

AGENDA

Meeting: Wiltshire Pension Fund Committee

Place: Kennet Room - County Hall, Bythesea Road, Trowbridge, BA14 8JN

Date: Thursday 18 July 2019

Time: 10.30 am

Please direct any enquiries on this Agenda to Jim Brewster, of Democratic Services, County Hall, Bythesea Road, Trowbridge, direct line 01225 718242 or email jim.brewster@wiltshire.gov.uk

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

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

Membership:

Cllr Tony Deane (Chairman)
Cllr Roy While (Vice-Chairman)
Cllr Steve Allsopp
Cllr George Jeans

Cllr Gordon King
Cllr Christopher Newbury
Cllr Brian Ford

Substitutes:

Cllr Derek Brown OBE
Cllr Matthew Dean
Cllr Sarah Gibson
Cllr Gavin Grant

Cllr Bob Jones MBE
Cllr Fleur de Rhé-Philippe MBE
Cllr Ian Thorn

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Public Participation

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

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

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

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

AGENDA

Part I

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

1 **Membership**

Cllr Tim Swinyard (Swindon Borough Council) leaves the committee and Cllr Brian Ford (Swindon Borough Council) joins the committee.

2 **To confirm the membership of the ISC** (*Pages 9 - 12*)

Membership of Investment sub Committee as appointed by full council on 21 May 2019 was; Cllr Tony Deane (Chair), Cllr Roy While (Vice-Chair), Cllr Gordon King and Cllr Tim Swinyard (Swindon Borough Council).

Cllr Tim Swinyard has left Wiltshire Pension Fund Committee and a new appointment to Investment sub Committee from the membership of Wiltshire Pension Fund Committee is required.

3 **Apologies for Absence**

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

4 **Minutes** (*Pages 13 - 20*)

To confirm the Part 1 minutes of the meeting held on 14 March 2019.

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**

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 on the front of the agenda 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 on the front of this agenda no later than 5pm on **Thursday 11 July** in order to be guaranteed of a written response. In order to receive a verbal response questions must be submitted no later than 5pm on **Monday 15 July**. Please contact the officer named on the front 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 **Minutes and Key Decisions of the Investment Sub-Committee** *(Pages 21 - 24)*

To receive the Part 1 minutes, and consider recommendations arising, from the last meeting of the Investment Sub-Committee held on 5 June 2019.

9 **Minutes and Key Decisions of the Local Pensions Board** *(Pages 25 - 34)*

To consider the Part 1 minutes, and recommendations arising, from the Local Pension Board meeting held on 23 May 2019.

10 **Scheme, Legal, Regulatory and Fund Update** *(Pages 35 - 40)*

A report from officers updating the Committee on various developments.

11 **Internal Audit Report** *(Pages 41 - 64)*

Officers present the outcome of two recent internal audit reports undertaken by SWAP.

12 **Key Performance Indicators** *(Pages 65 - 76)*

The latest quarterly update from the Head of Pensions Administration and Relations on the Fund's KPIs

13 **Administration Budget** *(Pages 77 - 80)*

A paper by Officers outlining the budget outturn for 2018/2019 for noting and to seek approval for subsequent amendments for the budget for 2019/2020.

14 **Training Item: New CIPFA accounting guidelines**

A short presentation by the Investment Manager providing an overview of new CIPFA accounting guidelines which apply this year.

15 **Annual Report and Accounts (Pages 81 - 248)**

Committee is asked to endorse the Annual Report and Accounts for 2018/2019 ahead of approval by Audit Committee and publication.

16 **Pension Fund Risk Register (Pages 249 - 258)**

A proposal for revised format Risk Register is brought to the Committee for approval (including an update to risks too).

17 **Date of Next Meeting**

To note that the next regular meeting of the Committee will be held on 26 September 2019.

18 **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.

19 **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 20 – 28 because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in 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

20 **Triennial Valuation 2019: Modelling outcomes and Contribution Rate Strategy** *(Pages 259 - 268)*

An overview of the outcome of the modelling undertaken by Hymans on contribution for noting and a proposed for setting contribution rates for the next three years.

21 **Strategic Asset Allocation:** *(Pages 269 - 280)*

An overview of the modelling done by Hymans to identify a high-level investment strategy with the appropriate risk and returns characteristics, and a presentation by Mercer on the detailed portfolio design work done to date, with recommendations for immediate actions, and considerations of possible further work.

22 **Unison/Share Action's responsible investing in the LGPS report** *(Pages 281 - 304)*

A report from Unison looking at responsible investing and inviting comment from the Committee.

23 **Wiltshire Council's acknowledgement of a 'Climate Emergency'** *(Pages 305 - 324)*

A discussion about what actions the Committee should take following the Council's acknowledgement of a 'Climate Emergency', and related resolutions taken on 26 February 2019.

24 **Brunel Pension Partnership update**

A verbal update by the Investment Manager on the progress of the implementation of the Brunel Pension Partnership.

25 **Investment Quarterly Progress Report** *(Pages 325 - 354)*

Three confidential reports are circulated updating the Committee on the performance of the Fund's investments to 31 March 2019. These were considered by the Investment Sub-Committee at its meeting on 5 June 2019 and are circulated for information only.

26 **Minutes and Key Decisions of the Investment Sub Committee** *(Pages 355 - 360)*

To consider the Part 2 (confidential) minutes of the Investment Sub Committee meeting held on 5 June 2019.

27 **Brunel Oversight Board meeting minutes:** *(Pages 361 - 376)*

To note the minutes of Brunel Oversight Board held 31 January 2019 and 30

April 2019.

28 **Minutes of Pensions Committee** (*Pages 377 - 386*)

To confirm the Part 2 (confidential) minutes of the meeting held on 14 March 2019.

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APPENDIX B

TERMS OF REFERENCE

Wiltshire Pension Fund Investment Sub-Committee (ISC)

Purpose and functions of the ISC:

The role of the Wiltshire Pension Fund Investment Sub-Committee shall be to consider, in detail matters relating to the investment of the assets within the strategic investment framework and performance of investment managers in achieving the Fund's investment objectives.

It will also be responsible for considering and determining opportunistic investments for assets limited in cumulative value to 5% of the Fund's strategic allocation, using its delegated powers to agree whether to make an investment and to select an appropriate investment vehicle when necessary following a selection process.

The ISC may also be occasionally requested to by the Wiltshire Pension Fund Committee to undertake research and report back on a specific investment areas.

All decision taken and recommendations will be reported back to the next available ordinary meeting of the Wiltshire Pension Fund Committee in the form of the minutes of the ISC.

The ISC, will be responsible for:

- 1 Reviewing strategic and emerging opportunities outside the strategic asset allocation and make recommendations to the Committee.
- 2 Reporting regularly to Committee on the performance of investments and matters of strategic importance
- 3 Monitor investment managers' investment performance and recommend decision to terminate mandates on performance grounds to Committee.
- 4 Researching and providing a report back to the Wiltshire Pension Fund Committee on any specific investment areas requested.

The ISC will have delegated authority to:

- 5 Approve and monitor tactical positions within strategic allocation ranges.
- 6 Implement investment management arrangements in line with strategic policy, including the setting of mandate parameters and the appointment of managers.
- 7 Approve amendments to investment mandates within existing return and risk parameters.
- 8 Delegate specific decisions to officers as appropriate.
- 9 In relation to the opportunistic investing of a cumulative value of 5% of the total Fund assets, the ISC will:
 - 9.1 Review proposals put forward by either the Fund's adviser, officers or the Wiltshire Pension Fund Committee in regards to potential opportunistic investments;

- 9.2 Consider only investments that have the potential to deliver more favourable returns than global passive equities which will be the benchmark for success;
- 9.3 Consider only investment that have between a 3 to 7 year time horizon and investments must be redeemable after 7 years as a maximum;
- 9.4 Make decision to invest in an investment that meets the criteria listed in point 9.1 - 9.3;
- 9.5 Agreeing the most appropriate procurement process for delivering an agreed investment outlined in 9.4;
- 9.6 Making an appointment in the relevant investment fund on conclusion of a robust process for selection;
- 9.7 Reporting the outcome of the use of any delegated powers or to make recommendation (where appropriate) to the next meeting of the Wiltshire Pension Fund Committee;
- 9.8 Making a decision to disinvest in any investment appointed by the ISC with any realised assets being either re-invested in another appropriate vehicle that complies with 9.4 or to be held with the passive global equities allocation;

In order to achieve this the ISC will

1. Receive reports from either the Investment Adviser, officers, Independent Governance Adviser and where applicable be circulated to all Members of the Wiltshire Pension Fund Committee;
2. Receive advice from Investment Advisers, Independent Governance Adviser, officers or any other product specialist invited by the ISC to the meeting;
3. Receive monitoring reports when appropriate on investments to inform decision making;
4. Work within the framework set by the Council's Constitution;
5. Report to the Wiltshire Pension Fund Committee as necessary on its activities and use of delegated powers;
6. Investigate other specific areas of investment when requested by the Wiltshire Pension Fund Committee.

Composition:

Voting Members:

- (i) Chairman of the Wiltshire Pension Fund Committee (or in their absence another Wiltshire Council member of the Wiltshire Pension Fund Committee appointed by the Head of Democratic Services)
- (ii) Vice-Chairman of the Wiltshire Pension Fund Committee (or in their absence another Wiltshire Council member of the Wiltshire Pension Fund Committee appointed by the Head of Democratic Services)
- (iii) An elected Wiltshire Council Member of the Wiltshire Pension Fund Committee as co-opted by the Wiltshire Pension Fund Committee. The appointment of Wiltshire Councillor to the ISC is subject to the rules of political proportionality of the Council (and in their absence another member of the Wiltshire Pension Fund Committee appointed by the Chairman and Vice Chairman).
- (iv) A Member of the Wiltshire Pension Fund Committee as co-opted by the Wiltshire Pension Fund Committee. The intention is this will be the same person for each meeting (or in their absence another member of the Wiltshire Pension Fund Committee appointed by the Chairman and Vice Chairman). The member will be appointed for 1 year.

Non-Voting Members

- (i) Investment Adviser to the Wiltshire Pension Fund Committee
- (ii) Independent Governance Adviser to the Wiltshire Pension Fund Committee
- (iii) Director of Finance, Wiltshire Council
- (iv) Head of Pensions, Wiltshire Council
- (v) Strategic Pension Manager, Wiltshire Council

Observers

- (i) Any member from the Wiltshire Pension Fund Committee is invited to attend in a non-voting capacity as relevant to the subject matter.

Quorum:

The Quorum is three voting members.

Authority:

To make recommendation and to discharge the functions of the Wiltshire Pension Fund Committee as outlined in the Terms of Reference.

Frequency of meetings:

The ISC shall meet at least quarterly ahead of the Committee meeting.

Additional ad hoc formal meetings will be held as merited in order to utilise the delegated powers in terms of opportunistic investments to make a decision, with informal meetings as required discussing background issues / seeking clarification prior to any decision being taken.

All meetings will be subject to 5 clear days notice of meeting and access by the public to part 1 and part 2 items as applicable.

Rules of procedure

As a committee of the Council, the Rules of Procedure at part 4 of the Council's constitution apply to meetings of the ISC.

Public access to ISC meetings and information

The ISC is subject to the Access to Information Procedure Rules in Part 5 of the Council's constitution.

Extract from constitution:

2.7 Wiltshire Pension Fund Committee

This committee will comprise five councillors from the authority and co-opted members as follows:

- Two voting members from Swindon Borough Council;
- Two voting Employer Representatives;
- Two non-voting employee representatives, one representing

Wiltshire Council employees, and one representing Swindon Borough Council employees.

It will exercise the functions of the Council as administering authority under the Local Government Superannuation Acts & Regulations and deal with all matters relating thereto. The committee will publish meetings attendance records in an Annual Report.

The voting Employer Representatives will serve a four year fixed term from appointment. On expiry of the four year term, applications for the position will be sought (from the incumbent and the applicable employer bodies) and an appointment process will be undertaken by the committee should more than one application be received for the role.

WILTSHIRE PENSION FUND COMMITTEE

MINUTES OF THE WILTSHIRE PENSION FUND COMMITTEE MEETING HELD ON 14 MARCH 2019 AT KENNET ROOM - COUNTY HALL, BYTHESEA ROAD, TROWBRIDGE, BA14 8JN.

Present:

Cllr Steve Allsopp, Cllr Tony Deane (Chairman), Cllr George Jeans, Cllr Gordon King, Cllr Christopher Newbury and Cllr Roy While (Vice-Chairman)

Also Present:

Cllr Richard Britton, Mr Jim Edney, Mrs Diane Hall, Mr Mike Pankiewicz and Mr Howard Pearce

1 Apologies for Absence

There were no apologies.

2 Chairman's Announcements

The Chair announced that George Jeans joined the committee and that Tom Rounds had left the committee.

Chris Moore was welcomed as an observer pending his appointment as employer representative on the committee.

The Chair announced that Jim Edney had decided to relinquish his role after 9 years as Independent Governance Adviser to the Fund. The Chair and the Committee thanked him for his valued service.

3 Wiltshire Pension Fund Committee Minutes Part 1

Resolved

The minutes of the meeting held on 12 December 2018 were approved.

4 Declarations of Interest

There were no declarations of interest.

5 Public Participation

There were no members of the public present.

6 Minutes and Key Decisions of the Investment Sub-Committee

Resolved

The minutes of the Investment Sub-Committee from the meeting held on 21 February 2019 were approved.

7 Minutes and Key Decisions of the Local Pensions Board

Resolved

The minutes of the Local Pension Board held on 24 January 2019 were noted.

8 Scheme, Legal, Regulatory and Fund Update

Officers talked through a report that updated the Committee on legal and regulatory issues.

Reform to public sector exit payments continued to be delayed. The Pensions Regulator (tPR) was very active, but currently focused on funds other than Wiltshire Pension Fund. The Fair Deal consultation released by MHCLG's aims was explained as being a step in the right direction but concerns still existed if the approach would be effective; officers will respond to the consultation. The cost cap mechanism had been stalled whilst the McCloud case was concluded. Wiltshire Pension fund enjoyed the highest level of compliance required by the Financial Reporting Council, and officers will review practice and report to Committee to maintain that status. CIPFA guidance remained unpublished.

The discussion addressed communications from tPR, the need for active scanning of tPR's work and priorities. The Committee gave assurances to officers that scrutiny beyond the 'light-touch' could be subject to representation to tPR from the Committee.

Resolved

The Committee noted the report.

9 Pension Fund Risk Register

Officers talked through the latest Risk Register, there were no changes since the last meeting. Officers plan to reformat the risk register to bring it in line with the latest corporate approach and to make it easier to understand how mitigating actions have affected the risk assessment.

Resolved

The Committee noted the report.

10 **Key Performance Indicators**

Officers talked through a report on key performance indicators (KPI).

The value of KPIs in identifying issues and clarifying paths to improved performance was discussed. Officers stated that KPIs indicate a snapshot of current performance whilst actions aimed at improved performance were detailed in further reports, for example, the Data Improvement Plan.

The Chair of the Local Pensions Board stated his concerns were about deadlines and workloads and emphasised that he was assured by the direction of travel towards compliance with statutory guidelines.

The Chair re-iterated the desire to manage backlogs within available resources to minimise costs and noted the work of the pensions team to reduce the occurrence of backlogs in the longer term.

Resolved

The Committee noted the report.

11 **AVC Training and Options**

Richard Bullen, Fund Governance & Performance Manager, introduced the provision of options for members to make Advanced Voluntary Contributions (AVC). The only open scheme for new members was the Prudential, the others being Equitable Life, Clerical Medical and NPI/Pheonix. A key update was the proposed buy-out of Equitable Life by Reliance Life and its parent company, the Life Company Consolidation Group, that may result in a capital distribution payment for members, subject to court rulings expected at the end of 2019.

A discussion also took place on the Fund's review arrangements for its AVC service providers and the impact of Wiltshire Council's AVC Wise campaign on officer resources, which were agreed to be currently sufficient.

The extent to which AVC options should be promoted was also considered and it was concluded that emphasis should be placed on ensuring no advice is provided, but ensuring that Scheme members are aware of the whole benefit structure offered by the Fund.

Resolved

To continue to delegate management of AVC options for members to officers and for officers to report to committee by exception.

12 **Additional Voluntary Contributions (AVCs) New Fund Proposals**

Officers talked through a report that detailed the work done in increasing the offer to members seeking to make Advanced Voluntary Contributions (AVC). A number of funds were identified as vehicles for widening the choice available to members.

Resolved

To approve the additions to funds to AVC fund choices as recommended by officers.

To approve the four new Lifestyle options and to adopt the cash options strategy for members who wish to take a tax free lump sum on retirement and the retirement options strategy.

To approve the retirement options Lifestyle strategy as the default option into which existing Lifestyle funds will be transferred on 22nd July.

13 **Data Improvement Plan**

Officers talked through the report on Data Improvement that seeks to enhance the quality of data. The plan focused on tightening internal operations and improving reconciliation with external data sources, with the key intentions of enabling the Fund to operate more efficiently, ensuring members data is accurate and fulfilling the requirements laid down by the Pension Regulator. Two recently purchased software applications, i-Connect and member-self-service (MSS) were two initiatives that would assist in improving data quality over time.

The Chair of the Local Pensions Board suggested that the fund's understanding of its data quality would be improved by the process of its data being interrogated as part of the actuarial valuation and subsequent updating. Metrics on data queries arising from the valuation & MSS changes by members should therefore be recorded.

The Chair thanked officers for their work in clarifying where the fund stands in respect of data quality and the work done to date to create a direction of travel.

Resolved

To approve the report noting the comments of The Chair of the Local Pensions Board and to bring a report back to Committee in 12 months time.

14 **Business Plan**

Officers talked through the Business Plan that set out a vision and actions for Year 1 (2019).

The business plan was welcomed by the Committee. Officers were asked to highlight the importance of training implicit in the plan to ensure that developing

people was understood as being central to organisational health over the longer term.

Resolved

To approve the business plan subject to any further comments provided by Committee members following circulation.

15 **Administration Budget 2019/2020**

The budget, which indicates an overall rise of 7.1%, was talked through by officers. The value of legal support, procurement issues and sur-charge costs were all discussed.

Diane Hall stated that the rise in recharges from Central Finance appeared disproportionate and questioned the method of arriving at the new figure.

Resolved

To approve the budget subject to the Chair obtaining clarification from the Section 151 Officer on how the rise in recharges was arrived at.

16 **Clarification of governance roles**

The Independent Adviser, Jim Edney, welcomed developments on governance and clarification of the relationship of Board to Committee as being what was required by the fund.

Resolved

The Committee noted the report.

17 **Committee's requests to the Board**

The committee made no specific requests for support or research of the Board.

18 **Date of Next Meeting**

The next meeting of the pensions committee will be on 18 July 2109.

19 **Urgent Items**

There were no urgent items.

20 **Exclusion of the Public**

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 21-27 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.

21 **Triennial Valuation 2019**

Assumption on scaled withdrawals

Resolved

To increase the default assumption by 40% for full-time males and 40% and 50% respectively for full-time and part-time females respectively and adopt the default assumption for part-time males.

Assumption on death in service

Resolved

To adopt the default assumption for death in service for both males and females.

Assumption on salary scale

Resolved

To adopt the default salary scale for both males and females.

Assumption Ill Health

Resolved

To adopt the default assumption for males and part-time females and apply scaling of 120% for full-time females.

To adopt the default assumption for tier 2 ill health retirements.

Assumptions on demographics

Resolved

To adopt Hymans Robertson's demographic assumptions.

Assumptions on salary growth

Resolved

To use the more prudent scenario 2 (RPI less 0.6%) and review at the next valuation.

Establishing a level of prudence and its impact on the discount rate

Resolved

To maintain the status quo in the level of prudence (two thirds probability of achieving returns) subject to final confirmation once the new investment strategy has been confirmed at the next meeting.

22 Brunel Pension Partnership update

The Investment Manager gave a verbal update on Brunel pensions Partnership.

23 Investment Quarterly Progress Report

Resolved

The committee approved the decision of Investment Sub-Committee to invest in listed infrastructure through with Magellan's Global Select Infrastructure Fund.

24 Investments - Listed Infrastructure Recommendation

Resolved

The committee approved the decision of Investment Sub-Committee to invest in listed infrastructure through with Magellan's Global Select Infrastructure Fund.

25 Part 2 Minutes and Key Decisions of the Investment Sub Committee

Resolved

The part 2 minutes of the Investment Sub Committee held on 21 February 2019 were approved.

26 Local pension Board Minutes Part 2

Resolved

The part 2 minutes of the Local Pension Board held on 24 January 2019 were noted.

27 Wiltshire Pension Fund Committee Minutes Part 2

Resolved

The minutes of the meeting held on 12 December 2018 were approved.

(Duration of meeting: 10.30 am - 2.00 pm)

The Officer who has produced these minutes is Jim Brewster of Democratic Services,
direct line 01225 718242, e-mail jim.brewster@wiltshire.gov.uk

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

INVESTMENT SUB-COMMITTEE

MINUTES OF THE INVESTMENT SUB-COMMITTEE MEETING HELD ON 5 JUNE 2019 AT KENNET ROOM - COUNTY HALL, BYTHESEA ROAD, TROWBRIDGE, BA14 8JN.

Present:

Cllr Tony Deane (Chairman), Cllr Gordon King and Cllr Roy While

Also Present:

Richard Bullen, Andy Cunningham, Jennifer Devine, Anthony Fletcher, Becky Hellard, Shruti Moraes, Mike Pankiewicz and Dave Willers

14 Election of a Chairman

Cllr Tony Deane was nominated by Cllr Gordon King and seconded by Cllr Roy While. There being no other nominations, Cllr Tony Deane was duly appointed as Chair of Investment Sub-Committee for the municipal year 2019 – 2020.

Resolved:

Cllr Tony Deane was elected Chair of the Investment Sub-Committee for the municipal year of 2019 – 2020.

15 Apologies

Apologies were received from Cllr Brian Ford.

16 Minutes

Resolved:

The minutes of the meeting held on 21 February 2019 were approved.

17 Declarations of Interest

There were no Declarations of Interest.

18 Chairman's Announcements

The Chair drew the Committee's attention to the recent Unison report, 'Analysis of the Investment Strategy Statements of the LGPS Administration Authorities,

March 2019'. The Chair welcomed the report's aims and invited comment from members.

It was noted that members needed more time to read the report, and it was suggested as an item to take to pension committee.

Resolved:

To circulate the report and add it to the agenda for Pension Committee on 18 July 2019.

19 **Public Participation and Councillors Questions**

There were no members of the public present. There were no questions from Councillors.

20 **Date of next meeting**

The date of the next ordinary meeting of the Investment Sub-Committee will be held on 5 September 2019.

21 **Urgent items**

There were no Urgent Items.

22 **Exclusion of the public**

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 23 - 30 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.

23 **Investment Quarterly Progress Report**

Resolved:

The Committee noted the Investment Quarterly Progress Report and the update provided by officers and advisers at the meeting.

That Brunel, specifically Richard Fanshawe and Vanessa Jacka, be invited to Investment Sub-Committee

That the Investment Manager would summarise fund manager's quarterly reports to allow committee to focus upon fund manager's presentation.

24 **Investment Manager's Database**

Resolved:

The Committee noted the reports on the Investment Manager's Database and the update provided by officers and advisers at the meeting.

25 **Accounting update**

Resolved:

The Committee noted the Accounting Update report.

26 **Mercers report**

Resolved:

The Committee noted the update.

27 **Baillie Gifford Presentation and Q1 2019 Quarterly report**

Resolved:

The Committee noted the presentation and report.

28 **Barings Presentation and Q1 2019 Quarterly report**

Resolved:

The Committee noted the presentation and report.

29 **Loomis Presentation and Q1 2019 Quarterly report**

Resolved:

The Committee noted the presentation and report.

30 **Minutes**

Resolved:

The part 2 (confidential) minutes of the meeting held on 21 February 2019 were approved.

(Duration of meeting: 2.02 pm)

The Officer who has produced these minutes is Jim Brewster of Democratic Services,
direct line 01225 718242, e-mail jim.brewster@wiltshire.gov.uk

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

LOCAL PENSION BOARD

**MINUTES OF THE LOCAL PENSION BOARD MEETING HELD ON 23 MAY 2019
AT WEST WILTSHIRE ROOM - COUNTY HALL, BYTHESEA ROAD,
TROWBRIDGE, BA14 8JN.**

Present:

Howard Pearce (Chairman), Cllr Richard Britton, Pankiewicz, Howard Pearce (Chairman) and Barry Reed

Also Present:

Cllr Philip Whitehead, Becky Hellard, Richard Bullen, Andy Cunningham, Stuart Dark, Jennifer Devine, Becky Hellard and Cllr Philip Whitehead

23 Apologies

Apologies were received from Cllr Gordon King, David Bowater and Sarah Holbrook

The Chair sought an update on board membership. Officers advised of potential new nominees from employers and the process, including nomination of candidates and ballots that will be used to secure member representatives.

Resolved:

To conduct the membership recruitment process as set out by the Fund Governance and Performance Manager.

24 Local Pension Board Part 1 Minutes and LPB Action Log

The Part 1 minutes of the meeting held on 24 January 2019 were approved.

It was noted that since the January meeting, a review of the actions log had been made against the original meeting minutes which had been recorded. Consequently, the actions log had been updated in two key regards;

- That the reference numbers recorded on the actions log would reflect the minute numbers for each meeting
- That actions on the log should only relate to actions determined in the minutes

The Action Log was discussed in respect of minute reference 36.

Cllr Richard Britton questioned the shifting deadlines on 36 and asked how the board would know this had been done. Officers stated that that this action had been addressed and that internal audit always reviewed previous recommendations as part of future audits. The third part of this action, relating to the reconciliation between the Payroll & Pension databases, remained ongoing. A new action under minute 35 of these minutes would be created to recorded to monitor this reconciliation, as a bespoke Data Improvement Plan had now been implemented.

It was agreed that the following actions could be closed;

- 42 (13/07/2017)
- 44 (13/07/2017)
- 9 (15/03/2018)
- 31 (12/07/2018)
- 36 (12/07/2018)
- 37 (12/07/2018)
- 60 (11/10/2018)
- 64 (11/10/2018)
- 67 (11/10/2018)
- 8 (24/01/2019)
- 13 (24/01/2019)

It was noted that both the older and new referencing system appeared on the current actions log. As the older actions were cleared, the new referencing arrangement would become clearer.

Resolved:

The minutes from the meeting held on 24 January 2019 were approved.

That reference numbers on the Action Log would be made clearer and that actions would also be RAG rated.

25 **Declarations of Interest**

There were no Declarations of Interest.

26 **Chairman's Announcements**

The Chair reminded the board of its purpose in supporting the efficiency, compliance and effective and efficient governance of Wiltshire Pension Fund.

The Board's attention was drawn to the Scheme Advisory Board's Good Governance survey and the value of collective input into that process was highlighted.

27 **Public Participation and Councillors Questions**

There were no members of the public present.

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

Resolved:

The board noted the minutes and key decisions of the Wiltshire pension Fund Committee and sub Committee.

29 **Training Item: Changes to the Annual Report and Accounts Guidance**

Officers advised the board of CIPFA's guidance on the production of an Annual Report and accounts and that Deloitte UK had been appointed as auditors and were starting work within seven days.

The process for approval was set out as follows; the Pension Committee (18 July 2019) recommend the annual report and accounts to Audit Committee (24 July) whilst the Pension Board review the annual report electronically (by receiving a draft copy (10 July 2019)) to enable a recommendation to Pension Committee to approve both (26 September).

CIPFA's guidance was said to be placing new emphasis upon; pension pooling costs and savings, and more consistent disclosure of key performance indicators.

The Chair sought clarity on who was checking against the separate guidance on annual report and accounting and was informed that this was done internally. The Chair then asked that Deloitte UK confirm this as part of their audit.

The Chair thanked officers for their hard work.

30 **Internal Audit Report**

Officers advised the meeting that a second internal audit would take place later in the year covering the Pension Regulator Code of Practice 14 requirements. A report on that audit would be submitted to the Board.

Resolved:

That the board was to receive a six-monthly update on the Key Controls and GDPR audit recommendations and whether they have been actioned or completed.

31 Scheme legal, regulatory and Fund update

Officers talked through their report on changes to legal and regulatory frameworks and brought the Board's attention to, reforms to public sector exit payments, fair deal consultation, cost cap mechanism, good governance and the absence of the pensions regulator from the document.

The board suggested that statutory actions be presented before strategy actions.

Resolved:

The Board noted the report.

32 Risk Register update

Officers talked through a proposal to produce a re-formatted risk register and brought the board's attention to the content being the same but that the changes made for a more evidence-based approach.

Cllr Richard Britten welcomed the changes and alignment with the corporate approach to expressing risk and responses to risk, but sought clarity on the nature of risk in distinguishing horizon risk, dynamic risk, ongoing risk and ceased risk. There was also a request for more detail and granularity used to show the specific risks for mitigation - rather than an area of activity, such as 'pooling'.

The Chair suggested that presentation of risk against the eight CIPFA categories should be adopted, with a second categorisation for identifying risk split by business plan objective & service function.

The consistency of the register with LGPS guidance and its improved legibility was noted.

Resolved:

To note the proposed changes to the risk register and to develop it by providing more detail about specific actions taken to mitigate risk.

To sense check information recorded on the current risk register to ensure consistency.

33 **Administration Key Performance Indicators**

Officers talked through a report on key performance indicators that linked KPIs to administration strategy of fund and employers, CIPFA disclosure requirements and data quality.

The Chair thanked officers and invited the board to comment. The debate that followed highlighted that administration strategy KPIs could be presented after disclosure requirements KPIs and that the disclosure requirements would benefit from a trend line. Where increased volumes of incoming work made for backlogs, it was suggested that the quantity of new, incoming cases be presented as context. It was asked that the data missing on 'Joiners' in Appendix 3 be entered into the table. Officers responded that they were aware of issue but currently faced some technical difficulties in resolving the matter.

Resolved:

The board noted the report and recommended making the changes highlighted in the discussion.

34 **WPF Business Plan 2019-2022**

Officers talked through the Business Plan and the budget as a financial illustration of that plan. The debate that followed addressed levels of resourcing and capacity and the approaches to year 1 and year 2.

The Board requested that the budget reflect the objectives and actions within the business plan.

The Chair thanked the team for the business plan and highlighted the processes it puts in place, the reporting mechanisms it establishes and its capacity to identify necessary future resources.

Resolved:

The board noted the plan.

35 **Data Improvement Strategy and Plan**

The data improvement plan was introduced by officers and was welcomed by board members and the Chair as a good paper that provides a sound basis for future review of performance.

Resolved:

The board noted the report and that a sub-plan had been prepared in respect of the Payroll & Pension database reconciliation. An update on the reconciliation would be provided in six months.

36 **Clarification of the roles of the Local Pension Board and Committee**

Officers updated the board on work done to; develop the terms of reference of committee, sub committee and board, align meetings with the business cycle, manage member inductions and develop communications.

The discussion that followed distinguished the board's role as being one of addressing compliance rather than one scrutinising committee decisions.

Without the emphasis upon the role of compliance, there is a risk of duplication between board and committee.

Resolved:

The board noted the progress made by officers.

37 **Draft Local Pension Board Annual Report**

The Chair invited comments on the annual report from board members. Assurances of the accuracy of the training log and section covering the outcomes of LPB recommendations to Committee were sought and provided.

The following corrections were requested;

- that Mike Pankiewicz should no longer be described as an 'active' member
- that the independent advice fees should be verified

The Chair thanked the team for their hard work.

Resolved:

The board approved the report for publication, subject to the corrections being made.

38 **How did the Board do?**

The board discussed a Unison report on LGPS and environmental and social governance.

Resolved:

The board recommended that the committee address ESG as part of the fund's Investment Strategy.

39 **Urgent items**

There were no urgent items.

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

The date of the next meeting was set as 22 August 2019. As this date falls in the holiday period, member availability would be checked prior to the meeting being confirmed.

Mike Pankiewicz requested confirmation on whether the August meeting would be quorate in view of Member Representatives terms of office expiring on 14 July. Officers noted that the Union Member appointments and active member appointments followed a separate process under the terms of reference. With the Union member appointments due to be confirmed in July, officers were confident that the August meeting would be quorate.

41 **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 42 - 44 because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraphs 1 & 3 of Part I of Schedule 12A to the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public. The Chairman moved to Part 2 of the meeting.

42 **Brunel Pension Partnership update**

Resolved:

The board noted the update.

43 **Minutes and Key Decisions of the Wiltshire Pension Fund Committee and Investment Sub-Committee and Brunel Partnership Oversight Board**

Resolved:

The board noted the minutes of Wiltshire Pensions Fund Committee and Investment sub-Committee and Brunel Partnership Oversight Board.

44 Private Part 2 Minutes LPB 24th-Jan-2019 10.00 Local Pension Board

Resolved:

The board approved the Part 2 Minutes of the Local Pension Board held on 24 January 2019.

