

AGENDA

Meeting: Local Pension Board
Place: North Wiltshire Room - County Hall, Trowbridge BA14 8JN
Date: Thursday 22 October 2015
Time: 10.30 am

Please direct any enquiries on this Agenda to Libby Beale (Senior Democratic Services Officer), of Democratic Services, County Hall, Bythesea Road, Trowbridge, direct line or email

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

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Chairman's Briefing:

Thursday 22 October 2015- 9:30am- North Wilts Room- County Hall

Membership:

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

Lynda Croft
Kirsty Cole
Cllr Christopher Newbury

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AGENDA

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

1 **Membership**

To note any changes to the membership of the Board.

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

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

3 **Apologies**

To receive any apologies for absence.

4 **Minutes** (*Pages 7 - 14*)

To confirm as a true and correct record the minutes of the previous meeting held on 16 July 2015.

5 **Declarations of Interest**

To receive any declarations of disclosable interest.

6 **Chairman's Announcements**

To receive any announcements through the Chairman.

7 **Public Participation and Councillors Questions**

The Council welcomes contributions from members of the public.

Statements

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

Questions

To receive any questions from members of the public or members of the Council

received in accordance with the constitution. Those wishing to ask questions are required to give notice of any such questions in writing to the officer named above (acting on behalf of the Corporate Director), no later than 5pm on Thursday 15 October 2015. Please contact the officer named on the first page of this agenda for further advice. Questions may be asked without notice if the Chairman decides that the matter is urgent.

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

8 **Amendments to the Terms of Reference** (*Pages 15 - 30*)

A report outlines the proposed amendments to the Terms of Reference following on discussions from the previous meeting.

9 **Scheme Legal, Regulatory and Fund Update**

The Head of Pensions will provide a verbal update of the recent consultations published since the last meeting along with an update in respect of the on-going activity surrounding the July budget announcement and proposed pooling of assets.

10 **Review of Pension Fund Annual Report and Financial Statements** (*Pages 31 - 116*)

A report presents the Pension Fund Annual Report for 2014/15, including its Financial Statements approved by the Pension Fund Committee for review.

11 **Review of External Audit Report** (*Pages 117 - 144*)

A report presents the KPMG External Audit report for review.

12 **Update on the Internal Audit Report** (*Pages 145 - 162*)

A report presents the latest position in regards to the agreed action plan within the SWAP Internal Audit report for the Local Pension Board to note.

13 **Review of the Risk Register** (*Pages 163 - 170*)

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

14 **Training Items: Conflicts of Interest and Code of Conduct**

Hymans Robertson will present a short training session on the reasons for implementing a Conflicts of Interest policy and how conflicts are identified and

managed.

15 **Code of Conduct and Conflict of Interest Policy** (*Pages 171 - 184*)

The LPB is asked to approve the attached Code of Conduct and Conflict of Interest policy guidelines and to recommend:

- a) any changes to be made by the Head of Pensions; and
- b) adoption by the Pension Fund Committee as amended by the Head of Pensions.

16 **Breaches Policy** (*Pages 185 - 194*)

A report proposes a draft Breaches Policy for review and recommendation to the Pension Fund Committee

The purpose of this report is for the Local Pension Board (LPB) to consider the attached draft Breaches Policy Guidelines and to recommend:

- a) any changes to be made by the Head of Pensions; and
- b) adoption by the Pension Fund Committee as amended by the Head of Pensions.

17 **Training Plans Update**

The Head of Pensions will provide, for information, a verbal update on how the implementation of a training plan for the Local Pension Board is progressing.

18 **Local Pension Board Work Plans** (*Pages 195 - 204*)

The Chairman will present a report outlining a proposed work plan for the Local Pension Board for discussion and approval.

The Pension Board is asked to:

- a) note the above report and rationale for a forward work plan; and
- b) approve the draft work plan as outlined in the appendix subject to amendments suggested at this meeting.

19 **How did the Board do?**

The Chairman will lead a discussion on how the meeting went and request feedback on how the Local Pension Board could be developed.

20 **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.

21 **Date of next meeting**

Members are asked to note that the next regular meeting of the Board will be held on Thursday, 14 January 2016.

22 **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 Number 23 because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraph 3 of Part I of Schedule 12A to the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public.

Part II

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.

23 **Draft Wiltshire Pension Fund Committee and Investment Sub-Committee Minutes and Key Decisions** (*Pages 205 - 218*)

A report attaches the draft minutes of the latest Pension Fund Committee and Investment Sub-Committee meetings for review.

LOCAL PENSION BOARD

MINUTES OF THE LOCAL PENSION BOARD MEETING HELD ON 16 JULY 2015 AT WEST WILTSHIRE ROOM - COUNTY HALL, TROWBRIDGE BA14 8JN.

Present:

David Bowater, Kirsty Cole, Lynda Croft, Mike Pankiewicz, Cllr Christopher Newbury and Howard Pearce (Chairman)

1 Membership

It was noted that Kirsty Cole and Cllr Christopher Newbury had been appointed to the Local Pension Board (LPB) by Full Council on 14 July 2015

2 Appointment of the Chairman and Vice-Chairman of the Board

Members received a report on the responsibilities of the Chairman and Vice-Chairman of the Board and considered appointments to these positions.

Resolved:

To ratify the appointment of Howard Pearce as the Chairman of the Local Pension Board, as agreed by Full Council on 12 May 2015.

To appoint Mike Pankiewicz as Vice-Chairman of the Local Pension Board.

3 Attendance of non-members of the Board

There were no non-members of the Board present.

4 Apologies

Apologies for absence were received from Barry Reed.

5 Declarations of Interest

There were no declarations of interest.

6 **Chairman's Announcements**

The Chairman welcomed all members and gave an introduction to the role of the Board as a 'critical friend' to the Wiltshire Pension Fund and with an evolving role.

David Anthony, Head of Pensions, was invited to update the Board on highlights from the budget announcement. It was noted that LGPS Funds were now expected to pool investments in order to reduce fees spent on investment managers. A full briefing note would be issued to members in due course.

7 **Public Participation**

There was no public participation.

8 **Adoption of the Local Pension Board Terms of Reference**

Members considered the LPB Terms of Reference (ToR) and discussed the practicalities of the current provisions for quorum. It was agreed that the quorum should be of at least fifty percent of voting members whilst ensuring one from each of the employer and scheme members representatives was present. The Chairman suggested that the ToR be amended to allow for their review following the issuing of any relevant scheme guidance. It was noted that Michael Hudson, Associate Director for Finance, had delegated authority to amend the ToR.

Resolved:

To adopt the Terms of Reference, subject to the following amendments:

Paragraph 64 ' A meeting is only quorate when at least 50% of voting members are present, with at least one scheme member and employer member representative present'.

Paragraph 99 'These Terms of Reference shall be reviewed on each material change to those parts of the Regulations *and relevant scheme guidance* covering local pension boards and at least every 5 years'

9 **Introductions of Members of the Local Pension Board**

Members of the Board introduced themselves and their employment history. It was commented that the membership allowed an insight into a variety of roles in local government and experience in various financial and pensions matters.

Mike Pankiewicz expressed the view that he would like this Board, where possible, to become involved in items such as the Fund's discretions policy and processes like the awarding of ill health retirement cases.

10 Overview of the Conflict of Interest Policy

David Anthony introduced a report which covered the duties applicable to members to ensure they did not have a conflict of interest whilst working on the Board. All members were bound by the requirements in the Terms of Reference and Wiltshire Councillors were also to be bound by their own Code of Conduct. External members on the Board were to comply with the 'Nolan Principles': Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty, Leadership and relevant scheme regulations. All members were reminded to notify Democratic Services of any potential conflict of interest arising as a result of their position on the Board.

The Board supported developing a comprehensive conflicts of interest policy and register of interests to bring to the next meeting in October.

Resolved:

To adopt the Conflict of Interest policy and the following recommendations:

- a) **request Wiltshire Council develop a Code of Conduct and Conflicts of Interest Policy for approval;**
- b) **request officers provide further training to LPB Members on Code of Conduct and Conflicts of Interest; and**
- c) **note the requirement for Members to declare any potential conflict of interest arising from their position on the LPB.**

11 Purpose & Role of a Local Pension Board

It was explained that the national purpose of Local Pension Boards was to raise the standard of management and administration of public service pension schemes and to achieve more effective representation of employer and employee interests in that process.

The Board would work to ensure the Fund was compliant with the regulations and act as a 'critical friend', only holding responsibilities outlined in the ToR.

Members discussed how the Board would examine the Fund's compliance with the Pensions Regulator (tPR) code of practice and would need to develop a breaches policy.

Members questioned the depth to which the Board would need to review information to fulfil its role and it was confirmed that the Chairman was well-experienced and would steer the Board. External advisors could also be

commissioned to undertake more in-depth research. The Board would be supported by officers and also internal and external audit reports.

The Board agreed that it should examine the delegations the Wiltshire Pension Fund Committee had granted to the Investment Sub-Committee (ISC). Other potential lines of work would be a comparison of the Board's perception of the Fund's risk register compared with the view of the Pension Fund Committee. It was considered that a measurement of success should be developed for the Board and noted that the Chairman of the Pension Fund Committee determined success in relation to helping them to address the funding deficits and liabilities.

Resolved:

To note the report.

To begin work on developing a breaches policy.

To recommend future items of interest:

- **To review governance arrangements of the Pension Fund Committee and Investment Sub-Committee;**
- **To review and compare attitudes to the risk register;**
- **To develop a success criteria for the Board.**

12 Training Plans

A report was presented which outlined the requirements for Local Pension Board Members to be conversant with the LGPS scheme, its regulations and to have a training plan in place to ensure specific training needs would be met.

Members agreed that the self-assessment form would be a useful tool initially to identify priority areas for training. It was considered useful to follow the same training plan as the Wiltshire Pension Fund Committee (WPFC) but commented that these members should be encouraged to attend as they were not obliged to undertake training. Members supported the development of a handbook as a reference point following training sessions and the Chairman encouraged members to keep a record of all related training undertaken to pass on to David Anthony.

Resolved:

To endorse the basis for the development of a training plan outlined in paragraphs 20 to 28 of the report with the following additional recommendations:

- **That training plans are aligned with the Workplans for the Board;**
- **To continuously review training plans with an aspiration to have all Board members fully trained within 12 months;**

- To share training events with the Pension Fund where possible to support a positive working relationship and save resource;
- That training policies embrace flexible ways of learning;
- That the Head of Pensions take responsibility for ensuring the knowledge and understanding framework is developed and implemented.
- That Board members are encouraged to pass details of any additional training/conference attended to Head of Pensions to include in the training logs.

13 **Consideration of the Wiltshire Pension Fund Committee Draft Minutes and Key Decisions Taken on 25 June 2015**

The draft minutes of the latest Pension Fund Committee meeting and the key documents approved, namely the Business Plan 2015-18 and Internal Audit Report were presented to the Board.

It was explained that the Board would meet 3 to 4 weeks after the main Committee and would have access to all of its supporting paperwork.

David Anthony explained highlights from the minutes which included that the key underspend for the Fund was on manager fees, it was explained that any underspends would remain in the Fund. The issue of recruiting new staff had improved as one new member of staff had been recruited.

The officer updated that the Fund's Communications policy had been reviewed to enhance the features that were most useful to members. The Fund's statement of investment principles was identified as an avenue for exploration at a future Board meeting alongside the Fund's risk register. It was noted that since the LPB and ISC were now operational the risks associated with these had been downgraded on the risk register. A summary of the Fund's investment reports was provided.

The Board heard that the Fund's internal auditors were being directed towards specific areas of investigation, as part of the audit planning process, particularly procedures, reconciliations and KPIs. The Business Plan was being considered to ensure the Fund worked to best practice and develop an action plan for this.

The Board members considered the Pension Fund minutes and noted that the Committee would receive the minutes of the Board meetings. The Chairman requested that the Board received full minutes of both the Committee and the ISC and dates of their meetings to assist members to attend were possible. Members agreed that more detailed reports from the auditors would help them to review the Fund and requested actions on the Business Plan be prioritised to reflect whether they were a statutory duty and to acknowledge resource sensitivity. It was suggested that a future item for the Board could include examining the potential impact from pooling investments and inputting into the forthcoming Government consultation.

Resolved:

To note the minutes and attached reports.

To request that the Board receive full minutes and meeting dates of both the WPF and ISC.

To request input into the consultation process for the audit plans.

To request the SWAP audit report and action plan is reviewed again by the Board.

To recommend that items on the Business Plan be prioritised and acknowledge resource sensitivity and risk and that the LPB be updated on these issues.

14 **Work Plans for 2015/16**

Board members were asked to consider areas for review over the next 12 months with regard to the Terms of Reference of the Board. Members noted that the Fund's Annual report would come to the next meeting of the Board and the Fund's valuation would be received at a 2016 meeting.

The Chairman requested that a Forward Plan be developed to track emerging agenda items and items addressed by the Board.

It was discussed that whilst the Board was deigned to scrutinise the Fund it was supported by the same officers and, although they were to attend to present information only, this potential conflict of interest should be added to the work plan for further investigation. The Chairman reminded the Committee that the officer would provide information only and it would be for the Board members to scrutinise the Fund.

Members considered that other items of interest would be to examine how effective the Fund's communications policy was and to make an assessment of the Fund's risk register and align the work programme around this. It was commented that, on occasions, the Board may wish to liaise or share experience of work plans with other Boards.

Resolved:

To add the following items to the Board's work plan:

- **To develop a Forward Plan to track statutory and emerging issues and record items addressed by the Board. This should include**

training and review of the Valuation process, review of discretions policy, and internal policies of the Fund.

- **To explore officer support for the Board in the context of overlap with supporting the management of the Fund.**
- **To explore the effectiveness of the Fund's Communications Policy**
- **To make assessments of the key risk register and consider aligning a work programme to these risks.**

15 **Urgent items**

There were no urgent items.

16 **Date of next meeting**

The next regular meeting of the Board was to be held on Thursday 22 October 2015.

(Duration of meeting: 10.30 am - 12.41 pm)

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

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

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WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD
22 October 2015

Local Pension Board Terms of Reference

Purpose of the Report

1. The purpose of this report is to request the Board to consider changes to the Terms of Reference recommended by officers.

Background

2. At its meeting on 24 February 2015, the Terms of Reference of the Board were approved by Council. These have been updated under delegation granted by Council at the same meeting to the Associate Director (Finance) or his nominated representative to make further amendments as the result of further consideration of the relevant legislation and government guidance.
3. The Board adopted the Terms of Reference at its first meeting on 16 July 2015 subject to amendments to paragraphs 67 and 99, these are reflected in the updated Terms of Reference attached.

Considerations for the Board

4. This Board is now asked to consider further amendments to the Terms of Reference recommended by officers.

Environmental Impact of the Proposal

5. There is no environmental impact of this proposal.

Financial Considerations & Risk Assessment

6. There are no financial impacts of this proposal.

Legal Implications

7. There are no legal impacts of this proposal.

Safeguarding Considerations

8. There are no implications.

Public Health Implications

9. There are no implications.

Equalities Impact

10. There are no implications

Reasons for Proposals

11. To enable the LPB to operate effectively in line with its agreed Terms of Reference.

Proposals

12. The LPB is requested to consider the following amendments in bold to the attached Terms of Reference:

Para 47c 'The chair of the Board....Shall seek to reach consensus and ensure that decisions are properly put to a vote, **won by a simple majority**, when it cannot be reached. Instances of a failure to reach a consensus position will be recorded and published.'

Reason: For the avoidance of doubt

Para 67 'The agenda and supporting papers will be issued at least **5 working days in advance** of the meeting except in the case of matters of urgency'

Reason: For consistency with legal deadlines for other bodies supported by Democratic Services.

Report Author: Libby Beale, Board Secretary

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



LOCAL PENSION BOARD OF WILTSHIRE COUNCIL

TERMS OF REFERENCE

Introduction

1. This document sets out the terms of reference of the Local Pension Board of Wiltshire Council (the “Administering Authority”) being a scheme manager as defined under Section 4 of the Public Service Pensions Act 2013. The Local Pension Board (the “Board”) is established under Section 5 of that Act and regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended).
2. The Board is established by the Administering Authority and operates independently of the Committee. Relevant information about its creation and operation are contained in these Terms of Reference.
3. The Board is not a committee constituted under Section 101 of the Local Government Act 1972 and therefore no general duties, responsibilities or powers assigned to such committees or to any sub-committees or officers under the constitution, standing orders or scheme of delegation of the Administering Authority apply to the Board unless expressly included in this document.
4. Except where approval has been granted under regulation 106(2) of the Regulations the Board shall be constituted separately from any committee or sub-committee constituted under Section 101 of the Local Government Act 1972 with delegated authority to execute the function of the Administering Authority.

Interpretation

5. The following terms have the meanings as outlined below:

‘the Act’	The Public Service Pensions Act 2013.
‘the Code’	means the Pension Regulator’s Code of Practice No 14 governance and administration of public service pension schemes.
‘the Committee’	means the Wiltshire Pension Fund Committee which has delegated decision making powers for the Fund in accordance with Section 101 of the Local Government Act 1972.

'the Fund'	means the Wiltshire Pension Fund managed and administered by the Administering Authority.
'the Guidance'	means the guidance on the creation and operation of local pension boards issued by the Shadow Scheme Advisory Board.
'the Regulations'	means the Local Government Pension Scheme Regulations 2013 (as amended from time to time), the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended from time to time) including any earlier regulations as defined in these regulations to the extent they remain applicable and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended from time to time).
'Relevant Legislation'	means relevant overriding legislation as well as the Pension Regulator's Codes of Practice as they apply to the Administering Authority and the Board notwithstanding that the Codes of Practice are not legislation.
'the Scheme'	means the Local Government Pension Scheme in England and Wales.

Statement of purpose

6. The purpose of the Board is to assist the Administering Authority in its role as a scheme manager of the Scheme. Such assistance is to:
 - (a) secure 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;
 - (b) to ensure the effective and efficient governance and administration of the Scheme.

Duties of the Board

7. The Board should at all times act in a reasonable manner in the conduct of its purpose. In support of this duty Board members should be subject to and abide by the code of conduct for Board members.

Establishment

8. The Board is established on 1 April 2015 subsequent to approval by full council at its meeting on 24 February 2015 (minute 22).

Membership

9. The Board shall consist of 6 voting members, as follows:
 - 3 Member Representatives; and
 - 3 Employer Representatives.
10. There shall be an equal number of Member and Employer Representatives.
11. There shall also be an independent chairman who is not entitled to vote.
12. The Board will also have access to an independent governance adviser.

Member representatives

13. Member representatives shall either be scheme members or have capacity to represent scheme members of the Fund. At least one member representative should be an active member of the Wiltshire Pension Fund.
14. Member representatives should be able to demonstrate their capacity to attend and complete the necessary preparation for meetings and participate in training as required.
15. Substitutes shall not be appointed.
16. The 3 member representatives shall be appointed following a transparent recruitment process. Of these 2 member representatives will be nominated from a recognised trade union. 1 member representative position should be open to all Fund members and be approved by the Administering Authority (rather than the Committee) based on the process outlined below.

For the initial member representatives:

17. The Administering Authority (rather than the Committee) will administer the appointment process as follows.
18. The Administering Authority shall advertise the member representative role on the Fund website and the Wiltshire Council job vacancy website, including [information on where to access] a nomination pack for each of the three member groups. The Administering Authority shall also notify all employer organisations and registered trade unions in writing of the vacancies, including [information on where to access] a nomination pack for each of the three member groups. The nomination pack will include these Terms of Reference, details of the member representative role, a nomination form and instructions for application. The closing date for receipt of nominations by the Administering Authority will be four weeks from the date of advertisement or notice.

19. The Administering Authority will score all nominations returned by the deadline against [published] criteria relating to each nominee's ability to meet the capacity requirements of the role, in order to produce a shortlist.
20. Shortlisted nominees will be invited to an interview by the Administering Authority's Associate Director – Legal and Democratic Services and the Administering Authority's Associate Director – Finance (or their nominated representatives). A recommendation will then be made to full council for the appointment to the Board of three nominees, two of which will represent nominations from a recognised trade union based on [published] criteria relating to ability to meet the capacity requirements of the role.
21. Full council will make three member representative appointments to the Board.

For subsequent member representatives:

22. For all appointments after 1 August 2015, nominations will be sought in the same manner as for initial appointments.
23. Should there be more than three successful candidates able to fulfil all the criteria of the role, an election process will take place during which all active members of the Fund will be asked to cast one vote based on a brief biography published for each nominee for the non-trade union nominated member representative position.
24. Full council will appoint the three nominees (and if more than one nominations are received for the non-trade union position, the one nominee with the highest number of votes) as the member representatives of the Board.

Employer representatives

25. Employer representatives shall be office holders or senior employees of employers within the Fund or have experience of representing scheme employers in a similar capacity. No officer or elected member of Wiltshire Council who is responsible for the discharge of any function of the Administering Authority under the Regulations may serve as a member of the Board.
26. Employer representatives should be able to demonstrate their capacity to attend and complete the necessary preparation for meetings and participate in training as required.
27. Substitutes shall not be appointed.
28. The 3 employer representatives shall be appointed following a transparent recruitment process which should be open to all employer organisations and be approved by the Administering Authority (rather than the Committee) based on the process outlined below.

For the initial employer representatives:

29. The Administering Authority (rather than the Committee) will administer the appointment process as follows.
30. In order to ensure that the employer representatives are truly representative of the employer organisations within the Fund whilst also being given equal opportunity for nomination, employer organisations within the Fund will be divided into three groups based on organisation size (by number of employees) for nomination purposes:

Group 1: Wiltshire Council;
Group 2: Swindon Borough Council and Wiltshire Police; and
Group 3: all other employer organisations within the Fund.
31. The Administering Authority shall publish [information on where to access] a nomination pack for each of the three employer groups. The nomination pack will include these Terms of Reference, details of the employer representative role, a nomination form and instructions for application. Each employer within the group will be invited to put forward one suitable nominee using the prescribed nomination form, which must be returned to the Administering Authority within four weeks of the date of the invitation.
32. The Administering Authority will score all nominations returned by the deadline against [published] criteria relating to each nominee's ability to meet the capacity requirements of the role, in order to produce a shortlist of no more than [two] nominees from each employer group. If any employer group fails to nominate, then the Administering Authority may substitute a nominee from another group according to score received, so that the shortlists contain the highest scoring nominees overall.
33. Shortlisted nominees will be invited to an interview [by the Administering Authority's Associate Director – Legal and Democratic Services and the Administering Authority's Associate Director – Finance (or their nominated representatives)]. A recommendation will then be made to full council for the appointment to the Board of three nominees based on [published] criteria relating to ability to meet the capacity requirements of the role.
34. Full council will make three employer representative appointments to the Board.

For subsequent employer representatives:

35. For all appointments after 1 August 2015, nominations will be sought in the same manner as for initial appointments.
36. Should there be more than three successful candidates able to fulfil all the criteria of the role, an election process will take place during which all employer organisations within the Fund will be asked to cast one vote based on a brief biography published for each nominee.

37. Full council will appoint the three nominees (and if more than three nominations are received, the three nominees with the highest number of votes) as the employer representatives of the Board.

Other members

38. 1 other member shall be appointed to the Board to act as independent chair by the agreement of both the Administering Authority and the Board.
39. Other members do not have voting rights on the Board.

Appointment of chair

40. The Administering Authority (rather than the Committee) will administer the appointment process as follows.
41. The independent chair shall be appointed by the Administering Authority but shall count as an 'other' member under paragraphs 388 to 39 above. In this respect the term independent means having no pre-existing employment, financial or other material interest in either the Administering Authority or any scheme employer in the Fund or not being a member of the Fund, and a Wiltshire Councillor.
42. The Administering Authority shall advertise the role of chair on the Fund website, the Wiltshire Council job vacancy website and such other appropriate media as it thinks fit, including [information on where to access] a nomination pack. The nomination pack will include these Terms of Reference, details of the role or chair, a nomination form and instructions for application. The closing date for receipt of nominations by the Administering Authority will be four weeks from the date of advertisement.
43. The Administering Authority will score all nominations returned by the deadline against [published] criteria relating to each nominee's ability to meet the relevant experience and capacity requirements of the role, in order to produce a shortlist of no more than [five] nominees.
44. Shortlisted nominees will be invited to an interview [by the Administering Authority's Associate Director – Legal and Democratic Services and the Administering Authority's Associate Director – Finance (or their nominated representatives)]. A recommendation will then be made to full council for the appointment of the chair to the Board based on [published] criteria relating to ability to meet the experience and capacity requirements of the role.
45. Full council will appoint the chair to the Board. However, the appointment of the chair shall be subject to the passing of a motion to confirm by a majority of the employer and member representatives of the Board.
46. The Board will appoint the vice chair from amongst its remaining voting members, alternating on an annual basis between an employer representative and a member representative.

Duties of chair

47. The chair of the Board:

- (a) Shall ensure the Board delivers its purpose as set out in these Terms of Reference,
- (b) Shall ensure that meetings are productive and effective and that opportunity is provided for the views of all members to be expressed and considered, and
- (c) Shall seek to reach consensus and ensure that decisions are properly put to a vote when it cannot be reached. Instances of a failure to reach a consensus position will be recorded and published.

Independent governance adviser

48. The Administering Authority will procure the services of the independent governance adviser in accordance with Part 11 of the Administering Authority's constitution, having regard to the best interests of the purpose of the Board. The role will be re-tendered every four years.

49. In this respect the term independent means having no current employment, contractual, financial or other material interest in either Wiltshire Council or any scheme employer in the Fund other than for this role; and not being a member of the LGPS in the Fund.

Notification of appointments

50. When appointments to the Board have been made the Administering Authority shall publish the name of Board members, the process followed in the appointment together with the way in which the appointments support the effective delivery of the purpose of the Board.

Terms of Office

51. The term of office for Board members is 4 years.

52. All members of the Board will have a fixed term of office of 4 years. After this period the nomination process will be undertaken as outlined above and incumbents may seek re-appointment as part of this process. However, an extension to terms of office may be made by the Administering Authority with the agreement of the Board.

53. Board membership may be terminated prior to the end of the term of office if:

- (a) there exists a conflict of interest in relation to a Board member which cannot be managed within the internal procedures of the Committee
- (b) a Board member becomes incapable of acting
- (c) a Board member becomes responsible for the discharge of any function of the Administering Authority under the Regulations (apart from any

function relating to local pension boards or the Scheme Advisory Board), for instance by being appointed to the Committee or accepting employment in relation to the Fund

- (d) a Board member resigns
- (e) a member representative ceases to be a member of the body or scheme on which their appointment relied
- (f) an employer representative ceases to hold the office, employment or membership of the body on which their appointment relied
- (g) a councillor ceases to represent their constituency
- (h) the Administering Authority (at its sole discretion) determines that a member is no longer able to demonstrate his or her capacity to attend and prepare for meetings or to participate in required training

Conflicts of interest

- 54. All members of the Board must declare to the Administering Authority on appointment and at any such time as their circumstances change, any potential conflict of interest arising as a result of their position on the Board.
- 55. A conflict of interest is defined as a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the Board. It does not include a financial or other interest arising merely by virtue of that person being a member of the Scheme.
- 56. On each appointment to the Board and following any subsequent declaration of potential conflict, the Administering Authority shall ensure that any potential conflict is effectively managed in line with the internal procedures of the Administering Authority, the requirements of the Act, the requirements of the Code and the requirements of Relevant Legislation on conflict of interest for Board members.

Knowledge and understanding (including Training)

- 57. Knowledge and understanding must be considered in light of the role of the Board to assist the Administering Authority in line with the requirements outlined in paragraph 6 above. The Board shall establish and maintain a Knowledge and Understanding Policy and Framework to address the knowledge and understanding requirements that apply to Board members under the Act. That policy and framework shall set out the degree of knowledge and understanding required as well as how knowledge and understanding is acquired, reviewed and updated.
- 58. Board members shall attend and participate in training arranged in order to meet and maintain the requirements set out in the Board's knowledge and understanding policy and framework.
- 59. Board members shall participate in such personal training needs analysis or other processes that are put in place in order to ensure that they maintain the required level of knowledge and understanding to carry out their role on the Board.

60. Failure to attend training or participate in the processes referred to above may lead to removal from the Board.

Meetings

61. Meetings of the Board will be held at least four times a year.
62. The Board will meet at the Administering Authority's main offices, or another location to be agreed by the chair. Meetings will be held during normal working hours at times to be agreed by the chair.
63. The chair of the Board may call additional meetings with the consent of other members of the Board. Urgent business of the Board between meetings may, in exceptional circumstances, be conducted via communications between members of the Board including telephone conferencing and emails.

Quorum

64. A meeting is only quorate when at least 50% of voting members are present, with at least one scheme member and employer member representative present.
65. A meeting that becomes inquorate may continue but any decisions will be non-binding.

Board administration

66. The chair shall agree the Administering Authority's Democratic Services team (the 'Board Secretary') an agenda prior to each Board meeting.
67. The agenda and supporting papers will be issued at least 7 working days (where practicable) in advance of the meeting except in the case of matters of urgency.
68. Draft minutes of each meeting including all actions and agreements will be recorded and circulated to all Board members within 10 working days after the meeting. These draft minutes will be subject to formal agreement by the Board at their next meeting. Any decisions made by the Board should be noted in the minutes and in addition where the Board was unable to reach a decision such occasions should also be noted in the minutes.
69. The minutes may with the agreement of the Board, be edited to exclude items on the grounds that they would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act and/or they represent data covered by the Data Protection Act 1998.
70. The Board Secretary shall ensure that Board members meet and maintain the knowledge and understanding as determined in the Board's Knowledge and Understanding Policy and Framework and other guidance or legislation.

71. The Board Secretary shall arrange such advice as is required by the Board subject to such conditions as are listed in these Terms of Reference for the use of the budget set for the Board.
72. The Board Secretary shall ensure an attendance record is maintained along with advising the Administering Authority on allowances and expenses to be paid under these terms.
73. The Board Secretary shall liaise with the Administering Authority on the requirements of the Board, including advanced notice for officers to attend and arranging dates and times of Board meetings.

Public access to Board meetings and information

74. The Board meetings can be open to the general public (unless there is an exemption under relevant legislation which would preclude part (or all) of the meeting from being open to the general public). The Board is subject to the Access to Information Procedure Rules in Part 5 of the Administering Authority's constitution and the publication requirements of the Act.
75. The following will be entitled to attend Board meetings in an observer capacity, and may speak with the permission of the chair:
 - (a) Members of the Committee
 - (b) The Administering Authority's Associate Director – Finance
 - (c) The Administering Authority's Head of Pensions
 - (d) The Administering Authority's Cabinet member for finance
 - (e) Any person requested to attend by the Board
76. In accordance with the Act the Administering Authority shall publish information about the Board to include:
 - (a) The names of Board members and their contact details.
 - (b) The representation of employers and members on the Board.
 - (c) The role of the Board.
 - (d) These Terms of Reference.
77. The Administering Authority shall also publish other information about the Board including:
 - (a) Agendas and minutes
 - (b) Training and attendance logs
 - (c) An annual report on the work of the Board to be included in the Fund's own annual report.
78. All or some of this information may be published using the following means or other means as considered appropriate from time to time:
 - (a) On the Fund's website.
 - (b) As part of the Fund's Annual Report.

(c) As part of the Governance Compliance Statement.

79. Information may be excluded on the grounds that it would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act and/or they represent data covered by the Data Protection Act 1998.

Expenses and allowances

80. Any Wiltshire Councillor appointed to the Board will be entitled to receive expenses in accordance with Part 14 of the Administering Authority's constitution (Members' Allowance Scheme).

81. The independent governance adviser will be paid in accordance with the contract concluded with the Administering Authority.

82. Allowances and reimbursement of expenses for all other members of the Board will be decided by the Administering Authority.

Budget

83. The expenses of the Board falls as a cost to the Fund. Therefore, the Committee will, via its delegation from full council, allocate an annual budget for the Board which is adequate to fulfil its role as part of its budget setting process. The budget will be managed by and at the discretion of the Board. The budget shall allow for:

- a) accommodation and administrative support to conduct its meetings and other business;
- b) training; and
- c) legal, technical and other professional advice

84. The Board may make requests to the Administering Authority's Associate Director – Finance to approve any additional expenditure required to fulfil its obligations which will then be charged to the Fund budget.

Core functions

85. The first core function of the Board is to assist the Administering Authority in 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. Within this extent of this core function the Board may determine the areas it wishes to consider including but not restricted to:

- a) Review regular compliance monitoring reports which shall include reports to and decisions made under the Regulations by the Committee.

- b) Review management, administrative and governance processes and procedures in order to ensure they remain compliant with the Regulations, Relevant Legislation and in particular the Code.
- c) Review the compliance of scheme employers with their duties under the Regulations and Relevant Legislation.
- d) Review such documentation as is required by the Regulations including the Governance Compliance Statement, Funding Strategy Statement and Statement of Investment Principles.
- e) Review scheme members and employers communications as required by the Regulations and Relevant Legislation.
- f) Monitor complaints and performance on the administration and governance of the scheme.
- g) Review the Internal Dispute Resolution Process.
- h) Review Pensions Ombudsman cases.
- i) Review the arrangements for the training of Board members and those elected members and officers with delegated responsibilities for the management and administration of the Scheme.
- j) Review the complete and proper exercise of employer and administering authority discretions.
- k) Review the outcome of internal and external audit reports.
- l) Review draft accounts and Fund annual report.

