

## AGENDA

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**Meeting:** Wiltshire Pension Fund Committee  
**Place:** The Salisbury Room - County Hall, Trowbridge  
**Date:** Thursday 29 September 2016  
**Time:** 10.30 am

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

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

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<b>Chairman's Briefing:</b>	<b>Date</b>	<b>Time</b>	<b>Place</b>
	29 September	9:30am	Salisbury Room

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### **Membership:**

#### **Voting Membership**

##### Wiltshire Council Members:

Cllr Tony Deane (Chairman)  
Cllr Charles Howard (Vice Chairman)  
Cllr Gordon King  
Cllr Sheila Parker  
Cllr Roy While

##### Substitute Members

Cllr Chris Hurst  
Cllr Bob Jones MBE  
Cllr Bill Moss  
Cllr Fleur de Rhé-Philippe  
Cllr Ian Thorn  
Cllr Philip Whitehead

##### Swindon Borough Council Members

Cllr Steve Allsopp  
Cllr Steve Weisinger

##### Substitute Members

Cllr Tim Swinyard

##### Employer Body Representatives

Diane Hall  
Linda Stuart

#### **Non-voting Membership**

##### Observers

Tony Gravier  
Mike Pankiewicz

## **RECORDING AND BROADCASTING NOTIFICATION**

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## **PART I**

### **Items to be considered when the meeting is open to the public**

1      **Membership** **10:30am**

To note that Cllr Gordon King replaces Cllr Mark Packard on the Wiltshire Pension Fund Committee and Investment Sub-Committee.

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

To note the attendance of any non-members of the Committee.

3      **Apologies for Absence**

To receive any apologies for absence or substitutions for the meeting.

4      **Minutes** *(Pages 7 - 14)*

To confirm the Part 1 (public) minutes of the meeting held on 30 June 2016.

5      **Declarations of Interest**

To receive any declarations of disclosable interests or dispensations granted by the Standards Committee.

6      **Chairman's Announcements**

To receive any announcements through the Chairman.

7      **Public Participation and Councillors' Questions**

The Council welcomes contributions from members of the public.

#### Statements

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

#### Questions

To receive any questions from members of the public or members of the Council received in accordance with the constitution. Those wishing to ask questions are required to give notice of any such questions in writing to the officer named above (acting on behalf of the Corporate Director), no later than 5pm on 22 September 2016 in order to be guaranteed a written response. Questions received after this deadline and no later than 5pm, two clear working days

before the meeting will receive a verbal response. Please contact the officer named on the first page of this agenda for further advice. Questions may be asked without notice if the Chairman decides that the matter is urgent.

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

8 **Local Pension Board Update** (Pages 15 - 24) **10:35am**

To receive an update and consider recommendations arising from the Local Pension Board meeting held on 20 July 2016.

The current Local Pension Board Work Plan is available [here](#).

9 **External Audit Report** (Pages 25 - 64) **10:40am**

A report by KPMG presenting the Final Audit report on the 2015-16 Annual Report for the Wiltshire Pension Fund for information.

10 **Annual Report 2015-16** (Pages 65 - 154) **10:50am**

A report presents the Annual Report for financial year 2015-16 for approval.

11 **Additional Voluntary Contributions Fund Choice** (Pages 155 - 156) **11am**

The Committee is asked to consider a report from the Strategic Pension Manager on an additional fund for the suite of AVC products available to Members.

The Committee is asked to approve the addition of the Prudential Ethical fund as an option to the range of funds offered to members by Prudential.

12 **Budget Monitoring 2016-17 Report** (Pages 157 - 158) **11:10am**

A report on the latest budget monitoring position for the Wiltshire Pension Fund is circulated for consideration.

13 **Annual Benefit Statement Update** (Pages 159 - 160) **11:20am**

The Head of Pensions will provide an update on the Annual Benefit Statement exercise for 2016 for Committee consideration.

14 **Pension Fund Risk Register** (Pages 161 - 168) **11:30am**

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

15 **Date of Next Meeting** **11:45am**

A special meeting of the Committee will be held on 13 October 2016, the next ordinary meeting of the Committee will be held on 15 December 2016.

16 **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.

17 **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 18 – 25 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.

**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**

18 **Minutes** *(Pages 169 - 176)*

To confirm the Part 2 (confidential) minutes of the meeting held on 30 June 2016.

19 **Investment Sub-Committee update** *(Pages 177 - 198)*

The Committee is asked to consider the draft Part 2 (confidential) minutes and recommendations arising from the meeting of the Investment Sub Committee held on 15 September 2016.

Reports are attached for Members' consideration in respect of Sub-Committee recommendations on risk management.

20 **Proposed Class Action Update** **11:50am**

A verbal update from the Head of Pensions on the potential class action case considered at the previous meeting of this Committee for members to note.



## **WILTSHIRE PENSION FUND COMMITTEE**

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### **PART 1 MINUTES OF THE WILTSHIRE PENSION FUND COMMITTEE MEETING HELD ON 30 JUNE 2016 AT THE SALISBURY ROOM - COUNTY HALL, TROWBRIDGE.**

#### **Present:**

Cllr Steve Allsopp, Cllr Tony Deane (Chairman), Diane Hall, Cllr Charles Howard (Vice Chairman), Cllr Gordon King, Mike Pankiewicz, Cllr Sheila Parker, Linda Stuart, Sue Eley  
Cllr Steve Weisinger and Cllr Roy While

#### **Also Present:**

Jim Edney and Joanne Holden

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#### **34 Membership**

It was noted that Councillor Tim Swinyard had been appointed as the nominated substitute member for the Swindon Borough Council members of the Committee, in place of Councillor Oliver Donachie.

It was also agreed that while Diane Hall of Selwood Housing was undertaking a sabbatical year, Sue Eley of Selwood Housing would serve on the Committee in a non-voting capacity.

#### **35 Attendance of non-members of the Committee**

There were no non-members present.

#### **36 Apologies for Absence**

An apology was received from Councillor Mark Packard, who was substituted by Councillor Gordon King.

#### **37 Minutes**

**Resolved:**

**Subject to the addition of Sue Eley among the list of attendees for the Part 1 section of the meeting, to approve and sign as a true and correct record the minutes of the meeting held on 10 March 2016.**

38 **Declarations of Interest**

There were no declarations.

39 **Chairman's Announcements**

At the conclusion of the meeting it was announced a pensioner member of the Fund had contacted the Council to ask that officers be thanked for the excellent and accessible newsletter produced for members of the Fund, and that this be brought to the attention of the Committee.

40 **Public Participation and Councillors' Questions**

A question from Mr Sigurd Reimers together with response was noted in the agenda papers.

41 **Appointment of the Investment Sub Committee**

**Resolved**

**In accordance with the approved terms of reference, to appoint the membership of the Investment Sub-Committee as follows:**

**Councillor Tony Deane**

**Councillor Charles Howard**

**Councillor Steve Weisinger**

**Councillor Mark Packard, or other Liberal Democrat Committee Member as approved at the July Meeting of Wiltshire Council.**

42 **Update from the Local Pension Board**



The Committee considered notes from the Local Pension Board, and were informed Sarah Holbrook of Wiltshire Police had replaced Kirsty Cole of Swindon Borough Council as a representative.

The Committee were informed the Board did not cost a large amount to run, but it would need to be reviewed to ensure it could be properly resourced.

**Resolved:**

**To note the update.**

43 **SWAP Internal Audit Report**

A report was received from Kerry Chisholm on the 2015/16 audit undertaken by the Fund's internal auditors, South West Audit Partnership (SWAP), identifying risks to be addressed along with an action plan for the forthcoming year.

The Committee discussed the report, seeking details on staff resourcing, reviewing the guaranteed minimum pension, reconciliation checks, and provision for data backups.

At the conclusion of discussion, it was,

**Resolved:**

**To approve the report and action plan.**

44 **Pension Fund Administration Outturn Statement 2015-16**

The Pension Fund Administration Outturn Statement for 2015-16 was presented for consideration. The budget underspend of £0.160m was noted, due in part to vacancies which had now been filled.

**Resolved:**

**To note the Outturn statement for 2015-16.**

45 **Draft Statement of Accounts**

The Draft Statement of Accounts was presented for consideration. The final report would be considered in September 2016, and audits had not identified

any key issues at the present time. It was confirmed accounts would go to the July meeting of the Audit Committee for approval.

The Committee considered the draft statement. Details were sought on employers' contributions increasing and on the transfer of liabilities from the magistrate's courts.

At the conclusion of discussion, it was,

**Resolved:**

**To approve the draft statement of accounts 2015-16 for publication, subject to completion of the audit.**

46 **Amendment Regulations Consultation**

A report from the Head of Pensions was received on the proposed response from the Wiltshire Pension Fund on the latest Government consultation in respect of the amendment regulations issued in May 2016. The closing date for responses is 20 August 2016.

The Committee considered the report on the proposed response, which included supporting the proposed approach to adopt the reformed Fair Deal requirements making it compulsory for providers to provide the Local Government Pension Scheme for members except those previously transferred to a broadly comparable scheme. Comments were provided on the implications of the proposed changes to inform any response.

At the conclusion of discussion, it was,

**Resolved:**

**To delegate approval of the formal response from the Fund to the Chairman and Vice-Chairman in consultation with officers.**

47 **Statement of Investment Principles**

The Committee received the annual statement of investment principles. It was noted that the Department of Communities and Local Government had proposed revoking the regulations requiring an annual statement, instead replaced with an investment strategy statement. However, these new regulations were still to be implemented. Details were sought on changes in asset allocation.

**Resolved:**

**To approve the 2016 statement of investment principles.**

48 **Pension Fund Risk Register**

The Committee received the latest quarterly update on the Pension Fund's Risk Register. Since the last update in March 2016 two additional risks had been added to the register. These would be to monitor any impact from the government's policy on encouraging further academisation, as well as operational decisions to mitigate market volatility in the event, since realised, of a vote to exit the European Union on the referendum held on 23 June 2016.

Details were sought on the decision taken to mitigate the risks, as well as the potential for swift increases in the number of academies and the impact on the Fund.

**Resolved:**

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

49 **Date of Next Meeting**

The date of the next meeting was confirmed as 29 September 2016.

50 **Urgent Items**

There were no urgent items.

51 **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 number 52-56 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 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.

52 **Minutes**

**Resolved:**

**To approve and sign as a true and correct record the Part 2 minutes of the meeting held on 10 March 2016.**

53 **Investment Pooling- proposed response to Government Consultation**

The Committee received a confidential report on continued work with the Brunel Pension Partnership to provide a response to the government consultation on investment reforms regarding pooling of pension investment funds.

**Resolved:**

**To approve the joint submission of the Brunel Pension Partnership as its detailed proposal to the government's consultation on investment reforms.**

**To delegate to officers to appoint an independent adviser to assess the Brunel Pension Partnership Business Case.**

54 **Ill Health Insurance for Employers**

The Committee received a confidential report on a potential risk mitigation tool for the Fund's employers in respect of ill-health early retirement claims.

**Resolved:**

**To set up a Fund ill-health insurance policy which is automatic for all employers, unless they confirmed in writing that they understood the risks and wished to opt out.**

55 **Potential Class Action**

The Committee received a confidential report on whether it wished the Fund to be considered as a lead plaintiff in litigation against company which it had

invested in. As a class action lawsuit had been instigated in the United States, the Fund would be automatically added as a plaintiff unless it opted out. As a lead plaintiff the Fund would have greater control over the action.

**Resolved:**

**To consent to put the Fund forward as a lead or co-lead plaintiff in the case against Lending Club Corporation based on the current details outlined in the report.**

56 **Investment Quarterly Progress Report Update**

The Committee received a confidential report on the Fund's investment performance up to 31 March 2016 from Mercers, its investment advisers.

**Resolved:**

**To note the investment reports.**

**To delegate to the Chairman and Vice Chairman, in consultation with the Treasurer to the Pension Fund, to suspend the overlay in the event of serious concerns emerging as a result of market volatility.**

(Duration of meeting: 10.30 am - 1.45 pm)

The Officer who has produced these minutes is Kieran Elliott, of Democratic Services, direct line 01225 718504, e-mail [kieran.elliott@wiltshire.gov.uk](mailto:kieran.elliott@wiltshire.gov.uk)

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## **LOCAL PENSION BOARD**

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### **PART 1 MINUTES OF THE LOCAL PENSION BOARD MEETING HELD ON 20 JULY 2016 AT THE KENNET ROOM - COUNTY HALL, TROWBRIDGE BA14 8JN.**

#### **Present:**

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

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#### **47 Membership**

There were no changes to the membership of the Board.

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

There were no non-members of the Board present.

#### **49 Election of the Vice-Chairman**

It was explained that in accordance with Terms of Reference the Vice-Chairmanship of the Board was to alternate yearly between scheme member and employer member representatives. The Chairman thanked Mike Pankiewicz for his work as Vice Chairman over the last year and nominations were sought from employer member representatives for the position as Vice-Chairman for 2016-17.

#### **Resolved:**

**To appoint Lynda Croft as Vice-Chairman for the forthcoming year.**

#### **50 Apologies**

There were no apologies for absence.

51 **Minutes**

Members considered the minutes of the last meeting held on 7 April 2016 and the Board's action log. The Chairman requested that pending actions be coded amber and the review of audit arrangements be coded red to signify that it was an outstanding action. The Head of Pensions updated that the Board members' handbook was being collated and would be circulated shortly, members were invited to comment upon it at the October meeting. The Head of Pensions would publish the handbook online, provided it contained no confidential information.

**Resolved:**

**To confirm the minutes of the meeting held on 7 April 2016.**

**To note the Board's Action Log and request that outstanding and pending actions be colour-coded accordingly.**

52 **Declarations of Interest**

There were no declarations of interest.

53 **Chairman's Announcements**

It was noted that despite the recent changes in Prime Minister and Cabinet, Marcus Jones MP remained Parliamentary Under Secretary of State at the Department for Communities and Local Government.

54 **Public Participation and Councillors Questions**

There was no public participation.

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

The Board received the minutes of the previous meetings of the Wiltshire Pension Fund Committee and Investment Sub Committee, the Head of Pensions and noted that the South West Audit Partnership (SWAP) audit report was also presented to this Board.

**Resolved:**

**To note the minutes and key decisions of the Wiltshire Pension Fund Committee and Investment Sub Committee meetings held on 30 June and 6 June 2016.**



## 56 Scheme, Legal Regulatory and Fund update

The Head of Pensions updated on the current consultation on the Amendment Regulations, the new regulations would pick up anomalies from the LGPS 2014 scheme. The Fund had already drafted a response to the consultation, which had been approved by the Pension Fund Committee.

Members also heard that in light of the Counsel view on the legal status of Local Pension Boards officers had spoken to the Council's insurers about adding indemnity cover for Board members to this policy, however the insurer did not consider Board members at risk so would not extend the policy. Officers had approached other providers for quotes however they were very costly, it was thought that this was because companies were uncertain as to the risks involved. The Council's legal advisors considered the risk to Board members not covered by indemnity insurance to be extremely minimal, since the Board was not a decision-making body. The Head of Pensions was to await further advice from the Scheme Advisory Board (SAB) and would report back at the October meeting. Members agreed that it would be beneficial to wait for SAB guidance as a national solution was needed and considered no immediate action was required given the minimal risks. It was requested that officers also ask the SAB for guidance on cover needed for non-voting observers on Pension Fund Committees. Members were advised that the Board Chairman was already covered by his own professional indemnity cover.

### **Resolved:**

**To note the proposed draft response to the LGPS amending regulations consultation.**

**To note the legal advice that the absence of insurance indemnity cover presented minimal risk to Local Pension Board members.**

**To await further guidance from the Scheme Advisory Board on the issue of insurance indemnity and to consider this at the next ordinary meeting.**

## 57 Risk Register

The Board was presented with the current Risk Register for the Fund; two new risks had been added since the last report: 'PEN024 Impact of EU referendum' which reflected the potential for increased market volatility from a vote to exit from the EU, and 'PEN025 Academisation of Schools' which reflected Government policy to encourage all schools to convert to academy status; this had the potential to increase the number of employers in the Fund. PEN012 'Over reliance on key staff' had been upgraded since the Fund Benefits Manager was due to take maternity leave in November.

Members were concerned that the LGPS pooling of assets was a risk to the Fund by increasing workload for officers and the potential movement of staff out of the Fund to the pooled fund. As such, it was recommended that PEN020 be logged as high risk.

**Resolved:**

**To note the current Risk Register and recommend that PEN020 'Pooling of LGPS assets' be coded red to reflect a high risk of resource pressures arising from asset pooling.**

## 58 **Review of the Wiltshire Pension Fund Statement of Accounts**

The Board was presented with the Fund's draft financial statements which were to be signed off by the Audit Committee on 27 July. No recommendations were expected to arise from the audit and the approved accounts would be published in the Fund Annual Report. Questions were raised over projected salary increase rates and it was explained that the numbers specified reflected predictions over the long term, approximately a 20 year period. Following a question from the Chairman it was confirmed that a £3.9m long term debt did not need to be reported to the Pensions regulator as a breach since this was being paid back over a 10 year period and was a national issue with the magistrates service. Stylistic corrections needed to the accounts were noted.

**Resolved:**

**To note the draft Wiltshire Pension Fund Financial Statements 2015-16, approved for publication by the Wiltshire Pension Fund Committee subject to the completion of the audit.**

## 59 **Internal and External Audits for 2016**

The Board was presented with an update from internal and external auditors; the internal audit plan for 2016-17 was being finalised and was expected to be presented at the October meeting. Internal audit for 2015/16 was graded with 'Reasonable Assurance' meaning that most areas reviewed were found to be adequately controlled, generally risks were well managed but some systems required the introduction or improvement of internal controls. There were no significant finds to report from the audit although two medium risks relating to reconciliations and payroll were reported and were being acted on. The Board requested that an update on actions taken be reported to its January meeting. Members also requested that external auditors attend the January meeting in the instance of material recommendations arising from their audit. The external audit from KPMG was still ongoing and any subsequent recommendations would be reported to the Fund.

Following questions from the Board it was confirmed that pension straining costs would usually be factored into redundancy costs. It was agreed that redundancy costs be considered at the next meeting in the instance of such related issues arising from the audit.

**Resolved:**

**To note the update on the progress of the external audit from KPMG for 2016 and the internal audit report and agreed action plan.**

**To request that an update is provided at the January meeting on the actions taken following the outcome of the internal audit and that external auditors also report to this meeting in the instance of material recommendations arising from that audit.**

**To request that redundancy costs be considered at the October meeting in the instance of such issues arising from the audit.**

60 **Statement of Investment Principles**

A report presented the annual update of the Statement of Investment Principles (SIP), approved by the Wiltshire Pension Fund Committee at its last meeting, for review. The SIP outlined how the fund intended to manage its investments. In the last year the change to asset allocation with the Loomis Sayles mandate had been the only significant change; the allocation had been changed to 60% Absolute Return Bond/40% Multi Asset Credit spilt from a previous 50/50% split. The Board understood that a new Investment Strategy Statement, drawing on key points of the SIP, would be produced over the next financial year as part of the asset pooling with Project Brunel.

The Chairman advised that the 'Myners Principles' (referenced in Supplement 1 to the SIP) were now titled 'Principles of Investment Governance' and recommended that officers obtain a recent report of the Law Commission on fiduciary duty and the United Principles of Responsible global report on Fiduciary duty and the , as this could be useful to writing the Investment Strategy Statement.

**Resolved:**

**To note the updated Statement of Investment Principles.**

61 **Update on the Business Plan**

The Board was updated on the Business Plan for the fund which had been coded according to both priority and risk, items coded as grey were actions that had been completed. Officers advised that the impact of pooling arrangements

had delayed the development of Key Performance Indicators for the Fund however this was now a priority which was now being addressed. The pooling arrangements (business plan item 38) was both high priority and high risk in terms of resource.

A summary was provided of outstanding actions including:

- Priority 1- key policy documents were currently being refreshed;
- Priority 4- the review of the contract for an Independent Governance Adviser was overdue, however the Fund was comfortable with the current green coding of the priority as continuity of adviser was valued at the present time;
- Priority 10- an Employer/Pensioner meeting was planned for autumn 2016 however the Fund was concentrating on more effective means to communicate with stakeholders;
- Priority 11- risk reviews were a high priority and expected to be addressed over the autumn;
- Priority 12- a framework needed to be designed to review the performance of the Fund's advisers;
- Priority 14- the implementation of bi-annual performance reporting would tie in with risk reviews;
- Priority 16- the Fund was keen to use social media to communicate and had begun discussions on setting up a social media account;
- Priority 17- officers aspired to formalise a review of the Committee performance and would also link this to a framework to review the Fund's advisers;
- Priority 23- the full actuarial valuation was a high priority;
- Priority 24- a Member's Handbook for the Committee would be prepared ready for 2017 elections;
- Priority 25- a review of the Investment Sub-Committee was low priority as the focus had been on other investment issues;

The Head of Pensions advised that 2016 valuation was on track and the Fund was currently working on this as a priority, officers were also planning to complete the GMP reconciliations project by December 2016 and refresh the Funding Strategy Statement in January 2017.

The Chairman thanked officers for their hard work to achieve the Business Plan outcomes but expressed concern that 9 out of 39 actions had slipped, mainly due to insufficient resource. The Board recommended that the Committee review the Fund priorities and supported the recruitment of additional resource if necessary to achieve the priorities.

**Resolved:**

**To note the update on the Business Plan and to recommend to the Wiltshire Pension Fund Committee that it reviews the priorities or supports the recruitment of additional resource if necessary to achieve the priorities.**

62 **Assessing the Impact of the Local Pension Board**

The Chairman introduced a report suggesting Key Performance Indicators (KPIs) for the Board, members were supportive of the proposals and felt that the value they could add to the governance of the fund would increase overtime as the Board embedded and knowledge of members increased. It was noted that the recommendations of the Board were being implemented, for instance on additions to the Risk Register and the development of a Breaches Policy. Members fed back that, in comparison with other Boards, Wiltshire appeared to be ahead, members were not aware of other boards having developed KPIs.

**Resolved:**

**To agree the proposed Key Performance indicators and request they be included in the Board's Annual report.**

63 **Local Pension Board Annual Report**

The Head of Pensions presented the Board's Annual Report and advised that it would be published on the Fund's website and also the SAB website. Members considered it would be useful to review the Wiltshire Local Pension Board annual report relative to the other 88 LPB annual reports and requested that such a benchmarking exercise be undertaken in early 2017.

**Resolved:**

**To approve the Local Pension Board Annual Report.**

**To request that a benchmarking exercise of LPB annual reports be undertaken in comparison with other Boards in early 2017.**

64 **How did the Board do?**

Members discussed the content of the meeting agenda and agreed that the items were in line with their remit as a Board.

65 **Urgent items**

There were no urgent items.

66 **Date of next meeting and Forward Work Plan**

The next meeting was to be held on 20 October 2016 and the Chairman advised that future meeting dates should be released over the next month.

67 **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 68-69 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.**

68 **Brunel Pension Partnership and Investment Pooling 2016**

Members were updated on the submission of the Brunel Pension Partnership's proposal to the Government's consultation on investment reforms.

**Resolved:**

**To note the update and the joint submission of the Brunel Pension Partnership as the Fund's detailed proposal to the Government's consultation on investment reforms approved by the Wiltshire Pension Fund Committee on 30 June 2016.**

**To endorse the need for an independent review of the Brunel Pension Partnership Business Case and to recommend that overall risks of the new manager are reviewed.**

**To recommend that further detail is provided in the Business Case on the member and employer representation in the governance arrangements of the new pool.**

**To recommend that a low-cost exit strategy for the Fund is negotiated and that detail be provided on the process of transferring to a new pool.**

**To recommend that external resource is recruited to support asset pooling as necessary.**

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

Members considered the key decisions of the recent meetings of the Investment Sub Committee and Wiltshire Pension Fund Committee.

**Resolved:**

**To note the minutes and key decisions of the Investment Sub Committee meeting on 16 June 2016 and Wiltshire Pension Fund.**

(Duration of meeting: 10.35 am - 1.15 pm)

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

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## **WILTSHIRE COUNCIL**

WILTSHIRE PENSION FUND COMMITTEE  
29 September 2016

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### **FINAL EXTERNAL AUDIT REPORT**

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

1. The purpose of this report is to present the Final Audit Report for the Wiltshire Pension Fund prepared by KPMG.

#### **Background**

2. There is a requirement for a separate annual audit to be carried out on the Wiltshire Pension Fund. The audit has been carried out by Wiltshire Council's external auditor, KPMG.
3. KPMG completed an interim audit visit in March 2016 but did not issue an interim report as there were no significant issues arising from this work. Over the summer they have carried out the main audit and again no significant issues were raised. Therefore, as there are no issues to report the resulting Final Audit Report has been included within the main one for the Wiltshire Council (see attached). This report was presented and approved on the 27 July 2016 meeting of the Final Accounts & Audit Committee.
4. KPMG's final audit opinion and certificate on the Wiltshire Pension Fund Annual Report is due to be signed on 23 September 2016. The draft Wiltshire Pension Fund Financial Statements for 2015-16 was approved by this committee at the meeting on 30 June 2016. The final Pension Fund Annual Report is on today's agenda.

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

5. The attached draft Final Audit Report (page 5) states KPMG anticipate issuing an unqualified opinion on the Pension Fund Annual Report at the same time as the opinion on the Statement of Accounts.

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

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

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

7. There are no known implications at this time.

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

8. There are no financial consideration resulting from this proposal and the paper reviews risk as part of the audit.

**Proposals**

9. The Committee is asked to note the attached Final Audit Report.

MICHAEL HUDSON  
Treasurer to the Pension Fund

Report Author: Catherine Dix, Strategic Pension Manager

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



# Report to those charged with governance (ISA 260) 2015/16

**Wiltshire Council**

—

July 2016



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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website ([www.psaa.co.uk](http://www.psaa.co.uk)).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Darren Gilbert, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers (on 0207 694 8981, or by email to [andrew.sayers@kpmg.co.uk](mailto:andrew.sayers@kpmg.co.uk)). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing [generalenquiries@psaa.co.uk](mailto:generalenquiries@psaa.co.uk), by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3H.

**This document summarises:**

- the key issues identified during our audit of the financial statements for the year ended 31 March 2016 for both the Authority and its pension fund; and
- our assessment of the Authority's arrangements to secure value for money.

**Scope of this report**

This report summarises the key findings arising from:

- our audit work at Wiltshire Council ('the Authority') in relation to the Authority's 2015/16 financial statements and those of the Local Government Pension Scheme it administers ('the Fund'); and
- the work to support our 2015/16 conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion').

**Financial statements**

Our *External Audit Plan 2015/16*, presented to you in April 2016, set out the four stages of our financial statements audit process.



We previously reported on our planning work issued in our Audit Plan presented in April 2016.

This report focuses on the second and third stage of the process: control evaluation and substantive procedures. Our on site work for this took place during March and June 2016.

We are now in the final phase of the audit, the completion stage. Some aspects of this stage are also discharged through this report.

**VFM conclusion**

Our *External Audit Plan 2015/16* explained our risk-based approach to VFM work. We have now completed the work to support our 2015/16 VFM conclusion. This included:

- assessing the potential VFM risks and identifying the residual audit risks for our VFM conclusion;
- considering the results of any relevant work by the Authority and other inspectorates and review agencies in relation to these risk areas; and
- carrying out additional risk-based work.

**Structure of this report**

This report is structured as follows:

- Section 2 summarises the headline messages from our interim audit and year end audit work.
- Section 3 sets out our key findings from our Interim audit work on the control environment and IT systems
- Section 4 sets out our key findings from our audit work in relation to the 2015/16 financial statements of the Authority and the fund.
- Section 5 outlines our key findings from our work on the VFM conclusion.

Our recommendations are included in **Appendix 1**. We have also reviewed your progress in implementing prior recommendations and this is detailed on Page 31.

**Acknowledgements**

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

# Headlines - Interim

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This table summarises the headline messages for the Authority and the Fund. Sections three of this report provide further details on each area.

<p><b>Organisational and IT control environment</b></p>	<p>Your organisational control environment is effective overall.</p> <p>Progress in improving the overall IT control environment has continued to be made during this period with one of the prior year recommendations being fully implemented. The other issue around powerful SAP accounts has been revised due to risk acceptance by the Council, this is now been reported to focus on mitigating actions.</p> <p>The prior year priority two recommendation, in relation to disaster recovery planning and risk management, has been completed with a revised IT Disaster Recovery plan having been developed and delivered. This is a scenario based plan which considers the high level activities required to secure effective IT recovery in the even of a system failure Further details are provided in <a href="#">Appendix 2</a>.</p> <p>A small number of additional issues have been identified in relation to the segregation of duties within changes management, reinstating alerts within SAP and the controls over access to the Northgate system. Further details are provided in <a href="#">Appendix 1</a>.</p>
<p><b>Controls over key financial systems</b></p>	<p>In relation to those controls upon which we placed reliance as part of our audit, the key financial systems are generally sound, see page 7 for details.</p> <p>Despite this, Internal Audit identified improvement areas in relation to the control environment however these were not in the areas specifically relied upon during the audit.</p>
<p><b>Review of internal audit</b></p>	<p>During the year we have met regularly with SWAP in order to maintain a close working relationship and to build on our joint working protocol.</p> <p>In relation to our work on the Authority's financial controls, we were able to place reliance upon the work of Internal Audit in those areas where we have relied upon controls. Working papers produced by Internal Audit were of an appropriate standard, and were supported by the required evidence.</p>

This table summarises the headline messages for the Authority and the Fund. Sections four and five of this report provide further details on each area.

