

WILTSHIRE PENSION FUND

**Report & Accounts
For the year ended 31 March 2012**

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REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012

CONTENTS

	Page
1. Chairman's foreword	3
2. Basic fund Information	5
3. Governance of the fund	9
4. Governance compliance statement	10
5. Administration report	15
6. Training report	21
7. Investment report	26
8. Actuarial position	34
9. Audit opinion	36
10. Statement of accounts	38
11. IAS26 statement	60
12. Further information & contacts	62

1. Chairman's foreword

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

The Fund is administered by Wiltshire Council for local authorities and other local government associated organisations. This Report is primarily aimed at the participating employer organisations within the Wiltshire Pension Fund, listed on page 7. The number of employer bodies within the Fund has seen a substantial increase in the past twelve months mainly from the ongoing formation of new school academies that have automatic entry into our Fund. The Council now administers the scheme on behalf of 104 employer organisations. Over the year the Fund's assets have increased by £58 million to £1,345 million as at 31 March 2012, although concerns remain over world financial markets which may impact this in the future.

The Fund has 19,300 employees currently contributing to it, a reduction of broadly 200 since last year while the number of retired employees receiving regular payments has increased by around 900 to 12,200, the average pension is £4,223. Active numbers have reduced, continuing the anticipated trend as public bodies restructure to meet future funding levels. However, cash flow into the Fund remains positive as income from employers and employees exceeds payments to pensioners, a situation which although is likely to continue for the foreseeable future will need to be monitored.

During the year there were no changes in the membership of Pension Fund Committee. As the complexity of the scheme ever increases, retention and the development of Committee Members is key to ensure the good governance of the Fund. The Fund's Member Training Plan ensures that Committee Members have the opportunity to gain the appropriate skills and knowledge to assist them to take informed decisions in light of professional advice.

The Committee is constantly looking to improve the performance of the Fund and it attempts to do this by employing the best advisors to provide expert advice to assist them in making effective decisions. During 2011-12, the Wiltshire Pension Fund took the lead in the formation of the South West LGPS Actuarial, Benefits and Investment Services Framework. The intention of the Framework is to deliver value for money through collaborative working with other South West Funds providing quicker and efficient access to quality services. This Framework was used to re-appoint Hymans Robertson as the Actuarial & Benefits advisor and to appoint Mercers as the Fund's new Investment advisor. We look forward to working with both Hymans Robertson and Mercers moving forward.

Financial markets were volatile during 2011-12 as a consequence of the EU sovereign debt crisis. The annual return for the Fund was 3.0% compared to its consolidated benchmark of 4.0%. Wiltshire Pension Fund did achieve 35th out of 84 Local Authority funds within the WM Local Authority League tables where the average return of the WM universe was 2.6%. The Committee continues to monitor investment manager performance and is implementing the outcome of its Investment Strategy reviews from 2011 and 2012.

Work continues throughout the year on improving the Fund administration. A workflow task management system has now been implemented which will assist in improving customer service. Electronic data transfers continues to be developed for large employers to improve the efficient reliable and secure transfer of data while a Life Certificate exercise was completed confirming the individuals who should be correctly in receipt of a LGPS pension. Employer and employee communication continued with positive feedback being received for our Pension Clinics, members' presentations, Annual Benefit Statements and associated newsletters.

On 31st May 2012 the Local Government Association (LGA) and unions announced the outcome of their negotiations regarding the new LGPS reforms for England and Wales, due to take effect from 1 April 2014. These proposals will now be consulted on and we will be communicating these changes to scheme members, employers, and other scheme interests.

If agreed the new scheme will become a Career Average Re-valued Earnings (CARE) scheme and moving away from the current 1/60th accrual rate to a 1/49th basis. The other main changes will be the use of CPI as the revaluation factor for accrued benefits and the linking of the normal retirement age to that of the state pension.

We still await the release of the more detailed scheme design such as the future cost management and governance of the proposed scheme which will be released once further discussions have been concluded by the LGA and the Unions. The new regulations will need to be in place by March 2013 so actuaries can take account of the changes in the 2013 triennial valuation.

Pending the outcome of the consultation it appears the scheme will remain an excellent benefit to its members compared with most private sector schemes. However, the longer term cost savings for employers may remain modest and are likely to be negated by the increase in existing funding deficits which are likely to have increased since the 2011 triennial valuation. It is hoped that this problem would not have to be addressed in a future further scheme review.

The Fund and its employers will also face a very challenging timescale to implement and communicate the agreed LGPS 2014 proposals and work will need to start on this almost immediately so that the changes are administered effectively from April 2014.

Tony Deane, Chairman

On behalf of the Wiltshire Pension Fund Committee

13 July 2012

2. Basic fund information

Statistics

Financial Summary

	2007-08 £000	2008-09 £000	2009-10 £000	2010-11 £000	2011-12 £000
Contributions and Benefits					
Contributions receivable	74,478	82,894	84,975	86,210	87,770
Employers Additional Capital Contributions	0	0	0	0	0
Individual transfers	6,893	3,692	7,281	9,145	5,662
	81,371	86,586	92,256	95,355	93,432
Benefits payable	-49,271	-55,994	-61,115	-61,418	-65,687
Payments to and on account of leavers	-5,118	-2,807	-9,065	-6,889	-4,039
Administrative expenses	-991	-1,215	-1,321	-1,343	-1,219
	-55,380	-60,016	-71,501	-69,650	-70,945
Net additions from dealings with members	25,991	26,570	20,755	25,705	22,487
Returns on Investments					
Investment Income	34,086	34,142	26,846	27,691	31,095
Change in market value of investments	110,082	-290,820	276,140	70,903	9,884
Investment management expenses	-3,075	-2,899	-2,359	-4,049	-5,465
Net returns on investments	-79,071	-259,577	300,627	94,545	35,514
Net increase in the fund during the year	-53,080	-233,007	321,382	120,250	58,001

Membership Summary

	2007-08	2008-09	2009-10	2010-11	2011-12
Contributors	19,055	19,130	19,866	19,456	19,329
Pensioners and Dependents	9,530	10,066	10,737	11,343	12,227
Deferred Pensioners	14,022	15,366	16,640	17,883	19,701

Income (ie. contributions from employers and employees together with dividends and interest earned by investments, but excluding profits on sales of investments) has consistently exceeded expenditure and is anticipated to continue to do so for many years ahead because the Fund is immature in terms of its membership profile.

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

Active Members

Active membership at start of year	19,456
New Entrants	3,468
Linked deferred members	37
Unfrozen actives	1
<i>Leavers and exits during the year:</i>	
Retirements	-567
Death	-76
Deferred members	-2,434
Refunds / Transfer outs / opt outs	-449
Other	-107
Active membership at end of year	19,329

Pensioners

In payment at start of year	11,343
<i>New pensioners in year resulting from:</i>	
Retirement of active members	652
Retirement of deferred members	391
Cessation of benefits	-313
Other	154
In payment at end of year	12,227

Deferred members

At start of year	17,883
New deferred pensioners	2,434
<i>Cessation of deferred pensions resulting from:</i>	
Retirements	-391
Linked to active records	-37
Full commutations	0
Transfers-out	-166
Deaths	-24
Other	2
At end of year	19,701

Participating employers at 31 March 2012

Scheduled bodies/Resolution bodies

Wiltshire Council
Swindon Borough Council
Wiltshire Police Authority
Wiltshire & Swindon Fire Authority
Wiltshire Probation Service
Swindon Academy
Thamesdown Passenger Transport
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
Salisbury City Council
Stratton St Margaret Parish Council
Trowbridge Town Council
Warminster Town Council
Westbury Town Council
Wilton Town Council
Wootton Bassett Town Council
Wroughton Parish Council
Bishop Wordsworth Academy
Churchfield Academy
Colebrook Infants Academy
Commonweal Academy
Corsham Primary Academy
Corsham Secondary Academy
Dorcan Technology Academy
Eastrop Infants Academy
Goddards Park Academy
Hardenhuish School Ltd
Highworth Warneford Academy
Holy Rood Infants Academy
Holy Rood Junior Academy
Holy Trinity Primary Academy
John Bentley Academy
Kingdown Academy
Kingsdown Academy
Lavington Academy
Lethbridge Academy
Lydiard Academy
Malmesbury Academy
New College
Pewsey Vale Academy