86. The second core function of the Board is to ensure the effective and efficient governance and administration of the Scheme. Within this extent of this core function the Board may determine the areas it wishes to consider including but not restricted to:

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

87. In support of its core functions the Board may make a request for information to the Committee with regard to any aspect of the Administering Authority's function. Any such request should be reasonably complied with in both scope and timing.

88. In support of its core functions the Board may make recommendations to the Committee which should be considered and a response made to the Board on the outcome within a reasonable period of time.

Reporting

89. The Board is accountable solely to the Administering Authority for the effective operation of its functions.
90. The Board shall report to the Committee as often as the Board deems necessary and at least annually:
- a) a summary of the work undertaken since the last report
 - b) the work plan for last year and the programme for the next 12 months
 - c) areas raised to the Board to be investigated since the last report and how they were dealt with
 - d) any risks or other areas of potential concern it wishes to raise
 - e) details of training received since the last report and planned
 - f) details of all expenses and costs incurred over the past 12 months and projected for the next year
 - g) details of any conflicts of interest identified since the last report and how they were dealt with
91. The Board should also report its requests, recommendations or concerns to the Committee. In support of this any member of the Board may attend a Committee meeting as an observer.
92. The Board should report any concerns over a decision made by the Committee to the Committee subject to the agreement of at least 50% of voting Board members provided that all voting members are present. If not all voting members are present then the agreement should be of all voting members who are present, where the meeting remains quorate.
93. On receipt of a report under paragraphs 90 and 91 above the Committee should, within a reasonable period, consider and respond to the Board.
94. Where the Board is not satisfied with the response received it may request that a notice of its concern be placed on the website and in the Fund's annual report.
95. Where the Board is satisfied that there has been a breach of regulation which has been reported to the Committee under paragraph 90 and 91 and has not been rectified within a reasonable period of time it is under an obligation to escalate the breach.
96. The appropriate internal route for escalation is to the Administering Authority's Associate Director – Finance as the Section 151 Officer.
97. The Board may report concerns to the LGPS Scheme Advisory Board for consideration subsequent to, but not instead of, using the appropriate internal route for escalation.
98. Board members are also subject to the requirements to report breaches of law under the Act and the Code and the whistleblowing provisions set out in the Administering Authority's whistle blowing policy.

Review of Terms of Reference

99. These Terms of Reference shall be reviewed on each material change to those parts of the Regulations and relevant scheme guidance covering local pension boards and at least every 5 years.

100. These Terms of Reference were last reviewed on 16 July 2015.

.....
Signed on behalf of the Administering Authority

.....
Signed on behalf of the Board

Published

WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD

22 October 2015

Review of the Pension Fund Annual Report and Financial Statements 2014-15

Purpose of the Report

1. The purpose of this report is to present the Annual Report, which includes the Financial Statements 2014-15 for review by the Board.

Background

2. The draft Annual Report was presented to Pension Fund Committee meeting on 1 October 2015 for approval. In previous years the draft Annual Report and Financial Statements were brought to the July Pension Committee, however as a result of the changes made to the Committee structure the Financial Statements were presented in June ahead of the audit.
3. The Wiltshire Pension Fund has a requirement under the Local Government Pension Scheme Regulations 2013 (amended) SI 2015 No 755 to produce an Annual Report. The relevant regulations (56 & 57) can be found on the web link below and summarised in the Appendix:

<http://www.lgpsregs.org/index.php/regs-legislation/timeline-regulations-2014?showall=&limitstart=>

4. The Annual Report contains details of the accounts of the Wiltshire Pension Fund for the year to 31 March 2015 and is primarily aimed at the participating employer organisations within the Wiltshire Pension Fund.
5. It supplements the Statement of Accounts of the Council, a formal publication required under the Accounts and Audit Regulation 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom. As well as reporting the accounts, the opportunity is taken to cover matters of wider interest that affect the Fund, its investments and general pension provision.
6. Copies of the Annual Report are circulated to all employers of the Fund in an electronic format. Hard copies of the Annual Report are available along with the associated policies referenced upon request.
7. Publication date is 1 December 2015 at which time a copy must be available on the website.

Considerations for the Board

8. The purpose of this report this year is for induction purposes and developing knowledge of the Fund as the approval of the Financial Statements and development of the Annual Report occurred prior to the establishment of the Pension Board.
9. Nevertheless, comments arising from this agenda item can be fed back to officers to be considered in the development of these documents for 2015-16.

Environmental Impact of the Proposal

10. Not applicable.

Risk Assessment

11. The audit of the Wiltshire Pension Fund is finalised and KPMG have issued an unqualified Audit Opinion.

Financial Considerations

12. There are no significant financial implications or risks from this report. The financial implications of the Fund are considered in the Annual Report.

Legal Implications

13. There are no legal implications from this report.

Safeguarding Considerations/Public Health Implications/Equalities Impact

14. There are no known implications at this time.

Reasons for Proposals

15. To ensure the LPB is fulfilling its duty to assist the Wiltshire Pension Fund in ensuring compliance with the scheme regulations and securing effective and efficient governance and administration of the LGPS scheme.

Proposals

16. The Board is asked to note the attached Annual Report.

MICHAEL HUDSON
Treasurer to the Pension Fund

Report Author: David Anthony, Head of Pensions

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

Extract from the LGPS Regulations (Administration) 2013

Accounts and audit

56. —(1) After any of its pension funds has been audited, an [administering authority](#) must immediately send copies of the following to each body whose employees are active members—

- (a) a summary of the revenue account and balance sheet of the fund; and
- (b) any report by the auditor.

Pension fund annual report

57. —(1) An [administering authority](#) must, in relation to each year beginning on 1st April 2014 and each subsequent year, prepare a document ("the pension fund annual report") which contains—

- (a) a report about the management and financial performance during the year of each of the pension funds maintained by the authority;
- (b) a report explaining the authority's investment policy for each of those funds and reviewing the performance during the year of the investments of each fund;
- (c) a report of the arrangements made during the year for the administration of each of those funds;
- (d) for each of those funds, a statement by the actuary who carried out the most recent valuation of the assets and liabilities of the fund in accordance with [regulation 62 \(actuarial valuations of pension funds\)](#), of the level of funding disclosed by that valuation;
- (e) the current version of the statement under [regulation 55 \(governance compliance statement\)](#);
- (f) for each of the funds, the fund account and net asset statement with supporting notes and disclosures prepared in accordance with proper practices;
- (g) an annual report dealing with—
 - (i) the extent to which the authority and [the Scheme](#) employers in relation to which it is the [administering authority](#) have achieved any levels of performance set out in a pension administration strategy in accordance with [regulation 59 \(pension administration strategy\)](#), and
 - (ii) such other matters arising from a pension administration strategy as it considers appropriate;
- (h) the current version of the statement referred to in [regulation 58 \(funding strategy statement\)](#);
- (i) the current version of the statement under regulation 12 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (statement of investment principles) **(40)** ;
- (j) the current version of the statement under [regulation 61 \(statements of policy concerning communications with members and Scheme employers\)](#); and
- (k) any other material which the authority considers appropriate.

(2) The authority must publish the pension fund annual report on or before 1st December following [the Scheme](#) year end.

(3) In preparing and publishing the pension fund annual report, the authority must have regard to guidance given by the Secretary of State.

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WILTSHIRE PENSION FUND

**Report & Accounts
For the year ended 31 March 2015**

WILTSHIRE PENSION FUND

REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015

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1. Chairman's foreword

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

Wiltshire Council, which administers the Fund, is one of the 157 Employer organisations which are members of the Fund. Swindon Council & Wiltshire Council are the two largest employer organisations of the Fund. The Fund has seen a further increase in Member bodies over the last 12 months predominantly from the ongoing formation of Academy Schools which have the right of automatic membership.

The Fund has 21,600 employees currently contributing to it while the number of retired employees receiving regular payments has increased by around 500 to 14,200, the average pension is £4,375. The anticipated trend is still for the reduction of active membership as public bodies restructure in light of reduced funding for the largest employers, although the past couple of years have seen levels stay fairly constant. The cashflow of the fund was again broadly neutral for the year (taking out a one-off bulk transfer event), this is being monitored closely and with the annual 1% contributions rate increases for the largest employers implemented from April 2014 should be maintained for the short term at least. Nevertheless we are extremely conscious of the cost pressures facing employers and their ability to absorb future increases.

The Fund's assets have increased by £207 million to £1,852 million as at 31st March 2015 reflecting positive returns from growth and defensive assets. At the last triennial valuation, (March 2013) the funding level was 71%. Despite the excellent performance of the Fund's assets over this period, it is the continuation of historically low bond yields that increases the size of the liabilities leading to the decline in funding level. This is because bond yields are used by the Fund's actuary to discount the future liability cashflows to reflect the time value of money. The smaller this number, the higher the projected future cashflows to be paid out, meaning greater investment returns need to be generated by the Fund over the long term.

Experience since the last valuation has been broadly as expected. Bonds yields have fallen further offsetting asset returns. Since the triennial valuation our interim monitoring reports now shows that the funding level is nearer 74% as at 31 March 2015.

Growth assets performed well over the year, the annual return for the Fund was 13.8%; 2.1% ahead of its consolidated benchmark of 11.8%. Wiltshire Pension Fund did achieve 26 percentile out of 89 Local Authority Funds within the World Markets (WM) Company Local Authority League tables where the average return of the WM Universe was 13.2% (gross of fees). The Committee continues to monitor investment manager performance and a high level Investment Strategy review is due to take place July 2015.

During the year up to March 2015 there were a number of changes of membership to the Pension Fund Committee. Councillor Des Moffatt was replaced by Councillor Steve Allsopp, Tim Jackson was replaced by Diane Hall (Admitted Body representative) and Lynda Croft was replaced by Linda Stuart (Education Scheduled Body representative). We would like to thank them all for their contribution over the years and wish them well for the future.

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

The Local Government Pension Scheme (LGPS) has been and remains in a period of uncertainty over further potential nationally imposed changes. A new scheme was implemented in 2014, but concerns remain over the long term cost and sustainability of the LGPS while the Government remain focussed on addressing pension fund deficits and reducing the costs of running the scheme.

The Fund continues to face increasing complexities in both the governance and administration of the scheme, which will increase pressure on resources and workloads. The Fund's administration consists of 24 staff members. The Fund has experienced some staff turnover during the year and are currently recruiting to replace them to maintain levels of expertise and resources.

From the 1 April 2015, a new national Scheme Advisory Board will provide an oversight of all LGPS funds on behalf of the Department of Communities and Local Government (DCLG) while we are required by legislation to establish a Local Pension Board to give stakeholders a greater voice and to assist the Wiltshire Pension Fund in securing compliance with the Regulations. All LGPS funds also fall under the jurisdiction of the Pension Regulator which requires the Wiltshire Pension Fund to adhere to its new code of practice for Public Sector Pension Schemes.

In addition, other issues being faced include changes requirements for record keeping and data cleansing, changes to tax relief allowances, changes in the provision of data from HMRC, a continued increase in numbers of employer organisations (from out-sourcing and academies conversions) along with their associated risks, trying to address the maturing cashflow profile, the continued low bond yields putting further pressure on contribution rates, and increasing expectations from stakeholders (e.g. scheme member access to information).

All this means the Fund continues to face challenging times and we have been aligning resources to ensure we are flexible and responsive enough to adapt to all these changes.

Tony Deane, Chairman

On behalf of the Wiltshire Pension Fund Committee

2nd July 2015



2. Fund overview

Legal framework

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

Wiltshire Council is responsible for administering Wiltshire Pension Fund for the benefits of employees of Wiltshire Council and the employees of scheme employers and admissions bodies. A list of participating scheme employers is shown on page 13.

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

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

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

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

Scheme benefits

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

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

For leavers not entitled to the immediate payment of benefits.

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

The ability to increase personal benefits are available as follows:

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

Statistics

Financial Summary

	2010-11 £000	2011-12 £000	2012-13 £000	2013-14 £000	2014-15 £000
Contributions and Benefits					
Contributions receivable	86,210	87,770	77,083	79,128	85,529
Employers Additional Capital Contributions	0	0	0	0	0
Individual transfers	9,145	5,662	4,551	2,902	1,785
	95,355	93,432	81,634	82,030	87,314
Benefits payable	-61,418	-65,687	-68,351	-76,669	-74,067
Payments to and on account of leavers	-6,889	-4,039	-4,156	-4,789	-31,249
	-68,307	-69,726	-72,507	-81,458	-105,316
Management Expenses	-5,392	-6,684	-4,911	-4,679	-7,112
	21,656	17,022	4,216	-4,107	-25,114
Returns on Investments					
Investment Income	27,691	31,095	24,774	18,377	21,443
Change in market value of investments	70,903	9,884	120,124	136,981	211,110
Net returns on investments	98,594	40,979	144,898	155,358	232,553
Net increase in the fund during the year	120,250	58,001	149,114	151,251	207,439

Membership Summary

	2010-11	2011-12	2012-13	2013-14	2014-15
Contributors	19,456	19,329	20,193	21,655	21,606
Pensioners and Dependants	11,343	12,227	12,879	13,729	14,200
Deferred Pensioners	17,883	19,701	21,178	22,262	23,789

Income (i.e. contributions from employers and employees together with dividends and interest earned by investments, but excluding profits on sales of investments) has consistency exceeded expenditure. Payments on account of leavers did increase this year, this was as a result of a bulk transfer out of Probation Staff. This was funded by a transfer of assets to Greater Manchester Pension Fund. During 2014/15 cashflow (excluding investment income) was broadly neutral; this continues to be monitored closely.

Administration Management Performance

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

The club compares the Fund against the other 49 LGPS authorities within the club. It is however important to remember this survey merely reviews costs and processes but does not test or have a measure for 'quality' of service.

The 2014 CIPFA Pension Administration benchmarking club report, issued in August 2014, compares the performance of WPF in 2013/14 with 49 local authorities who administer the Local Government Pension Scheme. The key benchmark for Pension Administration is the cost of administering the LGPS per member and the Fund's cost for 2013/14 was £20.86 (2012/13: £21.54) compared to the average of £20.75 (2012/13: £21.42).

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

Cost per member 2013/14	Wiltshire Pension Fund	Average
	£	£
Staff	7.74	8.87
Payroll	2.59	1.97
Direct costs eg communications and actuarial fees	5.28	4.28
Overheads eg IT, accomodation, central charges	5.55	5.90
Income	- 0.30	- 0.27
Net cost per member	20.86	20.75

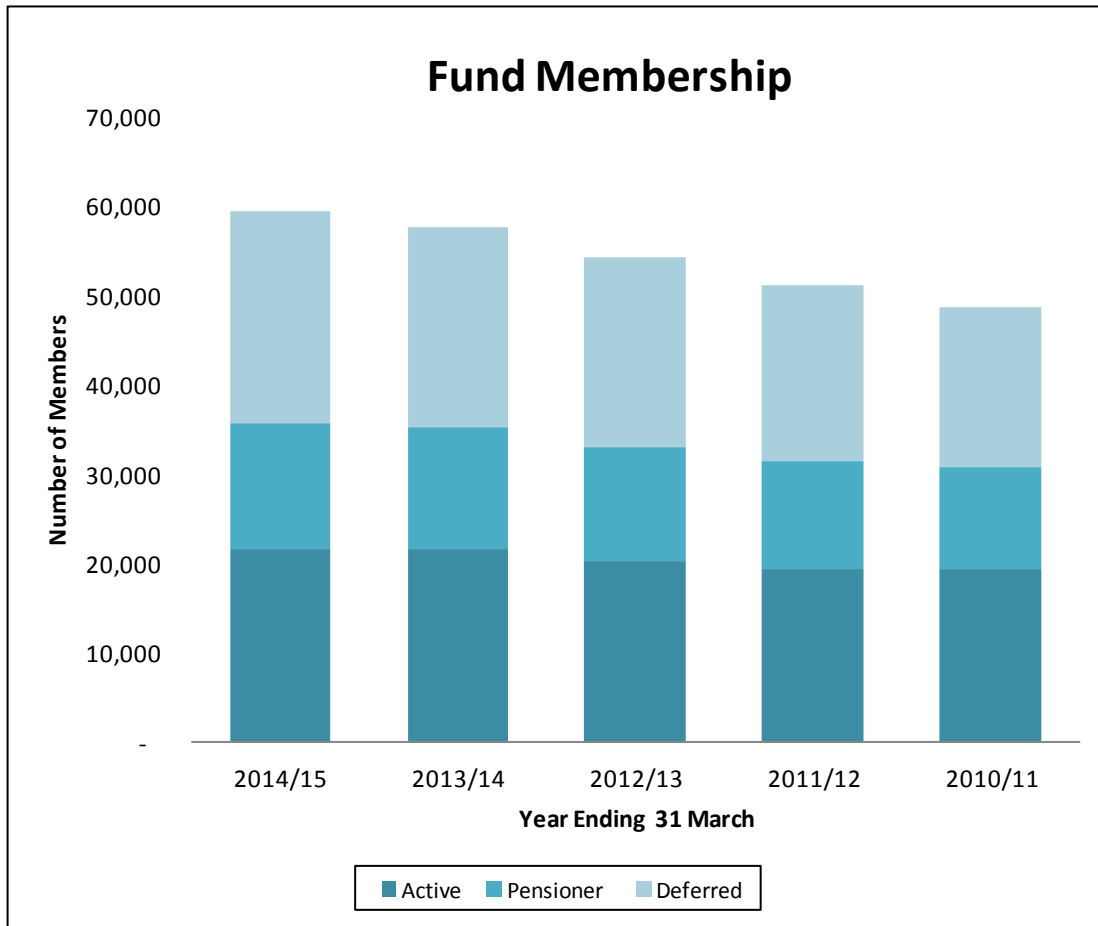
* difference between the average total and the sum of sub averages is due to rounding and quality control methods applied by CIPFA agrees to sch bod tab **last year agrees to sch bod tab

Scheme membership

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

	2014/15	2013/14
Active Members		
Active membership at start of year	21,655	20,193
New Entrants	3,951	3,676
Linked deferred members		0
Unfrozen actives		0
<i>Leavers and exits during the year:</i>		0
Retirements	-374	-518
Death	-13	-15
Deferred members	-1,955	-1,166
Refunds / Transfer outs / opt outs	-224	-30
Frozen	0	-1
Other	-1,434	-484
Active membership at end of year	21,606	21,655
Pensioners		
In payment at start of year	13,729	12,879
<i>New pensioners in year resulting from:</i>		
Retirement of active members	374	518
Retirement of deferred members	416	396
Cessation of benefits	-533	-251
Other	214	187
In payment at end of year	14,200	13,729
Deferred members		
At start of year	22,262	21,178
New deferred pensioners	1,955	1,166
<i>Cessation of deferred pensions resulting from:</i>		0
<i>Retirements</i>	-416	-396
Linked to active records	0	0
Full commutations	0	0
Transfers-out	-230	-94
Deaths	-22	-17
Other	240	425
At end of year	23,789	22,262

5 year analysis of fund membership



5 Year Analysis of Fund Membership Data

	2015	2014	2013	2012	2011
Active members	21,606	21,655	20,193	19,329	19,456
Deferred Beneficiaries					
Deferred Members	23,789	22,262	21,178	19,701	17,883
Frozen Refunds					
Pensions in Payment	14,200	13,729	12,879	12,227	11,343
Total Membership	59,595	57,646	54,250	51,257	48,682

Age profile of fund membership at 31 March 2015

Age Band Years	Pensioner Type % of members			Total
	Active	Deferred	Pensioner	
<20	231	17	127	375
20 - 24	896	397	27	1320
25 - 29	1370	1314	2	2686
30 - 34	1625	1726	6	3357
35 - 39	2115	2273	7	4395
40 - 44	3197	3550	28	6775
45 - 49	3945	4804	33	8782
50 - 54	3708	4874	72	8654
55 - 59	2778	3540	567	6885
60 - 64	1341	1148	2865	5354
65 - 69	341	100	3964	4405
70 - 74	55	34	2579	2668
75 - 79	4	11	1643	1658
80 - 84	0	1	1231	1232
85 - 89	0	0	658	658
>90	0	0	391	391

Employer and Employee contributions

Employer Name	TOTAL ERS	TOTAL EES	Employer Name	TOTAL ERS	TOTAL EES
Wiltshire Council	26,015,611.30	8,223,446.61	Pewsey Vale Academy	71,385.11	18,244.08
Swindon Borough Council	14,348,436.97	3,899,286.48	Highworth Warneford	195,766.62	44,983.72
Agincare	38,874.97	11,486.95	Commonweal Academy	323,129.88	79,404.93
New College	711,358.09	223,184.65	Holy Rood Infants Academy	48,298.56	11,770.76
Swindon College	1,060,741.01	311,992.07	Holy Rood Junior Academy	71,387.54	21,975.48
Wiltshire College	1,430,074.30	434,741.57	Lethbridge Academy	84,461.72	22,858.29
Town and Parish Councils	919,749.51	310,638.24	Lydiard Academy	237,374.00	50,173.88
Wiltshire Police	3,564,259.81	1,458,075.02	Malmesbury Academy	165,799.15	43,145.26
Wiltshire Fire	872,036.88	220,888.10	Ridgeway Academy	151,235.61	37,088.63
Wiltshire Probation	255,644.39	46,550.00	St Joseph's Academy	320,098.34	82,383.89
Swindon Academy	382,812.70	141,547.33	St Mary's Academy	52,416.68	11,890.61
ABM Catering Ltd	2,838.25	557.51	Kingdown Academy	270,151.55	76,773.98
Action for the Blind	41,088.52	1,175.88	St Laurence Academy	209,915.45	59,846.70
Aster Group	183,961.03	21,851.99	Kingsdown Academy	292,655.55	72,296.10
AsterPropMgmt	106,228.85	23,403.95	St Josephs Academy, Devizes	27,689.74	8,345.01
Aster Living	53,854.41	4,642.07	Holy Trinity Academy	24,551.49	5,954.79
Aster Communities	347,467.54	16,464.01	St Augustines Acadmy	162,555.78	48,607.79
Capita Business	317,869.36	66,451.32	Churchfield Academy	187,267.40	43,229.72
CIPFA	1,886,224.46	398,977.22	St Edmunds Calne Academy	36,139.16	8,114.87
Community First	102,540.20	27,351.59	Eastrop Infants Academy	14,917.10	3,926.27
Community Foundation	10,809.48	2,522.09	Southfield Junior Academy	39,853.87	9,430.22
DC Leisure	170,321.97	37,241.48	Seqol Care & Support Swindon	946,182.65	258,849.37
Devizes Museum	21,000.00	0.00	Visit Wiltshire	12,198.50	3,901.56
FCC Environment Services	87,604.34	9,605.12	St Leonards Academy	21,365.15	5,183.69
Order of St John	764,077.05	40,836.18	Springfields Academy	298,970.38	84,717.62
Southern Health NHS	2,189.02	388.70	John Bentley Academy	224,359.10	57,073.93
Salisbury Museum	48,997.41	9,813.18	Somerset Care Ltd	31,125.96	7,721.47
Selwood Housing Society	628,738.97	150,463.53	Colebrook Infants Academy	28,499.71	6,542.89
Swindon Dance	9,123.95	2,398.10	Dorcan Technology Academy	213,353.49	58,828.92
Westlea Housing Association	569,795.07	69,078.15	Enara	25,860.30	7,536.02
Direct Cleaning	4,001.87	815.85	Leonard Cheshire	21,816.49	10,184.33
Salisbury City Council	184,837.33	56,219.53	Woodford Valley Academy	41,390.11	9,883.38
Wellington Academy	188,875.99	83,224.53	St Edmunds Academy	196,499.21	47,387.61
Swindon Commercial Services	100,020.21	31,252.11	Somerset Care Selwood	10,214.01	2,393.24
Hardenhuish School Ltd	330,574.52	81,524.19	Great Western Hospital	4,618.88	1,739.50
Goddards Park Academy	135,087.44	62,050.88	John of Gaunt Academy	239,998.94	65,412.04
Sarum Academy	158,713.06	44,395.65	Bybrook Valley Academy	26,835.15	7,971.47
Caterlink	1,349.64	311.88	The Mead Primary Academy	161,972.96	44,118.44
Lavington Academy	106,199.37	28,566.99	Holy Trinity Calne Academy	37,897.65	9,153.24
South Wiltshire Grammar Academy	133,709.86	43,371.65	Sevenfields Academy	67,650.28	21,070.83
Bishop Wordsworth	131,035.95	40,768.39	Innovate Services	1,450.08	396.81
Corsham Primary Academy	83,915.12	27,568.36	Collaborative School	14,787.48	4,055.88
Corsham Secondary Academy	217,932.56	67,718.40	Oxford Health NHS Trust	8,125.80	2,138.40
Sheldon Academy	255,276.48	86,980.32	Mainline Contract Services	1,603.68	258.00
Royal Wootton Bassett Academy	207,605.47	62,705.11			

Employer and Employee contributions (continued)...

Employer Name	TOTAL ERS	TOTAL EES	Employer Name	TOTAL ERS	TOTAL EES
White Horse Federation	571,047.20	145,271.03	Lifeways	125,787.58	33,395.32
King William Academy	41,365.79	10,242.88	Reach	40,105.92	10,154.58
Gorse Hill Academy	74,292.02	16,524.25	Hazelwood Academy	56,749.22	11,770.60
Wiltshire & Swindon Sports Partnership	38,806.93	11,872.20	Dauntsey Primary Academy	24,688.98	6,644.47
Elior UK plc	15,100.39	2,190.20	Morgan Vale & Woodfalls Academy	15,139.70	3,854.62
The Manor Academy	46,697.66	14,313.27	Diocese of Bristol Academies Trust	60,962.37	13,252.85
Devizes Academy	207,235.38	55,819.71	Millbrook Academy	96,444.70	26,804.10
Excalibur Academy	289,303.60	73,947.74	Peatmoor Primary Academy	52,727.16	12,011.39
Holy Family Academy	61,552.24	15,143.07	Westlea Academy	66,665.49	16,442.25
St Catherine's Academy	37,493.10	8,030.90	Diocese of Salisbury Academies Tru	101,534.34	23,926.73
Wansdyke Academy	43,839.31	9,685.05	Shawridge Academy	62,645.62	15,636.31
Education Fellowship	204,522.91	50,622.21	Mears Care Ltd	121,828.55	31,766.94
Longmeadow Academy	24,285.90	6,411.81	All Saints (Netheravon) Academy	23,108.57	6,112.46
Rowde Academy	43,177.96	9,541.67	Pewsey Primary Academy	40,432.34	10,042.19
Malmesbury Primary Academy	91,519.23	21,731.06	Nuffield Health (Ridgeway Academy	24,627.35	6,032.30
Atkins Limited	74,603.05	22,122.13	Balfour Beatty	344,475.86	134,617.29
Plains Partnership	10,167.06	2,549.49	Salisbury 6th Form College	6,835.05	6,833.39
GLL	169,955.27	57,336.00	4 Children (Swindon)	39,305.56	10,363.03
Host	13,208.02	3,213.60	Queens Crescent Academy	31,467.35	7,194.44
Crime Reduction Initiatives	8,257.98	2,323.63	Twigmarket	18,154.67	5,881.75
			Total Contributions	66,237,408.32	19,291,125.46

Participating employers at 31 March 2015

Scheduled/ Resolution bodies

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

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

Admitted bodies

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

Summary of employers in the fund

	Active
Scheduled body	110
Admitted body	47
Total	157

3. Scheme Management and Governance

Administering authority

Wiltshire Council
 County Hall
 Trowbridge
 Wiltshire BA14 8JN

Pension fund committee as at 31 March 2015

Wiltshire Council members	Councillor Tony Deane (Chairman) Councillor Charles Howard (Vice Chairman) Councillor Mark Packard Councillor Roy While Councillor Sheila Parker
Swindon Borough Council members	Councillor Steve Allsopp Councillor Brian Ford
Employee observers	Mike Pankiewicz – Wiltshire Council Tony Gravier – Swindon Unison Branch
Admitted bodies	Mrs Diane Hall – Selwood Housing Association
Education scheduled bodies	Mrs Linda Stuart – Hardenhuish Academy

Officers, advisors & managers at 31 March 2015

Wiltshire Council officers	Michael Hudson – Treasurer to Pension Fund David Anthony – Head of Pensions
Investment managers	Baillie Gifford & Co CBRE Global Multi Manager Loomis Sayles Jubilee Advisors (formerly Fauchier Partners) Legal & General M&G Financing Fund Partners Group Barings Asset Management Berenberg Bank Investec Asset Management
AVC providers	Equitable Life Assurance Society Clerical Medical Funds NPI Funds Prudential
Investment consultant	Mercers
Actuary	Hymans Robertson
Independent adviser	Jim Edney, Independent Pension Fund Adviser
Auditor	KPMG LLP
Custodian	BNY Mellon
Legal adviser	Osborne Clarke
Bankers of the Fund	HSBC

Policy documents

The Fund's Governance Policy Statement and its Communications Policy Statement are available upon request or can be viewed at www.wiltshirepensionfund.org.uk The Fund's Governance Compliance Statement can be viewed on page 16.

Management

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

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

Fund assets are managed as follows:-

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

Custodial arrangements

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

4. Governance

Governance policy statement

AREA	PRINCIPLE	LEVEL OF COMPLIANCE	REASON FOR NON-COMPLIANCE
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A) Structure	a) The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	FULL – The Council’s constitution (Part 3, para 2.5) says that the Committee will “exercise the functions of the Council as Administering Authority under the Local Government Superannuation Act and Regulations and deal with all matters relating thereto”. The Wiltshire Pension Fund Committee has the power to “...make decisions on matters of significant policy...” (Part 3B, para 4).	N/A
	b) That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	FULL – There are two voting representatives from Swindon Borough Council, two voting representatives from Admitted Bodies and 2 UNISON Observers (representing active, deferred and pensioner members), all of whom are members of the main committee. There is an Investment Sub-Committee (ISC) to consider and determine opportunistic investments to the value of 5% of the Fund’s total assets. This consists of 3 voting members, namely the Chairman, Vice-Chairman and one co-opted member of the main committee. All members of the main committee may be an observer.	N/A
	c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	FULL – All decisions taken by the ISC are reported back to the next main committee meeting.	N/A

	d) That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	FULL – At least 4 members of the ISC sit on the main committee.	N/A
B) Representation	a) That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include: <ul style="list-style-type: none"> i. employing authorities (including non-scheme employers, eg, admitted bodies); ii. scheme members (including deferred and pensioner scheme members); iii. independent professional observers; and iv. expert advisors (on an ad-hoc basis). 	<p>FULL – four representatives in total, two from Swindon Borough and two from Admitted Bodies. The non-elected members will hold their office for a maximum of 4 years before a re-election process needs to take place.</p> <p>FULL – two representatives from UNISON, who represent active, deferred and pensioner members</p> <p>FULL – Our Independent Pension Adviser, who attends all meetings, fulfils this role and feeds back any observations to the Chief Finance Officer and/or Head of Pensions</p> <p>FULL – Mercers (the Fund’s Investment Consultant) and Hymans Robertson (the Fund’s Actuary) attends all meetings where expert advice is required</p>	<p>N/A</p> <p>see A) b) above</p> <p>N/A</p> <p>N/A</p> <p>N/A</p>

	b) That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.	FULL – All members of the Committee are given equal access to papers, meetings and training and are able to fully participate in debates.	
C) Selection and Role of Lay Members	a) That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	FULL – Full Induction Training and Governance is given and each member is given a Members’ Handbook outlining their responsibilities amongst other information.	N/A
	b) That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.	FULL – this is a standard part of committee procedure.	
D) Voting	a) The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	FULL – The Committee has afforded each of its members voting rights, except the UNISON Observers who represent members. Being a statutory pension scheme, the local committee has very little influence over benefits and the members are fully protected by statute. Therefore, there is very little that scheme members (or their representatives) can influence on the committee that has any direct impact upon them. Further, giving voting rights to the observers would mean increasing the size of the Committee, because the Administering Authority must legally be able to maintain a majority.	N/A
E) Training/Facility Time/Expenses	a) That in relation to the way in which statutory and	FULL – There is a Members’ Training	N/A

	related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	Plan which is updated regularly and fully implemented. All members (including observers) have full access to all training opportunities and are allowed to claim all reasonable expenses.	
	b) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	FULL – see Members Training Plan	N/A
F) Meetings - Frequency	a) That an administering authority's main committee or committees meet at least quarterly.	FULL – The Committee meets five times per year, plus ad-hoc for special issues (eg. valuation, tenders)	N/A
	b) That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	FULL – The ISC meets two times per year, with a potential two further meetings scheduled should they be required.	N/A
	c) That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	FULL –From 1 April 2015, Wiltshire Council in its role of Administering Authority will establish a Local Pension Board. This will consist of 6 voting members (3 employer and 3 member representatives) along with a non-voting independent chair. The purpose of this Board is to review and ensure the Wiltshire Pension Fund secures compliance with the Scheme regulations and all other relevant legislations.	N/A
G) Access	a) That subject to any rules in	FULL – All members of	N/A

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

Pensions Committee as at 31 March 2015

The Wiltshire Pension Fund Committee met 6 times in 2014-15. Below shows the attendance of the Members of this Committee:

Members

Councillor Tony Deane

Number of meetings attended (max 6)

5

Councillor Charles Howard	6
Councillor Sheila Parker	4
Councillor Roy While	4
Councillor Mark Packard	5
Councillor Steve Allsopp	4
Councillor Brian Ford	4
Mike Pankiewicz	5
Tony Gravier	2
Diane Hall (Appointed Sept 14)	3
Linda Stuart (Appointed Sept 14)	4

5. Risk

Risk Management

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

Financial/Funding Risk

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

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

Demographic Risk

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

Regulatory Risk

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

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

Governance Risk

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

Employer Risk

This is the risk that an employer is unable to meet its financial obligations to the Fund, either during its membership of the Fund, or at its ceasing when the last contributing member leaves. Where a guarantor is in place they will pick up the cost of any default, but where there is not one, the cost has to be spread across all employers in the Fund.