(Duration of meeting: 12.30 pm)

The Officer who has produced these minutes is Jim Brewster of Democratic Services, direct line 01225 718242, e-mail jim.brewster@wiltshire.gov.uk

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

| Organisation | Subject | Link | Status | Comments | Risk Ref |
|--------------|--|---|---------|--|----------|
| HM Treasury | Reforms to public sector exit payments. | https://services.parliament.uk/bills/2017-19/publicsectorexitpaymentslimitation.html | Updated | <p>A 'final' consultation on this topic closed on 3 July 2019. The main proposal is that all employer costs (pension and non-pension) are capped at £95k when an employee leaves on grounds such as a compromise agreement or redundancy. For redundancy, the statutory redundancy payments must be paid so other benefits would need to be adjusted to ensure the £95k is not breached (although some exceptions apply).</p> <p>The consultation is not clear on how this would work in Schemes such as the LGPS. It is likely that LGPS Regulations would need to be changed such that an employee who leaves aged 55 over on redundancy grounds would face some reductions to their pension. For non-redundancy cases, existing employer discretions may become limited. Furthermore, the likely implementation date is also not clear.</p> | PEN021 |
| CIPFA | LGPS Administration Benchmarking and Resources | CIPFA website | New | <p>CIPFA Pensions Panel has issued an open letter concerning benchmarking (which now forms part of the Annual Report) and pressure on LGPS resources.</p> <p>Officers are supportive of the concept of industry benchmarking, and believe adding requirements to the Annual Report is a positive step, but then much more development is required to help ensure the data is meaningful and comparable between Funds.</p> | None |
| MHCLG | Fair Deal Consultation | https://www.gov.uk/government/consultations/local-government-pension-scheme-fair-deal-strengthening-pension-protection | Updated | Officers have responded to the consultation but have yet to hear anything further from MHCLG. The next step is likely to be either another consultation or the introduction of legislation. | PEN040 |
| | <i>Changes to the Local Valuation Cycle and the Management of Employer risk Consultation</i> | https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/800321/LGPS_valuation_cycle_reform_consultation.pdf | New | <p>This consultation covers the following areas:</p> <ol style="list-style-type: none"> 1). Amendments to the local fund valuations from the current three-year (triennial) to a four-year (quadrennial) cycle. 2). A number of measures aimed at mitigating the risks of moving from triennial to quadrennial cycles. 3). Proposals for flexibility on exit payments. 4). Proposals for further policy changes to exit credits 5). Proposals for policy changes to employers required to offer LGPS Membership. <p>Section 5 proposes giving greater flexibility for further education corporations, sixth form college corporations and higher education</p> | PEN044 |

| Organisation | Subject | Link | Status | Comments | Risk Ref |
|--|--|---|----------------------------------|---|----------|
| | | | | <p>corporations concerning membership of the LGPS and is the most surprising part of this proposal; current employees would be protected but future employees could be ineligible.</p> <p>The consultation closes on 31 July 2019.</p> | |
| The Department of Work and Pensions (DWP) | Pension dashboard project | https://pensionsdashboardproject.uk/industry/about-the-pensions-dashboard-project/ | No change since the last meeting | Discussions are still going on at a national level. Recent discussion suggests an implementation timeframe of 3-4 years. | PEN038 |
| Financial Reporting Council | Proposed revision to the UK Stewardship Code | https://www.frc.org.uk/investors/uk-stewardship-code | | <p>The Financial Reporting Council (FRC) has consulted on a new Stewardship Code that sets substantially higher expectations for investor stewardship policy and practice.</p> <p>The consultation on the draft 2019 UK Stewardship Code closed on 29 March and the FRC has been analysing the responses. The responses indicate that there is strong support for consideration of ESG issues, greater use of asset classes beyond listed equity, the setting of expectations within the investment community and better reporting of activities and outcomes.</p> <p>They are now carrying out a process of targeted outreach to test the changes before the revised code is published in October.</p> | None |
| Scheme Advisory Board (SAB) | Academies' review | http://www.lgpsboard.org/index.php/structure-reform/review-of-academies | No change since the last meeting | <p>SAB commissioned PwC to produce a report on "Options for Academies in the LGPS" commissioned and the report was published in May 2017. The report identified and highlighted problems/issues experienced by stakeholders. No recommendations were made in the report, although the potential benefits of new approaches to the management of academies within the LGPS were highlighted. The proposals were wide ranging from minor alterations to academies being grouped together in a single LGPS Fund.</p> <p>SAB's work is still on-going and Bob Holloway from the LGA previously stated that a wide range of options in both work streams are still be considered. For example, changing the administration arrangements or</p> | None |

| Organisation | Subject | Link | Status | Comments | Risk Ref |
|--------------|--|---|----------------------------------|---|----------|
| | | | | putting academies into their own Fund etc. However, a consultation will be released on any changes proposed before they are put into force. | |
| | Cost cap mechanism & McCloud case | Summary by Osborne Clarke (our external legal advisers) | Updated | <p>The planned changes to the LGPS from 1 April 2019 have now been cancelled due to an on-going court case (referred to as the McCloud case) which now looks likely to result in material changes to the LGPS and all other public service schemes.</p> <p>The Government asked to appeal against the conclusion from the original court case, but its appeal was turned down in early July 2019 which means changes are necessary.</p> <p>The SAB decided to await the outcome to the court case before making any changes. This is far from ideal, as this could well mean we made to make onerous retrospective changes to the Scheme (w/e from April 2019 but not known until the end of 2019/early 2020) and that such changes would not be included within the triennial valuation.</p> | PEN042 |
| | Tier 3 employers review | http://www.lgpsboard.org/index.php/board-publications/invitation-to-bid | No change since the last meeting | <p>Covers those Fund employers with no tax raising powers or guarantee (excludes academies).</p> <p>SAB is keen to identify the issues and risks related to these employers' participation in the LGPS and to see if any improvements/changes can be made. There are currently two concurrent phases of work involved – collating data and identification of issues. SAB will then assess the risks to Funds and consider next steps.</p> <p>Aon Hewitt has recently produced a detailed report which is available on the SAB website which outlines its finding on the identification of issues but the report doesn't make any specific recommendations. SAB is yet to advise what actions it will take following receipt of the report.</p> | None |
| | Good Governance Project (formerly known as the Separation Project) | http://www.lgpsboard.org/images/PDF/BoardFeb18/PaperBItem50218.pdf | Updated | <p>Hymans-Robertson is leading on the latest stage of the review and they have issued a survey, which officers have circulated to Board and Committee members, as well as the S151 Officer to give them the option to complete.</p> <p>An event also took place on 15 May 2019, which the Head of Pensions Administration and Relations attended along with a Board member and the Fund Governance and Performance Manager.</p> | None |

| Organisation | Subject | Link | Status | Comments | Risk Ref |
|------------------------|-----------------------|---|----------------------------------|--|----------|
| | Guidance Project | http://www.lgpsboard.org/images/PDF/BoardFeb18/PaperBItem50218.pdf | No change since the last meeting | <p>The Guidance project will identify regulations which may be better placed within statutory guidance and to both propose the necessary amendments and assist HMCLG with the drafting of guidance.</p> <p>This project is at an early stage and no further information is available at this time.</p> | PEN039 |
| | Data Project | http://www.lgpsboard.org/images/PDF/BoardFeb18/PaperBItem50218.pdf | No change since the last meeting | <p>The SAB describes this project as: The Data project will aim to assist administering authorities in meeting the Pension Regulators requirements for monitoring and improving data and include the identification of scheme specific conditional data and the production of guidance for authorities and employers.</p> <p>No further information is currently available from the SAB. However, the SAB did consult on a common set of data points for the part of the project relating to scheme specific conditional data over the last couple of months before deciding to postpone implementation until 2019, in time for the 2019 tPR Scheme Return.</p> | None |
| Wiltshire Pension Fund | Miscellaneous Updates | None | New | <p>a). <u>Council services/internal recharges</u>: Officers are working with Wiltshire Council payroll and finance teams to put in place new contracts/service level agreements for the respective services each team supplies (Pensioner Payroll and Treasury Management). These arrangements will also form the basis of providing a more robust approach to identify the level of internal recharges needed.</p> <p>b). <u>Review of terms of reference for Committee and Board</u>: Officers have completed a review of the terms of reference for Committee and Board and circulated draft revisions to the two chairs and Section 151 officer for comments. However, upon taking the ToR to the internal Constitution Focus Group, a couple of queries/challenges were made which has resultant in another review meeting being required.</p> <p>c). <u>Board Member elections</u>: As it has been 4 years since the Board has been in existence, the terms of the current member representatives are coming to a close and new candidates are being sought.</p> | None |

| Organisation | Subject | Link | Status | Comments | Risk Ref |
|--------------|---------|------|--------|---|----------|
| | | | | <p>d). <u>Member Self Service rollout & Benefit Statement update</u>: After successfully rolling out Member Self Service to all active members, the final part of the rollout will take place concurrently with the issuing of annual benefit statements. Good progress is being made on update member records in preparation for sending out all benefits statements in July and August.</p> | |

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WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
18 July 2019

INTERNAL & EXTERNAL AUDIT UPDATES

Purpose of the Report

1. The purpose of this report is to present the Final Internal Audit Report for the Wiltshire Pension Fund, as prepared by the South West Audit Partnership (SWAP), and provide an update on the progress of the annual external audit.

Background

2. There is a requirement for a separate annual audit to be carried out on the Wiltshire Pension Fund. The external audit is carried out by Wiltshire Council's new external auditor, Deloitte.
3. Deloitte completed an interim audit visit in March 2019 but did not issue an interim report as there were no significant issues arising from this work. At the end of May, Deloitte carried out the main audit and, at the time of writing, officers are still awaiting the final report which is expected imminently.
4. An internal auditor reviewed key controls and GDPR during March and April and the final report is attached as an appendix to this paper. A further review was also carried out on the control and arrangements around transfer of assets to the Brunel Pension Partnership, and the final report is attached as an appendix to this paper.

Considerations for the Committee

5. The attached Final Audit Report on key controls and GDPR provides an opinion of 'reasonable assurance', stating

"Generally, risks are well managed by some systems require the introduction or improvements of internal controls to ensure the achievement of objectives".

6. However, the report makes two priority 2 recommendations and five priority 3 recommendations, as detailed in the report.

7. The report also states:

"Although there are a number of recommendations, a reasonable assurance opinion has been offered in relation to this audit as the Management Team of the Pensions Fund had a high awareness of the current issues and have a number of projects underway or planned to improve the controls. This includes the implementation of i-connect, member self-service, Docmail, as well as undertaking an end-to-end review of the process to identify inefficiencies."

8. For each recommendation, the Management team has agreed on actions and appropriate timescales and these are stated within the final report.
9. Work has already begun (or continued as relevant) to address each recommendation.

10. The attached Final Audit Report on the Funds Transfer Audit provides an opinion of 'substantial assurance', stating that:

"The areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed."

11. There were no recommendations for this audit.

Environmental Impact of the Proposal

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

Safeguarding Considerations/Public Health Implications/Equalities Impact

13. There are no known implications at this time.

Financial Considerations & Risk Assessment

14. There are no financial considerations resulting from this proposal although the paper reviews risk as part of the audit.

Proposals

15. The Committee is asked to:

- a) note the attached Final Audit Report;
- b) note the verbal update on the appointment of the Fund's external auditor; and
- c) recommend to officers any areas that should be covered in future.

ANDY CUNNINGHAM & JENNIFER DEVINE
Head of Pensions Administration and Relations & Investment Manager

Report Author: Andy Cunningham, Head of Pensions Administration and Relations & Jennifer Devine, Investment Manager

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

Appendices:

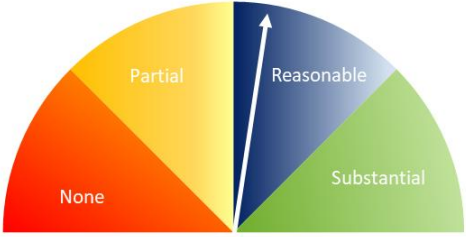
Appendix A – Final internal audit report (Key Controls and GDPR)
Appendix B – Funds Transfer

Pensions Administration 2018/19

Page 43
Final Report

Issue Date: 30 April 2019

Executive Summary

| Audit Opinion | | Recommendation Summary | |
|---|--|------------------------|----------|
|  | <p>The assurance opinion we have been able to offer in relation to this audit is Reasonable.</p> <p>Most of the areas reviewed were found to be adequately controlled. Generally, risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.</p> | Priority | Number |
| | | Priority 1 | 0 |
| | | Priority 2 | 3 |
| | | Priority 3 | 5 |
| | | Total | 8 |

Audit Conclusion

A total of three priority 2 recommendations and five priority 3 recommendations have been made. A summary of the audit recommendations made is below:

1. Failure to have effective administration of the scheme resulting in incorrect payments, inefficiencies in the process and inadequate oversight over the fund.

Two priority 2 recommendations and four priority 3 recommendations have been made for this area. The two priority 2 recommendations relate to addressing the high backlog in the team, the implementation of Key Performance Indicators (KPI) and a quality framework so the productivity and quality of the work being completed can be better monitored and managed.

The four priority 3 recommendations relate to reviewing the templates received from employers, ensuring there is an audit trail for amendments made on member files, and clearing the high value in the suspense account. A recommendation has also been carried over from last year's audit which is the reconciliation between the SAP payroll system and Altair.

2. Non-compliance with GDPR due to ineffective operational and management processes resulting in fines, loss of reputation and potential consequence for the data subject.

One priority two recommendation has been made in this area which relates to retaining client information for longer than required.

Although there are a number of recommendations, a reasonable assurance opinion has been offered in relation to this audit as the Management Team of the Pensions Fund had a high awareness of the current issues and have a number of projects underway or planned to improve the controls. This includes the implementation of i-connect, member self-service, Docmail, as well as undertaking an end-to-end review of the process to identify inefficiencies.

Background

As part of the 2018/19 Internal Audit Plan for Wiltshire Council, an audit has been undertaken to assess the effectiveness of the controls in the end to end process for the administration of The Wiltshire Pension Fund. The audit reviewed the process from new member enrolment in the scheme through to payment.

The Wiltshire Pension Fund administer the Local Government Pension Scheme (LGPS) on behalf of over 190 participating employers, including Councils, Schools, Police and Fire Authorities, other public bodies, charities and private sector companies. As at 31 March 2019, total membership was reported at over 73,000 (including active, deferred members and pensioners) with holdings of over £2.5bn of investment assets.

Corporate Risk Assessment

Objective

To ensure key controls are operating effectively for the administration of the pension fund.

| Risk | Inherent Risk Assessment | Manager's Initial Assessment | Auditor's Assessment |
|---|--------------------------|------------------------------|----------------------|
| Failure to have effective administration of the scheme resulting in incorrect payments, inefficiencies in the process and inadequate oversight over the fund. | High | Medium | Medium |
| Non-compliance with GDPR due to ineffective operational and management processes resulting in fines, loss of reputation and potential consequence for the data subject. | High | Medium | Medium |

Scope

The scope of the audit included the following:

- New scheme members and enrolment
- Contribution collection
- Payments
- Monitoring and reporting
- Complaint handling
- GDPR compliance

The scope did not include the investments processes or processes in place at third party organisations such as employers.

Findings and Outcomes

Summary of Control Framework

The Pension Fund have a number of effective processes that ensure the process is well controlled and have made good progress in addressing some of the control weaknesses.

1. Failure to have effective administration of the scheme resulting in incorrect payments, inefficiencies in the process and inadequate oversight over the fund.

All new scheme members are enrolled in to the scheme correctly and in line with process, payments from the Pension Fund are appropriately authorised and reviewed. All complaints are fully recorded and monitored in line with the complaints policy.

2. Non-compliance with GDPR due to ineffective operational and management processes resulting in fines, loss of reputation and potential consequence for the data subject.

The lawful basis for processing personal data and obtaining consent is supported by effective operational and management processes. Processes and procedures are well documented and support compliance with the GDPR including breach notifications and subject access requests.

| | | |
|-----------|--|---------------|
| 1. | Failure to have effective administration of the scheme resulting in incorrect payments, inefficiencies in the process and inadequate oversight over the fund. | Medium |
|-----------|--|---------------|

| 1.1 Finding and Action | | |
|---|---|------------------|
| Issue | Risk | |
| There is a workload backlog within the team, and individual team members productivity is not being monitored. | Reputational risk if correspondence or documentation is not received in a timely manner. Risk of fines if legislative timeframes are not met. | |
| Findings | | |
| There is currently a high volume of backlog within the team and the Head of Pensions Administration and Relations has developed an Improvement Plan to reduce the volume, this was presented and approved at the Wiltshire Pension Fund Committee meeting on 14 March 2019. Whilst the Management Team is aware of the size of the backlog, there is currently no time allocated for the completion of each task, so it is difficult to quantify the time it would take to clear. | | |
| There are also no KPI's in place for individual team members, or a framework for monitoring the productivity of team members. Performance reviews are also not occurring consistently making it difficult to identify any capability and capacity issues or bottlenecks in the process and could also potentially lead to staff performance issues. | | |
| Recommendation | | |
| 1. We recommend that the Improvement Plan be put in place, as intended, to prioritise the workflow and reduce the backlog of work. | Priority Score | 2 |
| Agreed Action | | |
| Officers will follow the details of the Data Improvement Sub Plan to aim to reduce down work in the identified areas of deferred benefit processing and aggregation to business as usual levels. | Timescale | 31 March 2020 |
| | Responsible Officer | Andy Cunningham |
| Recommendation | | |
| 2. We recommend that KPIs are developed at an Individual and Team Manager level so performance and productivity can be monitored. A quality review system should also be developed which feeds into the KPIs. | Priority Score | 2 |
| Agreed Action | | |
| Officers will develop reporting capabilities to produce details of processing volumes at an individual level. Work on this area was already planned and has already begun. | Timescale | 31 December 2019 |
| | Responsible Officer | Andy Cunningham |

| 1.2 Finding and Action | | |
|--|---|---|
| Issue | Risk | |
| Information received from employers is not always complete or protected. | Incomplete, inaccurate or unprotected data is received which could impact on the efficiency of the pension administration process and could also lead to inaccurate data being held for the member. | |
| Findings | | |
| <p>The new enrolments process is very manual and relies on accurate and timely information being emailed from employers on a spreadsheet. The spreadsheets contain personal details about the member and the information received is not always being password protected or encrypted by the employer. Also the information received is not always complete or in the required format which impacts on the efficiency of processing. There are also a number of spreadsheets used within the team which are manually edited to enable the data to be uploaded on to the system.</p> <p>A contract has recently been agreed with i-Connect which will automate key steps in the process. This will give employers the ability to log in to provide the relevant information for their employees and the i-Connect system will then prompt the employer if required information is missing. i-Connect will also complete a monthly reconciliation of starters and leavers. It is therefore anticipated that this system, when implemented, will address the issue and risk identified.</p> | | |
| Recommendation | | |
| <p>As full implementation of the i-Connect system is several months away, we recommended that in the interim:</p> <ul style="list-style-type: none"> • A review of the current templates in use is completed to ensure that only relevant data is requested and the template framework is not editable; • A review of the feedback process is undertaken for when employers are not complying (for documentation and late payments); and • Ensure employers are aware of their GDPR responsibilities. | Priority Score | 3 |
| Agreed Action | Timescale | <p>I-connect: Implementation to start by end of 2019</p> <p>Other items: End of June 2019</p> |
| Officers will continue to work to implement I-connect and to feedback to employers on correct completion of the template and to remind them of their GDPR responsibilities. | Responsible Officer | Andy Cunningham |

| 1.3 Finding and Action | | |
|--|--|-----------------|
| Issue | Risk | |
| Lack of an audit trail for member personal details amendments. | Incorrect information being held, privacy breaches and potential for fraud if personal information is changed without a clear audit trail. | |
| Findings | | |
| One of the sample selected did not have a clear audit trail on the record to verify why an address change was made. It is likely the member had advised of a change of address via telephone, however there are no notes on files to confirm this. The address had been updated on Altair and documentation sent to the member. A separate similar occurrence was also noted on the Privacy Breach register. | | |
| Recommendation | | |
| We recommend that a process is put in place to ensure that an audit trail of amendments is evidenced on the members file record. For example, inputting case comments that the address change was made following a telephone call from the member and after validation completed. | Priority Score | 3 |
| Agreed Action | Timescale | 31 July 2019 |
| Officers will review the process for address changes and put in steps to make sure it is followed consistently. | Responsible Officer | Andy Cunningham |

| 1.4 Finding and Action | | |
|--|---|-----------------|
| Issue | Risk | |
| There is a large unallocated balance in the suspense account. | Difficulty clearing transactions and also potential for fraud if a large value is left unallocated in the suspense account. | |
| Findings | | |
| The Suspense account, as at March 2019, has an unallocated amount of just under £770,000, with the oldest transaction in the account being from November 2013. Transactions will be more difficult to clear as time passes, especially if there is minimal documentation as to why the transaction was initially placed in the account. | | |
| Recommendation | | |
| We recommend that the suspense account is reviewed and cleared. | Priority Score | 3 |
| Agreed Action | Timescale | 30 April 2019 |
| <p>The suspense account is made up of contributions received from employers who are still in the process of signing an admission agreement.</p> <p>We have reviewed the suspense account, and have now had notification from the member of staff responsible for employer relations that several more admission agreements have been signed. Therefore we have now been able to clear £588k from the account.</p> <p>Going forward, we will create new employer codes and begin posting contributions received there as soon as a rates and adjustments certificate is received from the Fund actuary. This will minimise the balance being built up in the suspense account while we are waiting for admission agreements to be signed.</p> | Responsible Officer | Jennifer Devine |

| 1.5 Finding and Action | | |
|---|--|---|
| Issue | Risk | |
| Reconciliations to ensure accurate data is held is not being completed on a frequent basis. | Information is held on different systems that does not match or is inaccurate. | |
| Findings | | |
| There is currently no reconciliation between Altair and the General Ledger being completed. This was a recommendation raised in last year's report with a due date of December 2019 and will therefore be carried over In this report. | | |
| There are several reconciliations being completed on a varying frequency basis to ensure data held is accurate and complete. Some reconciliations are being performed annually which would benefit from being completed on a more frequent basis. For example, reconciliations of new starters are being completed annually and there is a risk that the team is not notified of a new starter. The new member would not receive, or return, the relevant documentation (i.e. expression of wish form). | | |
| Recommendation | | |
| 1. We recommend that a full reconciliation be undertaken between Altair and SAP Payroll. This recommendation is carried over from last year's audit report. | Priority Score | 3 |
| Agreed Action | Timescale | 1 December 2019 |
| A full reconciliation between Altair and SAP Payroll will be completed. | Responsible Officer | Andy Cunningham |
| Recommendation | | |
| 2. We recommend that the reconciliations currently being completed are reviewed as part of the efficiency project to ensure they are accurately capturing key risks in the process and the frequency they are being undertaken is sufficient. | Priority Score | 3 |
| Agreed Action | Timescale | I-connect implementation: Start by 1 August 2019. End to end process: 31 December 2019 |
| Officers will review and enhance reconciliations as part of end to end process review (efficiency project) and, more significantly, the introduction of I-connect will enable a number of reconciliations (such as new starters) to occur monthly. | | Andy Cunningham |

| | | | |
|--|--|---|-----------------|
| 2. | Non-compliance with GDPR due to ineffective operational and management processes resulting in fines, loss of reputation and potential consequence for the data subject. | | Medium |
| 2.1 | Finding and Action | | |
| Issue | | Risk | |
| Personal Information is being kept for longer than required. | | Breach of the GDPR if information is held for longer than required. | |
| Findings | | | |
| Under the right to erasure, the GDPR sets out under the storage limitation principle that information can only be kept for as long as required. If there is no legal or justifiable reason to hold the information the organisation must delete it. This is especially relevant to the leavers – no liability group of records, of which there are over 21,000. Data cleansing is not currently being carried out. | | | |
| Recommendation | | | |
| We recommend that the Fund liaise with the Information Governance team to help develop a plan to meet the GDPR requirements. The Fund needs to keep documented notes of the steps they are taking to meet the GDPR. | | Priority Score | 2 |
| Agreed Action | | Timescale | 31 May 2019 |
| The Fund will contact Information Governance to agree on an appropriate approach and will produce and maintain any additional documentation IG deem necessary. | | Responsible Officer | Andy Cunningham |

Other Suggestions

Currently every calculation that leads to a payment is peer reviewed. This does not take in to account the amount to be paid and / or the experience of the staff member. A suggestion is therefore being made to review if this is appropriate and required or if a tiered system or other quality checks would be more efficient.

The mailing process is also inefficient and not cost effective. There are approximately 500 new member enrolments received each month. Once the member is entered on to the system, a new client pack is posted to them. This pack is currently being manually printed and therefore is a time consuming and costly process. A new Docmail system is due to be implemented and therefore the suggestion is to ensure the inefficiencies in the process have been resolved following the implementation.

Audit Framework and Definitions

Assurance Definitions

| | |
|--------------------|--|
| None | The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives. |
| Partial | In relation to the areas reviewed and the controls found to be in place, some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives. |
| Reasonable | Most of the areas reviewed were found to be adequately controlled. Generally, risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives. |
| Substantial | The areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed. |

Definition of Corporate Risks

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

Categorisation of Recommendations

In addition to the corporate risk assessment it is important that management know how important the recommendation is to their service. Each recommendation has been given a priority rating at service level with the following definitions:

| | |
|-------------------|---|
| Priority 1 | Findings that are fundamental to the integrity of the service's business processes and require the immediate attention of management. |
| Priority 2 | Important findings that need to be resolved by management. |
| Priority 3 | Finding that requires attention. |

Authors and Distribution

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

Report Authors

This report was produced and issued by:

| | |
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| David Hill | Executive Director |
| Gayle Costello | Senior Auditor |
| Charlotte Wilson | Principal Auditor |

Distribution List

This report has been distributed to the following individuals:

| | |
|-----------------|---|
| Andy Cunningham | Head of Pensions Administration and Relations |
| Jennifer Devine | Investments Manager |
| Becky Hellard | Director of Finance & Procurement, (S151 Officer) |

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Pension Fund Transfer 2018/19

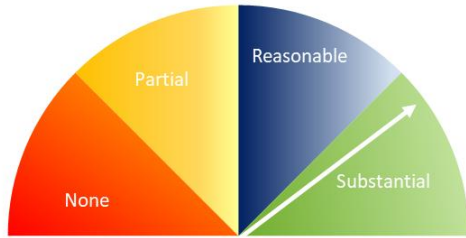
Page 57

Final Report

Issue Date: 12 March 2019

Executive Summary

Audit Opinion



The assurance opinion we have been able to offer in relation to this audit is **Substantial**. The areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.

Recommendation Summary

| Priority | Number |
|--------------|--------|
| Priority 1 | 0 |
| Priority 2 | 0 |
| Priority 3 | 0 |
| Total | 0 |

Audit Conclusion

Overall the Pension Fund Investment transfer project is progressing in line with the timeframes set out in the business case and is on track to achieve the planned benefits and savings. One suggestion has been made which is that an annual audit be completed. This is due to the project being in its early stages and to ensure the project is progressing as intended.

Background

In May 2014, the Government published a consultation which set out how savings might be achieved by Local Government Pension Scheme (LGPS) funds through greater use of pooled investment. As a result of this, Brunel Pension Partnership Ltd was set up in July 2017 with representatives from ten LGPS administering authorities, including Wiltshire Council. Brunel Ltd received authorisation in March 2018 from the Financial Conduct Authority (FCA) to act as a full scope investment firm. A full business case was prepared setting out how the planned savings would be achieved for Wiltshire following the transfer of all pension assets, with the exception of the direct property holdings.

Wiltshire Council has approximately £2.5 billion of funds held in thirteen portfolios, including cash and property. At the time of the audit, two portfolios had been transferred to Brunel. The next transfer is planned for November 2019 and the final transfer expected to take place in April 2021.

Corporate Risk Assessment

Objective

To review whether the Pension Fund Investment Transfer project is progressing as it should with anticipated benefits and savings being achieved as planned. A review of governance structure and the security surrounding the transfers will also take place.

| Risk | Inherent Risk Assessment | Manager's Initial Assessment | Auditor's Assessment |
|---|--------------------------|------------------------------|----------------------|
| 1. The Pension Fund Investment Transfer project does not progress as it should resulting in the anticipated benefits and savings not being achieved as planned. | High | Medium | Low |
| 2. The assets are not transferred securely or on time resulting in financial loss to the Pension Fund. | High | Medium | Low |

Scope

This review considered:

- Whether the Pension Fund Investment transfer project is progressing as intended and whether key milestones as set out in the business case have been met.
- What were the anticipated benefits and savings that the project was expected to deliver and to what extent these are being realised?
- The governance in place within Brunel Pension Partnership Ltd and the role that the Wiltshire Pension Fund Committee has within this structure.
- The security arrangements in place for the transfer of assets to Brunel Pension Partnership Ltd.

Findings and Outcomes

Summary of Control Framework

There are several effective controls and processes in place that are mitigating the risks. These are documented below under the relevant risk.

1. The Pension Fund Investment Transfer project does not progress as it should resulting in the anticipated benefits and savings not being achieved as planned.

Regular monitoring and reporting of the project's progress is being undertaken by relevant parties against the milestones and budget set out in the project plan. This includes monthly updates from the Investments Manager, quarterly reports to the Wiltshire Investments sub-committee, and regular reporting being received from Brunel. These reports monitor and record the anticipated benefits and savings that the project is expected to deliver.

There is also a clear governance framework in place within Brunel Pension Partnership Ltd, clearly setting out Wiltshire Councils role within this structure.

2. The assets are not transferred securely or on time resulting in financial loss to the Pension Fund.

There are formal arrangements in place for the transfer of assets to Brunel Pension Partnership Ltd, the transfers are well monitored and scrutinised by both Wiltshire Council and Brunel.

1. The Pension Fund Investment Transfer project does not progress as it should resulting in the anticipated benefits and savings not being achieved as planned.

Low

There are no significant findings under this risk.

2. The Council does not collect the income it is entitled to receive from Council Tax due to administrative errors or omissions.

Low

There are no significant findings under this risk.

Page 61

Other Suggestions

The transfers made so far have been successful however the majority of the Wiltshire Pension Fund is still to be transferred and therefore there is a risk that the anticipated benefits and savings are not achieved. The Wiltshire Pension Fund is projected to break even in 2023 in terms of administration costs. Due to the timeframes of the overall asset pooling project the Investments Management requested that an annual Internal audit be undertaken to completion, this request is supported and therefore an annual audit is recommended to provide assurance that the project is still progressing as it should and on track to achieve the anticipated benefits and savings and standardised reporting.

Audit Framework and Definitions

Assurance Definitions

| | |
|--------------------|--|
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Definition of Corporate Risks

Page 62

| Risk | Reporting Implications |
|---------------|--|
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Categorisation of Recommendations

In addition to the corporate risk assessment it is important that management know how important the recommendation is to their service. Each recommendation has been given a priority rating at service level with the following definitions:

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Gayle Costello Senior Auditor

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| Becky Hellard | Director of Finance & Procurement, (S151 Officer) |
| Alistair Cunningham | Corporate Director, growth, investment and place |

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WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
18 July 2019

PENSION FUND KEY PERFORMANCE INDICATORS

Purpose of the Report

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

Background

2. The Fund has committed to reporting administration KPIs in order to help improve management information, assist with performance monitoring and increase transparency of the administration performance. This objective fits in with our overriding objectives to ensure the effective management and governance of the Fund and to provide an effective, customer friendly benefits administration service.
3. This commitment is also in line with the Pensions Regulator's increased focus on governance of public service pension schemes resulting from the extension of its remit to cover public service pension schemes via the Public Service Pension Act 2013 and the resulting *Code of Practice 14 - Governance and administration of public service pension scheme* which sets out the wide-ranging governance requirements the Regulator expects to see adhered to.
4. As discussed at previous meetings, officers have now expanded the range and use of KPIs as explained below and shown with the appendices. No further developments to the suite of KPIs are planned at this point in time.

Considerations for the Committee

5. As part of the goal to improve the quality of KPI reporting, and in response to new guidance from CIPA, some changes to the appendices have been made as explained below:
6. Appendix 1: Disclosure Regulations
Following a request from the LPB, the Fund now includes an assessment against Disclosure legislation requirements. Whilst officers were working on an initial template for this information, CIPFA brought in guidance for Funds to publish a similar template and therefore officers have adopted the CIPFA template instead.
7. Appendix 2: tPR Measures
The Pension Regulator's Common Data percentage calculation (as at 21 February 2019). Officers have not included a measurement against the Conditional Data (Scheme Specific) measurement as the Scheme Advisory Board as only recently determined which data items should be included. However, conditional data measures will be included in future reporting.
8. Appendix 3: Administration Strategy Targets - Fund
 - a). Table 1 measures the Fund against its targets as currently set out within its Administration Strategy. The Administration Strategy targets are based on the Fund's self-determined, desired processing time and are not based on legislation.

Officers are currently reviewing the Administration Strategy which may result in changes to this table, in particular the targets.

b). Chart 1 illustrates the percentages of cases completed within the Administration Strategy targets.

c). Chart 2 illustrates the volumes of new cases across different periods.

d). Chart 3 illustrates the volumes of cases completed across different periods.

e). Chart 4 illustrates the volumes of cases outstanding across different periods.

9. Appendix 4: Administration Strategy Targets - Employers

Table 1 measures participating employers (collectively) against the targets set in the Administration Strategy. Employer submissions currently focus on just three areas but will be expanded over time in line with planned improvements in our reporting capabilities.

Conclusions

General comments

10. During the period, the rollout of My Wiltshire Pension, continuous IT issues, end of year work and vacancy in the structure have all contributed to lack of progress across some of the areas identified for improvement. Also, officers continue to work on delivering projects to improve the overall administration infrastructure which will give longer-term benefits to processing figures but will have limited short-term benefit.

11. The next stage of the My Wiltshire Pension, benefits statements and end of year work will continue in the present quarter but the vacancy referred to has now been filled and the new employee is now being trained. IT connectivity issues continue to be a major source of frustration and cause of disruption but appear to be a Council-wide without an easy fix. Officers are hoping that a new planned way to access the external service via a Virtual Private Network will improve the position.

12. The Fund has also appointed to a new role from within the existing structure although this creates another vacancy which needs to be backfilled (the vacancy is currently out for advert).

13. More specific comments relating to each section are covered in the sub-sections below:

Disclosure Regulations (Appendix 1)

14. The table in appendix 1 shows the Fund is generally performing well against these targets, which are more generous than our administration strategy targets, but further improvement is required against deferments and refunds. Improvement against deferments on the Disclosure Regulations basis, requirements both quicker submission by employers (see Appendix 4) and quicker processing by the Fund (see Appendix 3)

tPR Common and Conditional Data percentages (Appendix 2)

15. The Fund's Common Data percentage was 94.2% at the last date it was calculated. The main two causes of remaining failures are the processing of active to deferred status cases/refunds, for which the Fund already has a sub-plan in place to help improve the situation, and incorrect scheme member addresses which is an on-going issue that is difficult to resolve as the Fund relies on deferred and pensioner members telling us when they change address.