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<p><b>Proposed audit opinion</b></p>	<p>We anticipate issuing an unqualified audit opinion on the Authority's financial statements. We will also report that your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE in June 2007.</p> <p>We also anticipate issuing an unqualified audit opinion in relation to the Fund's financial statements, as contained both in the Authority's Statement of Accounts and the Pension Fund Annual Report.</p>
<p><b>Audit adjustments</b></p>	<p>Our audit has identified a total of two audit adjustments with a total gross value of £15.097 million for the 2015/16 financial statements. The impact of these adjustments is to:</p> <ul style="list-style-type: none"> <li>— Decrease the deficit on provision of services for the 2015/16 year by £0.722 million; and</li> <li>— Increase the net worth of the Authority as at 31 March 2015 by £4.069 million.</li> </ul> <p>We have included a full list of material audit adjustments at <b>Appendix 3</b>. All of these were adjusted by the Authority.</p> <p>There were also a number of small disclosure amendments raised throughout the audit all of which were amended, with the exception of changes to the Narrative statement, see <b>Appendix 1</b> for recommendations.</p> <p>There were no adjustments raised for the Pension Fund Accounts.</p>
<p><b>Significant financial statements audit risks</b></p>	<p>We review risks to the financial statements on an ongoing basis. We identified one significant financial statements level audit risk in our <i>External Audit Plan 2015/16</i>, issued in April 2016, in relation to the presentation of the Better Care Fund.</p> <p>We have worked with officers throughout the year to discuss this significant risk and our detail findings are reported in <b>Section 4</b> of this report. There are no matters of any significance arising as a result of our audit work in this significant risk area.</p>
<p><b>Accounts production and audit process</b></p>	<p>We have noted consistency in the quality of the accounts and the supporting working papers. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales.</p> <p>The quality of working papers provided to us by Finance and the Pension team were of a high standard and met the standards specified in our Accounts Audit Protocol.</p> <p>The Authority has implemented all of the recommendations in our ISA 260 Report 2014/15 relating to the financial statements.</p>

# Headlines - Final (cont)

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This table summarises the headline messages for the Authority and the Fund. Sections four and five of this report provide further details on each area.

<b>Completion</b>	<p>At the date of this report our audit of the financial statements of both the Authority and the Pension Fund are substantially complete. The areas that remain are:</p> <ul style="list-style-type: none"> <li>— Audit of the Authority’s Whole of Government Accounts pack;</li> <li>— Finalisation of audit documentation;</li> <li>— Review of Pension Fund Annual Report Narrative; and</li> <li>— Finalising mandatory work in relation to pension liability disclosures.</li> </ul> <p>Before we can issue our opinion we require a signed management representation letter for both the Authority and the Pension Fund.</p> <p>We confirm that we have complied with requirements on objectivity and independence in relation to this year’s audit of the Authority’s financial statements.</p> <p>In order to issue our Certificate for the year we will need to complete our work in relation to each of the matters set out above.</p>
<b>VFM conclusion and risk areas</b>	<p>We identified the following VFM risks in our External Audit Plan 2015/16 issued in April 2016.</p> <ul style="list-style-type: none"> <li>— Achievement of Savings Plan; and</li> <li>— Better Care Fund.</li> </ul> <p>We have worked with officers throughout the year to discuss these VFM risks and our detailed findings are reported in section 5 of this report.</p> <p>We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We therefore anticipate issuing an unqualified VFM conclusion by 29 July 2016.</p>



# Interim Findings - Organisational Control Environment

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Your organisational control environment is generally effective overall.

**Work completed**

Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses this would have implications for our audit.

We obtain an understanding of the Authority's overall control environment and determine if appropriate controls have been implemented. We do not complete detailed testing over all of these these controls.

**Key findings**

We consider that your organisational controls are generally effective overall.

Our findings in relation to the IT control environment reflects the results of our work undertaken on the general IT controls in operation with regard to each of the Authority's key IT systems.

During the year the Authority has continued to make progress in relation to the adequacy of IT Controls. Despite this we identified a number of new areas where further improvements could be made. These are identified on the following page and in **Appendix 1**.

Aspect	Assessment	
	2015/16	2014/15
Organisational controls:	3	3
Management's philosophy and operating style	3	3
Culture of honesty and ethical behaviour	3	3
Oversight by those charged with governance	3	3
Risk assessment process	3	3
Communications	3	3
Monitoring of controls	3	3
IT control environment	2	2

- Key:
- 1 Significant gaps in the control environment.
  - 2 Deficiencies in respect of individual controls.
  - 3 Generally sound control environment.

# Interim Findings - IT control environment

Your IT control environment is effective overall although improvements over the IT control environment, specifically around access, changes and maintenance to systems are required.

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### Work completed

The Authority relies on information technology (IT) to support both financial reporting and internal control processes. In order to satisfy ourselves that we can rely on the use of IT, we test controls over access to systems and data, system changes and maintenance, system development and computer operations over the SAP (General Ledger), Civica (Cash Receipting), Northgate (Revenues & Benefits) and QL (Housing) environments.

### Key findings

We note that similar issues have been raised in respect of the IT control environment, specifically in relation to the previous 'Access to systems and data' priority one recommendation that has been raised over the last few years. However it must be noted that these issues were previously accepted by the council, specifically in relation to powerful SAP\_ALL accounts, further work can be completed to mitigate the issues or remove them.

We have raised a recommendation over the segregation of duties issues within SAP change management, this could strengthen the controls around system changes and maintenance. Other improvement areas within SAP include the strengthening the controls of user removal and reinstatement of alerts, which although not relied upon as a control would improve the operation of the system..

There are three recommendations around the control of access to the Northgate system, this includes removal of access for leavers, the strength of the quarterly access review process and an audit over Northgate server access.

We consider that, despite the issues identified, we are able to rely upon the Authority's IT control environment.

Recommendations are included in Appendix 1.

Aspect	Assessment	
	2015/16	2014/15
IT controls:		
Access to systems and data	2	2
System changes and maintenance	2	2
Development of new systems and applications	3	3
Computer operations and end-user computing	3	3

- Key:
- 1 Significant gaps in the control environment.
  - 2 Deficiencies in respect of individual controls.
  - 3 Generally sound control environment.

# Interim Findings - Review of internal audit

Following our assessment of Internal Audit, we were able to place reliance on their work (as per agreed coverage) on both the key financial and IT systems.

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## Background

The United Kingdom Public Sector Internal Audit Standards (“PSIAS”) apply across the whole of the public sector, including local government. These standards are intended to promote professionalism, quality, consistency and effectiveness of internal audit across the public sector. Additional guidance for local authorities is included in the Local Government Application Note on the PSIAS.

## Work completed

The scope of the work of your internal auditors and their findings informs our audit risk assessment.

We work with your internal auditors to assess the control framework for certain key financial systems and seek to rely on any relevant work they have completed to minimise unnecessary duplication of work. Our audit fee is set on the assumption that we can place full reliance on their work.

Where we intend to rely on internal audit’s work in respect of the Authority’s key financial systems, auditing standards require us to complete an overall assessment of the internal audit function and to evaluate and test aspects of their work.

The PSIAS define the way in which the internal audit service should undertake its functions. Internal audit completed a self-assessment in 2011/12 against the standards set out in this document in advance of them becoming applicable and as a result developed an action plan against which they have been working to ensure full compliance. They are planning to begin an updated self assessment in the upcoming months.

We reviewed internal audit’s work on the key financial systems and re-performed a sample of tests completed by them.

## Key findings

Based on the self-assessment performed by internal audit, our assessment of their files, attendance at Audit Committee and regular meetings during the course of the year, we have not identified any significant issues which would indicate internal audit are not compliant with the PSIAS. However our work does not represent and external review against PSIAS, our review is for reliance purposes only and to inform our risk assessment.

We did not identify any significant issues with internal audit’s work and are pleased to report that we were able to place reliance on internal audit’s work on a number of financial systems.

We are mindful that internal audit plan their work in a manner designed to covers the whole of the Authority’s financial year and in some instances, because of the timing of their work, the close down meetings or draft internal audit reports have not been finalised in time for our interim work. As a result of this there was potential that since our review in March, their findings could be revised. Where this happens, additional work would be required to meet our own requirements. Final reports were reviewed and no such work has been required.

## Section three

# Interim Findings - Controls over key financial systems

The controls over the key financial systems are generally sound, with the exception of Payroll, Cash and Council Tax/NNDR which require limited improvements.

Internal audit have raised a number of recommendations during the year. Whilst the majority of these have no impact on our audit, weaknesses in the payroll system will need to be considered as part of our final visit.

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### Work completed

We review the outcome of internal audit's work on the financial systems to influence our assessment of the overall control environment, which is a key factor when determining the external audit strategy.

We also work with your internal auditors to update our understanding of some of the Authority's key financial processes where these are relevant to our final accounts audit.

Where we have determined that this is the most efficient audit approach to take, we test selected controls that address key risks within these systems. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

Our assessment of a system will not always be in line with the internal auditor's opinion on that system. This is because we are solely interested in whether our audit risks are mitigated through effective controls, i.e. whether the system is likely to produce materially reliable figures for inclusion in the financial statements.

### Key findings

Based on our work, and the work of your internal auditors, in relation to those controls upon which we will place reliance as part of our audit, the key financial systems are generally sound.

Issues identified by Internal Audit include; management review of bank reconciliations, retention of Northgate to Valuation Office Agency reconciliations and payroll exception reports. In all cases the reconciliations were found to be completed accurately, however formal sign off was not completed or retained.

Recommendations in relation to any weaknesses identified have

already been raised by Internal Audit and as a result will not be repeated in this report.

Financial system	Assessment	
	2015/16	2014/15
Payroll costs	2	2
Cash and cash equivalents	2	2
Housing Benefits	3	n/a
General Ledger	3	3
Council Tax and NNDR	2	n/a
Purchases	3	3
HRA	3	n/a

- Key:
- 1 Significant gaps in the control environment.
  - 2 Deficiencies in respect of individual controls.
  - 3 Generally sound control environment.
  - n/a Not assessed

## Financial Statements - Proposed opinion and audit differences

Our audit has identified a total of two audit adjustments.

There is no net impact of these adjustment on the general fund.

### Proposed audit opinion

Subject to all outstanding matters being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion on the Authority's financial statements following approval of the Statement of Accounts.

### Audit differences

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

The final materiality level (see Appendix 5 for more information on materiality) for this year's audit was set at £12 million. Audit differences below £0.6 million are not considered significant.

Our audit identified a total of two material audit differences, which we set out in Appendix 2. It is our understanding that these will be adjusted in the final version of the financial statements. There are no unadjusted audit differences.

The tables on the right illustrate the total impact of audit differences on the Authority's movements on the General Fund for the year and balance sheet as at 31 March 2016.

There is no net impact on the General Fund as a result of audit adjustments. This is due to the adjustments being classification errors.

In addition, we identified a small number of presentational adjustments required to ensure that the accounts are compliant with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 ('the Code'). We understand that the Authority will be addressing these where significant.

### Movements on the General Fund 2015/16

£m	Pre-audit* (£'000)	Post-audit (£'000)	Ref (App.3)
Deficit on the provision of services (Excluding HRA)	60,478	61,200	1 & 2
Adjustments between accounting basis & funding basis under Regulations	(59,077)	(59,799)	1 & 2
Transfers to earmarked Reserves	(1,460)	(1,460)	-
<b>Increase in General Fund</b>	<b>59</b>	<b>59</b>	

### Balance Sheet as at 31 March 2015

£m	Pre-audit* (£'000)	Post-audit (£'000)	Ref (App.3)
Property, plant and equipment	1,030,997	1,028,918	2
Other long term assets	33,019	33,019	-
Current assets	99,900	106,048	1
Current liabilities	(124,081)	(124,081)	-
Long term liabilities	(973,942)	(973,942)	-
<b>Net worth</b>	<b>65,893</b>	<b>69,962</b>	
General Fund	(12,206)	(12,206)	-
Other usable reserves	(90,305)	(96,453)	1
Unusable reserves	36,618	38,697	2
<b>Total reserves</b>	<b>(65,893)</b>	<b>(14,204)</b>	

# Financial Statements – Proposed opinion and audit differences (cont)

We have identified no issues in the course of the audit of the Fund that are considered to be material.

We anticipate issuing an unqualified audit opinion in relation to the Fund's financial statements, as contained both in the Authority's Statement of Accounts and the Pension Fund Annual Report by 29 July 2016.

The wording of your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE in June 2007.

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## Annual Governance Statement

We have reviewed the Annual Governance Statement and confirmed that:

- it complies with Delivering Good Governance in Local Government: A Framework published by CIPFA/SOLACE; and
- it is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

We have made a number of comments in respect of its format and content which the Authority has agreed to amend where significant.

## Narrative Statement

We have reviewed the Narrative Statement and confirmed that it is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

In addition, we confirmed that the Narrative Statement generally complies with the CIPFA Code requirements but we have made a recommendation in respect of missing content per the Audit and Account Regulations 2015 which the Authority has agreed to amend in the 2016/17 statement of Accounts. See [Appendix 1](#) for recommendations.

## Pension fund audit

Our audit of the Fund did not identify any material misstatements.

For the audit of the Fund we used a final materiality level of £25 million. Audit differences below £1.25 million are not considered significant.

We anticipate issuing an unqualified audit opinion following approval of the Statement of Accounts.

We identified a small number of presentational adjustments required to ensure that the accounts are compliant with the Code. We understand that the Fund will be addressing these where significant.

## Pension Fund Annual Report

We have not yet reviewed the Pension Fund Annual Report and as a result are yet to confirm that:

- it complies with the requirements of the Local Government Pension Scheme (Administration) Regulations 2008; and
- the financial and non-financial information it contains is not inconsistent with the financial information contained in the audited financial statements.

We anticipate issuing an unqualified opinion on the Pension Fund Annual Report at the same time as our opinion on the Statement of Accounts.



Section four

# Financial Statements – Significant risks and key areas of audit focus

In our *External Audit Plan 2015/16* we reported that we would consider two risk areas that are specifically required by professional standards and report our findings to you. These risk areas were Management override of controls and the Fraud risk of revenue recognition.

This table sets out the outcome of our audit procedures.

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Areas of significant risk	Summary of findings
 <p><b>Audit areas affected</b></p> <ul style="list-style-type: none"> <li>— All areas</li> </ul>	<p>Our audit methodology incorporates the risk of management override as a default significant risk. Management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We have not identified any specific additional risks of management override relating to this audit.</p> <p>In line with our methodology, we carried out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.</p> <p>There are no matters arising from this work that we need to bring to your attention.</p>
 <p><b>Audit areas affected</b></p> <ul style="list-style-type: none"> <li>— None</li> </ul>	<p>Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.</p> <p>In our External Audit Plan 2015/16 we reported that we do not consider this to be a significant risk for Local Authorities as there is unlikely to be an incentive to fraudulently recognise revenue.</p> <p>This is still the case. Since we have rebutted this presumed risk, there has been no impact on our audit work.</p>


Section four

# Financial Statements – Significant risks and key areas of audit focus

In our *External Audit Plan 2015/16* we identified one new area of audit focus. This was considered a significant risk where we would carry out some substantive audit procedures to ensure there is no risk of material misstatement.

This table sets out the outcome of our audit procedures.

Page 40

Areas of significant risk	Summary of findings
 <p><b>Audit areas affected</b></p> <ul style="list-style-type: none"> <li>— Statement of Accounts</li> </ul>	<p>We reviewed the processes which the Authority has implemented to identify the appropriate costs and contribution to be recognised in its financial statements to ensure that they are effective and appropriate.</p> <p>We subsequently:</p> <ul style="list-style-type: none"> <li>— agreed the value of costs and contributions allocated to the Authority to supporting records and documents;</li> <li>— confirmed that the wider values disclosed in relation to the overall Better Care Fund agree to supporting records; and</li> <li>— checked that the disclosures related to the Better Care Fund are in line with the requirements of the CIPFA Code of Practice on Local Authority Accounting in 2015/16.</li> </ul>



# Financial Statements – Accounts production and audit process

The Authority has a well established and strong accounts production process. This operated well in 2015/16, and the standard of accounts and supporting working papers was high.

Officers dealt promptly and efficiently with audit queries and the audit process was completed within the planned timescales.

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## Accounts production and audit process

ISA 260 requires us to communicate to you our views about the significant qualitative aspects of the Authority’s accounting practices and financial reporting. We also assessed the Authority’s process for preparing the accounts and its support for an efficient audit.

We considered the following criteria:

Element	Commentary
Accounting practices and financial reporting	The Authority continues to maintain a strong financial reporting process and produce statements of accounts to a good standard. We consider that accounting practices are appropriate.
Completeness of draft accounts	We received a complete set of draft accounts on 2 June 2016.  The Authority has made a small number of presentational changes to the accounts presented for audit however there have been no changes which we consider to be fundamental.
Quality of supporting working papers	We issued our Accounts Audit Protocol including our required working papers for the audit on 5 May 2016.  The quality of working papers provided was high and fully met the standards specified in our Accounts Audit Protocol.
Response to audit queries	Officers resolved all audit queries in a timely manner.
Pension Fund Audit	The audit of the Fund was completed alongside the main audit. The Fund continues to produce financial statements to a high standard.

## Prior year recommendations

As part of our audit we have specifically followed up the Authority's progress in addressing the recommendations in last years ISA 260 report.

There was one recommendation in our ISA 260 Report 2014/15 relating to schools bank reconciliations, which was;

- An excel template for bank reconciliation's should be distributed to all schools. A review should be undertaken for schools that would benefit from further training.

The Authority has implemented a new process to ensure that bank reconciliations have been completed consistently.

# Financial Statements – Completion

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We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Before we can issue our opinion we require a signed management representation letter.

Once we have finalised our opinions and conclusions we will prepare our Annual Audit letter and close our audit.

## Declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of Wiltshire Council and Wiltshire Pension Fund for the year ending 31 March 2016, we confirm that there were no relationships between KPMG LLP and Wiltshire Council and Wiltshire Pension Fund, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

We have provided a detailed declaration in [Appendix 3](#) in accordance with ISA 260.

## Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the Chief Finance Officer for presentation to the Audit Committee. We require a signed copy of your management representations before we issue our audit opinion.

## Other matters

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- significant difficulties encountered during the audit;
- significant matters arising from the audit that were discussed, or subject to correspondence with management;
- other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and
- matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, opening balances etc).

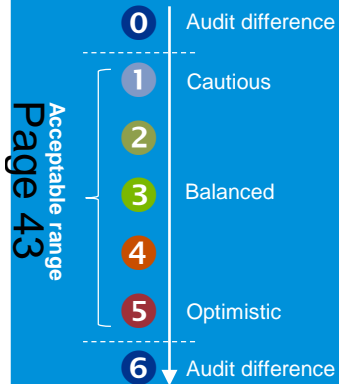
The only such matter to report is in relation to an elector question. Following some initial work undertaken we concluded that no detailed work was required.

## Section four

# Financial Statements – Key accounting judgments and related disclosures

The Authority has applied a reasonable on key accounting judgements.

Level of prudence



Cautious means a smaller asset or bigger liability; optimistic is the reverse

Assessment of subjective areas				
Accounting Area	Current year	Prior year	Balance (£m)	KPMG comment
<b>Revaluation</b> Carrying value of PPE	3	3	1,028	<p>The revaluation has been carried out by GVA Grimley, the method used is to assess Current Value or Existing Use Value. For specialist properties such as schools Depreciated Replacement Cost method has been used under IAS16.</p> <p>The rates used were compared to industry standard rates, they showed lower value increase than the County as a whole, but reflected the Salisbury local index for where the majority of the council housing is situated.</p> <p>There were a limited number of immaterial assets that had been missed during the revaluation programme and therefore not revalued within the stipulated 5 year period per the Code. This was, however, noted by the finance team and plans have been put in place to include these within the next revaluation programme. It has not been raised as a recommendation as plans for the solution to the issue has already been implemented.</p>
<b>Pension Liability</b>	2	2	543	<p>The change in pension liability is largely driven by a change in assumptions applied by the actuary, this reflects the changing economic climate. Judgements made on the pension liability are complex and numerous. The assumption used by the actuary have been compared to those of KPMG's own actuarial specialists with no significant variances.</p>
<b>Provisions</b>	2	2	4.2	<p>The level of provisions has decreased in the year, mainly due to reduced termination and land charges provisions. The amounts unused in 2015/16 was £290k, largely relating to insurance claims, this relates to 7% of the balance. The largest provision is for Business Rate Retention Scheme Appeals at £1.7m, which was fully used in the year, with additional provisions made.</p> <p>The Authority still remain on the cautious side of the prudence range and are considered to have sufficient provisions in place.</p>

# VFM Conclusion

Our VFM conclusion considers whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We follow a risk based approach to target audit effort in the areas of greatest audit risk.

We have concluded that the Authority has made proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

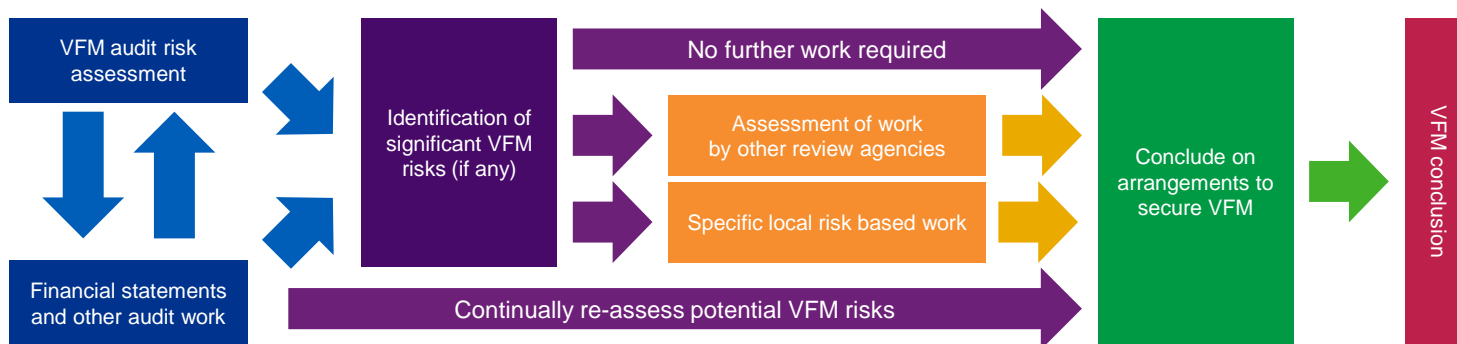
## Background

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

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

The VFM approach is fundamentally unchanged from that adopted in 2014/2015 and the process is shown in the diagram below. However, the previous two specified reporting criteria (financial resilience and economy, efficiency and effectiveness) have been replaced with a single criteria supported by three sub-criteria.

These sub-criteria provide a focus to our VFM work at the Authority.



## Overview of the VFM audit approach

The key elements of the VFM audit approach are summarised below.

**Overall criterion**

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

VFM sub - criterion	Met
Informed decision making	✓
Sustainable resource deployment	✓
Working with partners and third parties	✓

# VFM Conclusion – Specific VFM risks

We have identified two specific VFM risks.

In all cases we are satisfied that external or internal scrutiny provides sufficient assurance that the Authority’s current arrangements in relation to these risk areas are adequate.

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**Work completed**

In line with the risk-based approach set out on the previous page, and in our External Audit Plan we have:


- assessed the Authority’s key business risks which are relevant to our VFM conclusion;
- identified the residual audit risks for our VFM conclusion, taking account of work undertaken in previous years or as part of our financial statements audit; and

- considered the results of relevant work by the Authority, inspectorates and review agencies in relation to these risk areas.

**Key findings**

Below we set out the findings in respect of those areas where we have identified a residual audit risk for our VFM conclusion.

We concluded that we needed to carry out additional work for some of these risks. This work is now complete and we also report on this below.


Key VFM risk	Risk description and link to VFM conclusion	Assessment
	<p>The Authority identified the need to make savings of £30m in 2015/16. At the time of our planning work, the period 9 forecast showed that the Authority would deliver a £3m overspend against its budget before management actions. Additional savings were sought to offset this and the resulting forecast for 2015/16 was a breakeven position.</p> <p>The Authority’s budget for 2016/17 was approved at the Council meeting on 23 February 2016 and recognised a need for £26m in savings. The approved budget includes individual proposals to support the delivery of the overall savings requirement. Further savings of £126m will be required over the period 2017/18 and 2020/21 to principally address future reductions to local authority funding alongside service cost and demand pressures. As a result, the need for savings will continue to have a significant impact on the Authority’s financial resilience.</p>	<p><b>Specific risk based work required:</b> Yes</p> <p>Despite challenging savings targets for the year, the Authority’s final outturn position was an under spend against budget of £0.066m. In addition, the final position of the general fund was £12.206m compared to £10.019m as predicated in the financial plan.</p> <p>The Authority has continued to develop savings plans which require savings from all service areas, and has identified additional savings plans in order to compensate for budget pressures, particularly in Adult Social Care Operations, Operational Children’s Services and Learning Disability. These cost pressures are in line with those experienced by other authorities throughout the country and, as a result, are not indicative of poor arrangements within Wiltshire.</p> <p>Performance against savings targets has been monitored throughout the year as part of the budget monitoring process in order to allow for such cost pressures to be effectively managed.</p>

# VFM Conclusion – Specific VFM risks (cont)

We have identified two specific VFM risks.

In all cases we are satisfied that external or internal scrutiny provides sufficient assurance that the Authority’s current arrangements in relation to these risk areas are adequate.

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Key VFM risk	Risk description and link to VFM conclusion	Assessment
	<p>As set out on page 14, the Better Care Fund (BCF) represents a significant development for local authorities and their NHS partners. Whilst Wiltshire Council was part of the pilot scheme for the Fund, the need to ensure that appropriate governance structures are in place remains essential. Without such, there is a significant risk that funds contributed by the Authority will fail to deliver the desired outcomes and benefits (both for the public and for the Authority). One of the key challenges in establishing effective governance arrangements is the need to balance the demands of the Authority and partnering Clinical Commissioning Group.</p> <p>This is relevant to both the financial resilience and economy, efficiency and effectiveness criteria of the VFM conclusion.</p>	<p><b>Specific risk based work required: Yes</b></p> <p>We reviewed the governance structure and processes which the Authority has put in place in relation to the management of the BCF and the way in which this was designed to ensure that the objectives of the fund are met.</p> <p>We have also reviewed the budget for the year, both for month 9 and month 12. It can be seen that the budget is updated between the months with up to date information. However, currently most of the spend is reimbursed on a retrospective basis and therefore there is not much tracking of live budgetary information. In correspondence with management we confirmed that this is because most of the BCF schemes already existed before the BCF agreement. In the future, it is planned that as the schemes originate out of BCF managed funds, then the schemes will be required to provide up to date financial information so spend can be monitored at a strategic level.</p> <p>It is appropriate to conclude from our work that the Authority has the tools in place in order to achieve VFM. There are some areas of weakness, e.g. most of the expenditure is currently communicated retrospectively and the monitoring of targets is being discussed and updated, although we would expect to see a Performance Scorecard introduced once comparable information is available.</p>



# Appendices

# Key issues and recommendations

We have given each recommendation a risk rating and agreed what action management will need to take.

The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up these recommendations next year.

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Priority rating for recommendations		
<b>1</b>	<b>Priority one:</b> issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	<b>2</b>
		<b>Priority two:</b> issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.
		<b>3</b>
		<b>Priority three:</b> issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
1	<b>3</b>	<p><b>Narrative Statement</b></p> <p>The is the first year under which the Authority must report a narrative statement at the beginning of the Statement of Accounts, this has replaced the explanatory foreword however it is intended to provide a greater focus upon the Authority’s operational performance throughout the year, including non-financial metrics. The draft narrative statement submitted by the Authority is largely a rolled forward explanatory foreword rather than a bespoke narrative statement.</p> <p><b>Risk</b></p> <p>The narrative statement may not deliver the user the information as intended per the CIPFA Code and the Accounts and Audit Regulations 2015.</p> <p><b>Recommendation</b></p> <p>The narrative statement should be rewritten for the 2016/17 statement of accounts to ensure that it fully adheres to the CIPFA Code guidance.</p>	<p><b>Management response</b></p> <p>Agreed, guidance has just been issued by CIPFA and the s151 Officer has been engaged in the production of those notes and will draft an early template for 2016/17 based on the 2015/16 Accounts.</p> <p><b>Responsible Officer</b></p> <p>Michael Hudson (Associate Director of Finance)</p> <p><b>Due Date</b></p> <p>7 April 2017</p>



# Key issues and recommendations (cont)

We have given each recommendation a risk rating and agreed what action management will need to take.