Admitted bodies

4 Children
ABM Catering Ltd
Action for Blind People
Agincare
Aster Communities
Aster Group
Aster Living
Aster Property Management
Barnardos
Capita Business Services Ltd
Care & Support Swindon (SEQOL)
Caterlink
CIPFA
Community First
DC Leisure
Direct Cleaning
Enara
English Landscapes
Focsa Services
Great Western Hospitals
Leonard Cheshire
Mainline Contract Services
Norwest Holst (Vinci)
Oxfordshire Learning
Salisbury and South Wilts Museum
Selwood Housing
Somerset Care Ltd
Swindon Commercial Services
Swindon Dance
The Order Of St John Care Trust
Visit Wiltshire
Westlea Housing Association

Ridgeway Academy
Sarum Academy
Sheldon Academy
South Wilts Grammar School
Southfield Junior Academy
Springfields Academy
St Augustine's School
St Edmund's Calne Academy
St Edmunds Girls Academy Salisbury
St Joseph's Academy
St Joseph's Devizes Academy
St Laurence Academy
St Leonard's Academy
St Mary's Swindon Academy
Swindon College
Wellington Academy
Wiltshire College
Wootton Bassett School

3. Governance of the fund

Administering authority

Wiltshire Council
County Hall
Trowbridge
Wiltshire BA14 8JN

Pension fund committee as at 31 March 2012

Wiltshire Council members

Councillor Tony Deane (Chairman)
Councillor Charles Howard (Vice Chairman)
Councillor Mark Packard
Councillor Jeff Osborne
Councillor Sheila Parker

Swindon Borough Council members

Councillor Des Moffatt
Councillor Peter Stoddart

Employee observers

Mike Pankiewicz – Wiltshire Council
Tony Gravier – Swindon Unison Branch

Admitted bodies

Mr Tim Jackson – Westlea Housing Association

Education scheduled bodies

Ms Lynda Croft – Wiltshire College

Officers, advisors & managers at 31 March 2012

Wiltshire Council officers

Michael Hudson – Chief Finance Officer
David Anthony – Head of Pensions

Investment managers

Baillie Gifford & Co
Capital International Ltd
CBRE Global Multi Manager
Western Asset Management Co Ltd
Edinburgh Partners
Fauchier Partners
Record Currency Management Plc
Legal & General
M&G Financing Fund

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

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 10.

4. Governance compliance statement

AREA	PRINCIPLE	LEVEL OF COMPLIANCE	REASON FOR NON-COMPLIANCE
A) Structure	a) The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	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.	N/A
	c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	N/A – There is no secondary committee	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.	N/A – There is no secondary committee	N/A
B) Representation	a) That all key stakeholders are afforded the opportunity to be represented within the		

	<p>main or secondary committee structure. These include:</p> <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>b) That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.</p>	<p>FULL – four representatives in total, two from Swindon Borough and two from Admitted Bodies</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 – Hymans Robertson (the Fund’s Actuary and Investment Consultant) attends all meetings where expert advice is required</p> <p>FULL – All members of the Committee are given equal access to papers, meetings and training and are able to fully participate in debates.</p>	<p>N/A</p> <p>see A) b) above</p> <p>N/A</p> <p>N/A</p> <p>N/A</p>
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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 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.	FULL – There is a Members’ Training Plan which is updated regularly and fully implemented. All members (including observers) have full access to all training opportunities and are allowed to claim all reasonable expenses.	N/A

	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.	N/A – There is no secondary committee	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.	N/A – There is no secondary committee	N/A
G) Access	a) That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	FULL – All members of the Committee (including non voting and substitute members) receive all the papers for every meeting, including the confidential ones	N/A
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	N/A
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Administration report

Recent developments

During the year a relatively large number of admitted bodies and academies have joined the Fund, bringing the total number of employers up to over 100. It's anticipated the total number of employers will continue to increase over the next few years due to further outsourcings of services and schools converting to academy status.

One employer (Thamesdown Transport) ceased its membership during this period.

The full list of employers can be seen on page 7.

During 2011-12 the following strategies and policies were approved by the Wiltshire Pension Fund Committee.

Administering Authority Discretions Policy

The updated Administering Authority Discretions Policy for the Wiltshire Pension Fund was approved by the Committee in May 2011. Under the Local Government Pension Scheme (LGPS) Regulations, there are a number of discretions available to both administering authorities and employer bodies in terms of the way they implement the Regulations.

The Regulations require that each administering authority and employer body must formulate, publish and keep under review their policy due to changes in the LGPS regulations that are issued from time to time from the Department for Communities & Local Government.

In formulating the Administering Authority Discretions Policy, the Fund consulted with the scheme employers in respect of its proposed changes. This effectively updates the previous policy approved by this Committee on 28 February 2007 and has been drafted to cover all of the Administering Authority's discretions as detailed in the Local Government Pension Scheme (Administration) Regulations 2008, Clause 5, part 1.

It is broadly the same as the previously one and is effectively restating policies that are currently in operation. This updated policy provides:

- Guidelines to which staff administering the fund on behalf of the committee will work within;
- Confirmation of the responsibilities of officers acting on behalf of the fund;
- Transparency in processes undertaken.

The updated policy can viewed on the Wiltshire Pension Fund website at the following link:

http://www.wiltshirepensionfund.org.uk/wiltshire_pension_fund_discretions_policy.pdf

Treasury Management Strategy

This strategy was approved in March 2012. 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 £1.5m to £2m 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 latest strategy outlines the maximum limits for a single counterparty which is currently £8m to ensure a counter party could be removed at short notice and not breach this limit.

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-wiltshire-pension-fund>

Wiltshire Pension Fund Business Plan 2011-2014

The Fund's Business Plan was updated and approved by this Committee in July 2011.

The Myners Review of Institutional Investment in the UK (published in 2001 and revised in 2008) resulted in the publication of 6 investment principles. Principle 1 (Effective Decision Making) recommended that Pension Funds produce a Business Plan. The purpose of the Forward Plan was to set out the key developments and major tasks for the plan period.

The benefit of having integrated all aspects of Wiltshire Pension Fund activity into one section under a Head of Pensions is it enables the development of a more unified approach to the management of the Fund. This Plan attempts to outline the key objectives and actions that the Wiltshire Pension Fund will need to consider over the next three years.

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

<http://www.wiltshirepensionfund.org.uk/fund-information/wiltshire-pension-fund-business-plan-2008-11>

Communications

The Fund has worked hard during the year trying to keep employers and employees updated with the latest changes affecting the scheme.

The Fund has continued with its normal publications to members which include the Annual Benefits Statements for active and deferred members; active members and pensioners newsletters, and where requested provide pre-retirement presentations and early retirement seminars.

Pension Clinics have been set up and run in locations around Wiltshire during 2011-2012, providing members with the opportunity to book 1-1 appointments with a member of the Benefits Team to discuss issues regarding their individual pension records.

Members have been kept up to date with any important issues including the change in indexation from RPI to CPI and the changes to the pension tax relief regimes including fixed protection for the lifetime allowance. Presentations and regular updates have been given on the current position on the LGPS 2014 proposals as a result of the Hutton Review.

The Fund's website is constantly updated and reviewed to ensure the latest information is available for members. This includes updated guides to the LGPS, new information regarding factor changes for ARCs and an updated calculator, and new information on how pension tax relief affects members along with relevant calculators. The News Update section of the website is constantly changing to reflect updates on the Government changes 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 July 2011 and the full document can be viewed on the Wiltshire Pension Fund website at:-

<http://www.wiltshirepensionfund.org.uk/communicationstrategy.pdf>

AVC provider

Prudential is the Fund's current AVC provider. This facility allows members to, if they wish, 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 9.

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

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

The Committee met five times last year for regular business and three times for special items which included the appointment of the Fund's actuarial, benefits and investment advisors along with the appointment of four new investment mandates. All decisions are taken by a simple majority with the Chairman having the casting vote.

Employer issues

The Wiltshire Pension Fund employ an Employer Relationship Manager (Andy Cunningham) whose role is to act as an advocate for employers and help foster relationships.

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.

Due to the increasing amounts of and complexity of employer movements, under the backdrop of a challenging economic environment, the Fund has introduced new 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>

Operational improvements

The Fund continually strives to improve its processes and performance with particular emphasis on customer service (e.g. improved response times, more understandable forms, clearer letters, etc). This is an on-going process with changes being implemented each year.