Management Risk

This risk can manifest itself in a number of ways:

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

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

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

Third party risks

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

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

Ref.	Risk	Impact	Controls
PEN001	Failure to process pension payments and lump sums on time	Retiring staff will be paid late, which may have implications for their own finances. It also has reputational risk for the Fund and a financial cost to the employers if interest has to be paid to the members.	Maintenance and update of ALTAIR and SAP systems, sufficient staff cover arrangements, sufficient staff training and QA checking of work.
PEN002	Failure to collect and account for contributions from employers and employees on time	Adverse audit opinion for failure to collect contributions by 19th of month, potential delays to employers' FRS17 year-end accounting reports and to the Fund's own year-end accounts.	Robust maintenance and update of ALTAIR and SAP systems, sufficient staff cover arrangements, sufficient staff training and QA checking of work. We constantly work with employers to ensure they understand their responsibilities to pay by 19th of the month.
PEN003	Insufficient funds to meet liabilities as they fall due	Immediate cash injections would be required from the scheme employers. This shouldn't be an issue for the Fund but it looks likely that investment income might need to be used within the next 12 months.	Funding Strategy Statement, Investment Strategy, Triennial Valuations, membership of Club Vita, modelling of future cashflows.
PEN004	Inability to keep service going due to loss of main office, computer system or staff	Temporary loss of ability to provide service	Business Continuity Plan in place. The team have the ability to work from home or remotely if required. The pension system is also hosted by its supplier, which reduces the risk should Wiltshire Council's IT servers fail. The Fund also operates a paperless office.
PEN005	Loss of funds through fraud or misappropriation	Financial loss to the Fund	Internal and External Audit regularly test that appropriate controls are in place and working. Regulatory control reports from investment managers, custodian, etc, are also reviewed by audit. Due Diligence is carried out whenever a new manager is appointed. Reliance is also placed in Financial Services Authority registration.
PEN006a	Significant rises in employer contributions for secure employers due to increases in liabilities	Employer contribution rates become unacceptable, causing upward pressure on Council Tax and employers' costs.	Longevity and bond yields are really beyond the control of the Fund although some Funds have considered buying longevity insurance through the use of SWAPS. However, the Fund and each employer must have a Discretions Policy in place to help control discretionary costs (e.g.. early retirements, augmented service, etc). Quarterly monitoring in liabilities movements is undertaken providing advance warning to employers.
PEN006b	Significant rises in employer contributions for non-secure employers due to increases in liabilities	Employer contribution rates become unacceptable, causing upward pressure on Council Tax and employers' costs.	Longevity and bond yields are really beyond the control of the Fund although some Funds have considered buying longevity insurance through the use of SWAPS. However, the Fund and each employer must have a Discretions Policy in place to help control discretionary costs (e.g.. early retirements, augmented service, etc). Quarterly monitoring as described above. The 2013 Valuation has set rates for the next 3 years.
PEN007a	Significant rises in employer contributions for secure employers due to poor/negative investment returns	Poor/negative investment returns, leading to increased employer contribution rates	Use of expert consultants in the selection of investment strategy and selection of investment managers, regular monitoring of investment managers (1/4ly), regular reviews of investment strategy (annually). There is a monthly review of the % of the Fund held in each mandate and strategy.
PEN007b	Significant rises in employer contributions for non-secure employers due to poor/negative investment returns	Poor/negative investment returns, leading to increased employer contribution rates	Use of expert consultants in the selection of investment strategy and selection of investment managers, regular monitoring of investment managers (1/4ly), regular reviews of investment strategy (annually). There is a monthly review of the % of the Fund held in each mandate and strategy.
PEN008	Failure to comply with LGPS and other regulations	Wrong pension payments made or estimates given. Investment in disallowed investment vehicles or failure to comply with governance standards. Effect: Unhappy customers, tribunals, Ombudsman rulings, fines, adverse audit reports, etc	Sufficient staffing, training and regulatory updates. Competent software provider and external consultants.

Ref.	Risk	Impact	Controls
PEN009	Failure to hold personal data securely	Poor data, lost or compromised	Compliance with Wiltshire Council's Data Protection & IT Policies.
PEN010	Failure to keep pension records up-to-date and accurate	Incorrect records held, leading to incorrect estimates being issued to members and incorrect pensions potentially being paid.	Systems Team constantly working to improve data quality, data validation checks carried out through external partners (e.g. the Fund's actuaries and tracing agencies), pro-active checks done through national fraud initiative.
PEN011	Lack of expertise of Pension Fund Officers and Service Director, Finance	Bad decisions 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 Technical & Compliance Manager has formulated annual Training Plans and Relevant officers are also reviewed against the CIPFA Knowledge & Skills Framework to ensure adequate expertise exists.
PEN012	Over-reliance on key officers	If someone leaves or becomes ill, a big knowledge gap if left behind.	Key people in the team are seeking to transfer specialist knowledge to colleagues. In the event of a knowledge gap, however, we can call on our external consultants and independent advisors for help in the short-term.
PEN013	Failure to communicate properly with stakeholders	Scheme Members are not aware of the rights and privileges of being in the scheme and may make bad decisions as a result. Employers are not aware of the regulations, the procedures, etc, and so the data flow from them is poor.	The Fund has a Communications Manager and Employer Relationship Manager dedicated to these areas full-time, including keeping the website up-to-date, which is a key communications resource. The Fund also has a Communications Policy.
PEN014	Failure to provide the service in accordance with sound equality principles	Some customers may not be able to access the service properly or may be offended and raise complaints. At worst case, this could result in a court case, etc.	The Fund has done an Equality Risk Assessment and has an Equality Implementation Plan in place
PEN015	Failure to collect payments from ceasing employers	Failure to collect cessation payments means the cost of funding future liabilities will fall against the Wiltshire Pension Fund	The Pension Fund Committee approved a Cessation Policy in February 2010 to provide an agreed framework for recovery of payments. All new admitted bodies now require a guarantor to join the Fund.
PEN016	Treasury Management	Exposure to counterparty risk with cash held with external deposit holders could impact on Funding level of the Fund	The Pension Fund approved an updated Treasury Management Strategy March 2015 which follows the same criteria adopted by Wiltshire Council but limits individual investments with a single counterparty to £6m.
PEN017	Lack of expertise on Pension Fund Committee	Bad decisions may be made in relation to any of the areas on this register, but particularly in relation to investments. There is also a requirement for Fund's to 'Comply or Explain' within their Annual Report on the skills knowledge of members of the Committee	Members are given Induction Training when they join the Committee, as well as subsequent opportunities to attend courses/seminars and specialist training at Committee ahead of key decisions. There is a Members' Training Plan and Governance Policy. Help can be called on from our consultants and independent advisors and investment managers too.
PEN018	Failure to implement the LGPS 2014 Reforms	Unable to meet the new legislative requirements of the scheme and to administer the Fund correctly.	A communication policy implemented to inform all members of the changes. Implementation Plan is on-going. Systems team in close contact with Software providers to ensure developments will be actioned. Review of process being undertaken by Technical & Compliance Manager to ensure changes are compliant.
PEN019	Establishment of Local Pension Board & Investment Sub-Committee	Reputational risk from a national perspective and failure to adhere to legislation resulting in action by the Government or the Pension Regulator. Ineffective operation of the Investment sub-Committee leading to bad decision making.	Plan in place for the implementation of a Local Pension Board, to be approved by Wiltshire Council on 24 February. Following this recruitment will commence and additional resources required for the operation of this board included in the Funds budget. Although the responsibility of Wiltshire Council to establish, these Boards will place additional demands on the officers time in the support and provision of information.

6. Training report

Approach

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

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

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

Background

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

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

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

Administering Authorities should ensure that:

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

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

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

Assessments & Training Undertaken

Members of the Committee

The previous Members Training Plan was approved in December 2010 by the Wiltshire Pension Fund Committee. This was programme ran from 2011 and covered the following topics:

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

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

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

The plan will be delivered, similar to the ones in the past, through a number of different methods. The expectation is that at least two 'in-house' training days in the year will be held, complemented by 'short seminars' on Committee days on subjects pertinent to the forthcoming agenda. When applicable, external conferences were recommended to Members by officers if they are deemed to contain appropriate content. Briefing notes are also emailed to Members when applicable and occasionally webcasts and videos are made available if deemed specific enough. In addition the Fund will provide educational 'away-day' off-site training when there is any proposed substantial revision to the Fund's investment strategy.

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

Officers to the Pension Fund Committee

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

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

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

Michael Hudson

Treasurer of Pension Fund

22 July 2015

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

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

7. Administration report

Recent developments

This year saw twelve new admitted bodies and academies joining the Fund bringing the total number of employers to 157. It's anticipated the total number of employers will continue to increase over the next few years due to further outsourcing of services and schools converting to academy status.

One employer ceased membership during this period.

The full list of employers can be seen on page 13.

Implementation of the Local Government Pension Scheme 2014

The 1 April 2014 saw the new Local Government Pension Scheme 2014 come into force.

Since January 2013, the Fund has been working through its implementation strategy, working with all key stakeholders and software providers to ensure that systems and processes were updated and employers were made aware of the new data submission requirements. The Fund has also spent a great deal of time communicating these changes to members of the scheme with the production of 4 active members newsletters, 4 pensioners newsletters and over 65 presentations and pension road shows having taken place over the past 24 months.

The final stage of this process will occur in August 2015 with the issuing of Annual Benefit Statements which will include the first year's benefits of the 2014 scheme. This has required the Fund to redesign its statements and working closer with employers to ensure the correct pensionable pay figures as provided to ensure the accuracy of members' benefits.

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

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

LGPS 2014 is still a Defined Benefit Scheme

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

The 50/50 Option

The LGPS 2014 contains an option for members to pay 50% of the contributions for a 50% pension whilst retaining the full value of other benefits of the scheme such as ill health,

death in service and redundancy. This option is intended to retain members who suffer periods of financial difficulty.

Contributions based on actual pay for part time staff

Another significant change is all members will have contribution rates based on actual (not full time equivalent) pay which is not the case in the old scheme. This will mean that some part time workers will pay lower contributions than in LGPS 2008.

New Scheme Contributions

The contribution bandings are shown in the table below. The average member contribution to LGPS 2014 remains at 6.5% but most members will pay the same or lower contributions than under the 2008 Scheme.

Pensionable Pay	Gross Contribution	Contribution after Tax Relief*
Up to £13,500	5.5%	4.40%
£13,501 - £21,000	5.8%	4.64%
£21,001 - £34,000	6.5%	5.20%
£34,001 - £43,000	6.8%	5.44%
£43,001 - £60,000	8.5%	5.10%
£60,001 - £85,000	9.9%	5.94%
£85,001 - £100,000	10.5%	6.30%
£100,001 - £150,000	11.4%	6.84%
More than £150,000	12.5%	6.88%

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

Protection of previous benefits

As the LGPS 2014 started on 1 April 2014, only pensionable service after that point will be in the new scheme, under the new LGPS 2014 rules.

Members with service in the current final salary scheme will retain the link to final salary for all service before 1 April 2014 and the Normal Pension Age as under the previous rules. The final salary pension from the LGPS 1997 and LGPS 2008 will be calculated separately when the Member retires and be added to their pension from the LGPS 2014.

In addition, to ensure that no member within 10 years of age 65 as at 1 April 2012 is worse off, there is an 'underpin'. This means that those members who would see a change in their pension age in that period will get a pension at least equal to that which they would have received in the previous scheme.

Previously agreed protection such as the retirement age provisions for remaining members with the 'rule of 85' benefits will continue.

Full details, and latest updates on the LGPS2014 scheme can be found on our website <http://www.wiltshirepensionfund.org.uk/news-update.htm> or by visiting the LGPS website www.lgps.org.uk

The Fund has in place a pension administration strategy which outlines the roles and responsibilities and expectations in terms of provision of data and service delivery of both the administration team and employers. This can be found at the following link:

<http://www.wiltshirepensionfund.org.uk/employer-area/employers-guide/administration-strategy-2014.htm>

Funding Strategy Statement

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

The Funding Strategy Statement is written in collaboration with the Fund's Actuary and Investment Adviser. The Funding Strategy Statement (FSS) sets out the objectives of the funding policy main aim of which is trying to achieve a funding level of 100%, both at the whole Fund level and for the share attributable to individual employers, within a timescale that is prudent and affordable while ensuring there are sufficient liquid funds available to meet all benefits as they fall due for payment.

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

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

Statement of Investment Principles

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

The current policy, approved by the Committee in June 2015 reflects the changes to asset allocations agreed by this Committee up until March 2015 and also outlines the Fund's compliance with the Stewardship Code.

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

www.wiltshirepensionfund.org.uk/investment-principles.

Treasury Management Strategy

This strategy was reviewed and approved in March 2015. The purpose is to outline the process and policies for the cash held by the Fund. Each month the Fund receives contributions and transfer in payments and pays out benefits and transfer out sums. The surplus is transferred on a monthly basis to the Fund's investment managers. A balance of between £3m to £4m is held by the Fund to manage short term cashflows.

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

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

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

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

Communications

The Fund continues to develop its communications to keep employers and employees updated with the latest changes affecting the scheme, in particular the new LGPS 2014 and changes to legislation over the past twelve months.

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

The Fund will also be looking to continue its successful Pension Clinics in locations around Wiltshire during 2015-2016 as this provides members with the opportunity to book 1-1 appointments with a member of the Benefits Team to discuss issues regarding their individual pension records.

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

The Fund's Communications Policy Statement outlines the provision of information and publicity about the Scheme to its members, representatives of members and employing authorities. The current policy was approved by the Committee in June 2015 and the full document can be viewed on the Wiltshire Pension Fund website at:-

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

AVC provider

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

Prudential are available and always willing, on request from employers, to present to its employees to promote their services and provide further information on certain pension topics such as pension tax relief.

Management of the scheme

The members who served on the Wiltshire Pension Fund committee during the year are listed on page 14.

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

During the year, two new employer representatives were appointed to the Committee following the resignation of the previous incumbents, Mr Tim Jackson from Greensquare and Lynda Croft from Wiltshire College. Mrs Diane Hall from Selwood Housing was appointed to represent Admitted Bodies, and Mrs Linda Stuart from Hardenhuish Academy was appointed to represent the Educational Schedule Bodies within the Fund.

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

The Committee met six times last year for regular business, with one special item meeting to appoint an investment manager to undertake the Multi Asset Credit and Absolute Return Credit mandates. All decisions are taken by a simple majority with the Chairman having the casting vote.

Investment Sub-Committee

At the December 2014 Committee meeting, it was agreed to expand the role of the Investment Sub-Committee (ISC). The ISC will now meet 4 times per year to implement and monitor investment manager performance while considering and making recommendations to the main committee on changes in the investment strategy of the Fund. This is in addition to the consideration of any potential investments that might utilise the Fund's opportunistic strategic asset allocation (5% of its total assets).

The rationale for this was to balance agenda time at the main committee to ensure sufficient focus on other areas such as administration and governance of the Fund. Its first meeting was held on 4 June 2015.

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

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

Local Pension Board

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

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

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

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

The LPB will consist of an independent chairman, 3 employer representatives, and 3 scheme member representatives and is due to meet four times per year with its first meeting scheduled for 16 July 2015.

Further information related to the Local Pension Board can be found on the Wiltshire Pension Fund website.

Pensions section overview

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

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

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

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

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

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

The Fund Development Team is responsible for the development, co-ordination and management of projects to ensure the service is as effective as possible, in line with the latest legislation and utilising the latest technology in its process and procedures. This team comprises two members of the Fund.

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

Assurance Framework

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

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

Internal Dispute Resolution Procedure

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

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

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

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

During 2014-15, the Fund received two applications under the Stage 1 process. Following the determination by Muse Consultancy neither of these cases, to date have moved to Stage 2. There were no Stage 2 cases in 2014-15.

Employer Issues

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. This can be used as a substantive source of employer information, along with the regular technical newsletters and "Pensions Liaison Officers Group (PLOG)" meetings that are available for employers.

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

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

Due to the increasing amounts of and complexity of employer movements, under the backdrop of a challenging economic environment, the Fund now has policies in respect of its approach to new employers, in particular academies. The purpose of such policies are to ensure that the Fund is treating new & existing employers in a fair and reasonable way as well as protecting the interests of the Fund and its current employers. Further details of

these policies and guidance can be found on the Wiltshire Pension Fund website at the following address:

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

If as an employer organisation you are considering or are undergoing a change to your corporate structure, undertaking an outsourcing or in sourcing of services, this may have implications for your pension liabilities within the Wiltshire Pension Fund. If this is the case please contact the Fund.

End of Contracting Out of SERPS

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

What this means for employers is that the National Insurance (NI) rebate that is currently applied to employers and employees whose members are in the LGPS scheme will no longer exist. This will then mean from April 2016 the NI contributions for those members within the thresholds will increase by 3.4% for employers and 1.4% for employees. We estimate that on average this will equate to a 2.3% increase in employer contributions and 0.9% for employees but the actual figures will depend on your specific payroll.

Employers are therefore reminded that they will need to communicate this to their staff and ensure this has been budgeted for from April 2016 onwards.

Further information can be found in the link below:

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

Automatic Enrolment

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

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

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

Pension increase

Pensions in payment were increased by 1.2 percent effective from 6 April 2015 in line with the Consumer Price Index (CPI) as at September the previous year. Pensions commencing in the 12 months preceding 6 April 2015 have received an increase based on the 1.2 percent pro-rated for the length of time the pension has been in payment to 6 April 2015.

The pension increases referred to above do not apply to that element of the pensions in payment representing any Guaranteed Minimum Pensions (GMP), which the scheme is required to provide as a consequence of contracting out of the State pension arrangements for the LGPS, as these increases are provided by the State.

GMPs relate to service accrued from April 1978 to April 1997, when contracting out arrangements were changed and GMP ceased to apply.

GMP earned between April 1988 and April 1997 is increased by the Scheme in line with inflation, as required by legislation, up to a maximum of 3 percent per annum. There is no increase paid by the scheme for GMP earned between April 1978 and April 1988. Increases in relation to the GMP for this period are calculated and paid by the Government with increases in the state pension.

All increases were in accordance the LGPS regulations or legislative requirements.

Other matters

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

8. Investment report

Funding policy

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

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

www.wiltshirepensionfund.org.uk/funding-strategy-2013.pdf

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

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

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

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

Investment goal

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

Investment strategy

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

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

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

Investment powers

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

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

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

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

Strategic asset allocation

The Committee regularly reviews the Fund's investment management arrangements. In broad terms, at 31 March 2015 the Fund's strategic allocation was to be invested 60% in Equities, 15.5% in Bonds, 13% in Property and 11.5% in Alternatives. More details are given in the section below summarising the Fund's investment management arrangements.

Risk control

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

Environmental social governance policy

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

It is also a member of the Local Authorities Pension Fund Forum (LAPFF), to enable it to act collectively with other local authorities on corporate governance issues. The Forum currently has 64 member funds with assets of more than £160 billion.

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

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

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

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

Investment management arrangements

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

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

These changes were implemented during 2012/13.

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

At the February/June 2013 meeting the Committee resolved:

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

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

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

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

Asset Allocation	Moving Forward
Equities:	
Long-Only	
UK*	12.5%
Overseas (Global)**	27.5%
Absolute Return (Lower Volatility)	10.0%
Emerging Market Multi Asset	<u>10.0%</u>
	60.0%
Bonds	15.5%
Property	13.0%
Alternatives:	
Infrastructure	5.0%

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

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

** (includes active and fundamental indexation)

The allocation of mandates to managers is as follows:

MANAGER/MANDATE ALLOCATION	Moving Forward
Baillie Gifford	
Global Equities	15.0%
Legal & General	
Passive UK Equities	12.5%
Passive Global Equities*	0.0%
Passive Fundamental Equities	12.5%
Passive Index-Linked Bonds (UK)	5.0%
Barings	
Absolute Return Fund	10.0%
Loomis Sayles	
Multi Asset Credit	5.25%
Absolute Return Bonds	5.25%
Investec	
Emerging Market Multi Asset Mandate	10.0%
CBRE Global Multi Manager	
Property Fund of Funds (UK & Europe)	13.0%
Partners Group	
Infrastructure	5.0%
M&G Investment Management	
UK Companies Financing Fund	1.5%
Opportunistic Investment*	5.0%
TOTAL	100.0%

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

Investment as at 31 March 2015

During the year, the managers transacted purchases of £940.3 million (£911.9m 31 March 2014) and sales of £945.4 million (£897.9m 31 March 2014). The value of assets under management at 31 March 2015 was £1,837.4 million (£1,631.4m 31 March 2014), broken down by managers as follows:

Legal & General	£719.3 million *
Baillie Gifford	£322.0 million
Western Asset Management	£ 3.6 million
CBRE Global Multi Manager	£210.0 million
Barings Asset Management	£197.4 million
Loomis Sayles	£197.8 million
Jubilee Advisors (Formally Fauchier Partners)	£ 22.8 million
M&G Financing Fund	£ 11.8 million
Berenberg Bank	£ 4.3 million
Partners Group	£ 10.5 million
Investec	£ 137.9 million
	<u>£1,837.4 million</u>

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

The Council participates in a securities lending programme administered by BNY Mellon. Securities in the beneficial ownership of the Council to a value of £17.5 million (0.96% of the total) were on loan at 31 March 2015. Collateral for these securities is held in a pooled form, the Wiltshire Pension Fund's share (0.04%) representing a value of £18.8 million (107.04%). Income earned from this programme amounted to £0.048 million in the year.

Investment markets

Strong economic growth at the start of the 12 month period slowed somewhat over the second half of the accounting year, and the sharp fall in commodity prices led to increased market volatility.

Both growth and defensive assets delivered positive returns over the 12 month period to 31 March 2015 with many of the world's central banks continuing to ease monetary policy, which supported asset returns.

In the UK, economic growth remained strong throughout the year, with the Office for National Statistics revising the real GDP growth rate for 2014 from 2.6% to 2.8%, the fastest calendar year growth rate since 2006. The annual inflation rate fell to zero in February 2015.

Whilst economic growth in the UK has been strong, growth was strongest in the US which led to a US Dollar rally against Sterling and most other currencies. Sterling, however, appreciated against the Euro and the Japanese Yen.

Emerging market assets underperformed their developed counterparts as falling commodity prices led to, concerns regarding slowing growth, and the rising US dollar affected a number of countries in this region significantly.

Generally the outlook for the markets remains uncertain, in particularly with the unfolding issues in Greece and the impact on the Euro zone and the Euro. This position will be carefully monitored and fed into the Fund's future asset allocation reviews.

Fee structures

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

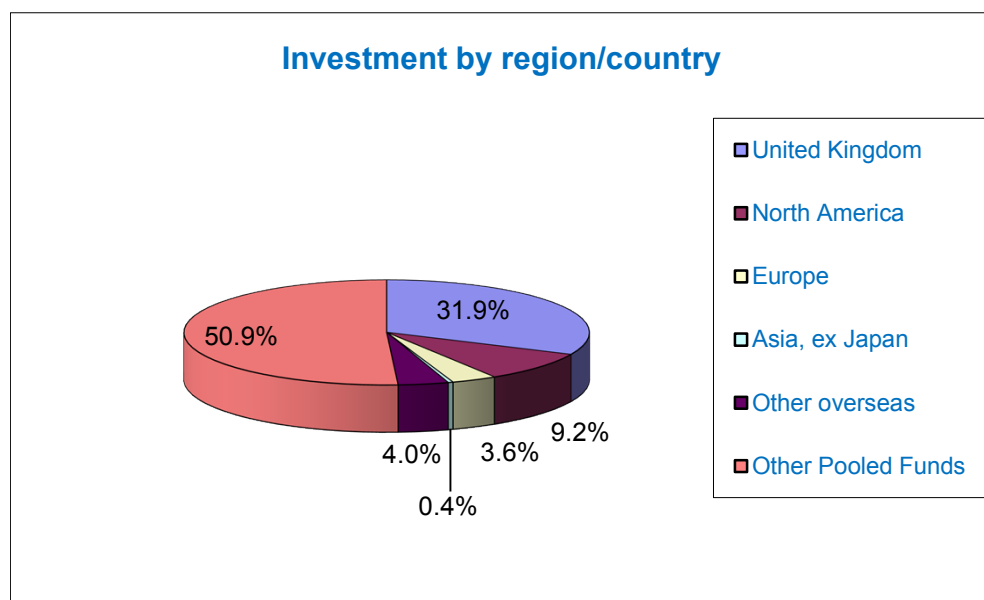
Other matters

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

Distribution of investments

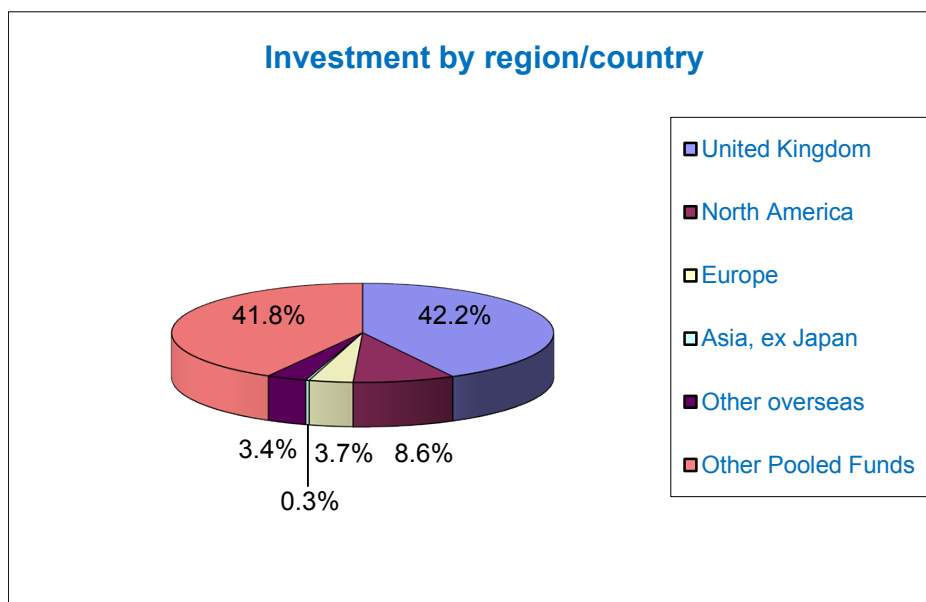
Analysis of investments as at 31 March 2015

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



Analysis of investments as at 31 March 2014

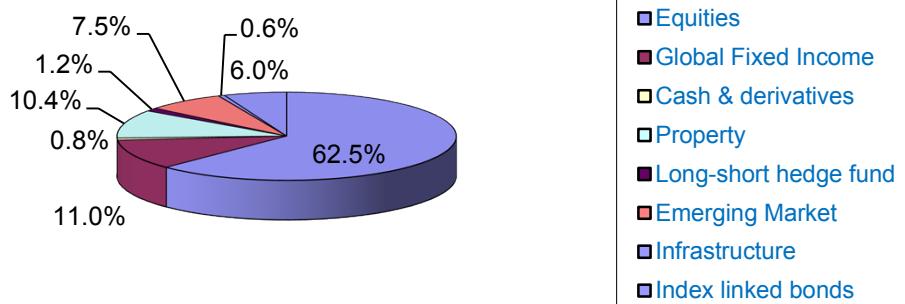
Geographical analysis	£000	% of Fund total
United Kingdom	689,596	42.2
North America	140,250	8.6
Europe	59,765	3.7
Asia, ex Japan	5,127	0.3
Other overseas	54,970	3.4
Other Pooled Funds	681,743	41.8
	1,631,451	100.00



Analysis of investments by sector as at 31 March 2015

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

Investment by sector

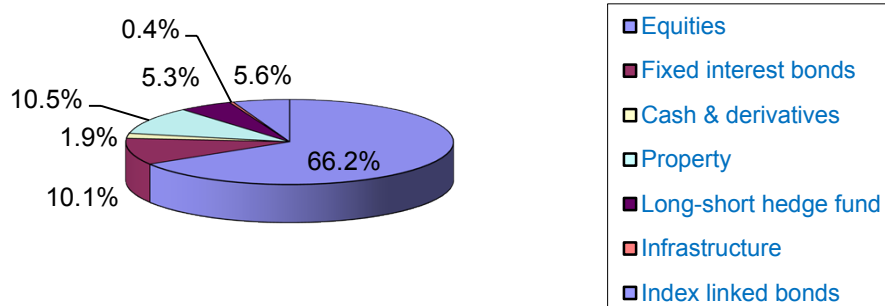


Analysis of investments by sector as at 31 March 2014

Sector analysis

	£000	% of Fund total
Equities	1,081,380	66.2
Fixed interest bonds	164,262	10.1
Cash & derivatives	31,090	1.9
Property	170,936	10.5
Long-short hedge fund	86,138	5.3
Infrastructure	5,627	0.4
Index linked bonds	92,018	5.6
	1,631,451	100.00

Investment by sector



Twenty largest holdings at 31 March 2015

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

Twenty largest holdings at 31 March 2014

	£000	% of Fund total
1 Legal & General Equity Index Fund	226,922	13.91
2 Barings Alpha Funds - Dynamic Asset Allocation Fund	181,139	11.10
3 Legal & General World Equity Index	179,435	11.00
4 Jubilee Absolute Equity Fund	86,138	5.28
5 Tencent Holdings Ltd	22,302	1.37
6 Amazon.Com Inc Com	20,432	1.25
7 Baidu Inc	18,503	1.13
8 M&G Secured Property Income Fund	17,507	1.07
9 Google Inc	16,546	1.01
10 Illumina Inc	16,466	1.01
11 Blackrock UK Property Fund	13,573	0.83
12 Industrial Property Investment Fund	13,029	0.80
13 Industria De Diseno Textil	12,859	0.79
14 Schroders GBP	11,796	0.72
15 Henderson UK Shopping Centre	11,727	0.72
16 Kering	10,677	0.65
17 Standard Life Investment Retail Park Trust	10,606	0.65
18 Prudential/M&G Companies Financing Fund	10,171	0.62
19 Lend Lease Retail Partnership	10,034	0.62
20 Intuitive Surgical Inc	9,998	0.61
	899,860	55.16

Investment Performance

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

WM Performance Ranking Against Peer Group			
31st March 2015			
	1 Year	3 Year	5 Years
Ranking (percentile)	26	28	36
Average % of returns	14.0%	11.8%	9.3%
Benchmark	13.2%	11.1%	8.8%

9. Financial Performance

Movement in Assets and Liabilities

The Funding level (i.e. the ratio of assets to liabilities) at 31 March 2013 (last valuation) was 71%. Hymans Robertson currently estimated the funding level at 31 March 2015 to be 74% based on current market conditions. This is on a 'roll-forward' basis and does not account for changes in member data.

Gilt yields have fallen further since 31 March 2013 offsetting asset returns increasing the deficit by £32m, from £610m to £642m.

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	2014/15 £000	2013/14 £000	Notes
Net Contributions	- 18,002	572	Large Bulk transfer out
Return on Investments	232,553	152,188	Strong year for growth assets
Net increase in the Fund	214,551	152,760	

Net Asset Statement	2014/15 £000	2013/14 £000	Notes
Fixed Interest	-	163,143	Change in Fixed Income Manager now held as a pooled fund
Indexed-linked	-	933	Change in Fixed Income Manager now held as a pooled fund
Equities	342,126	267,461	Capital appreciation and good stock selection by manager
Pooled Funds	1,289,293	997,888	Additional Fixed Income Mandate funded during the year
Property	191,695	170,936	Positive Returns
Derivatives	- 1,531	1,583	Value of currency contracts in place by dynamic currency manager
Cash	15,383	26,042	
Other	431	3,465	
Total Net Investments	1,837,397	1,631,451	

Analysis of Pension Contributions

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

	Total	On time		Late	
	£000	£000	%	£000	%
Employee	19,291	18,981	98.4%	310	1.6%
Employer	66,237	65,395	98.7%	842	1.3%
Total	85,528	84,376	98.7%	1,152	1.3%

In total 56 monthly contribution payments were received late of which 47 were received within the month, 6 received between 1 and 3 months late and 3 received more than 3 months late.

No interest was charged on any of the late payments.

Forecasts

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

Fund Account	2013/14		2014/15		2015/16
	Forecast £000	Actual £000	Forecast £000	Actual £000	Forecast £000
Contributions	75,000	82,030	78,000	87,314	88,187
Payments	- 74,102 -	- 81,458 -	- 83,657 -	- 105,316 -	- 86,947 -
Admin expenses	- 1,582 -	- 1,509 -	- 1,685 -	- 1,594 -	- 1,739 -
Net investment income	20,000	18,377	20,000	21,443	20,000
Investment expenses	- 4,164 -	- 3,170 -	- 5,411 -	- 5,518 -	- 5,451 -
Change in market value	150,716	136,981	124,916	211,110	224,186
Net increase in the Fund	165,868	151,251	132,163	207,439	238,236

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	2013/14		2014/15		2015/16
	Forecast £000	Actual £000	Forecast £000	Actual £000	Forecast £000
Equities	1,046,687	1,081,380	1,160,321	1,148,295	1,232,121
Fixed income	268,581	256,280	268,581	311,858	326,827
Cash	29,958	26,042	26,172	15,383	15,460
Property	180,337	170,936	180,337	191,695	202,238
Alternatives	88,337	94,414	102,911	172,437	187,956
Other	15,699	16,112	16,193	12,935	14,099
Total Investment Assets	1,629,600	1,645,164	1,754,516	1,852,603	1,978,701

The forecasts for total investment assets are based on the actual figures for 2012/13 multiplied by the forecast long term returns for each asset used at the last strategic asset allocation review in 2011. Net contributions less expenses are added to the cash figure to reflect new money into the Fund. No future changes in asset allocation have been taken into account as these are not known with any degree of certainty.