Administration Strategy KPIs – Fund (Appendix 3)

16. Table 1 shows the Fund is operating below its desired targets for most cases but Chart 1 shows some recent improvement in all areas except Refund of Contributions, which is due to the clearance of backlog cases coming through on to the graphs (see Charts 3 and 4).
17. Chart 3 shows a drop off in the processing volume of *Leaver to deferred* status backlogs, which is mainly a result of staff turnover but also the other issues identified above. Many of the remaining cases are becoming more difficult to resolve due to outstanding aggregation issues, which have become a gradually increasing issue since 2014 and are being reviewed as part of a project. Overtime work continues to take place to help tackle the backlogs while officers are mindful that additional measures, such as additional temporary staffing, may also need to be considered.
18. *Actives to Retirement* and *Deferred in to Retirement* are currently undergoing a process efficiency review with the desired outcome being to reduce down the average processing time. Part of this review will look to see if steps can be removed or changed in the process or if specific issues, for example delays with AVC providers, can be removed.

Administration Strategy KPIs – Employers (Appendix 4)

19. In the majority of cases, employers provide Retirement information before the date the member leaves with 84% meeting the target time. The submission time for leavers and refunds are significantly longer with over half the leavers being submitted over two months late, which contributes to the issues identified in the Disclosure KPIs (Appendix 1).

Environmental Impact

20. There is no environmental impact from this report.

Financial Considerations

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

Risk Assessment

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

Legal Implications

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

Safeguarding Considerations/Public Health Implications/Equalities Impact

24. There are no implications at this time.

Proposals

25. The Committee is requested to note the Fund's performance against the KPIs.

Andy Cunningham
Head of Pensions Administration and Relations

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

APPENDIX 1: Disclosure Requirements (CIPFA template)

Benefit Administration Key Performance Indicators

Disclosure Regulations

Period

01/04/2019

to

30/06/2019

| Process name | | Disclosure Requirement | % | No. cases within Legal Timeframe |
|--|-----------------|------------------------|--------|----------------------------------|
| Deaths - initial letter acknowledging death | | 2 months | 99.3% | 120 |
| Deaths - letter notifying amount of dependants pension | | 2 months | 98.7% | 119 |
| Retirements - letter notifying estimate of retirement benefits | Active | 2 months | n/a | n/a |
| | Deferred | | n/a | n/a |
| | Total | | 98.2% | 422 |
| Retirements - letter notifying actual retirement benefits + process and pay benefits on time | Active | 2 months | 89.5% | 108 |
| | Deferred | | 99.5% | 185 |
| | Total | | 94.5% | 293 |
| Deferment - calculate and notify deferred benefits | | 2 months | 24.0% | 66 |
| Transfers in - letter detailing transfer quote | | 2 months | 93.7% | 24 |
| Transfers out - letter detailing transfer quote | | 2 months | 92.4% | 79 |
| Refund - process and pay a refund | | 2 months | 36.2% | 109 |
| Divorce quote - letter detailing cash equivalent value and other benefits | | 3 months | 100.0% | 60 |
| Divorce settlements - letter detailing implementation of pension sharing order | | 3 months | 50.0% | 2 |
| Joiners - notification of date of enrolment* | | 2 months | | |

*Officers are still developing a report to produce this information.

APPENDIX 2: tPR Data Quality scores

a). tPR Common Data Percentage Breakdown (At 21 February 2019)

| Failure type\Status | Active | Status 2 | Deferrred | Pensioner | Dependent | Awaiting Entry | Frozen Refund | Totals | Percentage of total records |
|-----------------------------|------------|-------------|------------|-----------|-----------|----------------|---------------|-------------|-----------------------------|
| Fail 1: Status | 0 | 2845 | 0 | 0 | 0 | 2 | 0 | 2847 | 3.7% |
| Fail 2: NI Number | 3 | 4 | 21 | 0 | 70 | 0 | 140 | 238 | 0.3% |
| Fail 3: Addresses | 171 | 67 | 732 | 19 | 6 | 0 | 585 | 1580 | 2.1% |
| Totals | 174 | 2916 | 753 | 19 | 76 | 2 | 725 | 4665 | 6.1% |
| Percentage of total records | 0.23% | 3.78% | 0.98% | 0.02% | 0.10% | 0.00% | 0.94% | | |

Total score = 94.2%

Note: Each record either passes or fails and hence there is no distinction in methodology between a single or multiple failures on a record. This is why the total failure rate of 6.1% does not match the total score failure rate of 5.8%.

b). tPR Conditional Data Percentage

The Scheme Advisory Board has yet agree on a LGPS-wide methodology for this percentage. Once it does, the Fund will include these scores within this pack.

APPENDIX 3: Administration Strategy KPIs - Fund (Table 1)

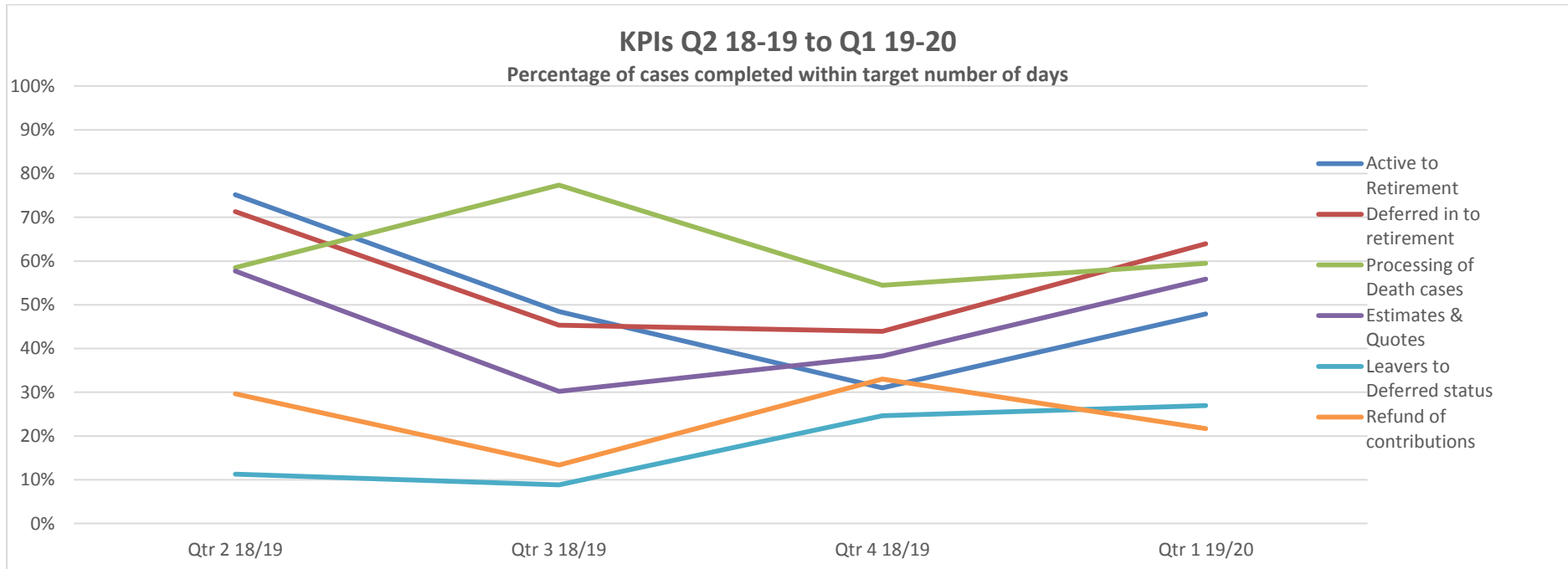
Wiltshire Pension Fund

Benefit Administration Key Performance Indicators

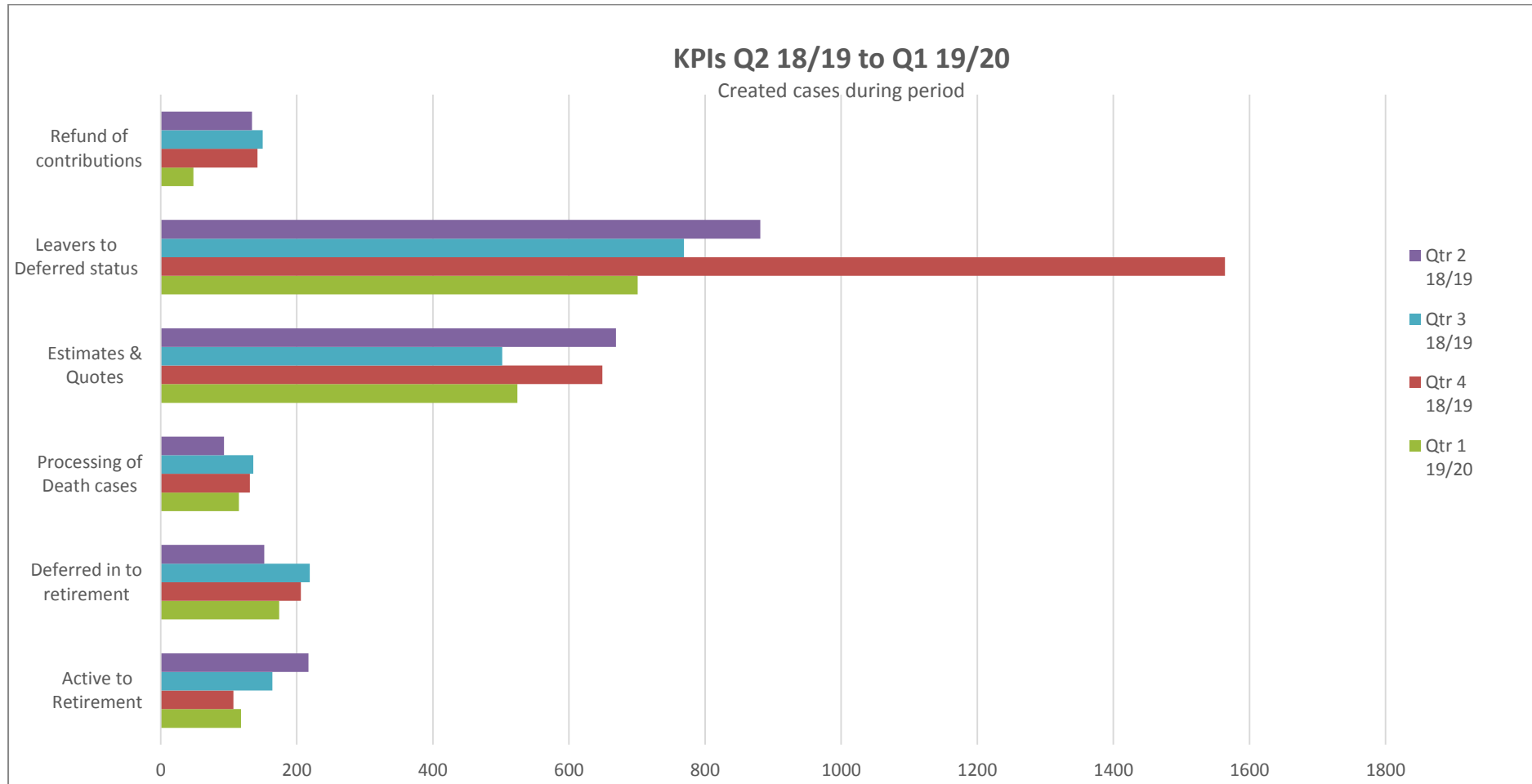
Period 01/04/2019 to 30/06/2019

| Type of case | Created cases in period | Open cases at period end | Percentage against membership | Completed cases time to complete | | | | | | Total | Timescales Admin Strategy | |
|-----------------------------------|-------------------------|--------------------------|-------------------------------|----------------------------------|-------------|--------------|--------------|--------------|------------|-------------|---------------------------|--------------|
| | | | | 0 - 5 days | 6 - 10 days | 11 - 15 days | 16 - 20 days | 20 - 40 days | 40 + days | | % on target | working days |
| <i>Active to Retirement</i> | 118 | 94 | 0.4% | 30 | 28 | 24 | 10 | 22 | 7 | 121 | 48% | 10 |
| Deferred in to retirement | 174 | 54 | 0.2% | 119 | 44 | 12 | 8 | 1 | 2 | 186 | 64% | 5 |
| Processing of Death cases | 115 | 90 | 0.1% | 72 | 26 | 6 | 5 | 10 | 2 | 121 | 60% | 5 |
| Benefit Estimates | 524 | 67 | 0.3% | 85 | 154 | 82 | 47 | 55 | 5 | 428 | 56% | 10 |
| <i>Leavers to Deferred status</i> | 701 | 1855 | 8.2% | 17 | 21 | 17 | 25 | 100 | 117 | 297 | 27% | 20 |
| <i>Refund of contributions</i> | 48 | 142 | 0.6% | 26 | 16 | 8 | 16 | 66 | 172 | 304 | 22% | 20 |
| Grand Total | 1680 | 2302 | | 349 | 289 | 149 | 111 | 254 | 305 | 1457 | | |
| Percentage | | | | 24% | 20% | 10% | 8% | 17% | 21% | | | |

APPENDIX 3: Administration Strategy KPIs - Fund (Chart 1)

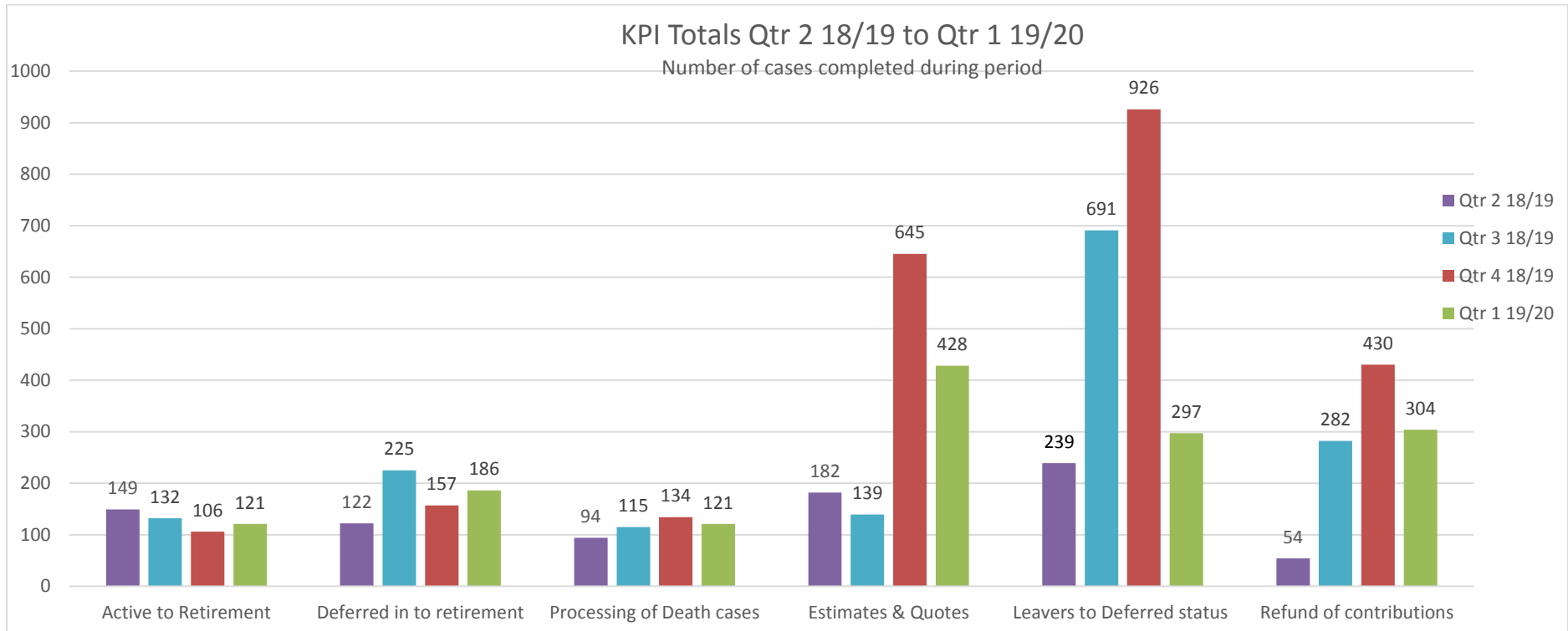


APPENDIX 3: Administration Strategy KPIs - Fund (Chart 2)

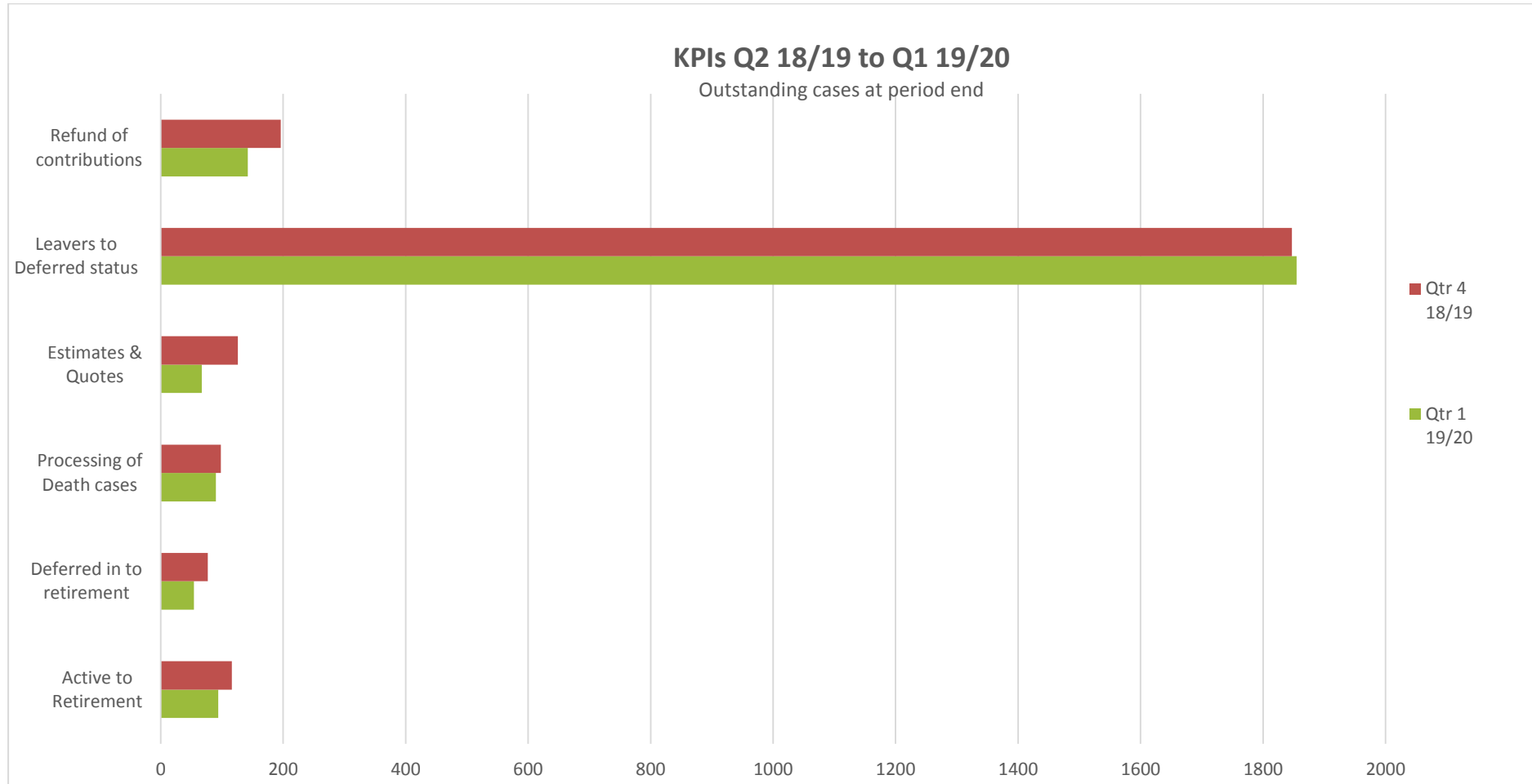


Note: Leaver to Deferred Status includes cases which will be later determined to be refund of contributions.

APPENDIX 3: Administration Strategy KPIs - Fund (Chart 3)



APPENDIX 3: Administration Strategy KPIs - Fund (Chart 4)



APPENDIX 4: Administration Strategy KPIs - Employers (Table 2)

Employer Key Performance Indicators

Administration
Strategy

Period 01/04/2019 to 30/06/2019

| Type of case | Time to advise | | | | | | | Total | Timescales | |
|--------------------------------|----------------|------------|-------------|--------------|--------------|--------------|------------|------------|----------------|--------------|
| | In Advance | 0 - 5 days | 6 - 10 days | 11 - 15 days | 16 - 20 days | 20 - 40 days | 40 days + | | Admin Strategy | |
| | | | | | | | | | % on target | working days |
| <i>Retirement</i> | 93 | 9 | 2 | 6 | 2 | 1 | 8 | 121 | 84% | 5 |
| <i>Leavers</i> | 20 | 22 | 13 | 16 | 23 | 42 | 161 | 297 | 32% | 20 |
| <i>Refund of contributions</i> | 19 | 13 | 20 | 12 | 23 | 73 | 144 | 304 | 29% | 20 |
| Grand Total | 132 | 44 | 35 | 34 | 48 | 116 | 313 | 722 | | |
| Percentage | 18% | 6% | 5% | 5% | 7% | 16% | 43% | | | |

WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
18 July 2019

WILTSHIRE PENSION FUND OUTTURN 2018-19

Purpose of the Report

1. The purpose of this report is to present the Fund's financial outturn for 2018-19.
2. This report also seeks Members' approval for an extension to the 2019-20 Administration Budget agreed on 14th March 2019 following consideration of the outturn presented.

Background

3. This report sets out the final Pension Fund outturn results for 2018-19 as at 31st March 2019. As in previous years, the Appendix presents the outturn against the main budget areas of the Fund.

Key variances against 2018-19 budget

4. There was a net underspend £49k against the Fund's "controllable" budget. This was made up of a £175k net underspend against the Pension Fund Administration budget partially offset by a £126k overspend against Investment Administration budget.
5. The key variances that contributed towards the net underspend against Pension Fund Administration budget were:
 - a) £186k underspend against Pension Scheme Administration budget mainly comprising in-year vacancy savings and a net underspend against systems costs. Increases in interest rates during the year led to higher than budgeted returns on overnight deposits on cash held in the Fund's local bank account which is used to fund the day-to-day running costs of the Scheme and into which contributions are paid.
 - b) No trustee training fees were paid during the year and Audit fees were lower than previous years following a change in the external auditor which led to a small underspend (totalling £33k) against these budgets.
 - c) There was greater use of external legal services in 2018-19 and there was a £28k overspend against the budget for external legal fees. It should be noted that the budget for 2019-20 has been increased from £20k to £50k.
 - d) A small net over-spend (£16k) against Actuarial Services owing to increased activity during the year.

6. The key variances that contributed towards the net overspend against Pension Fund Investment Administration budget were:
 - a) £39k overspend against Investment Administration representing the cost of additional agency support during the year as agreed with the previous S151 officer when they were in post.
 - b) £45k overspend against Investment Consultancy budget which mainly due to additional external legal and advisory costs relating to one-off investment matters.
 - c) A net £42k overspend across Corporate Governance Services and Performance Measurement which related to voting services and performance analytics services previously provided via PIRC. This was originally omitted from the budget as it was anticipated that Brunel would take over this service in due course. This contract was terminated in 2018-19 and voting services are to be provided by Brunel as an elective service for £3k per annum. This is being done on a short-term basis as the portfolios under this contract will transition into Brunel later this year.
7. 2018-19 saw a significant increase in the amount of Securities Lending Income earned. Market data suggests that this is in part due to uncertainty caused by UK vote to leave the EU and a resultant increase in demand from short sellers for asset managers and pension funds to lend their stocks in return for a fee. In 2018-19 the Fund earned £596k against budgeted income of just £20k. The securities lending budget has been increased from £20k to £300k from 2019-20 and officers will monitor this trend to see if it continues.
8. There has been a significant overspend of £8.391m against Fund Investment Fees in 2018-19.

The budget for 2018-19 was based on IM costs accounted for in 2017-18, however this incorrectly included some income and was therefore understated by £3.2m. Furthermore, due to the introduction of improved cost transparency reporting, it has been possible to include additional underlying figures this year associated with the costs of managing the portfolios. The fees and costs of the underlying fund investments in both Partners Group's infrastructure portfolio, and CBRE's pooled property portfolio have been included this year, which were not previously included. Please note that the increase in 2019 does not represent an increase in managers' fees, but better available information about the underlying costs of investment management.

Environmental Impact of the Proposal

9. There are no known environmental impacts from these proposals.

Safeguarding Considerations/Public Health Implications/Equalities Impact

10. There are no known implications at this time.

Risk Assessment

11. The Committee is asked to recognise that some costs, particularly investment fees, are dependent upon factors that are outside of the Council's control. They may go up or down, depending on market conditions.
12. In line with good governance practice, officers will be bringing budget monitoring reports back to Committee twice a year. In the interim, variations against budget will be monitored and if they become very significant, the Treasurer to the Pension Fund will

approve variations to the budget and report these to the Committee retrospectively for ratification.

Reasons for Proposals

13. To note the outturn for 2018-19 in line with good governance practice
14. A personnel issue arose during the year and its resolution generated a cost, which was originally expected to fall within the 2018-19 budget year by using the forecast staffing underspend for that year, but due to a delay in it reaching a conclusion the actual costs have fallen into the 2019-20 budget year.
15. Following staff shortages last year, in addition to continuing IT issues and focus on delivering longer-term improvements, the Fund wishes to be better equipped to tackle backlog issues and improve KPIs by using the equivalent of some of the staff underspend as additional budget for this year.

Proposals

16. The Committee is asked to:
 - a) Note the outturn for 2018-19 and figures in the attached Appendix;
 - b) Approve an additional £68k extension to the Pension Fund Administration Budget for 2019-20 for the staffing matter referred to in paragraph 14.
 - c) Approve an additional £35k to fund additional temporary staffing in 2019-2020 (the approximate underspend in staffing costs from 2018-2019 less the £68k proposed in b).
 - d) Note that officers will continue to monitor budgets on a quarterly basis and to inform Committee of any material changes as they arise which may require additional action.

JENNIFER DEVINE Investment Manager &
ANDYCUNNINGHAM Head of Pensions Administration and Relations

Report Author: Rozalyn Vernon, Fund Investment and Accounting Manager

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

WILTSHIRE PENSION FUND BUDGET 2018-19 - FINAL OUTTURN

APPENDIX

| | 2018-19 | | | Explanations |
|---|----------------|-----------------|------------------|---|
| | Budget £000 | Outturn £000 | Variance £000 | |
| <u>Fund Investment Management Fees</u> | | | | |
| Segregated Funds | 6,646 | 10,905 | 4,259 | |
| Pooled Funds * | 2,633 | 6,851 | 4,218 | Includes Invisible (or non direct charged) fees adjustment for higher asset base and investment in direct infrastructure. |
| Total FUND INVESTMENT FEES | 9,279 | 17,756 | 8,477 | |
| Securities Lending | -20 | -596 | -576 | Uncertainty caused by the UK vote to leave the EU has boosted UK securities lending income. This has generated more money for asset managers and pension funds lending their stocks to short sellers such as hedge funds for a fee. |
| Total MANAGEMENT FEES & SECURITIES LENDING | 9,259 | 17,160 | 7,901 | |
| * pooled costs paid through investment holdings | | | | |
| <u>Fund Investment Costs</u> | | | | |
| e Investment Administration | 135 | 174 | 39 | Cost of agency support to during the year |
| f Investment Consultancy | 84 | 129 | 45 | Additional external legal and advisory costs mainly relating to one-off investment matters |
| g Corporate Governance Services | 9 | 47 | 38 | Voting services - to be covered by Brunel Fee from 1920 |
| g Performance Measurement | 0 | 4 | 4 | Performance Analytics - Contract terminated in 1819 |
| | 228 | 354 | 126 | |
| <u>Fund Scheme Administration</u> | | | | |
| a Pension Scheme Administration | 1,895 | 1,709 | -186 | In year vacancy savings, net underspend against systems costs, interest rates have increased leading to greater returns on overnight deposits |
| d Actuarial Services | 173 | 189 | 16 | There has been increased employer activity during the year however most of these costs have been recharged to employers (e.g. recharge for actuarial work related to outsourcing, conversions/ transfers to MATs). |
| b Audit | 33 | 16 | -17 | Lower audit fees from 2018/19 |
| c Legal Advice | 20 | 48 | 28 | Greater usage of external legal services in 18/19 (budget for 19/20 has been increased to £40k) |
| b Committee & Governance | 95 | 79 | -16 | No trustee training fees paid in 18/19 |
| | 2,216 | 2,041 | -175 | |
| GRAND TOTAL (EXC INVEST MAN FEES & SECURITIES LENDING INCOME) | 2,444 | 2,395 | -49 | |
| Total FUND COSTS (INC INVEST MAN FEES & SECURITIES LENDING INCOME) | 11,703 | 19,555 | 7,852 | |

ANNUAL
REPORT
2019



WILTSHIRE
PENSION FUND

REPORT & ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2019

CONTENTS

| | |
|---|----|
| CHAIRMAN'S FOREWORD | 3 |
| SCHEME MANAGEMENT AND GOVERNANCE | 4 |
| TRAINING REPORT | 8 |
| SCHEME ADMINISTRATION REPORT | 12 |
| INVESTMENT REPORT | 25 |
| POOLING REPORT | 34 |
| FINANCIAL PERFORMANCE | 39 |
| RISK | 43 |
| STATUTORY STATEMENTS | 49 |
| ACTUARIAL POSITION | 51 |
| STATEMENT OF RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS | 53 |
| AUDIT OPINION | 54 |
| STATEMENT OF ACCOUNTS | 55 |
| IAS26 STATEMENT | 78 |
| FURTHER INFORMATION & CONTACTS | 80 |





CHAIRMAN'S FOREWORD

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

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

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

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

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

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

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

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

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

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

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

The Committee is also responsible for the administrative performance of the Fund which is administered by key officers, namely Becky Hellard (Interim Treasurer to the Pension Fund), Andy Cunningham (Head of Pensions Administration and Relations) and Jennifer Devine (Investment Manager) following the requirements set out in the Local Government Pension Scheme (LGPS) Scheme Regulations and the principles laid down by the Chartered Institute of Public Finance and Accountancy (CIPFA).

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

Tony Deane, Chairman

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

SCHEME MANAGEMENT AND GOVERNANCE

| | |
|--------------------------------|--|
| Administering authority | Wiltshire Council County Hall Trowbridge Wiltshire BA14 8JN |
|--------------------------------|--|

PENSION FUND COMMITTEE AS AT 31 MARCH 2019

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

OFFICERS, ADVISORS & MANAGERS AT 31 MARCH 2019

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

MANAGEMENT OF THE SCHEME

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

MEMBERS TABLE

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

Please note the following points concerning Members;

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

SCHEME MEMBERSHIP AND GOVERNANCE (continued)

THE WILTSHIRE PENSION FUND COMMITTEE

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

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

The Committee met four times last year for regular business. All decisions are taken by a simple majority with the Chairman having the casting vote.

The Wiltshire Pension Committee meets at regular quarterly intervals to review the affairs of the Fund, to review Fund performance and to plan the implementation of policy. In addition, a separate Investment Sub Committee meets periodically to review specific issues relating to Fund investments. The role of the pension board is to ensure that the management of fund administration and investments complies with the relevant regulations and legislation and that the Fund is managed in the best interests of its stakeholders.

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

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

INVESTMENT SUB-COMMITTEE

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

The ISC consists of four members of the main committee, being the Chairman, Vice-Chairman, along with two other co-opted Members from the Wiltshire Pension Fund Committee.

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

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

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

LOCAL PENSION BOARD (LPB)

The Wiltshire Pension Fund Committee is supported by a Local Pension Board which is responsible for:

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

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

The LPB consists of an independent chairman, 3 employer representatives, and 3 scheme member representatives and meets four times per year. The LPB has an oversight function to ensure the Fund is compliant with the Pensions Regulator.

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

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

The Annual Report from the Local Pension Board summarises its role, activities, costs, and future work plans. This can be found on the following link:

<http://www.wiltshirepensionfund.org.uk/media/4208/lpb-annual-report-2018.pdf>

STATUTORY STATEMENTS

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

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

PENSIONS COMMITTEE ATTENDANCE

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

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

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

TRAINING REPORT

BACKGROUND

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

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

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

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

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

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

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

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

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

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

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

ASSESSMENTS & TRAINING UNDERTAKEN

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

Notes

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

George Jeans – Appointed 26th February 2019

Simon Jacobs – Left 21st June 2018

Timothy Swinyard – Appointed 21st June 2018

Steve Weisinger – Left 21st June 2018

Linda Stuart – Left 21st July 2018

TRAINING REPORT (continued)

OFFICERS TO THE PENSION FUND COMMITTEE

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

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

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

Becky Hellard

Interim Treasurer of Pension Fund
18 July 2019

MEMBERS TRAINING PLAN OCTOBER 2018 – MARCH 2020

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

SCHEME ADMINISTRATION REPORT

LEGAL FRAMEWORK

The Local Government Pension Scheme (LGPS) is governed by the Superannuation Act 1972. The current scheme rules are contained within the LGPS Regulations 2013, the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 and the LGPS (Amendment) Regulations 2015. The Regulations are fixed on a national basis; however, the Scheme is administered by 101 designated Administering Authorities throughout England and Wales.

Wiltshire Council is responsible for administering Wiltshire Pension Fund for the benefits of employees of Wiltshire Council and the employees of scheme employers and admissions bodies. A list of participating scheme employers is shown on pages 21–22.