The Wiltshire Pension Fund has now implemented a workflow task management tool which will greatly assist in customer service along with being able to provide a better analysis of the Fund's and employers' performance in terms of work processing and data submissions. The next step will be the adoption of an electronic imaging filing system.

A team restructure is currently being undertaken to ensure the service has the required knowledge and experience in the key areas and to ensure the team is better set up to cope with the many forthcoming changes over the next two years, in particularly the implementation of the LGPS reforms.

Pension increase

Pensions in payment were increased by 5.2 percent effective from 6 April 2012. Pensions commencing in the 12 months preceding 6 April 2011 have received an increase based on the 5.2 percent pro-rated for the length of time the pension has been in payment to 6 April 2012.

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.

Where next for the Local Government Pension Scheme?

Since the publication of the Independent Public Service Pensions Commission review of all public sector pensions (Hutton Review) in 10 March 2011 the Government, Local Government Association (LGA) and unions having been in negotiations on how to reform the LGPS to implement the recommendations outlined.

The 'deal' outlined in the recommendations included the need for public service workers to receive a good pension in retirement; to keep a defined benefit scheme; to protect accrued rights, to allow a fair process of change and ensuring better management of schemes.

For the taxpayer he promised a fairer sharing of the benefit from living longer between the taxpayer and the member; to future proof the scheme; to establish a fixed cost for employers; to provide greater transparency of costs; and to have a single legal framework for public sector pensions.

The LGA and unions announced on 31 May 2012 the outcome of their negotiations regarding the 'Big ticket' items for the new LGPS proposals for England and Wales, due to take effect from 1 April 2014.

These changes will apply from April 2014 but all pensions in payment or built up before this date will be protected. Members that are in receipt of a pension or have left with deferred benefits will not be affected by these changes, all members currently contributing will have all pre 2014 benefits accrued protected and based on a final salary scheme and will also retain the current Normal Pension Age.

Unions will consult their members over the proposals and the LGA will consult employers. Government has confirmed that a favourable outcome of the consultations will enable them to move directly to a statutory consultation later in the autumn prior to implementation at which point the other detailed guidance on scheme design will also be issued. The timeline for implementing the necessary changes to the LGPS regulations is challenging as these need to be approved prior to 31 March 2013 to incorporate them into the 2013 triennial valuation assessment.

The main provisions proposed LGPS 2014 are:

1. A Career Average Revalued Earnings (CARE) scheme using CPI as the revaluation actor – the current is a Final Salary scheme.
2. An accrual rate of 1/49th – the current is a 1/60th scheme
3. There would no longer be a Normal Retirement Age (NRA). Instead each individual member's retirement date would be the same as their State Pension Age (SPA) – the current scheme has a NRA of 65
4. Average member contributions would remain the same at 6.5% but the rate would be determined on actual pay – the current scheme determines part-time contribution rates on full time equivalent pay. Although there would be no change to average contributions, the lower paid will pay the same or less and the higher paid will pay higher contributions on a more progressive scale after tax relief
5. Members that have, or are, considering opting out of the scheme can elect to pay half contributions for half the pension while still retaining full value of other benefits. This will be known as the 50/50 option. Members can opt back into the main scheme at any time and this option will be seen as a short term solution and members will be opted back into the scheme under the new auto-enrolment provisions.
6. For current scheme members benefits accrued prior to April 2014 will be protected including any outstanding 'Rule of 85' protection. Protected pre 2014 service will continue to be based on Final Salary and the current NRA.
7. Where scheme members are outsourced they will be able to stay in the scheme on first and subsequent transfers – currently this is at the discretion of the employer.

All other benefits remain as in the current scheme, namely death in service grant, spouses' pensions and ill health provision.

Future scheme costs will be monitored and controlled to ensure stability and affordability of the LGPS. Further details on cost management and governance will be released once ongoing discussions in the next part of the LGPS 2014 project are complete which is anticipated in the autumn.

The latest information and updates received can be viewed at the following address on the Wiltshire Pension Fund website:

Automatic Enrolment

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 of this is being phased in over the next five years depending on the size of employer. The first staging date is October 2012.

Although the implementation isn't 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.

Other matters

The Fund continues to support its employers by co-ordinating the provision of FRS17 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.

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 will provide and arrange 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 Chief Finance Officer is responsible for ensuring that these training plans and strategies are implemented.

Recent Developments

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. These link 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 will be reviewed and updated on a rolling basis, to ensure it's aligned to the Fund's medium term priorities, in line with the recommended practice.

Assessments & Training Undertaken

Members of the Committee

A workshop seminar was held on 5 November 2009 in order to assess the members' training needs in relation to the work of the Committee over the next four years. From the

information obtained from this event a Members' Training Plan was drafted and approved by the Committee in November 2009.

This Training Plan was completed in November 2010 and covered the following topics:

Topic:	Delivered by:
<p>Governance:</p> <ul style="list-style-type: none"> • Legal Responsibility of Committee & Officers • Delegations to Officers • Governance Risk 	<ul style="list-style-type: none"> • Members' briefing note • Short seminar
<p>Benefits:</p> <ul style="list-style-type: none"> • Discretions Policies of Fund and Employers • Member Communications (including Benefits Statements) • Assessing quality/risks of administration service • Data Protection / Security 	<ul style="list-style-type: none"> • Internal training day • External conferences
<p>Employer Types & Risks</p>	<ul style="list-style-type: none"> • Internal training day
<p>Actuarial Valuations & Funding</p>	<ul style="list-style-type: none"> • Internal training day • External conferences
<p>Investment Regulations & Guidance</p> <ul style="list-style-type: none"> • LGPS / Myners 	<ul style="list-style-type: none"> • Short seminar
<p>Investment Strategy/Asset Allocation:</p> <ul style="list-style-type: none"> • Employer covenant • Risk budgeting & Asset Allocation • Asset classes in detail • Active v Passive 	<ul style="list-style-type: none"> • Internal training day • External conferences • Webcast
<p>Investment Management:</p> <ul style="list-style-type: none"> • Benchmark setting • Pooled v Segregated • Transaction costs / Fees / Commission Recapture • Securities Lending • Investment instruments • Investment terms • Risk measurement • Rebalancing 	<ul style="list-style-type: none"> • Internal training day • External conferences • Webcast
<p>Environmental, Social & Governance:</p> <ul style="list-style-type: none"> • Voting • Activism (eg. LAPFF) • Best Practice (eg. UNPRI) 	<ul style="list-style-type: none"> • Internal training day – PIRC • External conferences – LAPFF conference

During September 2010, Members of the committee agreed to undertake a 'self – assessment' exercise that rated their knowledge in the areas covered by the CIPFA pension finance Knowledge & Skills Framework. These results were then used to inform and update a new Members Training Plan.

At the same time the Chairman and Vice-Chairman to the Committee were assessed on a 'one to one' basis with officers against the role specification outlined in the CIPFA pension finance Knowledge & Skills Framework with additional training requirements identified within the plan specific for their roles.

This programme will run from November 2010 to 2013 and will take Members up to the next triennial valuation and local elections. It incorporates the ideas, themes and preferences identified in the self assessment exercise.

The plan will be delivered through a number of different methods. The intention is to hold at least two 'in-house' training days in the year, complemented by 'short seminars' on Committee days on subjects pertinent to the forthcoming agenda. Where applicable, external conferences are recommended to Members by officers if they are deemed to contain appropriate content. Briefing notes are also emailed to Members when applicable and occasionally webcasts and videos are made available if deemed specific enough. In addition the Fund 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 2011-13 approved by the Committee on 2 December 2010 is outlined at the end of this section.

Officers to the Pension Fund Committee

There is already 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.