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

Long-term forecast asset returns

Asset Class	Long term forecast return (%)
Equities	7.3%
Fixed Income	4.8%
Cash	0.1%
Property	5.5%
Alternatives	9.0%
Total	6.9%

Operational Expenses

	2013/14		2014/15		2015/16
	Budget £000	Actual £000	Budget £000	Actual £000	Budget £000
Fund Investment					
Investment Management Fees	5,967	4,861	6,739	6,096	7,378
Investment Administration Recharge	90	95	106	106	108
Investment Custodial & Related Services	58	38	75	13	56
Investment Professional Fees	224	111	136	122	153
Corporate Governance Services	52	52	38	38	39
Performance Measurement	41	41	47	40	46
Investment Administration Costs	465	337	402	319	402
Scheme Administration					
Pension Scheme Administration Recharge	1,280	1,158	1,436	1,250	1,459
Actuarial Services	149	239	106	64	111
Audit	57	40	58	54	58
Legal Fees	25	27	20	28	20
Committee and Governance Recharge	48	32	49	40	82
Scheme Administration Costs	1,559	1,496	1,669	1,436	1,730
Grand Total (Exc Invest Man Fees)	2,024	1,833	2,071	1,755	2,132
Grand Total (Inc Invest Man Fees)	7,991	6,694	8,810	7,851	9,510

Cashflow

Officers continue to monitor the cashflow position of the Fund to ensure sufficient resources are available to pay benefits as they fall due. The position for 2014/15 is shown below:

Year ending 31 March 2015	
£m	
Receipts	82.1
Payments	(80.5)
Surplus/ (Deficit)	1.6
Funds sent to Investment Managers	1.0

This shows that excluding investment income, cashflow is broadly neutral for the year. This will be closely monitored as employer rates will increase again from 1 April 2015.

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.

	2014/15	2013/14
	£	£
Overpayments recovered	27,512	14,343
Overpayments not recovered	9,439	6,677
Total	36,951	21,020
Annual Payroll	62,118,085	59,387,565
Write offs as a % of Payroll	0.02%	0.01%
Number of cases - not recovered	140	106
Number of cases - recovered	33	24
Number of cases - In process of recovery	13	-

10. Actuarial position

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme (Administration) Regulations 2013, and chapter 6 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the UK 2014/15.

Description of Funding Policy

The funding policy is set out in the latest Wiltshire Council Funding Strategy Statement (FSS). In summary, the key funding principles are as follows:

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

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

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

Funding Position as at the last formal valuation

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

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

Principal Actuarial Assumptions and Methods used to value the liabilities

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

Method

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

Assumptions

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

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

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

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Funds VitaCurves with improvements in line with the CMI_2010 model, assuming the current rate of improvements has reached a peak and will converge to a long term rate of 1.25%p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

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

*Currently aged 45

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

Experience over the year since April 2013

Experience has been broadly as expected over the period to 31 March 2015 (excluding the effect of any membership movements). Real bond yields have fallen dramatically and the effect of this has been offset by the effect of strong asset returns, meaning that funding levels are likely to have marginally increased over this period.

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

Prepared by:-

Catherine McFadyen

20 June 2015

For and on behalf of Hymans Robertson LLP

11. Statement of Responsibilities for the Financial Statements

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

Administration Authority

The Administering Authority is required to:

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

Associate Director of Finance

The Associate Director of Finance is responsible for the preparation of the Fund's financial statements, which in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. Based on International Reporting Standards (the Code), are required to present a true and fair view of the financial position of the Fund for the year ended 31 March 2015. This report includes the financial statements for the Pension Fund only.

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

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

Certificate

I hereby certify that the following Annual Report and Accounts give a true and fair view of the financial position of the Wiltshire Pension Fund for the financial year ending 31 March 2015.

Michael Hudson
Associate Director of Finance
Wiltshire Pension Fund
29th July 2015

12. Audit opinion

TO BE INSERTED

13. Statement of accounts

Net Asset Statement At 31 March 2015

	Notes	31-Mar-15 £000	31-Mar-14 £000
Investment assets	11		
Fixed interest securities		0	163,143
Index linked securities		0	933
Equities		342,126	267,461
Pooled investment vehicles		1,289,293	997,888
Property		191,695	170,936
Derivative assets		1,171	2,649
Cash held on deposit		15,383	26,042
Other investment balances		431	3,465
		1,840,099	1,632,517
Investment liabilities	11		
Derivatives liabilities		-2,702	-1,066
Total net investments		1,837,397	1,631,451
Current assets	13	18,912	18,150
Current liabilities	14	-3,706	-4,437
Net assets of the scheme at 31 March		1,852,603	1,645,164

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

Forming part of the accounts

1. Basis of preparation

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/2015 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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

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

2. Accounting policies

The principal accounting policies of the Fund are as follows:

Contributions

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

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

Benefits and refund of contributions

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

Transfers to and from other schemes

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

Investment income

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

Valuation of investments

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

- (i) **Quoted securities**
Quoted Securities have been valued at 31 March 2015 by the Fund's custodian using the bid price where a quotation was available on a recognised stock exchange or unlisted securities market.
- (ii) **Unquoted securities**
Unquoted securities have been valued according to the latest trades, professional valuation, asset values or other appropriate financial information.
- (iii) **Pooled investment vehicles**
Pooled investments are stated at bid price for funds with bid/offer spreads, or single price/net asset value where there are no bid/offer spreads, as provided by the investment manager.
- (iv) **Fixed interest stocks**
Segregated fixed interest stocks are valued on a clean basis. Accrued income is accounted for within investment income.
- (v) **Derivative contracts**
Derivatives are stated at market value. Exchange traded derivatives are stated at market values determined using quoted prices. For exchange traded derivative contracts which are assets, market value is based on quoted bid prices. For exchange traded derivative contracts which are liabilities, market value is based on quoted offer prices.

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

- Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.
- All gains and losses arising on derivative contracts are reported within 'Change in Market Value'.

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

Foreign currency translation

All investments held in foreign currencies are shown at market value translated into sterling using the WM 4PM rate on 31 March 2015.

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

Investment management expenses

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

Acquisition costs of investments

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

Administration expenses

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

Taxation

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

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

Additional Voluntary Contributions (AVCs)

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

3. Critical Judgement in Applying Accounting Policies

Pension Fund Liability

The pension fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS19. Assumptions underpinning the valuations are

agreed with the actuary and are summarised in the actuarial position statement (on page 79). This estimate is subject to significant variances based on changes to the underlying assumptions.

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

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

The items in the net asset statement at 31 March 2015 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 2015, the fund had a balance of £18.9m for debtors (£4.8m 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.
Hedge Fund of Funds	The fund of funds is valued at the sum of the fair values provided by the administrators of the underlying funds plus adjustments that the fund of funds directors or independent administrators judge necessary. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total hedge fund of funds value in the financial statements is £22.8m. There is a risk that this investment may be under or overstated in the accounts. Using the volatility data provided by the Fund's investment advisor the fund of funds valuation may be over/understated by £1.9m.

5. Contributions receivable

	2014-15 £000	2013-14 £000
Employer		
- Normal	51,605	46,466
- Augmentation	868	3,513
- Deficit funding*	13,765	11,498
Members		
- Normal	19,047	17,404
- Additional contributions	244	247
	85,529	79,128

Analysis of contributions receivable

	2014-15 £000	2013-14 £000
<i>Contributions from employees (Including Additional Contributions)</i>		
- Wiltshire Council	8,224	7,396
- Other scheduled bodies	9,460	8,887
- Admitted bodies	1,608	1,368
	19,292	17,651
<i>Contributions from employers (Including Augmentations)</i>		
- Wiltshire Council	26,016	27,499
- Other scheduled bodies	32,725	27,841
- Admitted bodies	7,496	6,137
	66,237	61,477
Total contributions receivable	85,529	79,128

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

6. Benefits payable

	2014-15 £000	2013-14 £000
Pensions	62,118	59,388
Commutation and lump sum retirement benefits	10,648	16,023
Lump sum death benefits	1,301	1,258
	74,067	76,669

Analysis of benefits payable

	2014-15 £000	2013-14 £000
<i>Pensions payable</i>		
- Wiltshire Council	34,225	32,187
- Other scheduled bodies	21,566	22,891
- Admitted bodies	6,327	4,310
	62,118	59,388

Retirement and Death grants payable

- Wiltshire Council	4,586	8,146
- Other scheduled bodies	5,609	7,719
- Admitted bodies	1,754	1,416
	11,949	17,281
Total benefits payable	74,067	76,669

7. Payments to and on account of leavers

	2014-15 £000	2013-14 £000
Individual transfer out to other schemes	3,961	4,775
Bulk transfers out to other schemes	27,167	0
Refunds to members leaving service	98	13
State Scheme Premiums	23	1
	31,249	4,789

8. Administrative expenses

	2014-15 £000	2013-14 £000
Administration costs	1,471	1,410
Investment Management expenses	5,518	3,153
Oversight & Governance	123	116
	7,112	4,679

Investment Management expenses includes £1.45m of performance-related fees paid to the fund's investment managers. Transaction costs of £198k (£277k 2013/14) have been incurred by the Fund and are included within the Fund Account.

9. Investment income

	2014-15 £000	2013-14 £000
<i>Quoted securities</i>		
- UK fixed interest bonds (coupon receipts)	10,183	7,759
- Overseas fixed interest bonds (coupon receipts)	259	369
- UK index linked bonds (coupon receipts)	-	13
- UK equities	138	421
- Overseas equities	1,177	1,938
<i>Pooled investment vehicles</i>		
- Overseas equities	-	94
- UK property	9,535	7,655
- Infrastructure	-	35
<i>Cash held on deposit</i>		
- Sterling cash	136	93
- Overseas cash	15	-
	21,443	18,377

10. Stock lending

The Council participates in a securities lending programme administered by BNY Mellon. Securities in the beneficial ownership of the Council to a value of £17.5 million (1.0% of the total) were on loan at 31 March 2015. Collateral for these securities is held in a pooled form, the Wiltshire Pension Fund's share (0.04%) representing a value of £18.8 million (107.0%). Income earned from this programme amounted to £0.048 million in the year.

	2014-15 £m	2013-14 £m
WC securities on loan	17.5	27.7
<i>(percentage of total)</i>	1.0%	1.7%
WC collateral share of pool	0.04%	0.14%
Value of WC pooled share	18.8	30.6
Percentage of securities on loan	107.0%	110.4%
Income earned in year	0.048	0.043

11. Investments

Reconciliation of investments held at beginning and end of year

	Value at 1 April 2014	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market Value	Value at 31 March 2015
	£000	£000	£000	£000	£000
Fixed interest securities	163,143	25,298	-202,461	14,020	0
Index linked securities	933	3,904	-4,943	106	0
Equities	267,461	91,392	-85,347	68,620	342,126
Pooled funds					
- Other	997,888	428,559	-248,933	111,779	1,289,293
- Property	170,936	39,699	-38,288	19,348	191,695
Derivative assets					
- Futures	-49	1,445	-113	-1,283	0
- Options	0	0	0	0	0
- Forward FX	1,632	82,535	-86,723	1,025	-1,531
	1,601,944	672,832	-666,808	213,615	1,821,583
Cash deposits	26,042	267,445	-275,638	-2,466	15,383
Other Investment balance:	3,465		-2,995	-39	431
	1,631,451	940,277	-945,441	211,110	1,837,397

	Value at 1 April 2013	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market Value	Value at 31 March 2014
	£000	£000	£000	£000	£000
Fixed interest securities	162,030	42,762	-36,937	-4,712	163,143
Index linked securities	2,435	5,922	-7,471	47	933
Equities	236,695	280,879	-296,643	46,530	267,461
Pooled funds					0
- Other	895,984	184,123	-146,934	64,715	997,888
- Property	149,468	35,921	-23,785	9,332	170,936
Derivative assets					0
- Futures	-386	347	-703	693	-49
- Options	0	0	0	0	0
- Forward FX	944	64,808	-91,298	27,178	1,632
	1,447,170	614,762	-603,771	143,783	1,601,944
Cash deposits	29,809	297,106	-294,086	-6,787	26,042
Other Investment balance	3,509	0	-29	-15	3,465
	1,480,488	911,868	-897,886	136,981	1,631,451

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

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

Details of investments held at year end

	31 March 2015 £000	31 March 2014 £000
Investment assets		
<i>Fixed interest securities</i>		
- UK fixed interest government bonds	0	7,131
- UK fixed interest corporate bonds	0	146,856
- Overseas fixed interest government bonds	0	5,026
- Overseas fixed interest corporate bonds	0	2,378
- Emerging markets government bonds	0	1,752
	0	163,143
<i>Index linked securities</i>		
- UK index linked corporate bonds	0	933
	0	933
<i>Equities</i>		
- UK equities	36,739	23,865
- Overseas equities	305,387	243,596
	342,126	267,461
<i>Pooled investment vehicles</i>		
- UK equities	242,103	226,922
- Overseas equities	564,066	586,997
- Global fixed income	201,386	0
- Overseas fixed interest government bonds	0	169
- Overseas fixed interest corporate bonds	0	950
- UK index linked government bonds	110,472	91,085
- Property	191,695	170,936
- Emerging Market Debt	67,981	0
- Emerging Market Equities	69,911	0
- Long-short hedge fund	22,839	86,138
- Infrastructure	10,535	5,627
	1,480,988	1,168,824
<i>Cash held on deposit</i>		
- Sterling cash	15,132	25,427
- Overseas cash	251	615
	15,383	26,042
<i>Other investment balances</i>		
- Derivatives assets	1,171	2,649
- Outstanding dividend entitlements	10	3,162
- Recoverable tax	421	303
	1,602	6,114
<i>Investment liabilities</i>		
- Derivatives liabilities	-2,702	-1,066
Total of investments held	1,837,397	1,631,451
<i>Net current assets & liabilities</i>		
Current assets	18,912	18,150
Current liabilities	-3,706	-4,437
Total net current assets	15,206	13,713
	1,852,603	1,645,164

Analysis of fund Assets as at 31 March 2015

	UK £000	Non-Uk £000	Global £000	Total £000
Equities	278,842	869,453	-	1,148,295
Bonds	110,472	201,386	-	311,858
Properties (direct holdings)	-	-	-	-
Alternatives	-	-	361,861	361,861
Cash	15,132	251	-	15,383
Total	404,446	1,071,090	361,861	1,837,397

Analysis of investment income accrued during 2014 - 2015

	UK £000	Non-Uk £000	Global £000	Total £000
Equities	-	-	118	118
Bonds	- 2,767	- 283	- 104	- 3,154
Properties (direct holdings)	-	-	-	-
Alternatives	203	-	35	238
Cash	2	-	-	2
Total	- 2,562	- 283	- 187	- 3,032

Derivative contracts

Objectives and policies

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

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

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

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

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

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

Derivative contracts

Forward cash currency contracts

Contract	Settlement date	Currency bought	Currency sold	Asset value at year end £000	Liability value at year end £000
Forward OTC	0 to 6 months	Sterling	Australian Dollar	11	
Forward OTC	0 to 6 months	Sterling	Brazil Real		(18)
Forward OTC	0 to 6 months	Sterling	Canadian Dollar		(44)
Forward OTC	0 to 6 months	Sterling	Chilean Peso		(3)
Forward OTC	0 to 6 months	Danish Krone	Sterling		(7)
Forward OTC	0 to 6 months	Sterling	Danish Krone	1	(51)
Forward OTC	0 to 6 months	Euro	Sterling	1	(361)
Forward OTC	0 to 6 months	Sterling	Euro	3	(979)
Forward OTC	0 to 6 months	Hong Kong Dollar	Sterling	15	(1)
Forward OTC	0 to 6 months	Sterling	Hong Kong Dollar	27	(12)
Forward OTC	0 to 6 months	Sterling	Indian Rupee		(4)
Forward OTC	0 to 6 months	Sterling	Indonesian Rupiah		(2)
Forward OTC	0 to 6 months	Sterling	Israeli Shekel		(2)
Forward OTC	0 to 6 months	Japanese Yen	Sterling	141	
Forward OTC	0 to 6 months	Sterling	Japanese Yen	20	(146)
Forward OTC	0 to 6 months	Sterling	Malysian Ringgit	1	
Forward OTC	0 to 6 months	Sterling	Mexican New Peso		(4)
Forward OTC	0 to 6 months	Sterling	New Taiwan Dollar		(14)
Forward OTC	0 to 6 months	Sterling	New Turkish Lira		(2)
Forward OTC	0 to 6 months	Sterling	New Zealand Dollar		(1)
Forward OTC	0 to 6 months	Sterling	Norwegian Krone		(16)
Forward OTC	0 to 6 months	Sterling	Polish Zloty		(5)
Forward OTC	0 to 6 months	Sterling	Singapore Dollar		(11)
Forward OTC	0 to 6 months	Sterling	South Africa Comm Rand		(21)
Forward OTC	0 to 6 months	Sterling	South Korean Won		(39)
Forward OTC	0 to 6 months	Swedish Krona	Sterling		(24)
Forward OTC	0 to 6 months	Sterling	Swedish Krona		(14)
Forward OTC	0 to 6 months	Sterling	Swiss Franc		(168)
Forward OTC	0 to 6 months	Sterling	Thailand Baht		(4)
Forward OTC	0 to 6 months	US Dollar	Sterling	8	(740)
Forward OTC	0 to 6 months	Sterling	US Dollar	943	(9)
				1,171	(2,702)
				1,171	(2,702)

Financial Instruments

Classification of financial instruments

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

As at 31 March 2015

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

As at 31 March 2014

	Designated as Fair value through Profit and Loss £000	Loans and Receivables £000	Financial liabilities at amortised cost £000
Financial assets			
Fixed interest securities	163,143	0	0
Index linked securities	933	0	0
Equities	254,703	12,758	0
Pooled investment vehicles	997,888	0	0
Property	170,936	0	0
Derivative assets	2,649	0	0
Cash held on deposit	0	31,448	0
Other Investment balances	3,465	0	0
Debtors	0	12,744	0
	1,593,717	56,950	0
Financial Liabilities			
Derivative Liabilities	-1,066	0	0
Creditors	0	-4,437	0
	-1,066	-4,437	0
	1,592,651	52,513	0

Net gains/(losses) on financial instruments

	2015 £000	2014 £000
Financial assets		
Fair value through profit and loss	211,110	136,981
Loans and receivables	-2,468	-6,770
Financial liabilities		
Fair value through profit and loss	-2,792	-714
Loans and receivables	0	0
Total	205,850	129,497

Financial Risk Disclosure

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

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

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

The analysis below is designed to meet the disclosure requirements of FRS 17.

a) Market Risk

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

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

1) Market Price Risk

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

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

Market Price - Sensitivity Analysis

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

Movements in market prices would have increased or decreased the net assets valued at 31 March 2015 and 2014 by the amounts shown below.

As at 31 March 2015	Value £'000	Volatility of return	Increase £000	Decrease £000
Baillie Gifford - Global Equity	322,041	17.20%	55,391	(55,391)
CBRE Global Multi Manager - Property	209,920	14.60%	30,648	(30,648)
Western Asset Management - Corporate Bonds	3,603	4.00%	144	(144)
Legal & General - Equity	242,102	17.20%	41,642	(41,642)
Legal & General - Gilts	110,472	8.40%	9,280	(9,280)
Legal & General - Global Equity	106,920	17.20%	18,390	(18,390)
Legal & General - Rafi Equity	259,715	17.20%	44,671	(44,671)
Jubilee Advisors - Long/Short Hedge Funds	22,839	8.10%	1,850	(1,850)
Barings - Dynamic Assets Allocation	197,431	12.00%	23,692	(23,692)
Partners Group - Infrastructure	10,535	15.60%	1,643	(1,643)
Investec - Emerging Markets	137,892	19.00%	26,199	(26,199)
Loomis Sayles - Multi Asset Credit	97,217	6.00%	5,833	(5,833)
Loomis Sayles - Absolute Return Bond Fund	100,570	6.00%	6,034	(6,034)
M&G - Financing Fund	11,785	0.00%	0	0
Berenberg Bank - Dynamic Currency Fund	4,324	0.00%	0	0
Capital International - Global Equity	21	0.00%	0	0
Capital International - Absolute Income Grower	10	0.00%	0	0
	1,837,397		265,418	- 265,418

As at 31 March 2014	Value £'000	Volatility of return	Increase £000	Decrease £000
Baillie Gifford - Global Equity	255,917	17.30%	44,274	(44,274)
CBRE Global Multi Manager - Property	177,857	15.10%	26,856	(26,856)
Western Asset Management - Corporate Bonds	178,243	4.00%	7,130	(7,130)
Legal & General - Equity	226,922	17.00%	38,577	(38,577)
Legal & General - Gilts	91,085	8.10%	7,378	(7,378)
Legal & General - Global Equity	179,435	17.30%	31,042	(31,042)
Legal & General - Rafi Equity	226,424	17.30%	39,171	(39,171)
Jubilee Advisors - Long/Short Hedge Funds	86,138	7.90%	6,805	(6,805)
Barings - Dynamic Assets Allocation	181,139	12.10%	21,918	(21,918)
Partners Group - Infrastructure	5,626	15.20%	855	(855)
M&G - Financing Fund	12,758	0.00%	0	0
Berenberg Bank - Dynamic Currency Fund	9,838	0.00%	0	0
Capital International - Global Equity	46	0.00%	0	0
Capital International - Absolute Income Grower	23	0.00%	0	0
	<u>1,631,451</u>		<u>224,006</u>	<u>- 224,006</u>

2) Interest Rate Risk

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

The Fund's exposure to interest rate movements from its investments in cash & cash equivalents, fixed interest and loans at 31 March 2015 and 2014 are provided below.

	31.03.15 £000
Cash held on deposit	15,383
Fixed Interest Securities	201,386
Loans	11,785
	<u>228,554</u>

Interest Rate – Sensitivity Analysis

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

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

As at 31 March 2014	Value £000	Change in net assets	
		£000	£000
		+100 BP	-100 BP
Cash held on deposit	26,042	260	-260
Fixed Interest Securities	163,143	-13,084	13,084
Loans	12,758	0	0
	201,943	-12,824	12,824

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

3) Currency Risk

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

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

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

2015

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

2014

	US Dollar	Euro	Yen
Benchmark Weights	17.88%	7.41%	3.18%
	£'000	£'000	£'000
Net Currency Exposure	291,676	120,887	51,842

Currency Risk – Sensitivity Analysis

The sensitivity of the Fund's investments to changes in foreign currency rates have 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 2015 and 31 March 2014 would have increased or decreased the net assets by the amount shown below.

2015

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

2014

	Assets Held at Fair Value	Change in net assets	
	£'000	+10% £'000	-10% £'000
US Dollar	291,676	29,168	-29,168
Euro	120,887	12,089	-12,089
Yen	51,842	5,184	-5,184
Net Currency Exposure	464,405	46,441	-46,441

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

b) Credit Risk

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

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

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

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

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

The Fund's exposure to credit risk at 31 March 2015 and 2014 is the carrying amount of the financial assets.

2015

	£'000
Fixed interest securities	0
Index linked securities	0
Global Fixed Income Pooled	201,386
Cash held on deposit	15,383
Other investment balances	431
Current assets	18,912
	<u>236,112</u>

2014

	£'000
Fixed interest securities	163,143
Index linked securities	933
Derivative assets	1,583
Cash held on deposit	26,042
Other investment balances	3,465
Current assets	18,150
	<u>213,316</u>

c) Liquidity Risk

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

The following tables analyses the Fund's financial liabilities as at 31 March 2015 and 2014, grouped into relevant maturity dates.

2015

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

2014

	Carrying Amount £'000	Less than 12 months £'000	Greater than 12 months £'000
Accounts Payable	93	93	0
Benefits Payable	1,348	1,348	0
Sundry Creditors	2,996	2,996	0
	<u>4,437</u>	<u>4,437</u>	<u>0</u>

Fair Value Hierarchy

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

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

The tables below analyse financial instruments, measured at fair value at the end of the reporting period 31 March 2015 and 31 March 2014, by the level in the fair value hierarchy into which the fair value measurement is categorised. This has been produced from analysis produced by the Fund's custodian BNY Mellon.

2015

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

2014

	£000	£000	£000	£000
	Level 1	Level 2	Level 3	Total
Fixed Interest Securities	2,359	160,784		163,143
Index Linked Securities		933		933
Equities	254,112		13,349	267,461
Pooled Funds:				0
- Other		992,261	5,627	997,888
- Property	0	138,154	32,782	170,936
Derivative assets				0
- Futures	-49			-49
- Options				0
- Forward FX	1,632			1,632
	258,054	1,292,132	51,758	1,601,944
Cash Deposits	26,038	4		26,042
Other Investment balances	3,465			3,465
	287,557	1,292,136	51,758	1,631,451

During 2014/15 there were no transfers between level 1 and 2 of the fair value hierarchy.

The following tables presents the movement in level 3 instruments for the year end 31 March 2015 and 31 March 14.

2015

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

2014

	£000
Opening balance	33,675
Total gains/losses	16,668
Purchases	3,614
Sales	-2,199
Transfer out of Level 3	0
Closing balance	<u>51,758</u>

12. Investment management expenses

Additional Manager fees of £1.3m have been incurred by the fund as a result of investing in pooled fund investments.

13. Current assets

	31 March 2015	31 March 2014
	£000	£000
Contributions due from other authorities and bodies		
- Employees	1,424	1,362
- Employers	4,549	4,072
Income due from external managers and custodians	-	-
Debtors (Magistrates)	4,825	5,790
Other	2,133	1,520
Cash balances	5,981	5,406
	<u>18,912</u>	<u>18,150</u>
Less:		
Long Term debtors (Magistrates)	- 4,825	- 5,790
Net current assets	<u>14,087</u>	<u>12,360</u>

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

14. Current liabilities

	31 March 2015	31 March 2014
	£000	£000
Managers / custody fees	1,207	943
HMRC	702	661
Other	1,797	2,833
	<u>3,706</u>	<u>4,437</u>

15. Additional Voluntary Contributions (AVCs)

Fund members paid contributions totalling £0.593 million (£0.433 million in 2013/14) into their AVC funds during the year. At the year end, the value of funds invested on behalf of Fund members totalled £3.529 million (£3.293 million in 2013/14), made up as follows:

	£ Million
Equitable Life Assurance Society	
- With Profits Fund	0.599
- Unit Linked Managed Fund	0.234
- Building Society Fund	0.028
Clerical Medical Funds	
- With Profits Fund	0.155
- Unit Linked Managed Fund	1.027
NPI Fund	
- Managed Fund	0.027
- With Profits Fund	0.101
- Global Care Unit Linked Fund	0.057
- Cash Deposit Fund	0.032
Prudential	
- With Profits Cash Accumulation Fund	0.453
- Deposit Fund	0.211
- Diversified Growth Fund	0.196
- Equity Passive	0.029
- Long Term Growth Fund	0.145
- Pre-Retirement Fund	0.128
- Property Fund	0.107
	<hr/> 3.529 <hr/>

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

16. Employer related assets

There are no employer related assets within the Fund.

17. Related Party Transactions

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

The Council incurred costs of £1.097m (2013/14: £1.076m) 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 £26m to the fund in 2014/15 (2013/14: £27.4m). A balance of £0.87m was owing to the Pension Fund by 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 2015, the fund had an average investment balance of £3.5m (31 March 2014: £3.4m), earning interest of £19k (2013/14: £18k) in these funds.

Governance

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

18. Guaranteed minimum pension

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

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

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

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

19. Contingent Liabilities and Contractual Commitments

Outstanding capital commitments (investments) at 31 March 2015 totalled Euro 36.285m (31 March 2014: 42.725m).

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.

14. IAS26 statement

Actuarial Statement in respect of IAS26 as at 31.03.2015

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2014/15 requires administering authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits.

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

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

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

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

Balance sheet Year ended	31 Mar 2015	31 Mar 2014
	£m	£m
Present Value of Promised Retirement Benefits	2,942	2,452

Liabilities have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2013. I estimate this liability at 31 March 2015 comprises £1,336m in respect of employee members, £632m in respect of deferred pensioners and £974m in respect of pensioners. The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable. However, I am satisfied the aggregate liability is a reasonable estimate of the actuarial present value of the benefit promises. I have not made any allowance for unfunded benefits.

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

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

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report as required by the Code of Practice. These are given below. I estimate that the impact of the change of assumptions to 31 March 2015 is to increase the actuarial present value by £394m.

Financial assumptions

My recommended financial assumptions are summarised below:

Year ended	31 Mar 2015 % p.a.	31 Mar 2014 % p.a.
Inflation/Pension Increase Rate	2.4%	2.8%
Salary Increase Rate	4.3%	4.6%
Discount Rate	3.2%	4.3%

Longevity assumption

As discussed in the accompanying report the life expectancy assumption is based on the Fund's VitaCurves with improvements in line with the CMI_2010 model, assuming the current rate of improvements has reached a peak and will converge to a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

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

**Future pensioners are assumed to be currently aged 45*

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

Commutation assumption

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.

Professional notes

This paper accompanies my covering report titled 'Actuarial Valuation as at 31 March 2015 for IAS19 purposes' dated 30 April 2015. The covering report identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Catherine McFadyen FFA

20 May 2015

For and on behalf of Hymans Robertson LLP

15. Further information & contacts

The Council produces a number of other publications, as well as this booklet to support its role as administering authority of the Wiltshire Pension Fund. You can request these from the Wiltshire Pension Fund at County Hall, Trowbridge, from our Website at www.wiltshirepensionfund.org.uk 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 in order to fulfil their pension responsibilities correctly.

Starter packs

These contain information that has to be made available to new employees on their pension entitlements, together with supporting information.

Retirement packs

These contain information for every new pensioner about their pension and other supporting information.

Newsletters

Occasional newsletters are produced, both for participating Fund members and for pensioners, containing information of interest.

Annual benefit statements

Statements are automatically available for all full-time Fund members and those working regular part time hours, and also for deferred pensioners. Statements are also available on request for any Fund member at any time.

Other information

Various leaflets, posters and fact sheets explaining the Fund and highlighting its benefits are produced. The Pensions Section also has booklets available produced by Prudential on Additional Voluntary Contributions.

For further information contact:

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Fund Communications Manager

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WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD

22 October 2015

Review of the External Audit Report 2014-15

Purpose of the Report

1. The purpose of this report is to present the External Audit Report for the Wiltshire Pension Fund for review by the Board.

Background

2. There is a requirement for a separate annual audit to be carried out on the Wiltshire Pension Fund. This covers an audit of the Financial Statements included in the Wiltshire Council Statement of Accounts and a review of the Fund's Annual Report to ensure it's consistent with the Financial Statements presented. The audit has been carried out by Wiltshire Council's external auditor, KPMG.
3. KPMG completed an interim audit visit in March 2015 but did not issue an interim report as there were no significant issues arising from this work. Over the summer they carried out the main audit and again no significant issues were raised. Therefore, as there are no issues to report the resulting final external audit report has been included within the main one for the Wiltshire Council (see attached).
4. This report was presented and approved on the 29th July 2015 meeting of the Final Accounts & Audit Committee.
5. KPMG's final audit opinion and certificate on the Wiltshire Pension Fund Annual Report was signed on 21 September 2015.
6. The audit report was noted by the Pension Fund committee on 1 October 2015.

Considerations for the Board

7. The purpose of this report this year is for induction purposes and developing knowledge of the Fund. There are no recommendations or actions to follow up as a result of the audit.

Environmental Impact of the Proposal

8. Not applicable.

Risk Assessment

9. There are no risks identified from this report.

Financial Considerations

10. There are no significant financial implications or risks from this report.

Legal Implications

11. There are no legal implications from this report.

Safeguarding Considerations/Public Health Implications/Equalities Impact

12. There are no known implications at this time.

Reasons for Proposals

13. A review is undertaken to ensure the Board is fulfilling its duty to assist the Wiltshire Pension Fund in ensuring compliance with the scheme regulations and securing effective and efficient governance and administration of the LGPS scheme.