The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up these recommendations next year.

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No.	Risk	Issue and recommendation	Management response / responsible officer / due date
2	2	<p><b>SAP Powerful User Access</b></p> <p>We noted that a total of 9 dialog and 2 service accounts, see <a href="#">Recommendation 3</a>, held access to the powerful SAP_ALL profile. We would not typically expect to see any unlocked accessible accounts holding SAP_ALL access. The dialog accounts include 7 CGI generic accounts (2 of which were locked at the time of testing), the SAP OSS account and an account held by the SAP Application Support Manager.</p> <p>We recognise that monthly monitoring procedures are in place over the majority of these accounts. These are designed to identify suspicious or unauthorised activity and are seen as a positive control to have in place. We noted, however, that improvements are required in relation to these controls, see <a href="#">Recommendation 4</a>.</p> <p>We note that the use of SAP_ALL is a risk which is recognised and accepted by the Authority.</p> <p><b>Risk</b></p> <p>SAP_ALL allows unfettered access across the system, allowing changes to be made to system parameters. As such this access should be strictly controlled as it poses a high risk to the effective operation of the system, segregation of duties controls and data integrity.</p> <p><b>Recommendation</b></p> <p>Use different 'Firefighter' accounts to provide properly defined support roles, which can provide access needed to deal with differing types of incident. Typically this would take the form of Firefighter accounts set up for functional support (e.g. split by business process) and those set up for technical support (e.g. with only Basis transactions). This allows the maintenance of some segregation of duties.</p> <p style="text-align: right;"><i>[Continued on next slide]</i></p>	<p><b>Management response</b></p> <p>As in previous audits, this finding is recognised and understood, and as mentioned in the finding itself has been an accepted risk by the Council for some years.</p> <p>However, ICT have identified a solution for this and this will be implemented in the next few months.</p> <p><b>Responsible Officer</b></p> <p>Stuart Honeyball</p> <p><b>Due Date</b></p> <p>30 November 2016</p>

# Key issues and recommendations (cont)

We have given each recommendation a risk rating and agreed what action management will need to take.

The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up these recommendations next year.

Page 50

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
		<p><b>SAP Powerful User Access (cont.)</b></p> <p>Implement a formal procedure for the unlocking and use of these accounts and ensure that SAP_ALL access is used as a measure of last resort only, via the unlocking of a particular Firefighter account holding this access.</p> <p>Once this procedure has been implemented it should become the only means by which an individual may access the system with SAP_ALL access.</p>	
3	2	<p><b>SAP Powerful User Access - Incorrect Account Types</b></p> <p>Our analysis identified two Service type accounts holding SAP_ALL access. It appeared that these accounts were in fact used by the system rather than by individuals. However, a Service type user allows log on by multiple users at a point in time meaning it would be possible for an individual to use these accounts inappropriately.</p> <p><b>Risk</b></p> <p>SAP_ALL allows unfettered access across the system. As such this access should be strictly controlled as it poses a high risk to the effective operation of the system, segregation of duties controls and data integrity.</p> <p>We would not typically expect to see any unlocked accessible accounts holding SAP_ALL access. Unlocked service type accounts with this level of access present the risk that unapproved individuals may gain unrestricted access to the SAP system without the knowledge of system support personnel. It is further noted that service type accounts may be accessed by multiple users at any given time.</p> <p><b>Recommendation</b></p> <p>Change the two Service type accounts to a System or Communication type user as appropriate, following checks to ensure technical feasibility and the ongoing functionality of the accounts, thus preventing access from individuals.</p>	<p><b>Management response</b></p> <p>These 2 accounts are set as Service accounts as they have been since their creation on 2009. We will investigate whether changing the user type to B-System will have any adverse effects on system running. If not, we will amend to type B.</p> <p><b>Responsible Officer</b></p> <p>Stuart Honeyball</p> <p><b>Due Date</b></p> <p>31/08/2016</p>

# Key issues and recommendations (cont)

We have given each recommendation a risk rating and agreed what action management will need to take.

The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up these recommendations next year.

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No.	Risk	Issue and recommendation	Management response / responsible officer / due date
4	2	<p><b>SAP Powerful User Access – Monitoring of SAP_ALL accounts</b></p> <p>We noted that although monthly monitoring controls are in place around the use of accounts with SAP_ALL access:</p> <ul style="list-style-type: none"> <li>— no instances of client opening were recorded although our analysis identified that two accounts were not being monitored;</li> <li>— An account with lower privileges and an account locked at the time of testing were taking up monitoring slots, these being limited in number; and</li> <li>— The January 2016 monitoring identified that the Production client had been opened and that the Application Manager had not been informed about this as is required in all such instances.</li> </ul> <p>We were informed that this client opening had occurred accidentally due to human error by third party support personnel. This highlights the high degree of risk posed by placing complete faith in a third party through provision of unrestricted access to Wiltshire Council systems.</p> <p><b>Risk</b></p> <p>See <a href="#">Recommendations 2 &amp; 3</a> for the risk associated with SAP_ALL.</p> <p>Unlocking of the production client allows unrestricted changes to be made to the system without the standard transport route needing to be followed.</p> <p>Failure to effectively monitor high access accounts presents the risk that high risk transactions are carried out inappropriately or maliciously without the knowledge of Application Support personnel.</p> <p><b>Recommendation</b></p> <p>Assess the monitoring controls to determine the specific reason that cases of production client opening were missed, with procedures altered as necessary to ensure the highest risk accounts use the monitoring slots available.</p>	<p><b>Management response</b></p> <p>The monitoring filters have already been amended as suggested in the finding, to ensure the correct users are monitored.</p> <p>With regards to the issue with T000 and client opening via SCC4 by LOGICA_BASIS user, this has discussed with CGI and an email explanation has been received and reviewed by ICT. In order to prevent recurrence of this issue (and as detailed at Finding 1.) we will seek to remove access to the SCC4 transaction from all Logica userIDs.</p> <p><b>Responsible Officer</b></p> <p>Stuart Honeyball</p> <p><b>Due Date</b></p> <p>Monitor change completed in May 2016</p> <p>UserID amendments 30/9/2016</p>

# Key issues and recommendations (cont)

We have given each recommendation a risk rating and agreed what action management will need to take.

The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up these recommendations next year.

Page 52

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
5	3	<p><b>SAP User Administration – Removal of Access</b></p> <p>Our testing of HR listings against active user lists identified one leaver's account had been accessed after the user had left employment with Wiltshire Council. Further enquiry identified that the account had originally been locked by the SAP Support Team. However, the account was then unlocked by the service desk following a verbal request from the user (note that the user needed to answer security questions) and then locked again by SAP Support.</p> <p>We were informed that the service desk did not follow an appropriate procedure in that they should have inspected a leaver's spreadsheet and should not then have unlocked the account without consulting the SAP Support team.</p> <p>We have verified that prior to unlocking of the account, it was stripped from any sensitive roles and only standard Self Service roles remained.</p> <p><b>Risk</b></p> <p>Failure to properly remove access from leaving employees presents the risk of unauthorised access to Wiltshire Council systems, with the potential for malicious activity or data compromise to occur as a result. The risk is increased where a user holds elevated access or leaves under acrimonious circumstances.</p> <p><b>Recommendation</b></p> <p>Remind all users with relevant access of the importance of following appropriate procedures for unlocking SAP accounts. Ensuring that a user is a current employee should be standard procedure for an account to be unlocked. Use of the system by ex-employees should be considered highly unusual and subject to additional controls.</p>	<p><b>Management response</b></p> <p>This was an issue with a member of Service Desk team not following the correct documented process on this occasion. The correct process was reiterated to all service desk managers and staff.</p> <p><b>Responsible Officer</b></p> <p>Jason Atkinson</p> <p><b>Due Date</b></p> <p>Completed in February 2016</p>

# Key issues and recommendations (cont)

We have given each recommendation a risk rating and agreed what action management will need to take.

The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up these recommendations next year.

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No.	Risk	Issue and recommendation	Management response / responsible officer / due date
6	3	<p><b>SAP Scheduled jobs</b></p> <p>We have found that, following the changes made to staging servers, there are currently no automated monitoring alerts for SAP scheduled jobs. As such, where schedules fail application support are not notified of the failures without performing manual checks.</p> <p>We have been advised that the SAP Support team is aware of the issue and it aims to resolve it in the near future.</p> <p><b>Risk</b></p> <p>There is a risk that should a scheduled job fail to complete without the knowledge of application support personnel, crucial business information could be missing from the correct area of SAP. This can result in financial process being delayed or not working as designed.</p> <p><b>Risk</b></p> <p>Reinstate scheduled jobs monitoring. Consideration should be given to ensure that the alerts are designed effectively and acted upon when required. Alerts should be instated for key processes only to cut down on 'noise' from alerting that can result in more important notifications being missed.</p>	<p><b>Management response</b></p> <p>We are aware that the confirmation email notifications referred to in this finding were no longer being produced following a server migration onto a new operating system (for PSN compliance). As discussed with KPMG, these alerts were informational only and did not act as a control or confirmation of successful processing of the files within SAP itself (they related to one part of a chain process only) . As a result we have investigated recreating these alerts on the new OS and consider that the effort to do so outweighs the benefit of the alerts.</p> <p><b>Responsible Officer</b></p> <p>Stuart Honeyball</p> <p><b>Due Date</b></p> <p>No action required</p>

# Key issues and recommendations (cont)

We have given each recommendation a risk rating and agreed what action management will need to take.

The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up these recommendations next year.

Page 54

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
7	2	<p><b>Northgate Change Management – Migration of Changes</b></p> <p>We were informed that the ability to migrate changes to the Northgate production systems is governed by access to the 1csrapp61 server. It was not immediately apparent to application support who held this access, and therefore who could perform this high risk task.</p> <p>Further investigation revealed that 372 accounts held access to this location, it being considered that this is an excessive number of users capable of performing a task that should be strictly controlled.</p> <p>We note that despite this, segregation of duties between development and migration is maintained through the fact that no development is carried out internally and Northgate cannot access the Wiltshire network.</p> <p><b>Risk</b></p> <p>The ability to apply changes to the production environment is a sensitive task which can impact the operation of the system if performed incorrectly. Where this access is widely held this increases the risk that segregation of duties is not enforced between development and migration and increases the chance of errors or malicious activity impacting the application.</p> <p>There is the increased risk that inappropriate changes are made unilaterally, without the knowledge or approval of management.</p> <p><b>Recommendation</b></p> <p>Undertake a thorough review of access to this to ensure that it is allocated only to users who specifically require it for the performance of their job role.</p>	<p><b>Management response</b></p> <p>We accept this finding and will conduct an audit of the accounts.</p> <p><b>Responsible Officer</b></p> <p>Tim Crossley</p> <p><b>Due Date</b></p> <p>30 November 2016</p>

# Key issues and recommendations (cont)

We have given each recommendation a risk rating and agreed what action management will need to take.

The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up these recommendations next year.

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No.	Risk	Issue and recommendation	Management response / responsible officer / due date
8	3	<p><b>Northgate User Administration – Removal of Access</b></p> <p>Our testing of 100% of leavers in the period identified two instances where individuals had left their roles with their Northgate access being retained. We were informed that this was caused by a failure in the notification process to the Revenues and Benefits Systems team.</p> <p>We note that the users in question posed low risk due to the fact that they held only read only access to financial information.</p> <p>We note that these users should have been discovered in the quarterly review process performed for Northgate leavers. See <a href="#">Recommendation 9</a> in relation to this.</p> <p><b>Risk</b></p> <p>Failure to properly remove access from leaving employees presents the risk of unauthorised access to Wiltshire Council systems, with the potential for malicious activity or data compromise to occur as a result. The risk is increased where a user holds elevated access or leaves under acrimonious circumstances.</p> <p><b>Recommendation</b></p> <p>The importance of timely notification of leavers to the systems team is reiterated to business departments. Access should in all cases be removed as soon as possible after the noted leaving date.</p>	<p><b>Management response</b></p> <p>R&amp;B application Administration process will be reviewed and amended to use the definitive source of record for staff i.e. HR Records</p> <p><b>Responsible Officer</b></p> <p>Sally Kimber</p> <p><b>Due Date</b></p> <p>31 October 2016</p>

# Key issues and recommendations (cont)

We have given each recommendation a risk rating and agreed what action management will need to take.

The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up these recommendations next year.

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No.	Risk	Issue and recommendation	Management response / responsible officer / due date
9	3	<p><b>Northgate User Administration – Reviews of Access</b></p> <p>When considering the reviews performed on a quarterly basis over access to Northgate, we noted that the assessment of whether a seemingly dormant account should retain access to Northgate is often based on whether or not the user continues to have access to the network. This is assessed by checking whether they have a profile on Lync (Skype for Business). Lync access is used as a proxy for whether or not they are still part of the organisation.</p> <p>For one of the exceptions in our sample of leavers (<a href="#">Recommendation 8</a>), we found the person concerned had moved from Wiltshire Council to Wiltshire Police who share the Authority’s network and hold Lync accounts. As a result the mover to Wiltshire Police was thought to still be part of Wiltshire Council and their access was not removed. We also note this review method would fail to detect internal movers.</p> <p><b>Risk</b></p> <p>Failure to properly review the appropriateness of access on a periodic basis presents the risk that inappropriate access allocations remain for longer periods, and that missed leavers and internal movers retain access to Northgate.</p> <p><b>Recommendation</b></p> <p>A more reliable means of assessing the status of users is used as a part of the user access review. (E.g. HR records). This will help to ensure that both internal movers no longer requiring access are also captured.</p>	<p><b>Management response</b></p> <p>The R&amp;B Application Administration process will be reviewed and amended as necessary to provide better visibility of leavers and changes so that accounts can be managed on a regular and timely basis</p> <p><b>Responsible Officer</b></p> <p>Sally Kimber</p> <p><b>Due Date</b></p> <p>31 October 2016</p>



# Follow up of prior year recommendations

The Authority has made progress in the implementation of the recommendations raised in our ISA260 Report 2014/15.

We re-iterate the importance of the outstanding recommendations and recommend that these are implemented as a matter of urgency.

Page 57

No.	Risk	Prior Year Issue and recommendation	Management response / responsible officer / due date
1	2	<p><b>Schools Bank Reconciliation's</b></p> <p>We sample tested 10 out of 179 school bank reconciliation's and noted that some of the reconciliation's were completed with errors. These included:</p> <ul style="list-style-type: none"> <li>— Fynamore Community School –The reconciling items report totalled £9,685 when the difference between the cash balance and ledger balance was £9,676</li> <li>— St Josephs Catholic School –A difference between the general ledger balance used in the Bank Reconciliation to that shown on Agresso of £176</li> <li>— Matravers School – A £167 difference due to the incorrect bank statement balance used in the Bank reconciliation</li> </ul> <p>Whilst all these balances are immaterial (total projected error of £2,111) it indicates that the control is not operating effectively and that potentially larger errors may not be identified.</p> <p><b>Recommendation</b></p> <p>An excel template for bank reconciliation's should be distributed to all schools.</p> <p>A review should be undertaken for schools that would benefit from further training.</p>	<p><b>Management response</b></p> <p>Agree. A standard template will be introduced and we will review the need for training.</p> <p><b>July 2016 update</b></p> <p>Training has been issued to the schools and improvements have been reflected in the result of our testing, with clearer bank reconciliations reviewed containing no issues.</p> <p><b>Recommendation closed.</b></p>

# Follow up of prior year recommendations (cont)

The Authority has made progress in the implementation of the recommendations raised in our ISA260 Report 2014/15.

We re-iterate the importance of the outstanding recommendations and recommend that these are implemented as a matter of urgency.

Page 58

No.	Risk	Prior Year Issue and recommendation	Management response / responsible officer / due date
2	2	<p><b>Disaster Recovery Planning and Risk Management</b></p> <p>Currently there is only a very high level Disaster Recovery (DR) Plan in place which was originally developed in 2013 and has not been updated since, despite the recent changes to the Authority infrastructure. The current plan is not scenario based and only provides very general guidance for DR incidents. No DR rehearsals or tests have been carried out in the financial year.</p> <p>The absence of a detailed DR Plan creates an enhanced risk that, in the event of a system failure, the Authority's response will be either incomplete or inefficient. This may result in systems unavailability being protracted.</p> <p>The issue was discussed with management during the audit who recognized the risk posed by a lack of effective DR planning and testing but named resource constraints as reason for the lack of them.</p> <p><b>Recommendation</b></p> <p>A detailed DR plan should be developed, implemented and regularly tested.</p>	<p><b>Management response</b></p> <p>We agree and endorse this recommendation and would say that we take DR very seriously. Whilst we do have an emergent DR Plan, we recognise that it is not complete and will seek to firm it up with scenarios and responses as appropriate and in line with the recommendations outlined in ISO22301. This will be a continuing process and so has no end date</p> <p><b>July 2016 update</b></p> <p>The Disaster Recovery Plan has been developed and delivered and has been reviewed by the Information Governance Board. The Plan is scenario based and considers the high level activities required to effect a successful recovery of ICT services in the event of an ICT disaster.</p> <p>With a primary and secondary data centre in an Active-Active configuration, and all major Line-of-Business application services deployed in a resilient configuration, ICT are confident that the existing DR capability is adequate for the current environment.</p> <p>[Continued on next slide]</p>

# Follow up of prior year recommendations (cont)

The Authority has made progress in the implementation of the recommendations raised in our ISA260 Report 2014/15.

We re-iterate the importance of the outstanding recommendations and recommend that these are implemented as a matter of urgency.

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No.	Risk	Prior Year Issue and recommendation	Management response / responsible officer / due date
2	2	Disaster Recovery Planning and Risk Management (cont.)	<p><b>July 2016 update (cont.)</b></p> <p>Active-Active refers to the configuration of the data centres for Disaster Recovery failover. This involves two matched configurations, linked to each other and they exchange data and changes in real time, so if one fails, the other can immediately take over. Data loss is minimal.</p> <p>For completeness, the other possible configuration is Active – Passive, where there are still two matched configurations, but the data exchange is not in real time. If there is a failure on the Active side, then the recovery is slower as data needs to be synchronised. Data loss is likely to be much higher. This is often also called a Hot Standby configuration.</p> <p><b>Recommendation Closed</b></p>

# Audit differences

This appendix sets out the significant audit differences identified during the audit for the year ended 31 March 2016.

We are reporting all audit differences over £0.6m.

These have been adjusted in the Statement of Accounts.

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We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance (which in your case is the Audit Committee). We are also required to report all material misstatements that have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities.

## Corrected audit differences

The following table sets out the significant audit differences identified by our audit of Wiltshire Council's financial statements for the year ended 31 March 2016.

No.	Income and Expenditure Statement	Movement in Reserves Statement	Assets	Liabilities	Reserves	Basis of audit difference
1	CR Net gain/loss on disposal of fixed assets (£6,148k)	DR Adjustments between accounting basis & funding basis under Regulations £6,148k	DR Debtors £6,148k		CR Useable capital receipts (£6,148)	The proceeds from the sale of the Shurnhold site were received in two tranches, however only the first payment had been recognised in the accounts. The adjustments reflects the total sales price, and the final net gain on disposal. The remaining unpaid balance has been debited to debtors and is due to paid at the end of 2016.
2	DR Culture and related services £6,841k DR Children and Education £29k	CR Adjustments between accounting basis & funding basis under Regulations (£6,870k)	CR PPE (£2,079)		CR Revaluation reserve (£4,791k) DR Capital Adjustment Account £6,870k	Upwards revaluations of the Five Rivers Leisure Centre (£6,841k) and Westbury Youth Centre (£909k) were incorrectly credited to the annual depreciation charge rather than being recognised as revaluations.  In addition, a late change to the Fiver Rivers valuation resulting in a downwards revaluation of £2,079k had not been accounted for.
	<b>£722k</b>	<b>(£722k)</b>	<b>£4,069k</b>	<b>-</b>	<b>(£4,069k)</b>	

# Declaration of independence and objectivity

The Code of Audit Practice requires us to exercise our professional judgement and act independently of both Public Sector Audit Appointments Ltd and the Authority.

## Requirements

Auditors appointed by Public Sector Audit Appointments Ltd must comply with the Code of Audit Practice (the 'Code') which states that:

*'The auditor should carry out their work with integrity, objectivity and independence, and in accordance with the ethical framework applicable to auditors, including the ethical standards for auditors set by the Financial Reporting Council, and any additional requirements set out by the auditor's recognised supervisory body, or any other body charged with oversight of the auditor's independence. The auditor should be, and should be seen to be, impartial and independent. Accordingly, the auditor should not carry out any other work for an audited body if that work would impair their independence in carrying out any of their statutory duties, or might reasonably be perceived as doing so.'*

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Public Sector Audit Appointments Ltd Terms of Appointment ('Public Sector Audit Appointments Ltd Guidance') and the requirements of APB Ethical Standard 1 Integrity, Objectivity and Independence ('Ethical Standards').

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Public Sector Audit Appointments Ltd guidance requires appointed auditors to follow the provisions of ISA (UK&I) 260 Communication of Audit Matters with Those Charged with Governance' that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor's objectivity and independence.
- The related safeguards that are in place.
- The total amount of fees that the auditor and the auditor's network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our Annual Audit Letter.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor's professional judgement, the auditor is independent and the auditor's objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor's objectivity and independence may be compromised and explaining the actions which necessarily follow from his. These matters should be discussed with the PCC and CC.

Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Engagement Lead and the audit team.

# Declaration of independence and objectivity (cont)

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

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## General procedures to safeguard independence and objectivity

KPMG's reputation is built, in great part, upon the conduct of our professionals and their ability to deliver objective and independent advice and opinions. That integrity and objectivity underpins the work that KPMG performs and is important to the regulatory environments in which we operate. All partners and staff have an obligation to maintain the relevant level of required independence and to identify and evaluate circumstances and relationships that may impair that independence.

Acting as an auditor places specific obligations on the firm, partners and staff in order to demonstrate the firm's required independence. KPMG's policies and procedures regarding independence matters are detailed in the Ethics and Independence Manual ('the Manual'). The Manual sets out the overriding principles and summarises the policies and regulations which all partners and staff must adhere to in the area of professional conduct and in dealings with clients and others.

KPMG is committed to ensuring that all partners and staff are aware of these principles. To facilitate this, a hard copy of the Manual is provided to everyone annually. The Manual is divided into two parts. Part 1 sets out KPMG's ethics and independence policies which partners and staff must observe both in relation to their personal dealings and in relation to the professional services they provide. Part 2 of the Manual summarises the key risk management policies which partners and staff are required to follow when providing such services.

All partners and staff must understand the personal responsibilities they have towards complying with the policies outlined in the Manual and follow them at all times. To acknowledge understanding of and adherence to the policies set

out in the Manual, all partners and staff are required to submit an annual ethics and independence confirmation. Failure to follow these policies can result in disciplinary action.

## Auditor declaration

In relation to the audit of the financial statements of Wiltshire Council and Wiltshire Pension Fund for the financial year ending 31 March 2015, we confirm that there were no relationships between KPMG LLP and the Wiltshire Council and Wiltshire Pension Fund, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

# Materiality and reporting of audit differences

For 2015/16 our materiality is £12 million for the Authority's accounts. For the Pension Fund it is £25 million.

We have reported all audit differences over £0.6 million for the Authority's accounts and £1.25 million for the Pension Fund, to the Audit Committee.

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## Materiality

The assessment of what is material is a matter of professional judgment and includes consideration of three aspects: materiality by value, nature and context.

- Material errors by value are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements.
- Errors which are material by nature may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff.
- Errors that are material by context are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

We used the same planning materiality reported in our External Audit Plan 2015/16, presented to you in April 2016.

Materiality for the Authority's accounts was set at £12m which equates to 1.4 percent of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

### Materiality – pension fund audit

The same principles apply in setting materiality for the Pension Fund audit. Materiality for the Pension Fund was set at £25 million which is approximately 1.4 percent of gross assets.

We design our procedures to detect errors at a lower level of precision, set at £18.5 million for 2015/16.

## Reporting to the Audit Committee

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

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

ISA 450 requires us to request that uncorrected misstatements are corrected.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.6m and £1.25m for the Pension Fund.

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



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## WILTSHIRE COUNCIL

### WILTSHIRE PENSION FUND COMMITTEE

29 September 2016

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#### **ANNUAL REPORT 2015-16**

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

1. The purpose of this report is to present the attached draft Wiltshire Pension Fund Annual Report to Members, the draft Pension Fund Financial Statements 2015-16 were approved at the June 2016 Committee meeting.

##### **Background**

2. The Wiltshire Pension Fund has a requirement under the Local Government Pension Scheme Regulations 2013 (amended) SI 2015 No 755 to produce an Annual Report.
3. The Annual Report contains details of the accounts of the Wiltshire Pension Fund for the year to 31 March 2016 and is primarily aimed at the participating employer organisations within the Wiltshire Pension Fund.
4. It supplements the Statement of Accounts of the Council, a formal publication required under the Accounts and Audit Regulation 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom. As well as reporting the accounts, the opportunity is taken to cover matters of wider interest that affect the Fund, its investments and general pension provision.
5. Copies of the Annual Report are circulated to all employers of the Fund in an electronic format. Hard copies of the Annual Report are available along with the associated policies referenced upon request.
6. This is the draft copy for approval of content. The final version will be formatted and designed prior to publication.

##### **Risk Assessment**

7. The audit of the Wiltshire Pension Fund is finalised and KPMG are issuing an unqualified Audit Opinion.

##### **Financial Considerations**

8. These are considered in the Annual Report. The outturn for 2015-16 was reported to the June Committee.

##### **Legal Implications of the Proposals**

9. There are none.

##### **Environmental Impact of the Proposals**

10. There are none.

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

11. There are no known implications at this time.

## **Proposals**

12. Members are asked to approve the draft Wiltshire Pension Fund Annual Report 2015-16 for publication.

Michael Hudson  
Treasurer to the Pension Fund

Report Author: Catherine Dix, Strategic Pension Manager

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

**Report & Accounts  
For the year ended 31 March 2016**



# WILTSHIRE PENSION FUND

## REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016

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## 1. Chairman's foreword

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

Wiltshire Council, which administers the Fund, is one of the 169 Employer organisations which are members of the Fund. Swindon Council & Wiltshire Council are the two largest employer organisations of the Fund. The Fund has seen a further increase in employer member bodies over the last 12 months mainly as a result of the outsourcing of services from the two largest employers.

The Fund has 21,800 employees currently contributing to it while the number of retired employees receiving regular payments has increased by around 700 to 14,900, the average pension is £5,155. The number of deferred members has increased by around 2,700. The cashflow of the Fund was again broadly neutral for the year, this is being monitored closely.

This year sees the 2016 triennial valuation exercise and with the results known in October which will set employer contribution rates from April 2017 onwards. The Fund is extremely conscious of the cost pressures facing employers and their ability to absorb future increases for what will be another difficult valuation exercise and we will try to work with them to manage any changes.

The Fund's assets have decreased by £14 million to £1,838 million as at 31<sup>st</sup> March 2016 reflecting negative returns from growth assets from the recent volatility in the markets. At the last triennial valuation, (March 2013) the funding level was 71%. Despite the good performance of the Fund's assets over this period, it is the continuation of historically low bond yields that increases the size of the liabilities leading to the decline in funding level. This is because bond yields are used by the Fund's actuary to discount the future liability cashflows to reflect the time value of money. The smaller this number, the higher the projected future cashflows to be paid out, meaning greater investment returns need to be generated by the Fund over the long term.

Experience since the last valuation has not been as expected. Bond yields have fallen further offsetting asset returns which have been above the actuary's expectation. However, since the triennial valuation our interim monitoring reports now show a small increase in the funding level to nearer 73% as at 31 March 2016.

Over the 12 month period growth assets returned poor or negative returns with financial markets suffering bouts of intra-period volatility. However, returns over the longer term remain positive with the rolling 3 year return for the Fund achieving 7.4%; 1.1% ahead of its consolidated benchmark of 6.3%. Wiltshire Pension Fund did achieve 16 percentile out of 89 Local Authority Funds within the World Markets (WM) Company Local Authority League tables where the average return of the WM Universe over 3 years was 6.4% (gross of fees). The Committee continues to monitor investment manager performance and a high level Investment Strategy review is due to take place July 2016. The Fund is also closely monitoring the impact of the EU referendum vote, in particular on its investment strategy keeping the focus on the long term returns during this uncertain period.

During the year up to March 2016 there was only one change of membership to the Pension Fund Committee. Councillor Brian Ford was replaced by Councillor Steve Weisinger. We would like to thank him for his contribution over the years and wish him well for the future.

The Committee is also responsible for the administrative performance of the Fund which is administered by key officers, namely Michael Hudson (Treasurer to the Pension Fund), David Anthony (Head of Pensions) and Catherine Dix (Strategic Pension Manager) following the requirements set out in the Local Government Pension Scheme (LGPS) Scheme Regulations and the principles laid down by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Fund is also regularly audited by both the South West Audit Partnership (internal audit) and KPMG (external audit) while performance is analysed by CIPFA through their benchmarking club. These processes reflect the primary need for a

high standard of management and good governance arrangements to be a better performing fund, and these reports demonstrate this is currently being achieved.