The publication of the CIPFA pension finance Knowledge and Skills Framework for practitioners in 2010 will form 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 Chief Finance Officer 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
Chief Finance Officer
5 July 2012

WILTSHIRE PENSION FUND COMMITTEE – MEMBERS’ TRAINING PLAN – NOVEMBER 2011-2013

WILTSHIRE PENSION FUND COMMITTEE – MEMBERS’ TRAINING PLAN – NOVEMBER 2011-2013

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 (eg. Webcasts, Videos)	One-to-One Briefing with an officer	
GENERAL TRAINING								
General overview of LGPS	✓							Completed
Members’ individual needs on specific areas arising during the year		✓			✓	✓	✓	As required - notify Head of Pensions
Specific items on committee agendas		✓	✓					As required
SPECIFIC ISSUES IDENTIFIED FROM MEMBERS SELF ASSESSMENTS								
General Pension Framework								
<ul style="list-style-type: none"> LGPS discretions & policies 			✓					Completed
<ul style="list-style-type: none"> Implications of the Hutton Review 		✓		✓	✓			Note sent March 2011 / May 2012
Pensions Legislation & Governance:								
<ul style="list-style-type: none"> Roles of the Pension Regulator, Pension Advisory Service & Pension Ombudsman in relation to the scheme 		✓		✓				30-Apr-12
<ul style="list-style-type: none"> Review of Myners principles and associated CIPFA & SOLACE guidance 		✓		✓				30-Apr-12
Pension Accounting & Auditing standards:								
<ul style="list-style-type: none"> Accounts & Audit regulations and the legislative requirements 			✓					Completed Nov 11
Financial Services procurement:								
<ul style="list-style-type: none"> Current public procurement policy & procedures 				✓				Completed Nov 11
<ul style="list-style-type: none"> UK & EU procurement legislation 				✓				Completed Nov 11
Investment Performance & Risk Management:								
<ul style="list-style-type: none"> Monitoring asset returns relative to liabilities 				✓		✓		Invite to be circulated to relevant ones 31-Oct-12
<ul style="list-style-type: none"> Myners principles of performance management 				✓				31-Oct-12
<ul style="list-style-type: none"> Setting targets for committee and how to report against them 				✓				31-Oct-12
Financial markets & products knowledge:								
<ul style="list-style-type: none"> Refresh the importance of setting investment strategy 			✓					Completed May 12
<ul style="list-style-type: none"> Limits placed by regulation on investment activities in the LGPS 				✓				
<ul style="list-style-type: none"> Understanding of the operations of the fixed income manager 					✓			Visited WAM Jan 2011
<ul style="list-style-type: none"> Understanding of Alternative asset classes 				✓				Completed June 2011

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 (eg. Webcasts, Videos)	One-to-One Briefing with an officer	
Actuarial methods, standards and practices:								
• Considerations in relation to outsourcings and bulk transfers			✓					31-Oct-12
• Triennial Valuation refresher			✓					30-Apr-13
CHAIRMAN / VICE CHAIRMAN TRAINING								
• Fund benchmarking							✓	31-Oct-12
• Stakeholder feedback							✓	31-Oct-12
• Appreciation of changes to scheme rules					✓			Invite to be circulated to relevant ones

7. 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 2010 triennial valuation and can be supplied upon request or viewed at :-

www.wiltshirepensionfund.org.uk/fundingstrategy.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, hedge funds, 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 and hedge fund 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 :-
www.wiltshirepensionfund.org.uk/investment-principles.

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. A strategy review was undertaken during the summer 2011. These changes are currently being implemented. A further strategic asset allocation review was undertaken by Mercer’s (the Fund’s new advisor) in May 2012 with any required changes being implemented over the coming months when the timing is appropriate. In broad terms, the Fund will 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 Council 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 subscribing and outsourcing proxy voting to the Pensions & Investment Research Consultants Limited (PIRC) Corporate Governance Service for all global equities.

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 54 member funds with assets of more than £100 billion.

The Committee expects its investment managers, to take account of social, environmental and ethical considerations in the selection, retention and realisation of investments insofar as these matters are regarded as impacting on the current and future valuations of individual investments. Taking account of such considerations is seen as forming part of the investment managers' normal fiduciary duty.

As such, the Committee also believes it 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 Committee seeks to achieve this objective by raising issues with companies in which it invests with a view to raising standards in a way that is consistent with long term shareholder value. Again, the Council 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 to the code during 2011. 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 would be funded by the termination of both Capital International mandates (Global equities 14%, Absolute Income Grower 10%), by reducing the Legal & General UK passive mandate by 3% to 12.5%, by removing the 2% strategic allocation for active

currency, by reducing the strategic allocation for the M&G Financing fund by 0.5% to reflect the relative lower value of the investment against the total Fund and by reducing other global equities by 0.5%.

This means that going forward the Fund's asset allocation will be:

ASSET ALLOCATION FROM JUNE 2012	
Equities:	
Long-Only:	
UK *	12.5%
Overseas (Global) **	37.5%
Absolute Return (Lower volatility)	10.0%
	60.0%
Bonds	15.5%
Property	13.0%
Alternatives:	
Long-Short Equities - Global	5.0%
Infrastructure	5.0%
M&G Financing Fund	1.5%
	11.5%
TOTAL	100.0%

* (sits at approximately 15.5% if including the UK element of the global mandates)

** (includes active, passive and fundamental indexation)

The allocation of mandates to managers from June 2012 is as follows:

MANAGER/MANDATE ALLOCATION	
Baillie Gifford	
Global Equities	15.0%
Legal & General	
Passive UK Equities	12.5%
Passive Global Equities	10.0%
Passive Fundamental Equities	5.0%
Passive Index-Linked Bonds (UK)	5.0%
Barings	
Absolute Return Fund	10.0%
Western Asset Management	
Corporate Bonds (UK & Overseas)	10.5%
CBRE Global Multi Manager	
Property Fund of Funds (UK & Europe)	13.0%
Edinburgh Partners	
Global Equities	7.5%
Fauchier Partners	
Equity Long-Short Fund of Funds (Global)	5.0%
Partners Group	
Infrastructure	5.0%
M&G Investment Management	
UK Companies Financing Fund	1.5%
TOTAL	100.0%

Investment as at 31 March 2012

During the year, the managers transacted purchases of £662.7 million (£856.1m 31 March 2011) and sales of £620.8 million (£809.2m 31 March 2011). The value of assets under management at 31 March 2012 was £1,328.2 million (£1,276.3m 31 March 2011), broken down by managers as follows:

Baillie Gifford	£178.6 million
Capital International	£315.4 million
CBRE Global Multi Manager	£160.6 million
Western Asset Management	£153.5 million
Legal & General	£292.1 million
Edinburgh Partners	£132.0 million
Fauchier Partners	£ 67.8 million
Record Currency Management	£ 18.5 million
M&G Financing Fund	<u>£ 9.7 million</u>
	<u>£1,328.2 million</u>

The Fund participates in a securities lending programme administered by BNY Mellon. Securities in the beneficial ownership of the Fund to a value of £10.2 million (0.8% of the total) were on loan at 31 March 2012. Collateral for these securities is held in a pooled form, the Wiltshire Pension Fund's share (0.07%) representing a value of £10.8 million (106.08%). Income earned from this programme amounted to £0.121 million in the year.

Investment markets

Financial markets continued to be volatile during 2011-12. Economic growth in the UK was disappointing during the year due to the UK austerity programme and weak growth in the European Union. The EU sovereign debt crisis continued to grow in intensity until February 2012 when a refinancing package was eventually agreed for Greece but concerns remain over other countries, namely Spain and Italy.

The weak UK growth forced the Bank of England to inject £75 billion into the economy in October through quantitative easing, this was followed by a further £50 billion in February. Bank base rate ended the year unchanged at 0.5% while inflation peaked in September at 5.2%. UK index linked gilts achieved high double digit returns over the year as a result of safe haven inflows.

Global equity returns were mixed over the year with the US performing well (+8.7%), the weakest performance came from Greece with negative returns of -61.5%. As this is an election year in the US, there may be few incentives to reduce the fiscal deficit until after the autumn so the performance of the US economy will be in the hands of the future government.

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.