Proposals

14. The Board is asked to note the attached External Audit Report.

MICHAEL HUDSON
Treasurer to the Pension Fund

Report Author: David Anthony, Head of Pensions

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



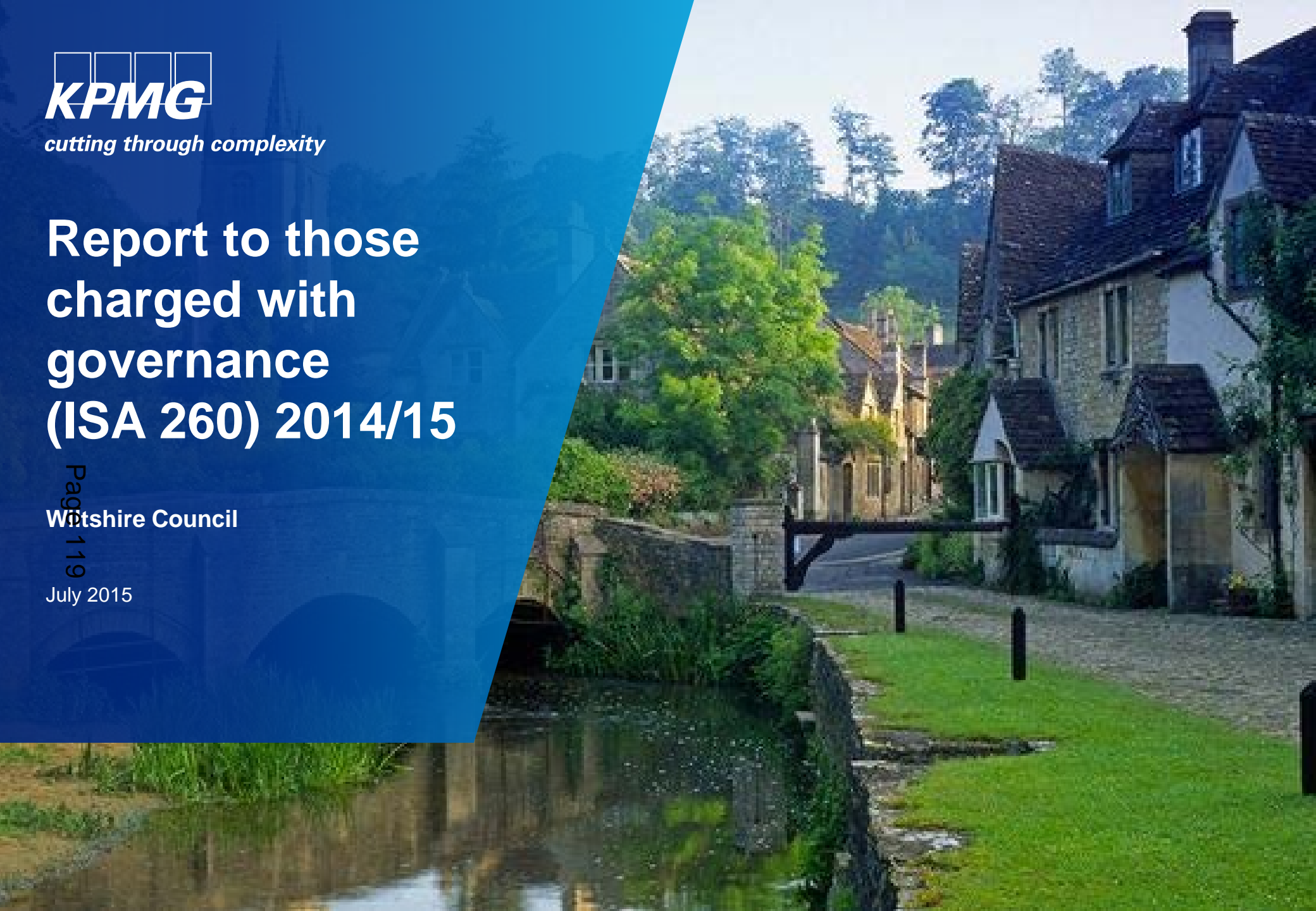
cutting through complexity

Report to those charged with governance (ISA 260) 2014/15

Wiltshire Council

July 2015

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

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

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Darren Gilbert, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Trevor Rees (on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

This document summarises:

- the key issues identified during our audit of the financial statements for the year ended 31 March 2015 for both the Authority and its pension fund; and
- our assessment of the Authority's arrangements to secure value for money.

Scope of this report

This report summarises the key findings arising from:

- our audit work at Wiltshire Council ('the Authority') in relation to the Authority's 2014/15 financial statements and those of the Local Government Pension Scheme it administers ('the Fund'); and
- the work to support our 2014/15 conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion').

Financial statements

Our *External Audit Plan 2014/15*, presented to you in February 2015, set out the four stages of our financial statements audit process.



We previously reported on our work on the first two stages in our *Interim Audit Report 2014/15* issued in June 2015.

This report focuses on the third stage of the process: substantive procedures. Our on site work for this took place during June 2015.

It also includes any additional findings in respect of our control evaluation which we have identified since we issued our *Interim Audit Report 2014/15*.

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

VFM conclusion

Our *External Audit Plan 2014/15* explained our risk-based approach to VFM work and we included early findings in our *Interim Audit Report/letter 2014/15*. We have now completed the work to support our 2014/15 VFM conclusion. This included:

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

Structure of this report

This report is structured as follows:

- Section 2 summarises the headline messages.
- Section 3 sets out our key findings from our audit work in relation to the 2014/15 financial statements of the Authority and the fund.
- Section 4 outlines our key findings from our work on the VFM conclusion.

Our recommendations are included in Appendix 1. We have also reviewed your progress in implementing prior recommendations and this is detailed on Page 11.

Acknowledgements

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

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

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<p>Proposed audit opinion</p>	<p>We anticipate issuing an unqualified audit opinion on the Authority's financial statements. We will also report that your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE in June 2007.</p> <p>We also anticipate issuing an unqualified audit opinion in relation to the Fund's financial statements, as contained both in the Authority's Statement of Accounts and the Pension Fund Annual Report.</p>
<p>Audit adjustments</p>	<p>Our audit has identified a total of four audit adjustments with a total gross value of £15.088 million for the 2014/15 financial statements. The impact of these adjustments is to:</p> <ul style="list-style-type: none"> ■ Increase the deficit on provision of services for the 2014/15 year by £5.787 million; and ■ Decrease the net worth of the Authority as at 31 March 2015 by £5.787 million. <p>Our audit adjustments also included one prior period adjustments necessitated by the change in accounting policy by following the new guidance in LAAP Bulletin 101 on the recognition of school assets. The impact of these adjustments is to:</p> <ul style="list-style-type: none"> ■ Increase the net worth of the Authority as at 1 April 2013 and 31 March 2014 by £47.785 million and £46.739 million respectively; and ■ Increase the deficit on provision of services for the 2013/14 year by £1.045 million <p>There was no impact on the General Fund balances as a result of any the adjustments identified.</p> <p>We have included a full list of material audit adjustments at Appendix 3. All of these were adjusted by the Authority.</p> <p>We have raised one recommendation in relation to School Bank Reconciliations where three out of ten tested had immaterial errors and lacked consistency. Further details are summarised in Appendix 1.</p>
<p>Significant financial statements audit risks</p>	<p>We review risks to the financial statements on an ongoing basis. We identified the one significant financial statements audit risk in our <i>External Audit Plan 2014/15</i> issued in February 2015 in relation to accounting for Local Authority maintained schools.</p> <p>We have worked with officers throughout the year to discuss this significant risk and our detail findings are reported in section 3 of this report. There are no matters of any significance arising as a result of our audit work in this significant risk area.</p>
<p>Accounts production and audit process</p>	<p>We have noted consistency in the quality of the accounts and the supporting working papers. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales.</p> <p>The quality of working papers provided to us by Finance and the Pension team were of a high standard and met the standards specified in our <i>Accounts Audit Protocol</i>. The Authority has implemented all of the recommendations in our <i>ISA 260 Report 2013/14</i> relating to the financial statements.</p>

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

<p>Completion</p>	<p>At the date of this report our audit of the financial statements of both the Authority and the Pension Fund are substantially complete. The areas that remain are:</p> <ul style="list-style-type: none"> ■ Audit of the Authority’s Whole of Government Accounts pack; ■ Receipt of a revised copy of the Annual Governance Statement; ■ Review of Pension Fund Annual Report Narrative; ■ Finalising mandatory work in relation to pension liability disclosures; and ■ Review of schools accounting adjustments. <p>Before we can issue our opinion we require a signed management representation letter for both the Authority and the Pension Fund.</p> <p>We confirm that we have complied with requirements on objectivity and independence in relation to this year’s audit of the Authority’s financial statements.</p> <p>In order to issue our Certificate for the year we will need to complete our work in relation to each of the matters set out above. We will also need to consider the impact of, and conclude any necessary work relating to, an incident of whistleblowing that is currently under investigation by the Authority’s Corporate Fraud Team.</p>
<p>VFM conclusion and risk areas</p>	<p>We identified the following VFM risks in our <i>External Audit Plan 2014/15</i> issued in February 2015.</p> <ul style="list-style-type: none"> ■ Achievement of Savings Plan; and ■ Estates Strategy. <p>We have worked with officers throughout the year to discuss these VFM risks and our detailed findings are reported in section 4 of this report.</p> <p>We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We therefore anticipate issuing an unqualified VFM conclusion by 29 July 2015.</p>

Our audit has identified a total of three audit adjustments.

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

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Proposed audit opinion

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

Audit differences

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

The final materiality level (see Appendix 4 for more information on materiality) for this year's audit was set at £18.5 million. Audit differences below £0.9 million are not considered significant.

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

The tables on the right illustrate the total impact of audit differences on the Authority's movements on the General Fund for the year and balance sheet as at 31 March 2015.

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

In addition, we identified a small number of presentational adjustments required to ensure that the accounts are compliant with the *Code of Practice on Local Authority Accounting in the United Kingdom 2014/15* ('the Code'). We understand that the Authority will be addressing these where significant.

Movements on the General Fund 2014/15			
£m	Pre-audit* (£'000)	Post-audit (£'000)	Ref (App.3)
Deficit on the provision of services (Excluding HRA)	32,668	38,455	3
Adjustments between accounting basis & funding basis under Regulations	(26,332)	(32,119)	3
Transfers to earmarked reserves	(6,618)	(6,618)	-
Increase in General Fund	282	282	

Balance Sheet as at 31 March 2015			
£m	Pre-audit* (£'000)	Post-audit (£'000)	Ref (App.3)
Property, plant and equipment	1,011,467	1,005,680	3
Other long term assets	49,169	49,169	-
Current assets	119,797	117,930	1
Current liabilities	(112,893)	(111,026)	1
Long term liabilities	(1,047,549)	(1,047,549)	-
Net worth	(19,991)	(14,204)	
General Fund	(12,147)	(12,147)	-
Other usable reserves	(96,371)	(96,371)	-
Unusable reserves	88,527	94,314	3
Total reserves	(19,991)	(14,204)	

* Please note: In addition to the audit adjustments identified, the Authority identified a number of further changes required during the audit. These have been incorporated into the "Pre-audit" figures above.

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

We anticipate issuing an unqualified audit opinion in relation to the Fund's financial statements, as contained both in the Authority's Statement of Accounts and the Pension Fund Annual Report by 29 July 2015.

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

Pension fund audit

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

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

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

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

Annual Governance Statement

We have reviewed the Annual Governance Statement and confirmed that:

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

We have made a number of comments in respect of its format and content which the Authority has agreed to amend where significant. These changes included adding commentary relating to the Authority's establishment of a Corporate Fraud Team which we consider to be a significant, and valuable, addition to the overall control framework.

Pension Fund Annual Report

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

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

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

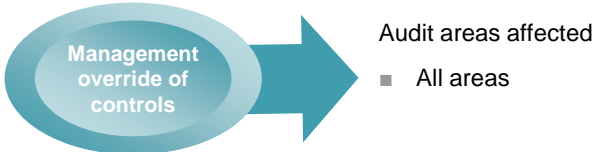
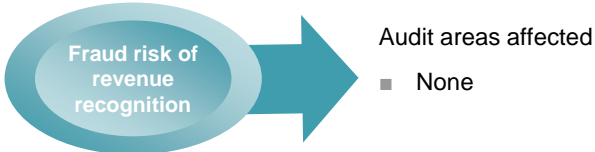
Financial Statements (continued)

Significant risks and key areas of audit focus

In our External Audit Plan 2014/15 we reported that we would consider two risk areas that are specifically required by professional standards and report our findings to you. These risk areas were Management override of controls and the Fraud risk of revenue recognition.

This table sets out the outcome of our audit procedures.

In our External Audit Plan 2014/15 we reported that we would consider two risk areas that are specifically required by professional standards and report our findings to you. These risk areas were Management override of controls and the Fraud risk of revenue recognition. The table below sets out the outcome of our audit procedures and assessment on these risk areas.

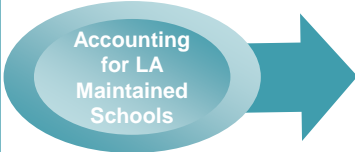
Areas of significant risk	Summary of findings
	<p>Our audit methodology incorporates the risk of management override as a default significant risk. Management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We have not identified any specific additional risks of management override relating to this audit.</p> <p>In line with our methodology, we carried out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.</p> <p>There are no matters arising from this work that we need to bring to your attention.</p>
	<p>Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.</p> <p>In our External Audit Plan 2014/15 we reported that we do not consider this to be a significant risk for Local Authorities as there is unlikely to be an incentive to fraudulently recognise revenue.</p> <p>This is still the case. Since we have rebutted this presumed risk, there has been no impact on our audit work.</p>

In our *External Audit Plan 2014/15*, presented to you in February 2015, we identified one area of audit focus. This is not considered as significant risks but an area of importance where we would carry out some substantive audit procedures to ensure there is no risk of material misstatement.

We have now completed our testing. The table sets out our detailed findings for each of such areas of audit focus.


In our *External Audit Plan 2014/15*, presented to you in February 2015, we identified the significant risks affecting the Authority and the Fund's 2014/15 financial statements.

We have now completed our testing of these areas and set out our evaluation following our substantive work. The table below sets out our detailed findings for each of the risks that are specific to the Authority.

Significant audit risk	Issue	Findings
	<p>LAAP Bulletin 101 Accounting for School Assets used by Local Authority Maintained Schools issued in December 2014 has been published to assist practitioners with the application of the Code in this respect. The challenges relate to school assets owned by third parties such as church bodies and made available to school governing bodies under a variety of arrangements. This includes assets used by Voluntary-Aided (VA) and Voluntary-Controlled (VC) Schools as well as Foundation Schools.</p> <p>Authorities will need to review the agreements under which assets are used by VA/VC and Foundation schools and apply the relevant tests of control in the case of assets made available free of charge, or risks and rewards of ownership in the case of assets made available under leases. This is a key area of judgement and there is a risk that Authorities could incorrectly omit school assets from, or include school assets in, their balance sheet.</p> <p>Particular risks surround the recognition of Foundation School assets which may or may not be held in Trust. Authorities should pay particular attention to the nature of the relationship between the Trustees and the school governing body to determine whether the school controls the Trust and the assets should therefore be consolidated into their balance sheet.</p>	<p>The Authority completed an assessment of the recognition of school assets. We reviewed the treatment as per the LAAP Bulletin, where possible we obtained backing evidence to justify the assessment.</p> <p>The category which was flagged as requiring different treatment was Foundation Schools. All 15 required recognition on the Authority's Balance Sheet. Each other category of school was also assessed but no change in treatment was necessary. We assessed the Authority's review for the categories which were not altered to ensure that it appear appropriate with no issues noted.</p> <p>Out of the 15 Foundation Schools we tested a sample of 5 to assess whether the Authority retained substantive rights over the assets and whether the future economic benefits / service potentially flow to the Authority. There was some difficulty obtaining backing documentation due to the length of time since being originally built. However KPMG agreed with that the Authority's assessment was appropriate.</p> <p>We verified the accounting treatment on the recognition of the schools with no material errors noted.</p> <p>As a result of the above, the Authority's net assets as at 1 April 2014 have increased by £47.8 million. We are currently completing our review of these adjustments.</p>


We have now completed our testing. The table sets out our detailed findings for each of such areas of audit focus.

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Significant audit risk	Issue	Findings
	<p>From 1 April 2014, all members of the Local Government Pension Scheme (LGPS) have automatically joined the new career average defined benefit scheme. The new scheme provides more flexibility on when members can take their pension and also how much they pay in. There is a risk that pension administration systems have not been set up to correctly reflect the changes resulting from LGPS 2014 and will therefore not accurately calculate the pension benefits due to members. While any errors in the system are unlikely to result in material misstatements in 2014/15, the possible cumulative effect in future years means that specific audit work is needed on ensuring that the changes required to the system have been accurately reflected.</p> <p>This risk affects only the Fund.</p>	<p>The benefits system is now required to hold an increased volume of data to process the 'Career Average Revalued Earnings' (CARE) pensions calculation. The software provider has released updates to ensure the system is ready to account for the LGPS 2014 changes.</p> <p>KPMG performed a walkthrough of a new member's 'Career Average Revalued Earnings' (CARE) pension calculation, with reference to this guide, ensuring the system had the capacity to hold the required data. The design and implementation of the system changes were effective.</p> <p>KPMG also performed sample testing of pensioners' who had both pre and post 2014 service, and hence would have had CARE pension benefit accruing in 14/15. Of the 25 cases sampled no issues were identified with accuracy of the CARE calculations.</p>

We have now completed our testing. The table sets out our detailed findings for each of such areas of audit focus.

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Areas of audit focus	Issue	Findings
	<p>From 1 April 2015, the Pensions Regulator will be responsible for regulating the governance and administration of public service pension schemes, which includes the Local Government Pension Scheme. The pension scheme must comply with a number of legal requirements, such as the establishment of a pension board with an equal number of employer representatives and member representatives. Pension board members for a public service pension scheme must also meet certain legal requirements that relate to their knowledge and understanding.</p> <p>This risk affects only the Fund.</p>	<p>Wiltshire Council as scheme manager of Wiltshire Pension Fund approved the Terms of Reference for the establishment of its Pension Board at its meeting on 24 February 2015.</p> <p>The Pension Board will sit alongside the Wiltshire Pension Fund Committee in an oversight role, to assist by reviewing the governance arrangements of the Fund and ensuring policies and procedures are correctly implemented and followed.</p> <p>As per the Public Service Pensions Act 2013 pension boards need to have an equal number of employer representatives and member representatives.</p> <p>The Board will consist of:</p> <ul style="list-style-type: none"> ■ 3 scheme member representatives, ■ 3 employer representatives, and ■ 1 non-voting Independent Chair <p>Howard Pearce, the Former Head of the Environment Agency Pension Fund, will serve as the Independent Chair of the Board. All other positions have now been filled. The first meeting scheduled for the Local Pensions Board (LPB) has been set for 16th July 2015. The new representatives are expected to attend a training day on 2nd July 2015.</p> <p>Whilst LPBs had to be constitutionally established by 1 April, in acknowledgment of the scale of the task facing practitioners, an informal grace period of 4 months has been granted to allow funds to finalise appointments and deliver training. KPMG are satisfied with the progress of the establishment of the LPB.</p>

Financial Statements (continued)

Accounts production and audit process

The Authority has a well established and strong accounts production process. This operated well in 2014/15, and the standard of accounts and supporting working papers was high.

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

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Accounts production and audit process

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

We considered the following criteria:

Element	Commentary
Accounting practices and financial reporting	<p>The Authority continues to maintain a strong financial reporting process and produce statements of accounts to a good standard.</p> <p>We consider that accounting practices are appropriate.</p>
Completeness of draft accounts	<p>We received a complete set of draft accounts on 8 June 2015.</p> <p>The Authority has made a small number of presentational changes to the accounts presented for audit however there have been no changes which we consider to be fundamental.</p>
Quality of supporting working papers	<p>We issued our <i>Accounts Audit Protocol</i> including our required working papers for the audit on 8 March 2015.</p> <p>The quality of working papers provided was high and fully met the standards specified in our <i>Accounts Audit Protocol</i>.</p>
Response to audit queries	<p>Officers resolved all audit queries in a timely manner.</p>
Pension Fund Audit	<p>The audit of the Fund was completed alongside the main audit. The Fund continues to produce financial statements to a high standard.</p>

Prior year recommendations

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

There was one recommendation in our ISA 260 Report 2013/14, which was;

- Consider how to gain assurance over the material accuracy of valuations for assets which have not been revalued during the year as part of the rolling valuation programme. An option may be to revalue a percentage of assets each year where construction has been performed rather than performing valuation on only specified asset classes each year.

The Authority provided a working paper to show consideration to the carrying value of assets not revalued in the year, this recommendation has now been implemented.

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

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

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

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Declaration of independence and objectivity

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

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

We have provided a detailed declaration in Appendix 3 in accordance with ISA 260.

Management representations

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

Other matters

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

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

The only such matter to report is in relation to an incident of whistleblowing. Following some initial work undertaken by Internal Audit, the issue is now being investigated by the Authority's Corporate Fraud Team and we are awaiting the outcome of this work. We are in the process of determining the potential scale of the matter and what, if any, impact this has on the issuing of our opinion and certificate.

Our VFM conclusion considers how the Authority secures financial resilience and challenges how it secures economy, efficiency and effectiveness.

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Background

Auditors are required to give their statutory VFM conclusion based on two criteria specified by the Audit Commission. These consider whether the Authority has proper arrangements in place for:

- securing financial resilience: looking at the Authority's financial governance, financial planning and financial control processes; and
- challenging how it secures economy, efficiency and effectiveness: looking at how the Authority is prioritising resources and improving efficiency and productivity.

We follow a risk based approach to target audit effort on the areas of greatest audit risk. We consider the arrangements put in place by the Authority to mitigate these risks and plan our work accordingly.

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



Work completed

We performed a risk assessment earlier in the year and have reviewed this throughout the year.

The following pages include further details of our VFM risk assessment and our specific risk-based work.

Conclusion

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

VFM criterion	Met
Securing financial resilience	✓
Securing economy, efficiency and effectiveness	✓

We have identified a number of specific VFM risks.

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

Work completed

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

- assessed the Authority's key business risks which are relevant to our VFM conclusion;
- identified the residual audit risks for our VFM conclusion, taking account of work undertaken in previous years or as part of our financial statements audit; and
- considered the results of relevant work by the Authority, inspectorates and review agencies in relation to these risk areas.

Key findings

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


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

Key VFM risk	Risk description and link to VFM conclusion	Assessment
	<p>At the time of our planning work in January the Authority identified the need to make savings of £26m in 2014/15. The forecast showed that the Authority will deliver a £5.3m overspend against its budget although additional savings were being sought to offset this.</p> <p>The Authority estimates that £33min savings will need to be achieved during 2015/16. We are aware the Authority is in the process of developing and agreeing proposals with officers for these savings. Further significant savings will be required in 2016/17 and 2017/18 to principally address future reductions to local authority funding alongside service cost and demand pressures. The need for savings will continue to have a significant impact on the Authority's financial resilience.</p> <p>This is relevant to both the financial resilience and economy, efficiency and effectiveness criteria of the VFM conclusion.</p>	<p>Specific risk based work required: Yes</p> <p>Despite challenging savings targets for the year, the Authority's final outturn position was an under spend against budget of £0.278m. In addition, the final position of the general fund was £12.067m compared to £10.965m as predicated in the financial plan.</p> <p>The Authority has continued to develop savings plans which require savings from all service areas, and has identified additional savings plans in order to compensate for budget pressures, particularly in Adult Social Care and Children's and Education Services. These cost pressures are in line with those experienced by other authorities throughout the country and, as a result, are not indicative of poor arrangements within Wiltshire.</p> <p>Performance against savings targets has been monitored throughout the year as part of the budget monitoring process in order to allow for such cost pressures to be effectively managed.</p>

We have identified a number of specific VFM risks.

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

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Key VFM risk	Risk description and link to VFM conclusion	Assessment
	<p>Over recent years the Authority has been undertaking a rationalisation of its estate. This has seen significant reductions in the number of properties occupied by the Authority, with further plans until 2017/18. Following recent staffing changes the Authority has adopted a slower pace to the estates strategy. This will see a total of seven hubs being delivered in phase 1 of the strategy.</p> <p>This will result in build costs of £77m which will be funded from capital receipts, borrowing and third party income. Over the next three years the total value of asset disposals is expected to amount to £70m. The successful delivery of these disposals is a major part of the value for money argument supporting the move to four central hubs and the additional investment required to renovate County Hall.</p> <p>The estates strategy, including the continuing consolidation of Council offices, reflects significant changes in relation to how the Authority will manage and deliver services. As a result, there is a risk that service delivery and customer satisfaction could be impacted. There is also a risk that the correct valuation and sale proceeds may not be achieved and that this may result in additional savings being required.</p> <p>This is relevant to both the financial resilience and economy, efficiency and effectiveness criteria of the VFM conclusion.</p>	<p>Specific risk based work required: Yes</p> <p>An impairment was required in relation to the Corsham Campus, to the value of £11.867m. In line with similar impairments in recent years this has been deemed material and disclosed separately on the face of the Comprehensive Income & Expenditure Statement as an exceptional item.</p> <p>The impairment is in relation to building costs as part of the ongoing estates strategy. The Authority is not planning to recoup these costs through sale but ongoing economic use.</p> <p>As a result of the move to four main hubs and a series of campuses (including the Corsham site) the Authority has been able to dispose of 37 assets to date, generating capital receipts of circa £11m. There are a further 38 assets to be disposed of over the next three years, which are expected to generate receipts of £31.9m.</p> <p>The disposal of assets has enabled the Authority to make annual maintenance and lease payment savings of £1.9m to date. This is expected to rise to annual savings of £6.3m once the disposal scheme has been completed.</p> <p>In addition to the financial benefits of the strategy, it has enabled a modernisation of working methods, created a central contact point for the public as well as a more attractive public facility and made integrated working with other providers more assessable e.g. Multi Agency Safeguarding Hub (MASH) which includes the Wiltshire Police, Community Health Services and Childrens Services.</p>

Appendix 1: Key issues and recommendations

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

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

We will formally follow up these recommendations next year.

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

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
1	2	<p>Schools Bank Reconciliation's</p> <p>We sample tested 10 out of 179 school bank reconciliation's and noted that some of the reconciliation's were completed with errors. These included:</p> <ul style="list-style-type: none"> Fynamore Community School – The reconciling items report totaled £9,685 when the difference between the cash balance and ledger balance was £9,676 St Josephs Catholic School – A difference between the general ledger balance used in the Bank Reconciliation to that shown on Agresso of £176 Matravers School – A £167 difference due to the incorrect bank statement balance used in the Bank reconciliation <p>Whilst all these balances are immaterial (total projected error of £2,111) it indicates that the control is not operating effectively and that potentially larger errors may not be identified.</p> <p>Recommendation</p> <p>An excel template for bank reconciliation's should be distributed to all schools.</p> <p>A review should be undertaken for schools that would benefit from further training.</p>	<p>Management response</p> <p>Agree. A standard template will be introduced and we will review the need for training.</p> <p>Responsible Officer</p> <p>Grant Davis (Schools Strategic Financial Support Manager)</p> <p>Due Date</p> <p>December 2015</p>

This appendix sets out the significant audit differences identified during the audit for the year ended 31 March 2015.

We are reporting all audit differences over £0.9m.

These have been adjusted in the Statement of Accounts.

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

Corrected audit differences

The following table sets out the significant audit differences identified by our audit of Wiltshire Council's financial statements for the year ended 31 March 2015.

No.	Income and Expenditure Statement	Movement in Reserves Statement	Impact			Basis of audit difference
			Assets	Liabilities	Reserves	
1			CR Cash & Cash Equivalents (£1,867k)	DR Bank Overdraft £1,867k		Since the 2013/14 Code, it is a requirement to present a net cash position unless the overdraft is not part of the Authority's cash management approach. As with the 2013/14 accounts an adjustment is required so that a net cash and cash equivalents position is disclosed on the balance sheet.
2	DR REFCUS £7,434k CR Other Expenditure (Loss on disposal) (£7,434k)					A disposal for £7.434 million BT Broadband Cables was noticed as incorrectly recognised as PPE additions and disposals in the year. As the asset is not owned by the Authority it should have been treated as Revenue Expenditure Funded From Capital Under Statute (REFCUS) and therefore expensed not capitalised. The adjustment has been made to remove the balance from fixed assets and into REFCUS. There are other presentational adjustments made such as removing the addition and disposal from PPE (not net effect).

Appendix 2: Audit differences (continued)

This appendix sets out the significant audit differences identified during the audit for the year ended 31 March 2015.

We are reporting all audit differences over £0.9m.

These have been adjusted in the Statement of Accounts.

No.	Income and Expenditure Statement	Movement in Reserves Statement	Impact			Basis of audit difference
			Assets	Liabilities	Reserves	
3	DR Other Expenditure (Loss on disposal) £5,787k	CR Adjustments between accounting basis & funding basis under Regulations (£5,787k)	CR PPE (£5,787k)	-	DR Capital Adjustment Account £5,787k	There were £5.787 million of assets relating to new Academy Schools in the year incorrectly held on the balance sheet at year end. These have been derecognised as part of the accounting treating for Academy schools.
	DR £5,787k	CR (£5,787k)	CR (£7,654k)	DR £1,867k	DR £5,787k	Total impact of adjustments

Appendix 2: Audit differences (continued)

This appendix sets out the significant audit differences identified during the audit for the year ended 31 March 2015.

We are reporting all audit differences over £0.9m.

These have been adjusted in the Statement of Accounts.

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In addition to the above adjustments, we identified an adjustment to the prior year figures. This related to the changes required as a result of clarified guidance being issued in relation to the accounting treatment of school assets. The details of this are shown below.

No.	Impact (Comparative Figures for 2013/14)					Basis of audit difference
	Income and Expenditure Statement	Movement in Reserves Statement	Assets	Liabilities	Reserves	
4	DR Depreciation £1,045k	CR Adjustments between accounting basis & funding basis under Regulations (£1,045k)	DR PPE £46,739k	-	CR Capital Adjustment Account (£46,739k)	The adjustments made in response to LAAP Bulletin 101 initially resulted in Foundation school assets being recognised and brought back onto the Authority's balance sheet in year. Under the requirements of the Code, as this represents a change in accounting policy this should have been recognised as a prior period adjustment as at 1 April 2013, with an adjustment being made to the prior period comparatives within the financial statements. The value of these assets as at 1 April 2013 was £47,785 million, with depreciation of £1,045 million for 2013/14.
	DR £1,045	CR (£1,045)	DR £46,739k	-	CR (£46,739k)	Total impact of adjustments

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

Requirements

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

“Auditors and their staff should exercise their professional judgement and act independently of both the Commission and the audited body. Auditors, or any firm with which an auditor is associated, should not carry out work for an audited body that does not relate directly to the discharge of auditors’ functions, if it would impair the auditors’ independence or might give rise to a reasonable perception that their independence could be impaired.”

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

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

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor's objectivity and independence.

- The related safeguards that are in place.
- The total amount of fees that the auditor and the auditor's network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our *Annual Audit Letter*.

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

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

General procedures to safeguard independence and objectivity

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

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

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

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

All partners and staff must understand the personal responsibilities they have towards complying with the policies outlined in the Manual and follow them at all times. To acknowledge understanding of and adherence to the policies set out in the Manual, all partners and staff are required to submit an annual ethics and independence confirmation. Failure to follow these policies can result in disciplinary action.

Auditor declaration

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

For 2014/15 our materiality is £18.5 million for the Authority's accounts. For the Pension Fund it is £18.5 million.

We have reported all audit differences over £0.9 million for the Authority's accounts and £1.85 million for the Pension Fund, to the Audit Committee.

Materiality

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

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

We used the same planning materiality reported in our External Audit Plan 2014/15, presented to you in February 2015.

Materiality for the Authority's accounts was set at £18.5m which equates to 1.95 percent of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

Materiality – pension fund audit

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

We design our procedures to detect errors at a lower level of precision, set at £18.5 million for 2014/15.

Reporting to the Audit Committee

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

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

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

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.9m and £1.85m for the Pension Fund.

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

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG.

The diagram summarises our approach and each level is expanded upon.

At KPMG we consider audit quality is not just about reaching the right opinion, but how we reach that opinion. KPMG views the outcome of a quality audit as the delivery of an appropriate and independent opinion in compliance with the auditing standards. It is about the processes, thought and integrity behind the audit report. This means, above all, being independent, compliant with our legal and professional requirements, and offering insight and impartial advice to you, our client.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG. We use our seven drivers of audit quality to articulate what audit quality means to KPMG.

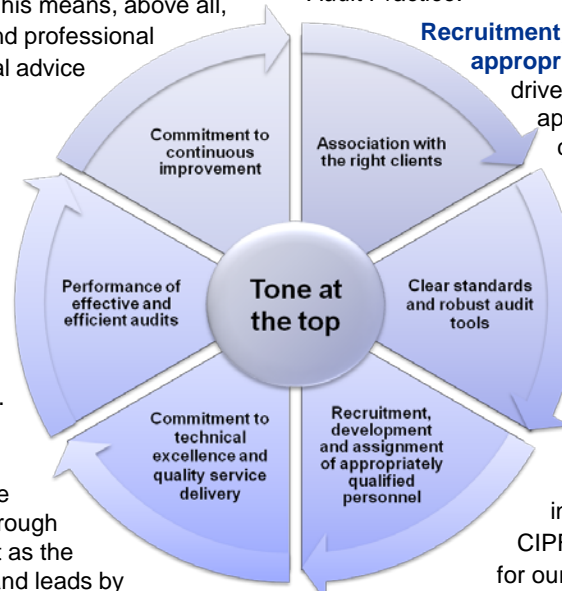
We believe it is important to be transparent about the processes that sit behind a KPMG audit report, so you can have absolute confidence in us and in the quality of our audit.

Tone at the top: We make it clear that audit quality is part of our culture and values and therefore non-negotiable. Tone at the top is the umbrella that covers all the drives of quality through a focused and consistent voice. Darren Gilbert as the Engagement Lead sets the tone on the audit and leads by example with a clearly articulated audit strategy and commits a significant proportion of his time throughout the audit directing and supporting the team.

Association with right clients: We undertake rigorous client and engagement acceptance and continuance procedures which are vital to the ability of KPMG to provide high-quality professional services to our clients.