The Local Government Pension Scheme (LGPS) has been and remains in a period of uncertainty over further potential nationally imposed changes. The new 2014 scheme is now fully embedded, but concerns remain over the long term cost and sustainability of the LGPS while the Government remain focussed on addressing pension fund deficits and reducing the costs of running the scheme. The results of the 2016 valuation will have a key influence on any future proposed changes.

On 25<sup>th</sup> November the Department of Communities and Local Government (DCLG) issued a consultation titled "Investment Reform Criteria and Guidance" inviting administering authorities to submit by 19<sup>th</sup> February 2016 their initial proposals for pooling LGPS assets into six 'British Wealth Funds' from April 2018 onwards, each containing at least £25bn of assets with the intention to reduce investment management costs while improving the net performance.

Project Brunel has been set up in response to the Government's objective of pooling the Investments of LGPS funds. This, if implemented will mean that although Wiltshire Pension Fund will retain control over its strategic asset allocation, the appointment and monitoring of investment managers would be undertaken by the pooled entity. The unproven and still to be finalised benefits of this proposal are the economies of scale it brings and the ability to increase diversification through lower cost alternative assets classes. However, this project represents a significant change to the Fund requiring significant officers and Members input. The project submitted an initial proposal in February 2016, alongside 10 other like-minded funds: Avon, Buckinghamshire, Cornwall, Devon, Dorset, The Environment Agency, Gloucestershire, Oxfordshire, Somerset and Wiltshire with combined assets are around £23 billion which is of acceptable scale for the Government. A interim update is being submitted for 15 July 2016 with a final business case expected to be considered this autumn.

The Fund continues to adapt to these challenging times ensuring resources are appropriate and aligned to adapt to these changes. However, I do worry that despite the best efforts of officers, Committee Members and investment managers, inroads into addressing the pension deficits remain extremely challenging in current market conditions. Consequently, one remains concerned how sustainable the current pension structure is, not just the LGPS but nationally without a fundamental change, as the signs are that the level of pensions currently awarded aren't affordable over the long term

**Tony Deane, Chairman**

***On behalf of the Wiltshire Pension Fund Committee***

***8th July 2016***



## 2. Scheme Management and Governance

### Administering authority

Wiltshire Council  
County Hall  
Trowbridge  
Wiltshire BA14 8JN

### Pension fund committee as at 31 March 2016

#### Wiltshire Council members

Councillor Tony Deane (Chairman)  
Councillor Charles Howard (Vice Chairman)  
Councillor Mark Packard  
Councillor Roy While  
Councillor Sheila Parker

#### Swindon Borough Council members

Councillor Steve Allsopp  
Councillor Steve Weisinger

#### Employee observers

Mike Pankiewicz – Wiltshire Council  
Tony Gravier – Swindon Unison Branch

#### Admitted bodies

Mrs Diane Hall – Selwood Housing Association

#### Education scheduled bodies

Mrs Linda Stuart – Hardenhuish Academy

### Officers, advisors & managers at 31 March 2016

#### Wiltshire Council officers

Michael Hudson – Treasurer to Pension Fund  
David Anthony – Head of Pensions

#### Investment managers

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

#### AVC providers

Equitable Life Assurance Society  
Clerical Medical Funds  
NPI Funds  
Prudential

#### Investment consultant Actuary

Mercers  
Hymans Robertson

#### Independent adviser

Jim Edney, Independent Pension Fund Adviser

#### Auditor

KPMG LLP

#### Custodian

BNY Mellon

#### Legal adviser

Osborne Clarke

#### Bankers of the Fund

HSBC

## Policy documents

The Fund's Governance Policy Statement and its Communications Policy Statement are available upon request or can be viewed at [www.wiltshirepensionfund.org.uk](http://www.wiltshirepensionfund.org.uk) The Fund's Governance Compliance Statement can be viewed on page 7.

## Management

The Wiltshire Pension Committee meets at regular quarterly intervals to review the affairs of the Fund, to review Fund performance and to plan the implementation of policy. In addition a separate Investment Sub Committee meets periodically to review specific issues relating to Fund investments. Finally, in response to the Public Service Pensions Act 2013 all LGPSs are required to set up a local pension board. The role of the pension board will be to ensure that the management of fund administration and investments complies with the relevant regulations and legislation and that the Fund is managed in the best interests of its stakeholders.

All investments held by Wiltshire Pension Fund are managed by external investment managers.

Fund assets are managed as follows:-

- Global overseas equity exposure is managed by Baillie Gifford
- Global bond exposure is managed by Loomis Sayles
- UK and European property funds are managed by CBRE Global Investment Partners
- The UK financing fund is managed by M&G
- Legal & General manage passive UK equities, passive UK gilts, passive global fundamentals and passive global equities.
- Loomis Sayles manage exposure to Multi Asset Credit and Absolute Return Bond Fund
- Barings manages the Dynamic Asset Absolute Return Fund
- Investec manages the Emerging Markets Multi Asset Fund
- Partners manages the Global Infrastructure mandate
- Berenberg manages the Dynamic Currency overlay

## Custodial arrangements

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



### 3. Governance

#### Governance policy statement

AREA	PRINCIPLE	LEVEL OF COMPLIANCE	REASON FOR NON-COMPLIANCE
A) Structure	a) The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	<b>FULL – The Council’s constitution (Part 3, para 2.5) says that the Committee will “exercise the functions of the Council as Administering Authority under the Local Government Superannuation Act and Regulations and deal with all matters relating thereto”. The Wiltshire Pension Fund Committee has the power to “...make decisions on matters of significant policy...” (Part 3B, para 4).</b>	N/A
	b) That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	<b>FULL – There are two voting representatives from Swindon Borough Council, two voting representatives from Admitted Bodies and 2 UNISON Observers (representing active, deferred and pensioner members), all of whom are members of the main committee.</b>  <b>There is an Investment Sub-Committee (ISC) to deal with the on-going monitoring of investment managers, appointment of new managers, review any emerging investment opportunities and to consider and determine opportunistic investments to the value of 5% of the Fund’s total assets. This consists of 4 voting members,</b>	N/A

		namely the Chairman, Vice-Chairman, one Wiltshire Council elected member from the main committee and one co-opted member of the main committee. All members of the main committee may be an observer.	
	c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	<b>FULL – All minutes of meetings and decisions taken by the ISC are reported back to the next main committee meeting.</b>	<b>N/A</b>
	d) That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	<b>FULL – At least 4 members of the ISC sit on the main committee.</b>	<b>N/A</b>
B) Representation	a) That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include: <ul style="list-style-type: none"> <li>i. employing authorities (including non-scheme employers, eg, admitted bodies);</li> <li>ii. scheme members (including deferred and pensioner scheme members);</li> <li>iii. independent professional observers; and</li> </ul>	<p><b>FULL – four representatives in total, two from Swindon Borough and two from Admitted Bodies. The non-elected members will hold their office for a maximum of 4 years before a re-election process needs to take place.</b></p> <p><b>FULL – two representatives from UNISON, who represent active, deferred and pensioner members</b></p>	<p><b>N/A</b></p> <p><b>N/A</b></p> <p><b>N/A</b></p>

	<p>iv. expert advisors (on an ad-hoc basis).</p> <p>b) That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.</p>	<p><b>FULL – Our Independent Pension Adviser, who attends all meetings, fulfils this role and feeds back any observations to the Chief Finance Officer and/or Head of Pensions</b></p> <p><b>FULL – Mercers (the Fund’s Investment Consultant) and Hymans Robertson (the Fund’s Actuary) attends all meetings where expert advice is required</b></p> <p><b>FULL – All members of the Committee are given equal access to papers, meetings and training and are able to fully participate in debates.</b></p>	N/A
C) Selection and Role of Lay Members	a) That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	<b>FULL – Full Induction Training and Governance is given and each member is given a Members’ Handbook outlining their responsibilities amongst other information.</b>	N/A
	b) That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.	<b>FULL – this is a standard part of committee procedure.</b>	
D) Voting	a) The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	<b>FULL – The Committee has afforded each of its members voting rights, except the UNISON Observers who represent members. Being a statutory pension scheme, the local committee has very little influence over benefits and the members are fully protected by statute. Therefore, there is very little that scheme</b>	N/A

		<b>members (or their representatives) can influence on the committee that has any direct impact upon them. Further, giving voting rights to the observers would mean increasing the size of the Committee, because the Administering Authority must legally be able to maintain a majority.</b>	
E) Training/Facility Time/Expenses	a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	<b>FULL – There is a Members’ Training Plan which is updated regularly and fully implemented. All members (including observers) have full access to all training opportunities and are allowed to claim all reasonable expenses.</b>	<b>N/A</b>
	b) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	<b>FULL – see Members Training Plan</b>	<b>N/A</b>
F) Meetings - Frequency	a) That an administering authority’s main committee or committees meet at least quarterly.	<b>FULL – The Committee meets four times per year, plus ad-hoc for special issues (eg. valuation, tenders)</b>	<b>N/A</b>
	b) That an administering authority’s secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	<b>FULL – The ISC meets two times per year, with a potential two further meetings scheduled should they be required.</b>	<b>N/A</b>
	c) That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be	<b>FULL –From 1 April 2015, Wiltshire Council in its role of Administering Authority will establish a Local Pension Board. This will consist of 6 voting members (3 employer and 3</b>	<b>N/A</b>

	represented.	<b>member representatives) along with a non-voting independent chair. The purpose of this Board is to review and ensure the Wiltshire Pension Fund secures compliance with the Scheme regulations and all other relevant legislations.</b>	
G) Access	a) That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	<b>FULL – All members of the Committee (including non voting and substitute members) receive all the papers for every meeting, including the confidential ones</b>	<b>N/A</b>
H) Scope	a) That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	<b>FULL – All matters in relation to the Fund, whether Benefits, Governance, Investments, Communications, Employers, Financial, etc, are covered by the governance arrangements.</b>	<b>N/A</b>
I) Publicity	a) That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	<b>FULL – the Governance Compliance Statement is available on the Wiltshire Pension Fund Website and in the Wiltshire Pension Fund Annual Report. This statement is approved by the main committee which is held as a meeting open to public participation</b>	<b>N/A</b>

## Pensions Committee as at 31 March 2016

The Wiltshire Pension Fund Committee met 6 times in 2015-16. Below shows the attendance of the Members of this Committee:

<b>Members</b>	<b>Number of meetings attended (max 6)</b>
Councillor Tony Deane	6
Councillor Charles Howard	6
Councillor Sheila Parker	5
Councillor Roy While	5
Councillor Mark Packard	3
Councillor Steve Allsopp	5
Councillor Steve Weisinger	3
Mike Pankiewicz	4
Tony Gravier	2
Diane Hall	3
Linda Stuart	3

## 4. Fund overview

### Legal framework

The Local Government Pension Scheme (LGPS) is governed by the Superannuation Act 1972. The current scheme rules are contained within the LGPS Regulations 2013, the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 and the LGPS (Amendment) Regulations 2015. The Regulations are fixed on a national basis; however the Scheme is administered by 89 designated Administering Authorities throughout England and Wales.

Wiltshire Council is responsible for administering Wiltshire Pension Fund for the benefits of employees of Wiltshire Council and the employees of scheme employers and admissions bodies. A list of participating scheme employers is shown on page 21.

The LGPS is currently a contracted out scheme and this enables most scheme members to benefit from paying a lower rate of National Insurance Contribution, until April 2016.

The LGPS is granted “exempt approval” status by HM Revenue and Customs (HMRC) for the purposes of Income and Corporation Taxes Act 1988. The LGPS is also classified as a Registered Pension Scheme under Part 4 of Chapter 2 of the Finance Act 2004.

The Regulations specify the type and amounts of pension and other benefits payable in respect of Scheme members, and also specifies the member contribution rates payable. Members have the freedom to opt out of the Scheme and make alternative arrangement. Scheme members currently pay a contribution rate of 5.5% to 12.5%, based on their actual pensionable pay.

Employer contribution rates are set by the Fund’s Actuary every 3 years following a valuation of the Fund, this ensures the solvency of the Fund. New rates were set by the Actuary from 1 April 2014 following the 2013 Actuarial Valuation, a recommended common employers rate of 31% of pensionable pay was set with individual employer rates being adjusted depending upon circumstances specific to that employer.

### Scheme benefits

The Local Government Pension Scheme (LGPS) provides the following benefits for its members:

- An inflation protected pension with the option to convert part of the pension to a lump sum payment (subject to HMRC limits). Since April 2014 benefits are accrued on a Career Average Revalued Earnings basis;
- Early payment of pension benefits due to ill-health;
- Early payment of pension if aged 55 or over if:
  - Made redundant;
  - Retired through business efficiency;
  - Taken flexible retirement;
- A lump sum death grant payable to the nominated beneficiary or the most appropriate recipient deemed by Wiltshire Pension Fund, plus an inflation protected dependant’s pension if death occurs before retirement;
- An inflation protected dependant’s pension for death after retirement and a guaranteed lump sum death grant if death occurs within 10 years of retirement (depending on eligibility).

For leavers not entitled to the immediate payment of benefits.

- An inflation protected deferred pension to be paid at normal retirement age or at any time before age 75; or
- An opportunity to transfer to another pension scheme provider; or
- A refund (depending on eligibility criteria but generally if scheme membership is less than 2 years).

The ability to increase personal benefits are available as follows:

- Purchase of extra pension by means of Additional Voluntary Contributions (AVC's) through the Fund's approved AVC provider;
- Purchase of additional pension through Additional Pension Contributions (APC's) arrangements.

## Statistics

### Financial Summary

	2011-12 £000	2012-13 £000	2013-14 £000	2014-15 £000	2015-16 £000
<b>Contributions and Benefits</b>					
Contributions receivable	87,770	77,083	79,128	85,529	89,449
Employers Additional Capital Contributions	0	0	0	0	0
Individual transfers	5,662	4,551	2,902	1,785	2,491
	<b>93,432</b>	<b>81,634</b>	<b>82,030</b>	<b>87,314</b>	<b>91,940</b>
Benefits payable	-65,687	-68,351	-76,669	-74,067	-76,841
Payments to and on account of leavers	-4,039	-4,156	-4,789	-31,249	-3,948
	<b>-69,726</b>	<b>-72,507</b>	<b>-81,458</b>	<b>-105,316</b>	<b>-80,789</b>
Management Expenses	-6,684	-4,911	-4,679	-8,610	-9,336
	<b>17,022</b>	<b>4,216</b>	<b>-4,107</b>	<b>-26,612</b>	<b>1,815</b>
<b>Returns on Investments</b>					
Investment Income	31,095	24,774	18,377	21,443	11,764
Change in market value of investments	9,884	120,124	136,981	212,608	-27,521
<b>Net returns on investments</b>	<b>40,979</b>	<b>144,898</b>	<b>155,358</b>	<b>234,051</b>	<b>-15,757</b>
<b>Net increase in the fund during the year</b>	<b>58,001</b>	<b>149,114</b>	<b>151,251</b>	<b>207,439</b>	<b>-13,942</b>

### Membership Summary

	2011-12	2012-13	2013-14	2014-15	2015-16
Contributors	19,329	20,193	21,655	21,606	21,831
Pensioners and Dependants	12,227	12,879	13,729	14,200	14,905
Deferred Pensioners	19,701	21,178	22,262	23,789	26,517

Income (i.e. contributions from employers and employees together with dividends and interest earned by investments, but excluding profits on sales of investments) has consistency exceeded expenditure. During 2015/16 cashflow (excluding investment income) was broadly neutral; this continues to be monitored closely.



## Administration Management Performance

Wiltshire Pension Fund (WPF) has been a member of the CIPFA Pensions Administration benchmarking club since 2010 principally to gain a better understanding of how WPF's service compares to those of its peers.

The club compares the Fund against the other LGPS authorities within the club. It is however important to remember this survey merely reviews costs and processes but does not test or have a measure for 'quality' of service.

The 2014 CIPFA Pension Administration benchmarking club report, issued in August 2014, compares the performance of WPF in 2014/15 with 44 local authorities who administer the Local Government Pension Scheme. The key benchmark for Pension Administration is the cost of administering the LGPS per member and the Fund's cost for 2014/15 was £19.84 (2013/14: £20.86) compared to the average of £19.17 (2013/14: £20.75).

The table below provides an analysis from the CIPFA benchmarking report of the Funds cost per member compared with the average cost for the authorities in the benchmarking club.

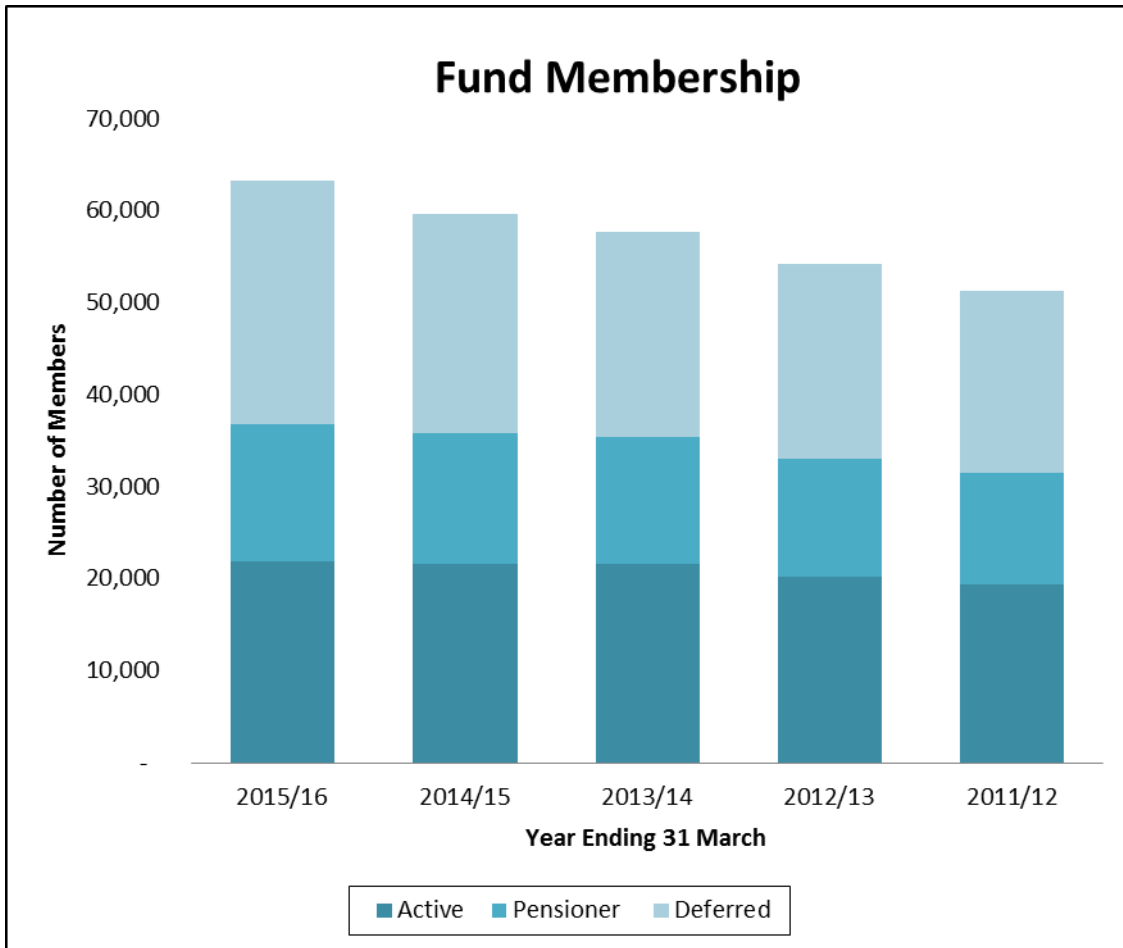
Cost per member 2014/15	Wiltshire Pension Fund		Average	
	£		£	
Staff	7.79		7.83	
Payroll	2.46		1.85	
Direct costs eg communications and actuarial fees	4.26		4.34	
Overheads eg IT, accomodation, central charges	5.62		5.38	
Income	-	0.30	-	0.23
<b>Net cost per member</b>	<b>19.83</b>		<b>19.17</b>	

## Scheme membership

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

	2015/16	2014/15
<b><u>Active Members</u></b>		
<b>Active membership at start of year</b>	<b>21,606</b>	<b>21,655</b>
New Entrants	3,630	3,951
Linked deferred members		
Unfrozen actives		
<i>Leavers and exits during the year:</i>		
Retirements	-412	-374
Death	-17	-13
Deferred members	-1,116	-1,955
Refunds / Transfer outs / opt outs	-198	-224
Frozen	-427	0
Other	-1,235	-1,434
<b>Active membership at end of year</b>	<b>21,831</b>	<b>21,606</b>
<b><u>Pensioners</u></b>		
<b>In payment at start of year</b>	<b>14,200</b>	<b>13,729</b>
<i>New pensioners in year resulting from:</i>		
Retirement of active members	412	374
Retirement of deferred members	396	416
Cessation of benefits	-379	-533
Other	276	214
<b>In payment at end of year</b>	<b>14,905</b>	<b>14,200</b>
<b><u>Deferred members</u></b>		
<b>At start of year</b>	<b>23,789</b>	<b>22,262</b>
New deferred pensioners	1,116	1,955
<i>Cessation of deferred pensions resulting from:</i>		
<b>Retirements</b>	-396	-416
Linked to active records	0	0
Full commutations	0	0
Transfers-out	-70	-230
Deaths	-28	-22
Other	2,106	240
<b>At end of year</b>	<b>26,517</b>	<b>23,789</b>

## 5 year analysis of fund membership



## 5 Year Analysis of Fund Membership Data

	2016	2015	2014	2013	2012
Active members	21,831	21,606	21,655	20,193	19,329
Deferred Beneficiaries					
Deferred Members	26,517	23,789	22,262	21,178	19,701
Frozen Refunds					
Pensions in Payment	14,905	14,200	13,729	12,879	12,227
<b>Total Membership</b>	<b>63,253</b>	<b>59,595</b>	<b>57,646</b>	<b>54,250</b>	<b>51,257</b>

## Age profile of fund membership at 31 March 2016

Age Band Years	Pensioner Type % of members			
	Active	Deferred	Pensioner	Total
<20	205	24	129	358
20 - 24	974	447	19	1440
25 - 29	1440	1415	1	2856
30 - 34	1657	1972	2	3631
35 - 39	2235	2556	10	4801
40 - 44	3031	3754	23	6808
45 - 49	3877	5251	55	9183
50 - 54	3803	5514	131	9448
55 - 59	2806	4027	622	7455
60 - 64	1416	1388	2868	5672
65 - 69	324	124	4239	4687
70 - 74	60	37	2756	2853
75 - 79	3	8	1688	1699
80 - 84	0	0	1265	1265
85 - 89	0	0	784	784
>90	0	0	313	313

## Employer and Employee contributions

Employer Name	TOTAL ERS	TOTAL EES	Employer Name	TOTAL ERS	TOTAL EES
Wiltshire County Council - Post 01.04.97	27,881,929.57	7,693,497.36	John Bentley Academy	212,486.31	53,969.43
Swindon Borough Council	15,094,075.75	4,294,683.88	Somerset Care Ltd	22,674.92	5,743.76
SBC - Agincare	31,184.28	8,555.57	Colebrook Infants Academy	30,597.23	7,080.55
New College	744,126.53	215,792.80	Dorcan Technology Academy	205,934.14	57,086.88
Swindon College	1,143,239.57	310,692.01	Enara	25,680.35	7,273.35
Wiltshire College	1,648,304.92	453,924.31	Leonard Cheshire	11,180.83	10,369.23
Town & Parish Councils	1,074,485.45	352,389.31	Woodford Valley Academy	41,607.01	10,000.13
Wiltshire Police	3,642,673.26	1,510,440.95	St Edmunds Salisbury Academy	196,542.14	46,996.73
Wiltshire Fire	907,934.35	274,234.49	Somerset Care Pt 2 (Selwood)	10,024.20	2,349.28
Swindon Academy	365,414.01	128,048.99	Great Western Hospitals	4,731.84	1,782.00
ABM Catering Ltd	706.38	138.75	John of Gaunt Academy	243,019.01	60,160.82
Action for the Blind	23,914.80	635.57	Bybrook Valley Academy	26,973.04	7,728.01
Aster Group	177,946.52	20,407.28	The Mead Primary Academy	228,347.07	64,029.55
Aster Property Management	100,941.13	21,962.75	Holy Trinity Calne Academy	38,997.93	9,012.11
Aster Living (Old)	49,388.70	3,412.16	Sevenfields Academy	77,232.73	24,220.27
Sarsen Housing	335,792.30	14,166.72	Innovate Services	1,591.88	435.56
Capita Business	48,330.00	13,138.28	Collaborative Schools	13,968.36	3,790.96
CIPFA	1,983,322.05	329,749.92	Oxford Health NHS Trust	8,614.32	2,266.92
Community First	69,637.03	12,355.55	White Horse Federation	634,222.36	175,084.93
DC Leisure	72,559.85	33,143.38	King William Academy	43,686.21	10,789.18
Devizes Museum	21,000.00	0.00	Gorse Hill Academy	78,115.79	17,881.74
English Landscapes	486.89	0.00	Wiltshire & Swindon Sports Parne	34,613.12	11,961.96
FOCSA	81,801.56	8,373.38	Elior UK plc	8,833.60	2,194.05
Order of St John	714,496.76	32,258.77	The Manor Academy	10,700.75	0.00
Salisbury Museum	47,787.44	10,144.17	Devizes Academy	219,345.34	57,774.55
Selwood Housing Society	629,222.38	134,068.16	Excalibur Academy	311,056.40	76,734.06
Swindon Dance	9,916.06	2,171.32	Holy Family Academy Swindon	65,394.99	16,318.57
Westlea	651,422.68	50,813.79	St Catherine's Academy Swindon	40,444.01	8,724.92
Direct Cleaning	14,589.48	579.96	Wansdyke Academy	42,230.48	9,361.79
Salisbury City Council	198,368.44	60,231.28	Education Fellowship	195,126.22	50,629.87
Wellington Academy	204,677.85	85,603.70	Longmeadow Academy	27,762.72	7,156.74
Swindon Commercial Services	109,069.50	34,479.96	Rowde Academy	45,233.62	9,799.66
Hardenhuish School Ltd	325,558.59	80,261.63	Malmesbury Primary Academy	106,177.81	25,421.12
Goddards Park Community Prim Schl Acadmy	147,282.77	65,256.17	Atkins Limited	75,672.65	22,703.45
Sarum Academy	125,602.56	38,812.61	GLL	125,628.31	44,693.22
Caterlink	1,524.46	352.29	Host	6,455.03	1,648.88
Lavington Academy	113,239.19	29,543.14	Crime Reduction Initiatives	6,630.64	1,865.73
South Wilts Grammar Academy	135,915.08	43,201.19	Lifeways	57,719.81	15,575.90
Bishop Wordsworth	144,580.68	38,909.20	Reach	40,669.67	10,309.03
Corsham Primary Academy	90,197.91	29,253.53	Hazelwood Academy	63,466.81	13,298.17
Corsham Secondary Academy	224,256.15	69,520.89	Dauntsey Primary Academy	23,365.70	6,551.67
Sheldon Academy	261,501.57	69,215.67	Morgan Vale & Woodfalls Academ	15,924.69	4,130.50
Wootton Bassett School	217,822.11	62,825.13	Christian Malford Academy	126,493.67	29,007.00
Pewsey Vale Academy	79,604.10	20,477.39	Millbrook Academy	105,829.87	29,087.65
Highworth Warneford	200,983.92	46,834.38	Peatmoor Primary Academy	51,982.34	12,454.64
Commonweal Academy	317,795.46	79,537.21	Westlea Academy	79,029.40	19,499.12
Holy Rood Infants Academy	60,404.63	14,703.22	Whitesheet Academy	222,310.99	49,079.35
Holy Rood Junior Academy	77,762.19	23,907.47	Shawridge Academy	70,730.75	18,471.70
Lethbridge Academy	95,947.52	26,401.68	Mears Care Ltd	74,896.45	18,802.70
Lydiard Academy	251,173.47	52,953.93	All Saints (Netheravon) Academy	21,785.19	5,817.69
Malmesbury Academy	91,164.58	14,626.91	Pewsey Primary Academy	38,333.06	10,324.46
Ridgeway Academy	186,780.49	46,392.79	Nuffield Health (Ridgeway)	1,470.35	276.99
St Joseph's Academy	325,340.59	86,547.44	Balfour Beatty (WC)	181,568.96	63,511.05
St Mary's Academy Swindon	65,488.54	15,409.34	Salisbury 6th Form College	11,107.55	7,525.22

## Employer and Employee contributions (continued)...

Kingdown Academy	342,580.75	99,129.96	4 Children (Swindon)	18,968.89	7,144.04
St Laurence Academy	217,013.28	61,344.92	Queens Crescent Academy	54,828.18	12,664.93
Kingsdown Academy Swindon	308,633.92	75,379.82	Twigmarket	31,819.62	8,732.00
St Josephs Devizes Academy	37,763.37	8,616.60	Churchill Services	46,600.80	2,009.54
Holy Trinity CE Primary Academy	23,929.35	6,153.75	Direct Cleaning (Wansdyke)	929.88	185.28
St Augustines Academy	156,833.51	24,764.84	UTC Swindon	26,998.19	8,333.34
Churchfield Academy	167,097.72	38,916.09	Somerset Road Academy	451,207.64	106,121.91
St Edmunds Calne Academy	38,862.75	9,243.51	Developing Health & Independen	5,863.16	2,865.50
Eastrop Infants Academy	19,167.82	4,643.74	Wiltshire CCG	3,880.70	869.00
Southfield Junior Academy	40,064.02	9,374.69	Uplands Education Trust	42,616.98	11,688.48
Seqol - Care & Support Swindon	839,513.75	228,992.45	ATOM	414,519.22	114,519.46
Visit Wiltshire	15,131.74	4,692.24	Greenwich Leisure Limited (Part 2	226,249.71	87,374.96
St Leonards Primary Academy	21,493.13	5,166.51	<b>Total Contributions</b>	<b>70,120,025.36</b>	<b>19,329,557.85</b>
Springfields Academy	284,566.83	86,829.42			

## Participating employers at 31 March 2016

### Scheduled/ Resolution bodies

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

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

### Admitted bodies

4 Children  
 ABM Catering Ltd  
 Action for Blind People  
 Agincare  
 Aster Communities  
 Aster Group  
 Aster Living  
 Aster Property Management  
 Atkins Ltd  
 Balfour Beatty  
 Barnardos  
 Capita Business Services Ltd  
 Care & Support Swindon (SEQOL)  
 Caterlink  
 Churchill Services  
 CIPFA  
 Collaborative Schools  
 Community First  
 Crime Reduction Initiatives  
 Developing Health & Independence  
 Devizes Museum  
 Direct Cleaning  
 Direct Cleaning Wansdyke  
 Elior UK  
 Enara  
 FCC Environment  
 GLL  
 Greenwich Leisure Limited Pt 2  
 Great Western Hospitals  
 Greenwich Leisure Limited  
 Host  
 Innovate Services  
 Leonard Cheshire  
 Lifeways  
 Mainline Contract Services  
 Mears Care Ltd  
 Nuffield Health  
 Places For People Leisure  
 The Order Of St John Care Trust  
 Oxford Health NHS Trust  
 Reach  
 Salisbury and South Wilts Museum  
 Sarsen Housing  
 Selwood Housing  
 Seren Group  
 Somerset Care Ltd  
 Southern Health NHS Foundation Trust  
 Swindon Commercial Services (Public Power S  
 Swindon Dance  
 Twigmarket  
 Visit Wiltshire  
 Westlea Housing Association  
 Wiltshire and Swindon Sports Partnership  
 Wiltshire CCG

### Summary of employers in the fund

	Active
Scheduled body	115
Admitted body	54
Total	169

## 5. Risk

### Risk Management

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

#### **Financial/Funding Risk**

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

- Investment Risk – This is the risk that the investments assets underperform the level assumed in the Triennial Actuarial Valuation. This can occur due to poor economic/market conditions, the wrong investment strategy or poor selection of investment managers.
- Liability Risk – This is the risk that there is a fall in the so-called “risk free” returns on Government bonds, which form the basis of assumptions about future investment returns. The assumed future investment return is used to “discount” future liabilities (ie. over the next 0-80 years) back to today’s values (net present value). Therefore, falling bond yields means higher liabilities.
- Inflation Risk – Notwithstanding other factors, Pension Fund liabilities increase in line with inflation, because the CPI is applied to pensions annually. Therefore, rising inflation causes the liabilities to increase.
- Insufficient Funds Risk - This is the risk that there is insufficient money in the Fund to pay out pensions as they become due. As mentioned earlier, this is not an immediate concern for a relative immature fund such as Wiltshire.