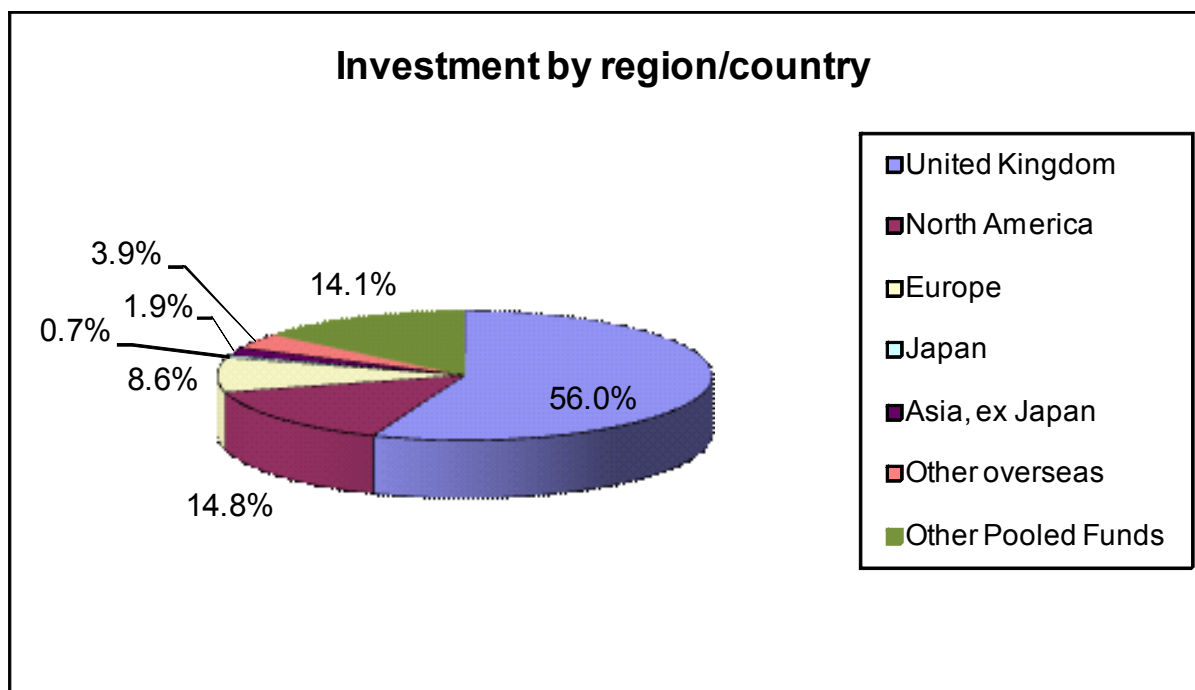
Other matters

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

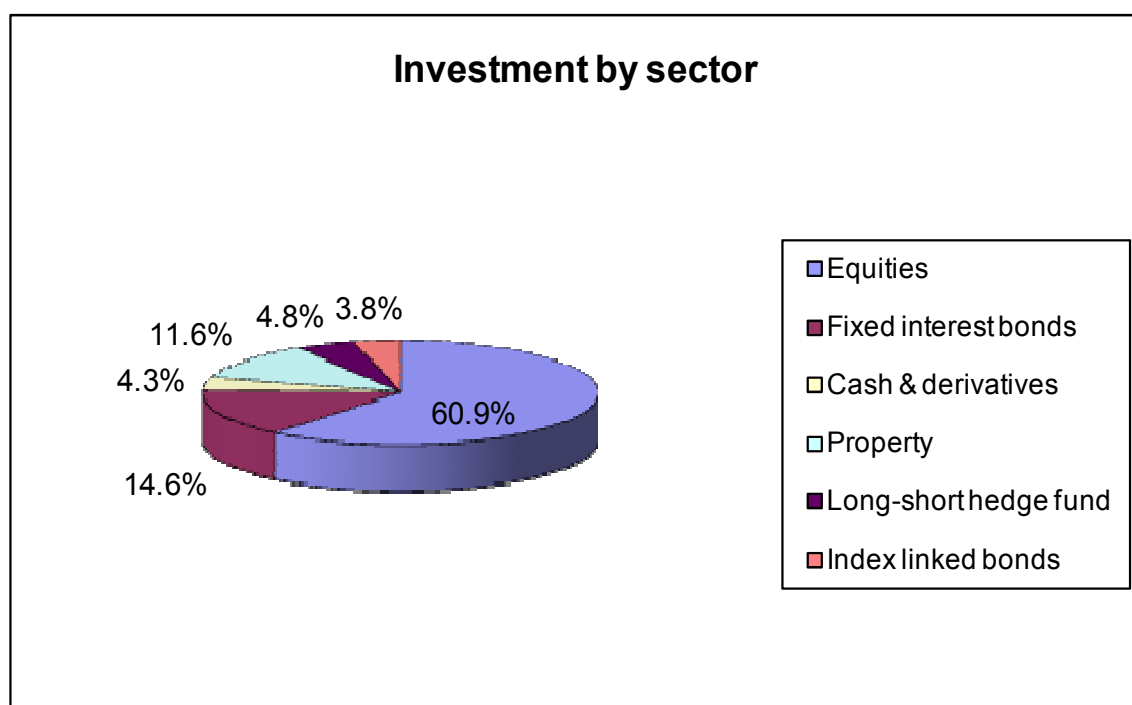
Analysis of investments as at 31 March 2012

	£000	% of Fund total
Geographical analysis		
United Kingdom	744,548	56.0
North America	195,996	14.8
Europe	114,132	8.6
Japan	9,573	0.7
Asia, ex Japan	25,271	1.9
Other overseas	51,941	3.9
Other Pooled Funds	186,723	14.1
	1,328,184	100.00



Analysis of investments by sector as at 31 March 2012

	£000	% of Fund total
Sector analysis		
Equities	808,998	60.9
Fixed interest bonds	194,244	14.6
Cash & derivatives	56,608	4.3
Property	154,161	11.6
Long-short hedge fund	63,744	4.8
Index linked bonds	50,429	3.8
	1,328,184	100.00



Twenty largest holdings at 31 March 2012

	£000	% of Fund total
1 Legal & General Equity Index Fund	193,060	14.54
2 Edinburgh Partners Global Opportunities Equity Fund	129,360	9.74
3 Fauchier Partners Jubilee Absolute Equity Fund	63,744	4.80
4 Capital International Fund Emerging Markets	31,190	2.35
5 M&G Secured Property Income Fund	17,669	1.33
6 Blackrock UK Property Fund	17,666	1.33
7 Baidu Inc	14,266	1.07
8 Amazon.Com Inc Com	14,157	1.07
9 Apple Inc	13,326	1.00
10 Schroder Property Investment Management	12,966	0.98
11 Google Inc	11,587	0.87
12 Henderson Property UK Property	11,451	0.86
13 UBS Global Asset Management Triton Property	11,248	0.85
14 Tencent Holdings Ltd	9,876	0.74
15 Prudential/M&G Companaies Financing Fund	9,703	0.73
16 Intuitive Surgigal Inc	9,583	0.72
17 PPR EUR 4.00	8,588	0.65
18 Atlas Copco	8,526	0.64
19 Hercules Unit Trust	8,422	0.63
20 Industrial Property Investment Fund	8,188	0.62
	604,576	45.5

8. Actuarial position

This statement has been prepared in accordance with Regulation 34(1) of the Local Government Pension Scheme (Administration) Regulations 2008, and chapter 6 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the UK 2011/12.

Description of Funding Policy

The funding policy is set out in the latest Wiltshire Council Funding Strategy Statement (FSS), dated September 2011. In summary, the key funding principles are as follows:

- to achieve a funding level of 100%, both at the whole Fund level and for the share attributable to individual employers, with a timescale that is prudent and affordable;
- to ensure that sufficient liquid funds are available to meet all benefits as they fall due for payment;
- not to restrain unnecessarily the investment strategy of the Fund so that the Administering Authority can seek to maximise investment returns (and hence minimise the costs of the benefits) for an appropriate level of risk;
- to help employers recognise and manage pension liabilities as they accrue;
- to maximise the degree of stability in the level of each employer's contributions to the extent that the Administering Authority (in consultation with the actuary) is able to do so in a prudent and justifiable way;
- 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; and
- to address the different characteristics of the disparate employers or groups of employers to the extent that this is practical and cost effective.

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 below the theoretical rate required to return their portion of the Fund to full funding over 20 years if the valuation assumptions are borne out. 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 50% chance that the Fund will return to full funding over 21 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 2010. This valuation revealed that the Fund's assets, which at 31 March 2010 were valued at £1,167 million, were sufficient to meet 74.6% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2010 valuation was £396 million.

Individual employers' contributions for the period 1 April 2011 to 31 March 2014 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 25 March 2011.