Clear standards and robust audit tools: We expect our audit professionals to adhere to the clear standards we set and we provide a range of tools to support them in meeting these expectations. The global rollout of KPMG's eAudIT application has significantly enhanced existing audit functionality. eAudIT enables KPMG to deliver a highly

technically enabled audit. All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.



Recruitment, development and assignment of appropriately qualified personnel: One of the key drivers of audit quality is assigning professionals appropriate to the Authority's risks. We take great care to assign the right people to the right clients based on a number of factors including their skill set, capacity and relevant experience.

We have a well developed technical infrastructure across the firm that puts us in a strong position to deal with any emerging issues. This includes:

- A national public sector technical director who has responsibility for co-ordinating our response to emerging accounting issues, influencing accounting bodies (such as CIPFA) as well as acting as a sounding board for our auditors.
- A national technical network of public sector audit professionals is established that meets on a monthly basis and is chaired by our national technical director.
- All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.
- A dedicated Department of Professional Practice comprised of over 100 staff that provide support to our audit teams and deliver our web-based quarterly technical training.

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

Quality must build on the foundations of well trained staff and a robust methodology.

Commitment to technical excellence and quality service delivery:

Our professionals bring you up- the-minute and accurate technical solutions and together with our specialists are capable of solving complex audit issues and delivering valued insights.

Our audit team draws upon specialist resources including Forensic, Corporate Finance, Transaction Services, Advisory, Taxation, Actuarial and IT. We promote technical excellence and quality service delivery through training and accreditation, developing business understanding and sector knowledge, investment in technical support, development of specialist networks and effective consultation processes.

Performance of effective and efficient audits: We understand that how an audit is conducted is as important as the final result. Our drivers of audit quality maximise the performance of the engagement team during the conduct of every audit. We expect our people to demonstrate certain key behaviors in the performance of effective and efficient audits. The key behaviors that our auditors apply throughout the audit process to deliver effective and efficient audits are outlined below:

- timely Engagement Lead and manager involvement;
- critical assessment of audit evidence;
- exercise of professional judgment and professional scepticism;
- ongoing mentoring and on the job coaching, supervision and review;
- appropriately supported and documented conclusions;
- if relevant, appropriate involvement of the Engagement Quality Control reviewer (EQC review);
- clear reporting of significant findings;
- insightful, open and honest two-way communication with those charged with governance; and
- client confidentiality, information security and data privacy.

Commitment to continuous improvement: We employ a broad range of mechanisms to monitor our performance, respond to feedback and understand our opportunities for improvement.

Our quality review results

Public Sector Audit Appointments Ltd publishes information on the quality of work provided by us (and all other firms) for audits undertaken on behalf of them (<http://www.psa.co.uk/audit-quality/principal-audits/kpmg-audit-quality/>).

The latest Annual Regulatory Compliance and Quality Report issued June 2015 showed that we are meeting the overall audit quality and regulatory compliance requirements.



cutting through complexity™

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WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD

22 October 2015

Update on the Internal Audit Report 2014-15 Action Plan

Purpose of the Report

1. The purpose of this report is to provide an update on the actions from the South West Audit Partnership (SWAP) Internal Audit Report for the Wiltshire Pension Fund for information.

Background

2. The SWAP Internal Audit Report was reviewed by this Board at its meeting on 16 July 2015 (see attached).
3. It was requested that this report and action plan is reviewed again by this Board.

Considerations for the Board

4. From the agreed action plan outlined in the report, all the actions have been completed with the exception of the following:

1.7a Workflow Procedures & 2.1a GMP Procedures: These both require the updating of procedure notes in relation to the processing of specific issues involving Guaranteed Minimum Pension (GMP) calculations. An on-going GMP project will pick this up, although progress has been delayed due to the departure of the Technical & Compliance Manager and Fund Development Manager over the summer. These two posts have now been recruited to and it's anticipated this work will be completed by the end of the year.

3.6a Performance Measurement: The development of performance measurements was also delayed by the departure of key staff. The Fund Development Manager who was recently appointed will move this work forward with the objective of completing this by the end of the year.

Environmental Impact of the Proposal

5. Not applicable.

Risk Assessment

6. If the outstanding actions were not completed they would impact on *PEN001: Failure to process pension payments and lump sums on time* identified on the Fund's risk register elsewhere on this agenda. For the relatively small number of cases affected this would not be a material change in the risk rating.

Financial Considerations

7. There are no significant financial implications from this report.

Legal Implications

8. There are no legal implications from this report.

Safeguarding Considerations/Public Health Implications/Equalities Impact

9. There are no known implications at this time.

Reasons for Proposals

10. An update of the implementation of the agreed internal audit action plan ensure the Board is fulfilling its duty to assist the Wiltshire Pension Fund in ensuring compliance with the scheme regulations and securing effective and efficient governance and administration of the LGPS scheme.

Proposals

11. The Board is asked to note the updated position of the internal audit report and action plan.

MICHAEL HUDSON
Treasurer to the Pension Fund

Report Author: David Anthony, Head of Pensions

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

Wiltshire Council

► Administration of Pensions

Issued to: David Anthony
Head of Pensions

Catherine Dix
Strategic Pension Manager

Michael Hudson
Associate Director Finance

Carolyn Godfrey
Corporate Director

Gerry Cox
SWAP Chief Executive

Working in partnership with

Wiltshire Council
Where everybody matters

Date of Report: 31 March 2015

Issued by: Suella Coman
Audit Manager

Administration of Pensions

Management Summary

Under the Local Government Pension Scheme (LGPS) Wiltshire Council administers pensions for eligible authorities across the county. Wiltshire Council administers the Wiltshire Pension Fund (WPF) and is one of the 148 Employer organisations which are members of the Fund. Swindon Council and Wiltshire Council are the two largest employers organisations of the Fund. The Fund has seen a further increase in Member bodies during 2013-14 predominantly from the ongoing formation of Academy Schools which have the right of automatic membership.

The Fund has around 21,600 employees currently contributing to it while the number of retired employees receiving regular payments is 13,700. The Wiltshire Pensions Funds assets were valued at £1,645 million as at 31st March 2014.

Pension records are maintained on the council's Altair system by the pensions administration team and payments are made through the SAP payroll system by the pensions payroll team. A Guaranteed Minimum Pension (GMP) Review is currently being undertaken by a pensions project team to address issues that have been identified with GMP administration.

Summary of Significant Corporate Risks

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

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

Risks	Inherent Risk Assessment	Managers Initial Assessment	Auditors Assessment
R1: Poor procedures lead to poor administration of the County pension scheme.	Medium	Medium	Low
R2: Inaccurate service records cause incorrect payments of benefits resulting in financial loss.	Medium	Medium	Medium
R3: Payments are not made promptly and customer service is poor.	Medium	Medium	Medium

Summary of Significant Findings

There were no significant findings identified during this review.

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

Conclusion and Audit Opinion

▲★★★ **Reasonable**

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

Whilst the service is actively reviewing procedure and guidance notes, further updating is still required to ensure all processes and procedures are fully documented. There is a GMP Project underway to address the issue of ensuring all advice on GMP is obtained from the DWP in a timely fashion and to ensure accurate payments are set up.

According to policy, the Pensions Team administration staff should have read-only access to the payroll system in SAP. Following Audit enquiries it was found they also had the ability to make an alteration, however this has now been revoked by the SAP Administration Team.

Although pensions system and payroll reconciliations are being carried out, these were not always performed monthly. Action plans from pensions administration and payroll liaison meetings and service complaints identified need to be managed more pro-actively. Performance measures required updating and better monitoring.

The above assurance opinion reflects the fact that the Pensions team have implemented a number of improvements to processes. The recommendations and ensuing actions will further strengthen the controls of the overall system and support the development of the GMP project.

Objectives & Risks

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

Objective: To ensure that Pension Records and Payments are administered by WUC in compliance with Regulations and best practice and internal controls minimise the risk of losses through fraud or errors.

Risks:

- R1: Poor procedures lead to poor administration of the County pension scheme.
- R2: Inaccurate service records cause incorrect payments of benefits resulting in financial loss.
- R3: Payments are not made promptly and customer service is poor.

Method & Scope

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

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

To ensure that Pension Records and Payments are administered by the Wiltshire Pension Fund in compliance with Regulations and best practice and internal controls minimise the risk of losses through fraud or errors.

Findings

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

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

1. Risk: R1: Poor procedures lead to poor administration of the County pension scheme.

1.1 Membership of Professional Bodies

The key managers and senior staff in the Wiltshire Pensions Fund (WPF) Team are all required to be members of a relevant professional body or are studying to gain a relevant qualification. Membership is a requirement of the posts, however, the individuals maintain their CPD in line with their organisation's requirements and it is not a requirement to demonstrate this to the Local Authority. The individuals pay their own subscription fees and these are not reimbursed by the Local Authority.

Pensions administration is a complex process and there is a requirement for high technical competence and accuracy to comply with HMRC regulations and therefore senior and key staff are encouraged to achieve and maintain an appropriate professional qualification.

1.2 LGPS Rules and Regulations

For LGPS rules and regulations the Wiltshire Pensions Service uses a detailed spreadsheet covering the main procedures for the pensions benefits team. The Pensions Benefits Manager updates the procedures and there are numerous regulations which the Compliance & Technical Manager checks that these are reflected in the pensions Procedures spreadsheet.

The council is advised of changes in LGPS rules and regulations through GAD guidance being issued, updates from DCLG, The Pension Regulator, HMRC updates, LGE updates, and consultants briefing papers. There are many sources of legislation for which the Compliance & Technical Manager acts as gatekeeper and consolidates all these sources and directs managers to where actions need to be taken.

1.3 Pension Transfers

The process for recording and reconciling transfer values into and out of individual pension schemes was reviewed by audit. The Pensions Benefits Team are notified from previous pension providers and enter the details in a spreadsheet to advise the Accounting Technician who checks this income on the Wilts Pension Fund bank statement and records receipt on the spreadsheet and reconciles the records input in Altair (pensions database) to the amount in SAP.

The Benefits Team calculate what the income amount is worth in the WPF. There can be delays between receiving notification and income and the Benefits Team will have to chase the previous provider and calculate additional charges e.g. lost interest. The income received in the WPF bank account has to be transferred to the current account in SAP and the detail input in Altair. This is subject to regular reconciliation and reconciliations appear in Sharepoint. Whilst the reconciliation process is documented for transfers out, there is no procedure documentation to describe the reconciliation for transfers into the WPF (Transfers In).

The 'Transfer and AVC Notifications' spreadsheet identifies information input by Benefits Team and the Accounting Team. The spreadsheet is in Sharepoint under Transfers and Income Pending. The latest 'Transfer and AVC Notifications' spreadsheet was reviewed and this showed that the monthly reconciliations for 2014-15 have been carried out regularly and checked and authorised

by the Fund Investment & Accounting Manager.

1.3a I recommend that the procedures for the reconciliation of pension fund transfer monies into the WPF (Transfers In) are documented.

1.4 Payment Protocols

Guidance notes for Pensions Benefits Team Officers to use for pension payment transfers require further updating. This is acknowledged in the summary of procedures available on Sharepoint. There are work flow diagrams for the Benefits Team Officers to use as a guide in the Altair system. However, the original guidance notes provide more detail. To be effective they need to be further updated and aligned to the current, work flow processes.

1.4a I recommend that the guidance notes for Pensions Benefits Team Officers to use for pension payment transfers should be further updated and aligned to the current work flow processes.

1.5 Scheme Administration Costs

The cost of administering WUC Pensions is identified in the authorities' accounting structure. The salary of staff on-costs along with some internal recharges and external income are within SAP company 1000 cost centre 98000. This is required as the WPF administers the Fire Uniform scheme which is not part of the LGPS so costs need to be kept separate.

In SAP company 2000, there are cost centres 98001 and 98002 for investment related costs and administration. These codes also include the recharges from 98000 in company 1000. The Final Accounts on Sharepoint show that WPF Admin and processing costs total £1,165k for 2013-14. The costs for each of the pension funds are apportioned and allocated according to size although some costs have to be specifically charged to employers that generate additional expenditure.

1.6 Benchmarking

The Wiltshire Pension Fund (WPF) joined the CIPFA benchmarking club in 2010 with the intention to gain a better understanding of how WPF's service compares to those of its peers. The club compares the Fund against the other 52 LGPS authorities within the club.

The latest CIPFA Pensions Administration Benchmarking Club 2013 report was presented to the WPF Committee as an appendix to the Pension Fund Benchmarking Update report in December 2013. This update highlighted that there are differences between how pension administration is set up among the authorities, the WPF is a single team covering administration, accounting and investment activities whereas most authorities still include administration within their payroll section with the accounting and investments functions separate within their finance teams. Also the allocation of overheads can be treated differently between authorities.

The benchmarking survey confirmed that the WPF was broadly in line with other LGPS schemes in terms of work being processed. The areas where WPF costs were higher were stated to be a reflection of the proactive approach being taken in respect of communicating with members, improving its ICT capabilities and monitoring and managing its liability risks through its work with the actuary.

1.7 Workflow Processes and Procedures

Audit reviewed processes followed by WPF Benefits Team Officers in relation to GMP tasks and processes carried out by Payroll Officers following instructions from the WPF Benefits Team. The review of GMP tasks revealed that procedure notes need to be further updated.

Audit Note: Evidence of the procedures being reviewed was subsequently provided to audit. The updating is ongoing and is reflected in the recommendation made. See also 2.1 below.

The communications between WPF Benefits Team and Payroll allow actions to be carried out in a timely manner and provide a good audit trail. Changes have been implemented to allow working from home and WPF management note that this has brought with it some required benefits such as:

- documents are easily available
- documents do not go missing
- documents are held confidentially (driven by a clear desk policy).

Other than this, Audit is unable to assess the effects of these improvements because it is not known what processes were in place before. Also, Audit is unable to measure the effects because WPF is not able to provide base line data against which to measure.

1.7a I recommend that the procedure notes for the Altair pensions system and work-flow processes should be further reviewed and updated.

2. Risk: R2: Inaccurate service records cause incorrect payments of benefits resulting in financial loss.

2.1 GMP Processes

There is a defined process for determining the GMP by which the Pension Benefits Team officers follow the work flow processes that are set up in Altair. They carry out the prescribed tasks and check them off against the work-flow charts. These are then checked by a second officer. There are procedure notes for some of the GMP tasks that were created prior to work flow processes and these now require updating. There are some tasks for which there are not procedure notes and this is being looked at by the GMP Project Team. Again, as in 1.7 above, these are currently being reviewed and updated but the process is ongoing.

2.1a I recommend that the workflow processes should be further supported by procedure notes to explain the processes for GMP to officers and ensure consistent application.

2.2 GMP Advice

There is a process where applications made for GMP advice from DWP are monitored through to receipt. The Pensions Team requires advice from DWP about GMP in some cases. The Altair work flow processes require input by the user where the advice is required. There is a GMP Project underway to address the issue of ensuring all advice on GMP is obtained from the DWP in a timely fashion and to ensure accurate payments are set up.

Reports run from Altair at the request of Audit showed that pensioners with pre 1997 service and CA1629 indicator was not ticked listed 6421 members. The CA1629 indicator relates to Statement of Pension Liability. Where WPF are waiting to receive a CA1629 notification from HMRC they use the GMP value held on Altair although outstanding requests are not monitored.

HMRC are starting an exercise whereby pension funds will have the opportunity to go on line and check values. From April 2016 the HMRC will not cover the differences i.e. what is on the pension fund's records will stand and the pension fund will have to cover the cost. Although this is relatively small it is difficult to assess the impact without making all the corrections (the scale of which is unknown) and it could be positive or negative for the WPF. There is a note in the Final Accounts that refers to the GMP.

2.3 Reconciliations (Altair - SAP)

Audit verified that reconciliations should be performed by WPF for every month to affirm the value paid by Payroll matches the value expected to be paid from records held in Altair. However, although it is evident that reconciliations are taking place, these reconciliations have not always been carried out on a monthly basis and can sometimes result in two months being reconciled at the same time. Additionally, there were no procedure notes to explain how the reconciliation is done.

2.3a I recommend that monthly reconciliations should be performed by WPF on a timely basis to affirm the value paid by SAP Payroll matches the value expected to be paid from pension records held in Altair. The reconciliation process should be supported by adequately documented procedure notes.

2.4 Reconciliation Review

Pensions system reconciliations are carried out by the Team's Accounting Technician and later checked by the Accounting Manager. However, examination of the SharePoint records for the current financial year found that the separation of duties and actual reconciliation dates could not be clearly demonstrated. Audit asked if a checklist of all reconciliations is used to ensure they are performed at scheduled times and on a timely basis. A list of reconciliations was presented but not a checklist designed for monitoring timely completion.

2.4a I recommend that a checklist of all Pensions reconciliations should be designed and used to ensure they are performed at scheduled times and reviewed on a timely basis.

2.5 Mortality Screening

The WPF Team have been notified about a pensioners continued right to receive payment in three ways:

- life certificate exercise
- by using an external company (Target) for mortality screening
- notification of annual NFI data matches which are then investigated.

2.6 There are approximately 60 WPF pension members living abroad. The use of Target allows the life certificate exercise to be more targeted, i.e. looking at those who Target believe are deceased but WPF also continues with life certificates for overseas clients.

2.7 Second Person Checking

The procedure for calculating and establishment of pension payment is subject to second person checking. When the Notifications go to Payroll they are printed showing the name of the WPF officer who set up the record and who checked it with dates. These are emailed to Payroll by WPF Manager. The 'set up' name and date is generated on the Notification Form by Altair and the 'checked by' name and date is typed in by the WPF officer. Examination of an audit sample of five Pensions Notification forms confirmed that these all showed the names and dates of the two persons who set up and checked the records.

2.8 Annual Life Certificate Process

The WPF Team carried out a life certificate process around two years ago but this was found to be time consuming. An external company (Target) has now been engaged to trace the whereabouts of pension members and their next of kin to establish their mortality.

2.9 Dependent's Pensions

Pensions check that short term and long term pensions are implemented by Payroll. This is carried out by the Accounting Technician (Pensions) who does a monthly reconciliation to make sure the widow(er)s dependent pensions are reduced down to 50% following the death of the pension member. Reconciliation involves taking new members from Altair where the status has become 'dependent' and checking the amount they are paid in SAP has been reduced down to the amount stated in Altair.

3. **Risk: R3: Payments are not made promptly and customer service is poor.**

3.1 Systems Access

The Pensions Team administration staff are supposed to have read only access to the payroll system in SAP. Following Audit enquiries it was found they also had the ability to make an alteration, however this has now been revoked by the SAP Administration Team.

3.2 Payroll and Accounting Controls

It was confirmed that Pensions Payroll run to run controls are reviewed and signed off by a senior officer for each run. Review of the pensions pay run for August 2014 confirmed that the process was completed correctly.

3.3 The SAP GL is posted as a result of the pensions payroll pay run according to the standard controls applied to all payroll processing. Controls over payroll postings is subjected to reconciliation of the payroll accounts, in this case the pension payroll account by the Corporate Finance Team.

3.4 Audit reviewed how WPF checks on the income that is received from all the contributing bodies / employers and how this reflects what is expected and is posted to the appropriate account in SAP.

3.5 Payroll and Pensions Meetings

Quarterly strategic and operational meetings between WPF and Payroll representatives have been held follow a break during the second half of 2013 whilst a new Pensions Manager was appointed. Audit reviewed the minutes from these meetings that took place during 2014. The notes from the operational meetings identified some issues regarding service provision and references to customer complaints that required further investigation. However, the action points did not appear specific enough to provide assurance that improvements were being instigated as a result.

3.5a I recommend that Payroll and Pensions operational meeting notes are made more detailed, better define the actions to be taken and specify the person(s) responsible for taking action and record the timescale for implementation.

3.5b I recommend that Payroll and Pensions capture complaints in more detail about service provision issues so that these can be investigated and acted upon if necessary to improve the service to customers.

3.6 Performance Monitoring

The WPF Administration Strategy is published on the WPF Pensions Made Simple website. This states the standards set for employers and for the WPF Team. It also states that the measurements against the standards would be published. However, the Strategy is overdue a review and the Employer Relationship & Fund Development Manager has stated that WPF have not published their own performance results.

3.6a I recommend that the WPF develops an updated set of performance measures and publishes the results on a regular basis.

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

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

Finding	Recommendation	Priority Rating	Management Response	Responsible Officer	Implementation Date
<p>Objective: To ensure that Pension Records and Payments are administered by WUC in compliance with Regulations and best practice and internal controls minimise the risk of losses through fraud or errors.</p>					
<p>1. R1: Poor procedures lead to poor administration of the County pension scheme.</p>					
<p>1.3a Reconciliation of transfer monies – procedures are not fully documented.</p>	<p>I recommend that the procedures for the reconciliation of pension fund transfer monies into the WPF (Transfers In) are documented.</p> <p style="text-align: right;"><small>SWAP Ref: 27413</small></p>	<p>3</p>	<p>A procedure is now documented for reconciling Transfers In (account code 729110-111).</p>	<p>Catherine Dix, Strategic Pension Manager</p>	<p>Completed</p>
<p>1.4a Payment transfer procedures – guidance notes require further updating.</p>	<p>I recommend that the guidance notes for Pensions Benefits Team Officers to use for pension payment transfers should be further updated and aligned to the current work flow processes.</p> <p style="text-align: right;"><small>SWAP Ref: 27414</small></p>	<p>3</p>	<p>Procedures and workflow have now been updated for both Transfers In and Transfer Out. The workflows are accessible via the procedures matrix and the procedures will be added shortly (when the matrix is available for Managers to update.)</p>	<p>Catherine Dix, Strategic Pension Manager</p>	<p>30 June 2015</p>
<p>1.7a Workflow Procedures – procedure notes need further updating.</p>	<p>I recommend that the procedure notes for the Altair pensions system and work-flow processes should be further reviewed and updated.</p>	<p>3</p>	<p>The procedures continue to be reviewed as part of the development of our GMP project</p>	<p>Catherine Dix, Strategic Pension Manager</p>	<p>30 September 2015</p>

Finding	Recommendation	Priority Rating	Management Response	Responsible Officer	Implementation Date
	<i>SWAP Ref: 27417</i>		which is reviewing all related issues within the team.		
There are no significant findings to report					
2. R2: Inaccurate service records cause incorrect payments of benefits resulting in financial loss.					
2.1a GMP Procedures – processes are not fully covered by procedure notes.	I recommend that the workflow processes should be further supported by procedure notes to explain the processes for GMP to officers and ensure consistent application. <i>SWAP Ref: 27418</i>	3	The procedures continue to be reviewed as part of the development of our GMP project which is reviewing all related issues within the team.	Catherine Dix, Strategic Pension Manager	30 September 2015
2.3a Reconciliations (Altair - SAP) – monthly reconciliations were not always performed on a timely basis.	I recommend that monthly reconciliations should be performed by WPF on a timely basis to affirm the value paid by SAP Payroll matches the value expected to be paid from pension records held in Altair. The reconciliation process should be supported by adequately documented procedure notes. <i>SWAP Ref: 27500</i>	3	Reconciliations are always completed for new pensioner/new dependents although two months are sometimes completed together. All issues arising are reviewed by the Strategic Pension Manager and Benefits Manager to take any necessary action. In terms of the other accounting reconciliations the Pension Fund Accountant reviews these and are re-saves the file as authorised.	Catherine Dix, Strategic Pension Manager	Completed

Finding	Recommendation	Priority Rating	Management Response	Responsible Officer	Implementation Date
2.4a Reconciliation Checklist – regular completion needs to be monitored.	I recommend that a checklist of all Pensions reconciliations should be designed and used to ensure they are performed at scheduled times and reviewed on a timely basis. <i>SWAP Ref: 27501</i>	3	Managers acknowledge this recommendation and are currently working on putting a checklist in place.	Catherine Dix, Strategic Pension Manager	30 June 2015
There are no significant findings to report					
3. R3: Payments are not made promptly and customer service is poor.					
3.5a Payroll and Pensions Meetings – action plans require improvement.	I recommend that Payroll and Pensions operational meeting notes are made more detailed, better define the actions to be taken and specify the person(s) responsible for taking action and record the timescale for implementation. <i>SWAP Ref: 27514</i>	3	The quarterly payroll/pension meetings have only recently been recommenced due to changes in staff. They provide an opportunity to build relationships and have a face to face meeting to discuss any issues. There are currently no major issues but notes of the meetings are kept.	Catherine Dix, Strategic Pension Manager	Completed
3.5b Service Complaints – recording and investigation needs improvement.	I recommend that Payroll and Pensions capture complaints in more detail about service provision issues so that these can be investigated and acted upon if necessary to improve the service to customers.	3	All specific complaints are investigated so corrective action can be taken immediately to address any issues. The complaints referred to at the Payroll/Pensions meeting couldn't be specifically identified	Catherine Dix, Strategic Pension Manager	30 June 2015

Finding	Recommendation	Priority Rating	Management Response	Responsible Officer	Implementation Date
	<i>SWAP Ref: 27515</i>		to allow further investigation. Moving forward it's agreed that any complaints made either to payroll or pensions will be captured in sufficient detail to feed back to the relevant team.		
3.6a Performance Measurement – WPF does not publish results.	I recommend that the WPF develops an updated set of performance measures and publishes the results on a regular basis. <i>SWAP Ref: 27516</i>	3	KPIs are currently being developed within the Pension section. The intention is that we have KPIs that will assist management performance reporting but also provide a basis for reporting to the Wiltshire Pension Fund Committee and to be disclosed in the Annual Report. This is also being developed alongside an update of the Fund's Administration Strategy.	David Anthony, Head of Pensions	30 September 2015
There are no significant findings to report					

Audit Framework Definitions

Control Assurance Definitions

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

Categorisation Of Recommendations

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

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

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

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

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

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

Definitions of Corporate Risk

Risk	Reporting Implications
Low	Issues of a minor nature or best practice where some improvement can be made.

Medium	Issues which should be addressed by management in their areas of responsibility.
High	Issues that we consider need to be brought to the attention of senior management.
Very High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.

WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD
22 October 2015

Review of the Pension Fund Risk Register

Purpose of the Report

1. The purpose of this report is to present the Pension Fund Risk Register that was noted by the Pension Fund Committee at its meeting on 1 October 2015.

Background

2. The Pension Fund Committee first approved a Risk Register for the Wiltshire Pension Fund at its meeting on 12 May 2009. Members had requested that the highlights, particularly upward/downward movements in individual risks, are reported back to the Committee on a quarterly basis.
3. The significance of risks are measured by interaction of the likelihood of occurrence (likelihood) and the potential impact of such an occurrence (impact). This register uses the Council's standard "4x4" approach, which produces a risk status of Red, Amber or Green (RAG).

Considerations for the Board

4. There have been one significant change since the last report in June 2015. **PEN008 Failure to comply with LGPS and other regulation** has increased from a low to medium risk. This reflects the increased obligations now imposed on the Fund from the Pension Regulator (tPR) since it took on responsibility for public sector pension schemes from 1 April 2015. The Fund must now adhere to the Regulators Code of Practice no.14 *Governance and administration of public service pension schemes*.
5. The Fund is currently reviewing all these requirements and will need to put into place reporting structures to ensure these requirements are either being adhered to or action being taken to address them. The Fund will also need to ensure it has a policy in place for reporting any breaches to tPR.
6. During the transitional phase there will be areas where the Fund needs to change processes, or gather additional information to report on adherence. Where the Fund currently fails to meet the requirements of the Code, consideration will be required as to the "materiality" of any breach and the need to report to tPR. Therefore, this risk will remain medium until the Fund has reviewed its position and put in place a revised breaches policy.
7. The other notable risks are **PEN011 Lack of expertise of Pension Fund Officers** and **PEN012 Over-reliance on key officers** which remains at medium. The Fund has now appointed a new Technical & Compliance Manager and Fund Development Manager, however the post of Employer Relationship Manager remains vacant. A further recruitment process is underway to try and recruit to this post which will remain at medium until this point.

8. At this meeting on 16 July 2015, the Board resolved to make assessments of the key risks and to consider aligning these to a work programme. A draft work plan is presented elsewhere on this agenda.

Financial Implications

9. There are no known implications from the proposals.

Legal Implications

10. There are no known implications from the proposals.

Environmental Impacts of the Proposals

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

Safeguarding Considerations/Public Health Implications/Equalities Impact

12. There are no known implications at this time.

Proposals

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

MICHAEL HUDSON
Treasurer to the Pension Fund

Report Author: David Anthony, Head of Pensions

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

Wiltshire Pension Fund Risk Register							18-Sep-15							Current Risk Rating			Target Risk Rating		
Ref.	Risk	Risk Category	Cause	Impact	Risk Owner	Controls in place to manage the risk	Impact	Likelihood	x	Level of risk	Further Actions necessary to manage the risk	Risk Action Owner	Date for completion of action	Impact	Likelihood	x	Level of risk	Date of Review	Direction of Travel
PEN001	Failure to process pension payments and lump sums on time	Service Delivery	Non-availability of ALTAIR pensions system, SAP payroll system, key staff, or error, omission, etc.	Retiring staff will be paid late, which may have implications for their own finances. It also has reputational risk for the Fund and a financial cost to the employers if interest has to be paid to the members.	David Anthony	Maintenance and update of ALTAIR and SAP systems, sufficient staff cover arrangements, sufficient staff training and QA checking of work.	2	2	4	Low	Regular review of ALTAIR calculations are more thoroughly tested, especially to ensure regulations changes are correctly processed. Audit recommendation (Mar 15) is for clearer documentation of processes and reconciliations, along with closer monitoring of performance.	David Anthony		2	2	4	Low	18 Sept 2015	→
PEN002	Failure to collect and account for contributions from employers and employees on time	Finance	Non-availability of SAP systems, key staff, error, omission, failure of employers' financial systems, failure to communicate with employers effectively. LGPS 2014	Adverse audit opinion for failure to collect contributions by 19th of month, potential delays to employers' FRS17 year-end accounting reports and to the Fund's own year-end accounts.	David Anthony	Robust maintenance and update of ALTAIR and SAP systems, sufficient staff cover arrangements, sufficient staff training and QA checking of work. We constantly work with employers to ensure they understand their responsibilities to pay by 19th of the month.	2	1	2	Low	Electronic forms rolled out to all employers to allow collation of membership and contributions detail by member to facilitate monthly reconciliations ahead of year end. Chase letters sent as required.	Catherine Dix		2	2	4	Low	18 Sept 2015	→
PEN003	Insufficient funds to meet liabilities as they fall due	Service Delivery	Contributions from employees / employers too low, failure of investment strategy to deliver adequate returns, significant increases in longevity, etc.	Immediate cash injections would be required from the scheme employers. This shouldn't be an issue for the Fund but it looks likely that investment income might need to be used within the next 12 months.	David Anthony	Funding Strategy Statement, Investment Strategy, Triennial Valuations, membership of Club Vita, modelling of future cashflows.	2	2	4	Low	The "maturity" profile of cashflows is changing as a result of employers outsourcing and redundancy programmes. The cashflow profile is now being carefully monitored as benefits paid slightly exceeded receipts (excluding investment income) during the last financial year. Current forecast is that the Fund will remain cash neutral for next 12 months.	David Anthony		4	1	4	Low	18 Sept 2015	→
PEN004	Inability to keep service going due to loss of main office, computer system or staff	Service Delivery	Fire, bomb, flood, etc.	Temporary loss of ability to provide service	David Anthony	Business Continuity Plan in place. The team have the ability to work from home or remotely if required. The pension system is also hosted by its supplier, which reduces the risk should Wiltshire Council's IT servers fail. The Fund also operates a paperless office.	4	1	4	Low	Business Continuity Plan to be reviewed and approved by the CFO by Oct 2015. All the team now have laptops that would mean they can access ALTAIR remotely if required and all paperwork is scanned.	David Anthony	Oct 2015	4	1	4	Low	18 Sept 2015	→
PEN005	Loss of funds through fraud or misappropriation	Fraud / Integrity	Fraud or misappropriation of funds by an employer, agent or contractor	Financial loss to the Fund	David Anthony	Internal and External Audit regularly test that appropriate controls are in place and working. Regulatory control reports from investment managers, custodian, etc. are also reviewed by audit. Due Diligence is carried out whenever a new manager is appointed. Reliance is also placed in Financial Services Authority registration.	4	1	4	Low	None	Catherine Dix		4	1	4	Low	18 Sept 2015	→