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

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

Employer contribution rates are set by the Fund’s Actuary every 3 years following a valuation of the Fund, this ensures the solvency of the Fund. New rates were set by the Actuary from 1 April 2017 following the 2016 Actuarial Valuation.

SCHEME BENEFITS

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

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

For leavers not entitled to the immediate payment of benefits.

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

The ability to increase personal benefits is available as follows:

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

HOW THE SERVICE IS DELIVERED

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

Value for Money

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

Accuracy and Confidentiality

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

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

Assurance Framework

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

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

Use of Technology

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

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

Employer Satisfaction

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

Internal Dispute Resolution Procedure

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

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

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

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

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

PENSION'S SECTION OVERVIEW

The administration function of the Pensions team comprises of the following teams and roles:

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

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

Fund Communications are handled by the Fund Communications manager who deals with all aspects of scheme members' communications and is responsible for the development and implementation of the Fund's Communications Strategy. This includes areas such as scheme members'

SCHEME ADMINISTRATION REPORT (continued)

newsletters, issuing of Annual Benefit Statements, delivery of presentations, road shows, the Fund's website and the marketing of the Fund. This role also supports employer communications and helps ensure that all team members are trained accordingly.

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

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

The Fund Governance and Performance Manager is responsible for supporting the Wiltshire Pension Fund Committee and Local Pension Board, including with overseeing governance training and supporting governance recruitment. The role is also responsible for overseeing Fund administration and service performance, including the performance of various service providers.

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

KEY STAFFING INDICATORS

Staff to fund-member ratios:

Average cases per member of staff

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

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

Average (completed) cases per member of staff

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

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

COST AND PERFORMANCE BENCHMARKING

Cost benchmarking

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

Unit cost per member

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

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

SCHEME ADMINISTRATION REPORT (continued)

KEY PERFORMANCE INDICATORS (KPIs)

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

Table 1

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

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

Notes & Assumptions:

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

SCHEME ADMINISTRATION REPORT (continued)

Table 2

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

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

Notes & Assumptions:

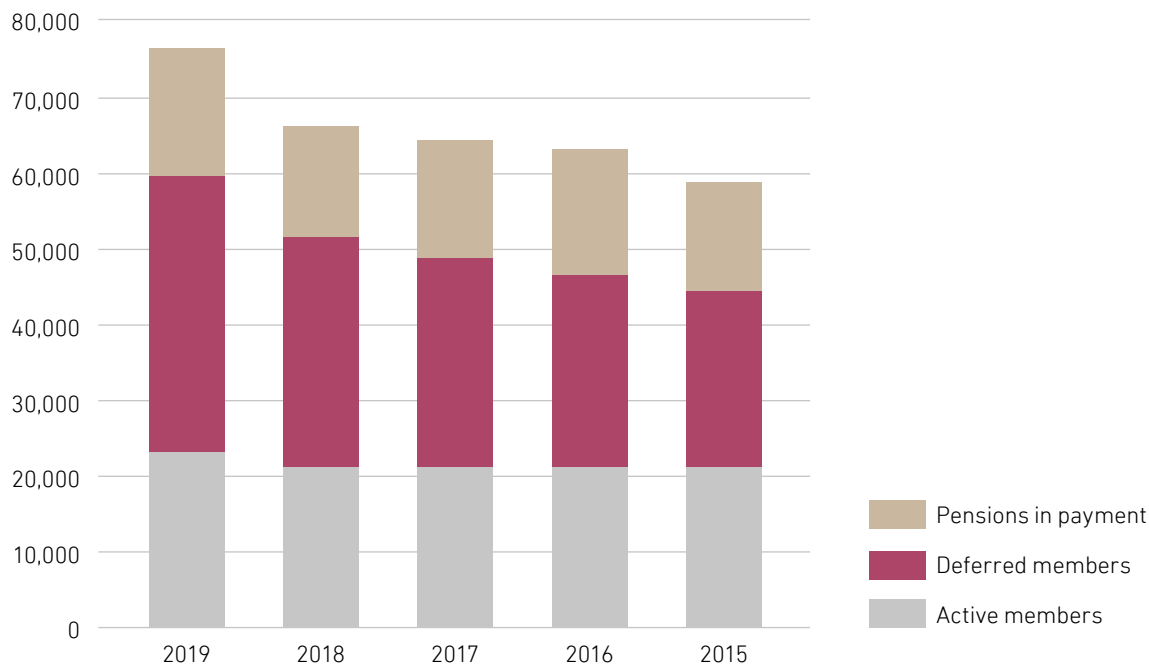
1. This table just covers completed cases in the year.
2. The Fund uses working days for its KPIs and has assumed 23 working days per calendar month.
3. Retirements – ‘letter notifying actual retirements’ and ‘process and pay benefits on time’ are treated as one and the same for this purpose.
4. Joiners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

SCHEME ADMINISTRATION REPORT (continued)

SCHEME MEMBERSHIP

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

5-year analysis of fund membership



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

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

New retirements during the year are analysed as follows:

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

EMPLOYER (ERS) AND EMPLOYEE (EES) CONTRIBUTIONS

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

SCHEME ADMINISTRATION REPORT (continued)

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

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

EMPLOYER ACTIVITY

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

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

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

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

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

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

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

<https://www.wiltshirepensionfund.org.uk/wiltshire-pension-fund/about-us/employers/>

<https://www.wiltshirepensionfund.org.uk/wiltshire-pension-fund/about-us/forms-and-publications/>

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

MEMBER SCHEME CONTRIBUTIONS

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

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

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

COMMUNICATIONS

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

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

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

The Fund has also now set up a Twitter account to enable members to keep up to date with all the latest Fund and pension news. You can follow the Wiltshire Pension Fund by using the following link: <https://twitter.com/WiltsPensions>

The Fund's Communications Policy Statement outlines the provision of information and publicity about the Scheme to its members, representatives of members and employing authorities. The latest policy can be viewed on the Wiltshire Pension Fund website at:

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

AVC PROVIDER

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

SCHEME ADMINISTRATION REPORT (continued)

PENSION INCREASE

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

DISCRETIONS POLICIES

Under the LGPS Regulations, the Fund has a certain number of discretions as the Administering Authority in the administration of benefits. Its current policy was reviewed and approved by the Committee on 10 December 2015 which can be viewed at the following link:

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

Each employer in the Fund must have completed their own discretions policy which guides the Fund as to how to process their employee benefits. This must be approved by the appropriate people within their organisation and is "published" and made available to its employees. Copies of these policies must be submitted to the Fund on approval along with any changes within one month of them becoming active.

The current policies for the Fund's scheme employers can be viewed at the following link:

<https://www.wiltshirepensionfund.org.uk/media/3476/employer-discretions-policy-and-template.docx>

OTHER MATTERS

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

INVESTMENT REPORT

CUSTODIAL ARRANGEMENTS

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

FUNDING POLICY

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

All LGPS funds are required to publish a document called a "Funding Strategy Statement" (FSS). The Wiltshire FSS was updated in connection with the 2016 triennial valuation and can be supplied upon request or viewed at:

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

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

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

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

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

INVESTMENT POWERS

These are set out in the Local Government Pension Scheme (Management and Investment of Funds) Regulation 2016, which outline the wide investment powers allowing committees to invest in line with its Investment Strategy Statement (ISS), with certain restrictions as long as proper advice has been taken.

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

RISK CONTROL

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

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

INVESTMENT GOAL

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

INVESTMENT STRATEGY

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

- a) a relatively large allocation to growth assets to achieve higher returns;
- b) allocations to more diversified and less correlated asset classes such as bonds, property, infrastructure and absolute return products to achieve stabilisation; and
- c) the achievement of some active manager returns in excess of passive market returns, through high alpha equity strategies.

INVESTMENT REPORT (continued)

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

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

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

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

ENVIRONMENTAL SOCIAL GOVERNANCE POLICY

The Fund seeks to use its position as a shareholder to actively encourage good corporate governance practice in those companies in which it invests, by exercising its voting rights.

It is also a member of the Local Authorities Pension Fund Forum (LAPFF), to enable it to act collectively with other local authorities on corporate governance issues. The Forum currently has over 70 member funds with assets of more than £230 billion. LAPFF's mission is to protect the long-term investment interests of beneficiaries by promoting the highest standards of corporate governance and corporate responsibility amongst investee companies.

The Fund has a fiduciary duty and therefore expects its investment managers to take account of financially material social, environmental and ethical considerations in the selection, retention and realisation of investments as an integral part of the normal investment research and analysis process. The Fund believes taking account of such considerations forms part of the investment managers' normal fiduciary duty.

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

The Fund seeks to achieve this objective by raising issues with companies in which it invests, to raise standards in a way that is consistent with long term shareholder value either through its membership of LAPFF or individually.

The introduction of the Stewardship Code in July 2010 by the Financial Reporting Council strongly encouraged best practice in respect of investor engagement. The expectation is that institutional investors should publish a statement in respect of their adherence to the code. Compliance with the Code is currently on a voluntary basis. The Wiltshire Pension Fund reviews its Statement of Compliance with the code annually and all our global equity managers comply fully with the code. The Financial Reporting Council categorises signatories to the Stewardship Code into tiers based on the quality of their Code statements. Wiltshire Pension Fund has been designated a 'tier 1' authority. The FRC awards Tier 1 status when 'Signatories provide a good quality and transparent description of their approach to stewardship and explanations of an alternative approach where necessary'.

Flight Path

The principle of a Flight Path is to reduce the level of risk which the Fund is exposed to, as and when it becomes affordable to do so. It is triggered by the funding position - as it improves risk reduction steps can be taken. Conversely it may be decided to re-risk when the funding level decreases. Triggering of the flightpath is not automatic; officers need to seek approval from the Pension Fund Committee and no action will be taken until all relevant factors have been considered.

The trigger levels are:

86.5% funding – 5% from UK Equities to Gilts

91.0% funding – 5% from UK Equities to Gilts

95.5% funding – 2.5% from UK Equities to Gilts

100% funding – 2.5% from Fundamental equities to Gilts

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

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

2016 TRIENNIAL VALUATION

At 31 March 2016, the Fund's actuary, Hymans Robertson measured all the assets and liabilities of the Wiltshire Pension Fund. Using this information for each employer organisation within the Fund, the actuary will set new employer contribution rates from April 2017 onwards.

The table below summarises the funding position of the Fund as at 31 March 2016 in respect of benefits earned by members up to this date (along with a comparison at the last formal valuation as at 31 March 2013).

| Past Service Position | 31 March 2013 (£m) | 31 March 2016 (£m) |
|--------------------------|--------------------|--------------------|
| Past Service Liabilities | 2.094 | 2.246 |
| Market Value of Assets | 1.484 | 1.831 |
| Surplus/(Deficit) | (610) | (415) |
| Funding Level | 71% | 82% |

Details of the latest actuarial valuation results can be found in the **Actuarial Valuation Report** of Hymans Robertson. This report includes details of contribution rates required to be paid into the Fund by employer bodies for the three-year period commencing 1 April 2017.

The 2019 triennial valuation exercise commenced during 2018/19 and the results will be known later in 2019. This valuation will set employer contribution rates from April 2020 onwards. The Fund is extremely conscious of the cost pressures facing employers and their ability to absorb future increases for what will be another challenging valuation exercise and we will try to work with them to manage any changes.

INVESTMENT REPORT (continued)

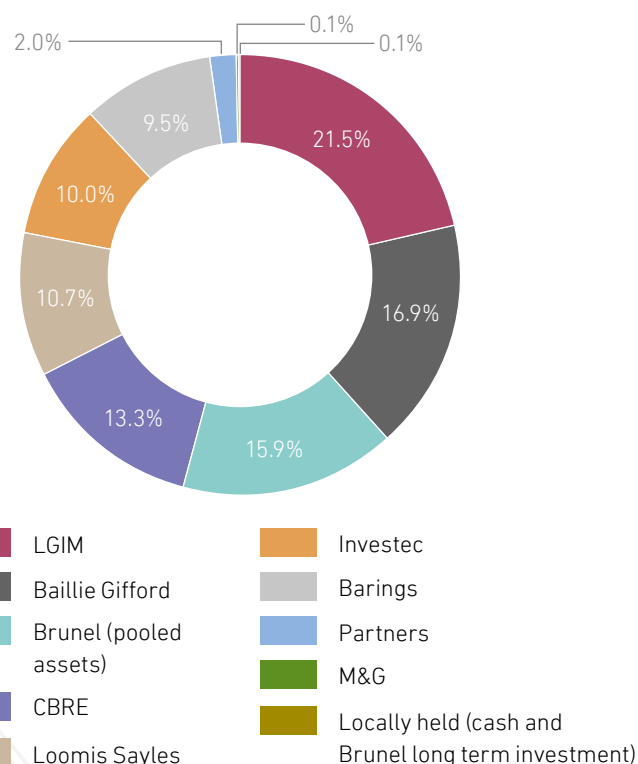
INVESTMENT MANAGEMENT ARRANGEMENTS

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

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

Split of Assets by Manager

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

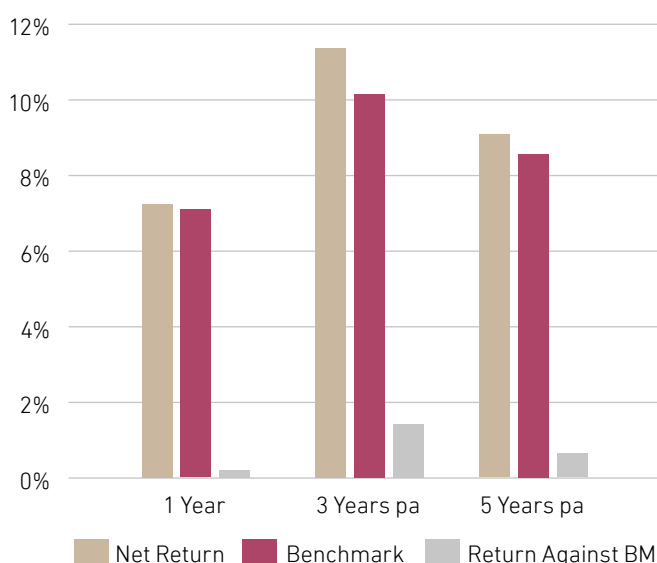


Performance

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

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

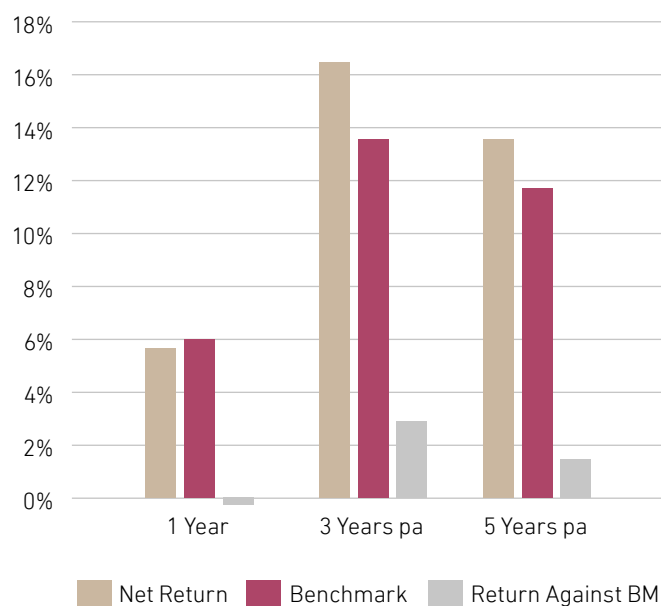
| Whole Fund | 1 Year | 3 Years pa | 5 Years pa |
|-------------------|--------|------------|------------|
| Net Return | 7.4% | 11.4% | 9.2% |
| Benchmark | 7.2% | 10.1% | 8.6% |
| Return Against BM | 0.2% | 1.3% | 0.6% |



LGIM and Brunel passive portfolios

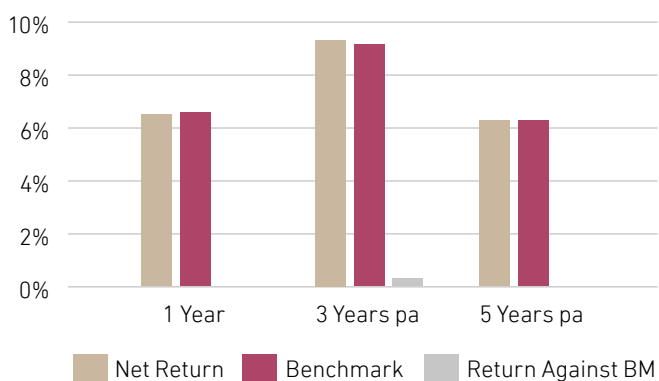
These portfolios aim to match their benchmark indices, and so have met their performance objectives over all periods. As mentioned above, Brunel have only been managing assets since July 2018, so performance is shown as a composite of pre- and post-pooling returns. In future years, when there is greater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

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

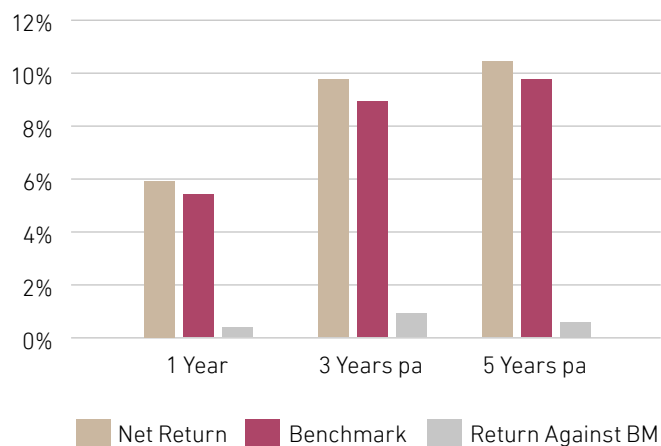


INVESTMENT REPORT (continued)

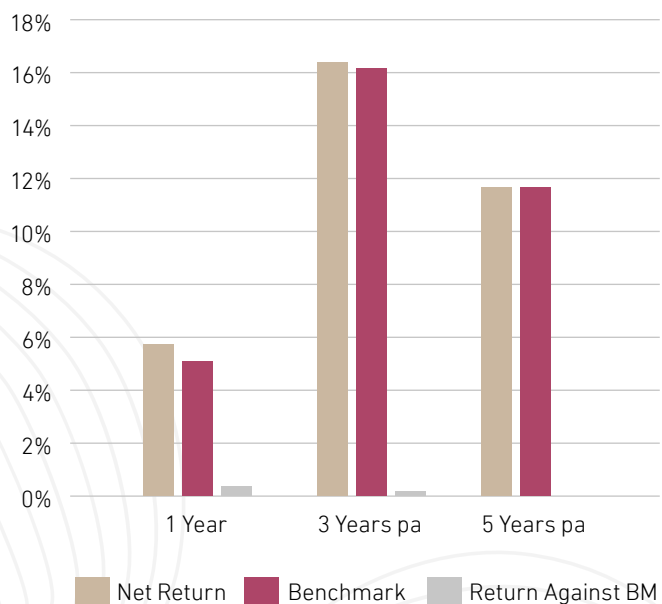
| Brunel passive UK equities | 1 Year | 3 Years pa | 5 Years pa |
|----------------------------|--------|------------|------------|
| Net Return | 6.3% | 9.6% | 6.1% |
| Benchmark | 6.4% | 9.5% | 6.1% |
| Return Against BM | 0.0% | 0.1% | 0.0% |



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



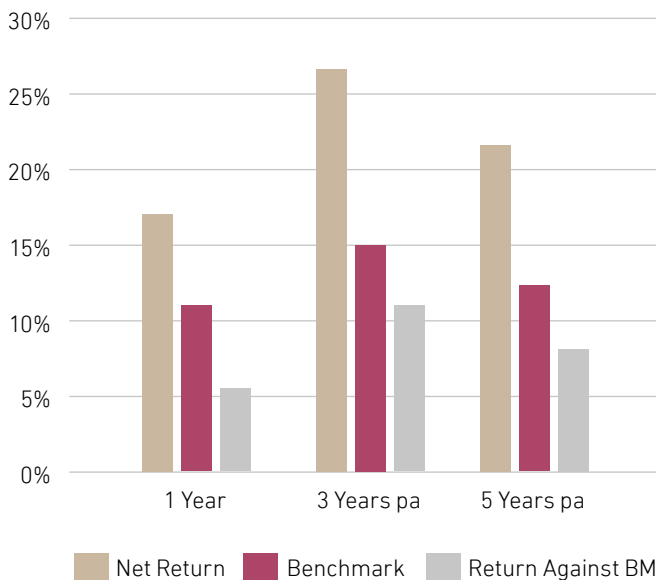
| Brunel passive fundamental equities | 1 Year | 3 Years pa | 5 Years pa |
|-------------------------------------|--------|------------|------------|
| Net Return | 5.8% | 16.5% | 11.9% |
| Benchmark | 5.3% | 16.2% | 11.9% |
| Return Against BM | 0.5% | 0.3% | 0.0% |



Baillie Gifford

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

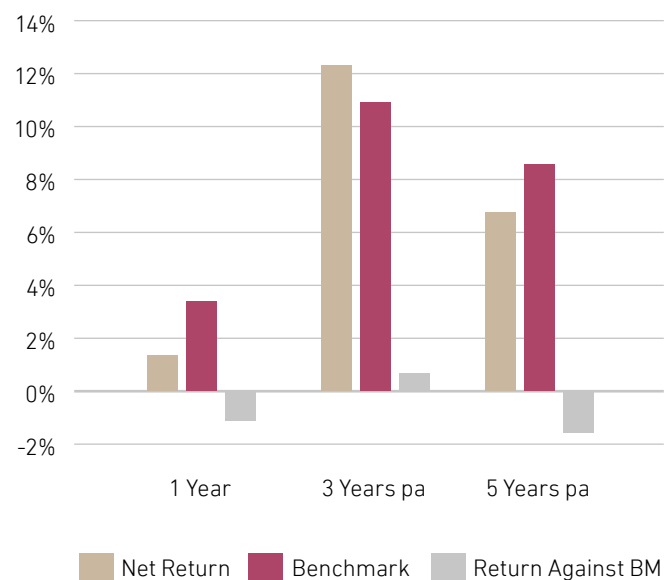
| Baillie Gifford | 1 Year | 3 Years pa | 5 Years pa |
|-------------------|--------|------------|------------|
| Net Return | 17.0% | 26.5% | 21.8% |
| Benchmark | 11.1% | 15.0% | 12.4% |
| Return Against BM | 5.9% | 11.5% | 9.3% |



Investec

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

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

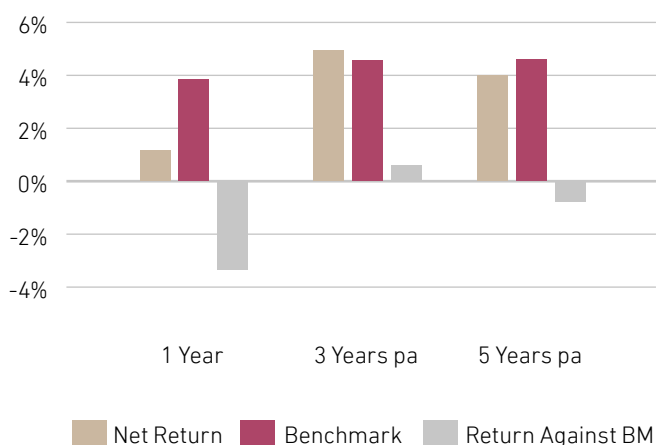


INVESTMENT REPORT (continued)

Barings

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

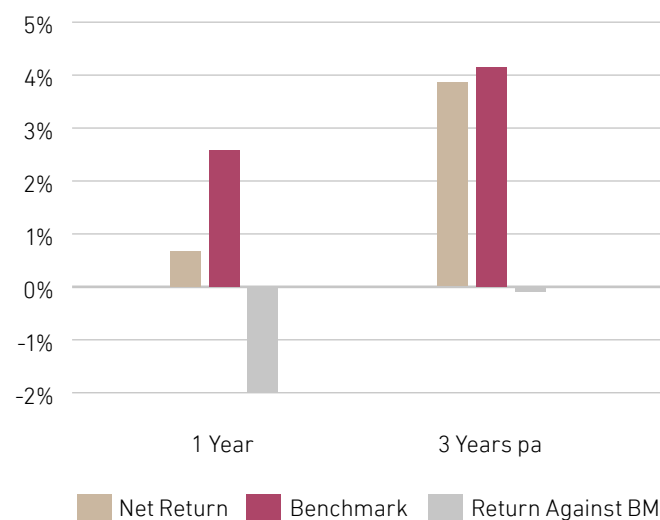
| Barings | 1 Year | 3 Years pa | 5 Years pa |
|-------------------|--------|------------|------------|
| Net Return | 1.3% | 5.0% | 4.0% |
| Benchmark | 4.9% | 4.6% | 4.6% |
| Return Against BM | -3.6% | 0.4% | -0.6% |



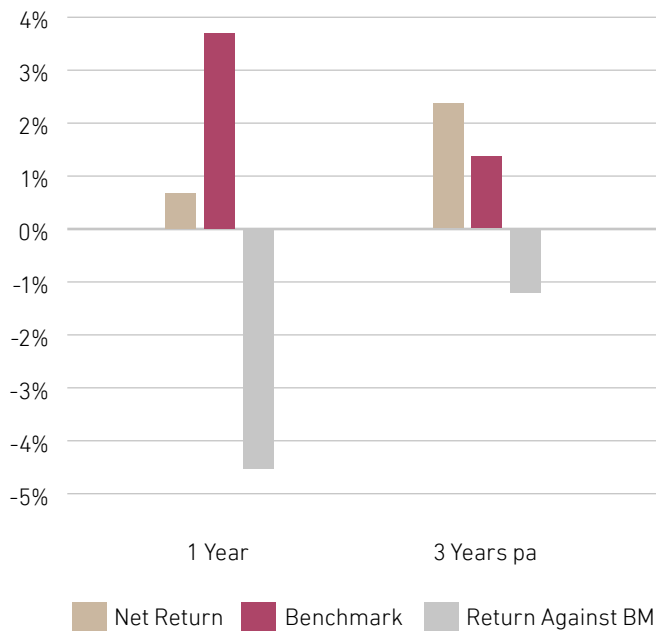
Loomis Sayles

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

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



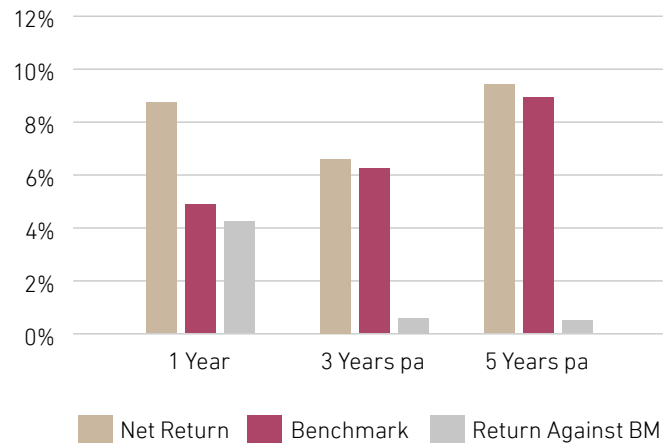
| Loomis – absolute return bond fund | 1 Year | 3 Years pa |
|------------------------------------|--------|------------|
| Net Return | -0.7% | 2.4% |
| Benchmark | 3.8% | 3.5% |
| Return Against BM | -4.5% | -1.1% |



CBRE

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

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



POOLING REPORT

IMPLEMENTATION: APPROACH TO ASSET POOLING

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

The arrangements for asset pooling for the Brunel pool have been formulated to meet the requirements of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and Government guidance. Importantly, Brunel has met the Government's requirement for the Pool to become operational from April 2018 and the transition of assets to start.

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

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

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

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

The governance of the Brunel partnership is of the utmost important to us to ensure our assets are invested well and our needs and those of our beneficiaries are met. Governance controls exist at several levels within Brunel:

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

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

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

Set up costs

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

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

Projected Savings

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

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

POOLING REPORT (continued)

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

Expected vs Actual Costs and Savings to date

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

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

Ongoing investment management costs

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

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

POOLING REPORT (continued)

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

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

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

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

Asset performance

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

FINANCIAL PERFORMANCE

ANALYTICAL REVIEW

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

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

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

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

MOVEMENT IN ASSETS AND LIABILITIES

The funding level (i.e. the ratio of the assets to liabilities) at 31 March 2016 (last valuation) was 82% being valued at £1.831 million. Hymans Robertson's previous valuation at 31 March 2013 was 71%. This means that the total of the Fund's assets was sufficient to meet 82% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2016 valuation was £415 million.

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

ANALYSIS OF PENSION CONTRIBUTIONS

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

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

In total 68 monthly contribution payments were received late of which 62 were received within the month, 6 received between 1 and 3 months late and 0 received more than 3 months late.

No interest was charged on any of the late payments.

FINANCIAL PERFORMANCE (continued)

FORECASTS

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

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

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

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

The forecasts for total investment assets are based on the actual figures for 2018/19 multiplied by the forecast long term returns for each asset used at the last strategic asset allocation review in 2017. Net contributions less expenses are added to the cash figure to reflect new money into the Fund. No future changes in asset allocation have been considered as these are not known with any degree of certainty.

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

Long-term forecast asset returns

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

OPERATIONAL EXPENSES

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

CASH FLOW

Officers continue to monitor the cashflow position of the Fund to ensure sufficient resources are available to pay benefits as they fall due. The position for 2018/19 is shown below:

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

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

FINANCIAL PERFORMANCE (continued)

ANALYSIS OF PENSION OVERPAYMENTS

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

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

RISK

RISK MANAGEMENT

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

Financial/Funding Risk

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

- **Investment Risk** – This is the risk that the investments assets underperform the level assumed in the Triennial Actuarial Valuation. This can occur due to poor economic/market conditions, the wrong investment strategy or poor selection of investment managers.
- **Liability Risk** – This is the risk that there is a fall in the so-called “risk free” returns on Government bonds, which form the basis of assumptions about future investment returns. The assumed future investment return is used to “discount” future liabilities (i.e. over the next 0-80 years) back to today’s values (net present value). Therefore, falling bond yields means higher liabilities.
- **Inflation Risk** – Notwithstanding other factors, Pension Fund liabilities increase in line with inflation, because the CPI is applied to pensions annually. Therefore, rising inflation causes the liabilities to increase.
- **Insufficient Funds Risk** – This is the risk that there is insufficient money in the Fund to pay out pensions as they become due.

Demographic Risk

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

Regulatory Risk

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

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

Governance Risk

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

Employer Risk

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

Management Risk

This risk can manifest itself in several ways:

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

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

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

Third party risks

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

In respect of Investment Managers, internal control reports (ISAE3402 and SSAE16) are received and reviewed regularly for any non-compliance issues. These are also reviewed by our internal and external auditors.