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 2010 valuation were as follows:

Financial Assumptions	Rate at 31 March 2010	
	Nominal	Real
Discount rate	6.1%	2.8%
Pay increase	5.3%	2.0%
Price Inflation/Pension increases	3.3%	0.0%

**plus an allowance for promotional pay increases. Short term pay growth was assumed to be 1% p.a. for 2010/11 and 2011/12, reverting to 5.3% p.a. thereafter.*

The key demographic assumption was the allowance made for longevity. As a member of the Club Vita, the baseline longevity assumptions adopted at this valuation were a bespoke set of VitaCurves that were specifically tailored to fit the membership profile of the Fund. Longevity improvements were in line with medium cohort projections and a 1% p.a. underpin effective from 2010. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	21.3 years	23.6 years
Future Pensioners	23.3 years	25.5 years

Copies of the 2010 valuation report and Funding Strategy Statement are available on request from Wiltshire Council administering authority to the Fund.

Experience over the year since April 2010

The Administering Authority monitors the funding position on a regular basis as part of its risk management programme. The most recent funding update was produced as at 31 March 2012. It showed that the funding level (excluding the effect of any membership movements) has worsened since the 2010 valuation due to falling real bond yields and lower asset returns than expected.

The next actuarial valuation will be carried out as at 31 March 2013. The Funding Strategy statement will also be reviewed at that time.

Prepared by:-

Linda Dudley

19 June 2012

For and on behalf of Hymans Robertson LLP

9. Audit opinion

(To Follow)

10. Statement of accounts

Fund Account

For the year ended 31 March 2012

	Notes	2011-12 £000	2010-11 £000
Contributions and benefits			
Contributions receivable	5	87,770	86,210
Individual transfers		5,662	9,145
		93,432	95,355
Benefits payable	6	-65,687	-61,418
Payments to and on account of leavers	7	-4,039	-6,889
Administrative expenses	8	-1,219	-1,343
		-70,945	-69,650
Net additions from dealings with members		22,487	25,705
Returns on investments			
Investment income	9	31,095	27,691
Change in market value of investments	11	9,884	70,903
Investment management expenses	12	-5,465	-4,049
Net returns on investments		35,514	94,545
Net increase in the fund during the year		58,001	120,250
Add opening net assets of the funds restated		1,286,798	1,166,548
Closing net assets of the scheme		1,344,799	1,286,798

Net Asset Statement

At 31 March 2012

	Notes	31-Mar-12 £000	31-Mar-11 £000
Investment assets	11		
Fixed interest securities		144,117	126,432
Index linked securities		627	805
Equities		426,513	421,908
Pooled investment vehicles		546,157	530,502
Property		154,161	147,637
Derivative assets		6,957	5,568
Cash held on deposit		46,805	43,083
Other investment balances		4,466	3,861
		1,329,803	1,279,796
Investment liabilities	11		
Derivatives liabilities		-1,619	-3,450
Total net investments		1,328,184	1,276,346
Current assets	13	18,109	12,891
Current liabilities	14	-1,494	-2,439
Net assets of the scheme at 31 March		1,344,799	1,286,798

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 2011/12 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 on page 60. 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 on page 60 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 2012 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 where there are no bid/offer spreads, as provided by the investment manager.
- (iv) **Fixed interest stocks**
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 2012.

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

Costs incurred on the acquisition of investments, such as stamp duty and commission, are treated as part of the purchase cost of investments.

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. Fund members over the age of fifty may elect to buy service with their AVC funds, such transactions being included within transfers into the Fund.

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 34). 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 2012 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 2012, the fund had a balance of £18.1m for debtors (£7.7m 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 £67.8m. 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 £7m.

5. Contributions receivable

	2011-12 £000	2010-11 £000
Employer		
- Normal	46,229	49,026
- Augmentation	1,827	3,267
- Deficit funding*	21,453	14,385
Members		
- Normal	17,936	19,148
- Additional contributions	325	384
	87,770	86,210

Analysis of contributions receivable

	2011-12 £000	2010-11 £000
<i>Contributions from employees (Including Additional Contributions)</i>		
- Wiltshire Council	8,185	9,120
- Other scheduled bodies	8,058	8,441
- Admitted bodies	2,018	1,971
	18,261	19,532
<i>Contributions from employers (Including Augmentations)</i>		
- Wiltshire Council	27,017	30,492
- Other scheduled bodies	35,413	29,455
- Admitted bodies	7,079	6,731
	69,509	66,678
Total contributions receivable	87,770	86,210

* Deficit funding contributions are being paid by the employer for the three years commencing from 1 April 2011 as specified in the Rates and Adjustment certificate dated 25 March 2011 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

	2011-12 £000	2010-11 £000
Pensions	51,633	47,519
Commutation and lump sum retirement benefits	12,664	12,676
Lump sum death benefits	1,390	1,223
	65,687	61,418

Analysis of benefits payable	2011-12	2010-11
	£000	£000
<i>Pensions payable</i>		
- Wiltshire Council	28,627	26,444
- Other scheduled bodies	19,389	18,182
- Admitted bodies	3,617	2,893
	51,633	47,519
<i>Retirement and Death grants payable</i>		
- Wiltshire Council	6,368	7,757
- Other scheduled bodies	5,264	4,597
- Admitted bodies	2,422	1,545
	14,054	13,899
Total benefits payable	65,687	61,418

7. Payments to and on account of leavers

	2011-12	2010-11
	£000	£000
Individual transfer out to other schemes	4,031	6,890
Refunds to members leaving service	20	18
State Scheme Premiums	-12	-19
	4,039	6,889

8. Administrative expenses

	2011-12	2010-11
	£000	£000
Administration and processing	932	1,070
Actuarial fees	215	235
Audit fees	49	34
Legal and other professional fees	23	4
	1,219	1,343

9. Investment income

	2011-12 £000	2010-11 £000
<i>Quoted securities</i>		
- UK fixed interest bonds (coupon receipts)	7,655	6,538
- Overseas fixed interest bonds (coupon receipts)	139	240
- UK index linked bonds (coupon receipts)	26	30
- UK equities	1,763	2,755
- Overseas equities	7,826	7,133
<i>Pooled investment vehicles</i>		
- UK equities	-	1
- Overseas equities	3,883	2,702
- UK fixed interest corporate bonds	756	915
- Overseas fixed interest bonds	360	421
- UK property	8,425	6,734
<i>Cash held on deposit</i>		
- Sterling cash	256	217
- Overseas cash	6	5
	31,095	27,691

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 £10.2 million (0.8% of the total) were on loan at 31 March 2012. Collateral for these securities is held in a pooled form, the Wiltshire Pension Fund's share (0.07%) representing a value of £10.8 million (106.08%). Income earned from this programme amounted to £0.121 million in the year.

	2011-12 £m	2010-11 £m
WC securities on loan	10.2	10.0
<i>(percentage of total)</i>	0.8%	0.8%
WC collateral share of pool	0.07%	0.61%
Value of WC pooled share	10.8	10.5
Percentage of securities on loan	106.1%	105.0%
Income earned in year	0.121	0.143

11. Investments

Reconciliation of investments held at beginning and end of year

	Value at 1 April 2011	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market Value	Value at 31 March 2012
	£000	£000	£000	£000	£000
Fixed interest securities	126,432	68,448	-56,560	5,797	144,117
Index linked securities	805	13	-275	84	627
Equities	421,908	175,073	-165,589	-4,879	426,513
Pooled funds	0	0			
- Other	530,502	70,103	-63,451	9,003	546,157
- Property	147,637	20,194	-14,485	815	154,161
Derivative assets	0				
- Futures	706	6,615	-4,230	-3,421	-330
- Options	0	207	-564	357	0
- Forward FX	1,412	19,623	-17,707	2,340	5,668
	1,229,402	360,276	-322,861	10,096	1,276,913
Cash deposits	43,083	301,813	-297,902	-189	46,805
Other Investment balances	3,861	628	0	-23	4,466
	1,276,346	662,717	-620,763	9,884	1,328,184

	Value at 1 April 2010	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market Value	Value at 31 March 2011
	£000	£000	£000	£000	£000
Fixed interest securities	113,515	90,069	-77,929	777	126,432
Index linked securities	767	11,642	-11,816	212	805
Equities	520,041	162,518	-294,709	34,058	421,908
Pooled funds					
- Other	358,674	189,875	-41,155	23,108	530,502
- Property	114,506	28,195	-2,447	7,383	147,637
Derivative assets					
- Futures	-145	5,349	-4,179	-319	706
- Options	1	0	0	-1	0
- Forward FX	-7,969	24,949	-21,457	5,889	1,412
	1,099,390	512,597	-453,692	71,107	1,229,402
Cash deposits	54,313	343,551	-354,574	-207	43,083
Other Investment balances	4,780	-1	-921	3	3,861
	1,158,483	856,147	-809,187	70,903	1,276,346

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. However, such costs are taken into account in calculating the bid/offer spread of these investments and are not therefore separately identifiable.