Ref.	Risk	Risk Category	Cause	Impact	Risk Owner	Controls in place to manage the risk	Current Risk Rating				Further Actions necessary to manage the risk	Risk Action Owner	Date for completion of action	Target Risk Rating				Date of Review	Direction of Travel
							Impact	Likelihood	x	Level of risk				Impact	Likelihood	x	Level of risk		
PEN006a	Significant rises in employer contributions for secure employers due to increases in liabilities	Economic	Scheme liabilities increase disproportionately as a result of increased longevity, falling bond yields, slack employer policies, etc. The current increase in Quantitative Easing by the Government is forcing up the price of gilts leading to a worsening Funding Position.	Employer contribution rates become unacceptable, causing upward pressure on Council Tax and employers' costs.	David Anthony	Longevity and bond yields are really beyond the control of the Fund although some Funds have considered buying longevity insurance through the use of SWAPS. However, the Fund and each employer must have a Discretions Policy in place to help control discretionary costs (e.g. early retirements, augmented service, etc). Quarterly monitoring in liabilities movements is undertaken providing advance warning to employers.	2	1	2	Low	The Stabilisation Policy has limited increases for secure employer. Monitor cashflow profiles to review Fund's maturity. This policy was reviewed at the July 2013 Committee meeting and is to be maintained for the 2013 Valuation. As bond yields are at historical low levels and the Stabilisation Policy takes a long term view, rates will not increase significantly over the long term.	David Anthony		2	2	4	Low	18 Sept 2015	→
PEN006b	Significant rises in employer contributions for non-secure employers due to increases in liabilities	Economic	Scheme liabilities increase disproportionately as a result of increased longevity, falling bond yields, slack employer policies, etc. The current increase in Quantitative Easing by the Government is forcing up the price of gilts leading to a worsening Funding Position.	Employer contribution rates become unacceptable, causing upward pressure on Council Tax and employers' costs.	David Anthony	Longevity and bond yields are really beyond the control of the Fund although some Funds have considered buying longevity insurance through the use of SWAPS. However, the Fund and each employer must have a Discretions Policy in place to help control discretionary costs (e.g. early retirements, augmented service, etc). Quarterly monitoring as described above. The 2013 Valuation has set rates for the next 3 years.	2	2	4	Low	The rates for the 2013 Valuation were agreed and through the use of stepping in of contribution rate increases where requested the need for large increases was avoided for certain employers. This "contribution relief" policy was reviewed and maintained at the July 2013 Committee meeting for the 2013 Valuation process. Monitor cashflow profiles to review Fund's maturity.	David Anthony		2	2	4	Low	18 Sept 2015	→
PEN007a	Significant rises in employer contributions for secure employers due to poor/negative investment returns	Economic	Poor economic conditions, wrong investment strategy, poor selection of investment managers	Poor/negative investment returns, leading to increased employer contribution rates	David Anthony	Use of expert consultants in the selection of investment strategy and selection of investment managers, regular monitoring of investment managers (1/4ly), regular reviews of investment strategy (annually). There is a monthly review of the % of the Fund held in each mandate and strategy.	2	1	2	Low	The implementation of the Stabilisation Policy limits increases for secure employer. This policy was reviewed at the July 2013 Committee meeting and is to be maintained for the 2013 Valuation. The Fund is currently discussing with its advisers the benefits of a flight path strategy to take risk of the table as funding levels improve.	Catherine Dix	Mar-16	2	2	4	Low	18 Sept 2015	→
PEN007b	Significant rises in employer contributions for non-secure employers due to poor/negative investment returns	Economic	Poor economic conditions, wrong investment strategy, poor selection of investment managers	Poor/negative investment returns, leading to increased employer contribution rates	David Anthony	Use of expert consultants in the selection of investment strategy and selection of investment managers, regular monitoring of investment managers (1/4ly), regular reviews of investment strategy (annually). There is a monthly review of the % of the Fund held in each mandate and strategy.	2	2	4	Low	The review of employers long term financial stability and the policy for stepping in of contribution rates assists in affordability issues and this "contribution relief" policy was reviewed and maintained at the July 2013 Committee meeting for the 2013 Valuation process. Valuation rates have now been agreed for the next 3 years. The benefits of a 'flight path' strategy as outlined is being considered	Catherine Dix	Mar-16	2	2	4	Low	18 Sept 2015	→

Ref.	Risk	Risk Category	Cause	Impact	Risk Owner	Controls in place to manage the risk	Current Risk Rating				Further Actions necessary to manage the risk	Risk Action Owner	Date for completion of action	Target Risk Rating				Date of Review	Direction of Travel
							Impact	Likelihood	x	Level of risk				Impact	Likelihood	x	Level of risk		
PEN008	Failure to comply with LGPS and other regulations	Legal / Statutory	Lack of technical expertise / staff resources to research regulations, IT systems not kept up-to-date with legislation, etc	Wrong pension payments made or estimates given. Investment in disallowed investment vehicles or failure to comply with governance standards. Effect: Unhappy customers, tribunals, Ombudsman rulings, fines, adverse audit reports, etc	David Anthony	Sufficient staffing, training and regulatory updates. Competent software provider and external consultants.	2	3	6	Medium	The Technical & Compliance Manager oversees training plans for the team. The Pension Regulator now has responsibility from 1 April 2015 for Public Sector Pension Schemes. They have recently issued their code of practice which includes a number of new requirements. Work continues to ensure the Fund can comply fully with these requirements but this may lead to areas of non-compliance in the short term. Any "material" non-compliance will be reported to the Regulator.	David Anthony	Mar-16	2	2	4	Low	18 Sept 2015	↑
PEN009	Failure to hold personal data securely	Legal / Statutory	Poor procedures for data transfer to partner organisations, poor security of system, poor data retention, disposal, backup and recovery policies and procedures.	Poor data, lost or compromised	David Anthony	Compliance with Wiltshire Council's Data Protection & IT Policies.	2	2	4	Low	It is intended to do a full data protection audit for the Fund. An imaging system has now been implemented which will improve retention of documents and ultimately will lead to a paperless working environment. Annual Data Protection training for the team has taken place.	David Anthony		2	1	2	Low	18 Sept 2015	→
PEN010	Failure to keep pension records up-to-date and accurate	Knowledge / Data / Info	Poor or non-existent notification to us by employers and members of new starters, changes, leavers, etc	Incorrect records held, leading to incorrect estimates being issues to members and incorrect pensions potentially being paid.	David Anthony	Systems Team constantly working to improve data quality, data validation checks carried out through external partners (e.g. the Fund's actuaries and tracing agencies), pro-active checks done through national fraud initiative.	2	3	6	Medium	From 1 April 2014, the Pension Regulator will require additional checks on data. Data cleansing is taking place to address this. Also, with the end of "contracting-out" in April 2016, HMRC will no longer take responsibility for GMP data. A project is being scoped to ensure records match prior to this.	Martin Downes	Dec-16	2	1	2	Low	18 Sept 2015	→
PEN011	Lack of expertise of Pension Fund Officers and Service Director, Finance	Professional judgement & activities	Lack of training, continuous professional development and continuous self assessment of skills gap to ensure knowledge levels are adequate to carry out roles to the best of their ability	Bad decisions made may be made in relation to any of the areas on this register, but particularly in relation to investments.	David Anthony	Officers ensure that they are trained and up-to-date in the key areas through attendance at relevant courses and seminars, reading, discussions with consultants and peers, etc. The Technical & Compliance Manager has formulated annual Training Plans and Relevant officers are also reviewed against the CIPFA Knowledge & Skills Framework to ensure adequate expertise exists.	2	3	6	Medium	A new Technical & Compliance Manager was appointed in August as was a Fund Development Manager in September. The post of Employer Relations Manager remains vacant and further recruitment is taking place.	David Anthony	Sep-15	2	1	2	Low	18 Sept 2015	→

Ref.	Risk	Risk Category	Cause	Impact	Risk Owner	Controls in place to manage the risk	Current Risk Rating				Further Actions necessary to manage the risk	Risk Action Owner	Date for completion of action	Target Risk Rating				Date of Review	Direction of Travel
							Impact	Likelihood	x	Level of risk				Impact	Likelihood	x	Level of risk		
PEN012	Over-reliance on key officers	Organisation Management / HR	The specialist nature of the work means that there are inevitably relatively experts in investments and the local authority pension regulations	If someone leaves or becomes ill, a big knowledge gap if less behind.	David Anthony	Key people in the team are seeking to transfer specialist knowledge to colleagues. In the event of a knowledge gap, however, we can call on our external consultants and independent advisors for help in the short-term.	2	3	6	Medium	A new Technical & Compliance Manager was appointed in August 2015, along with a Fund Development Manager in September. The post of Employer Relationship Manager has proved more difficult to recruit to with a further recruitment process now taking place. An interim solution is also being reviewed to try and maintain services to employers.	David Anthony	Dec-15	2	1	2	Low	18 Sept 2015	→
PEN013	Failure to communicate properly with stakeholders	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.	David Anthony	The Fund has a Communications Manager and Employer Relationship Manager dedicated to these areas full-time, including keeping the website up-to-date, which is a key communications resource. The Fund also has a Communications Policy.	2	2	4	Low	A updated communication strategy was approved by this Committee in June 2015. .	Zoe Stannard		1	1	1	Low	18 Sept 2015	→
PEN014	Failure to provide the service in accordance with sound equality principles	Corporate / Leadership / Organisation (Reputation)	Failure to recognise that different customers have different needs and sensitivities.	Some customers may not be able to access the service properly or may be offended and raise complaints. At worst case, this could result in a court case, etc.	David Anthony	The Fund has done an Equality Risk Assessment and has an Equality Implementation Plan in place	2	1	2	Low	None	David Anthony		2	1	2	Low	18 Sept 2015	→
PEN015	Failure to collect payments from ceasing employers	Finance	When an employer no longer has any active members a cessation valuation is triggered and a payment is required if a funding deficit exists to meet future liabilities	Failure to collect cessation payments means the cost of funding future liabilities will fall against the Wiltshire Pension Fund	David Anthony	The Pension Fund Committee approved a Cessation Policy in February 2010 to provide an agreed framework for recovery of payments. All new admitted bodies now require a guarantor to join the Fund.	2	2	4	Low	Work is on-going to develop monitoring of admitted bodies who are close to cessation to enable the Fund to have an early dialogue with them to ensure costs are met. A review of the cessation policy may be required as more employers are now facing potential cessation events.	David Anthony	Dec-15	2	1	2	Low	18 Sept 2015	→
PEN016	Treasury Management	Finance	The Fund's treasury function is now segregated from Wiltshire Council. This includes the investment of surplus cash in money markets.	Exposure to counterparty risk with cash held with external deposit holders could impact of Funding level of the Fund	David Anthony	The Pension Fund has an updated Treasury Management Strategy on this agenda which follows the same criteria adopted by Wiltshire Council but limits individual investments with a single counterparty to £6m.	3	1	3	Low	The Council uses Sector's credit worthiness service using ratings from three rating agencies to provide a score. Surplus cash is transferred to the Custodian at month end ensuring cash balances are minimal.	Catherine Dix		3	1	3	Low	18 Sept 2015	→

Ref.	Risk	Risk Category	Cause	Impact	Risk Owner	Controls in place to manage the risk	Current Risk Rating				Further Actions necessary to manage the risk	Risk Action Owner	Date for completion of action	Target Risk Rating				Date of Review	Direction of Travel
							Impact	Likelihood	x	Level of risk				Impact	Likelihood	x	Level of risk		
PEN017	Lack of expertise on Pension Fund Committee	Professional judgement & activities	Lack of structured training and continuous self assessment of skills gap to ensure knowledge levels are adequate to carry out roles to the best of their ability	Bad decisions made may be made in relation to any of the areas on this register, but particularly in relation to investments. There is also a requirement for Fund's to 'Comply or Explain' within their Annual Report on the skills knowledge of members of the Committee	David Anthony	Members are given Induction Training when they join the Committee, as well as subsequent opportunities to attend courses/seminars and specialist training at Committee ahead of key decisions. There is a Members' Training Plan and Governance Policy. Further training and advice can be called on from our consultants, independent advisors and investment managers too.	2	2	4	Low	The CIPFA Local Government Pension Fund Knowledge & Skills Framework require members of the committee to be regularly assessed to identify knowledge gaps and ensure training is provided to address these. The new members training plan for 2015-17 was approved in March 2015.	David Anthony		2	1	2	Low	18 Sept 2015	→
PEN018	Failure to implement the LGPS 2014 Reforms	Service Delivery	Failure to implement the LGPS 2014 in time for April 2014 in terms of systems changes, data requirements, communications and training.	Unable to meet the new legislative requirements of the scheme and to administer the Fund correctly.	David Anthony	A communication policy implemented to inform all members of the changes. Implementation Plan is on-going. Systems team in close contact with Software are providers to ensure developments will be actioned. Review of process has been undertaken by Technical & Compliance Manager to ensure changes are compliant.	2	2	4	Low	The transitional regulations and GAD guidance were only issued in March 2014, a month ahead of "go-live" which meant a number of manual calculations were still required. The latest Altair release was implemented in September which rectified this. All changes and output have been reviewed for compliance.	David Anthony		2	2	4	Low	18 Sept 2015	→
PEN019	Establishment of Local Pension Board & Investment Sub-Committee	Service Delivery	Failure for Wiltshire Council to establish a Local Pension Board, from finding suitable representatives and the officer time required to support this Board and the newly formed pension sub-committee.	Reputational risk from a national perspective and failure to adhere to legislation resulting in action by the Government or the Pension Regulator. Ineffective operation of the Investment sub-Committee leading to bad decision making.	David Anthony	Local Pension Board, approved by Wiltshire Council on 24 February. Following. Recruitment has taken place and all places filled with first meeting scheduled for 16 July 2015, following induction session on 2 July 2015. These Boards will place additional demands on both Members, in particular the need to undertake training and the pension officers time in the support and provision of information.	2	2	4	Low	A review of resources and officer time will be required to ensure no negative impact on the Pension Fund service delivery from the support required to this Board and the newly formed Investment sub-Committee.	David Anthony	Jul-15	1	3	3	Low	18 Sept 2015	→

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WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD

22 October 2015

Code of Conduct and Conflict of Interest Policy Guidelines

Purpose of the Report

1. The purpose of this report is for the Local Pension Board (LPB) to consider the attached code of conduct and conflicts of interest policy guidelines and to recommend:
 - a) any changes to be made by the Head of Pensions; and
 - b) adoption by the Pension Fund Committee as amended by the Head of Pensions.

Background

2. Following the paper presented to the LPB on 16 July 2015, it was resolved to:
 - a) *request Wiltshire Council develop a Code of Conduct and Conflicts of Interest Policy for approval;*
 - b) *request officers provide further training to LPB Members on Code of Conduct and Conflicts of Interest; and*
 - c) *note the requirement for Members to declare any potential conflict of interest arising from their position on the LPB.*
3. Further training on Code of Conduct and Conflict of Interest have been provided by Hymans Robertson elsewhere on this agenda.
4. All LPB Members are required to notify Democratic Services of any potential conflict of interest arising as a result of their position on the Board.
5. All meetings of the LPB include a standing item titled Declarations of Interest at the start of the meeting where any declaration of interest in relation to items on the agenda should be made. If in doubt, further advice can be sought from Democratic Services.

Considerations for the LPB

Code of Conduct and Conflicts of Interest Policy Guidelines for the Local Pension Board

6. The Code of Conduct and Conflict of Interest Policy Guidelines have now been drafted with assistance from Wiltshire Council legal services (see attached).
7. The LPB is asked to review this document and then consider its approval subject to any recommended changes.

Environmental Impact of the Proposal

8. Not applicable.

Financial Considerations & Risk Assessment

9. There are no significant financial implications from this report.
10. The implementation of the Code of Conduct and Conflicts of Interest Policy Guidelines will assist in mitigating the reputational risk should an issue arise which hasn't been identified or managed.

Legal Implications

11. There are no material legal implications from this report. Legal Services have been consulted regarding the legislation referred to in this report and have assisted with drafting.

Safeguarding Considerations/Public Health Implications/Equalities Impact

12. There are no known implications at this time.

Reasons for Proposals

13. To ensure the LPB has a policy to address Code of Conduct and Conflict of Interests issues.

Proposals

14. The LPB is asked to approve the attached Code of Conduct and Conflict of Interest policy guidelines and to recommend:
 - a) any changes to be made by the Head of Pensions; and
 - b) adoption by the Pension Fund Committee as amended by the Head of Pensions.

MICHAEL HUDSON
Treasurer to the Pension Fund

Report Author: David Anthony, Head of Pensions

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

Code of Conduct and Conflict of Interest Policy Guidelines for Members of the Wiltshire Pension Fund Local Pension Board

Status of this document

The Terms of Reference for the Board set out:

- the Board's code of conduct requirement; and
- the Administering Authority's conflict of interest policy for the Board (the Conflict Policy):

Duties of the Board

7. The Board should at all times act in a reasonable manner in the conduct of its purpose. In support of this duty Board members should be subject to and abide by the code of conduct for Board members.

Conflicts of interest

54. All members of the Board must declare to the Administering Authority on appointment and at any such time as their circumstances change, any potential conflict of interest arising as a result of their position on the Board.

55. A conflict of interest is defined as a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the Board. It does not include a financial or other interest arising merely by virtue of that person being a member of the Scheme.

56. On each appointment to the Board and following any subsequent declaration of potential conflict, the Administering Authority shall ensure that any potential conflict is effectively managed in line with the internal procedures of the Administering Authority, the requirements of the [2013] Act, the requirements of the Code and the requirements of Relevant Legislation on conflict of interest for Board members.

This document contains the Committee's policy guidelines on conduct of Board members and conflicts of interest. These guidelines will be reviewed and approved by the Committee at least annually.

Objectives of this document

1. To set out the principles and internal procedures that the Administering Authority and all Board Members are expected to follow in order to comply with the Terms of Reference, relevant legislation, codes of practice, government guidance and public law principles.
2. To ensure that all Board members are aware of their duty to act independently and carry out their roles to a high ethical standard.
3. To set out procedures for identifying, monitoring and managing potential conflicts to ensure they do not become actual or perceived conflicts of interest.
4. To ensure that a Register of Member Interests is kept, reviewed and published.
5. To remove any perception that the actions of a Board member have been influenced by a conflict of interest.
6. To ensure that public confidence in the governance of the Fund is maintained.

Definitions used in this document

“2011 Act”	The Localism Act 2011 (as amended from time to time)
“2013 Act”	The Public Service Pensions Act 2013 (as amended from time to time)
“Administering Authority”	The administering authority for the Fund, Wiltshire Council. The Administering Authority is the scheme manager for the purposes of the 2013 Act.
“Board”	The Wiltshire Pension Fund Local Pension Board
“Code”	The Pensions Regulator’s Code of Practice no. 14: Governance and administration of public service pension schemes (as amended from time to time)
“Committee”	The Wiltshire Pension Fund Committee
“Conflict Policy”	The conflict of interest policy of the Board set out in the Terms of Reference (as amended from time to time)
“Councillor”	An elected or co-opted member of a local authority
“Declaration of Interest Form”	The form used to declare Relevant Interests as amended from time to time, currently as attached to this document at Appendix 1
“Fund”	The Wiltshire Pension Fund within the LGPS, managed and administered by the Administering Authority
“Relevant Interest”	Any company directorship, trusteeship, other post (whether remunerated or not), financial interest or personal interest belonging to a Board member or a Board member’s spouse, civil partner or cohabitee, where such interest is likely to be affected by, or relevant to, the work of the Board.
“Register of Member Interests”	The register of member interests kept by Democratic Services to record Relevant Interests. Democratic Services is the Board Secretary for the purposes of the Terms of Reference
“Regulations”	The Local Government Pension Scheme Regulations 2013 (as amended from time to time)
“Scheme Advisory Board”	The Local Government Pension Scheme Advisory Board set up under section 7 of the 2013 Act
“Shadow SAB Guidance”	Local Government Pension Scheme (LGPS): Guidance on the creation and operation of Local Pension Boards in England and Wales

1. Code of Conduct for Board members

Government guidance on conduct of local pension board members

The Scheme Advisory Board provides advice to administering authorities and local pension boards in relation to the effective and efficient administration and management of the LGPS and their pension funds. The Scheme Advisory Board's predecessor was the Shadow Scheme Advisory Board. The Shadow Scheme Advisory Board published the Shadow SAB Guidance. If the Scheme Advisory Board adopts the Shadow SAB Guidance, the Administering Authority and the Board must have regard to it under section 7(3) of the 2013 Act. In any event, the Administering Authority and the Board should have regard to the Shadow SAB Guidance to assist with the effective and efficient administration and management of the Fund. Section 7 of the Shadow SAB Guidance deals with conduct of local pension board members.

Code of Conduct

Board members must have regard to the "Seven Principles of Public Life" (also known as the Nolan Principles). As members of a publicly-funded body involved in the discharge of public business, all Board members must comply with these principles in the exercise of their functions. The principles require the highest standards of conduct.

The Seven Principles of Public Life are:

Selflessness - Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other benefits for themselves, their family or their friends.

Integrity - Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.

Objectivity - In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

Accountability - Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

Openness - Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands it.

Honesty - Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

Leadership - Holders of public office should promote and support these principles by leadership and example.

Information provided to a Board member in the course of his or her duties is confidential and must only be used for the purposes of the Board. Board members must not disclose any information given to them in confidence without the written consent of a person who is authorised to give it, or unless required by law to do so. Board members must seek the advice of Democratic Services before disclosing any information given in confidence.

Board members should not accept any personal gifts or hospitality from any individual or organisation (including contractors and/or outside suppliers) which has or may have a specific interest in the work of the Board.

Regulation 107 of the 2013 Regulations allows Councillors to sit on a local pension board in certain circumstances. Councillors are subject to the separate code of conduct adopted by their local authority in accordance with the 2011 Act. This separate statutory requirement will continue to apply to any Board members who are Councillors in addition to the code of conduct above.

2. Conflict of Interest Policy Guidelines

What is a Conflict of Interest?

The 2013 Act makes it a legal requirement that members of local pension boards do not have a conflict of interest. Section 5(5) of the 2013 Act defines a conflict of interest as;

A financial or other interest which is likely to prejudice the person's exercise of functions as a member of the board (but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme)

A conflict of interest may arise when a member of a local pension board:

- must fulfil their legal duty to assist the Administering Authority; and
- at the same time has:
 - a separate personal interest (financial or otherwise); or
 - another responsibility in relation to that matter,
 giving rise to a possible conflict with their first responsibility as a local pension board member.

A possible conflict could also arise due to a member's partner, family member or close associate having a specific responsibility or interest in a matter.

The key issue for a Board member is to consider whether they are subject to a conflict of interest which prevents them from acting entirely independently in their capacity as Board member. It is recognised that from time to time a person may have interests or responsibilities which are not aligned with their responsibilities as a Board member, but these do not prevent the person from fulfilling their responsibilities as a Board member. This situation may occur when the separate interest is sufficiently immaterial and so does not conflict with the member's first obligation to the Board.

Relevant Legislation

The Regulations effect the requirements of section 5 of the 2013 Act in relation to the LGPS.

Regulation 108 of the Regulations states:

108 Local pension boards: conflict of interest

(1) Each administering authority must be satisfied that any person to be appointed as a member of a local pension board does not have a conflict of interest.

(2) An administering authority must be satisfied from time to time that none of the members of a local pension board has a conflict of interest.

(3) A person who is to be appointed as a member of a local pension board by an administering authority must provide that authority with such information as the authority reasonably requires for the purposes of paragraph (1).

(4) A person who is a member of a local pension board must provide the administering authority which made the appointment with such information as that authority reasonably requires for the purposes of paragraph (2).

Regulations 108(1) and (3) prohibit conflicts and require information from each Board member at the time of their appointment, and regulations 108 (2) and (4) deal with the same requirements during office.

Regulation 107 allows for Councillors to sit on a local pension board in certain circumstances. The 2011 Act imposes a legal obligation on Councillors to disclose certain pecuniary interests in a register maintained by their local authority's monitoring officer. This separate statutory requirement will continue to apply to any Board members who are Councillors in addition to the relevant legislation, codes of practice and government guidance referred to in the Conflict Policy and these guidelines. Nothing in the Conflict Policy or these guidelines in any way supersedes or replaces the separate statutory requirements for Councillors.

The Pensions Regulator's Code: Conflicts of Interest

The Pensions Regulator has responsibility for regulatory oversight of the governance and administration of public service pension schemes, including the LGPS. The Pensions Regulator has published guidance in the Code. Paragraphs 61 to 89 of the Code deal with conflicts of interest.

Other Guidance on Conflicts of Interest

The Administering Authority and the Board should have regard to the Shadow SAB Guidance to assist with the effective and efficient administration and management of the Fund. Section 7 of the Shadow SAB Guidance deals with conflicts of interest.

Policy Guidelines

1. Identifying and monitoring Conflicts of Interest

The Board must:

- identify, monitor and manage dual interests and responsibilities which are or have the potential to become actual or perceived conflicts of interest. In determining how to manage conflicts of interest the Board must comply with the 2013 Act, the Regulations, the Code and other relevant guidance from the Pensions Regulator, the Conflict Policy and these guidelines;
- ensure that conflicts of interest are considered at every Board meeting;
- ensure that a report is sent to the Administering Authority after each Board meeting and at other times upon the Administering Authority's reasonable request detailing declared interests and mitigation action taken;
- ensure that Democratic Services (the Board Secretary) is notified at the earliest opportunity of any declared interests;
- seek further advice from Democratic Services wherever the Board has any doubt about the duties set out in these guidelines;

- consider obtaining legal advice when assessing any option to prevent a potential conflict of interest becoming detrimental to the conduct or decisions of the Board.

All Board members must:

- be familiar with the Conflict Policy, these guidelines, relevant legislation, the Code and the Shadow SAB Guidance;
- be conscious of the need to be open about potential, perceived and actual conflicts;
- before appointment to the Board, disclose to Wiltshire Council all Relevant Interests using the Declaration of Interest Form;
- during office, disclose to the Board all Relevant Interests as soon as they arise by submitting the Declaration of Interest Form to Democratic Services;
- during any meeting of the Board, disclose any Relevant Interest to the Board prior to the commencement of the Board's discussion of that matter. This requirement applies regardless of whether the interest is already recorded in the Register of Board Members' Interests. In cases of exceptional sensitivity, a Board member may make a notification of a Relevant Interest to the Chair of the Board rather than to the full Board;
- provide any information reasonably requested by the Administering Authority in connection with the Authority's duty to ensure that conflicts of interest do not exist.

Democratic Services (the Board Secretary) will:

- record declared interests in the Register of Member Interests;
- ensure that the Register of Member Interests (as updated from time to time) is published on the Board's webpage on the Administering Authority's website;
- ensure that the Register of Member Interests (as updated from time to time) is circulated to all Board members for review prior to each Board meeting;
- ensure that all Board meetings open with a standing item titled Declarations of Interest. This will allow Board members to notify existing and new Relevant Interests, so that potential conflicts can be considered for each agenda item and managed as set out below;
- minute any disclosure by a Board member made during a Board meeting together with all decisions of the Board relating to that disclosure;
- ensure that all Board meetings include a standing item titled Forward Work Plan, to consider decisions to be taken and work to be carried out by the Board over the next year. This will allow mitigations to be put in place so that potential conflicts can be managed as set out below.

The Administering Authority must:

- be satisfied that no potential Board member has a conflict of interest at appointment;
- be satisfied that no Board member has a conflict of interest during office;
- use an appointment process which considers all applications from potential Board members prior to approval in order to ensure that no conflict exists. The potential for a conflict to arise at some point in future will not in itself be reason to exclude an individual from membership of the Board, unless the Administering Authority considers that the likelihood of a conflict arising is so high or

the conflict itself is likely to arise persistently and frequently enough that it is likely to compromise an individual's ability to participate meaningfully on the Board;

- keep this document under regular review.

2. Managing Conflicts of Interest

In the event that the Board is of the view that a potential conflict of interest may become an actual or perceived conflict in respect of one or more of its members, the Board must determine the appropriate mechanism for managing that conflict. The approach taken will depend on the nature and extent of the potential conflict. Some possible methods for the management of potential conflicts are given below:

- Requiring that the Board member for whom the conflict exists takes no part in discussions or votes in respect of the matter for which they are conflicted, or leave the meeting;
- If practical, the Board member may relinquish or divest themselves of a personal interest which is the source of a conflict of interest with their Board responsibilities;
- If the conflict is likely to persist and continue in such a way that it is likely limit a Board member's meaningful participation in the Board, that member should consider resigning from their position.

The Administering Authority may remove any Board member where it considers there is an actual or potential conflict of interest which is impractical to manage.

3. Perceived Conflicts of Interest

Board members should be aware that even if no actual conflict of interest exists, it is important to guard against the perception among, for example, Scheme members, the Pensions Regulator, elected members or the general public that a real conflict of interest exists.

If there is the possibility that a perceived conflict of interest may exist, it should be managed by the Board in the same way as a real conflict of interest.

4. Confidential Information

A Board member may, by virtue of their employment by an employing authority within the Fund, have access to confidential information about their employer.

A Board member is not obliged to reveal this information as part of their role on the Board.

However, if an affected Board member considers that the information to which they are party may:

- a) adversely affect the Fund or an employer within the Fund;
- b) reasonably cause the Board to interpret a decision by the Pension Committee differently or act in a different way were the information to be known at the time; and
- c) the information will not be made available to the Board through some other means within such time as the Board is able fully to act upon it,

that Board member shall withdraw from all discussion in relation to that issue and notify the Board that a conflict of interest exists. The details of the conflict need not be disclosed.

This scenario may occur where a Board member is aware of legally confidential negotiations around, for example, the takeover of a Fund employer which may radically alter that business and have a corresponding effect on its participation in the Fund or the size of its liabilities.

5. Adviser and Officer Conflicts

The Board will be supported and advised by officers of the Fund in its day to day business. Similarly the Board may, if appropriate, seek independent or professional advice, for example legal advice or governance advice.

The Board must be confident that the advice it receives from officers and advisers is independent and truly in the best interests of the Fund. For this reason officers and advisers giving advice to the Board must also declare any situation where a potential, perceived or actual conflict exists, in order that it can be appropriately managed.

6. Examples of conflicts of interest

The following are intended to be examples of potential conflicts for illustrative purposes. The list is not exhaustive and is not intended to provide all the scenarios in which a conflict of interest may arise.

Example 1

There may be situations where a member of a local pension board who is also an officer for the relevant administering authority or some other employer in the LGPS pension fund faces conflicting priorities by virtue of their two roles. For example, as a local pension board member they may make or scrutinise a decision which requires the use of greater employer resource in order to improve the administration and efficiency of the relevant fund. However, at the same time they may be facing departmental pressure to cut budgets and spend less on pension administration matters.

Example 2

A local pension board is reviewing a decision by an administering authority to levy an additional charge under the Regulations to a group of employers whose poor performance in carrying out their statutory functions in respect of the LGPS has caused the administering authority additional costs. Any employer representative on the local pension board who is employed by an employer who falls into this category would need to declare their interest and the resulting conflict of interest would need to be managed.

Example 3

It is possible that a scheme member representative is also employed by a firm to whom an LGPS pension fund's administration has been outsourced. Such a member is likely to face a conflict of interest when the performance of that company in respect of their administration performance is discussed.

Example of where a declared interest may not constitute a conflict of interest

A representative on a local pension board holds shares in a company that provides outsourced pension administration services as part of a varied portfolio. The shares are valued at a few hundred pounds and the company's value is many tens of millions. The local pension board is reviewing the decision to outsource the relevant LGPS pension fund's administration staff to that company.

In this case the local pension board may consider that on grounds of materiality, no conflict of interest exists. The local pension board is not responsible for the decision and the impact of the outsourcing will have no effect on the company's share price. The local pension board member in question should, however, still declare their interest.

Appendix 1: Declaration of Interest Form

I,

a member of the Wiltshire Pension Fund Local Pension Board (the "Board") give notice that I, and to the best of my knowledge my spouse, civil partner, person with whom I live as husband or wife, or person with whom I live with as a civil partner have the following Relevant Interests as defined in the Committee's conflict of interest policy guidelines (Please state none where appropriate)

1. Employment, office, trade, profession or vocation

You should disclose any employment, office (e.g. director or trustee), trade, profession or vocation carried on whether or not for profit or gain, including the name and address of the employer/appointor.

Member

Spouse/Civil Partner/Cohabitee

2. Contracts

You should detail any current contract under which goods or services are to be provided or works are to be executed and where any other party to the contract may be affected by the work of the Board.

Member

Spouse/Civil Partner/Cohabitee

2. Securities

You should detail any beneficial interest in securities which may be a Relevant Interest where either the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital, or one hundredth of the total issued share capital of any class of shares issued.

Member

Spouse/Civil Partner/Cohabitee

3. Disclosure of Gifts and Hospitality

You should reveal the name of any person from whom you have received a gift or hospitality with an estimated value of at least £50 which you have received in your capacity as a member of the Board.

Date of receipt of Gift/Hospitality	Name of Donor	Reason and Nature of Gift/Hospitality

4. Other Interests which may be Relevant Interests under the Committee's Conflict of Interest Policy Guidelines

Member

Spouse/Civil Partner/Cohabitee

5. Changes to Registered Interests

I understand that I must notify the Board Secretary at the earliest opportunity of any changes or additions to my Relevant Interests.

DRAFT

Signed:

Board Member

Date:

DRAFT

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WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD

22 October 2015

Breaches Procedure Policy Guidelines

Purpose of the Report

1. The purpose of this report is for the Local Pension Board (LPB) to consider the attached draft Breaches Policy Guidelines and to recommend:
 - a) any changes to be made by the Head of Pensions; and
 - b) adoption by the Pension Fund Committee as amended by the Head of Pensions.

Background

2. There is a legal requirement on all LPB Members (as well as the Pension Fund committee Members, officers of the Fund, employers, and advisers) to report any significant breaches of the law to the Pensions Regulator (tPR) where they are likely to be of material significance to them.
3. TPR Code of Practice no 14 (Governance and administration of public service pension schemes) states there should be a procedure in place within each Fund to identify and assess these breaches.
4. The attached Breaches Policy Guidelines set out these responsibilities and provide a framework for the Fund to identify, manage and where necessary report breaches of the law applying to the management and administration of the Fund.
5. Where a breach of the law is identified both the Council (Scheme Manager) and the LPB will need to take all necessary steps to consider the breach and if necessary report to tPR.
6. These Guidelines will be reviewed and approved at least annually by the Wiltshire Pension Fund Committee under its delegated authority as Scheme Manager. They will monitor all breaches and will ensure that adequate resources are allocated to managing and administering this process.
7. Officers will effectively be responsible for the management and execution of these guidelines and ensuring that training is conducted for all relevant officers, elected members, Members of the LPB and Wiltshire Pension Fund Committee at induction and on an ongoing basis.