RISK (continued)

RISK REGISTER

| REF. & OWNER | RISK | IMPACT | CONTROLS |
|----------------------------|--|---|---|
| PEN001 Head of Pensions | Failure to process pension payments and lump sums on time | Retiring staff will be paid late, which may have implications for their own finances. It also has reputational risk for the Fund and a financial cost to the employers if interest has to be paid to the members. | Maintenance and update of Altair and SAP systems, sufficient staff cover arrangements, sufficient staff training and QA checking of work. Adherence to Pension Administration Strategy and regular monitoring of performance. Documentation of processes and reconciliations. When workloads are high, payments to members are prioritised above other work. |
| PEN004 Head of Pensions | Inability to keep service going due to loss of main office, computer system or staff | Temporary loss of ability to provide service | An updated Business Continuity Plan has now been drafted in line with the new Council template. The team can work from home or remotely if required. The pension system is also hosted by its supplier, which reduces the risk should Wiltshire Council's IT servers fail. The Fund also operates a mostly paperless office. |
| PEN005 Head of Pensions | Loss of funds through fraud or misappropriation | Financial loss to the Fund | Internal and External Audit regularly test that appropriate controls are in place and working. Regulatory control reports from investment managers, custodian, etc, are also reviewed by audit. Due Diligence is carried out whenever a new manager is appointed. Reliance is also placed in Financial Services Authority registration. |
| PEN014 Head of Pensions | Failure to provide the service in accordance with sound equality principles | Some customers may not be able to access the service properly or may be offended and raise complaints. At worst case, this could result in a court case, etc. | The Fund has done an Equality Risk Assessment and has an Equality Implementation Plan in place |
| PEN021 Head of Pensions | Ability to Implement the Public Sector Exit Cap | Changes need to be communicated to individuals and employers and systems adapted once the revised regulations have been approved | Currently monitoring the progress of the developments to allow adequate time to take any actions necessary. We are not anticipating any changes to occur quickly and, depending on the final outcomes, WPF will set up a project cover: discussions with employers and changes to employer discretions policies, benefit and systems calculations and the associate communications. |
| PEN022 Head of Pensions | Risks related to reconciliation of GMP records (increase in staff resource & reputational) | If GMP records for members are inaccurate there is the potential for incorrect liabilities being paid by the Fund. | Large project is still ongoing and software from Heywood's is being used to process amendments to Altair on bulk. Progress has been delayed due to the Fund trying to engage with Government to agree on a nationwide approach and to undertake further analysis of the problems identified. |

| REF. & OWNER | RISK | IMPACT | CONTROLS |
|-------------------------------|--|---|--|
| PEN003 Head of Pensions | Insufficient funds to meet liabilities as they fall due | Immediate cash injections would be required from the scheme employers. This shouldn't be an issue for the Fund, but it looks likely that investment income might need to be used within the next 12 months. | Funding Strategy Statement, Investment Strategy, Triennial Valuations, membership of Club Vita, modelling of future cash flows. |
| PEN006a Investment Manager | Significant rises in employer contributions for non-secure employers due to increases in liabilities | Employer contribution rates become unacceptable, causing upward pressure on Council Tax and employers' costs. | Longevity and bond yields are generally beyond the control of the Fund as are the values of the liabilities in general. However, the Fund has started the 2019 Triennial Valuation process and it is concurrently reviewing its investment strategy and implementing separate employer investment strategies. Furthermore, the Fund and each employer must have a Discretions Policy in place to help control discretionary costs (e.g. early retirements, augmented service, etc). |
| PEN006b Investment Manager | Significant rises in employer contributions for non-secure employers due to increases in liabilities | Employer contribution rates become unacceptable, causing upward pressure on Council Tax and employers' costs. | As above |
| PEN007a Head of Pensions | Significant rises in employer contributions for secure employers due to poor/negative investment returns | Poor/negative investment returns, leading to increased employer contribution rates | Use of expert consultants in the selection of investment strategy and investment managers, regular monitoring of investment managers (1/4ly), regular reviews of investment strategy (annually). Monthly review of % of Fund held in each mandate. Also, a flight path strategy implemented to take off risk as funding levels improve. Fund member of LAPFF & uses PIRC to proxy vote on shares in line with agreed policy for ESG issues. Compliance with Stewardship code. |
| PEN007b Investment Manager | Significant rises in employer contributions for non-secure employers due to poor/negative investment returns | Poor/negative investment returns, leading to increased employer contribution rates | Use of expert consultants in the selection of investment strategy and investment managers, regular monitoring of investment managers (1/4ly), regular reviews of investment strategy (annually). Monthly review of % of Fund held in each mandate. Also, a flight path strategy implemented to take off risk as funding levels improve. Fund member of LAPFF & uses PIRC to proxy vote on shares in line with agreed policy for ESG issues. Compliance with Stewardship code. |

RISK (continued)

RISK REGISTER (continued)

| REF. & OWNER | RISK | IMPACT | CONTROLS |
|------------------------------|---|--|--|
| PEN015 Head of Pensions | Failure to collect payments from ceasing employers | Failure to collect cessation payments means the cost of funding future liabilities will fall against the Wiltshire Pension Fund | The Pension Fund Committee approved a revised cessation policy on 20 September 2018 to address regulatory changes made in May 2018 and certain scenarios which had arisen which the previous policy did not adequately address. Furthermore, all new admitted bodies require a guarantor to join the Fund which means that a stable Scheme Employer is required to act as the ultimate guarantor. |
| PEN016 Investment Manager | Treasury Management | Exposure to counterparty risk with cash held with external deposit holders could impact of Funding level of the Fund | The Pension Fund will review an updated Treasury Management Strategy at the March meeting which follows the same criteria adopted by Wiltshire Council but limits individual investments with a single counterparty to £6m. |
| PEN024 Investment Manager | Impact of EU Referendum | A vote to exit the EU may produce short term volatile market movements which could impact on asset performance. | The Fund has liaised with its investment managers on the potential impact of an exit. The Fund has agreed to revert to 50% overseas equities hedged position for the current timeframe to reflect the current weakness of sterling. |
| PEN026 Investment Manager | Impact of MiFID II Regulations | If Wiltshire Pension Fund is unable to attain "professional" status it will limit the range of investments available and may lead to the forced sale of assets. | Wiltshire Fund is now being treated as a Professional Client, having followed due process. |
| PEN002 Investment Manager | Failure to collect and account for contributions from employers and employees on time | Adverse audit opinion for failure to collect contributions by 19th of month, potential delays to employers' FRS17 year-end accounting reports and to the Fund's own year-end accounts. | Robust maintenance and update of Altair and SAP systems, sufficient staff cover arrangements, sufficient staff training and QA checking of work. We constantly work with employers to ensure they understand their responsibilities to pay by 19th of the month. The Breaches framework now require the Fund to log material late payments. |
| PEN008 Head of Pensions | Failure to comply with LGPS and other regulations | Wrong pension payments paid, or estimates given. Investment in disallowed investment vehicles or failure to comply with governance standards. Effect: Unhappy customers, tribunals, Ombudsman rulings, fines, adverse audit reports, etc | <ul style="list-style-type: none"> • Sufficient staffing, training and regulatory updates. • Competent software provider and external consultants. • Technical & Compliance post reviews process and procedures and maintains training programme for the team. • KPIs against statutory standards • Imbedding checks and controls into all processes. |

| REF. & OWNER | RISK | IMPACT | CONTROLS |
|----------------------------|--|---|--|
| PEN009 Head of Pensions | Failure to comply with Data Protection Legislation (GDPR & Data Protection Act 2018) | Poor data, lost or compromised, fines from the Information Commissioner, reputational risk of failure to meet Data Protection legislation. | Compliance with Wiltshire Council's Data Protection & IT Policies. Annual Data Protection training given to the team. On-going cleansing of data undertaken by Systems Team. The Fund has produced a new suite of procedures and controls following the introduction of GDPR. |
| PEN010 Head of Pensions | Failure to keep pension records up-to-date and accurate | Incorrect records held, leading to incorrect estimates being issues to members and incorrect pensions potentially being paid. | Data & systems Team constantly working to improve data quality, data validation checks carried out through external partners (e.g. the Fund's actuaries and tracing agencies), pro-active checks done through national fraud initiative. |
| PEN011 Head of Pensions | Lack of expertise of Pension Fund Officers and Service Director, Finance | Bad decisions made may be made in relation to any of the areas on this register, but particularly in relation to investments. | Officers ensure that they are trained and up-to-date in the key areas through attendance at relevant courses and seminars, reading, discussions with consultants and peers, etc. The Governance & Performance Manager has formulated annual Training Plans and Relevant officers are also reviewed against the CIPFA Knowledge & Skills Framework to ensure adequate expertise exists. |
| PEN012 Head of Pensions | Over-reliance on key officers | If someone leaves or becomes ill, a large knowledge gap could be left behind. | Key people in the team are seeking to transfer specialist knowledge to colleagues by documenting procedures and notes. In the event of a knowledge gap, however, we can call on our external consultants and independent advisors for help in the short-term. |
| PEN017 Head of Pensions | Lack of expertise on Pension Fund Committee | Bad decisions made may be made in relation to any of the areas on this register, but particularly in relation to investments. There is also a requirement for Funds to 'Comply or Explain' within their Annual Report on the skills knowledge of members of the Committee | Members are given Induction Training when they join the Committee, as well as subsequent opportunities to attend courses/seminars and specialist training at Committee ahead of key decisions. There is a Members' Training Plan and Governance Policy. Further training and advice can be called on from our consultants, independent advisors and investment managers too. |
| PEN019 Head of Pensions | Maintenance of Local Pension Board & Investment Sub-Committee | Reputational risk from a national perspective and failure to adhere to legislation resulting in action by the Government or the Pension Regulator. Ineffective operation of the Investment sub-Committee leading to bad decision making. | Officers are planning to review the terms of reference for the LPB and Committee in due course, partly to make the process of recruiting to the LPB easier but also to help ensure the LPB remains effective. |

RISK (continued)

RISK REGISTER (continued)

| REF. & OWNER | RISK | IMPACT | CONTROLS |
|---------------------------------|---|---|--|
| PEN020 Investment Manager | Pooling of LGPS assets | Poor implementation could be costly in terms of additional fees and poor investment returns. | The Fund is working with Brunel Pension Partnership on pooling arrangements. Progress and updates regularly reported to Committee. The Fund's passive portfolios have been pooled with significant fee savings, but a budget increase is also currently being proposed. The final position is still uncertain. |
| PEN023 Head of Pensions | Resources of Officers and Members to meet the expansion of business items | It is increasingly more difficult for officers to thoroughly consider issues and to deliver concise agenda papers covering all the relevant issues, while members are faced with larger report packs trying to cover the pertinent details. | More use of web links within the Committee papers to reduce the size of the packs. The adequacy of officers' resources to support the Fund's 3 committees, the on-going pooling agenda and the additional complexities arising from regulatory scheme changes is still being monitored through work planning and appraisals. |
| PEN025 Head of Pensions | Academisation of Schools, the possibility of MAT breakups and cross fund movements. | Additional governance and administration risk. If all schools were to convert, then the number of employers in the Fund could jump from 170 to between 400 and 500. | Regular communications with schools to understand their intentions. Revised cessation policy aims to address some of the risks relating to MAT breakups. |
| PEN027 Head of Pensions | Significant structural change to LGPS Funds or to our Fund | Depending on its nature and scale: a major impact on employer numbers, governance, control and operational matters. | To keep abreast of any national development and respond to consultations when they occur. To take appropriate opportunities to increase the membership and the numbers of employer of the Fund. For example, where a multi academy Trust wishes to consolidate its cross-Fund operations within a single Fund. |
| PEN013 Head of Pensions | Failure to communicate properly with stakeholders | Scheme Members are not aware of the rights and privileges of being in the scheme and may make bad decisions as a result. Employers are not aware of the regulations, the procedures, etc, and so the data flow from them is poor. | The Fund has a Communications Manager and Employer Relationship Manager posts dedicated to these areas full-time, including keeping the website up-to-date, which is a key communications resource. The Fund also has a Communications Policy. |

STATUTORY STATEMENTS

BUSINESS PLAN

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

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

CESSATION POLICY

The Fund's current Cessation Policy outlines the process and the flexibilities available to the Fund to work with employer organisations to pay off any cessation deficit payment. The policy can be viewed at the following link:

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

COMMUNICATIONS POLICY STATEMENT

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

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

PENSION ADMINISTRATION STRATEGY

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

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

This policy can be found at the following link:

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

WILTSHIRE PENSION FUND DISCRETIONS POLICY

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

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

WILTSHIRE PENSION FUND FULL PRIVACY NOTICE

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

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

GOVERNANCE POLICY STATEMENT

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

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

TREASURY MANAGEMENT STRATEGY

The purpose of this strategy is to outline the process and policies for the cash held by the Fund. The strategy aims to achieve the optimum return on the cash held commensurate with the high levels of security and liquidity required. These funds are invested separately from cash balances held by Wiltshire Council.

The strategy will be reviewed during 2019, and the current version can be viewed on the Wiltshire Pension Fund website at the following link:

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

DATA IMPROVEMENT STRATEGY AND PLAN

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

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

STATUTORY STATEMENTS (continued)

FUNDING STRATEGY STATEMENT

The FSS outlines how the Fund calculates employer contributions, what other amounts might be payable in different circumstances, and how this fits in with the investment strategy. The document follows CIPFA guidance ("Preparing and maintaining a funding strategy statement in the Local Government Pension Scheme 2016").

The FSS was prepared in collaboration with the Fund's Actuary, Hymans Robertson and forms an integral part of the framework within which they carry out triennial valuations to set employers' contributions and to provide recommendations on funding decisions.

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

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

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

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

STEWARDSHIP CODE COMPLIANCE STATEMENT

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

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

The current statement can be viewed at the following link:

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

TRIENNIAL VALUATION REPORT 2016

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

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

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

INVESTMENT STRATEGY STATEMENT

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

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

In line with the regulations the Fund had to consult such persons as it considers appropriate as to the proposed contents of its investment strategy. The statement is then published and then kept under review and revised from time to time, in particular when there is a material change in risk, and at least every three years. The document will be reviewed in 2019 following the Triennial Valuation and a review of the Fund's Investment Strategy.

The current ISS can be viewed at the following link:

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

ACTUARIAL POSITION

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

DESCRIPTION OF FUNDING POLICY

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

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

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

FUNDING POSITION AS AT THE LAST FORMAL FUNDING VALUATION

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

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

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

PRINCIPAL ACTUARIAL ASSUMPTIONS AND METHOD USED TO VALUE THE LIABILITIES

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

METHOD

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

ACTUARIAL POSITION (continued)

ASSUMPTIONS

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

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

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

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


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

* Aged 45 at the 2016 Valuation

Copies of the 2016 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

EXPERIENCE OVER THE PERIOD SINCE 31 MARCH 2016

Since the last formal valuation, real bond yields have fallen



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

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

STATEMENT OF RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

ADMINISTRATION AUTHORITY

The Administering Authority is required to:

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

DIRECTOR OF FINANCE & PROCUREMENT

The Director of Finance & Procurement is responsible for the preparation of the Fund's financial statements, which in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. Based on International Reporting Standards (the Code), are required to present a true and fair view of the financial position of the Fund for the year ended 31 March 2019. This report includes the financial statements for the Pension Fund only.

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

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

CERTIFICATE

I hereby certify that the following Annual Report and Accounts give a true and fair view of the financial position of the Wiltshire Pension Fund for the financial year ending 31 March 2019.

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

INDEPENDENT AUDITOR'S STATEMENT

TO THE MEMBERS OF WILTSHIRE PENSION FUND

ON THE PENSION FUND FINANCIAL STATEMENTS

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

RESPECTIVE RESPONSIBILITIES OF THE CHIEF FINANCIAL OFFICER AND THE AUDITOR

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

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

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

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

OPINION

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

[Signature]

Ian Howse (Appointed auditor)

For and on behalf of Deloitte LLP
Cardiff, UK

[Date]

STATEMENT OF ACCOUNTS

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

STATEMENT OF ACCOUNTS (continued)

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

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

NOTES

Related notes form an integral part of these financial statements

1. BASIS OF PREPARATION

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

IAS26 requires the actuarial present value of promised benefits to be disclosed. A separate report has been prepared by Hymans Robertson and is enclosed below after note 19.

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

2. ACCOUNTING POLICIES

The principal accounting policies of the Fund are as follows:

Contributions

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

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

Benefits and Refund of Contributions

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

Group Transfers

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

Payments to and on account of leavers

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

Investment Income

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

Valuation of Investments

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

(i) Quoted securities

Quoted Securities have been valued at 31 March 2019 by the Fund's custodian using the bid price where a quotation was available on a recognised stock exchange or unlisted securities market.

(ii) Unquoted securities

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

(iii) Pooled investment vehicles

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

STATEMENT OF ACCOUNTS (continued)

Foreign Currency Translation

All investments held in foreign currencies are shown at market value translated into sterling using the WM 4PM rate on 31 March 2019.

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

Investment Management Expenses

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

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

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

Acquisition Costs of Investments

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

Administration Expenses

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

Taxation

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

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

Additional Voluntary Contributions (AVCs)

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

3. CRITICAL JUDGEMENT IN APPLYING ACCOUNTING POLICIES

Pension Fund Liability

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

4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

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

The items in the net asset statement at 31 March 2019 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

| Item | Uncertainties | Effect if actual results differ from assumptions |
|---------|---|---|
| Debtors | At 31 March 2019, the fund had a balance of £43.2m for debtors (£0.9m relate to a long-term debtor). A review of significant balances suggested that no impairment is currently necessary. However, in the current economic climate, it is not certain that all debts will be paid. | If collection rates deteriorate it may be necessary for an allowance to be included in the accounts for doubtful debts. |

5A. CONTRIBUTIONS RECEIVABLE

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

* Deficit funding contributions are being paid by the employer for the three years commencing from 1 April 2017 with a minimum specified in the Rates and Adjustment Certificate dated 31 March 2017 in order to improve the Fund's funding position. The recovery period at the last valuation over which the deficit funding is recovered is mainly 20 years for scheduled bodies and 14 years or the length of the employer's contract (whichever is the shorter) for admitted bodies.

STATEMENT OF ACCOUNTS (continued)

5B. TRANSFERS IN FROM OTHER PENSION FUNDS

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

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

6. BENEFITS PAYABLE

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

7. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

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

8. MANAGEMENT EXPENSES

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

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

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

STATEMENT OF ACCOUNTS (continued)

9. INVESTMENT INCOME

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

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

10. STOCK LENDING

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

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

11. INVESTMENTS

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

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

STATEMENT OF ACCOUNTS (continued)

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

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

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

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

STATEMENT OF ACCOUNTS (continued)

Financial Instruments

Classification of financial instruments

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

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

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

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

STATEMENT OF ACCOUNTS (continued)

Financial Risk Disclosure

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

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

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

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

Market Risk

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

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

Market Price Risk

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

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

Market Price – Sensitivity Analysis

The sensitivity of the Fund's investments to changes in market prices has been analysed using the volatility of returns experienced by asset classes. The volatility data in 2019 was provided by the Fund's custodian (State Street) and was calculated as the monthly volatility of returns using 36 months of historical data. In 2018, the volatility data was provided by the Fund's Investment Advisor (Mercers) and is broadly consistent with a one-standard deviation movement. This was measured by the (annualised) estimated standard deviation of the returns of the assets relative to the liability returns. Such a measure is appropriate for measuring "typical" variations in the relative values of the assets and liabilities over short time periods. It is not appropriate for assessing longer term strategic issues. The analysis assumes that all other variables, in particular, interest rates and foreign exchange rates, remain constant.

Movements in market prices would have increased or decreased the net assets valued at 31 March 2019 and 2018 by the amounts shown below.

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

| As at 31 March 2018 | Value £'000 | Volatility of Return | Increase £'000 | Decrease £'000 |
|---|------------------|-------------------------|-------------------|-------------------|
| Baillie Gifford – Global Equity | 372,482 | 17.90% | 66,674 | (66,674) |
| CBRE Global Multi Manager – Property | 314,744 | 14.10% | 44,379 | (44,379) |
| Legal & General – Equity | 171,423 | 15.60% | 26,742 | (26,742) |
| Legal & General – Gilts | 255,092 | 9.60% | 24,489 | (24,489) |
| Legal & General – Global Equity | 125,349 | 15.60% | 19,554 | (19,554) |
| Legal & General – Rafi Equity | 324,477 | 15.60% | 50,618 | (50,618) |
| Barings – Dynamic Assets Allocation | 242,173 | 10.20% | 24,702 | (24,702) |
| Partners Group – Infrastructure | 35,655 | 14.30% | 5,099 | (5,099) |
| Investec – Emerging Markets | 252,365 | 18.60% | 46,940 | (46,940) |
| Loomis Sayles – Multi Asset Credit | 115,238 | 4.70% | 5,416 | (5,416) |
| Loomis Sayles – Absolute Return Bond Fund | 160,878 | 4.70% | 7,561 | (7,561) |
| M&G – Financing Fund | 2,089 | 0.00% | – | – |
| Cash held at custodian | 9,419 | 0.00% | – | – |
| Long-term investment – Brunel Pension Partnership | 840 | 0.00% | – | – |
| | 2,382,224 | | 322,174 | (322,174) |

STATEMENT OF ACCOUNTS (continued)

Interest Rate Risk

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

The Fund's exposure to interest rate movements from its investments, including those indirectly held in through pooled investment vehicles, in cash & cash equivalents, fixed interest and loans at 31 March 2019 and 2018 are provided below:

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

Interest Rate – Sensitivity Analysis

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

| As at 31 March 2019 | Value £'000 | Change in net assets | |
|---------------------------|----------------|----------------------|------------------|
| | | £'000 +100 BP | £'000 -100 BP |
| Cash held on deposit | 15,321 | 153 | (153) |
| Fixed interest securities | 276,736 | (6,680) | 6,680 |
| Loans | 1,531 | - | - |
| | 293,588 | (6,527) | 6,527 |

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

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

Currency Risk

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

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

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

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

Currency Risk – Sensitivity Analysis

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

A 10% strengthening or weakening of Sterling against the various currencies at 31 March 2019 and 31 March 2018 would have increased or decreased the net assets by the amount shown below:

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

| 2018 | Assets held at Fair Value £'000 | Change in net assets | |
|------------------------------|------------------------------------|----------------------|-----------------|
| | | +10% £'000 | -10% £'000 |
| US Dollar | 290,850 | 29,085 | (29,085) |
| Euro | 66,428 | 6,643 | (6,643) |
| Net currency exposure | 357,278 | 35,728 | (35,728) |

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

Credit Risk

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

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

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

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

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

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

STATEMENT OF ACCOUNTS (continued)

Liquidity Risk

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

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

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

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

Fair Value Hierarchy

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

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

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

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

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

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

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

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

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

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

STATEMENT OF ACCOUNTS (continued)

The following table shows the sensitivity of assets valued

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

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

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

12 INVESTMENT MANAGEMENT EXPENSES

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

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

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

STATEMENT OF ACCOUNTS (continued)

13 CURRENT ASSETS

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

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

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

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

14 CURRENT LIABILITIES

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

15 ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCS)

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

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

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

16 EMPLOYER RELATED ASSETS

There are no employer related assets within the Fund.

17 RELATED PARTY TRANSACTIONS

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

The Council incurred costs of £1.477m (2017/2018: £1.472m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The Council is also the single largest employer of members of the Pension Fund and contributed £31.6m to the Fund in 2018/2019 (2017/2018: £30m). A balance of £1.3m was owed by the Pension Fund to the Council at year end.

Part of the pension fund cash holdings are invested on the money markets by the treasury management operations of Wiltshire Council, through a service level agreement. During the year to 31 March 2019, the fund had an average investment balance of £6.9m (31 March 2018: £7.6m), earning interest of £44k (2017/2018: £21k) in these funds.

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

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

Governance

There are five members of the Pension Fund Committee that are active members of the Pension Fund, two of these individuals are the employer bodies representatives. One councillor is also a pensioner member of the Pension Fund.

18 GUARANTEED MINIMUM PENSION

The Guaranteed Minimum Pension (GMP) Reconciliation project has been split into a number of stages for Local Government Pension Schemes (LGPS). The Fund completed Stage 2, entitled "Review data inconsistencies, on 31st December 2018 & is now liaising with HMRC over a small number of residual queries. As a result of the reconciliation the Fund anticipates receiving a rebate from HMRC of £37.7k in respect of Contribution Equivalent Premium (CEP) overpayments.

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

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

it will be increased by a maximum of 3%. The Government will increase the State Pension for the member fully on the Pre 1988 GMP element and for Post 1988 GMP element it is only increased if CPI is above 3%.

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

The Government has announced that future GMP increases will be met in full by the Fund where a member's SPA falls between 06/04/2016 and 05/04/2021. We await further confirmation from the Government detailing how GMPs will be increased for those members whose SPA is after 05/04/2021.

STATEMENT OF ACCOUNTS (continued)

19 CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

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

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

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

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

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

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

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

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

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

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

IAS26 STATEMENT

PENSION FUND ACCOUNTS REPORTING REQUIREMENT

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2018/19 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the Wiltshire Pension Fund ("the Fund").

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

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

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

Present value of Promised Retirement Benefits

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

The promised retirement benefits at 31 March 2019 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2016. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

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

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

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2019 and 31 March 2018. I estimate that the impact of the change in financial assumptions to 31 March 2019 is to increase the actuarial present value by £217m. There is no impact from any change in the demographic and longevity assumptions because they are identical to the previous period.

Financial assumptions

| Year ended (%p.a.) | 31 March 2019 | 31 March 2018 |
|-----------------------|---------------|---------------|
| Pension Increase Rate | 2.5% | 2.4% |
| Salary Increase Rate | 2.8% | 2.7% |
| Discount Rate | 2.4% | 2.6% |

Longevity assumption

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

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

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

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

Commutation assumptions

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

Sensitivity Analysis

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

| Sensitivity to the assumptions for the year ended 31 March 2019 | Approximate % Increase to liabilities | Approximate monetary amount (£m) |
|---|---------------------------------------|----------------------------------|
| 0.5% p.a. increase in the Pension Increase Rate | 8% | 321 |
| 0.5% p.a. increase in Salary Increase Rate | 1% | 51 |
| 0.5% decrease in Real Discount Rate | 10% | 394 |

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

This paper accompanies my covering report titled 'Actuarial Valuation as at 31 March 2019 for accounting purposes'. The covering report identifies the appropriate reliance and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Prepared by:-
Barry Dodds FFA
2 May 2019

For and on behalf of Hymans Robertson LLP

FURTHER INFORMATION & CONTACTS

The Council produces many other publications, as well as this booklet to support its role as administering authority of the Wiltshire Pension Fund. You can request these from the Wiltshire Pension Fund at County Hall, Trowbridge, from our Website at www.wiltshirepensionfund.org.uk or by emailing pensionenquiries@wiltshire.gov.uk.

GUIDE TO THE LOCAL GOVERNMENT PENSION SCHEME

This booklet explains the benefits available to employees and their dependants of being in the Fund.

EMPLOYERS' GUIDE

This is available on our website and specifically aimed at staff within employer bodies with responsibility for providing information to the Pensions Section in respect of Fund administration. The aim of the Guide is to provide Scheme Employers with all the information they need to fulfil their pension responsibilities correctly.

STARTER PACKS

These contain information that must be made available to new employees on their pension entitlements, together with supporting information.

RETIREMENT PACKS

These contain information for every new pensioner about their pension and other supporting information.

NEWSLETTERS

Occasional newsletters are produced, both for participating Fund members and for pensioners, containing information of interest.

ANNUAL BENEFIT STATEMENTS

Statements are automatically available for all full-time Fund members and those working regular part time hours, and for deferred pensioners. Statements are also available on request for any Fund member at any time.

OTHER INFORMATION

Various leaflets, posters and fact sheets explaining the Fund and highlighting its benefits are produced. The Pensions Section also has booklets available produced by Prudential on Additional Voluntary Contributions.

FOR FURTHER INFORMATION CONTACT:

Ashleigh Salter

Fund Communications Manager
Email: Ashleigh.Salter@wiltshire.gov.uk

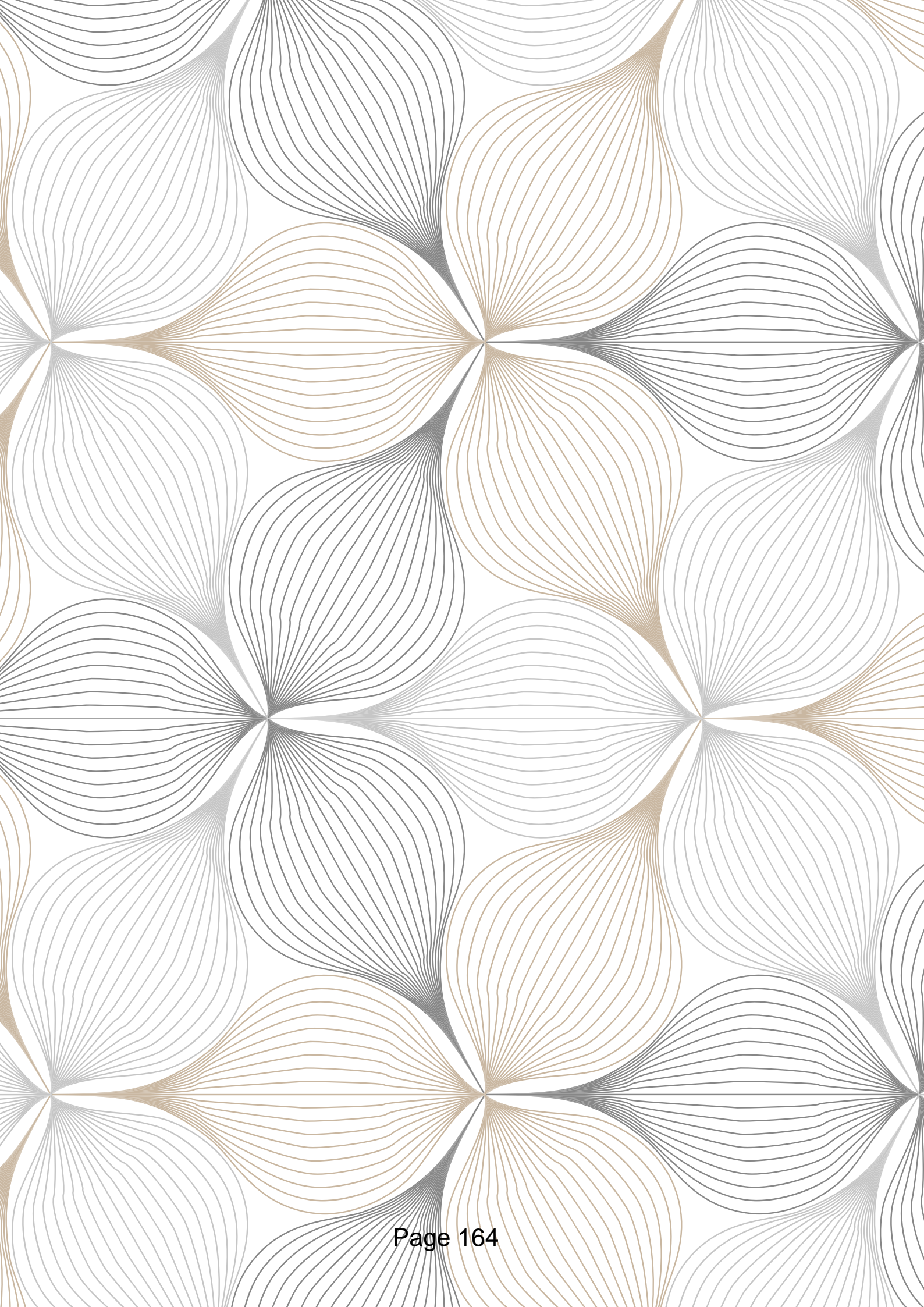
Andy Cunningham

Head of Pensions Administration & Relations
Email: Andy.Cunningham@wiltshire.gov.uk

Jennifer Devine

Investment Manager
Email: jennifer.devine@wiltshire.gov.uk





ANNUAL
REPORT
2019



WILTSHIRE
PENSION FUND

REPORT & ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2019

CONTENTS

| | |
|---|----|
| CHAIRMAN'S FOREWORD | 3 |
| SCHEME MANAGEMENT AND GOVERNANCE | 4 |
| TRAINING REPORT | 8 |
| SCHEME ADMINISTRATION REPORT | 12 |
| INVESTMENT REPORT | 25 |
| POOLING REPORT | 34 |
| FINANCIAL PERFORMANCE | 39 |
| RISK | 43 |
| STATUTORY STATEMENTS | 49 |
| ACTUARIAL POSITION | 51 |
| STATEMENT OF RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS | 53 |
| AUDIT OPINION | 54 |
| STATEMENT OF ACCOUNTS | 55 |
| IAS26 STATEMENT | 78 |
| FURTHER INFORMATION & CONTACTS | 80 |





CHAIRMAN'S FOREWORD

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

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

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

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

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

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

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

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

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

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

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

The Committee is also responsible for the administrative performance of the Fund which is administered by key officers, namely Becky Hellard (Interim Treasurer to the Pension Fund), Andy Cunningham (Head of Pensions Administration and Relations) and Jennifer Devine (Investment Manager) following the requirements set out in the Local Government Pension Scheme (LGPS) Scheme Regulations and the principles laid down by the Chartered Institute of Public Finance and Accountancy (CIPFA).

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

Tony Deane, Chairman

On behalf of the Wiltshire Pension Fund Committee

18th July 2019

SCHEME MANAGEMENT AND GOVERNANCE

| | |
|--------------------------------|--|
| Administering authority | Wiltshire Council County Hall Trowbridge Wiltshire BA14 8JN |
|--------------------------------|--|

PENSION FUND COMMITTEE AS AT 31 MARCH 2019

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

OFFICERS, ADVISORS & MANAGERS AT 31 MARCH 2019

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

MANAGEMENT OF THE SCHEME

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

MEMBERS TABLE

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

Please note the following points concerning Members;

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

SCHEME MEMBERSHIP AND GOVERNANCE (continued)

THE WILTSHIRE PENSION FUND COMMITTEE

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

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

The Committee met four times last year for regular business. All decisions are taken by a simple majority with the Chairman having the casting vote.

The Wiltshire Pension Committee meets at regular quarterly intervals to review the affairs of the Fund, to review Fund performance and to plan the implementation of policy. In addition, a separate Investment Sub Committee meets periodically to review specific issues relating to Fund investments. The role of the pension board is to ensure that the management of fund administration and investments complies with the relevant regulations and legislation and that the Fund is managed in the best interests of its stakeholders.

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

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

INVESTMENT SUB-COMMITTEE

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

The ISC consists of four members of the main committee, being the Chairman, Vice-Chairman, along with two other co-opted Members from the Wiltshire Pension Fund Committee.

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

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

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

LOCAL PENSION BOARD (LPB)

The Wiltshire Pension Fund Committee is supported by a Local Pension Board which is responsible for:

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

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

The LPB consists of an independent chairman, 3 employer representatives, and 3 scheme member representatives and meets four times per year. The LPB has an oversight function to ensure the Fund is compliant with the Pensions Regulator.

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

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

The Annual Report from the Local Pension Board summarises its role, activities, costs, and future work plans. This can be found on the following link:

<http://www.wiltshirepensionfund.org.uk/media/4208/lpb-annual-report-2018.pdf>

STATUTORY STATEMENTS

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

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

PENSIONS COMMITTEE ATTENDANCE

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

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

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

TRAINING REPORT

BACKGROUND

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

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

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

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

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

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

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

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

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

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

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

ASSESSMENTS & TRAINING UNDERTAKEN

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

Notes

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

George Jeans – Appointed 26th February 2019

Simon Jacobs – Left 21st June 2018

Timothy Swinyard – Appointed 21st June 2018

Steve Weisinger – Left 21st June 2018

Linda Stuart – Left 21st July 2018

TRAINING REPORT (continued)

OFFICERS TO THE PENSION FUND COMMITTEE

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

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

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

Becky Hellard

Interim Treasurer of Pension Fund
18 July 2019

MEMBERS TRAINING PLAN OCTOBER 2018 – MARCH 2020

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

SCHEME ADMINISTRATION REPORT

LEGAL FRAMEWORK

The Local Government Pension Scheme (LGPS) is governed by the Superannuation Act 1972. The current scheme rules are contained within the LGPS Regulations 2013, the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 and the LGPS (Amendment) Regulations 2015. The Regulations are fixed on a national basis; however, the Scheme is administered by 101 designated Administering Authorities throughout England and Wales.

Wiltshire Council is responsible for administering Wiltshire Pension Fund for the benefits of employees of Wiltshire Council and the employees of scheme employers and admissions bodies. A list of participating scheme employers is shown on pages 21–22.