#### **Demographic Risk**

This is the risk of that the pensioners live longer and therefore the liabilities of the Fund increase.

#### **Regulatory Risk**

This risk could manifest itself in a number of ways. For example, it could be the risk that the liabilities will increase due to the introduction of an improved benefits package, or that investment returns will fall due to tighter regulation being placed on what can be invested in.

It could also arise through a failure to comply with LGPS or other regulations.

#### **Governance Risk**

This is the risk that governance arrangements of the Fund are sub-optimal. For example, this could arise through a lack of expertise on the Committee arising from insufficient training. Another possibility is that potential conflicts of interest between the Fund and the Council are not managed sufficiently well.

#### **Employer Risk**

This is the risk that an employer is unable to meet its financial obligations to the Fund, either during its membership of the Fund, or at its ceasing when the last contributing member leaves. Where a guarantor is in place they will pick up the



cost of any default, but where there is not one, the cost has to be spread across all employers in the Fund.

### **Management Risk**

This risk can manifest itself in a number of ways:

- Failure to process pensions
- Failure to collect contributions
- Failure to have proper business continuity plans in place
- Fraud or misappropriation
- Failure to maintain up-to-date and accurate data and hold it securely
- Failure to maintain expertise or over-reliance on key staff
- Failure to communicate effectively with members and employers
- Failure to provide the service in accordance with sound equality principles

A Risk Register was formally adopted by the Wiltshire Pension Committee in May 2009 and a report of the key highlights is reported to the Committee at each quarterly meeting. The risks highlighted in this report are shown in the table on the following pages.

Other risks concerning the Fund are disclosed in the Funding Strategy Statement and note 11 of the Statement of Accounts relating to Financial Instruments.

### **Third party risks**

Contribution payments are monitored closely for accuracy and timeliness. A reporting process is in place to escalate any late/inaccurate payments to ensure all payments are received.

In respect of Investment Managers, internal control reports (AAF 01/06 and SSAE16) are received and reviewed regularly for any non-compliance issues. These are also reviewed by our internal and external auditors.

## Risk Register

Ref.	Risk	Impact	Controls
PEN001	Failure to process pension payments and lump sums on time	Retiring staff will be paid late, which may have implications for their own finances. It also has reputational risk for the Fund and a financial cost to the employers if interest has to be paid to the members.	Maintenance and update of ALTAIR and SAP systems, sufficient staff cover arrangements, sufficient staff training and QA checking of work. Adherence to Pension Administration Strategy and regular monitoring of performance. Documentation of processes and reconciliations.
PEN002	Failure to collect and account for contributions from employers and employees on time	Adverse audit opinion for failure to collect contributions by 19th of month, potential delays to employers' FRS17 year-end accounting reports and to the Fund's own year-end accounts.	Robust maintenance and update of ALTAIR and SAP systems, sufficient staff cover arrangements, sufficient staff training and QA checking of work. We constantly work with employers to ensure they understand their responsibilities to pay by 19th of the month. The Breaches framework now require the Fund to log material late payments.
PEN003	Insufficient funds to meet liabilities as they fall due	Immediate cash injections would be required from the scheme employers. This shouldn't be an issue for the Fund but it looks likely that investment income might need to be used within the next 12 months.	Funding Strategy Statement, Investment Strategy, Triennial Valuations, membership of Club Vita, modelling of future cash flows.
PEN004	Inability to keep service going due to loss of main office, computer system or staff	Temporary loss of ability to provide service	Business Continuity Plan reviewed in Dec 2015 and in place. The team have the ability to work from home or remotely if required. The pension system is also hosted by its supplier, which reduces the risk should Wiltshire Council's IT servers fail. The Fund also operates a paperless office.
PEN005	Loss of funds through fraud or misappropriation	Financial loss to the Fund	Internal and External Audit regularly test that appropriate controls are in place and working. Regulatory control reports from investment managers, custodian, etc, are also reviewed by audit. Due Diligence is carried out whenever a new manager is appointed. Reliance is also placed in Financial Services Authority registration.
PEN006 a	Significant rises in employer contributions for secure employers due to increases in liabilities	Employer contribution rates become unacceptable, causing upward pressure on Council Tax and employers' costs.	Longevity and bond yields are really beyond the control of the Fund although some Funds have considered buying longevity insurance through the use of SWAPS. However, the Fund and each employer must have a Discretions Policy in place to help control discretionary costs (e.g. early retirements, augmented service, etc). Quarterly monitoring in liabilities movements is undertaken
PEN006 b	Significant rises in employer contributions for non-secure employers due to increases in liabilities	Employer contribution rates become unacceptable, causing upward pressure on Council Tax and employers' costs.	Longevity and bond yields are really beyond the control of the Fund although some Funds have considered buying longevity insurance through the use of SWAPS. However, the Fund and each employer must have a Discretions Policy in place to help control discretionary costs (e.g. early retirements, augmented service, etc). Quarterly monitoring as described above. The 2016 Valuation will set employer rates for the 3 years from April 2017.

<b>Ref.</b>	<b>Risk</b>	<b>Impact</b>	<b>Controls</b>
PEN007 a	Significant rises in employer contributions for secure employers due to poor/negative investment returns	Poor/negative investment returns, leading to increased employer contribution rates	Use of expert consultants in the selection of investment strategy and selection of investment managers, regular monitoring of investment managers (1/4ly), regular reviews of investment strategy (annually). There is a monthly review of the % of the Fund held in each mandate and strategy. There is also a flight path strategy to take risk off the table as funding levels improve.
PEN007 b	Significant rises in employer contributions for non-secure employers due to poor/negative investment returns	Poor/negative investment returns, leading to increased employer contribution rates	Use of expert consultants in the selection of investment strategy and selection of investment managers, regular monitoring of investment managers (1/4ly), regular reviews of investment strategy (annually). There is a monthly review of the % of the Fund held in each mandate and strategy.
PEN008	Failure to comply with LGPS and other regulations	Wrong pension payments made or estimates given. Investment in disallowed investment vehicles or failure to comply with governance standards. Effect: Unhappy customers, tribunals, Ombudsman rulings, fines, adverse audit reports, etc	Sufficient staffing, training and regulatory updates. Competent software provider and external consultants. Technical & Compliance post reviews process and procedures and maintains training programme for the team.
PEN009	Failure to hold personal data securely	Poor data, lost or compromised	Compliance with Wiltshire Council's Data Protection & IT Policies. Annual Data Protection training given to the team. On-going cleansing of data undertaken by Systems Team.
PEN010	Failure to keep pension records up-to-date and accurate	Incorrect records held, leading to incorrect estimates being issued to members and incorrect pensions potentially being paid.	Systems Team constantly working to improve data quality, data validation checks carried out through external partners (e.g. the Fund's actuaries and tracing agencies), pro-active checks done through national fraud initiative.
PEN011	Lack of expertise of Pension Fund Officers and Service Director, Finance	Bad decisions may be made in relation to any of the areas on this register, but particularly in relation to investments.	Officers ensure that they are trained and up-to-date in the key areas through attendance at relevant courses and seminars, reading, discussions with consultants and peers, etc. The Technical & Compliance Manager has formulated annual Training Plans and Relevant officers are also reviewed against the CIPFA Knowledge & Skills Framework to ensure adequate expertise exists.

Ref.	Risk	Impact	Controls
PEN012	Over-reliance on key officers	If someone leaves or becomes ill, a big knowledge gap is left behind.	Key people in the team are seeking to transfer specialist knowledge to colleagues. In the event of a knowledge gap, however, we can call on our external consultants and independent advisors for help in the short-term.
PEN013	Failure to communicate properly with stakeholders	Scheme Members are not aware of the rights and privileges of being in the scheme and may make bad decisions as a result. Employers are not aware of the regulations, the procedures, etc, and so the data flow from them is poor.	The Fund has a Communications Manager and Employer Relationship Manager dedicated to these areas full-time, including keeping the website up-to-date, which is a key communications resource. The Fund also has a Communications Policy.
PEN014	Failure to provide the service in accordance with sound equality principles	Some customers may not be able to access the service properly or may be offended and raise complaints. At worst case, this could result in a court case, etc.	The Fund has done an Equality Risk Assessment and has an Equality Implementation Plan in place
PEN015	Failure to collect payments from ceasing employers	Failure to collect cessation payments means the cost of funding future liabilities will fall against the Wiltshire Pension Fund	The Pension Fund Committee approved a Cessation Policy in February 2010 to provide an agreed for recovery of payments. All new admitted bodies now require a guarantor to join the Fund. This policy is being reviewed as part of this agenda.
PEN016	Treasury Management	Exposure to counterparty risk with cash held with external deposit holders could impact on the Funding level of the Fund	The Pension Fund has an updated Treasury Management Strategy on this agenda which follows the same criteria adopted by Wiltshire Council but limits individual investments with a single counterparty to £6m.
PEN017	Lack of expertise on Pension Fund Committee	Bad decisions may be made in relation to any of the areas on this register, but particularly in relation to investments. There is also a requirement for Fund's to 'Comply or Explain' within their Annual Report on the skills knowledge of members of the Committee	Members are given Induction Training when they join the Committee, as well as subsequent opportunities to attend courses/seminars and specialist training at Committee ahead of key decisions. There is a Members' Training Plan and Governance Policy. Further training and can be called on from our consultants, independent advisors and investment managers too.
PEN018	Failure to implement the LGPS 2014 Reforms	Unable to meet the new legislative requirements of the scheme and to administer the Fund correctly.	A communication policy implemented to inform all members of the changes. Implementation Plan is on-going. Systems team in close contact with Software providers to ensure developments will be actioned. Review of processes has been undertaken by Technical & Compliance Manager to ensure changes are compliant.
PEN019	Establishment of Local Pension Board & Investment Sub-Committee	Reputational risk from a national perspective and failure to adhere legislation resulting in action by the Government or the Pension Regulator. Ineffective operation of the Investment sub-Committee leading to bad decision making.	Local Pension Board, approved by Wiltshire Council on 24 February. Recruitment has taken place and all places filled with first meeting scheduled for 16 July 2015, following induction session on 2 July 2015. These Boards will place additional demands on both Members and officers, in particular the need to undertake training and the pension officers time in the support and provision of information.
PEN020	Pooling of LGPS assets	If not involved in forming proposals the Government may impose pooling arrangements on the Fund over which it has no control. If implemented incorrectly this could be costly in terms of additional fees and poor investment returns.	The Fund is being proactive in exploring options with Project Brunel on the potential feasibility of setting up a pooling arrangement. Progress and updates regularly reported to Committee.
PEN021	Ability to Implement the Public Sector Exit Cap	Changes need to be communicated to individuals and employers and systems adapted once the revised regulations have been approved	Currently monitoring the progress of the current consultations and responding where Briefings being provided to team and stakeholders.

<b>Ref.</b>	<b>Risk</b>	<b>Impact</b>	<b>Controls</b>
PEN022	Reconciliation of GMP records	If GMP records for members is inaccurate there is the potential for incorrect liabilities being paid by the Fund.	Project has been set up and 2 Data Analysts employed to assist with resources.
PEN023	Resources of Officers and Members to meet the expansion of business items	It is increasingly more difficult for officers to thoroughly consider issues and to deliver concise agenda papers covering all the relevant issues, while members are faced with larger report packs trying to cover the pertinent details.	More use of web links within the Committee papers to reduce the size of the packs.

## 6. Training report

### Approach

As an administering authority of the Local Government Pension Scheme, this council recognises the importance of ensuring that all staff and members of the Pension Fund Committee and Investment Sub Committee charged with the financial management and decision making with regard to the pension scheme are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them. The Fund provides and arranges training for staff and members of the pension committees to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills.

The Wiltshire Pension Fund's training plan sets out how we intend the necessary pensions finance knowledge and skills are to be acquired, maintained and developed. The three year plan reflects the recommended knowledge and skills level requirements set out in the CIPFA Pensions Finance Knowledge and Skills Framework.

A separate plan for the training of the Local Pension Board is also in place and outlined in its annual report.

The Treasurer to the Pension Fund is responsible for ensuring that these training plans and strategies are implemented.

### Background

The promotion of good governance in the public sector decision making bodies has been led by CIPFA and SOLACE over recent years. In light of this work and that of the Department for Communities and Local Government, specific guidance has led to the requirement for pension funds to produce governance statements and encouragement to follow best practices identified from various studies.

This initiative has been developed further with CIPFA producing guidance on the knowledge and skills elected representatives and fund officers need to have when involved in the work of the Pension Fund committee. This links to the Myners principles on best practice in managing investment funds.

In particular, Principle 1 'effective decision making' states:

Administering Authorities should ensure that:

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

The CIPFA *Knowledge and Skills Framework* identifies the elements pension fund committee members should have in order to collectively fulfil the roles envisaged they have in effective decision making.

This Members Training Plan, in line with recommended practice is reviewed and updated on a rolling basis ensuring it's aligned to the Fund's medium term priorities.

## Assessments & Training Undertaken

### Members of the Committee

The previous Members Training Plan for the Wiltshire Pension Fund Committee ran from 2011 and covered the following topics:

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

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During June 2014, Members of the committee agreed to undertake a further 'self – assessment' exercise that rated their knowledge in the areas covered by the CIPFA Pension Finance Knowledge & Skills Framework to identify key areas for development. These results were then used to inform and update the latest Members Training Plan.

This current Members Training Plan runs from April 2015 to December 2017, with a focus on the 2016 triennial valuation and potential new Members of the Committee from local elections. It also incorporated the ideas, themes and preferences identified in the self-assessment exercise.

The plan is being delivered through a number of different methods. The expectation is that 'in-house' training days are held, complemented by 'short seminars' at Committee meetings on subjects pertinent to the forthcoming agenda. When applicable, external conferences are recommended to Members by officers if they are deemed to contain appropriate content. Briefing notes are also emailed to Members when applicable and occasionally webcasts and videos are made available if deemed specific enough. In addition the Fund provides an educational 'away-day' off-site training to review the Fund's investment strategy. Both members of the Pension Committees and Local Pension Board are encouraged to attend these sessions.

The Members Training Plan for 2015-17 was approved by the Committee on 12 March 2015 and is outlined at the end of this section.

### **Officers to the Pension Fund Committee**

There is a framework in place for monitoring officers' performance and identifying training needs. Wiltshire Council's policy is that all officers receive an appraisal once a year with an interim review on a half yearly basis. They have their needs assessed and training plans are formulated accordingly.

The publication of the CIPFA Pension Finance Knowledge and Skills Framework for practitioners in 2010 also forms an additional reference source and framework for assessing and identifying key competencies in the relevant areas of the pension fund. This assists in recognising training needs to be incorporated into learning and development plans ensuring the requisite knowledge and skills are obtained.

As the officer responsible for ensuring that the Fund's training policies and strategy are implemented, the Director of Finance can confirm that the officers and Members charged with the financial decision making for the pension scheme collectively possess the requisite knowledge and skills necessary to discharge these duties and make decisions required during the reported period.

**Michael Hudson**

**Treasurer of Pension Fund**

**20 July 2016**



## WILTSHIRE PENSION FUND COMMITTEE – MEMBERS’ TRAINING PLAN – April 2015-2017

TRAINING NEED	PROPOSED DELIVERY METHODS							COMPLETION TARGET DATE (Shaded shows completed)
	Member's Handbook	Members' Briefing Notes (Electronic)	Short Seminars (before Committee meeting)	Internal Training Events (Internal & External Speakers)	External Conferences & Training Seminars	E-Learning (e.g., Webcasts, Videos)	One-to-One Briefing with an officer	
<b>GENERAL TRAINING</b>								
General overview of LGPS	✓							Review June 2016
Members' individual needs on specific areas arising during the year		✓			✓	✓	✓	As required - notify Head of Pensions
New Members induction session				✓			✓	June 2017
Specific items on committee agendas		✓	✓					As required
<b>SPECIFIC ISSUES IDENTIFIED FROM MEMBERS SELF ASSESSMENTS</b>								
<b>General Pension Framework</b>								
<ul style="list-style-type: none"> <li>Terms of Reference for Pension Committee, Investment Sub-Committee &amp; Local Pension Board</li> </ul>	✓		✓					July 2015
<ul style="list-style-type: none"> <li>LGPS discretions policies</li> </ul>			✓					July 2015
<ul style="list-style-type: none"> <li>Update following Government's response to consultation on the review of the LGPS</li> </ul>		✓		✓	✓			September 2015
<ul style="list-style-type: none"> <li>Review of the Fund's communication policy &amp; tools</li> </ul>	✓			✓				May 2016
<b>Pensions Legislation &amp; Governance:</b>								
<ul style="list-style-type: none"> <li>Role of the Pension Regulator, National Scheme Advisory Board &amp; Local Pension Board</li> </ul>	✓			✓				May 2015
<ul style="list-style-type: none"> <li>Review of the importance on data quality and implications of the end of contracting out in 2016</li> </ul>	✓			✓				May 2015
<ul style="list-style-type: none"> <li>Overview of all the relevant sources of legislation that impact on the Fund</li> </ul>	✓							May 2016
<b>Pension Accounting &amp; Auditing standards:</b>								
<ul style="list-style-type: none"> <li>Update on the new reporting requirements for the Fund's Annual Report</li> </ul>			✓					September 2015
<b>Financial Services procurement:</b>								
<ul style="list-style-type: none"> <li>Current public procurement policy &amp; procedures</li> </ul>	✓							May 2017
<ul style="list-style-type: none"> <li>Brief overview of UK &amp; EU procurement legislation</li> </ul>	✓							May 2017
<ul style="list-style-type: none"> <li>Awareness of support services suppliers and contract monitoring</li> </ul>	✓			✓				May 2017
<b>Investment Performance &amp; Risk Management</b>								
<ul style="list-style-type: none"> <li>Monitoring asset returns relative to liabilities and monitoring funding level risk</li> </ul>	✓	✓		✓	✓			September 2015
<ul style="list-style-type: none"> <li>Understanding the purpose of "flight paths" &amp; asset liability matching</li> </ul>		✓		✓	✓			September 2015
<ul style="list-style-type: none"> <li>Implications of setting different investment strategies for employers</li> </ul>				✓				April 2016
<b>Financial markets &amp; products knowledge:</b>								
<ul style="list-style-type: none"> <li>Review of asset allocation and investment strategy</li> </ul>		✓		✓				June 2015 / 2016 / 2017
<ul style="list-style-type: none"> <li>Limits placed by regulation on investment activities in the LGPS</li> </ul>	✓			✓				September 2016
<ul style="list-style-type: none"> <li>Environmental, Social and Governance considerations for investing</li> </ul>				✓				September 2017
<ul style="list-style-type: none"> <li>Specific investment opportunities</li> </ul>		✓		✓	✓			As required
<b>Actuarial methods, standards and practices:</b>								
<ul style="list-style-type: none"> <li>Review purpose of the Funding Strategy Statement</li> </ul>								April 2016
<ul style="list-style-type: none"> <li>Triennial Valuation refresher</li> </ul>			✓	✓				April 2016
<ul style="list-style-type: none"> <li>Considerations in relation to outsourcing and bulk transfers</li> </ul>	✓			✓				April 2017
<b>CHAIRMAN / VICE CHAIRMAN TRAINING</b>								
<ul style="list-style-type: none"> <li>Strategic forward planning</li> </ul>							✓	on-going
<ul style="list-style-type: none"> <li>Stakeholder feedback</li> </ul>							✓	on-going
<ul style="list-style-type: none"> <li>Appreciation of changes to scheme rules</li> </ul>					✓			Invite to be circulated to relevant ones

## 7. Administration report

### Recent developments

#### Investment Pooling

In 2015 the Government announced that they wanted the 89 Local Government Pension Scheme funds to pool their investments into larger pools in order to achieve savings in investment management costs.

In response to the Government agenda, Project Brunel was set up to explore the options for pooling investment assets across ten Funds. The founding Funds include The Environment Agency Pension Fund, and the Local Government Funds of Avon, Buckinghamshire, Cornwall, Devon, Dorset, Gloucestershire, Oxfordshire, Somerset and Wiltshire. The collective assets of the pool are approximately £23 billion.

The objective of pooling the assets is to achieve savings over the longer term from both lower investment management costs and more effective management of the investment assets. The pool will look to deliver the savings based upon the collective buying power the collaboration initiative will produce. Local accountability will be maintained as each individual fund will remain responsible for strategic decisions including asset allocation. The pooling of assets will only affect the implementation of the investment strategy in terms of manager appointments and monitoring of their performance.

The Wiltshire Pension Fund agreed a high level submission in February 2016 with the other Members of the pool outlining the Fund's proposed direction of travel and its commitment to developing the Brunel Partnership. The Fund has submitted a further detailed proposal in July 2016 and the full business case will be considered by Wiltshire Council towards the end of the year.

Further information and the latest updates about the project can be found on the Brunel Partnership website at:

[www.brunelpensionpartnership.org](http://www.brunelpensionpartnership.org)

#### Employer Activity

This year saw 19 new admitted bodies and academies joining the Fund bringing the total number of employers to 169. It's anticipated the total number of employers will continue to increase over the next few years due to further outsourcing of services and schools converting to academy status.

The full list of employers can be seen on page 21.

The Wiltshire Pension Fund employs an Employer Relationship Manager whose role is to act as an advocate for employers, help foster relationships and assist employers with any pension specific queries.

There is also an Employers' Guide available, including details of the Fund's discretions policy which can be found on the Fund's website. The policy was reviewed and updated during 2015-16 by the Pension Fund Committee. The website can be used as a substantive source of employer information, along with the regular technical newsletters and Employer Forums meetings. The Fund is keen to work alongside Employer organisations to assist and provide training on their pension responsibilities and are more than happy to undertake site visits to guide teams through the process and forms when required. This is particularly useful where changes in key staff at an employer have recently occurred.

Further information specific to employers can be found on the website at the following address:

<http://www.wiltshirepensionfund.org.uk/employer-area.htm>

As an employer organisation are you considering the following:

- undergoing a change to your corporate structure,
- undertaking an outsourcing or in sourcing of services,
- transferring staff to another employer,
- or considering changing staff access to the Local Government Pension Scheme

If this is the case, then this may have implications for your pension liabilities within the Wiltshire Pension Fund. In this situation its important to contact the Fund as early as possible to discuss the potential options and pension implications.

The Fund's Employer Relationship Manager is Denise Robinson and her contact details are: [Denise.Robinson@Wiltshire.gov.uk](mailto:Denise.Robinson@Wiltshire.gov.uk) (01225 713505).

## Implementation of the Local Government Pension Scheme 2014

The 1 April 2014 saw the new Local Government Pension Scheme 2014 come into force and the new scheme has now been fully implemented by the Fund. There are a number of amendments regulations which are currently being consulted on to tidy up anomalies from the revised regulations, and the Fund will update employers once these have been implemented.

As a reminder the main provisions of the new scheme are outlined in the table below:

<b>LGPS 2014</b>	
<b>Basis of Pension</b>	Career Average Re-valued Earnings (CARE)
<b>Accrual Rate</b>	1/49th
<b>Revaluation Rate</b>	Consumer Prices Index (CPI)
<b>Normal Pension Age</b>	Equal to the individual member's State Pension Age (minimum 65)
<b>Contribution Flexibility</b>	Members can opt to pay 50% contributions for 50% of the pension benefit
<b>Death in Service Lump Sum</b>	Lump Sum 3 x pensionable pay
<b>Definition of Pensionable Pay</b>	Actual pensionable pay - to include non contractual overtime and additional hours for part time staff
<b>Vesting Period</b>	2 years

### LGPS 2014 is still a Defined Benefit Scheme

LGPS 2014 is still a Defined Benefit Scheme. The CARE scheme is similar to the previous Final Salary Scheme (LGPS 2008) in terms of its remaining a defined benefit scheme. This means that the scheme determines how much pension you will get by using a set formula rather than the performance of investments and cost of annuities used for defined contribution schemes.

### The 50/50 Option

The LGPS 2014 contains an option for members to pay 50% of the contributions for a 50% pension whilst retaining the full value of other benefits of the scheme such as ill health, death in service and redundancy. This option is intended to retain members who suffer periods of financial difficulty.

### Contributions based on actual pay for part time staff

All members will have contribution rates based on actual (not full time equivalent) pay which is not the case in the old scheme.

## New Scheme Contributions

The contribution bandings are shown in the table below.

<b>Pensionable Pay</b>	<b>Gross Contribution</b>	<b>Contribution after Tax Relief*</b>
Up to £13,600	5.5%	4.40%
£13,601 - £21,200	5.8%	4.64%
£21,201 - £34,400	6.5%	5.20%
£34,401 - £43,500	6.8%	5.44%
£43,501 - £60,700	8.5%	5.10%
£60,701 - £86,000	9.9%	5.94%
£86,001 - £101,200	10.5%	6.30%
£101,201 - £151,800	11.4%	6.84%
More than £151,801	12.5%	6.88%

*\*please note that the contribution rates after tax relief stated are approximate and will depend on individual members' circumstances.*

Further information on the LGPS 2014 scheme can be found at [www.lgps2014.org/](http://www.lgps2014.org/)

## 2016 Triennial Valuation

This year the actuary undertakes the Triennial Valuation. Based on the position as at 31 March 2016 the Fund's actuary, Hymans Robertson will measure all the assets and liabilities of the Wiltshire Pension Fund. Using this information for each employer organisation within the Fund, the actuary will set new employer contribution rates from April 2017 onwards. The results of the valuation exercise will be presented to both the Pension Committee and Employer organisations at a special meeting on 13 October 2016.

