Event - optional																	
	21/06/17	Optional	Wiltshire Pension Fund AGM	1 day conference																	
	01/03/18	Optional	LGC Investment Conference																		
	20/07/17	Additional	General Data Protection Regulations																		
	08/09/17	Additional	LGPS investment training	External 2 day conference - optional																	
	01/11/17	Additional	Fund Investment Away day																		
	10/11/17	Additional	LGPS summit	External 2 day conference - optional																	
	15/11/17	Additional	Brunel Pension Partnership engagement day	External 1 day conference - optional																	
	07/02/18	Additional	CIPFA LPB training	External 1 day conference - optional																	
26/03/18	Additional	CIPFA LPB training	External 1 day conference - optional																		
27/03/18	Additional	SAB LPB/PC Forum	External 1 day conference - optional																		
2018/19	26/06/18	Mandatory	Knowledge & Understanding Assessment - Hyman's	On-line questionnaire	Review of training needs since last assessment in 2015																
	26/06/18	Mandatory	LPB Member Effectiveness questionnaire - Hyman's	On-line questionnaire	Review of training needs since last assessment in 2015																
	26/06/18	Optional	National Confidence Assessment - Hyman's	On-line questionnaire																	
	09/05/18	Optional	Investment Away Day - Collateral Management - Mercer	Pension Committee Event - optional																	
	27/06/18	Additional	CIPFA LPB annual conference	External 1 day conference - optional																	
	-	Additional	GAD S13/data workshops																		
-	Additional	LPB Annual Conference																			

Key			
Training attended	Training not attended	No requirement to attend training	Mandatory training missed

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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	25-Jan-17	06-Apr-17	13-Jul-17	18-Oct-17	15-Mar-18	12-Jul-18	11-Oct-18	24-Jan-19
Standard Items:														
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	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Main business items:														
Board Governance														
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	Brunel Pension Partnership update		Data protection and quality standards	Complaints and dispute handling	Fraud prevention and mitigation	Annual Reporting requirements	TBC	Delegations - Council, PC, ISC officers, BOB, LPB	Internal and external SLAs
Code of Conduct & Conflicts of Interest Policy	✓	✓				✓					✓			
Forward Work Plan and Dynamic Reviews	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
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	06-Apr-17	13-Jul-17	18-Oct-17	15-Mar-18	12-Jul-18	11-Oct-18	24-Jan-19
Fund Governance														
Scheme Legal, Regulatory & Fund update	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Review of Risk Register		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Fund update & comments on minutes of PC & ISC and BPP/BOB	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Review GMP reconciliation process/results										✓			✓	
Benchmark Annual Report with other BPP Funds									✓				✓	
Review of Annual Benefit Statement process						✓							✓	
Financials & Audit														
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							✓			✓			✓	
Total number of Agenda Items:	20	24	24	25	25	25	24	22	26	25	22	27	33	

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