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

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

Employer contribution rates are set by the Fund’s Actuary every 3 years following a valuation of the Fund, this ensures the solvency of the Fund. New rates were set by the Actuary from 1 April 2017 following the 2016 Actuarial Valuation.

SCHEME BENEFITS

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

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

For leavers not entitled to the immediate payment of benefits.

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

The ability to increase personal benefits is available as follows:

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

HOW THE SERVICE IS DELIVERED

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

Value for Money

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

Accuracy and Confidentiality

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

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

Assurance Framework

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

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

Use of Technology

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

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

Employer Satisfaction

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

Internal Dispute Resolution Procedure

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

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

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

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

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

PENSION'S SECTION OVERVIEW

The administration function of the Pensions team comprises of the following teams and roles:

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

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

Fund Communications are handled by the Fund Communications manager who deals with all aspects of scheme members' communications and is responsible for the development and implementation of the Fund's Communications Strategy. This includes areas such as scheme members'

SCHEME ADMINISTRATION REPORT (continued)

newsletters, issuing of Annual Benefit Statements, delivery of presentations, road shows, the Fund's website and the marketing of the Fund. This role also supports employer communications and helps ensure that all team members are trained accordingly.

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

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

The Fund Governance and Performance Manager is responsible for supporting the Wiltshire Pension Fund Committee and Local Pension Board, including with overseeing governance training and supporting governance recruitment. The role is also responsible for overseeing Fund administration and service performance, including the performance of various service providers.

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

KEY STAFFING INDICATORS

Staff to fund-member ratios:

Average cases per member of staff

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

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

Average (completed) cases per member of staff

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

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

COST AND PERFORMANCE BENCHMARKING

Cost benchmarking

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

Unit cost per member

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

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

SCHEME ADMINISTRATION REPORT (continued)

KEY PERFORMANCE INDICATORS (KPIs)

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

Table 1

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

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

Notes & Assumptions:

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

SCHEME ADMINISTRATION REPORT (continued)

Table 2

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

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

Notes & Assumptions:

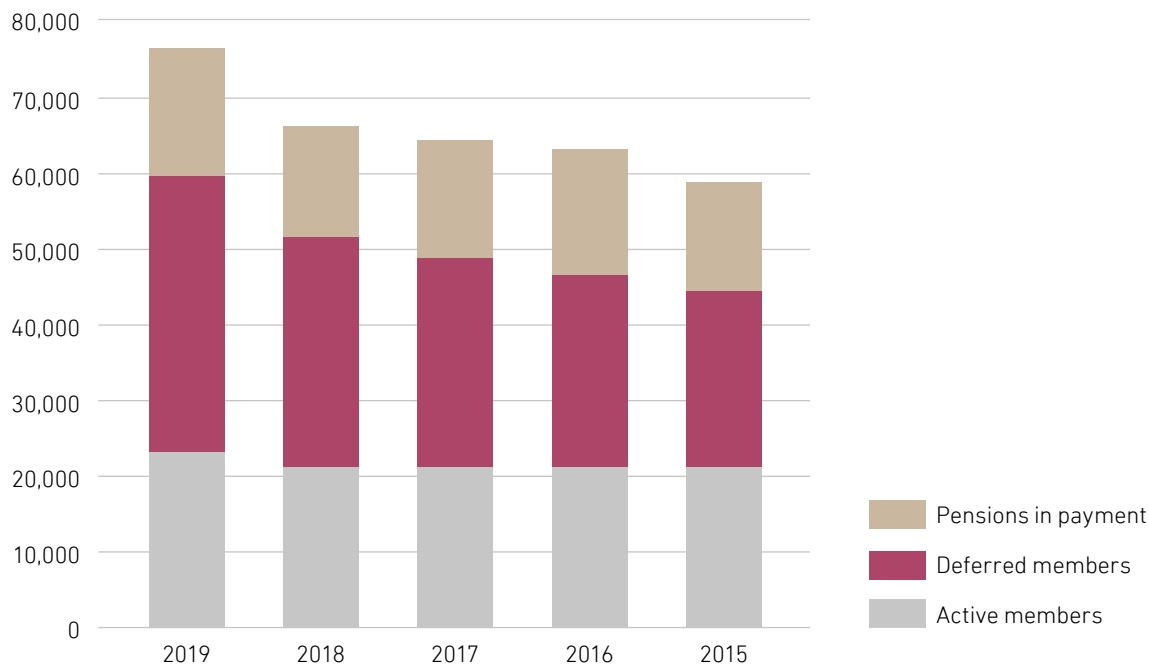
1. This table just covers completed cases in the year.
2. The Fund uses working days for its KPIs and has assumed 23 working days per calendar month.
3. Retirements – ‘letter notifying actual retirements’ and ‘process and pay benefits on time’ are treated as one and the same for this purpose.
4. Joiners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

SCHEME ADMINISTRATION REPORT (continued)

SCHEME MEMBERSHIP

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

5-year analysis of fund membership



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

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

New retirements during the year are analysed as follows:

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

EMPLOYER (ERS) AND EMPLOYEE (EES) CONTRIBUTIONS

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

SCHEME ADMINISTRATION REPORT (continued)

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

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

EMPLOYER ACTIVITY

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

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

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

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

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

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

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

<https://www.wiltshirepensionfund.org.uk/wiltshire-pension-fund/about-us/employers/>

<https://www.wiltshirepensionfund.org.uk/wiltshire-pension-fund/about-us/forms-and-publications/>

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

MEMBER SCHEME CONTRIBUTIONS

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

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

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

COMMUNICATIONS

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

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

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

The Fund has also now set up a Twitter account to enable members to keep up to date with all the latest Fund and pension news. You can follow the Wiltshire Pension Fund by using the following link: <https://twitter.com/WiltsPensions>

The Fund's Communications Policy Statement outlines the provision of information and publicity about the Scheme to its members, representatives of members and employing authorities. The latest policy can be viewed on the Wiltshire Pension Fund website at:

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

AVC PROVIDER

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

SCHEME ADMINISTRATION REPORT (continued)

PENSION INCREASE

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

DISCRETIONS POLICIES

Under the LGPS Regulations, the Fund has a certain number of discretions as the Administering Authority in the administration of benefits. Its current policy was reviewed and approved by the Committee on 10 December 2015 which can be viewed at the following link:

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

Each employer in the Fund must have completed their own discretions policy which guides the Fund as to how to process their employee benefits. This must be approved by the appropriate people within their organisation and is "published" and made available to its employees. Copies of these policies must be submitted to the Fund on approval along with any changes within one month of them becoming active.

The current policies for the Fund's scheme employers can be viewed at the following link:

<https://www.wiltshirepensionfund.org.uk/media/3476/employer-discretions-policy-and-template.docx>

OTHER MATTERS

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

INVESTMENT REPORT

CUSTODIAL ARRANGEMENTS

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

FUNDING POLICY

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

All LGPS funds are required to publish a document called a "Funding Strategy Statement" (FSS). The Wiltshire FSS was updated in connection with the 2016 triennial valuation and can be supplied upon request or viewed at:

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

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

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

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

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

INVESTMENT POWERS

These are set out in the Local Government Pension Scheme (Management and Investment of Funds) Regulation 2016, which outline the wide investment powers allowing committees to invest in line with its Investment Strategy Statement (ISS), with certain restrictions as long as proper advice has been taken.

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

RISK CONTROL

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

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

INVESTMENT GOAL

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

INVESTMENT STRATEGY

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

- a) a relatively large allocation to growth assets to achieve higher returns;
- b) allocations to more diversified and less correlated asset classes such as bonds, property, infrastructure and absolute return products to achieve stabilisation; and
- c) the achievement of some active manager returns in excess of passive market returns, through high alpha equity strategies.

INVESTMENT REPORT (continued)

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

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

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

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

ENVIRONMENTAL SOCIAL GOVERNANCE POLICY

The Fund seeks to use its position as a shareholder to actively encourage good corporate governance practice in those companies in which it invests, by exercising its voting rights.

It is also a member of the Local Authorities Pension Fund Forum (LAPFF), to enable it to act collectively with other local authorities on corporate governance issues. The Forum currently has over 70 member funds with assets of more than £230 billion. LAPFF's mission is to protect the long-term investment interests of beneficiaries by promoting the highest standards of corporate governance and corporate responsibility amongst investee companies.

The Fund has a fiduciary duty and therefore expects its investment managers to take account of financially material social, environmental and ethical considerations in the selection, retention and realisation of investments as an integral part of the normal investment research and analysis process. The Fund believes taking account of such considerations forms part of the investment managers' normal fiduciary duty.

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

The Fund seeks to achieve this objective by raising issues with companies in which it invests, to raise standards in a way that is consistent with long term shareholder value either through its membership of LAPFF or individually.

The introduction of the Stewardship Code in July 2010 by the Financial Reporting Council strongly encouraged best practice in respect of investor engagement. The expectation is that institutional investors should publish a statement in respect of their adherence to the code. Compliance with the Code is currently on a voluntary basis. The Wiltshire Pension Fund reviews its Statement of Compliance with the code annually and all our global equity managers comply fully with the code. The Financial Reporting Council categorises signatories to the Stewardship Code into tiers based on the quality of their Code statements. Wiltshire Pension Fund has been designated a 'tier 1' authority. The FRC awards Tier 1 status when 'Signatories provide a good quality and transparent description of their approach to stewardship and explanations of an alternative approach where necessary'.

Flight Path

The principle of a Flight Path is to reduce the level of risk which the Fund is exposed to, as and when it becomes affordable to do so. It is triggered by the funding position - as it improves risk reduction steps can be taken. Conversely it may be decided to re-risk when the funding level decreases. Triggering of the flightpath is not automatic; officers need to seek approval from the Pension Fund Committee and no action will be taken until all relevant factors have been considered.

The trigger levels are:

- 86.5% funding – 5% from UK Equities to Gilts
- 91.0% funding – 5% from UK Equities to Gilts
- 95.5% funding – 2.5% from UK Equities to Gilts
- 100% funding – 2.5% from Fundamental equities to Gilts

In 2018/19 the flight path was triggered in May when the funding level was 91% triggering a 5% transfer from equity to gilts. This is the third time the flight path has been triggered since its introduction.

2016 TRIENNIAL VALUATION

At 31 March 2016, the Fund's actuary, Hymans Robertson measured all the assets and liabilities of the Wiltshire Pension Fund. Using this information for each employer organisation within the Fund, the actuary will set new employer contribution rates from April 2017 onwards.

The table below summarises the funding position of the Fund as at 31 March 2016 in respect of benefits earned by members up to this date (along with a comparison at the last formal valuation as at 31 March 2013).

| Past Service Position | 31 March 2013 (£m) | 31 March 2016 (£m) |
|--------------------------|--------------------|--------------------|
| Past Service Liabilities | 2.094 | 2.246 |
| Market Value of Assets | 1.484 | 1.831 |
| Surplus/(Deficit) | (610) | (415) |
| Funding Level | 71% | 82% |

Details of the latest actuarial valuation results can be found in the **Actuarial Valuation Report** of Hymans Robertson. This report includes details of contribution rates required to be paid into the Fund by employer bodies for the three-year period commencing 1 April 2017.

The 2019 triennial valuation exercise commenced during 2018/19 and the results will be known later in 2019. This valuation will set employer contribution rates from April 2020 onwards. The Fund is extremely conscious of the cost pressures facing employers and their ability to absorb future increases for what will be another challenging valuation exercise and we will try to work with them to manage any changes.

INVESTMENT REPORT (continued)

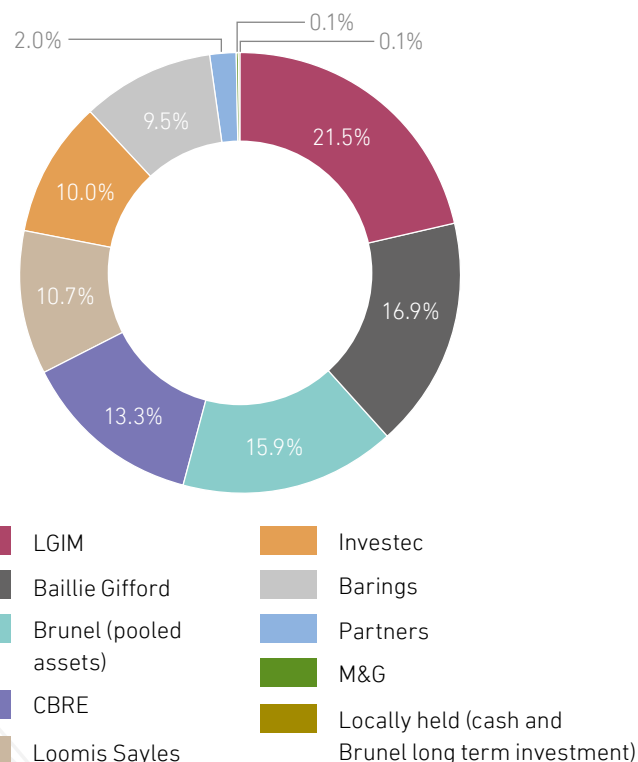
INVESTMENT MANAGEMENT ARRANGEMENTS

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

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

Split of Assets by Manager

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

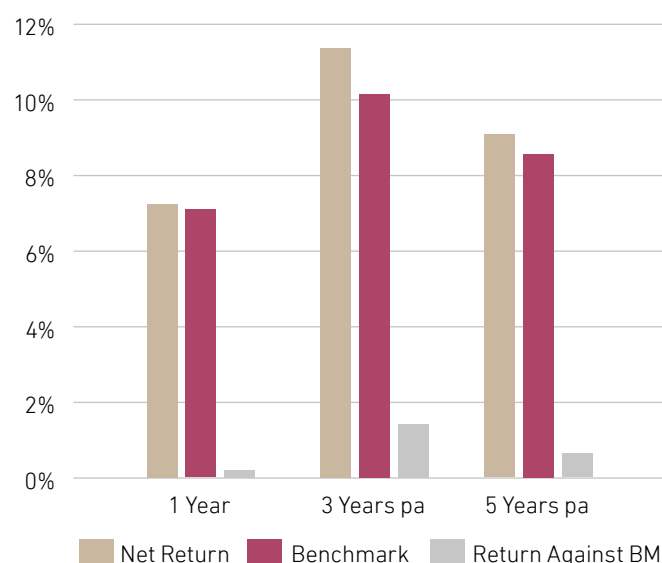


Performance

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

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

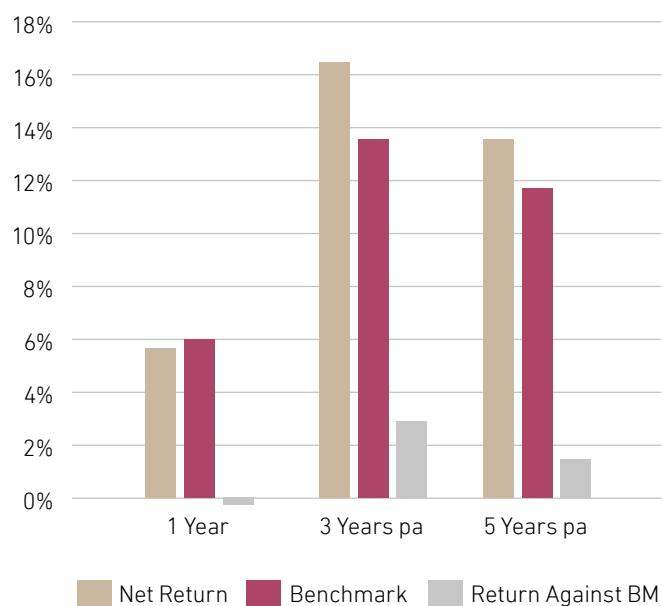
| Whole Fund | 1 Year | 3 Years pa | 5 Years pa |
|-------------------|--------|------------|------------|
| Net Return | 7.4% | 11.4% | 9.2% |
| Benchmark | 7.2% | 10.1% | 8.6% |
| Return Against BM | 0.2% | 1.3% | 0.6% |



LGIM and Brunel passive portfolios

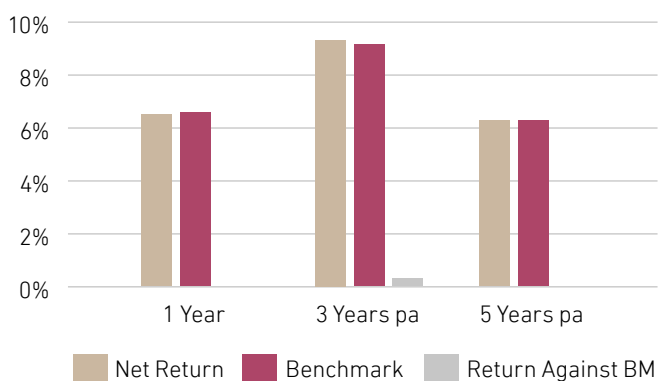
These portfolios aim to match their benchmark indices, and so have met their performance objectives over all periods. As mentioned above, Brunel have only been managing assets since July 2018, so performance is shown as a composite of pre- and post-pooling returns. In future years, when there is greater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

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

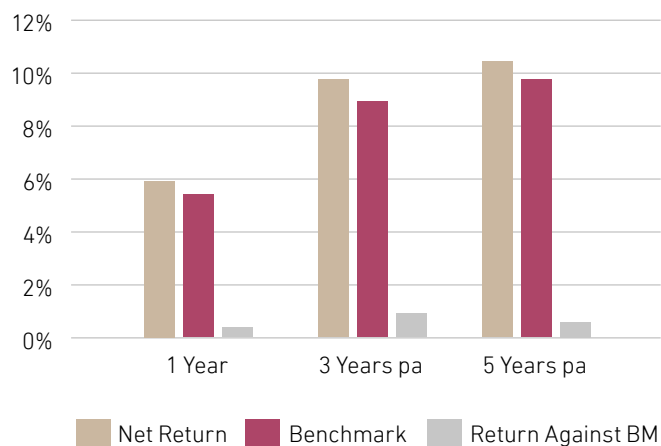


INVESTMENT REPORT (continued)

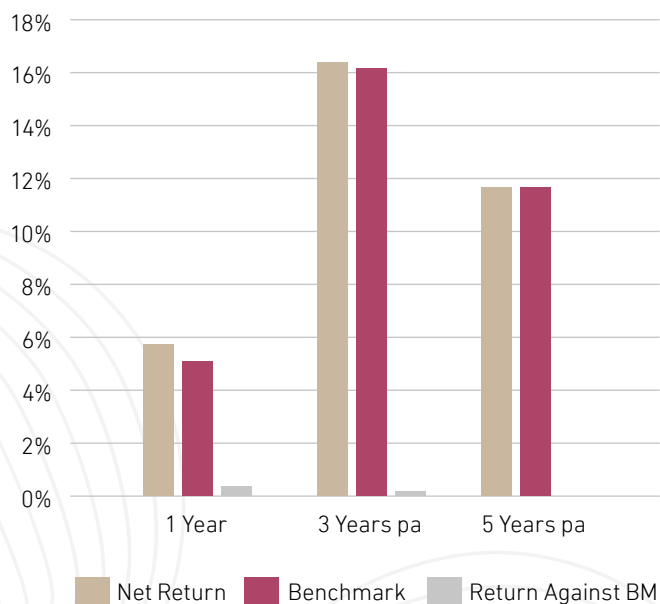
| Brunel passive UK equities | 1 Year | 3 Years pa | 5 Years pa |
|----------------------------|--------|------------|------------|
| Net Return | 6.3% | 9.6% | 6.1% |
| Benchmark | 6.4% | 9.5% | 6.1% |
| Return Against BM | 0.0% | 0.1% | 0.0% |



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



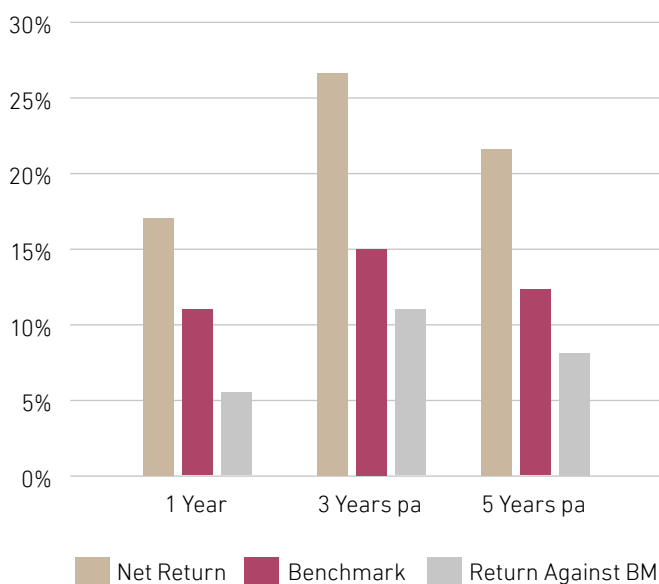
| Brunel passive fundamental equities | 1 Year | 3 Years pa | 5 Years pa |
|-------------------------------------|--------|------------|------------|
| Net Return | 5.8% | 16.5% | 11.9% |
| Benchmark | 5.3% | 16.2% | 11.9% |
| Return Against BM | 0.5% | 0.3% | 0.0% |



Baillie Gifford

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

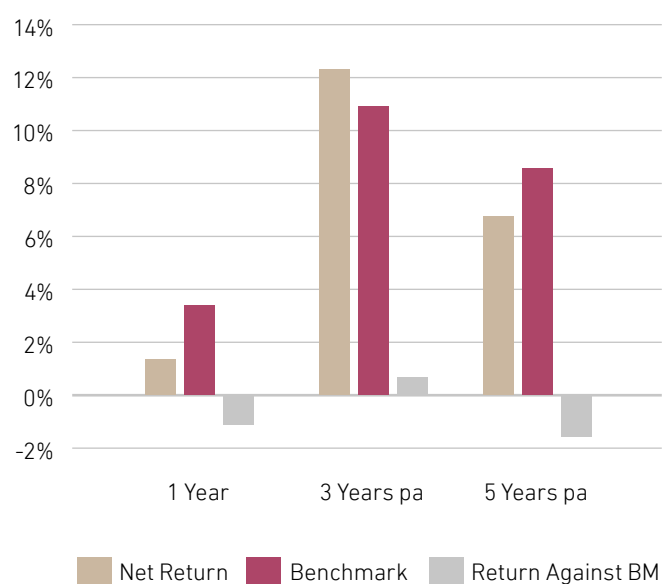
| Baillie Gifford | 1 Year | 3 Years pa | 5 Years pa |
|-------------------|--------|------------|------------|
| Net Return | 17.0% | 26.5% | 21.8% |
| Benchmark | 11.1% | 15.0% | 12.4% |
| Return Against BM | 5.9% | 11.5% | 9.3% |



Investec

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

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

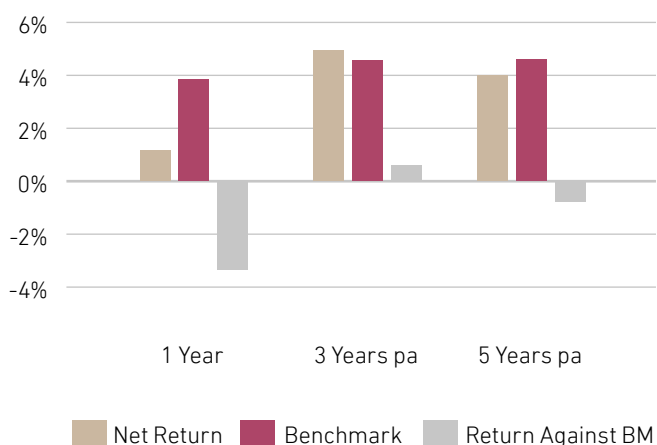


INVESTMENT REPORT (continued)

Barings

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

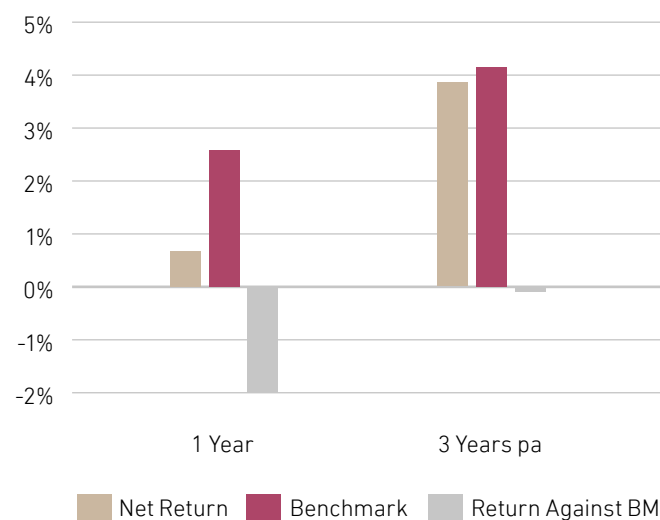
| Barings | 1 Year | 3 Years pa | 5 Years pa |
|-------------------|--------|------------|------------|
| Net Return | 1.3% | 5.0% | 4.0% |
| Benchmark | 4.9% | 4.6% | 4.6% |
| Return Against BM | -3.6% | 0.4% | -0.6% |



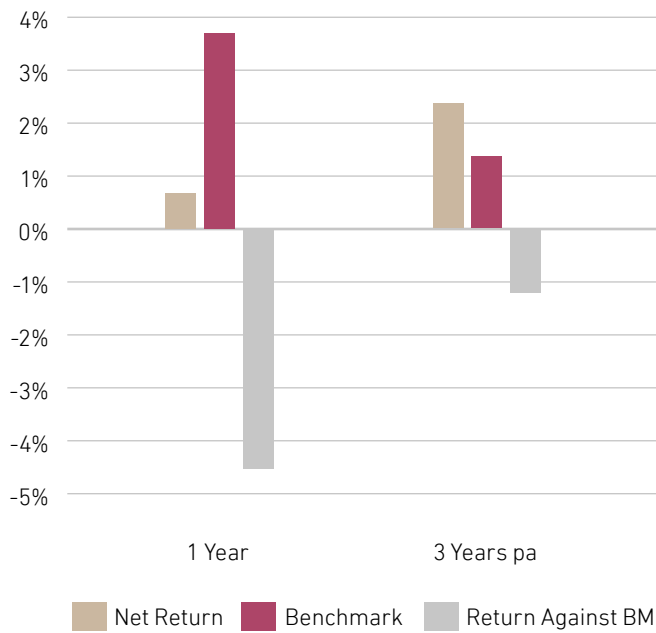
Loomis Sayles

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

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



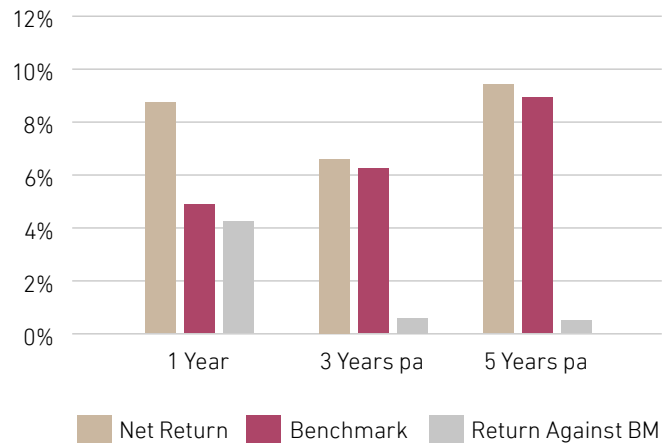
| Loomis – absolute return bond fund | 1 Year | 3 Years pa |
|------------------------------------|--------|------------|
| Net Return | -0.7% | 2.4% |
| Benchmark | 3.8% | 3.5% |
| Return Against BM | -4.5% | -1.1% |



CBRE

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

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



POOLING REPORT

IMPLEMENTATION: APPROACH TO ASSET POOLING

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

The arrangements for asset pooling for the Brunel pool have been formulated to meet the requirements of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and Government guidance. Importantly, Brunel has met the Government's requirement for the Pool to become operational from April 2018 and the transition of assets to start.

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

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

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

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

The governance of the Brunel partnership is of the utmost important to us to ensure our assets are invested well and our needs and those of our beneficiaries are met. Governance controls exist at several levels within Brunel:

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

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

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

Set up costs

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

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

Projected Savings

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

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

POOLING REPORT (continued)

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

Expected vs Actual Costs and Savings to date

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

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

Ongoing investment management costs

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

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

POOLING REPORT (continued)

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

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

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

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

Asset performance

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

FINANCIAL PERFORMANCE

ANALYTICAL REVIEW

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

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

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

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

MOVEMENT IN ASSETS AND LIABILITIES

The funding level (i.e. the ratio of the assets to liabilities) at 31 March 2016 (last valuation) was 82% being valued at £1.831 million. Hymans Robertson's previous valuation at 31 March 2013 was 71%. This means that the total of the Fund's assets was sufficient to meet 82% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2016 valuation was £415 million.

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

ANALYSIS OF PENSION CONTRIBUTIONS

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

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

In total 68 monthly contribution payments were received late of which 62 were received within the month, 6 received between 1 and 3 months late and 0 received more than 3 months late.

No interest was charged on any of the late payments.

FINANCIAL PERFORMANCE (continued)

FORECASTS

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

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

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

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

The forecasts for total investment assets are based on the actual figures for 2018/19 multiplied by the forecast long term returns for each asset used at the last strategic asset allocation review in 2017. Net contributions less expenses are added to the cash figure to reflect new money into the Fund. No future changes in asset allocation have been considered as these are not known with any degree of certainty.

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

Long-term forecast asset returns

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

OPERATIONAL EXPENSES

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

CASH FLOW

Officers continue to monitor the cashflow position of the Fund to ensure sufficient resources are available to pay benefits as they fall due. The position for 2018/19 is shown below:

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

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

FINANCIAL PERFORMANCE (continued)

ANALYSIS OF PENSION OVERPAYMENTS

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

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

RISK

RISK MANAGEMENT

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

Financial/Funding Risk

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

- **Investment Risk** – This is the risk that the investments assets underperform the level assumed in the Triennial Actuarial Valuation. This can occur due to poor economic/market conditions, the wrong investment strategy or poor selection of investment managers.
- **Liability Risk** – This is the risk that there is a fall in the so-called “risk free” returns on Government bonds, which form the basis of assumptions about future investment returns. The assumed future investment return is used to “discount” future liabilities (i.e. over the next 0-80 years) back to today’s values (net present value). Therefore, falling bond yields means higher liabilities.
- **Inflation Risk** – Notwithstanding other factors, Pension Fund liabilities increase in line with inflation, because the CPI is applied to pensions annually. Therefore, rising inflation causes the liabilities to increase.
- **Insufficient Funds Risk** – This is the risk that there is insufficient money in the Fund to pay out pensions as they become due.

Demographic Risk

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

Regulatory Risk

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

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

Governance Risk

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

Employer Risk

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

Management Risk

This risk can manifest itself in several ways:

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

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

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

Third party risks

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

In respect of Investment Managers, internal control reports (ISAE3402 and SSAE16) are received and reviewed regularly for any non-compliance issues. These are also reviewed by our internal and external auditors.