Details of investments held at year end

	31 March 2012 £000	31 March 2011 £000
Investment assets		
<i>Fixed interest securities</i>		
- UK fixed interest government bonds	8,891	16,471
- UK fixed interest corporate bonds	134,667	108,651
- Overseas fixed interest government bonds	0	6
- Overseas fixed interest corporate bonds	559	1,304
	144,117	126,432
<i>Index linked securities</i>		
- UK index linked corporate bonds	627	805
	627	805
<i>Equities</i>		
- UK equities	48,380	46,047
- Overseas equities	378,133	375,861
	426,513	421,908
<i>Pooled investment vehicles</i>		
- UK equities	193,060	190,192
- Overseas equities	189,425	161,901
- UK fixed interest government bonds	49,162	43,140
- UK fixed interest corporate bonds	0	18,707
- Overseas fixed interest government bonds	154	6,818
- Overseas fixed interest corporate bonds	811	3,590
- UK index linked government bonds	49,801	43,385
- Property	154,161	147,637
- Long-short hedge fund	63,744	62,769
- Currency fund	0	0
	700,318	678,139
<i>Cash held on deposit</i>		
- Sterling cash	38,444	40,500
- Overseas cash	8,361	2,583
	46,805	43,083
<i>Other investment balances</i>		
- Derivatives assets	6,957	5,568
- Outstanding dividend entitlements	3,739	3,348
- Recoverable tax	727	513
	11,423	9,429
<i>Investment liabilities</i>		
- Derivatives liabilities	-1,619	-3,450
Total of investments held	1,328,184	1,276,346
<i>Net current assets & liabilities</i>		
Current assets	18,109	12,891
Current liabilities	-1,494	-2,439
Total net current assets	16,615	10,452
	1,344,799	1,286,798

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 two of 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 passive currency hedging programme, using forward foreign contracts, is in place to reduce the currency exposure of the overseas investments. Currently 50% of 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 passive currency mandate. The details are:

Derivative contracts

Future Contracts

Nature	Nominal Amount £000	Duration	Economic Exposure £000	Asset value at year end £000	Liability value at year end £000
FTSE 100 Index Future	262	Expires Jun 12	15,011		(385)
Fixed Income Security					
UK Long Gilt	(136)	Expires Jun 12	(15,573)	55	
				55	(385)

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	43	(3)
Forward OTC	0 to 6 months	Australian Dollar	Sterling		(20)
Forward OTC	0 to 6 months	Canadian Dollar	Sterling		(19)
Forward OTC	0 to 6 months	Sterling	Canadian Dollar	65	
Forward OTC	0 to 6 months	Danish Krone	Sterling	2	(11)
Forward OTC	0 to 6 months	Sterling	Danish Krone	34	
Forward OTC	0 to 6 months	Euro	Sterling	38	(153)
Forward OTC	0 to 6 months	Sterling	Euro	1,160	(47)
Forward OTC	6 to 12 months	Sterling	Euro	82	
Forward OTC	0 to 6 months	Hong Kong Dollar	Sterling		(99)
Forward OTC	0 to 6 months	Sterling	Hong Kong Dollar	615	
Forward OTC	0 to 6 months	Japanese Yen	Sterling		(151)
Forward OTC	0 to 6 months	Sterling	Japanese Yen	1,604	
Forward OTC	6 to 12 months	Sterling	Japanese Yen	64	
Forward OTC	0 to 6 months	Norwegian Krone	Sterling	3	
Forward OTC	0 to 6 months	Sterling	Norwegian Krone	5	(44)
Forward OTC	0 to 6 months	Singapore Dollar	Sterling		(24)
Forward OTC	0 to 6 months	Sterling	Singapore Dollar	29	
Forward OTC	0 to 6 months	Swedish Krona	Sterling		(27)
Forward OTC	0 to 6 months	Sterling	Swedish Krona	29	(82)
Forward OTC	0 to 6 months	Swiss Franc	Sterling		(12)
Forward OTC	0 to 6 months	Sterling	Swiss Franc	10	(60)
Forward OTC	0 to 6 months	US Dollar	Sterling		(363)
Forward OTC	0 to 6 months	Sterling	US Dollar	2,959	(119)
Forward OTC	6 to 12 months	Sterling	US Dollar	160	
				6,902	(1,234)
				6,957	(1,619)

Financial Risk Disclosure

As an LGPS Pension Fund, the Funds 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 Funds activities expose it to a variety of financial risks including Market Risk, Credit Risk and Liquidity Risk.

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

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

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

a) Market Risk

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

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

1) Market Price Risk

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

By diversifying investments across asset classes and managers, the Fund aim 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 for year end 2012, Hyman Robertson for year end 2011) 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 2012 and 2011 by the amounts shown below.

As at 31 March 2012	Value £'000	Volatility of return	Increase £000	Decrease £000
Baillie Gifford - Global Equity	178,592	17.39%	31,057	(31,057)
Capital International - Global Equity	178,821	17.39%	31,097	(31,097)
Capital International - Absolute Income Grower	136,630	12.94%	17,680	(17,680)
CBRE Global Multi Manager - Property	160,616	11.04%	17,732	(17,732)
Western Asset Management - Corporate Bonds	153,462	9.62%	14,763	(14,763)
Legal & General - Equity	193,060	17.39%	33,573	(33,573)
Legal & General - Gilts	98,964	12.07%	11,940	(11,940)
Edinburgh Partners - Global Equity	131,981	17.39%	22,951	(22,951)
Fauchier Partners - Long/Short Hedge Funds	67,844	11.02%	7,476	(7,476)
Record Currency Management	18,511	0.00%	0	0
M&G - Financing Fund	9,703	0.00%	0	0
	1,328,184		188,270	(188,270)

As at 31 March 2011	Value £'000	Volatility of return	Increase £000	Decrease £000
Baillie Gifford - Global Equity	176,192	21.10%	37,177	(37,177)
Capital International - Global Equity	185,433	21.10%	39,126	(39,126)
Capital International - Absolute Income Grower	127,630	9.50%	12,125	(12,125)
ING Real Estate - Property	151,780	14.20%	21,553	(21,553)
Western Asset Management - Corporate Bonds	140,606	10.00%	14,061	(14,061)
Legal & General - Equity	190,192	18.10%	34,425	(34,425)
Legal & General - Gilts	86,525	6.50%	5,624	(5,624)
Edinburgh Partners - Global Equity	131,472	21.10%	27,741	(27,741)
Fauchier Partners - Long/Short Hedge Funds	65,358	10.20%	6,667	(6,667)
Record Currency Management	16,446	0.00%	0	0
M&G - Financing Fund	4,712	0.00%	0	0
	1,276,346		198,499	(198,499)

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 2012 and 2011 are provided below.

	31.03.12
	£000
Cash held on deposit	46,805
Fixed Interest Securities	144,117
Loans	9,703
	200,625

	31.03.11
	£000
Cash held on deposit	43,083
Fixed Interest Securities	126,432
Loans	4,682
	174,197

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 variable, in particular foreign currency rates, remain constant.

As at 31 March 2012	Value £000	Change in net assets	
		£000	£000
		+100 BP	-100 BP
Cash held on deposit	46,805	468	-468
Fixed Interest Securities	144,117	-10,722	10,722
Loans	9,703	0	0
	200,625	-10,254	10,254

As at 31 March 2011	Value £000	Change in net assets	
		£000	£000
		+100 BP	-100 BP
Cash held on deposit	43,083	431	-431
Fixed Interest Securities	126,432	-9,520	9,520
Loans	4,682	0	0
	174,197	-9,089	9,089

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 50% passive hedging arrangement in place. This restricts the losses/gains to half of what they would have been on overseas investment returns. 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 three global equity managers Baillie Gifford, Capital International, Edinburgh Partners and the Capital International (AIG) product.

2012

	US Dollar	Euro	Yen
Benchmark Weights	21.70%	4.80%	3.70%
	£'000	£'000	£'000
Net Currency Exposure	288,486	63,317	49,330

2011

	US Dollar	Euro	Yen
Benchmark Weights	19.80%	6.60%	3.20%
	£'000	£'000	£'000
Net Currency Exposure	242,506	84,239	40,843

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 2012 and 31 March 2011 would have increased or decreased the net assets by the amount shown below.