## Pension Administration Strategy

During 2015, the Fund reviewed its pension administration strategy which outlines the roles, responsibilities and expectations in terms of provision of data and service delivery of both the administration teams of the Wiltshire Pension Fund and the employer organisations. The new policy was approved by the Pension Fund Committee in December 2015 following consultation with employers.

This policy can be found at the following link:

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

## Funding Strategy Statement

This statement was approved by the Committee in September 2013 and published in October 2013 following a 20 day consultation period with the Fund's employers. This document sets out how the Fund attempts to balance its conflicting aims of affordable contributions, stability of employers' contributions, while being prudent when setting its funding basis.

The Funding Strategy Statement is written in collaboration with the Fund's Actuary and Investment Adviser. The Funding Strategy Statement (FSS) sets out the objectives of the funding policy main aim of which is trying to achieve a funding level of 100%, both at the

whole Fund level and for the share attributable to individual employers, within a timescale that is prudent and affordable while ensuring there are sufficient liquid funds available to meet all benefits as they fall due for payment.

The FSS is reviewed in detail at least every third year (in which triennial valuations are carried out), with the next full valuation due to be finalised by March 2017 based on data at 31 March 2016. The FSS can be viewed on the Wiltshire Fund website at the following link:

<http://www.wiltshirepensionfund.org.uk/funding-strategy-2013.pdf>

## **Statement of Investment Principles**

This policy is updated annually and outlines the investment strategy the Wiltshire Pension Fund Committee has put in place to achieve its investment goals of trying to achieve relatively stable “real” returns above the rate of inflation over the long term, in such a way to minimise the level of contributions required to be paid into the Fund by employer bodies. Further information is provided in the Investment report.

The current policy, approved by the Committee in June 2016 reflects the changes to asset allocations agreed by this Committee up until March 2016 and also outlines the Fund’s compliance with the Stewardship Code.

All Local Government Pension Scheme (LGPS) funds have to publish a Statement of Investment Principles, the latest of which can be viewed at the following link:

[www.wiltshirepensionfund.org.uk/investment-principles](http://www.wiltshirepensionfund.org.uk/investment-principles).

## **Treasury Management Strategy**

This strategy was reviewed and approved in March 2016. The purpose is to outline the process and policies for the cash held by the Fund. Each month the Fund receives contributions and transfer in payments and pays out benefits and transfer out sums. The surplus is transferred on a monthly basis to the Fund’s investment managers. A balance of between £3m to £4m is held by the Fund to manage short term cashflows.

The strategy aims to achieve the optimum return on the cash held commensurate with the high levels of security and liquidity required. These funds are invested separately from cash balances held by Wiltshire Council.

The current strategy outlines the maximum limits for a single counterparty which is currently £6m. This limits the risk to a single counter party but is large enough to ensure that if one is removed at short notice the limit wouldn’t be breached.

The strategy can be viewed on the Wiltshire Pension Fund website at the following link:

<http://www.wiltshirepensionfund.org.uk/fund-information/treasury-management-strategy-2>

## **Cessation Policy**

When an employer has no more active members in the Wiltshire Pension Fund scheme, it’s deemed to have ceased. At this point a cessation valuation is undertaken by the Fund’s actuary to calculate all the assets and liabilities allocated to the ceasing employer. The actuary will then make an assessment of any funding shortfall to ensure there are sufficient assets available to pay the future pension benefits.

During the year the Fund reviewed its Cessation Policy which outlines the process and the flexibilities available to the Fund to work with employer organisations to pay off any cessation deficit payment. This revised policy was approved by the Pension Fund

Committee in March 2016 and came into force from 1 April 2016. The policy can be viewed at the following link:

<http://www.wiltshirepensionfund.org.uk/employer-area/ceasing-employers.htm>

## **Business Plan**

Every three years the Fund reviews its Business Plan to outline its priorities and the areas of services which are going to be developed. The latest Business Plan was approved by the Pension Fund Committee in December 2015, and outlines the planned activities of the Fund up to 2018. This plan can be viewed at the following link:

<http://www.wiltshirepensionfund.org.uk/fund-information/wiltshire-pension-fund-business-plan-2011-14>

## **Communications**

The Fund continues to develop its communications to keep employers and employees updated with the latest changes affecting the scheme, in particular the LGPS 2014, options to increase pension entitlements through the purchase of additional pensions and notifying members of changes to legislation, in particularly the tax implications from the new thresholds to Annual and Lifetime Allowances.

This includes the Fund's stable publications to members which are the Annual Benefits Statements for active and deferred members; Annual Allowances statements to those who breach the limits, letters and presentations to high earners informing them of changes to the pension tax relief regimes, annual active members and pensioners' newsletters, induction presentations, pre-retirement presentations and early retirement seminars, and presentations to employers and their members.

The Fund has now implemented a on-going programme of its successful Pension Clinics in locations around Wiltshire during 2015-2016 as this provides scheme members with the opportunity to book 1-1 appointments with a member of the Benefits Team to discuss issues regarding their individual pension benefits.

The Fund's website is constantly being updated and reviewed to ensure the latest information is available for scheme members. This includes updated guides to the LGPS 2014 scheme, updated benefit calculator, and information on how pension tax relief affects members along with relevant calculators. The News Update section of the website is constantly changing to reflect important announcements and any other relevant news affecting members.

The Fund's Communications Policy Statement was reviewed during the year which outlines the provision of information and publicity about the Scheme to its members, representatives of members and employing authorities. This new policy was approved by the Committee in June 2016 and the full document can be viewed on the Wiltshire Pension Fund website at:-

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

## **AVC provider**

Prudential is the Fund's current AVC provider. This facility allows members, if they wish, to top up their current LGPS pension provision by paying additional contributions into one of seven funds Prudential offer which best fit their risk profile. Members still making contributions to the closed schemes run by Clerical Medical, Equitable Life and NPI are able



to continue paying into these funds or can decide to transfer their accumulated benefits into one of the new Prudential funds.

Prudential have run a number of presentations during 2016 at the Wiltshire Council hubs and are available and always willing, on request from employers, to undertake further presentations to its employees to promote their services and provide further information on certain pension topics such as pension tax relief.

## **Management of the scheme**

The members who served on the Wiltshire Pension Fund committee during the year are listed on page 12.

The Wiltshire Pension Fund Committee has nine voting members. This consists of five Wiltshire Council members, including the Chairman, two members from Swindon Borough Council as the second largest employer with two employer representatives.

During the year, there was one change to the Committee. Councillor Brian Ford stood down and was replaced by Councillor Steve Weisinger as one of the two elected members from Swindon Borough Council.

The two Unison representatives observe on behalf of the employees, deferred, and pensioner members' within the scheme to ensure their interests are considered at the Committee.

The Committee met six times last year for regular business, which included one special item meeting to discuss the proposal to be submitted to the Government on Investment Pooling and its involvement with the Brunel Pension Partnership.

All decisions are taken by a simple majority with the Chairman having the casting vote.

## **Investment Sub-Committee**

The Investment Sub-Committee (ISC) met 4 times during the year. The role of the ISC is to implement and monitor investment manager performance while considering and making recommendations to the main committee on changes in the investment strategy of the Fund. This is in addition to the consideration of any potential investments that might utilise the Fund's opportunistic strategic asset allocation (5% of its total assets).

The ISC consists of four members of the main committee, being the Chairman, Vice-Chairman, along with another elected member from Wiltshire Council and an additional co-opted Member from the Wiltshire Pension Fund Committee.

All Members of the main committee are invited to attend the ISC as observers. The minutes and any decisions made are reported back to the next available main committee meeting.

## **Local Pension Board**

Following Lord Hutton's review of public service pensions published in March 2011 legislation was introduced to "make public service pension schemes more transparent". The Public Sector Pension Act (2013) along with the Local Government Pension Scheme (Governance) Regulations 2015 required each LGPS administering authority to establish a new body known as a LPB to assist the Council in running the Wiltshire Pension.

A key aim of the reform is to raise the standard of management and administration of public service pension schemes and to achieve more effective representation of employer and employee interests in that process. Therefore, although it will have no decision making powers the LPB will be responsible for:

- securing compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme and;
- ensuring the effective and efficient governance and administration of the Scheme.

To fulfil its obligations under the legislation, Wiltshire Council approved the Terms of Reference for the LPB at its meeting on 24 February 2015 to ensure the LPB had been established by 1 April 2015.

The LPB consists of an independent chairman, 3 employer representatives, and 3 scheme member representatives and meets four times per year.

Further information related to the Local Pension Board including its Terms of Reference and Members Biographies can be found on the Wiltshire Pension Fund website on the following link

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

The Annual Report from the Local Pension Board summarises its role, activities, costs, and future work plans.

### **Pension's section overview**

The administration function of the Pensions team comprises of the following teams:-

**The Benefits Team** acts as the main point of contact for any membership enquiries. This team is responsible for setting up new members, monitoring and maintenance of pension member records, payment of benefits, transfer payments and AVCs. This team comprises of eleven members of staff.

**The Systems Team** is responsible for ensuring all the systems being used by the team are up to date, working correctly, and developed to ensure the most efficient and effective use of technology in delivering the administration services. This team is also responsible for monitoring and cleansing members data to ensure it is fit for purpose and meets the requirements imposed on the Fund by the regulators. This team comprises of six members of staff.

**Fund Communications** are handled by the Fund Communications manager who deals with all aspects of scheme members communications and is responsible for the development and implementation of the Fund's Communications Policy. This includes areas such as scheme members newsletters, issuing of Annual Benefit Statements, delivery of presentations, road shows and pension clinics, the Fund's website and the marketing of the Fund.

**Technical and Compliance Manager** provides the technical support to the Fund in respect of interpretation of the Scheme Regulations and associated legislations. The Technical and Compliance Manager is also responsible for ensuring the process and procedures are compliant with all the relevant regulations, and that all members of the team are trained in the relevant areas.

**Employer Relationships** are handled by the Employer Relationship Manager. This role acts as a conduit between the employers and the Fund to address any issues or problems that may arise. This role is also responsible for all the communications between the Fund and employers, including the issuing of newsletters and training sessions. This person is also responsible for and providing advice on new admission, transfers, employers ceasing membership and any other pension related issues facing employers.

**The Fund Development Team** is responsible for the development, co-ordination and management of projects to ensure the service is as effective as possible, in line with the



latest legislation and utilising the latest technology in its process and procedures. This team comprises of two members of the Fund.

**The Accounting and Investment Team** is responsible for the accounting of all aspects of the Fund's activities and the monitoring of its investment activities. This includes the setting of the 3 year budget plans, reporting of the outturn position, production of the year end accounts and Annual Report, monitoring of investment managers performance, review and retendering of contracts, and the provision of FRS17/ IAS19/ FRS102 information to employer organisations within the Fund. The team comprises of three members of staff.

## Assurance Framework

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

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

## Internal Dispute Resolution Procedure

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

Under Stage 1 of the process, the Wiltshire Pension Fund will appoint a "nominated person" to investigate a complaint concerning a pension. This person will review the dispute and make a determination as to whether the correct decision reached has been made in line with the scheme regulations. For Stage 1, Wiltshire Pension's nominated person is Muse Consultancy.

Once the determination has been made, should the member or prospective member remain dissatisfied with this outcome then they can make an application under the Stage 2 process asking the Associate Director, Finance at Wiltshire Council to reconsider the determination made by the nominated person.

Following the Stage 2 process, the member or prospective member if still dissatisfied may then take their dispute to the Pension Advisory Service and then onto the Pension Ombudsman.

During 2015-16, the Fund received three applications under the Stage 1 process. Following the determination by Muse Consultancy one of these cases moved to Stage 2. The Stage 2 case is currently pending awaiting the outcome of a further review.

## End of Contracting Out of SERPS

A reminder to all employers that April 2016 saw the introduction of the single state pension and hence the end of contracting-out from the second state pension (SERPS).

This meant that the National Insurance (NI) rebate currently applied to employers and employees whose members are in the LGPS scheme no longer exists. This meant from April 2016 the NI contributions for those members within the thresholds increased by 3.4% for employers and 1.4% for employees. On average this would have equated to a 2.3%

increase in employer contributions and 0.9% for employees but the actual figures depend on employers specific payroll.

Further information can be found in the link below:

<https://www.gov.uk/government/publications/new-state-pension-information-for-employers-and-trustees-with-open-contracted-out-defined-benefit-pension-schemes>

## **Automatic Enrolment**

The implementation of Automatic Enrolment which commenced in October 2012 continues with further staging dates now being reached for most employers. Employers need to be aware of their increasing responsibility from the implementation of auto-enrolment. Under auto-enrolment the employer must enrol all eligible employees into a compliant scheme at least once every three years and maintain records of having done this. The implementation was phased in over five years, depending on the size of employer.

Although the implementation is not the Wiltshire Pension Fund's responsibility, we can, where possible offer guidance and support for employers in relation to their implementation and direct them to relevant sources of information.

More information has been provided to employers within our technical updates but please do contact the Pension Fund if you have any further queries.

## **Pension increase**

Pensions in payment received no increase effective from 6 April 2016. This is based on the Consumer Price Index (CPI) as at September the previous year and this was a negative value in September 2015.

## **Other matters**

The Fund continues to support its employers by co-ordinating the provision of FRS17/ IAS 19/ and FRS102 accounting reports from the actuary, so that they can meet their obligations to show their pension liabilities relative to their pension assets in their annual accounts.

## 8. Investment report

### Funding policy

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

All LGPS funds are required to publish a document called a “Funding Strategy Statement” (FSS). The Wiltshire FSS was updated in connection with the 2013 triennial valuation and can be supplied upon request or viewed at:-

[www.wiltshirepensionfund.org.uk/funding-strategy-2013.pdf](http://www.wiltshirepensionfund.org.uk/funding-strategy-2013.pdf)

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

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

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

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

### Investment goal

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

### Investment strategy

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

- a) a relatively large allocation to equity investment to achieve higher returns;
- b) allocations to more diversified and less correlated asset classes such as bonds, property, infrastructure and absolute return products to achieve stabilisation; and
- c) the achievement of some “alpha” (manager) returns independently of “beta” (market) returns, through high alpha equity strategies.

All Local Government Pension Scheme (LGPS) funds have to produce, consult on and publish a Statement of Investment Principles (SIP) – the latest Wiltshire Fund’s SIP can be supplied upon request or viewed at :-

## Investment powers

These are set out in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, which provide wide investment powers, subject to certain restrictions. The current limits are as follows

- (a) No more than 10% deposited with a single bank (other than the National Savings Bank).
- (b) No more than 15% invested in unlisted securities.
- (c) No more than 10% in a single holding (except unit trusts).
- (d) No more than 35% in unit trusts or other collective investment schemes managed by any one body.
- (e) No more than 35% in a single insurance contract.

Regulations further state that administering authorities must obtain and consider proper advice on their investments, and formulate their investment policy with a view to:

- (a) the advisability of investing fund money in a wide variety of investments;
- (b) the suitability of particular investments and types of investments; and
- (c) the extent to which the administering authority complies with the revised six Myners principles for pension fund investment, scheme governance, disclosure and consultation. These principles have been adopted by CLG (the central government department with responsibility for oversight of the LGPS) and replaces the ten Myners principles published in 2001.

## Strategic asset allocation

The Committee regularly reviews the Fund's investment management arrangements. In broad terms, at 31 March 2016 the Fund's strategic allocation was to be invested 60% in Equities, 15.5% in Bonds, 13% in Property and 11.5% in Alternatives. More details are given in the section below summarising the Fund's investment management arrangements.

## Risk control

The Committee believes that risk control is primarily achieved by the Fund's strategic asset allocation, and this has been taken into account in setting its overall investment strategy.

## Environmental social governance policy

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

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

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

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

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

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

## **Investment management arrangements**

In the summer of 2011 a review of the current investment arrangements was commenced in light of investment managers' performance. Key themes surrounding asset allocation were considered including return generation, inflation protection, nimbleness and illiquidity/Cashflow management. The strategic asset allocation of the Fund changed a little as a result however a number of new manager searches followed from the review. The Committee resolved:

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

These changes were implemented during 2012/13.

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

At the February/June 2013 meeting the Committee resolved:

- to terminate the Edinburgh Partners mandate (7.5% of the Fund's assets and place these assets in the Fundamental Indexation mandate (with L&G);
- to agree a strategic allocation of 10% to an Emerging market Equity/Debt product for the funds placed temporarily with Legal & General (Passive Global Equities) and for officers to commence the appropriate procurement process to enable a suitable manager to be appointed by the Committee;
- to terminate the Jubilee Advisers (formally Fauchier Partners) mandate (5% of the Fund's assets) and place these assets temporarily with Legal & General (Passive Global Equities) mandate; and
- to agree up to a 5% initial allocation for the purpose of Opportunistic Investing.

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

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

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

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

<b>Asset Allocation</b>	<b>Moving Forward</b>
Equities:	
Long-Only	
UK*	12.5%
Overseas (Global)**	27.5%
Absolute Return (Lower Volatility)	10.0%
Emerging Market Multi Asset	<u>10.0%</u>
	60.0%
Bonds	15.5%
Property	13.0%
Alternatives:	

Infrastructure	5.0%
M&G Financing Fund	1.5%
Opportunistic Investment	<u>5.0%</u>
	11.5%
	100.0%

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

\*\* (includes active and fundamental indexation)

The allocation of mandates to managers is as follows:

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

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

## Investment as at 31 March 2016

During the year, the managers transacted purchases of £539.9 million (£940.3m 31 March 2015) and sales of £523.4 million (£946.9m 31 March 2015). The value of assets under management at 31 March 2016 was £1,826.4 million (£1,837.4m 31 March 2015), broken down by managers as follows:

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

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

The Council participates in a securities lending programme administered by BNY Mellon. Securities in the beneficial ownership of the Council to a value of £5.7 million (0.31% of the total) were on loan at 31 March 2016. Collateral for these securities is held in a pooled form, the Wiltshire Pension Fund's share (0.014%) representing a value of £6.2 million (108.62%). Income earned from this programme amounted to £0.030 million in the year.

## Investment markets

Over the 12 month period to 31 March 2016, risk seeking asset classes generally posted poor or negative returns in both sterling and local currency terms. Financial markets suffered from bouts of intra-period volatility, with sharp sell-offs in risk assets classes seen in August 2015 and January 2016 due to concerns over slowing global economic growth and monetary policy tightening in the United States. In December 2015, the Federal Reserve Bank's (the "Fed") first rate hike in nearly a decade was followed by increased market volatility in early 2016, but investor risk appetite recovered in March 2016 when Fed officials indicated that the pace of rate hikes will likely be slower than previously anticipated. Commodity prices fell sharply over the year, with oil prices leading declining by circa.27% despite a partial rebound in prices towards the end of the period.

Defensive asset classes generally posted positive returns in both sterling and local currency terms over the 12 month period to 31 March 2016. Over the year, subdued inflation expectation and slowing growth projections led the world's major central banks to maintain and expand on their highly accommodative policy stances. In late January 2016, the Bank of Japan surprised investors by moving to a negative interest rate policy while in March 2016 the European Central Bank ("ECB") increased its monthly asset purchase amounts from €60 billion to €80 billion, and included non-bank investment grade corporate bonds in its programme. The ECB also cut the deposit rate by 0.1% to -0.4% and announced a new series of targeted longer-term refinancing operations in an effort to further encourage bank lending within the economy. In the United Kingdom, the Bank of England's February inflation report saw markets push back expectations of a base rate rise until 2018.

Despite an increase in financial market volatility at the start of 2016, most macroeconomic indicators still point to positive economic growth, particularly in the developed markets. In the United Kingdom, economic forecasters expect economic growth in the United Kingdom to be around 2.1% in 2016 (source: Consensus Economics, 7 March 2016). Inflation in the United Kingdom, as measured by the change in Consumer Price Index, was 0.5% over the year to March 2016.



Over the 12 month period to 31 March 2016, accommodative monetary policy and investor concerns over a looming referendum on the potential withdrawal of the United Kingdom from the European Union led to a significant depreciation of sterling against its major counterparts.

## Fee structures

The Committee generally expects to have an ad-valorem fee scale applied in respect of the investment management services it receives. This is generally accepted practice and is easily understood. A performance related fee basis is sometimes set, if it is believed to be in the overall financial interests of the Fund. For investment advisory services, the fee for specified services is set as agreed by the South West Framework Contract or at agreed hourly rates.

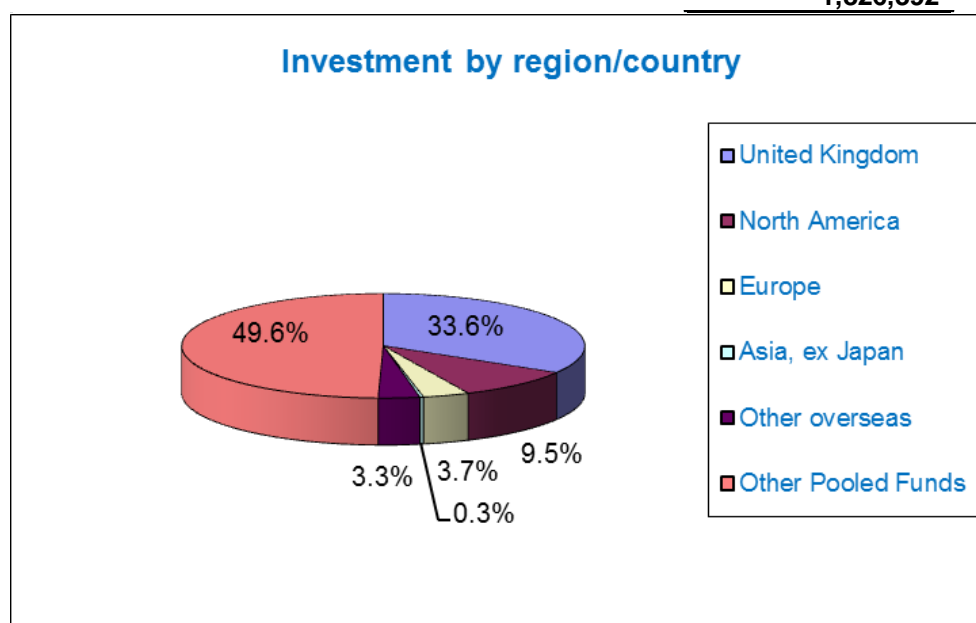
## Other matters

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

## Distribution of investments

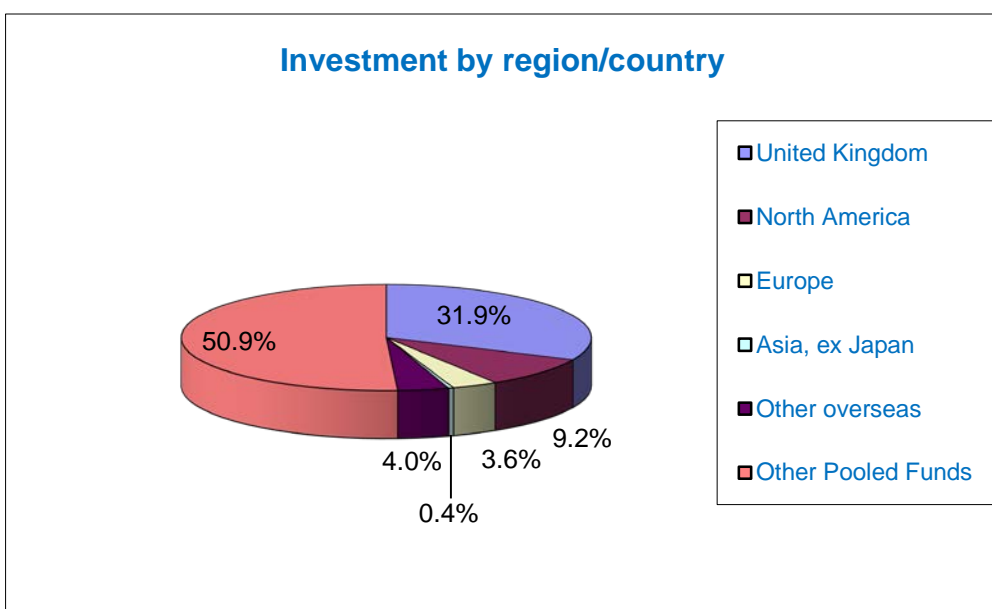
### Analysis of investments as at 31 March 2016

Geographical analysis	£000	% of Fund total
United Kingdom	614,025	33.6
North America	172,806	9.5
Europe	67,766	3.7
Asia, ex Japan	6,167	0.3
Other overseas	60,648	3.3
Other Pooled Funds	904,980	49.6
	<b>1,826,392</b>	<b>100.00</b>



## Analysis of investments as at 31 March 2015

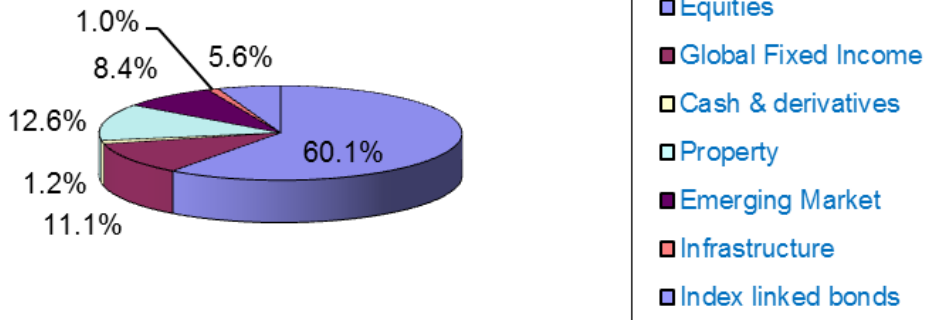
<b>Geographical analysis</b>	<b>£000</b>	<b>% of Fund total</b>
United Kingdom	586,012	31.9
North America	169,711	9.2
Europe	65,776	3.6
Asia, ex Japan	7,642	0.4
Other overseas	73,045	4.0
Other Pooled Funds	935,211	50.9
	<b>1,837,397</b>	<b>100.00</b>



## Analysis of investments by sector as at 31 March 2016

<b>Sector analysis</b>	<b>£000</b>	<b>% of Fund total</b>
Equities	1,098,050	60.1
Global Fixed Income	202,162	11.1
Cash & derivatives	22,402	1.2
Property	230,505	12.6
Emerging Market	152,986	8.4
Infrastructure	17,888	1.0
Index linked bonds	102,399	5.6
	<b>1,826,392</b>	<b>100.00</b>

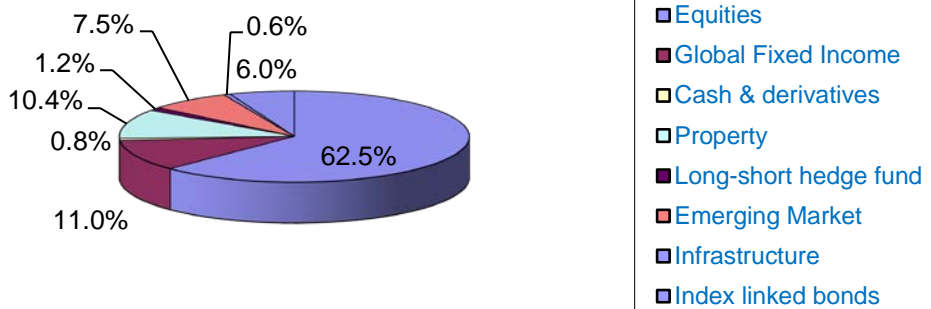
### Investment by sector



### Analysis of investments by sector as at 31 March 2015

Sector analysis	£000	% of Fund total
Equities	1,148,295	62.5
Global Fixed Income	201,386	11.0
Cash & derivatives	14,283	0.8
Property	191,695	10.4
Long-short hedge fund	22,839	1.2
Emerging Market	137,892	7.5
Infrastructure	10,535	0.6
Index linked bonds	110,472	6.0
	<b>1,837,397</b>	<b>100.00</b>

### Investment by sector



## Twenty largest holdings at 31 March 2016

	£000	% of Fund total
1 Legal & General Equity Index Fund	233,029	12.76
2 Barings Alpha Funds - Dynamic Asset Allocation Fund	190,362	10.42
3 Investec - Emerging Markets	152,986	8.38
4 Loomis Sayles Alpha Bond Fund	119,954	6.57
5 Legal & General World Equity Index	107,282	5.87
6 Loomis Sayles World Credit Fund	82,208	4.50
7 Amazon.Com Inc Com	24,845	1.36
8 Illumina Inc	23,333	1.28
9 Facebook Inc	22,684	1.24
10 Schroders GBP	22,479	1.23
11 Industrial Property Investment Fund	20,998	1.15
12 Baidu Inc	20,071	1.10
13 Tencent Holdings Ltd	19,499	1.07
14 Tesla Motors Inc	19,199	1.05
15 Partners Group Global Infrastructure	17,888	0.98
16 West End of London Property	15,403	0.84
17 Curlew Student Trust	15,221	0.83
18 Industria De Didenno Textil	14,921	0.82
19 Ardstone UK Regional Office	14,043	0.77
20 UBS Global Asset Management Triton Property	13,094	0.72
	<b>1,149,499</b>	<b>62.94</b>

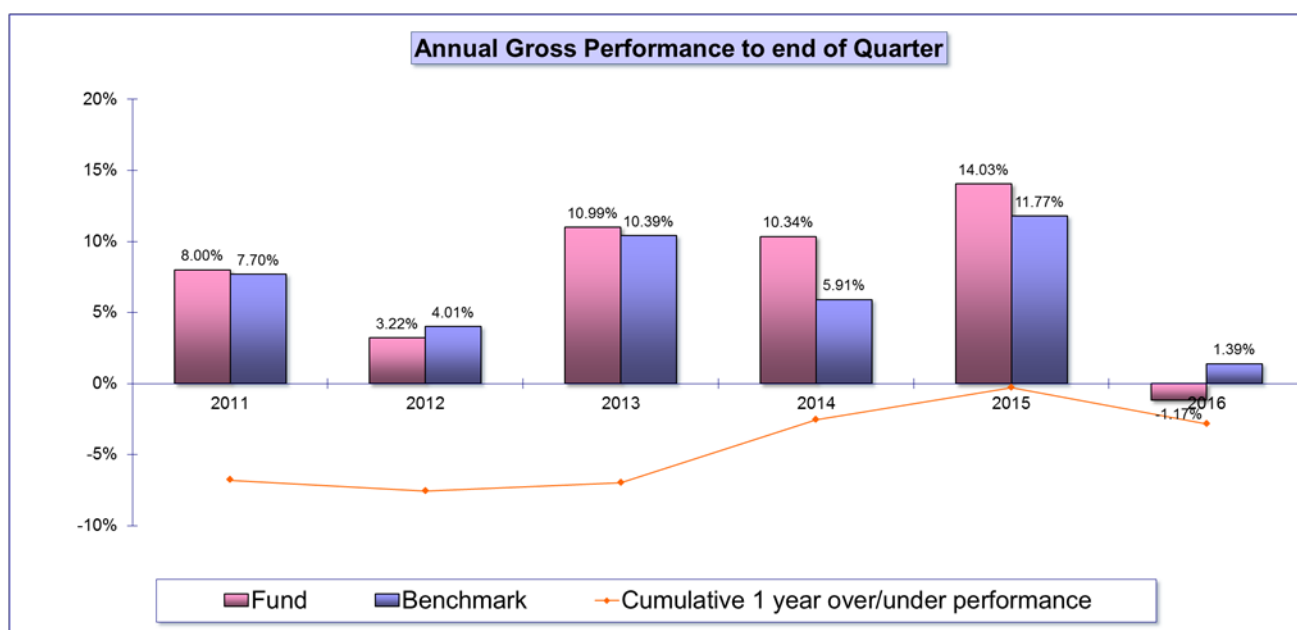
## Twenty largest holdings at 31 March 2015

	£000	% of Fund total
1 Legal & General Equity Index Fund	242,102	13.18
2 Barings Alpha Funds - Dynamic Asset Allocation Fund	197,431	10.75
3 Investec - Emerging Markets	137,892	7.50
4 Legal & General World Equity Index	106,920	5.82
5 Loomis Sayles World Credit Fund	100,816	5.49
6 Loomis Sayles Alpha Bond Fund	100,570	5.47
7 Amazon.Com Inc Com	29,144	1.59
8 Tencent Holdings Ltd	28,529	1.55
9 Illumina Inc	24,757	1.35
10 Baidu Inc	23,618	1.29
11 Facebook Inc	19,038	1.04
12 Schroders GBP	17,672	0.96
13 Industrial Property Investment Fund	16,419	0.89
14 Inditex	15,466	0.84
15 Google Inc	15,421	0.84
16 Blackrock UK Property Fund	15,079	0.82
17 Intuitive Surgical Inc	12,948	0.70
18 West End of London Property	12,822	0.70
19 Henderson UK Shopping Centre	12,645	0.69
20 Ardstone UK Regional Office	12,274	0.67
	<b>1,141,563</b>	<b>62.13</b>

## Investment Performance

The following table shows the performance of the Fund (gross of fees) relative to its strategic benchmark and the WM Local Authority Average.