RISK (continued)

RISK REGISTER

| REF. & OWNER | RISK | IMPACT | CONTROLS |
|----------------------------|--|---|---|
| PEN001 Head of Pensions | Failure to process pension payments and lump sums on time | Retiring staff will be paid late, which may have implications for their own finances. It also has reputational risk for the Fund and a financial cost to the employers if interest has to be paid to the members. | Maintenance and update of Altair and SAP systems, sufficient staff cover arrangements, sufficient staff training and QA checking of work. Adherence to Pension Administration Strategy and regular monitoring of performance. Documentation of processes and reconciliations. When workloads are high, payments to members are prioritised above other work. |
| PEN004 Head of Pensions | Inability to keep service going due to loss of main office, computer system or staff | Temporary loss of ability to provide service | An updated Business Continuity Plan has now been drafted in line with the new Council template. The team can work from home or remotely if required. The pension system is also hosted by its supplier, which reduces the risk should Wiltshire Council's IT servers fail. The Fund also operates a mostly paperless office. |
| PEN005 Head of Pensions | Loss of funds through fraud or misappropriation | Financial loss to the Fund | Internal and External Audit regularly test that appropriate controls are in place and working. Regulatory control reports from investment managers, custodian, etc, are also reviewed by audit. Due Diligence is carried out whenever a new manager is appointed. Reliance is also placed in Financial Services Authority registration. |
| PEN014 Head of Pensions | Failure to provide the service in accordance with sound equality principles | Some customers may not be able to access the service properly or may be offended and raise complaints. At worst case, this could result in a court case, etc. | The Fund has done an Equality Risk Assessment and has an Equality Implementation Plan in place |
| PEN021 Head of Pensions | Ability to Implement the Public Sector Exit Cap | Changes need to be communicated to individuals and employers and systems adapted once the revised regulations have been approved | Currently monitoring the progress of the developments to allow adequate time to take any actions necessary. We are not anticipating any changes to occur quickly and, depending on the final outcomes, WPF will set up a project cover: discussions with employers and changes to employer discretions policies, benefit and systems calculations and the associate communications. |
| PEN022 Head of Pensions | Risks related to reconciliation of GMP records (increase in staff resource & reputational) | If GMP records for members are inaccurate there is the potential for incorrect liabilities being paid by the Fund. | Large project is still ongoing and software from Heywood's is being used to process amendments to Altair on bulk. Progress has been delayed due to the Fund trying to engage with Government to agree on a nationwide approach and to undertake further analysis of the problems identified. |

| REF. & OWNER | RISK | IMPACT | CONTROLS |
|-------------------------------|--|---|--|
| PEN003 Head of Pensions | Insufficient funds to meet liabilities as they fall due | Immediate cash injections would be required from the scheme employers. This shouldn't be an issue for the Fund, but it looks likely that investment income might need to be used within the next 12 months. | Funding Strategy Statement, Investment Strategy, Triennial Valuations, membership of Club Vita, modelling of future cash flows. |
| PEN006a Investment Manager | Significant rises in employer contributions for non-secure employers due to increases in liabilities | Employer contribution rates become unacceptable, causing upward pressure on Council Tax and employers' costs. | Longevity and bond yields are generally beyond the control of the Fund as are the values of the liabilities in general. However, the Fund has started the 2019 Triennial Valuation process and it is concurrently reviewing its investment strategy and implementing separate employer investment strategies. Furthermore, the Fund and each employer must have a Discretions Policy in place to help control discretionary costs (e.g. early retirements, augmented service, etc). |
| PEN006b Investment Manager | Significant rises in employer contributions for non-secure employers due to increases in liabilities | Employer contribution rates become unacceptable, causing upward pressure on Council Tax and employers' costs. | As above |
| PEN007a Head of Pensions | Significant rises in employer contributions for secure employers due to poor/negative investment returns | Poor/negative investment returns, leading to increased employer contribution rates | Use of expert consultants in the selection of investment strategy and investment managers, regular monitoring of investment managers (1/4ly), regular reviews of investment strategy (annually). Monthly review of % of Fund held in each mandate. Also, a flight path strategy implemented to take off risk as funding levels improve. Fund member of LAPFF & uses PIRC to proxy vote on shares in line with agreed policy for ESG issues. Compliance with Stewardship code. |
| PEN007b Investment Manager | Significant rises in employer contributions for non-secure employers due to poor/negative investment returns | Poor/negative investment returns, leading to increased employer contribution rates | Use of expert consultants in the selection of investment strategy and investment managers, regular monitoring of investment managers (1/4ly), regular reviews of investment strategy (annually). Monthly review of % of Fund held in each mandate. Also, a flight path strategy implemented to take off risk as funding levels improve. Fund member of LAPFF & uses PIRC to proxy vote on shares in line with agreed policy for ESG issues. Compliance with Stewardship code. |

RISK (continued)

RISK REGISTER (continued)

| REF. & OWNER | RISK | IMPACT | CONTROLS |
|------------------------------|---|--|--|
| PEN015 Head of Pensions | Failure to collect payments from ceasing employers | Failure to collect cessation payments means the cost of funding future liabilities will fall against the Wiltshire Pension Fund | The Pension Fund Committee approved a revised cessation policy on 20 September 2018 to address regulatory changes made in May 2018 and certain scenarios which had arisen which the previous policy did not adequately address. Furthermore, all new admitted bodies require a guarantor to join the Fund which means that a stable Scheme Employer is required to act as the ultimate guarantor. |
| PEN016 Investment Manager | Treasury Management | Exposure to counterparty risk with cash held with external deposit holders could impact of Funding level of the Fund | The Pension Fund will review an updated Treasury Management Strategy at the March meeting which follows the same criteria adopted by Wiltshire Council but limits individual investments with a single counterparty to £6m. |
| PEN024 Investment Manager | Impact of EU Referendum | A vote to exit the EU may produce short term volatile market movements which could impact on asset performance. | The Fund has liaised with its investment managers on the potential impact of an exit. The Fund has agreed to revert to 50% overseas equities hedged position for the current timeframe to reflect the current weakness of sterling. |
| PEN026 Investment Manager | Impact of MiFID II Regulations | If Wiltshire Pension Fund is unable to attain "professional" status it will limit the range of investments available and may lead to the forced sale of assets. | Wiltshire Fund is now being treated as a Professional Client, having followed due process. |
| PEN002 Investment Manager | Failure to collect and account for contributions from employers and employees on time | Adverse audit opinion for failure to collect contributions by 19th of month, potential delays to employers' FRS17 year-end accounting reports and to the Fund's own year-end accounts. | Robust maintenance and update of Altair and SAP systems, sufficient staff cover arrangements, sufficient staff training and QA checking of work. We constantly work with employers to ensure they understand their responsibilities to pay by 19th of the month. The Breaches framework now require the Fund to log material late payments. |
| PEN008 Head of Pensions | Failure to comply with LGPS and other regulations | Wrong pension payments paid, or estimates given. Investment in disallowed investment vehicles or failure to comply with governance standards. Effect: Unhappy customers, tribunals, Ombudsman rulings, fines, adverse audit reports, etc | <ul style="list-style-type: none"> • Sufficient staffing, training and regulatory updates. • Competent software provider and external consultants. • Technical & Compliance post reviews process and procedures and maintains training programme for the team. • KPIs against statutory standards • Imbedding checks and controls into all processes. |

| REF. & OWNER | RISK | IMPACT | CONTROLS |
|----------------------------|--|---|--|
| PEN009 Head of Pensions | Failure to comply with Data Protection Legislation (GDPR & Data Protection Act 2018) | Poor data, lost or compromised, fines from the Information Commissioner, reputational risk of failure to meet Data Protection legislation. | Compliance with Wiltshire Council's Data Protection & IT Policies. Annual Data Protection training given to the team. On-going cleansing of data undertaken by Systems Team. The Fund has produced a new suite of procedures and controls following the introduction of GDPR. |
| PEN010 Head of Pensions | Failure to keep pension records up-to-date and accurate | Incorrect records held, leading to incorrect estimates being issues to members and incorrect pensions potentially being paid. | Data & systems Team constantly working to improve data quality, data validation checks carried out through external partners (e.g. the Fund's actuaries and tracing agencies), pro-active checks done through national fraud initiative. |
| PEN011 Head of Pensions | Lack of expertise of Pension Fund Officers and Service Director, Finance | Bad decisions made may be made in relation to any of the areas on this register, but particularly in relation to investments. | Officers ensure that they are trained and up-to-date in the key areas through attendance at relevant courses and seminars, reading, discussions with consultants and peers, etc. The Governance & Performance Manager has formulated annual Training Plans and Relevant officers are also reviewed against the CIPFA Knowledge & Skills Framework to ensure adequate expertise exists. |
| PEN012 Head of Pensions | Over-reliance on key officers | If someone leaves or becomes ill, a large knowledge gap could be left behind. | Key people in the team are seeking to transfer specialist knowledge to colleagues by documenting procedures and notes. In the event of a knowledge gap, however, we can call on our external consultants and independent advisors for help in the short-term. |
| PEN017 Head of Pensions | Lack of expertise on Pension Fund Committee | Bad decisions made may be made in relation to any of the areas on this register, but particularly in relation to investments. There is also a requirement for Funds to 'Comply or Explain' within their Annual Report on the skills knowledge of members of the Committee | Members are given Induction Training when they join the Committee, as well as subsequent opportunities to attend courses/seminars and specialist training at Committee ahead of key decisions. There is a Members' Training Plan and Governance Policy. Further training and advice can be called on from our consultants, independent advisors and investment managers too. |
| PEN019 Head of Pensions | Maintenance of Local Pension Board & Investment Sub-Committee | Reputational risk from a national perspective and failure to adhere to legislation resulting in action by the Government or the Pension Regulator. Ineffective operation of the Investment sub-Committee leading to bad decision making. | Officers are planning to review the terms of reference for the LPB and Committee in due course, partly to make the process of recruiting to the LPB easier but also to help ensure the LPB remains effective. |

RISK (continued)

RISK REGISTER (continued)

| REF. & OWNER | RISK | IMPACT | CONTROLS |
|---------------------------------|---|---|--|
| PEN020 Investment Manager | Pooling of LGPS assets | Poor implementation could be costly in terms of additional fees and poor investment returns. | The Fund is working with Brunel Pension Partnership on pooling arrangements. Progress and updates regularly reported to Committee. The Fund's passive portfolios have been pooled with significant fee savings, but a budget increase is also currently being proposed. The final position is still uncertain. |
| PEN023 Head of Pensions | Resources of Officers and Members to meet the expansion of business items | It is increasingly more difficult for officers to thoroughly consider issues and to deliver concise agenda papers covering all the relevant issues, while members are faced with larger report packs trying to cover the pertinent details. | More use of web links within the Committee papers to reduce the size of the packs. The adequacy of officers' resources to support the Fund's 3 committees, the on-going pooling agenda and the additional complexities arising from regulatory scheme changes is still being monitored through work planning and appraisals. |
| PEN025 Head of Pensions | Academisation of Schools, the possibility of MAT breakups and cross fund movements. | Additional governance and administration risk. If all schools were to convert, then the number of employers in the Fund could jump from 170 to between 400 and 500. | Regular communications with schools to understand their intentions. Revised cessation policy aims to address some of the risks relating to MAT breakups. |
| PEN027 Head of Pensions | Significant structural change to LGPS Funds or to our Fund | Depending on its nature and scale: a major impact on employer numbers, governance, control and operational matters. | To keep abreast of any national development and respond to consultations when they occur. To take appropriate opportunities to increase the membership and the numbers of employer of the Fund. For example, where a multi academy Trust wishes to consolidate its cross-Fund operations within a single Fund. |
| PEN013 Head of Pensions | Failure to communicate properly with stakeholders | Scheme Members are not aware of the rights and privileges of being in the scheme and may make bad decisions as a result. Employers are not aware of the regulations, the procedures, etc, and so the data flow from them is poor. | The Fund has a Communications Manager and Employer Relationship Manager posts dedicated to these areas full-time, including keeping the website up-to-date, which is a key communications resource. The Fund also has a Communications Policy. |

STATUTORY STATEMENTS

BUSINESS PLAN

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

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

CESSATION POLICY

The Fund's current Cessation Policy outlines the process and the flexibilities available to the Fund to work with employer organisations to pay off any cessation deficit payment. The policy can be viewed at the following link:

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

COMMUNICATIONS POLICY STATEMENT

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

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

PENSION ADMINISTRATION STRATEGY

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

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

This policy can be found at the following link:

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

WILTSHIRE PENSION FUND

DISCRETIONS POLICY

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

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

WILTSHIRE PENSION FUND FULL

PRIVACY NOTICE

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

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

GOVERNANCE POLICY STATEMENT

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

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

TREASURY MANAGEMENT STRATEGY

The purpose of this strategy is to outline the process and policies for the cash held by the Fund. The strategy aims to achieve the optimum return on the cash held commensurate with the high levels of security and liquidity required. These funds are invested separately from cash balances held by Wiltshire Council.

The strategy will be reviewed during 2019, and the current version can be viewed on the Wiltshire Pension Fund website at the following link:

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

DATA IMPROVEMENT STRATEGY AND PLAN

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

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

STATUTORY STATEMENTS (continued)

FUNDING STRATEGY STATEMENT

The FSS outlines how the Fund calculates employer contributions, what other amounts might be payable in different circumstances, and how this fits in with the investment strategy. The document follows CIPFA guidance ("Preparing and maintaining a funding strategy statement in the Local Government Pension Scheme 2016").

The FSS was prepared in collaboration with the Fund's Actuary, Hymans Robertson and forms an integral part of the framework within which they carry out triennial valuations to set employers' contributions and to provide recommendations on funding decisions.

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

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

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

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

STEWARDSHIP CODE COMPLIANCE STATEMENT

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

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

The current statement can be viewed at the following link:

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

TRIENNIAL VALUATION REPORT 2016

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

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

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

INVESTMENT STRATEGY STATEMENT

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

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

In line with the regulations the Fund had to consult such persons as it considers appropriate as to the proposed contents of its investment strategy. The statement is then published and then kept under review and revised from time to time, in particular when there is a material change in risk, and at least every three years. The document will be reviewed in 2019 following the Triennial Valuation and a review of the Fund's Investment Strategy.

The current ISS can be viewed at the following link:

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

ACTUARIAL POSITION

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

DESCRIPTION OF FUNDING POLICY

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

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

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

FUNDING POSITION AS AT THE LAST FORMAL FUNDING VALUATION

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

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

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

PRINCIPAL ACTUARIAL ASSUMPTIONS AND METHOD USED TO VALUE THE LIABILITIES

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

METHOD

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

ACTUARIAL POSITION (continued)

ASSUMPTIONS

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

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

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

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

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

* Aged 45 at the 2016 Valuation

Copies of the 2016 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

EXPERIENCE OVER THE PERIOD SINCE 31 MARCH 2016

Since the last formal valuation, real bond yields have fallen



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

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

STATEMENT OF RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

ADMINISTRATION AUTHORITY

The Administering Authority is required to:

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

DIRECTOR OF FINANCE & PROCUREMENT

The Director of Finance & Procurement is responsible for the preparation of the Fund's financial statements, which in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. Based on International Reporting Standards (the Code), are required to present a true and fair view of the financial position of the Fund for the year ended 31 March 2019. This report includes the financial statements for the Pension Fund only.

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

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

CERTIFICATE

I hereby certify that the following Annual Report and Accounts give a true and fair view of the financial position of the Wiltshire Pension Fund for the financial year ending 31 March 2019.

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

INDEPENDENT AUDITOR'S STATEMENT

TO THE MEMBERS OF WILTSHIRE PENSION FUND

ON THE PENSION FUND FINANCIAL STATEMENTS

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

RESPECTIVE RESPONSIBILITIES OF THE CHIEF FINANCIAL OFFICER AND THE AUDITOR

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

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

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

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

OPINION

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

[Signature]

Ian Howse (Appointed auditor)

For and on behalf of Deloitte LLP
Cardiff, UK

[Date]

STATEMENT OF ACCOUNTS

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

STATEMENT OF ACCOUNTS (continued)

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

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

NOTES

Related notes form an integral part of these financial statements

1. BASIS OF PREPARATION

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

IAS26 requires the actuarial present value of promised benefits to be disclosed. A separate report has been prepared by Hymans Robertson and is enclosed below after note 19.

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

2. ACCOUNTING POLICIES

The principal accounting policies of the Fund are as follows:

Contributions

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

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

Benefits and Refund of Contributions

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

Group Transfers

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

Payments to and on account of leavers

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

Investment Income

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

Valuation of Investments

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

(i) Quoted securities

Quoted Securities have been valued at 31 March 2019 by the Fund's custodian using the bid price where a quotation was available on a recognised stock exchange or unlisted securities market.

(ii) Unquoted securities

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

(iii) Pooled investment vehicles

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

STATEMENT OF ACCOUNTS (continued)

Foreign Currency Translation

All investments held in foreign currencies are shown at market value translated into sterling using the WM 4PM rate on 31 March 2019.

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

Investment Management Expenses

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

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

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

Acquisition Costs of Investments

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

Administration Expenses

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

Taxation

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

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

Additional Voluntary Contributions (AVCs)

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

3. CRITICAL JUDGEMENT IN APPLYING ACCOUNTING POLICIES

Pension Fund Liability

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

4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

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

The items in the net asset statement at 31 March 2019 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

| Item | Uncertainties | Effect if actual results differ from assumptions |
|---------|---|---|
| Debtors | At 31 March 2019, the fund had a balance of £43.2m for debtors (£0.9m relate to a long-term debtor). A review of significant balances suggested that no impairment is currently necessary. However, in the current economic climate, it is not certain that all debts will be paid. | If collection rates deteriorate it may be necessary for an allowance to be included in the accounts for doubtful debts. |

5A. CONTRIBUTIONS RECEIVABLE

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

* Deficit funding contributions are being paid by the employer for the three years commencing from 1 April 2017 with a minimum specified in the Rates and Adjustment Certificate dated 31 March 2017 in order to improve the Fund's funding position. The recovery period at the last valuation over which the deficit funding is recovered is mainly 20 years for scheduled bodies and 14 years or the length of the employer's contract (whichever is the shorter) for admitted bodies.

STATEMENT OF ACCOUNTS (continued)

5B. TRANSFERS IN FROM OTHER PENSION FUNDS

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

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

6. BENEFITS PAYABLE

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

7. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

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

8. MANAGEMENT EXPENSES

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

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

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

STATEMENT OF ACCOUNTS (continued)

9. INVESTMENT INCOME

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

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

10. STOCK LENDING

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

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

11. INVESTMENTS

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

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

STATEMENT OF ACCOUNTS (continued)

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

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

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

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

STATEMENT OF ACCOUNTS (continued)

Financial Instruments

Classification of financial instruments

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

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

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

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

STATEMENT OF ACCOUNTS (continued)

Financial Risk Disclosure

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

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

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

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

Market Risk

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

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

Market Price Risk

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

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

Market Price – Sensitivity Analysis

The sensitivity of the Fund's investments to changes in market prices has been analysed using the volatility of returns experienced by asset classes. The volatility data in 2019 was provided by the Fund's custodian (State Street) and was calculated as the monthly volatility of returns using 36 months of historical data. In 2018, the volatility data was provided by the Fund's Investment Advisor (Mercers) and is broadly consistent with a one-standard deviation movement. This was measured by the (annualised) estimated standard deviation of the returns of the assets relative to the liability returns. Such a measure is appropriate for measuring "typical" variations in the relative values of the assets and liabilities over short time periods. It is not appropriate for assessing longer term strategic issues. The analysis assumes that all other variables, in particular, interest rates and foreign exchange rates, remain constant.

Movements in market prices would have increased or decreased the net assets valued at 31 March 2019 and 2018 by the amounts shown below.

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

| As at 31 March 2018 | Value £'000 | Volatility of Return | Increase £'000 | Decrease £'000 |
|---|------------------|-------------------------|-------------------|-------------------|
| Baillie Gifford – Global Equity | 372,482 | 17.90% | 66,674 | (66,674) |
| CBRE Global Multi Manager – Property | 314,744 | 14.10% | 44,379 | (44,379) |
| Legal & General – Equity | 171,423 | 15.60% | 26,742 | (26,742) |
| Legal & General – Gilts | 255,092 | 9.60% | 24,489 | (24,489) |
| Legal & General – Global Equity | 125,349 | 15.60% | 19,554 | (19,554) |
| Legal & General – Rafi Equity | 324,477 | 15.60% | 50,618 | (50,618) |
| Barings – Dynamic Assets Allocation | 242,173 | 10.20% | 24,702 | (24,702) |
| Partners Group – Infrastructure | 35,655 | 14.30% | 5,099 | (5,099) |
| Investec – Emerging Markets | 252,365 | 18.60% | 46,940 | (46,940) |
| Loomis Sayles – Multi Asset Credit | 115,238 | 4.70% | 5,416 | (5,416) |
| Loomis Sayles – Absolute Return Bond Fund | 160,878 | 4.70% | 7,561 | (7,561) |
| M&G – Financing Fund | 2,089 | 0.00% | – | – |
| Cash held at custodian | 9,419 | 0.00% | – | – |
| Long-term investment – Brunel Pension Partnership | 840 | 0.00% | – | – |
| | 2,382,224 | | 322,174 | (322,174) |

STATEMENT OF ACCOUNTS (continued)

Interest Rate Risk

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

The Fund's exposure to interest rate movements from its investments, including those indirectly held in through pooled investment vehicles, in cash & cash equivalents, fixed interest and loans at 31 March 2019 and 2018 are provided below:

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

Interest Rate – Sensitivity Analysis

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

| As at 31 March 2019 | Value £'000 | Change in net assets | |
|---------------------------|----------------|----------------------|------------------|
| | | £'000 +100 BP | £'000 -100 BP |
| Cash held on deposit | 15,321 | 153 | (153) |
| Fixed interest securities | 276,736 | (6,680) | 6,680 |
| Loans | 1,531 | - | - |
| | 293,588 | (6,527) | 6,527 |

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

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

Currency Risk

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

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

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

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

Currency Risk – Sensitivity Analysis

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

A 10% strengthening or weakening of Sterling against the various currencies at 31 March 2019 and 31 March 2018 would have increased or decreased the net assets by the amount shown below:

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

| 2018 | Assets held at Fair Value £'000 | Change in net assets | |
|------------------------------|------------------------------------|----------------------|-----------------|
| | | +10% £'000 | -10% £'000 |
| US Dollar | 290,850 | 29,085 | (29,085) |
| Euro | 66,428 | 6,643 | (6,643) |
| Net currency exposure | 357,278 | 35,728 | (35,728) |

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

Credit Risk

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

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

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

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

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

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

STATEMENT OF ACCOUNTS (continued)

Liquidity Risk

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

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

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

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

Fair Value Hierarchy

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

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

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

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

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

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

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

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

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

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

STATEMENT OF ACCOUNTS (continued)

The following table shows the sensitivity of assets valued

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

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

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

12 INVESTMENT MANAGEMENT EXPENSES

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

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

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

STATEMENT OF ACCOUNTS (continued)

13 CURRENT ASSETS

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

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

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

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

14 CURRENT LIABILITIES

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

15 ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCS)

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

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

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

16 EMPLOYER RELATED ASSETS

There are no employer related assets within the Fund.

17 RELATED PARTY TRANSACTIONS

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

The Council incurred costs of £1.477m (2017/2018: £1.472m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The Council is also the single largest employer of members of the Pension Fund and contributed £31.6m to the Fund in 2018/2019 (2017/2018: £30m). A balance of £1.3m was owed by the Pension Fund to the Council at year end.

Part of the pension fund cash holdings are invested on the money markets by the treasury management operations of Wiltshire Council, through a service level agreement. During the year to 31 March 2019, the fund had an average investment balance of £6.9m (31 March 2018: £7.6m), earning interest of £44k (2017/2018: £21k) in these funds.

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

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

Governance

There are five members of the Pension Fund Committee that are active members of the Pension Fund, two of these individuals are the employer bodies representatives. One councillor is also a pensioner member of the Pension Fund.

18 GUARANTEED MINIMUM PENSION

The Guaranteed Minimum Pension (GMP) Reconciliation project has been split into a number of stages for Local Government Pension Schemes (LGPS). The Fund completed Stage 2, entitled "Review data inconsistencies, on 31st December 2018 & is now liaising with HMRC over a small number of residual queries. As a result of the reconciliation the Fund anticipates receiving a rebate from HMRC of £37.7k in respect of Contribution Equivalent Premium (CEP) overpayments.

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

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

it will be increased by a maximum of 3%. The Government will increase the State Pension for the member fully on the Pre 1988 GMP element and for Post 1988 GMP element it is only increased if CPI is above 3%.

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

The Government has announced that future GMP increases will be met in full by the Fund where a member's SPA falls between 06/04/2016 and 05/04/2021. We await further confirmation from the Government detailing how GMPs will be increased for those members whose SPA is after 05/04/2021.

STATEMENT OF ACCOUNTS (continued)

19 CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

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

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

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

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

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

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

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

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

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

The impact on employers' funding arrangements will likely be dampened by the funding arrangements they have in place. However, if the judgement is upheld then there will be unavoidable upward pressure on contributions in future years.

IAS26 STATEMENT

PENSION FUND ACCOUNTS REPORTING REQUIREMENT

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2018/19 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the Wiltshire Pension Fund ("the Fund").

The actuarial present value of promised retirement benefits is to be calculated similarly to the Defined Benefit Obligation under IAS19. There are three options for its disclosure in the pension fund accounts:

- showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- as a note to the accounts; or
- by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Fund's funding assumptions.

Present value of Promised Retirement Benefits

| £m | Year Ended | |
|---------------------|---------------|---------------|
| | 31 March 2019 | 31 March 2018 |
| Active members | 1,750 | 1,469 |
| Deferred pensioners | 929 | 848 |
| Pensioners | 1,107 | 1,116 |
| Total | 3,786 | 3,433 |

The promised retirement benefits at 31 March 2019 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2016. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the pension fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2019 and 31 March 2018. I estimate that the impact of the change in financial assumptions to 31 March 2019 is to increase the actuarial present value by £217m. There is no impact from any change in the demographic and longevity assumptions because they are identical to the previous period.

Financial assumptions

| Year ended (%p.a.) | 31 March 2019 | 31 March 2018 |
|-----------------------|---------------|---------------|
| Pension Increase Rate | 2.5% | 2.4% |
| Salary Increase Rate | 2.8% | 2.7% |
| Discount Rate | 2.4% | 2.6% |

Longevity assumption

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2013 model, assuming the current rate of improvements has reached a peak and will converge to a long-term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

| | Males | Females |
|--------------------|------------|------------|
| Current Pensioners | 22.5 years | 24.9 years |
| Future Pensioners* | 24.1 years | 26.7 years |

*Future pensioners (assumed to be aged 45 at the latest formal valuation)

Please note that the longevity assumptions have not changed since the previous IAS26 disclosure for the Fund.

Commutation assumptions

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

| Sensitivity to the assumptions for the year ended 31 March 2019 | Approximate % Increase to liabilities | Approximate monetary amount (£m) |
|---|---------------------------------------|----------------------------------|
| 0.5% p.a. increase in the Pension Increase Rate | 8% | 321 |
| 0.5% p.a. increase in Salary Increase Rate | 1% | 51 |
| 0.5% decrease in Real Discount Rate | 10% | 394 |

The principal demographic assumption is the longevity assumption. For sensitivity purposes, I estimate that a 1 year increase in life expectancy would approximately increase the liabilities by around 3–5%.

This paper accompanies my covering report titled 'Actuarial Valuation as at 31 March 2019 for accounting purposes'. The covering report identifies the appropriate reliance and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Prepared by:-
Barry Dodds FFA
2 May 2019

For and on behalf of Hymans Robertson LLP

FURTHER INFORMATION & CONTACTS

The Council produces many other publications, as well as this booklet to support its role as administering authority of the Wiltshire Pension Fund. You can request these from the Wiltshire Pension Fund at County Hall, Trowbridge, from our Website at www.wiltshirepensionfund.org.uk or by emailing pensionenquiries@wiltshire.gov.uk.

GUIDE TO THE LOCAL GOVERNMENT PENSION SCHEME

This booklet explains the benefits available to employees and their dependants of being in the Fund.

EMPLOYERS' GUIDE

This is available on our website and specifically aimed at staff within employer bodies with responsibility for providing information to the Pensions Section in respect of Fund administration. The aim of the Guide is to provide Scheme Employers with all the information they need to fulfil their pension responsibilities correctly.

STARTER PACKS

These contain information that must be made available to new employees on their pension entitlements, together with supporting information.

RETIREMENT PACKS

These contain information for every new pensioner about their pension and other supporting information.

NEWSLETTERS

Occasional newsletters are produced, both for participating Fund members and for pensioners, containing information of interest.

ANNUAL BENEFIT STATEMENTS

Statements are automatically available for all full-time Fund members and those working regular part time hours, and for deferred pensioners. Statements are also available on request for any Fund member at any time.

OTHER INFORMATION

Various leaflets, posters and fact sheets explaining the Fund and highlighting its benefits are produced. The Pensions Section also has booklets available produced by Prudential on Additional Voluntary Contributions.

FOR FURTHER INFORMATION CONTACT:

Ashleigh Salter

Fund Communications Manager
Email: Ashleigh.Salter@wiltshire.gov.uk

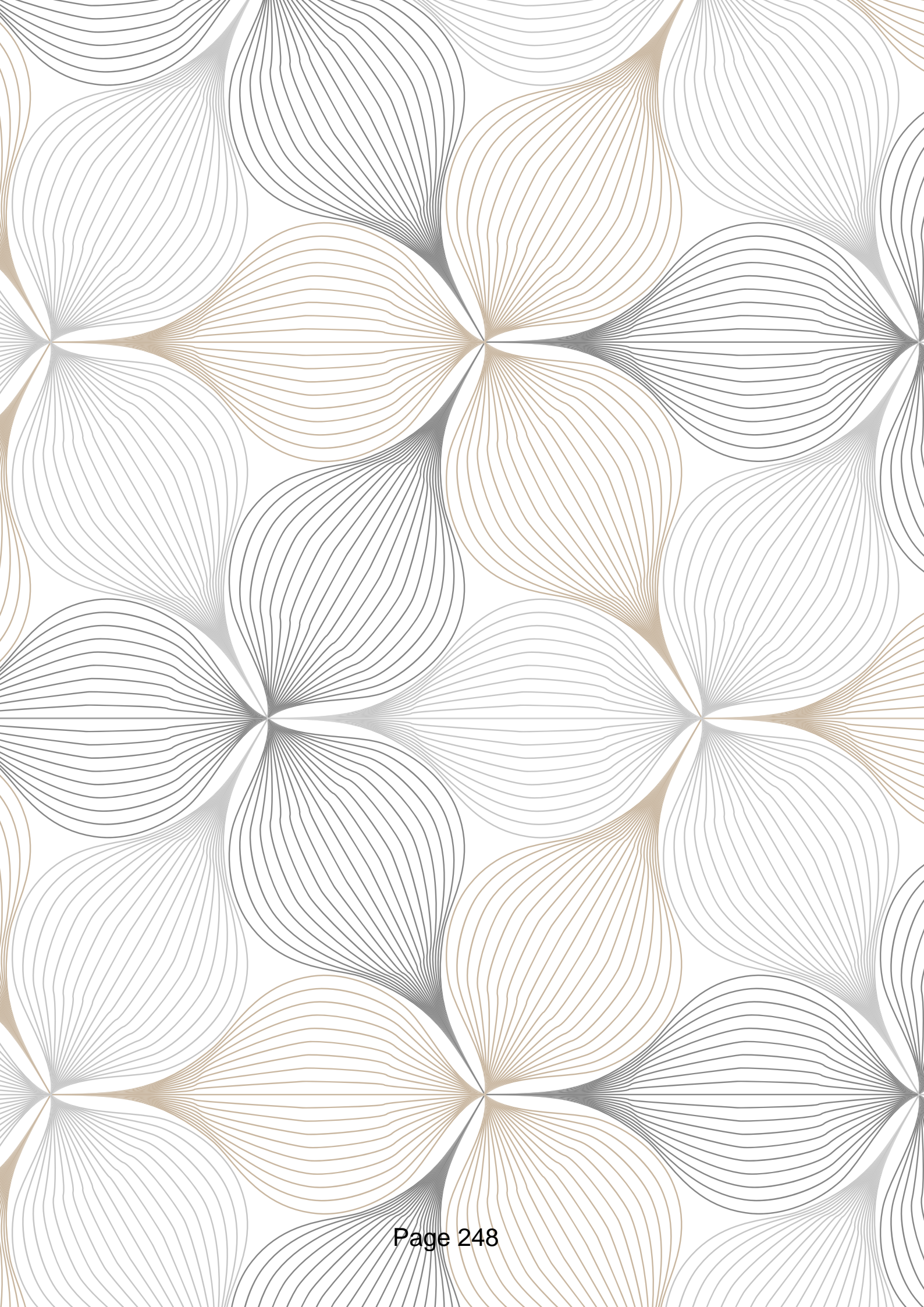
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WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
18 July 2019

WILTSHIRE PENSION FUND RISK REGISTER

Purpose of the Report

1. The purpose of this report is to update the Pension Committee in relation to changes to the Fund's Risk Register (see Appendix A), in terms of both;
 - a) The format of the Risk Register; and
 - b) The content of the Risk Register.

Background

2. The existing format of the Risk Register had been in place since May 2009 & it had been observed that it had become an increasingly static document. Guidance by the Board and a recommendation made by the Director of Finance & Procurement to reformat the Risk Register to be consistent in manner with the Council's wider corporate risk strategy were therefore adopted to make it a more dynamic method of managing the Fund's risks.
3. The Members original request to highlight changes, particularly upward/downward movements in individual risks & report back to the Board and Committee on a quarterly basis, will continue to be observed.

Key Considerations for the Committee / Risk Assessment

4. The new design of Risk Register has allocated the existing risks from PEN001 to PEN027 across 4 strategic categories, namely "Horizon risks", "Dynamic risks" & "Ongoing risks" & "Ceased risks". In addition, officers have reviewed the following information to identify new risks which have been assigned reference numbers PEN028 to PEN048;
 - a) The Scheme Update;
 - b) Business Plan;
 - c) Audit recommendations;
 - d) Minutes of meetings;
 - e) The Fund's KPI dashboard; and
 - f) Risks relating to Brunel and investment pooling.

It is anticipated that this strategy will enable the Fund to better identify & manage risks as they pass through the Risk Register from being identified as a horizon risk to becoming an ongoing risk whereby all the necessary mitigations have been applied & finally to a ceased risk, whereby the Committee can delegate the risk to officers to monitor on their behalf.

5. Another key feature of the new Risk Register is the reclassify the risk categories to be consistent with CIPFA categories as is recommended. The eight CIPFA categories are set out in the table below. A secondary classification of risk by Fund objective as laid out in the business plan, or Fund service function would in addition provide a more granular identification of risk.

| | |
|------------------------------|--------------------------------|
| Accounting & Auditing | Governance |
| Actuarial Method | Investment performance & risk |
| Administration | Legislation |
| Financial Markets & Products | Procurement & Relationship Mgt |

6. To help the Fund identify, quantify, manage & mitigate risks, the Risk Register is accompanied by the Council's Corporate Risk Register guidance document which has been tailored to the Fund's needs. Whilst a tailored Fund version of the document has been prepared for the Fund it has not been included within this meeting pack information on the grounds of brevity.
7. Regarding risk identification, it was recommended that the scoping of any new risks should be more specific in nature and as prescribed by the guidance document, to ensure that the Risk Register remains dynamic in nature. In turn this will assist the management, monitoring & mitigation of risks.
8. The new Risk Register will continue to score the significance of risks as measured by interaction of the likelihood of occurrence (likelihood) and the potential impact of such an occurrence (impact). This register will use the Council's standard "4x4" approach, which produces a risk status of Red, Amber or Green (RAG).
9. The Committee is requested to review the new design of the Risk Register and provide guidance in the following key areas;
 - a) That the design of the reformatted Risk Register serves the requirements of the Committee;
 - b) That the more evidential method by which risks are identified & managed are clear and transparent; and
 - c) That the risks recorded on the new Risk Register presented to the Committee, represent all the pertinent risks currently being faced by the Fund & that the risks have been allocated in their opinion correctly across the 4 categories of Horizon, Dynamic, Ongoing & Ceased risks.

Financial Implications

10. No direct implications.

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 currently.

Proposals

14. The Committee is asked to approve the new design of the Fund's Risk Register.

15. The Committee is asked to endorse the recommendations made by officers in respect of the allocation of risks recorded.

ANDY CUNNINGHAM

Head of Pensions Administration and Relations

Report Author: Andy Cunningham, Head of Pensions Administration and Relations, Richard Bullen, Governance Manager & Jennifer Devine, Investment Manager.