2012	Assets Held at Fair Value £'000	Change in net assets	
		+10%	-10%
		£'000	£'000
US Dollar	288,486	28,849	-28,849
Euro	63,317	6,332	-6,332
Yen	49,330	4,933	-4,933
Net Currency Exposure	401,133	40,114	-40,114

2011	Assets Held at Fair Value £'000	Change in net assets	
		+10%	-10%
		£'000	£'000
US Dollar	242,506	25,700	-25,700
Euro	84,239	8,600	-8,600
Yen	40,843	4,200	-4,200
Net Currency Exposure	367,588	38,500	-38,500

As the Fund has a 50% hedging arrangement in place only 50% 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. 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 – Record. 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 Record. Prior to appointment full due diligence was undertaken, they are regulated by the FSA 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 2012 and 2011 is the carrying amount of the financial assets.

2012

	£'000
Fixed interest securities	144,117
Index linked securities	627
Derivative assets	5,338
Cash held on deposit	46,805
Other investment balances	4,466
Current assets	18,109
	<u>219,462</u>

2011

	£'000
Fixed interest securities	126,432
Index linked securities	805
Derivative assets	2,118
Cash held on deposit	43,083
Other investment balances	3,861
Current assets	12,891
	<u>189,190</u>

c) Liquidity Risk

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

The following tables analyses the Fund's financial liabilities as at 31 March 2012 and 2011, grouped into relevant maturity dates.

2012	Carrying Amount £'000	Less than 12 months £'000	Greater than 12 months £'000
Accounts Payable	98	98	0
Benefits Payable	248	248	0
Sundry Creditors	1,148	1,148	0
	<hr/>	<hr/>	<hr/>
	1,494	1,494	0

2011	Carrying Amount £'000	Less than 12 months £'000	Greater than 12 months £'000
Accounts Payable	494	494	0
Benefits Payable	677	677	0
Sundry Creditors	1,268	1,268	0
	<hr/>	<hr/>	<hr/>
	2,439	2,439	0

Fair Value Hierarchy

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

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

The tables below analyse financial instruments, measured at fair value at the end of the reporting period 31 March 2012 and 31 March 2011, 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.

2012

	£000	£000	£000	£000
	Level 1	Level 2	Level 3	Total
Fixed Interest Securities		144,117		144,117
Index Linked Securities		627		627
Equities	414,931		11,582	426,513
Pooled Funds:				0
- Other	60,066	486,091		546,157
- Property	226	153,935		154,161
Derivative assets				0
- Futures	-330			-330
- Options				0
- Forward FX	5,668			5,668
	480,561	784,770	11,582	1,276,913
Cash Deposits	36,396	10,409		46,805
Other Investment balances	4,466			4,466
	521,423	795,179	11,582	1,328,184

2011

	£000	£000	£000	£000
	Level 1	Level 2	Level 3	Total
Fixed Interest Securities	6	126,426		126,432
Index Linked Securities		805		805
Equities	414,718		7,190	421,908
Pooled Funds:				0
- Other	30,428	500,074		530,502
- Property		147,637		147,637
Derivative assets				0
- Futures	706			706
- Options				0
- Forward FX	1,412			1,412
	447,270	774,942	7,190	1,229,402
Cash Deposits	30,265	12,818		43,083
Other Investment balances	3,861			3,861
	481,396	787,760	7,190	1,276,346

During 2011/12 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 2012.

	£000
Opening balance	7,190
Total gains/losses	-526
Purchases	4,918
Sales	0
Transfer out of Level 3	0
Closing balance	11,582

2011	£000
Opening balance	2,674
Total gains/losses	-97
Purchases	4,613
Sales	0
Transfer out of Level 3	0
Closing balance	7,190

12. Investment management expenses

	2011-12	2010-11
	£000	£000
Administration, management and custody	4,650	3,333
Transaction Costs	777	677
Performance measurement services	38	39
	5,465	4,049

13. Current assets

	31 March	31 March
	2012	2011
	£000	£000
Contributions due from other authorities and bodies		
- Employees	1,459	1,515
- Employers	2,709	4,155
Income due from external managers and custodians	-	144
Long term debtors (Magistrates)	7,720	-
Short term debtors (Magistrates)	965	
Other	3,499	462
Cash balances	1,757	6,615
	18,109	12,891

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	31 March
	2012	2011
	£000	£000
Managers / custody fees	593	698
HMRC	544	541
Other	357	1,200
	1,494	2,439

15. Additional Voluntary Contributions (AVCs)

Fund members paid contributions totalling £0.286 million (£0.196 million in 2010/11) into their AVC funds during the year. At the year end, the value of funds invested on behalf of Fund members totalled £2.950 million (£2.865 million in 2010/11), made up as follows:

£

	Million
Equitable Life Assurance Society	
- With Profits Fund	0.990
- Unit Linked Managed Fund	0.256
- Building Society Fund	0.046
Clerical Medical Funds	
- With Profits Fund	0.183
- Unit Linked Managed Fund	0.865
NPI Fund	
- Managed Fund	0.025
- With Profits Fund	0.208
- Global Care Unit Linked Fund	0.056
- Cash Deposit Fund	0.032
Prudential	
- With Profits Cash Accumulation Fund	0.075
- Deposit Fund	0.076
- Diversified Growth Fund	0.052
- Equity Passive	-
- Long Term Growth Fund	0.048
- Pre-Retirement Fund	0.025
- Property Fund	0.013
	2.950

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 £952K (2010/11: £947K) 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 £27m to the fund in 2011/12 (2010/11: £30.5m). A balance of £1.9m 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 2012, the fund had a average investment balance of £2.8m (31 March 2011: £2.7m), earning interest of £22k (2010/11: £20k) in these funds.

Governance

There are two members of the pension fund committee L Croft and T Jackson that are active members of the pension fund. These individuals are the employer bodies' representatives.

18. Guaranteed minimum pension

The Fund is in the process of updating details of Guaranteed Minimum Pensions (GMP) that were not previously shown on member's records. This information had previously not been received from Department for Work & Pensions when members had left the scheme or reached State Pension Age.

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.

Once the GMP information has been received, member's records will be amended to show the amounts of GMP that make up their LGPS pension and therefore future pension increases are then calculated correctly.

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. Subsequent Event

On 31st May 2012 the Local Government Association (LGA) and unions announced the outcome of their negotiations regarding the new LGPS proposals for England and Wales, due to take effect from 1st April 2014. The proposals will now be communicated to scheme members, employers, funds and other scheme interests. If agreed the new scheme will be a Career Average Re-valued Earnings (CARE) scheme using CPI as the revaluation factor. Details of the future cost management and governance of the proposed scheme will be released once ongoing discussions in the next part of the LGPS 2012 project are complete.

11. IAS26 statement

Actuarial Statement in respect of IAS26 as at 31.03.2012

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2011/12 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 2012	31 Mar 2011
	£m	£m
Present Value of Promised Retirement Benefits	1,921.7	1,733

Liabilities have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2010. I estimate this liability at 31 March 2012 comprises £848.8m in respect of employee members, £368.6m in respect of deferred pensioners and £704.3m 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 that aggregate liability is a reasonable estimate of the actuarial present value of 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 2012 is to increase the actuarial present value by £44.2m.

Financial assumptions

My recommended financial assumptions are summarised below:

Year ended	31 Mar 2012 % p.a.	31 Mar 2011 % p.a.
Inflation/Pension Increase Rate	2.5%	2.8%
Salary Increase Rate	4.8%*	5.1%**
Discount Rate	4.8%	5.5%

**Salary increases are 1% p.a. for the first 3 years reverting to the long term assumption shown thereafter.*

*** Salary increases are 1% p.a. for the first 3 reverting to the long term assumption shown thereafter.*

Longevity assumption

As discussed in the accompanying report, life expectancy is based on the Fund's VitaCurves with improvements from 2010 in line with the Medium Cohort and a 1% p.a. underpin. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

Males Females

Current Pensioners	21.3 years	23.6 years
Future Pensioners	23.3 years	25.5 years

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

This assumption is the same as at 31 March 2011.

Commutation

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

Professional notes

This paper accompanies my covering report titled 'Actuarial Valuation as at 31 March 2012 for IAS19 purposes' dated May 2012. 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.

Peter Summers FFA

24 May 2012

12. 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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