<b>WM Performance Ranking Against Peer Group</b>			
<b>31st March 2016</b>			
	<b>1 Year</b>	<b>3 Year</b>	<b>5 Years</b>
<b>Ranking (percentile)</b>	76	16	37
<b>Average % of returns</b>	-1.2%	7.6%	7.4%
<b>Benchmark</b>	0.2%	6.4%	7.1%



## 9. Financial Performance

### Movement in Assets and Liabilities

The Funding level (i.e. the ratio of assets to liabilities) at 31 March 2013 (last valuation) was 71%. Hymans Robertson currently estimated the funding level at 31 March 2016 to be 73% based on current market conditions. This is on a 'roll-forward' basis and does not account for changes in member data.

Gilt yields have fallen further since 31 March 2013 offsetting asset returns increasing the deficit by £87m, from £610m to £697m.

### Analytical Review

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

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

<b>Fund Account</b>	<b>2015/16</b>	<b>2014/15</b>	<b>Notes</b>
	<b>£000</b>	<b>£000</b>	
Net Contributions	11,151 -	18,002	Large Bulk transfer out in 2014/15
Return on Investments	- 15,757	234,051	Strong year for growth assets in 2014/15
<b>Net increase in the Fund</b>	<b>- 4,606</b>	<b>216,049</b>	

<b>Net Asset Statement</b>	<b>2015/16</b>	<b>2014/15</b>	<b>Notes</b>
	<b>£000</b>	<b>£000</b>	
Fixed Interest	-	-	
Indexed-linked	-	-	
Equities	320,848	342,126	Market volatility in 2016
Pooled Funds	1,252,637	1,289,293	Market volatility in 2016
Property	230,505	191,695	Positive Returns
Derivatives	1,246 -	1,531	Value of currency contracts in place by dynamic currency manager
Cash	20,977	15,383	
Other	179	431	
<b>Total Net Investments</b>	<b>1,826,392</b>	<b>1,837,397</b>	

### Analysis of Pension Contributions

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

	<b>Total</b>	<b>On time</b>		<b>Late</b>	
	<b>£000</b>	<b>£000</b>	<b>%</b>	<b>£000</b>	<b>%</b>
Employee	19,329	19,257	99.6%	73	0.4%
Employer	70,120	68,343	97.5%	1,778	2.5%
<b>Total</b>	<b>89,449</b>	<b>87,600</b>	<b>97.9%</b>	<b>1,851</b>	<b>2.1%</b>

In total 60 monthly contribution payments were received late of which 47 were received within the month, 9 received between 1 and 3 months late and 4 received more than 3 months late.

No interest was charged on any of the late payments.

## Forecasts

The following table shows the forecast and outturn for the Fund Account and Net Asset Statement for the 3 years to 31 March 2016.

Fund Account	2014/15		2015/16		2016/17
	Forecast £000	Actual £000	Forecast £000	Actual £000	Forecast £000
Contributions	78,000	87,313	88,187	91,940	92,859
Payments	- 83,657	- 105,316	- 86,947	- 80,789	- 80,789
Management expenses	- 7,096	- 8,610	- 7,193	- 9,336	- 10,201
Net investment income	20,000	21,443	20,000	11,764	12,000
Change in market value	124,916	212,608	224,186	- 27,521	99,903
<b>Net increase in the Fund</b>	<b>132,163</b>	<b>207,438</b>	<b>238,233</b>	<b>- 13,942</b>	<b>113,772</b>

Contributions and payments are based on current expectations, the administration and investment management expenses are based on current budgets; and the net investment income and change in market value are based on the long term forecast returns for each asset class.

Net Asset Statement	2014/15		2015/16		2016/17
	Forecast £000	Actual £000	Forecast £000	Actual £000	Forecast £000
Equities	1,160,321	1,148,295	1,232,121	1,098,050	1,163,933
Fixed income	268,581	311,858	326,827	304,561	312,784
Cash	26,172	15,383	15,460	20,977	21,082
Property	180,337	191,695	202,238	230,505	240,878
Alternatives	102,911	172,437	187,956	170,874	185,057
Other	16,193	12,935	14,099	13,694	14,831
<b>Total Investment Assets</b>	<b>1,754,515</b>	<b>1,852,603</b>	<b>1,978,701</b>	<b>1,838,661</b>	<b>1,938,564</b>

The forecasts for total investment assets are based on the actual figures for 2015/16 multiplied by the forecast long term returns for each asset used at the last strategic asset allocation review in 2016. Net contributions less expenses are added to the cash figure to reflect new money into the Fund. No future changes in asset allocation have been taken into account as these are not known with any degree of certainty.

The long term asset return forecasts for each asset class are as follows:

### Long-term forecast asset returns

Asset Class	Long term forecast return (%)
Equities	6.0%
Fixed Income	2.7%
Cash	0.5%
Property	4.5%
Alternatives	8.3%
Total	5.6%

## Operational Expenses

	2014/15		2015/16		2016/17
	Budget £000	Actual £000	Budget £000	Actual £000	Budget £000
<b>Fund Investment</b>					
<b>Investment Management Fees</b>	<b>6,739</b>	<b>6,096</b>	<b>7,378</b>	<b>7,478</b>	<b>7,955</b>
Investment Administration Recharge	106	106	108	105	112
Investment Custodial & Related Services	75	13	56	22	30
Investment Professional Fees	136	122	153	107	108
Corporate Governance Services	38	38	39	39	40
Performance Measurement	47	40	46	40	40
<b>Investment Administration Costs</b>	<b>402</b>	<b>319</b>	<b>402</b>	<b>313</b>	<b>330</b>
<b>Scheme Administration</b>					
Pension Scheme Administration Recharge	1,436	1,250	1,459	1,276	1,556
Actuarial Services	106	64	111	194	185
Audit	58	54	58	10	58
Legal Fees	20	28	20	19	20
Committee and Governance Recharge	49	40	82	62	97
<b>Scheme Administration Costs</b>	<b>1,669</b>	<b>1,436</b>	<b>1,730</b>	<b>1,561</b>	<b>1,916</b>
<b>Grand Total (Exc Invest Man Fees)</b>	<b>2,071</b>	<b>1,755</b>	<b>2,132</b>	<b>1,874</b>	<b>2,246</b>
<b>Grand Total (Inc Invest Man Fees)</b>	<b>8,810</b>	<b>7,851</b>	<b>9,510</b>	<b>9,352</b>	<b>10,201</b>

## Cashflow

Officers continue to monitor the cashflow position of the Fund to ensure sufficient resources are available to pay benefits as they fall due. The position for 2015/16 is shown below:

Year ending 31 March 2016	
£m	
Receipts	88.4
Payments	(84.6)
Surplus/ (Deficit)	3.8
Funds sent to Investment Managers	5.0

This shows that excluding investment income, cashflow is broadly neutral for the year. This will be closely monitored as employer rates will increase again from 1 April 2016.

## Analysis of Pension Overpayments

The table below shows an analysis of the pension benefits overpaid and recovered. These mainly relate to overpayment of pensioners between the date of their death and notification.

	2015/16	2014/15	2013/14
	£	£	£
Overpayments recovered	19,424	27,512	14,343
Overpayments not recovered	9,706	9,439	6,677
<b>Total</b>	<b>29,130</b>	<b>36,951</b>	<b>21,020</b>
Annual Payroll	63,698,358	62,118,085	59,387,565
Write offs as a % of Payroll	0.02%	0.02%	0.01%
Number of cases - not recovered	151	106	106
Number of cases - recovered	35	24	24
Number of cases - In process of recovery	6	-	-



## 10. Actuarial position

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

### Description of Funding Policy

The funding policy is set out in the administering authority's Funding Strategy Statement (FSS). In summary, the key funding principles are as follows:

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

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

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

### Funding Position as at the last formal valuation

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

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

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

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

## Method

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

## Assumptions

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

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

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

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

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

\*Currently aged 45

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

## Experience over the year since April 2013

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

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

Prepared by:-

**Catherine McFadyen**

**21 July 2016**

**For and on behalf of Hymans Robertson LLP**

## 11. Statement of Responsibilities for the Financial Statements

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

### Administration Authority

The Administering Authority is required to:

- Make arrangements for the proper administration of the financial affairs of the Pension Fund and to secure that an officer has the responsibility for those affairs. In this Authority, that officer is the Head of Finance.
- Prepare, approve and publish a statement in accordance with the Accounts and Audit Regulations 2011.

### Associate Director of Finance

The Associate Director of Finance is responsible for the preparation of the Fund's financial statements, which in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. Based on International Reporting Standards (the Code), are required to present a true and fair view of the financial position of the Fund for the year ended 31 March 2016. This report includes the financial statements for the Pension Fund only.

In preparing these financial statements, the Associate Director of Finance has:

- Selected and applied consistently suitable accounting policies;
- Made judgements and estimate that were reasonable and prudent;
- Complied with the Code of Practice;
- Ensured proper accounting records are maintained;
- Ensured systems of internal control are in place.

### Certificate

I hereby certify that the following Annual Report and Accounts give a true and fair view of the financial position of the Wiltshire Pension Fund for the financial year ending 31 March 2016.

**Michael Hudson**  
**Associate Director of Finance**  
**Wiltshire Pension Fund**  
**29<sup>th</sup> July 2016**

## 12. Audit opinion

To be inserted once signed – expected 23 September 2016.

## 13. Statement of accounts

### Fund Account

For the year ended 31 March 2016

	Notes	2015-16 £000	2014-15 Restated £000
<b>Contributions and benefits</b>			
Contributions receivable	5	89,449	85,529
Individual transfers		2,491	1,785
		<b>91,940</b>	<b>87,314</b>
Benefits payable	6	-76,841	-74,067
Payments to and on account of leavers	7	-3,948	-31,249
		<b>-80,789</b>	<b>-105,316</b>
Management Expenses	8 & 12	-9,336	-8,610
		<b>1,815</b>	<b>-26,612</b>
<b>Returns on investments</b>			
Investment income	9	11,764	21,443
Change in market value of investments	11	-27,521	212,608
		<b>-15,757</b>	<b>234,051</b>
		<b>-13,942</b>	<b>207,439</b>
Add opening net assets of the fund		1,852,603	1,645,164
		<b>1,838,661</b>	<b>1,852,603</b>

### Net Asset Statement

At 31 March 2016

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

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

## Notes

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

#### 1. Basis of preparation

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

IAS26 requires the actuarial present value of promised benefits to be disclosed. A separate report has been prepared by Hymans Robertson and is enclosed below after note 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 2016 by the Fund's custodian using the bid price where a quotation was available on a recognised stock exchange or unlisted securities market.

(ii) **Unquoted securities**

Unquoted securities have been valued according to the latest trades, professional valuation, asset values or other appropriate financial information.

(iii) **Pooled investment vehicles**

Pooled investments are stated at bid price for funds with bid/offer spreads, or single price/net asset value where there are no bid/offer spreads, as provided by the investment manager.

(iv) **Fixed interest stocks**

Segregated fixed interest stocks are valued on a clean basis. Accrued income is accounted for within investment income.

(v) **Derivative contracts**

Derivatives are stated at market value. Exchange traded derivatives are stated at market values determined using quoted prices. For exchange traded derivative contracts which are assets, market value is based on quoted bid prices. For exchange traded derivative contracts which are liabilities, market value is based on quoted offer prices.

- Over the Counter (OTC) derivatives are stated at market value using pricing models and relevant market data as at the year end date.
- Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.
- All gains and losses arising on derivative contracts are reported within 'Change in Market Value'.

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

## Foreign currency translation

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

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

## Investment management expenses

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

### **Acquisition costs of investments**

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

### **Administration expenses**

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

### **Taxation**

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

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

### **Management Expenses**

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

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

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

## **3. Critical Judgement in Applying Accounting Policies**

### **Pension Fund Liability**

The pension fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in the actuarial position statement (on page 79). This estimate is subject to significant variances based on changes to the underlying assumptions.

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

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

The items in the net asset statement at 31 March 2016 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:



Item	Uncertainties	Effect if actual results differ from assumptions
Debtors	At 31 March 2016, the fund had a balance of £16.2m for debtors (£3.9m relate to a long term debtor). A review of significant balances suggested that no impairment is currently necessary. However, in the current economic climate, it is not certain that all debts will be paid.	If collection rates deteriorate it may be necessary for an allowance to be included in the accounts for doubtful debts.

## 5. Contributions receivable

	2015-16 £000	2014-15 £000
<b>Employer</b>		
- Normal	55,708	51,605
- Augmentation	1,068	868
- Deficit funding*	13,344	13,765
<b>Members</b>		
- Normal	19,100	19,047
- Additional contributions	229	244
	<b>89,449</b>	<b>85,529</b>
<b>Analysis of contributions receivable</b>		
	2015-16 £000	2014-15 £000
<i>Contributions from employees (Including Additional Contributions)</i>		
- Wiltshire Council	7,693	8,224
- Other scheduled bodies	10,335	9,460
- Admitted bodies	1,301	1,608
	<b>19,329</b>	<b>19,292</b>
<i>Contributions from employers (Including Augmentations)</i>		
- Wiltshire Council	27,882	26,016
- Other scheduled bodies	35,163	32,725
- Admitted bodies	7,075	7,496
	<b>70,120</b>	<b>66,237</b>
Total contributions receivable	<b>89,449</b>	<b>85,529</b>

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

## 6. Benefits payable

	2015-16 £000	2014-15 £000
Pensions	63,698	62,118
Commutation and lump sum retirement benefits	11,495	10,648
Lump sum death benefits	1,648	1,301
	<u>76,841</u>	<u>74,067</u>
<b>Analysis of benefits payable</b>	2015-16 £000	2014-15 £000
<i>Pensions payable</i>		
- Wiltshire Council	34,705	34,225
- Other scheduled bodies	23,018	21,566
- Admitted bodies	5,975	6,327
	<u>63,698</u>	<u>62,118</u>
<i>Retirement and Death grants payable</i>		
- Wiltshire Council	4,832	4,586
- Other scheduled bodies	6,154	5,609
- Admitted bodies	2,157	1,754
	<u>13,143</u>	<u>11,949</u>
Total benefits payable	<u>76,841</u>	<u>74,067</u>

## 7. Payments to and on account of leavers

	2015-16 £000	2014-15 £000
Individual transfer out to other schemes	3,577	3,961
Bulk transfers out to other schemes	0	27,167
Refunds to members leaving service	258	98
State Scheme Premiums	113	23
	<u>3,948</u>	<u>31,249</u>

## 8. Management expenses

	2015-16 £000	2014-15 £000
Administration costs	1,496	1,471
Investment Management expenses	7,731	7,016
Oversight & Governance	109	123
	<u>9,336</u>	<u>8,610</u>

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

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

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

Investment Management expenses includes £1.8m of performance-related fees paid to the fund's investment managers (2014/15: £1.5m).

## 9. Investment income

	2015-16 £000	2014-15 £000
<i>Quoted securities</i>		
- UK fixed interest bonds (coupon receipts)	-	10,183
- Overseas fixed interest bonds (coupon receipts)	-	259
- UK index linked bonds (coupon receipts)	-	-
- UK equities	587	138
- Overseas equities	1,089	1,177
<i>Pooled investment vehicles</i>		
- Overseas equities	-	-
- UK property	10,018	9,535
- Infrastructure	-	-
<i>Cash held on deposit</i>		
- Sterling cash	66	136
- Overseas cash	4	15
	<b>11,764</b>	<b>21,443</b>

## 10. Stock lending

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

	2015-16 £million	2014-15 £million
WC securities on loan	5.7	17.5
<i>(percentage of total)</i>	0.30%	1.00%
WC collateral share of pool	0.01%	0.04%
Value of WC pooled share	6.2	18.8
Percentage of securities on loan	108.6%	107.0%
Income earned in year	0.03	0.048

## 11. Investments

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

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

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

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

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

## Details of investments held at year end

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

## Analysis of fund Assets as at 31 March 2016

	UK £000	Non-Uk £000	Global £000	Total £000
Equities	264,626	833,424	-	1,098,050
Bonds	102,399	202,162	-	304,561
Properties (direct holdings)	-	-	-	-
Alternatives	-	-	402,804	402,804
Cash	20,730	247	-	20,977
<b>Total</b>	<b>387,755</b>	<b>1,035,833</b>	<b>402,804</b>	<b>1,826,392</b>

## Analysis of investment income accrued during 2015 - 2016

	UK £000	Non-Uk £000	Global £000	Total £000
Equities	-	-	58	58
Bonds	-	-	-	-
Properties (direct holdings)	- 271	- 35	- -	306
Alternatives	-	-	-	-
Cash	- 5	-	- -	5
<b>Total</b>	<b>- 276</b>	<b>- 35</b>	<b>58 -</b>	<b>253</b>

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

Security	31-Mar-16	
	Market value £m	% of total market value
L&G over 5yrs Index-Linked Gilts	102.4	5.6
L&G N - UK Equity Index	233.0	12.8
L&G (YX) FTSE RAFI AW 3000 EQ IND	246.5	13.5
L&G (PT) World Equity Index (MSCI)	107.3	5.9
Baring-Dynamic Asst Allo-Inc	190.4	10.4
IGS-EMER MKT MUL-AS-S GBP A	153.0	8.4
Loomis Sayles Strategic Alpha BD FD Class H-S1/A(GBP)	120.0	6.6
	<b>1152.5</b>	<b>63.1</b>

## Derivative contracts

### Objectives and policies

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

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

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

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

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

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



## Derivative contracts - Forward cash currency contracts

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

## Financial Instruments

### Classification of financial instruments

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

As at 31 March 2016

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

As at 31 March 2015

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

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

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

### Financial Risk Disclosure

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

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

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

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

<b>As at 31 March 2016</b>	<b>Value £'000</b>	<b>Volatility of return</b>	<b>Increase £000</b>	<b>Decrease £000</b>
Baillie Gifford - Global Equity	299,625	17.30%	51,835	(51,835)
CBRE - Property	254,412	14.70%	37,399	(37,399)
Legal & General - Equity	233,029	17.30%	40,314	(40,314)
Legal & General - Gilts	102,399	8.50%	8,704	(8,704)
Legal & General - Global Equity	107,282	17.30%	18,560	(18,560)
Legal & General - Fundamentals	253,529	17.30%	43,861	(43,861)
Barings - Dynamic Assets Allocation	190,362	12.10%	23,034	(23,034)
Partners Group - Infrastructure	17,908	15.50%	2,776	(2,776)
Investec - Emerging Markets	152,985	21.50%	32,892	(32,892)
Loomis Sayles - Multi Asset Credit	82,208	6.00%	4,932	(4,932)
Loomis Sayles - Absolute Return Bond Fund	119,954	6.00%	7,197	(7,197)
M&G - Financing Fund	9,799	0.00%	0	0
Berenberg Bank - Dynamic Currency Fund	2,875	0.00%	0	0
Capital International - Global Equity	17	0.00%	0	0
Capital International - Absolute Income Grower	8	0.00%	0	0
	<b>1,826,392</b>		<b>271,504</b>	<b>(271,504)</b>

<b>As at 31 March 2015</b>	<b>Value £'000</b>	<b>Volatility of return</b>	<b>Increase £000</b>	<b>Decrease £000</b>
Baillie Gifford - Global Equity	322,041	17.20%	55,391	(55,391)
CBRE - Property	209,920	14.60%	30,648	(30,648)
Western Asset Management - Corporate Bonds	3,603	4.00%	144	(144)
Legal & General - Equity	242,102	17.20%	41,642	(41,642)
Legal & General - Gilts	110,472	8.40%	9,280	(9,280)
Legal & General - Global Equity	106,920	17.20%	18,390	(18,390)
Legal & General - Fundamentals	259,715	17.20%	44,671	(44,671)
Jubilee Advisors - Long/Short Hedge Funds	22,839	8.10%	1,850	(1,850)
Barings - Dynamic Assets Allocation	197,431	12.00%	23,692	(23,692)
Partners Group - Infrastructure	10,535	15.60%	1,643	(1,643)
Investec - Emerging Markets	137,892	19.00%	26,199	(26,199)
Loomis Sayles - Multi Asset Credit	97,217	6.00%	5,833	(5,833)
Loomis Sayles - Absolute Return Bond Fund	100,570	6.00%	6,034	(6,034)
M&G - Financing Fund	11,785	0.00%	0	0
Berenberg Bank - Dynamic Currency Fund	4,324	0.00%	0	0
Capital International - Global Equity	21	0.00%	0	0
Capital International - Absolute Income Grower	10	0.00%	0	0
	<b>1,837,397</b>		<b>265,417</b>	<b>(265,417)</b>

## 2) Interest Rate Risk

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

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

	<b>31-Mar-16</b>
	<b>£000</b>
Cash held on deposit	20,977
Fixed Interest Securities	202,162
Loans	9,799
	<b>232,938</b>

	<b>31-Mar-15</b>
	<b>£000</b>
Cash held on deposit	15,383
Fixed Interest Securities	201,386
Loans	11,785
	<b>228,554</b>

### Interest Rate – Sensitivity Analysis

The Pension Fund recognises that interest rates vary and can impact on the fair value of the assets. The sensitivity of the Fund's investments to changes in interest rates has been analysed by showing the 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.

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

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

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

### 3) Currency Risk

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

when sterling appreciates the sterling value of foreign currency denominated investments will fall.

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

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

## 2016

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

## 2015

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

## Currency Risk – Sensitivity Analysis

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

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

## 2016

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

2015

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

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

### **b) Credit Risk**

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

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

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

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

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

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



<b>2016</b>	<b>£'000</b>
Global Fixed Interest Pooled	202,162
Cash held on deposit	20,977
Other investment balances	179
Current assets	<u>16,183</u>
	<b><u>239,501</u></b>

<b>2015</b>	<b>£'000</b>
Global Fixed Interest Pooled	201,386
Cash held on deposit	15,383
Other investment balances	431
Current assets	<u>18,912</u>
	<b><u>236,112</u></b>

### **c) Liquidity Risk**

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

The following tables analyses the Fund's financial liabilities as at 31 March 2016 and 2015, grouped into relevant maturity dates.

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

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

### Fair Value Hierarchy

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

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

The tables below analyse financial instruments, measured at fair value at the end of the reporting period 31 March 2016 and 31 March 2015, by the level in the fair value hierarchy into which the fair value measurement is categorised. This has been produced from analysis produced by the Fund's custodian BNY Mellon.

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

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

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

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

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

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

## 12. Investment management expenses

	2015-16 £000	2014-15 £000
Manager & Investment Admin Fees	7,644	6,912
Custody and Performance Measurement	87	104
	<u>7,731</u>	<u>7,016</u>

## 13. Current assets

	31 March 2016 £000	31 March 2015 £000
Contributions due from other authorities and bodies		
- Employees	1,390	1,424
- Employers	5,386	4,549
Income due from external managers and custodians	-	-
Debtors (Magistrates)	3,860	4,825
Other	1,562	2,133
Cash balances	3,985	5,981
	<u>16,183</u>	<u>18,912</u>
Less:		
Long Term debtors (Magistrates)	- 3,860	- 4,825
Net current assets	<u>12,323</u>	<u>14,087</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<sup>th</sup> April 2011 Wiltshire Pension Fund received confirmation from the Government Actuary's Department that they agreed to make a payment to the Fund to cover the liabilities in respect of the Magistrates Courts. In the past active members employed by the Magistrates Courts were transferred out of the LGPS but pensioners/deferred members remained in. The payment would be in 10 instalments over the next 10 years. The total amount of the remaining debt is £4.825m, of this the following year's instalment (£0.965m) is classified as a debt repayable in one year, and the remaining balance £3.9m is a long term debtor.

## 14. Current liabilities

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

## 15. Additional Voluntary Contributions (AVCs)

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

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

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

## 16. Employer related assets

There are no employer related assets within the Fund.

## 17. Related Party Transactions

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

The Council incurred costs of £1.174m (2014/15: £1.097m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The Council is also the single largest employer of members of the Pension Fund and contributed £28m to the Fund in 2015/16 (2014/15: £26m). A balance of £0.68m was owed by the Pension Fund to the Council at year end.

Part of the pension fund cash holdings are invested on the money markets by the treasury management operations of Wiltshire Council, through a service level agreement. During the year to 31 March 2016, the fund had an average investment balance of £5m (31 March 2015: £3.5m), earning interest of £27k (2014/15: £19k) in these funds.

## Governance

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

## **18. Guaranteed minimum pension**

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

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

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

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

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

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

Outstanding capital commitments (investments) at 31 March 2016 totalled Euro 30.550m; GBP 24.193m (31 March 2015: Euro 36.285m; GBP 26.277m).

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.

## **20. Events after the reporting period date**

On 23 June, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. Until exit negotiations are concluded, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force. During this period the Government will continue to negotiate, implement and apply EU legislation. It will be for the Government, under the new Prime Minister to begin negotiations to exit the EU. The outcome of these negotiations will determine what arrangements apply in relation to EU legislation and funding in future once the UK has left the EU. This is therefore a non-adjusting event for which no estimate of its financial effect on the reporting entity can be made.