Unpublished documents relied upon in the production of this report: NONE

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| Ref. | Risk | Cause | Impact | Effect | Primary Risk Category (CIFFA) | Secondary Risk Category (Operational) | Risk Owner | Level of risk (Inherent) | Impact | Likelihood | Inherent risk score | Controls in place to manage the risk | Impact | Likelihood | Residual risk score | Further Actions necessary to manage the risk | Level of risk (Residual) | Direction of Travel | Risk Action Owner | Date for completion of action |
|----------------------|---|--|--|--|-------------------------------|---------------------------------------|-----------------|--------------------------|--------|------------|---------------------|--|--------|------------|---------------------|--|--------------------------|---------------------|-------------------|-------------------------------|
| Horizon Risks | | | | | | | | | | | | | | | | | | | | |
| PEN042 | Significant retrospective legislation changes related to the McCloud case | An age discrimination case taken to Court by a group of firefighters and Judiciary employees | Increased contribution rates for employers and high levels of administration time and complication. | A horizon risk identified which may occur & for which the Committee should consider planning for in the foreseeable future | ADMINISTRATION | SERVICE FUNCTION | Andy Cunningham | High | 3 | 4 | 12 | None - Whilst it now appears almost certain that a change will take place, it is still unclear exactly what the change will be, its magnitude and how the Fund can mitigate it. | 3 | 4 | 12 | None | High | New | Andy Cunningham | N/A |
| PEN043 | Administration disruption and employer cost pressures cause by the Cost Cap review | The cost cap floor has been breached meaning the Scheme rules need to be adjusted. | Administration: Some impact on administration processes and communications - unknown at the moment as the details have not been finalised. Cost: Higher costs for employers | A horizon risk identified which may occur & for which the Committee should consider planning for in the foreseeable future | ADMINISTRATION | SERVICE FUNCTION | Andy Cunningham | Medium | 2 | 4 | 8 | None until further information is available. Note: this is unlikely to happen until the McCloud case changes are finalised, as McCloud will already increase costs in itself. | 2 | 4 | 8 | None | Medium | New | Andy Cunningham | N/A |
| PEN021 | Ineffective implementation of the Public Sector Exit Cap | The Treasury is consulting on draft regulations to introduce a cap of £95,000 on exit payments in the public sector, in response to concerns about the number of exit payments that exceed or come close to £100,000 and the need to ensure they represent value for money. This will include changes to LGPS regulations. Introduction of exit cap will require an additional burden on the administration team as it is likely to effect all redundancy calculations. Funds are often given little time to implement changes which brings about this risk. | Changes need to be communicated to individuals and employers and systems adapted once the revised regulations have been approved. LGPS Fund's could be in breach of the legislation in they are logistically unable to implement the cost cap mechanism once introduced. | A horizon risk identified which may occur & for which the Committee should consider planning for in the foreseeable future | LEGISLATIVE | SERVICE FUNCTION | Andy Cunningham | Low | 2 | 2 | 4 | Currently monitoring the progress of the developments to allow adequate time to take any actions necessary. We are not anticipating any changes to occur quickly and, depending on the final outcomes, WPF will set up a project cover: discussions with employers and changes to employer discretion policies, benefit and systems calculations and the associate communications. | 2 | 2 | 4 | None | Low | → | Andy Cunningham | N/A |
| PEN039 | The Fund's inability to implement the reforms associated with the Good Governance Project | SAB has requested a review of governance structures for the LGPS using a criteria of four possible governance models which might help funds to deliver good governance for their employers and members. A final consultation report is due in July 2019 | Poor governance has a reputational risk impact, leading to poor service for Fund stakeholders, a lack of clarity of roles & responsibilities and potential conflicts of interest emerging | A horizon risk identified which may occur & for which the Committee should consider planning for in the foreseeable future | GOVERNANCE | SERVICE FUNCTION | Andy Cunningham | Low | 2 | 2 | 4 | Officers have contributed feedback to the consultation exercise in May 2019 and taken part in various discussions. This has helped officers gain an understanding of the likely direction of travel and help ensure the Fund is aligned and prepared (for example by making certain adjustments to the terms of reference). | 2 | 2 | 4 | None | Low | New | Richard Bullen | N/A |
| PEN040 | The Fund's inability to implement the conclusion of the Fair Deal Consultation | This consultation contains proposals which would strengthen the pensions protections that apply when an employee of an LGPS employer is compulsorily transferred to the employment of a service provide | The proposed amendments to the LGPS Regulations 2013 would, in most cases, give transferred staff a continued right to membership of the LGPS. Failure to implement the changes would have a significant impact on affected members benefits. | A horizon risk identified which may occur & for which the Committee should consider planning for in the foreseeable future | GOVERNANCE | SERVICE FUNCTION | Andy Cunningham | Low | 2 | 2 | 4 | Officers have responded to the consultation but have yet to hear anything further from MHCLG. The next step is likely to be either another consultation or the introduction of legislation. Officers will continue to monitor developments to help ensure it is prepared to make any changes required. | 2 | 2 | 4 | None | Low | New | Denise Robinson | N/A |
| PEN044 | Change to valuation cycle | The Government is consulting on changing the fund valuation cycle. In short term this could mean a one-off 5 year gap followed by quadrennial valuations. | A horizon risk identified which may occur & for which the Committee should consider planning for in the foreseeable future | A horizon risk identified which may occur & for which the Committee should consider planning for in the foreseeable future | GOVERNANCE | SERVICE FUNCTION | Andy Cunningham | Low | 1 | 3 | 3 | Officers will respond to the consultation stating they are not in favour of such a change | 1 | 3 | 3 | None | Low | New | Andy Cunningham | N/A |
| PEN045 | GMP legislative changes | The Government has been planning to make a number of changes to way that GMPs work which brings about certain risks. In particular, changes to the indexation approach (which have been repeatedly delayed) and equalisation between males and females | Both sets of plans could increase scheme costs and cause material amounts of additional administrative work. | A horizon risk identified which may occur & for which the Committee should consider planning for in the foreseeable future | ADMINISTRATION | SERVICE FUNCTION | Andy Cunningham | Low | 2 | 2 | 4 | Senior officers to keep themselves apprised of developments. | 2 | 2 | 4 | None | Low | New | Andy Cunningham | N/A |
| PEN038 | The Fund's inability to implement the DWP's Dashboard within a notified timescale. | Late communication by the DWP to specify their requirements for the Fund to comply with this new nationwide Dashboard. Potential for unexpected implementation costs and/or the Fund being unable to meet the reporting requirements. | Non-compliance would lead to a reputational risk for the Fund. A statutory requirement to contribute may also be created. | A horizon risk identified which may occur & for which the Committee should consider planning for in the foreseeable future | ADMINISTRATION | SERVICE FUNCTION | Andy Cunningham | Low | 1 | 2 | 2 | Senior officers to keep themselves apprised of developments and seek more detailed information as the project develops. | 1 | 2 | 2 | None | Low | New | Mark Anderson | N/A |

| Dynamic Risks | | | | | | | | | | | | | | | | | | | | |
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| PEN034 | Failure to implement Lean process review | Low KPI performance has been identified, particularly in relation to the disclosure requirements, as a result of inefficient processes and insufficient training and support. | An end to end processing review of all repeatable processes with the key objectives of improving the customer experience and identifying and realising efficiencies. Semi-automated work allocation is required to target key items of casework more quickly | A new risk identified. The Committee is requested to review its impact | ADMINISTRATION | BUSINESS PLAN (App 1 - 12,14) | Andy Cunningham | Medium | 3 | 2 | 6 | The Fund's Project team has started a programme of work over a 2 year timeframe to review repetitive processes within the dept. | 3 | 1 | 3 | | Low | New | Mark Briggs | On-going |
| PEN036 | Failure to implement a Dashboard of KPIs for regular monitoring | Difficulties in extracting the required data from the workflow section of the administration system. Improve the range of Key Performance Indicators (KPIs) produced for the Committee and Local Pension Board to help provide transparency and clearer oversight & management of administration performance. | Failure to implement a dashboard of comparable benchmarks, will be counter to the Pension Regulator's requirements on factors such as data quality measures | A new risk identified. The Committee is requested to review its impact | ADMINISTRATION | BUSINESS PLAN (App 1 - 22) (App 2 - 6) | Andy Cunningham | Medium | 3 | 2 | 6 | Officers are implementing a suite of KPIs to be utilised at different levels. Namely, at a Statutory level, for the Committee & the Board, for use between Employers & the Fund & at management level for use at an operational level within the Pension's dept. | 2 | 1 | 2 | | Low | New | Mark Anderson | On-going |
| PEN037 | Failure to implement a strategy to address the administration backlogs | Failure to effectively administration the scheme could result in incorrect payments, inefficiencies in the process, failure to meet disclosure timeframes, complaints and inadequate oversight over the fund. | Poor administration resulting in incorrect payments and can lead to reputational risk issues. The mitigation of this risk is contingent on the mitigation of other risks such as PEN034 & PEN036 | A new risk identified. The Committee is requested to review its impact | ADMINISTRATION | BUSINESS PLAN (App 1 - 19) SWAP Key controls audit 2018/19 | Andy Cunningham | Medium | 3 | 3 | 9 | The implementation of PEN034 & PEN036 along with addressing the internal auditors comments in their 2018/19 Key Controls report should mitigate this risk | 3 | 2 | 6 | | Medium | New | Jennie Green | On-going |
| PEN029 | Failure to implement the effectiveness review between the Committee & Board | An effectiveness review conducted by Hymans was undertaken in 2018, following which a report was produced and a focus group of key Wiltshire Council stakeholders created to act on the outcomes of the Report. | An ineffective Committee & Board could lead to a poorly run Pension Fund, which has a lack of governance and internal controls. Defining the roles & responsibilities of all groups & stakeholders enable clarity of purpose & efficient management. | A new risk identified. The Committee is requested to review its impact | GOVERNANCE | BUSINESS PLAN (App 1 - 21,24) | Andy Cunningham | Medium | 3 | 3 | 9 | Creation of a Focus steering group to implement the recommendations of the Hymans report. A review of Governance documentation, such as Terms of Reference, to bring it up to date and ensure that all documentation is consistent & integrated with the other documentation around it. | 2 | 2 | 4 | | Low | New | Richard Bullen | On-going |
| PEN019 | A lack of effectiveness arising from inadequate maintenance of the way the Local Pension Board & Investment Sub-Committee operate. | Failure of Wiltshire Council to maintain a Local Pension Board, from finding suitable representatives and the officer time required to support the Board and sub-committee. | Reputational risk from a national perspective and failure to adhere to legislation resulting in action by the Government or the Pension Regulator. Ineffective operation of the investment sub-Committee leading to bad decision making. | There has been no change in either Current (Inherent) or Target (Residual) risk rating since September 2017, however the risk remains Dynamic in nature. | GOVERNANCE | SERVICE FUNCTION | Andy Cunningham | Medium | 3 | 2 | 6 | Officers are planning to review the terms of reference for the LPB and Committee in due course, partly to make the process of recruiting to the LPB easier but also to help ensure the LPB remains effective. | 3 | 1 | 3 | None | Low | ↓ | Richard Bullen | On-going |

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| PEN032 | Failure to manage Fund budgets & controllable costs | During a period of chain management involving the introduction of new staff, new software & new working practices the cost control against the Fund's approved budget requires close management | Poor budget setting & cost control can lead to over expenditure and a loss of value in the services being offered by the Fund. As a public sector Scheme there is also a reputational risk associated with the poor management of funds. | A new risk identified. The Committee is requested to review its impact | GOVERNANCE | SERVICE FUNCTION | Andy Cunningham | Medium | 2 | 3 | 6 | 2 | 1 | 2 | Low | New | Jennifer Devine | On-going |
| PEN030 | Failure to procure & contract management service providers appropriately | GDPR, the migration of Managers to BPP & a review of Fund contracts were undertaken in 2018 in conjunction with the Procurement Dept. to establish the position of the Fund existing suite of contracts | A lack of a contract management framework will create an inability to manage existing service provider arrangements, limit the updating of service scopes so that the Fund's requirements remain to contracts & anticipate the incorporation of new legislation & regulations. This will lead to increased costs & risks to the Fund. | A new risk identified. The Committee is requested to review its impact | PROCUREMENT & RELATIONSHIP MANAGEMENT | BUSINESS PLAN (App 1 - 13) | Andy Cunningham | Medium | 3 | 3 | 9 | 3 | 1 | 3 | Low | New | Richard Bullen | On-going |
| PEN024 | The implementation of Brexit causes investment volatility or unexpected legislative changes | EU referendum result. | The arrangements by which the UK leaves the EU may produce short term volatile market movements which could impact on asset performance. | There has been no change in either Current (Inherent) or Target (Residual) risk rating since September 2017. However the risk remains Dynamic in nature. | FINANCIAL MARKETS & PRODUCTS | SERVICE FUNCTION | Jennifer Devine | Medium | 3 | 2 | 6 | 3 | 1 | 3 | Low | → | Jennifer Devine | On-going |
| PEN026 | A lack of effectiveness of Committee meeting due to the impact of MIFID II Regulations | MIFID 2 investment regulations from Jan 2018 will classify LGPS Funds as "retail" investors. They will need to opt up to professional status | If Wiltshire Pension Fund is unable to maintain "professional" status it will limit the range of investments available and may lead to the forced sale of assets. | An existing risk which the Committee is requested to review its impact | INVESTMENT PERFORMANCE & RISK | SERVICE FUNCTION | Jennifer Devine | Medium | 3 | 2 | 6 | 3 | 1 | 3 | Low | → | Jennifer Devine | On-going |
| PEN022 | The rectification of records with GMP issues is time-consuming, costly & causes reputational damage. | From 1 April 2016, State Second Pension ceases and HMRC no longer provides GMP data on members to Funds. | If GMP records for members are inaccurate there is the potential for incorrect liabilities being paid by the Fund. | There has been no change in either Current (Inherent) or Target (Residual) risk rating since September 2017. However the risk remains pertinent to the Committee to monitor | ADMINISTRATION | BUSINESS PLAN (App 1 - 18) (App 2 - 7) | Andy Cunningham | Medium | 2 | 4 | 8 | 2 | 4 | 8 | Medium | → | Mark Briggs | uk |
| PEN046 | The transition of assets to the Brunel global high alpha equities portfolio does not go according to plan resulting in investment losses. | Wiltshire will be transferring its Bailie Gifford portfolio to Brunel in late 2019. | If assets do not transfer successfully this could result in financial loss. | A new risk identified. The Committee is requested to review its impact | INVESTMENT PERFORMANCE & RISK | BUSINESS PLAN (App 1 - 10) | Jennifer Devine | Low | 4 | 1 | 4 | 4 | 1 | 4 | Low | New | Jennifer Devine | Dec-19 |
| PEN047 | There is uncertainty around the ability of Brunel to resource its property portfolio offering | It is intended that property assets will transfer to Brunel in late 2019. | If Brunel are not adequately resourced, this could result in the portfolio not being effectively managed, and/or costs being higher than expected. | A new risk identified. The Committee is requested to review its impact | INVESTMENT PERFORMANCE & RISK | BUSINESS PLAN (App 1 - 10) | Jennifer Devine | Low | 4 | 1 | 4 | 4 | 1 | 4 | Low | New | Jennifer Devine | Dec-19 |
| PEN028 | Failure to introduce new administration software effectively | Implementation of new software including MSS, i-connect, e-payslips, payment instruction automation, a new website & semi-automated workflow allocation. All to be completed by 2022 | Delay in the payment of member benefit, poorer data quality, sub-standard communication arrangements with members & employers & slower delivery times leading to a more costly service. | A new risk identified. The Committee is requested to review its impact | ADMINISTRATION | BUSINESS PLAN (App 1 - 1,2,3,4,5,14) (App 2 - 1,2,3) | Andy Cunningham | Low | 2 | 2 | 4 | 2 | 1 | 2 | Low | New | Mark Briggs | On-going |
| PEN035 | Failure to maintain the Pension Administration Strategy as an effective document | The Pension Administration Strategy has not been reviewed since 2015. | To improve the administration performance of the Fund and of its participating employers. If this does not | A new risk identified. The Committee is requested to review its impact | ADMINISTRATION | BUSINESS PLAN (App 1 - 16) | Andy Cunningham | Low | 2 | 2 | 4 | 2 | 1 | 2 | Low | New | Denise Robinson | 26/09/19 |
| PEN031 | Failure to implement new CIFPA guidance on Accounting Standards | In April 2019 CIFPA released finalised guidance on the standards by which the 2018/19 Annual Report & Accounts need to be prepared. | The late communication of the guidance could cause non compliance of the Fund's 2018/19 Annual Report & Accounts. | A new risk identified. The Committee is requested to review its impact | GOVERNANCE | BUSINESS PLAN (App 1 - 11) | Jennifer Devine | Low | 2 | 2 | 4 | 1 | 1 | 1 | Low | New | Roz Vernon | 31/07/19 |

Ongoing Risks

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|---------|--|---|---|---|-------------------------------|---|-----------------|--------|---|---|----|---|---|---|--------|-----|-----------------|----------|
| PEN048 | The transition to pooling of LGPS assets with BPP fails to deliver the projected savings | The Fund needs to pool its LGPS assets with other Funds using the Brunel Pensions Partnership. | Poor implementation could be costly in terms of unanticipated costs and/or savings less than projected. | A new risk identified. The Committee is requested to review its impact | INVESTMENT PERFORMANCE & RISK | BUSINESS PLAN (App 1 - 10) | Jennifer Devine | High | 4 | 3 | 12 | 3 | 3 | 9 | Medium | New | Jennifer Devine | On-going |
| PEN009 | Failure to comply with Data Protection Legislation (GDPR & Data Protection Act 2018) | Poor procedures for data transfer to partner organisations, poor security of system, poor data retention, disposal, backup and recovery policies and procedures. | Poor data, lost or compromised, fines from the Information Commissioner, reputational risk of failure to meet Data Protection legislation. | An existing risk which the Committee is requested to review its impact. Recommended is to be classed as a ceased risk. | LEGISLATIVE | SERVICE FUNCTION Key controls audit 2018/19 | Andy Cunningham | Medium | 3 | 2 | 6 | 2 | 1 | 2 | Low | → | Mark Anderson | On-going |
| PEN010 | Failure to keep pension records up-to-date and accurate | 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. | There has been no change in either Current (Inherent) or Target (Residual) risk rating since September 2017. However the risk remains Dynamic in nature. | GOVERNANCE | BUSINESS PLAN (App 2 - 8) | Andy Cunningham | Medium | 3 | 2 | 6 | 3 | 1 | 3 | Low | → | Mark Anderson | On-going |
| PEN017 | A lack of knowledge and expertise on the Pension Fund Committee | Lack of structured training and continuous self assessment of skills gaps to ensure knowledge levels are adequate to carry out roles to the best of their ability | Bad decisions made may be made in relation to any of the areas on this register, but particularly in relation to investments. There is also a requirement for Funds to 'Comply or Explain' within their Annual Report on the skills knowledge of members of the Committee | There has been no change in either Current (Inherent) or Target (Residual) risk rating since September 2017. However the risk remains Ongoing in nature & the Committee is advised to provide guidance on its management. | GOVERNANCE | BUSINESS PLAN (App 1 - 24) | Andy Cunningham | Medium | 2 | 3 | 6 | 2 | 1 | 2 | Low | → | Richard Bullen | On-going |
| PEN007b | Significant rises in employer contributions for non-secure employers due to poor/negative investment returns | Poor economic conditions, wrong investment strategy, poor selection of investment managers, poor consideration of all financial & non-financial risks including ESG issues. | Poor/negative investment returns, leading to increased employer contribution rates | There has been no change in either Current (Inherent) or Target (Residual) risk rating since September 2017. However the risk remains pertinent to the Committee to monitor | FINANCIAL MARKETS & PRODUCTS | BUSINESS PLAN (App 1 - 8,9) (App 2 - 4) | Jennifer Devine | Medium | 3 | 2 | 6 | 2 | 2 | 4 | Low | → | Jennifer Devine | On-going |
| PEN015 | Failure to collect payments from ceasing employers | 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 | There has been no change in either Current (Inherent) or Target (Residual) risk rating since September 2017. However the risk remains pertinent to the Committee to monitor | ACTUARIAL METHOD | BUSINESS PLAN (App 1 - 7,15) | Andy Cunningham | Medium | 3 | 2 | 6 | 2 | 1 | 2 | Low | → | Andy Cunningham | On-going |
| PEN041 | The Fund's inability to implement a strategy to ensure Climate Change considerations are integral to its investment strategy | There is a global climate change emergency, as declared by Wiltshire Council in February 2019. | Failure to embed climate change considerations in the investment strategy could cause a negative impact on investment returns over the long term. | A new risk identified. The Committee is requested to review its impact | FINANCIAL MARKETS & PRODUCTS | SERVICE FUNCTION | Jennifer Devine | Low | 2 | 2 | 4 | 2 | 2 | 4 | Low | New | Jennifer Devine | On-going |
| PEN002 | Failure to collect and account for contributions from employers and employees on time | 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. | An existing risk which the Committee is requested to review its impact | ACCOUNTING & AUDITING | SERVICE FUNCTION | Jennifer Devine | Low | 2 | 2 | 4 | 2 | 2 | 4 | Low | → | Roz Vernon | On-going |
| PEN033 | Failure to manage AVC providers | The Fund is a Data Controller with four AVC providers under management who operate to a system of policies & endorsements rather than service provider contracts. Consequently, there is a risk due to the mismatch between Fund responsibility & control in relation to the assets under management. | Failure of a AVC provider can lead to issues of reputational risk to the Fund, as well as being exposed to adverse governance & financial implications. | A new risk identified. The Committee is requested to review its impact | ACCOUNTING & AUDITING | SERVICE FUNCTION | Jennifer Devine | Low | 2 | 2 | 4 | 2 | 1 | 2 | Low | New | Roz Vernon | On-going |

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| PEN005 | Loss of funds through fraud or misappropriation | Fraud or misappropriation of funds by an employer, agent or contractor | Financial loss to the Fund | There has been no change in either Current (Inherent) or Target (Residual) risk rating since September 2017. However the risk remains pertinent to the Committee to monitor | ACCOUNTING & AUDITING | SERVICE FUNCTION | Jennifer Devine | Low | 4 | 1 | 4 | 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 | None | Low | → | Roz Vernon | On-going |
| PEN006a | Significant rises in employer contributions for secure employers due to increases in liabilities | 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. | There has been no change in either Current (Inherent) or Target (Residual) risk rating since September 2017. However the risk remains pertinent to the Committee to monitor | ACTUARIAL METHOD | BUSINESS PLAN (App 1 - 6) | Andy Cunningham | Low | 2 | 2 | 4 | Longevity and bond yields are generally beyond the control of the Fund as are the values of the liabilities in general. However, the Fund has started the 2019 Triennial Valuation process and it is concurrently reviewing its investment strategy and implementing separate employer investment strategies. Furthermore, the Fund and each employer must have a Discretions Policy in place to help control discretionary costs (e.g. early retirements, augmented service, etc). | 2 | 2 | 4 | None | Low | → | Andy Cunningham | On-going |
| PEN006b | Significant rises in employer contributions for non-secure employers due to increases in liabilities | 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. | There has been no change in either Current (Inherent) or Target (Residual) risk rating since September 2017. However the risk remains pertinent to the Committee to monitor | ACTUARIAL METHOD | BUSINESS PLAN (App 1 - 6) | Andy Cunningham | Low | 2 | 2 | 4 | As above | 2 | 2 | 4 | As above | Low | → | Andy Cunningham | On-going |
| PEN007a | Significant rises in employer contributions for secure employers due to poor/negative investment returns | Poor economic conditions, wrong investment strategy, poor selection of investment managers, poor consideration of all financial & non-financial risks including ESG issues. | Poor/negative investment returns, leading to increased employer contribution rates | An ongoing existing risk which remains pertinent to the Committee to monitor | INVESTMENT PERFORMANCE & RISK | BUSINESS PLAN (App 1 - 8,9) (App 2 - 4) | Jennifer Devine | Low | 2 | 1 | 2 | Use of expert consultants in the selection of investment strategy and investment managers, regular monitoring of investment managers (14y), regular reviews of investment strategy (annually), Monthly review of % of Fund held in each mandate. Also a flight path strategy implemented to take off risk as funding levels improve. Fund member of LAPFF & uses PIRC to proxy vote on shares in line with agreed policy for ESG issues. Compliance with Stewardship code. | 2 | 1 | 2 | The implementation of the Stabilisation Policy limits increases for secure employers. | Low | → | Jennifer Devine | On-going |
| PEN008 | Failure to comply with LGPS and other regulations | 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 | There has been no change in either Current (Inherent) or Target (Residual) risk rating since September 2017. However the risk remains pertinent to the Committee to monitor | ADMINISTRATION | BUSINESS PLAN (App 1 - 20.25) | Andy Cunningham | Low | 2 | 2 | 4 | *Sufficient staffing, training and regulatory updates. *Competent software provider and external consultants. *Technical & Compliance post reviews process and procedures and maintains training programme for the team. *KPIs against statutory standards *Embedding checks and controls into all processes. *Audits & internal reviews to maintain best practice | 2 | 2 | 4 | None | Low | → | Luke Webster/Jennie Green | N/A |
| PEN011 | Lack of expertise of Pension Fund Officers and Service Director, Finance | 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. | An existing risk which the Committee is requested to review its impact. Recommended at Board meeting on 23rd May 2019 to be classed as a ceased risk. | GOVERNANCE | BUSINESS PLAN (App 1 - 20.25) | Andy Cunningham | Low | 2 | 1 | 2 | Officers ensure that they are trained and up-to-date in the key areas through attendance at relevant courses and seminars, reading, discussions with consultants and peers, etc. The Governance & Performance Manager has formulated annual Training Plans and Relevant officers are also reviewed against the CIPFA Knowledge & Skills Framework to ensure adequate expertise exists | 2 | 1 | 2 | The Director of Finance & Procurement is still being filled on an interim basis but other senior officer roles in the Pension Fund are now filled by permanent staff. | Low | ↑ | Andy Cunningham/Corporate Directors | On-going |
| PEN013 | Failure to communicate properly with stakeholders | 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. | There has been no change in either Current (Inherent) or Target (Residual) risk rating since September 2017. However the risk remains pertinent to the Committee to monitor | GOVERNANCE | BUSINESS PLAN (App 1 - 23) | Andy Cunningham | Low | 2 | 2 | 4 | The Fund has a Communications Manager and Employer Relationship Manager posts dedicated to these areas full-time, including keeping the website up-to-date, which is a key communications resource. The Fund also has a Communications Policy. | 2 | 1 | 2 | None | Low | → | Denise Robinson/Ashleigh Salter | N/A |
| PEN014 | Failure to provide the service in accordance with sound equality principles | 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. | There has been no change in either Current (Inherent) or Target (Residual) risk rating since September 2017. However the risk remains pertinent to the Committee to monitor | ADMINISTRATION | SERVICE FUNCTION | Andy Cunningham | Low | 2 | 1 | 2 | The Fund has done an Equality Risk Assessment and has an Equality Implementation Plan in place | 2 | 1 | 2 | None | Low | → | Luke Webster/Jennie Green | On-going |
| PEN016 | A lack of effectiveness in respect of the Fund's Treasury Management Services | 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 | There has been no change in either Current (Inherent) or Target (Residual) risk rating since September 2017. However the risk remains pertinent to the Committee to monitor | INVESTMENT PERFORMANCE & RISK | SERVICE FUNCTION | Jennifer Devine | Low | 3 | 1 | 3 | The Pension Fund will review an updated Treasury Management Strategy annually which follows the same criteria adopted by Wiltshire Council but limits individual investments with a single counterparty to £5m. The Fund will also review in Treasury Management Agreement with the Council in 2019. | 2 | 1 | 2 | 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. A minimum of annual updates by the Council need to be presented to the ISC | Low | → | Roz Vernon | N/A |
| PEN025 | Further academisation of Schools, the possibility of MAT breakups and cross fund movements. | Potential for further schools to convert to academy status, MATs to breakdown | Additional governance and administration risk. If all schools were to convert then the number of employers in the Fund could jump from 180 to between 400 and 500. | There has been no change in either Current (Inherent) or Target (Residual) risk rating since September 2017. However the risk remains pertinent to the Committee to monitor | GOVERNANCE | SERVICE FUNCTION | Andy Cunningham | Low | 2 | 2 | 4 | Regular communications with schools to understand their intentions. Revised cessation policy aims to address some of the risks relating to MAT breakups. | 2 | 2 | 4 | The Fund is monitoring the SAB review of academies roles in the LGPS and will take actions (e.g. respond to consultations) as necessary to try to mitigate this risk further. | Low | → | Andy Cunningham | N/A |

Ceased/Dormant Risks

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|--------|--|--|---|--|-------------------------------|----------------------------|-----------------|------|---|---|----|---|---|---|---|--|--------|---|---------------------------|----------|
| PEN020 | The transition to pooling of LGPS assets with BPP proves ineffective causing higher costs, poorer returns and/or weak controls | The Fund needs to pool its LGPS assets with other Funds using the Brunel Pensions Partnership. | Poor implementation could be costly in terms of additional fees and poor investment returns. | Risk has now been split out into more detailed risks PEN045 - PEN048 to enable better monitoring. | INVESTMENT PERFORMANCE & RISK | BUSINESS PLAN (App 1 - 10) | Jennifer Devine | High | 3 | 4 | 12 | The Fund is working with Brunel Pension Partnership on pooling arrangements. Progress and updates regularly reported to Committee. The Fund's passive portfolios have been pooled with significant fee savings, but a budget increase is also currently being proposed. The final position is still uncertain. | 3 | 3 | 9 | Significant amount of resource still required by officers to progress this project. | Medium | → | Jennifer Devine | On-going |
| PEN023 | Further resources of officers and Members to meet the expansion of business items | 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. | An existing risk which the Committee is requested to review its impact. Recommended is to be classed as a ceased risk. | GOVERNANCE | SERVICE FUNCTION | Andy Cunningham | Low | 1 | 2 | 2 | More use of web links within the Committee papers to reduce the size of the packs. The adequacy of officer resources to support the Fund's 3 committees, the on-going pooling agenda and the additional complexities arising from regulatory scheme changes is still being monitored through work planning and appraisals. | 1 | 2 | 2 | None at present but this varies from meeting to meeting depending on the demands and other work responsibilities. | Low | → | Jim Brewster | On-going |
| PEN001 | Failure to process pension payments and lump sums on time | 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 employer if interest has to be paid to the members. | There has been no change in either Current (Inherent) or Target (Residual) risk rating since September 2017. Risk recommended for removal from Committee review, but to continue to be monitored by Officers | ADMINISTRATION | SERVICE FUNCTION | Andy Cunningham | Low | 2 | 2 | 4 | Maintenance and update of Altair and SAP systems, sufficient staff cover arrangements, sufficient staff training and QA checking of work. Adherence to Pension Administration Strategy and regular monitoring of performance. Documentation of processes and reconciliations. When work loads are high, payments to members are prioritised above other work. | 2 | 2 | 4 | None | Low | → | Luke Webster/Jennie Green | N/A |
| PEN004 | Inability to keep service going due to loss of main office, computer system or staff | Fire, bomb, flood, etc. | Temporary loss of ability to provide service | There has been no change in either Current (Inherent) or Target (Residual) risk rating since September 2017. Risk recommended for removal from Committee review, but to continue to be monitored by Officers | ADMINISTRATION | SERVICE FUNCTION | Andy Cunningham | Low | 4 | 1 | 4 | An updated Business Continuity Plan has now been drafted in line with the new Council template. 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 mostly paperless office. | 4 | 1 | 4 | None | Low | → | Andy Cunningham | N/A |
| PEN012 | Over-reliance on key officers | The specialist nature of the work means that there are inevitably relatively experts in investments and the local authority pension regulations | Someone leaves or becomes ill, a large knowledge gap could be left behind. | An existing risk which the Committee is requested to review its impact. Recommended is to be classed as a ceased risk. | GOVERNANCE | SERVICE FUNCTION | Andy Cunningham | Low | 2 | 1 | 2 | Key people in the team are seeking to transfer specialist knowledge to colleagues by documenting procedures and notes. In the event of a knowledge gap, however, we can call on our external consultants and independent advisors for help in the short-term. | 2 | 1 | 2 | None - the risk will reduce once the existing team increases its level of knowledge and experience through greater time in their roles. A knowledge hub is being developed within the Fund and the LGA may create a practitioners bible which would work as a reference document for officers. | Low | → | Andy Cunningham | 18/07/19 |
| PEN027 | Significant structural change to LGPS Funds or to our Fund | A merger, takeover from another Fund or of another Fund. Significant changes to how certain employer categories participate in the Fund - for example Tax 3 employers or academies | Depending on its nature and scale, a major impact on employer numbers, governance, control and operational matters. | Risk recommended for removal from Committee review, but to continue to be monitored by Officers | GOVERNANCE | SERVICE FUNCTION | Andy Cunningham | Low | 3 | 1 | 3 | To keep abreast of any national development and respond to consultations when they occur. To take appropriate opportunities to increase the membership and the numbers of employer of the Fund. For example, where a multi academy Trust wishes to consolidate its assets, Fund operations within a single Fund | 3 | 1 | 3 | None | Low | ↑ | Andy Cunningham | 18/07/19 |
| PEN003 | Insufficient funds to meet liabilities as they fall due | 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. | There has been no change in either Current (Inherent) or Target (Residual) risk rating since September 2017. Risk recommended for removal from Committee review, but to continue to be monitored by Officers | INVESTMENT PERFORMANCE & RISK | SERVICE FUNCTION | Jennifer Devine | Low | 4 | 1 | 4 | Funding Strategy Statement, Investment Strategy, Triennial Valuations, membership of Club Vita, modelling of future cash flows. | 4 | 1 | 4 | This is factored into the Strategic Asset Allocation review, which is now in progress. Both the Fund Investment Consultant and Fund Actuary will be closely involved in the work. | Low | ↑ | Jennifer Devine | N/A |

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