Considerations for the LPB

8. The identification, management and reporting of breaches is important. It is a requirement of the Pensions Act 2004 and tPR's Code of Practice; failure to report a breach without "reasonable excuse" is a civil offence that can result in civil penalties.
9. At the same time, in addition to identifying, rectifying and where necessary reporting a particular breach it provides an opportunity to learn from mistakes and review and improve processes in the areas where the breach occurred.

10. All staff are required, to take a pro-active approach to the identification, management and reporting of all breaches that have occurred, or are likely to occur. A log will be maintained of all breaches of the law as applicable to the management and administration of the Fund.
11. The Wiltshire Pension Fund and the LPB cannot rely on waiting for other reporters to report a breach where it has occurred. Where a breach has occurred and has been identified it should be recorded, assessed and where necessary reported as soon as reasonably practicable. The Breaches Policy Guidelines provide a framework to achieve this.
12. The Guidelines define what a breach of the law is, the responsibilities on those who should be reporting, the requirements for reporting a breach, and deciding if a breach is “materially significant” to be reported to tPR.
13. The LPB is asked to review this document and to make a recommendation to the Pension Fund Committee that this is adopted subject to any recommended changes.

Environmental Impact of the Proposal

14. Not applicable.

Financial Considerations & Risk Assessment

15. There are no significant financial implications from this report.
16. The implementation of these Guidelines will mitigate the risk of the Fund breaching the Regulations and failing to report this or taking appropriate remedial action.

Legal Implications

17. Wiltshire Council Legal Services have been consulted and have assisted with drafting the Guidelines. The Guidelines will ensure compliance with tPR Code of Practice.

Safeguarding Considerations/Public Health Implications/Equalities Impact

18. There are no known implications at this time.

Reasons for Proposals

19. To ensure the Fund has a policy to address breaches of legislation in respect of the administration and governance of the Wiltshire Pension Fund.

Proposals

20. The LPB is asked to review the attached Breaches Policy Guidelines and to recommend:
 - a) any changes to be made by the Head of Pensions; and
 - b) adoption by the Pension Fund Committee as amended by the Head of Pensions.

MICHAEL HUDSON
Treasurer to the Pension Fund

Report Author: David Anthony, Head of Pensions

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

Breaches of the Law Policy Guidelines for Wiltshire Council Officers, Councillors and Members of the Wiltshire Pension Fund Local Pension Board

Status of this document

This document contains the Committee's policy guidelines on identifying, managing and where necessary reporting breaches of the law in relation to the management and administration of the Fund. The guidelines apply to Councillors, Council officers and Board members. The guidelines do not cover the responsibility of any other person required by law to report such breaches.

Please note that Board members must comply with the Reporting Policy set out at paragraphs 89 to 98 of the Terms of Reference. These guidelines complement the Reporting Policy in respect of Board members.

These guidelines will be reviewed and approved by the Committee at least annually. The Committee will monitor all breaches and will ensure that adequate resources are allocated to managing and administering this process.

[The Council's Section 151 Officer] will be responsible for the management and execution of these guidelines.

Definitions used in this document

“Board”	The Wiltshire Pension Fund Local Pension Board
“Code”	The Pensions Regulator's Code of Practice no. 14: Governance and administration of public service pension schemes (as amended from time to time)
“Committee”	The Wiltshire Pension Fund Committee
“Council”	Wiltshire Council
“Councillor”	An elected or co-opted member of the Council
“Fund”	The Wiltshire Pension Fund within the LGPS
“Regulations”	The Local Government Pension Scheme Regulations 2013 (as amended from time to time)
“Reporting Policy”	The Council's policy on reporting matters including breaches of the law set out in the Terms of Reference (as amended from time to time)

Objectives of this document

1. To set out the principles and procedures that all Councillors, Council officers and Board members are expected to follow in order to comply with the Terms of Reference, relevant legislation, codes of practice and government guidance.
2. To ensure that all Councillors, Council officers and Board members are aware of their duty to report relevant breaches of the law to the Pensions Regulator.
3. To set out procedures for identifying, assessing, recording and reporting relevant breaches within appropriate timescales (including processes for clarifying the facts and applicable law where needed, referral to Council

staff of appropriate seniority, dealing with difficult cases and identifying promptly any breaches that are so serious that they must always be reported to the Pensions Regulator).

4. To ensure that a breaches log is kept and reviewed.

Relevant Legislation

Section 70 of the Pensions Act 2004 sets out the legal duty to report breaches of the law:

70. Duty to report breaches of the law

- (1) Subsection (2) imposes a reporting requirement on the following persons—
 - (a) a trustee or manager of an occupational or personal pension scheme;
 - [(aa) a member of the pension board of a public service pension scheme;]
 - (b) a person who is otherwise involved in the administration of [an occupational or personal pension scheme];
 - (c) the employer in relation to an occupational pension scheme;
 - (d) a professional adviser in relation to such a scheme;
 - (e) a person who is otherwise involved in advising the trustees or managers of an occupational or personal pension scheme in relation to the scheme.
- (2) Where the person has reasonable cause to believe that—
 - (a) a duty which is relevant to the administration of the scheme in question, and is imposed by or by virtue of an enactment or rule of law, has not been or is not being complied with, and
 - (b) the failure to comply is likely to be of material significance to the Regulator in the exercise of any of its functions,
 he must give a written report of the matter to the Regulator as soon as reasonably practicable.
- (3) No duty to which a person is subject is to be regarded as contravened merely because of any information or opinion contained in a written report under this section. [*i.e. Duty to report overrides other obligations like duty of confidentiality, except where legal professional privilege applies*]
 This is subject to section 311 (protected items). [*Deals with exemption for legal professional privilege*]
- (4) Section 10 of the Pensions Act 1995 (c 26) (civil penalties) applies to any person who, without reasonable excuse, fails to comply with an obligation imposed on him by this section.

The Pensions Regulator's Code: Reporting breaches of the Law

The Pensions Regulator has responsibility for regulatory oversight of the governance and administration of public service pension schemes, including the LGPS. The Pensions Regulator has published guidance in the Code. Paragraphs 241 to 275 of the Code deal with reporting breaches of the law.

Overview

The identification, management and reporting of breaches is important. It is a requirement of the Pensions Act 2004 and the Code; failure to report a breach without “reasonable excuse” is a civil offence that can result in civil penalties.

At the same time, in addition to identifying, rectifying and where necessary reporting a particular breach, the process provides an opportunity to learn from mistakes and review and improve processes in the areas where the breach occurred.

All Councillors, Council officers and Board members are expected, indeed required, to take a pro-active approach to the identification, management and reporting of all breaches that have occurred, or are likely to occur.

[The Head of Pensions] will maintain a log of all breaches of the law as applicable to the management and administration of the Fund.

The Council, as Scheme Manager, and the Board cannot rely on waiting for other reporters to report a breach where it has occurred. Where a breach has occurred and has been identified by the Council or Board it should be recorded, assessed and where necessary reported as soon as reasonably practicable.

What is a breach of the law?

A breach of the law is “*an act of breaking or failing to observe a law, agreement, or code of conduct.*”. In the context of the Local Government Pension Scheme (LGPS) it can encompass many aspects of the management and administration of the LGPS, including failure:

- to do anything required under the Regulations;
- to do anything required under overriding legislation, applicable statutory guidance or codes of practice;
- to maintain accurate records;
- to act on any fraudulent act or omission that is identified;
- to comply with policies and procedures (e.g. the Fund’s statement of investment principles, funding strategy, discretionary policies, etc.);
- of an employer to pay over member and employer contributions on time;
- to pay member benefits either accurately or in a timely manner;
- to issue annual benefit statements on time or non-compliance with the Code.

Responsibilities in relation to breaches

Responsibility to report identified breaches of the law falls on the following reporters:

- Councillors and Council officers (on behalf of the Council as Scheme Manager);
- Board members;
- Scheme employers;
- Professional advisers (including the Fund actuary, investment advisers, legal advisers); and
- Third party providers (where so employed).

These guidelines only apply to Councillors, Council officers and Board members. It is for the other reporters to ensure their own adequate procedures and policies are put in place in order to identify, assess and where necessary report breaches. Both the Council and the Board will take all necessary steps to consider the breach and report to the Pensions Regulator, rather than having the breach solely reported by any of the other reporters.

Requirement to report a breach of the Law

Breaches of the law which affect pension schemes should be considered for reporting to the Pensions Regulator in accordance with the Code.

The decision whether to report an identified breach depends on whether:

- there is reasonable cause to believe there has been a breach of the law;
- and if so, is the breach likely to be of material significance to the Pensions Regulator?

It is important to understand that not every breach that is identified needs to be reported to the Pensions Regulator. For example, where it can be demonstrated that appropriate action is being taken to rectify the breach, or the breach has occurred due to teething problems with new or revised systems or processes, it may not be necessary to report the incident to the Pensions Regulator. It is still necessary that all incidents of

breaches identified are recorded in the Council's breaches log. This log will be reviewed on an on-going basis to determine any trends in the breaches log that might indicate any serious failings or fraudulent behaviour.

Where such failings or fraudulent behaviour are identified immediate action will be taken to agree and put in place a plan of action to rectify the matter and prevent such an occurrence in the future.

When is a breach required to be reported to the Pensions Regulator?

The Code requires that a breach should be notified to the Pensions Regulator as soon as is reasonably practicable once there is reasonable cause to believe that a breach has occurred and that it is of material significance to the Pensions Regulator. [The time taken should reflect the seriousness of the breach.] In any event, where a breach is considered to be of material significance it must be reported to the Pensions Regulator no later than one month after becoming aware of the breach or likely breach.

Where it is considered that a breach is of such significance that the Pensions Regulator is required to intervene as a matter of urgency (for example, serious fraud) the matter should be brought to the attention of the Pensions Regulator immediately (e.g. by calling them direct). A formal report should then be submitted to the Pensions Regulator, marked as "urgent" in order to draw the Pensions Regulator's attention to it.

Assessing "reasonable cause"

It is important that the Council and the Board are satisfied that a breach has actually occurred, rather than acting on a suspicion of such an event.

It will be necessary, therefore, for robust checks to be made by [Councillors, Council officers and Board members] when acting on any suspicion of a breach having occurred. Where necessary this will involve taking legal advice from [the Head of] Legal Services (who may recommend specialist external legal advice if necessary) as well as other advisers (e.g. auditors or the Fund actuary or investment advisers).

Deciding if a breach is "materially significant" and should be reported to the Pensions Regulator

The Pensions Regulator has produced a decision tree to assist schemes in identifying the severity of a breach and whether it should then be reported. When determining materiality of any breach or likely breach the following aspects are considered in all cases:

- cause – e.g. dishonesty, poor governance, incomplete or inaccurate information, acting or failing to act in contravention of the law;
- effect – e.g. ineffective internal controls, lack of knowledge and understanding, inaccurate records, potential for further breaches occurring;
- reaction – e.g. taking prompt and effective action to resolve a breach, notifying scheme members where appropriate; and
- wider implications – e.g. where a breach has occurred due to lack of knowledge or poor systems and processes making it more likely that other breaches will emerge in the future.

The decision tree provides a "traffic light" system of categorising an identified breach:

Green – not caused by dishonesty, poor governance or a deliberate contravention of the law and its effect is not significant and a plan is in place to rectify the situation. In such cases the breach may not be reported to the Pensions Regulator, but should be recorded in the Council's breaches log;

Amber – does not fall easily into either green or red and requires further investigation in order to determine what action to take. Consideration of other recorded breaches may also be relevant in determining the most appropriate course of action. The Council or Board will need to decide whether to informally alert the Pensions

Regulator of the breach or likely breach, formally reporting the breach if it is subsequently decided to categorise the breach as red;

Red - caused by dishonesty, poor governance or a deliberate contravention of the law and having a significant impact, even where a plan is in place to rectify the situation. The Council or Board must report all such breaches to the Pensions Regulator in all cases;

[Where a Councillor, Council officer or Board member is satisfied that a breach has actually occurred and it is significant, he or she must as soon as reasonably practicable report it to the Head of Pensions and the Chairman of the Board.]

If it is unclear as to whether the breach or likely breach is significant, in the first instance full details should always be reported to the Board ([through] its Chairman) to determine the appropriate course of action. [The Board will then report full details to the Committee as soon as reasonably practicable and otherwise in accordance with the Reporting Policy, including escalation under paragraph 95 of the Terms of Reference where necessary.]

It should be noted that failure to report a significant breach or likely breach is likely, in itself, to be a significant breach.

The [Committee] will use the Pensions Regulator's decision tree as a means of identifying whether any breach is to be considered as materially significant and so reported to the [Section 151 Officer for reporting to] the Pensions Regulator.

Any failure of a scheme employer to pass over employee contributions that are considered to be of material significance must be reported to the Pensions Regulator immediately.

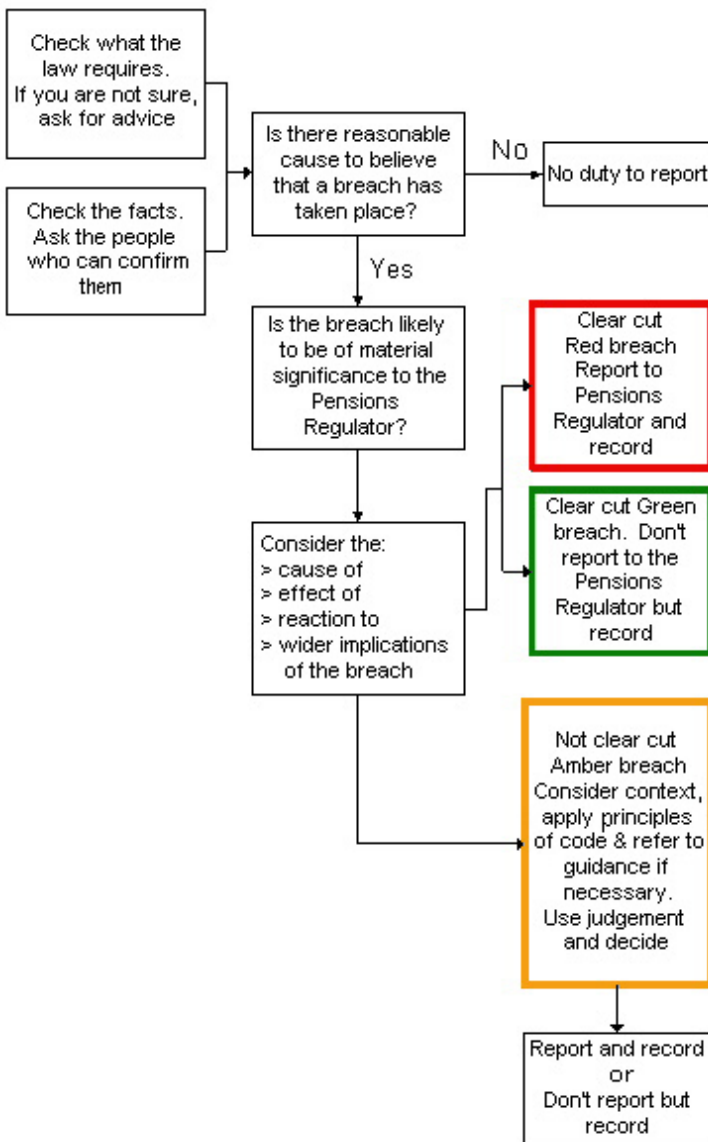
In order to determine whether failure to pay over employee contributions is materially significant or not the [Committee] will seek from the employer:

- the cause and circumstances of the payment failure
- what action the employer has taken as a result of the payment failure, and
- the wider implications or impact of the payment failure.

Where a payment plan is agreed with the employer to recover outstanding contributions and it is being adhered to or there are circumstances of infrequent one-off late payments or administrative failures the late payment will not be considered to be of material significance.

All incidences resulting from the unwillingness or inability of the employer to pay over the employee contributions, dishonesty, fraudulent behaviour or misuse of employee contributions, poor administrative procedures or the failure to pay over employee contributions within 90 days from the due date will be considered to be of material significance and reported to the Pensions Regulator.

As soon as a breach or likely breach has been [identified to the Committee], regardless of whether it needs to be reported to the Pensions Regulator, the relevant manager, in consultation with [the Head of Pensions], must review the circumstances of the breach in order to understand why it occurred, the consequences of the breach and agree the corrective measures required to prevent re-occurrence, including an action plan where necessary. All breaches must be recorded in the Council's breaches log.



Process for reporting breaches

All Councillors, Council officers and Board members have a responsibility to:

- identify and assess the severity of any breach or likely breach;
- report all breaches or likely breaches to the [Head of Pensions and Chairman of the Board, and in the case of Board members, escalate to the Section 151 officer where required under the Reporting Policy];
- in conjunction with relevant colleagues agree a proposed course of action to rectify the breach and put in place measures to ensure the breach does not re-occur, obtaining appropriate legal or other advice where necessary;
- ensure that the appropriate corrective action has been taken to rectify the breach or likely breach and to prevent it from re-occurring; and
- co-operate with, and assist in, the reporting of breaches and likely breaches to the Board, Committee, [Section 151 Officer] and where necessary the Pensions Regulator.

Responsibilities of the responsible officer

The Council will appoint one of its senior officers to be responsible for the management and execution of these guidelines. That officer will be the [Section 151 Officer].

The [Section 151 Officer] will be responsible for ensuring that breaches and likely breaches are recorded and reported as follows:

- ensure that all identified breaches and likely breaches are recorded [by the Head of Pensions] in the Council's breaches log;
- ensure investigation of the circumstances of all reported breaches and likely breaches;
- ensure, where necessary that an action plan is put in place and acted on to correct the identified breach and also ensure further breaches of a similar nature do not re-occur;
- ensure reporting to the Committee and Board of:
 - all materially significant breaches or likely breaches that will require reporting to the Pensions Regulator as soon as practicable, but no later than one month after becoming aware of the breach or likely breach; and
 - all other breaches at least quarterly as part of the Committee cycle.
- report all materially significant breaches to the Pensions Regulator as soon as practicable but not later than one month after becoming aware of the breach.

The [Section 151 Officer] will [make the final determination of] whether any breach or likely breach is materially significant, having regard to the guidance set out in the Code and after consultation with the Head of Legal Services and where considered appropriate the Committee and Board.

If appropriate, the matter will be referred to an external party to obtain any necessary legal or other advice before deciding if the breach is considered to be of material significance to the Pensions Regulator. Where uncertainty exists as to the materiality of any identified breach the [Section 151 Officer] [may/will] informally notify the Pensions Regulator of the issue and the steps being taken to resolve the issue.

How should a breach be reported to the Pensions Regulator?

All materially significant breaches must be reported to the Pensions Regulator in writing. This can be via post or electronically. The Pensions Regulator encourages the use of its standard reporting facility via its Exchange on-line service.

[The Section 151 Officer] will report all material breaches to the Pensions Regulator via Exchange.

How are records of breaches maintained?

All breaches and likely breaches identified are to be reported to the [Head of Pensions] as soon as they are identified. The [Head of Pensions] will log all breaches on the Council's breaches log, including the following information:

- date the breach or likely breach was identified;
- name of the scheme;
- name of the employer (where appropriate);
- any relevant dates;

- a description of the breach, its cause and effect, including the reasons it is, or is not, believed to be of material significance;
- whether the breach is considered to be red, amber or green.
- a description of the actions taken to rectify the breach;
- a brief description of any longer term implications and actions required to prevent similar types of breaches re-occurring in the future.

The [Section 151 Officer] will be responsible for ensuring the effective management and rectification of any breach identified, including submission of any report to the Pensions Regulator. Any documentation supporting the breach will be maintained by the [Section 151 Officer].

Whistleblowing

It is a statutory duty to report breaches of the law. In rare cases this may involve a duty to whistleblow on the part of an employee of the Council or a member of the Board. The duty to report overrides any other duties a reporter may have, such as confidentiality. Any such duty is not breached by reporting to the Pensions Regulator. Given the statutory duty that exists, in exercising these guidelines the Council will ensure it adheres to the requirements of the Employment Rights Act 1996 in protecting an employee making a whistleblowing disclosure to the Pensions Regulator. [The provisions of the Council's whistleblowing policy apply.]

The duty to report, however, does not override 'legal professional privilege', so oral and written communications between the Council, Committee or Board and a professional legal adviser must not be disclosed.

Training

The [Head of Pensions] will ensure that all Councillors, Council officers and Board members receive appropriate training on reporting breaches of the law and these guidelines at the commencement of their office, employment or appointment to the Board as appropriate and on an ongoing basis.

WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD

22 October 2015

Proposed Local Pension Board Work Plan

Purpose of the Report

1. The purpose of this report is to approve a work plan for the Local Pension Board.

Background

2. The Pension Board is reminded that its primary purpose is to help the Fund secure compliance with the LGPS regulations and the Pension Regulator requirements.
3. The Pension Committee is the decision making body and the Pension Board has no decision making powers. It can only advise or make recommendations to the Pension Committee
4. Therefore the Pension Board needs to be cognisant that:
 - a) Its work programme should be take account of the Fund's own work programme and seek to add value;
 - b) Servicing the Pension Board will consume Fund management resources and time;
 - c) The senior fund officers serving the Pension Board may on some fund performance issues be personally compromised and conflicted and we need to find ways to avoid this if at all possible; and
 - d) For some work items the Pension Board may need the Fund to budget for the costs of using specialist external consultancy resources to undertake and advise it rather than using the senior officer servicing the fund.

Considerations for the Board

Strategy

5. Based on LGPS and the Pension Regulator's (TPR) guidance on the role of Pension Boards it would seem appropriate that the Pension Board's business focus should be around:
 - a) Its own training, knowledge and understanding
 - b) Avoiding any conflicts of interest
 - c) Ensuring its own statutory compliance
 - d) Checking fund governance
 - e) Reviewing fund risks and internal systems and controls
 - f) Checking fund external advisors/service providers and their internal controls
 - g) Reviewing fund member record keeping
 - h) Checking fund contributions
 - i) Reviewing fund administration
 - j) Benchmarking fund performance and Value for Money (VFM)
 - k) Fraud prevention

- l) Employer and member communications
- m) Complaints and dispute resolution
- n) Reporting regulatory breaches

6. And more specifically on the latter,

1) Identifying any areas of financially material breaches/ areas of regulatory non-compliance that need remediation action such as

Things that might not be done to statutory timescales by the Fund or employers or members, for example repeated processes:

- late contributions by employers
- excessively late transfers in/out
- issuing ABS late
- late first pension payments

Things done on time (or late) but potentially done incorrectly – for example

- incorrect contributions
- incorrect transfers
- incorrect benefit calcs

Things not often done but should be and reviewed – for example

- Data checking, cleansing and validation
- Data backups and security checks
- Checking the resilience of the fund website and external e-links
- Disaster recovery planning exercises

2) Identifying the underlying causes of fund non-compliance and helping ensure rectification plans are being carried out to agreed timescales – for example in relation to:

- Risk management
- Data quality - common/conditional
- IS/IT issues
- Staff error
- Resource shortage

7. Just as important to its scrutiny role described above the Pension Board should also,

3) Wherever possible undertake joint training with the Pension Fund committee and demonstrate it has a positive role in helping the fund deliver good-best practice relative to other LGPS funds for example by reviewing the results of annual external benchmarking surveys by:

- DCLG/ONS (fund statistics)
- National LGPS Scheme Advisory Board (governance/performance)
- The Pensions Regulator (governance/risk/training)
- CIPFA (benefits administration)
- WM-State Street (investments)
- Other Pension Board commissioned benchmarking surveys

and then if appropriate making recommendations to improve the fund's performance in specific areas.

Fund business cycles

8. The Pension Board also needs to take account of and work with the Pension Fund's cyclical annual and triennial business and actions within its Business Plan. Some of these items have been included on the draft forward look of Pension Board business (see Appendix). Other items need prioritizing and then may need to be included/excluded from 2015-17 work plan.

Annual cycle items:

- Pension Board Governance
- Pension Board Work Plan
- Pension Board Annual Training Plan
- Pension Board Annual Report

Pension Fund governance:

- Review/input to the Governance Compliance Statement
- Review of the Fund's declarations of interest (all committees)
- Review of external advisor appointments/process and internal SLAs
- Review of fraud risk prevention and mitigation measures
- Review of the fund draft annual report and audited accounts

Fund risk management

- Review of fund risk register and its use by Committee and officers
- Input to annual internal and external auditing plans
- Consider/comment on draft internal and draft external audit reports

Regulatory Compliance

- Pension Board commissioned external reviews
 - Fund compliance with TPR Code 14
 - Fund compliance with other TPR codes (e.g. data quality)
- Review of Fund delegations and internal controls
- Review of employers' compliance (vis member data and contributions)
- Review of reported breaches and actions taken

Fund performance

- Review quarterly stewardship reports by officers and by external advisors/suppliers
- Input to the fund annual external benchmarking plan (DCLG, SAB, TPR surveys, CIPFA, WM)
- Pension Board plan for externally commissioned benchmarking exercises
- Review and comment on the Fund's and Pension Board's commissioned benchmark reports
- Review VFM of Fund administration strategy – costs v LGPS/Defined Benefit average via benchmarking
- Review VFM of Fund investment strategy - returns v costs v LGPS/Defined Benefit average via benchmarking

Member records and communications

- Review/input to the Fund administration strategy
- Review of the Fund communications strategy
- Review of Fund website
- Review the timeliness of issuance of Annual Benefit Statements (ABS) for active/deferred
- Review of application of Fund and employers discretions policies
- Review of Fund complaint handling and IDRPs case outcomes

2016 triennial valuation cycle items

- Review the actuarial training provided, the rationale for the key assumptions used, and the range of liability reducing options considered and used
- Review/comment on the timing of finalising the Funding Strategy Statement
- Review of contribution setting, employer risks, and funding covenant implementation
- Review/comment on process/timing of reviewing the Fund's future investment strategy

Meeting Agendas

9. The Pension Board will have 4 meetings a year, planned to last no more than 4 hours each. Realistically at its meetings it will only have time to:
- raise matters arising from last meeting
 - consider its own governance items required by LGPS regs
 - discuss and make recommendations on key fund issues
 - provide advice and support to the fund where it can most add value
10. It is recommended each Pension Board meeting has a 3 part agenda structured as follows:
- Standard initial items (say 1.5 hours)
 - 1) *Membership*
 - 2) *Attendance of Non Members of the Committee*
 - 3) *Apologies for absence*
 - 4) *Minutes of last Pension Board meeting and matters arising not on agenda*
 - 5) *Chairman's announcements*
 - 6) *Declarations of Members' interest in relation to items on the agenda*
 - 7) *Public Participation*
 - 8) *Scheme legal, regulatory and Fund update - consultations and surveys issued by DCLG, SAB, TPR others and Fund responses and other activities*
 - 9) *Risk register update*
 - 10) *A training item on a topic relevant to an item on the agenda*
 - Main business items (up to say 2 hours)

11-16) *No more than 6 items*
 - Standard end of meeting items (say 0.5hours)
 - 17) *How did the Pension Board do?*
 - 18) *Forward look of Pension Board business - future meeting agenda items 1 year ahead*
 - 19) *Date of next meeting*
 - 20) *Urgent Items*
 - 21) *Pension Board comments on the minutes of last Pension Committee and Investment Sub-Committee*
11. The attached appendix presents the draft Pension Board's meeting agenda's and forward look of its business. This has been developed in conjunction with the business cycles of the Pension Fund Committee and its Business Plan approved at its June 2015 meeting.
12. The Pension Board is also invited to suggest other topics for consideration/prioritisation for inclusion/exclusion in the rolling Pension Board agendas and work programme.

13. As stated above a forward look of Pension Board business will be a standing end of meeting item on each meeting agenda. This is to enable the Pension Board work programme to be dynamically managed to respond to new issues and developments at and between meetings and each year.
14. The Pension Board is invited to discuss and comment on this paper and specifically the forward look of Pension Board business on the attached appendix and to prioritise at least its near term training and main business for the next 6-12 months.

Environmental Impact of the Proposal

15. There are no known implications at this time.

Financial Considerations & Risk Assessment

16. As outlined in paragraph 4, the proposed draft work plan will take up the Fund's management resource which has not been costed. There will also be a need to at times use an independent specialist adviser to undertake a review where either there is conflict of interest from the officers serving the Pension Board or specialist expertise is required.
17. The Pension Board may therefore, as per its Terms of Reference make requests to the Associate Director – Finance to approve any additional expenditure required to fulfil its obligations in line with any agreed work plan. These costs are charged to the Fund budget.
18. The purpose of the draft work plan is to mitigate the risk of the Fund not acting in compliance with the scheme and other relevant regulations.

Legal Implications

19. There are no material legal implications from this report. The purpose of the Local Pension Board is to ensure the Scheme Manager (Wiltshire Council) fulfils and is compliant with its statutory obligations under the relevant scheme rules and legislation.

Safeguarding Considerations/Public Health Implications/Equalities Impact

20. There are no known implications at this time.

Reasons for Proposals

21. To ensure the Local Pension Board has a clear and relevant forward work plan that is aligned to the business cycles of the Pension Fund Committee and enables it to fulfil its roles of helping secure compliance with the scheme regulations and assisting in the efficient and effective administration and governance of the Fund.

Proposals

22. The Pension Board is asked to:
- a) note the above report and rationale for a forward work plan; and
 - b) approve the draft work plan as outlined in the appendix subject to amendments suggested at this meeting.

MICHAEL HUDSON

Treasurer to the Pension Fund

Report Author: Howard Pearce, Chairman of the Local Pension Board

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

APPENDIX

LOCAL PENSION BOARD – Draft Work Plan

Meeting:	22-Oct-15	14-Jan-16	07-Apr-16	20-Jul-16	20-Oct-16	12-Jan-17	Apr 17	Jul 17	Oct 17	Jan 18	Apr 18	Jul 18	Oct 18	Jan 19
Standing Items:														
Membership	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Attendance of Non Members	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Apologies for absence	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Minutes of last Board & matters arising not on agenda	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Chairman's announcements	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Declaration of Interest	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Public Participation	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Scheme Legal, Regulatory & Fund update	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Review of Risk Register	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Training Item relevant to agenda	COI & Code of Conduct	tPR Code 14 and record keeping	2016 Triennial Valuation	Annual Reporting requirements	Data protection and quality standards	Complaints and dispute handling	Fraud prevention and mitigation	TBC	TBC	TBC	TBC	TBC	TBC	TBC
Review - how did the Board do?	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Meeting:	22-Oct-15	14-Jan-16	07-Apr-16	20-Jul-16	20-Oct-16	12-Jan-17	Apr 17	Jul 17	Oct 17	Jan 18	Apr 18	Jul 18	Oct 18	Jan 19
Forward Work Plan Review		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Date of Next Meeting	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Urgent Items	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Fund update & comments on minutes of PC & ISC	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Recurring annual, biennial or triennial main business items:														
Board Budget setting		✓				✓				✓				✓
Board KPIs to monitor			✓				✓				✓			
Board Annual Report			✓				✓				✓			
Review Board's Terms of Reference (if and as required)				✓				✓				✓		
Board Annual Training Plan Update	✓				✓				✓				✓	
Review Fund Training Programme		✓				✓				✓				✓
Code of Conduct & Conflicts of Interest Policy	✓												✓	
Review all Fund Declarations of Interest			✓				✓				✓			

Meeting:	22-Oct-15	14-Jan-16	07-Apr-16	20-Jul-16	20-Oct-16	12-Jan-17	Apr 17	Jul 17	Oct 17	Jan 18	Apr 18	Jul 18	Oct 18	Jan 19
Review Fund Annual Report	✓				✓				✓				✓	
Review Fund Annual Accounts	✓			✓				✓				✓		
tPR Code of Practice 14/record keeping compliance survey results			✓								✓			
Input to Annual External Audit Plan			✓				✓				✓			
Review External Audit Report	✓				✓				✓				✓	
Input to Annual Internal Audit Plan		✓				✓				✓				✓
Review Internal Audit Report	✓			✓				✓				✓		
Review Fund Annual Business Plan		✓				✓				✓				✓
Review Admin Strategy		✓				✓				✓				✓
Review fund delegations and internal controls						✓								✓
Review Governance Compliance Statement			✓				✓				✓			
Review external advisor appointments process/controls and internal SLAs					✓								✓	

Meeting:	22-Oct-15	14-Jan-16	07-Apr-16	20-Jul-16	20-Oct-16	12-Jan-17	Apr 17	Jul 17	Oct 17	Jan 18	Apr 18	Jul 18	Oct 18	Jan 19
Review Admin Authority Discretions		✓								✓				
Review employers compliance (data)					✓			✓				✓		
Review Fund fraud risk prevention and mitigation measures					✓								✓	
Review of Data Security & Business Recovery								✓				✓		
Review Fund Communications (employers/members)			✓				✓				✓			
Review Fund website contents/resilience						✓								✓
Review of Fund IDR Procedures & cases						✓								✓
Review Triennial Valuation Process					✓									
Review Funding Strategy Statement							✓							
Review Statement of Investment Principles/compliance with FRC stewardship code				✓				✓				✓		
Results of national LGPS KPI survey and Funds own KPIs				✓				✓				✓		

Meeting:	22-Oct-15	14-Jan-16	07-Apr-16	20-Jul-16	20-Oct-16	12-Jan-17	Apr 17	Jul 17	Oct 17	Jan 18	Apr 18	Jul 18	Oct 18	Jan 19
Review CIPFA Admin, WM investment and other Fund benchmarking results						✓				✓				✓
Other ad hoc or irregular business Items:														
Review GMP reconciliation process									✓					

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