## 14. IAS26 statement

### Actuarial Statement in respect of IAS26 as at 31.03.2016

#### Introduction

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

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

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

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

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

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

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

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

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

#### Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report as required by the Code of Practice. These are given below. I estimate that the impact of the

change of assumptions to 31 March 2016 is to decrease the actuarial present value by £275m.

## Financial assumptions

My recommended financial assumptions are summarised below:

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

## Longevity assumption

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

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

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

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

## Commutation

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

## Sensitivity analysis

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

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

## Professional notes

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

## Catherine McFadyen FFA

5 May 2016

For and on behalf of Hymans Robertson LLP



## 15. Further information & contacts

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

### Guide to the Local Government Pension Scheme

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

#### Employers' guide

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

#### Starter packs

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

#### Retirement packs

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

#### Newsletters

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

#### Annual benefit statements

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

#### Other information

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

#### For further information contact:

**Zoe Stannard**  
Fund Communications Manager

Tel: 01225 718054  
Email: [zoe.stannard@wiltshire.gov.uk](mailto:zoe.stannard@wiltshire.gov.uk)

**David Anthony**  
Head of Pensions

Tel: 01225 713620  
Email: [david.anthony@wiltshire.gov.uk](mailto:david.anthony@wiltshire.gov.uk)

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## WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE  
29 September 2016

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### AVC Choice of Fund

#### Purpose of the Report

1. The purpose of this report is to consider adding an additional fund choice to the range of Additional Voluntary Contribution (AVC) options currently offered to members.

#### Background

2. An AVC provides an option to members to increase their benefits upon retirements. An AVC runs in tandem with the main LGPS but is separately invested through an insurance company. Prudential is the current in-house AVC provider for Wiltshire Pension Fund.
3. A member has their own personal account and their AVC builds up with their contributions and any return on their investment. Deductions are taken from pay before tax and sent across to the provider making it a tax efficient way to save.
4. A member can choose from a range of investment options depending on their risk profile. The more risky investments generally provide the potential for a higher return.
5. The current range of funds provided to Wiltshire members are as follows:

FUND	INVESTMENT STYLE	RISK RATING
Prudential Deposit Fund	Active	Minimal
Prudential Pre-Retirement	Active/Passive	Lower
Prudential With-Profits Fund (Default)	Active	Lower to Medium
Prudential Property	Active	Medium
Prudential Long Term Growth	Passive	Medium to Higher
Prudential Diversified Growth Fund	Active	Medium to Higher
Prudential UK Equity Passive	Passive	Higher

6. The annual management charge for these funds range from 0.65% to 0.85%. These charges are taken directly from the funds.

#### Main Consideration for Committee

7. Officers have recently met with Prudential to undertake a governance review of these Funds. In all cases over a 3 year period the funds had either performed in line with or exceeded benchmark.
8. One additional fund was highlighted which may be of interest to members. The Prudential Ethical fund invests in shares of UK companies which demonstrate good environmental, social and governance policies. The fund is actively managed against its benchmark, the FTSE4Good UK Index, which is limited to those companies in the FTSE All-share Index which meet set ethical criteria.

9. The performance objective for this fund is to outperform the benchmark by 1.0% a year on a rolling three year basis.
10. Prudential have allocated a risk rating of medium to high for this Fund, so would complement the existing fund options.
11. The Ethical Fund would also support the ESG policy of Wiltshire Pension Fund where investment managers are expected to take account of social, environmental and ethical considerations in the selection, retention and realisation of investments as an integral part of the normal investment research and analysis process.

### **Financial Implications**

12. There will be no cost to Wiltshire Pension Fund as the charges are deducted directly from the funds that members contribute to.

### **Risk Assessment**

13. A “key features” document and “A Guide to Fund Options” clearly explains the risk profiles of each AVC fund. Members are made aware that the value of investments that make up their plan can go down as well as up.

### **Legal Implications**

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

### **Environmental Impact of the Proposals**

15. As the proposed AVC Fund seeks to invest in good environmental, social and well governed companies, this would have a positive environmental impact.

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

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

### **Proposals**

17. The Committee is asked to approve the addition of the Prudential Ethical fund as an option to the range of funds offered to members by Prudential.

MICHAEL HUDSON  
Treasurer to the Pension Fund

Report Author: Catherine Dix, Strategic Pensions Manager

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Unpublished documents relied upon in the production of this report:

NONE

**PENSION FUND ADMINISTRATION BUDGET 2016-17 - BUDGET MONITORING**

	2016/17			Explanations
	Budget £000	Projected Outturn £000	Variance £000	
<b><u>Fund Investment</u></b>				
Investment Management Fees				
Segregated Funds	5,172	5,622	450	Manly due to Increased performance fees from exceeding targets for Baillie Gifford
Pooled Funds *	2,783	2,783	0	
	<b>7,955</b>	<b>8,405</b>	<b>450</b>	<i>These projected fee estimates are based on current market conditions and are subject to change prior to year end.</i>
<b><u>Fund Investment Costs</u></b>				
1 Investment Administration	113	113	0	
2 Investment Custodial & Related Services	30	30	0	
3 Investment Consultancy	107	144	37	Mainly relates to additional expenditure on Brunel Project in respect of investment pooling.
4 Corporate Governance Services	40	40	0	
5 Performance Measurement	40	34	-6	
	<b>330</b>	<b>361</b>	<b>31</b>	
<b><u>Fund Scheme Administration</u></b>				
6 Pension Scheme Administration	1,514	1,444	-70	Re-profile of implementation schedule for employers and employee self service software.
7 Actuarial Services	234	234	0	
8 Audit	58	58	0	
9 Legal Advice	20	20	0	
0 Committee & Governance	89	89	0	
<b>Fund Administration Costs</b>	<b>1,916</b>	<b>1,846</b>	<b>-70</b>	
<b>Total FUND COSTS</b>	<b>2,246</b>	<b>2,207</b>	<b>-39</b>	
<b>TOTAL FUND EXPENDITURE (Costs &amp; Fees)</b>	<b>10,201</b>	<b>10,612</b>	<b>411</b>	

\* Invisible costs paid through investments

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## WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE  
29 September 2016

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### Update on Annual Benefits Statements

#### Purpose of the Report

1. The purpose of this report is to update the Committee on the production of the Annual Benefit Statements (ABSs) to its active and deferred members. These statements provide members with an estimated position of their pension at retirement age, based on the data currently held by the fund. This year around 20,000 active members' statements and 26,000 deferred members' statements have been produced and mailed.

#### Background

2. The Public Service Pensions Acts 2013 introduced the requirement to produce ABSs by the 31 August each year, five months following year end. Last year, was the first time this deadline was in force. Significant changes were required to accommodate the 2014 scheme changes within the statements and the Fund managed to produce and deliver the majority within the first week of September. This was reported to both the Wiltshire Pension Committee and Local Pension Board (LPB) whom agreed was not a material breach that needed reporting to the Pensions Regulator (tPR).
3. This year unforeseen issues have again resulted in minor delays (1 to 2 weeks) in the delivery of ABSs.

#### Key Considerations for the Committee

4. A delay in the final sign off and subsequent lead time for the printers meant the active members' statements were posted out on Friday 9 September, with the deferred statements being sent on Tuesday, 13 September.
5. The failure to issue the ABSs in line with the statutory regulations was reported to the Section 151 officer and Chairman of the LPB at the start of September outlining the reason for the breach and the updated delivery date. Officers' view is this isn't a material breach. In line with the Breaches Reporting Framework, this is now reported to this Committee and considered by the LPB at its next meeting on 20 October 2016.
6. A post project review was undertaken by officers and measures to prevent a recurrence identified. A revised project plan is being developed in line with the latest tPR guidance issued this year, to ensure sufficient contingency time is allowed in the production of future statements to meet the statutory deadline.

#### Financial Considerations & Risk Assessment

7. There was no additional financial cost from this delay. There have to date been no complaints or queries from Fund members in relation to the delay in them receiving their annual statements.
8. The risk is covered elsewhere on this agenda under *PEN08: Failure to comply with LGPS and other regulations*. Reputational risk is the main concern to the Fund for non-compliance.

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

9. If this breach was felt to be material and reported to tPR, they may use their powers under the Pension Act 2004 to ensure this requirement is met in future.
10. There is no environmental impact from the proposals.

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

11. There are no known implications at this time.

### **Reasons for Proposals**

12. It's a requirement of the reporting framework to inform this Committee of any breach in the regulations.

### **Proposals**

13. The Committee is asked to note this report.

MICHAEL HUDSON  
Treasurer to the Pension Fund

Report Author: David Anthony, Head of Pensions

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Unpublished documents relied upon in the production of this report:



## WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE  
29 September 2016

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### WILTSHIRE PENSION FUND RISK REGISTER

#### Purpose of the Report

1. The purpose of this report is to update the Committee 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. There are five changes to the risks since the last report on 30 June 2016. All these changes relate to the regulatory and governance aspects of the Fund.
5. The main change is the increase to **PEN020: Pooling of LGPS assets** which has moved from medium to high. There is now significant amounts of officer time required to progress this project and develop the full business case under a very challenging timeframe. The Brunel Pension Partnership project presents a risk to the Fund through increased workloads which is now impacting on other administration activities. Options to mitigate this risk are currently being considered.
6. The Brunel Pension Partnership presents the potential for the movement of staff out of the Fund to become involved in the future pooling arrangements, impacting long term on **PEN012: Over-reliance on key officers** and **PEN011: Lack of expertise of Pension Fund Officers**. Consequently, these two risks have been raised to medium. Again, longer term resilience planning needs to be considered to ensure knowledge levels of officers and sufficient resources are available for the delivery of the Fund's activities.
7. **PEN002: Failure to collect and account for contributions from employers and employees on time** has increased from low to medium. The Fund is currently undertaking a review of its procedures for monitoring the receipt of contributions. With the substantial increase in employers over the past few years additional resources need to be allocated to ensure the Pension Regulators statutory deadlines are being met to ensure compliance with its Code of Practice.
8. **PEN017: Lack of Expertise on the Pension Fund Committee** has increased from low to medium. This reflects the need for long term succession planning and continuity of Members for this Committee. This follows the recent resignation of one long standing elected Member while the Vice Chairman has stated they will not be seeking re-election next year.

9. Work continues to mitigate where possible the risks above along with the other remaining medium risks highlighted on the risk register.

**Financial Implications**

10. There are no known implications from the proposals.

**Legal Implications**

11. There are no known implications from the proposals.

**Environmental Impacts of the Proposals**

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

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

13. There are no known implications at this time.

**Proposals**

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

MICHAEL HUDSON  
Treasurer to the Pension Fund

Report Author: David Anthony, Head of Pensions

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

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Wiltshire Pension Fund Risk Register							20-Sep-16			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	Date of Review	Direction of Travel
PEN001	Failure to process pension payments and lump sums on time	Benefits Administration	Non-availability of ALTAIR pensions system, SAP payroll system, key staff, or error, omission, etc.	Retiring staff will be paid late, which may have implications for their own finances. It also has reputational risk for the Fund and a financial cost to the employers if interest has to be paid to the members.	David Anthony	Maintenance and update of ALTAIR and SAP systems, sufficient staff cover arrangements, sufficient staff training and QA checking of work. Adherence to Pension Administration Strategy and regular monitoring of performance. Documentation of processes and reconciliations.	2	2	4	Low	None	David Anthony		2	2	4	Low	20 Sep 16	→
PEN004	Inability to keep service going due to loss of main office, computer system or staff	Benefits Administration	Fire, bomb, flood, etc.	Temporary loss of ability to provide service	David Anthony	Business Continuity Plan reviewed in Dec 2015 and in place. The team have the ability to work from home or remotely if required. The pension system is also hosted by its supplier, which reduces the risk should Wiltshire Council's IT servers fail. The Fund also operates a paperless office.	4	1	4	Low	None	David Anthony		4	1	4	Low	20 Sep 16	→
PEN005	Loss of funds through fraud or misappropriation	Benefits Administration	Fraud or misappropriation of funds by an employer, agent or contractor	Financial loss to the Fund	David Anthony	Internal and External Audit regularly test that appropriate controls are in place and working. Regulatory control reports from investment managers, custodian, etc, are also reviewed by audit. Due Diligence is carried out whenever a new manager is appointed. Reliance is also placed in Financial Services Authority registration.	4	1	4	Low	None	Catherine Dix		4	1	4	Low	20 Sep 16	→
PEN006	Failure to provide the service in accordance with sound equality principles	Benefits Administration	Failure to recognise that different customers have different needs and sensitivities.	Some customers may not be able to access the service properly or may be offended and raise complaints. At worst case, this could result in a court case, etc.	David Anthony	The Fund has done an Equality Risk Assessment and has an Equality Implementation Plan in place	2	1	2	Low	None	David Anthony		2	1	2	Low	20 Sep 16	→
PEN021	Ability to Implement the Public Sector Exit Cap	Benefits Administration	Introduction of exit cap will require an additional burden on the administration team.	Changes need to be communicated to individuals and employers and systems adapted once the revised regulations have been approved	David Anthony	Currently monitoring the progress of the current consultations and responding where appropriate. Briefings being provided to team and stakeholders. Concern that further information is still pending from Government.	2	2	4	Low	Discussions with employers on how to implement. Training for the team on how to implement. Project to amend systems and letters to accommodate changes. Not anticipating implementation until April 2017.	Craig Payne	Apr-17	1	3	3	Low	20 Sep 16	→
PEN022	Reconciliation of GMP records	Benefits Administration	From 1 April 2016 SERPS will cease and HMRC no longer provide GMP data on members. Fund will be unable to check accuracy of its GMP records.	If GMP records for members is inaccurate there is the potential for incorrect liabilities being paid by the Fund.	David Anthony	Project has been set up and 2 Data Analysts employed to assist with resources. Additional software from Heywood's to process amendments in bulk has been purchased.	2	4	8	Medium	To review resources available against scope of project. Need to agree policies for tolerances with Committee.	Mark Anderson	Dec-17	1	3	3	Low	20 Sep 16	→

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PEN003	Insufficient funds to meet liabilities as they fall due	Funding & Investments	Contributions from employees / employers too low, failure of investment strategy to deliver adequate returns, significant increases in longevity, etc.	Immediate cash injections would be required from the scheme employers. This shouldn't be an issue for the Fund but it looks likely that investment income might need to be used within the next 12 months.	David Anthony	Funding Strategy Statement, Investment Strategy, Triennial Valuations, membership of Club Vita, modelling of future cash flows.	2	2	4	Low	None	David Anthony		4	1	4	Low	20 Sep 16	→
PEN006a	Significant rises in employer contributions for secure employers due to increases in liabilities	Funding & Investments	Scheme liabilities increase disproportionately as a result of increased longevity, falling bond yields, slack employer policies, etc. The current price of gilts lead to a worsening Funding Position.	Employer contribution rates become unacceptable, causing upward pressure on Council Tax and employers' costs.	David Anthony	Longevity and bond yields are really beyond the control of the Fund although some Funds have considered buying longevity insurance through the use of SWAPS. However, the Fund and each employer must have a Discretions Policy in place to help control discretionary costs (e.g. early retirements, augmented service, etc). Quarterly monitoring in liabilities movements is undertaken providing advance warning to employers.	2	1	2	Low	The Stabilisation Policy has limited increases for secure employer. The approach to the 2016 Valuation is currently being considered by Committee. This will review the appropriateness of the Stabilisation Policy.	David Anthony	Oct-16	2	2	4	Low	20 Sep 16	→
PEN006b	Significant rises in employer contributions for non-secure employers due to increases in liabilities	Funding & Investments	Scheme liabilities increase disproportionately as a result of increased longevity, falling bond yields, slack employer policies, etc. The current price of gilts lead to a worsening Funding Position.	Employer contribution rates become unacceptable, causing upward pressure on Council Tax and employers' costs.	David Anthony	Longevity and bond yields are really beyond the control of the Fund although some Funds have considered buying longevity insurance through the use of SWAPS. However, the Fund and each employer must have a Discretions Policy in place to help control discretionary costs (e.g. early retirements, augmented service, etc). Quarterly monitoring as described above. The 2016 Valuation will set employer rates for the 3 years from April 2017.	2	3	6	Medium	The rates for the 2016 Valuation will be presented in October. Current market conditions suggest the potential for significant increases in employer contribution rates. The actuary will outline to this Committee the approach to be taken with non-secure employers for this Valuation which will be based on each employers strength of covenant.	David Anthony	Oct-16	2	2	4	Low	20 Sep 16	→
PEN007a	Significant rises in employer contributions for secure employers due to poor/negative investment returns	Funding & Investments	Poor economic conditions, wrong investment strategy, poor selection of investment managers	Poor/negative investment returns, leading to increased employer contribution rates	David Anthony	Use of expert consultants in the selection of investment strategy and selection of investment managers, regular monitoring of investment managers (1/4ly), regular reviews of investment strategy (annually). There is a monthly review of the % of the Fund held in each mandate and strategy. There is also a flight path strategy to take risk of the table as funding levels improve.	2	1	2	Low	The implementation of the Stabilisation Policy limits increases for secure employer. This policy will be reviewed as part of the 2016 Valuation and reported to Committee in October.	David Anthony	Oct-16	2	2	4	Low	20 Sep 16	→
PEN007b	Significant rises in employer contributions for non-secure employers due to poor/negative investment returns	Funding & Investments	Poor economic conditions, wrong investment strategy, poor selection of investment managers	Poor/negative investment returns, leading to increased employer contribution rates	David Anthony	Use of expert consultants in the selection of investment strategy and selection of investment managers, regular monitoring of investment managers (1/4ly), regular reviews of investment strategy (annually). There is a monthly review of the % of the Fund held in each mandate and strategy.	2	2	4	Low	The review of employers long term financial stability and the policy for stepping in contribution rates to assist in affordability issues is being reviewed as part of the 2016 Valuation process. .	David Anthony	Oct-16	2	2	4	Low	20 Sep 16	↓

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PEN015	Failure to collect payments from ceasing employers	Funding & Investments	When an employer no longer has any active members a cessation valuation is triggered and a payment is required if a funding deficit exists to meet future liabilities	Failure to collect cessation payments means the cost of funding future liabilities will fall against the Wiltshire Pension Fund	David Anthony	The Pension Fund Committee approved a new Cessation Policy in March 2016 to provide an updated agreed framework for recovery of payments. All new admitted bodies require a guarantor to join the Fund. It also provides additional flexibilities for the Fund dealing with employers cessation payments.	2	2	4	Low	Concern over ability for Head of Pensions to spend sufficient time covering the strategic employer issues with the on-going Brunel project. Additional time to be planned to assist in training Employer Relations Manager.	David Anthony		2	1	2	Low	20 Sep 16	→
PEN016	Treasury Management	Funding & Investments	The Fund's treasury function is now segregated from Wiltshire Council. This includes the investment of surplus cash in money markets.	Exposure to counterparty risk with cash held with external deposit holders could impact of Funding level of the Fund	David Anthony	The Pension Fund agreed an updated Treasury Management Strategy at the March meeting which follows the same criteria adopted by Wiltshire Council but limits individual investments with a single counterparty to £6m.	3	1	3	Low	The Council uses Sector's credit worthiness service using ratings from three rating agencies to provide a score. Surplus cash is transferred to the Custodian at month end ensuring cash balances are minimal.	Catherine Dix		3	1	3	Low	20 Sep 16	→
PEN024	Impact of EU Referendum	Funding & Investments	The impact of the EU referendum	A vote to exit the EU may produce short term volatile market movements which could impact on asset performance.	David Anthony	The Fund has liaised with its investment managers on the potential impact of an exit. The Fund has agreed to change the benchmark for the Berenberg currency overlay hedge mandate to zero for the days prior and just after the vote in case of a BREXIT outcome and a sharp devaluation in Sterling during this period.	3	2	6	Medium	Markets have appeared to have settled since the BREXIT vote. Concern still high that longer term investment returns might be adversely affected. Risk mitigation tools be considered by Investment Sub Committee to protect Fund from future downside risk.	Catherine Dix	Dec-16	3	1	3	Low	20 Sep 16	→
PEN022	Failure to collect and account for contributions from employers and employees on time	Regulatory & Governance	Non-availability of SAP systems, key staff, error, omission, failure of employers' financial systems, failure to communicate with employers effectively. LGPS 2014	Adverse audit opinion for failure to collect contributions by 19th of month, potential delays to employers' FRS17 year-end accounting reports and to the Fund's own year-end accounts.	David Anthony	Robust maintenance and update of ALTAIR and SAP systems, sufficient staff cover arrangements, sufficient staff training and QA checking of work. We constantly work with employers to ensure they understand their responsibilities to pay by 19th of the month. The Breaches framework now require the Fund to log material late payments.	2	3	6	Medium	Undertaking review of framework for monitoring contributions. The amount of employers (170) to review and monitoring is too high for current resource level and in order to ensure compliance with TPR Code, need to ensure each missed payment is reported to Regulator after 90 days.	Roz Vernon		2	2	4	Low	20 Sep 16	↑
PEN008	Failure to comply with LGPS and other regulations	Regulatory & Governance	Lack of technical expertise / staff resources to research regulations, IT systems not kept up-to-date with legislation, etc	Wrong pension payments made or estimates given. Investment in disallowed investment vehicles or failure to comply with governance standards. Effect: Unhappy customers, tribunals, Ombudsman rulings, fines, adverse audit reports, etc	David Anthony	Sufficient staffing, training and regulatory updates. Competent software provider and external consultants. Technical & Compliance post reviews process and procedures and maintains training programme for the team. 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	3	6	Medium	Work continues to ensure the Fund can comply fully with the tPR Code of Practice requirements but this may lead to areas of non-compliance in the short term. Any "material" non-compliance will be reported to the Regulator. The Fund has reported to Committee the minor delay in the delivery of the Annual Benefit Statements.	David Anthony	Dec-16	2	2	4	Low	20 Sep 16	→

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							Impact	Likelihood	x				Level of risk	Impact	Likelihood			x
PEN009	Failure to hold personal data securely	Regulatory & Governance	Poor procedures for data transfer to partner organisations, poor security of system, poor data retention, disposal, backup and recovery policies and procedures.	Poor data, lost or compromised	David Anthony	Compliance with Wiltshire Council's Data Protection & IT Policies. Annual Data Protection training given to the team. On-going cleansing of data undertaken by Systems Team.	2	2	4	Low	Martin Downes		2	1	2	Low	20 Sep 16	→
PEN010	Failure to keep pension records up-to-date and accurate	Regulatory & Governance	Poor or non-existent notification to us by employers and members of new starters, changes, leavers, etc	Incorrect records held, leading to incorrect estimates being issues to members and incorrect pensions potentially being paid.	David Anthony	Systems Team constantly working to improve data quality, data validation checks carried out through external partners (e.g. the Fund's actuaries and tracing agencies), pro-active checks done through national fraud initiative.	2	3	6	Medium	Martin Downes	Dec-16	2	1	2	Low	20 Sep 16	→
PEN011	Lack of expertise of Pension Fund Officers and Service Director, Finance	Regulatory & Governance	Lack of training, continuous professional development and continuous self assessment of skills gap to ensure knowledge levels are adequate to carry out roles to the best of their ability	Bad decisions made may be made in relation to any of the areas on this register, but particularly in relation to investments.	David Anthony	Officers ensure that they are trained and up-to-date in the key areas through attendance at relevant courses and seminars, reading, discussions with consultants and peers, etc. The Technical & Compliance Manager has formulated annual Training Plans and Relevant officers are also reviewed against the CIPFA Knowledge & Skills Framework to ensure adequate expertise exists.	2	3	6	Medium	David Anthony	Oct-16	2	1	2	Low	20 Sep 16	↑
PEN012	Over-reliance on key officers	Regulatory & Governance	The specialist nature of the work means that there are inevitably relatively experts in investments and the local authority pension regulations	If someone leaves or becomes ill, a big knowledge gap if less behind.	David Anthony	Key people in the team are seeking to transfer specialist knowledge to colleagues. In the event of a knowledge gap, however, we can call on our external consultants and independent advisors for help in the short-term.	2	3	6	Medium	David Anthony	Sep-16	2	1	2	Low	20 Sep 16	↑
PEN017	Lack of expertise on Pension Fund Committee	Regulatory & Governance	Lack of structured training and continuous self assessment of skills gap to ensure knowledge levels are adequate to carry out roles to the best of their ability	Bad decisions made may be made in relation to any of the areas on this register, but particularly in relation to investments. There is also a requirement for Fund's to 'Comply or Explain' within their Annual Report on the skills knowledge of members of the Committee	David Anthony	Members are given Induction Training when they join the Committee, as well as subsequent opportunities to attend courses/seminars and specialist training at Committee ahead of key decisions. There is a Members' Training Plan and Governance Policy. Further training and advice can be called on from our consultants, independent advisors and investment managers too.	2	3	6	Medium	David Anthony		2	1	2	Low	20 Sep 16	↑

Ref.	Risk	Risk Category	Cause	Impact	Risk Owner	Controls in place to manage the risk	Current Risk Rating				Further Actions necessary to manage the risk	Risk Action Owner	Date for completion of action	Target Risk Rating				Date of Review	Direction of Travel
							Impact	Likelihood	x	Level of risk				Impact	Likelihood	x	Level of risk		
PEN019	Establishment of Local Pension Board & Investment Sub-Committee	Regulatory & Governance	Failure for Wiltshire Council to establish a Local Pension Board, from finding suitable representatives and the officer time required to support this Board and the newly formed pension sub-committee.	Reputational risk from a national perspective and failure to adhere to legislation resulting in action by the Government or the Pension Regulator. Ineffective operation of the Investment sub-Committee leading to bad decision making.	David Anthony	Local Pension Board, approved by Wiltshire Council on 24 February. Following. Recruitment has taken place and all places filled with first meeting scheduled for 16 July 2015, following induction session on 2 July 2015. These Boards will place additional demands on both Members, in particular the need to undertake training and the pension officers time in the support and provision of information.	2	2	4	Low	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 Report has shown how its been effective over the past 12 months in assisting in the effectiveness of administration of the Fund.	David Anthony	Jul-16	1	3	3	Low	20 Sep 16	→
PEN020	Pooling of LGPS assets	Regulatory & Governance	The Fund needs to respond to the Government's consultation for significantly ambitious proposals for pooling of LGPS assets	If not involved in forming proposals the Government may impose of pooling arrangement on the Fund over which it has not control. If implemented incorrectly this could be costly in terms of additional fees and poor investment returns.	David Anthony	The Fund is being proactive in exploring options with Project Brunel on the potential feasibility of setting up a pooling arrangement. Progress and updates regularly reported to Committee. The Fund approved the submission to Government in response to the consultation in July 2016. A full business case is now being developed by Brunel supported by officers for consideration by Committee in the autumn.	3	4	12	High	There is significant amount of resource required by officers to progress this project and develop the full business case. Members were concerned that the LGPS pooling of assets was a risk to the Fund by increasing workload for officers and the potential movement of staff out of the Fund to the pool impacting on key man risk, knowledge levels of officers and resourcing other Fund activities.	David Anthony	Jul-16	1	3	3	Low	20 Sep 16	↑
PEN023	Resources of Officers and Members to meet the expansion of business items	Regulatory & Governance	The recent expansion of business items resulting from continued consultations, pooling of assets, and additional governance requirements.	It is increasingly more difficult for officers to thoroughly consider issues and to deliver concise agenda papers covering all the relevant issues, while members are faced with larger report packs trying to cover the pertinent details.	David Anthony	More use of web links within the Committee papers to reduce the size of the packs.	2	3	6	Medium	The adequacy of officers resources to support the Fund's 3 committees, the on-going pooling agenda and the additional complexities arising from regulatory scheme changes will need to be monitored through work planning and appraisals. It is looking clear that to support both Brunel and the on-going workloads additional management resource is required.	David Anthony	Jul-16	1	2	2	Low	20 Sep 16	→
PEN025	Academisation of Schools	Regulatory & Governance	The recent proposals from the Government to encourage all school to convert to academy status.	Additional governance and administration risk. If all schools were to convert then the number of employers in the Fund could jump from 170 to between 400 and 500.	David Anthony	Regular communications with schools to understand their intentions. Questionnaires recently sent to Schools.	2	3	6	Medium	If the number of employers increases significantly the Fund will need to consider resources for managing this increased administration and governance workload. To be kept under review.	Denise Robinson	Apr-17	1	1	1	Low	20 Sep 16	→
PEN013	Failure to communicate properly with stakeholders	Communication	Lack of clear communications policy and action, particularly with employers and scheme members.	Scheme Members are not aware of the rights and privileges of being in the scheme and may make bad decisions as a result. Employers are not aware of the regulations, the procedures, etc, and so the data flow from them is poor.	David Anthony	The Fund has a Communications Manager and Employer Relationship Manager dedicated to these areas full-time, including keeping the website up-to-date, which is a key communications resource. The Fund also has a Communications Policy.	2	2	4	Low	Member communication continues to be developed and the current round of pension clinics are being held. Both Employer and Members newsletters have been sent out during March / April. An employer forums were held in April and September with an AGM being planned for the winter.	Zoe Stannard / Denise Robinson	Dec-16	1	1	1	Low	20 Sep 16	→

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