



## WILTSHIRE PENSION FUND



### Report & Accounts For the year ended 31 March 2013

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



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# 1. Chairman's foreword

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

The Fund has 20,200 employees currently contributing to it while the number of retired employees receiving regular payments has increased by around 700 to 12,900, the average pension is £4,331. The anticipated trend is the reduction of active membership as public bodies restructure in light of reduced funding for the largest employers. However, cash flow into the Fund remains positive as income from employers and employees exceeds payments to pensioners, although this net contribution is reducing and is being monitored.

Wiltshire Council, which administers the fund is one of the 127 Employer organisations which are members of the fund. Swindon Council & Wiltshire Council are the two largest employers with staff as members of the fund. The Fund has seen an increase in Member bodies over the last 12 months predominantly from the ongoing formation of Academy Schools which have the right of automatic membership.

The Funds assets have increased by £149 million to £1,494 million as at 31st March 2013 reflecting the positive returns across many asset classes. At the last triennial valuation the Funding level was 75%, an actuarial valuation is currently underway as at 31 March 2013 and early indications are this has worsened due to falling bond yields to below 70%.

During the year up to March 2013 there has been one change of membership to the Pension Fund Committee. Councillor Jeff Osborn was replaced by Councillor Fleur de Rhe-Philippe. (a previous main and substitute Committee member). We would like to thank Jeff for his contribution and wish him well for the future.

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 continues to ensure 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 continues to look at ways of improving the performance of the Fund and employs the best advisors to provide expert advice to assist them in making effective decisions. To this end the Fund work closely with its retained advisors Hymans Robertson and Mercers for both administration and investment issues respectively. The Fund has provided a lead in looking at ways of collaborating to reduce costs and improve services. The Wiltshire Pension Fund was a joint lead in setting up the South West LGPS Actuarial, Benefits and Investment Services Framework which can now be used for specific pieces of work such as Fund Manager search exercises.

Investment markets were generally positive for the year with many asset classes delivering double digit returns. The annual return for the Fund was 10.8%, 0.4% ahead of its consolidated benchmark of 10.4%. The Committee continues to monitor investment manager performance and the effect of its Investment Strategy reviews from 2011 and 2012.

Delivering improved services for the membership has been the driver for Fund administration changes. The Pension's team was restructured in 2012 to ensure the availability of adequate skills and knowledge at the appropriate levels to allow the development of excellent customer service. An Imaging system was also implemented which will provide an electronic audit trail assisting the team to work more flexibly and efficiently. Electronic data transfers continue to be developed

for large employers to improve the transfer and validation of data. Employer and employee communication continued with positive feedback being received for our Pension Clinics, members' presentations, Annual Benefit Statements and associated newsletters.

On 21 December 2012, the Department of Communities & Local Government published its first statutory consultation on the draft Local Government pension regulations for the new LGPS scheme for England and Wales, due to take effect from 1 April 2014. At the time of writing a further statutory consultation has been issued covering in more detail the proposed changes to the regulations including the areas of fair deal, cost control and Transitional Regulations. As a consequence there is a substantial amount of work required on implementing and communicating the changes, working closely with all stakeholders in time for 1 April 2014.

The high level features of the new scheme have been known for sometime now with the key change being the move to 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, while for those members who are struggling to afford the current level of contributions a 50:50 option will exist where half the benefits will be awarded for half the costs.

The future governance of the scheme continues to be the focus of attention for the Government with the recent 'call for evidence' on the future structure of the LGPS. Ministers believe that the current structure of 89 separate LGPS funds nationally is not sustainable as better returns and costs savings could be achieved using a different structure. The Wiltshire Pension Fund have already been taking steps to address these issues with the led taken on collaborative working with its neighbours and the setting up of procurement frameworks and this work will continue looking at further opportunities as funds come under more scrutiny in the coming months.

The results of the 2013 Triennial valuation are due in the autumn when employers contributions will be reviewed to establish ways of addressing the funding shortfall moving forward.

**Tony Deane, Chairman**  
**On behalf of the Wiltshire Pension Fund Committee**  
**25th July 2013**

## 2. Basic fund information

### Statistics

#### Financial Summary

	2008-09	2009-10	2010-11	2011-12	2012-13
	£000	£000	£000	£000	£000
<b>Contributions and Benefits</b>					
Contributions receivable	82,894	84,975	86,210	87,770	77,083
Employers Additional Capital Contributions	0	0	0	0	0
Individual transfers	3,692	7,281	9,145	5,662	4,551
	<b>86,586</b>	<b>92,256</b>	<b>95,355</b>	<b>93,432</b>	<b>81,634</b>
Benefits payable	-55,994	-61,115	-61,418	-65,687	-68,351
Payments to and on account of leavers	-2,807	-9,065	-6,889	-4,039	-4,156
Administrative expenses	-1,215	-1,321	-1,343	-1,219	-1,382
	<b>-60,016</b>	<b>-71,501</b>	<b>-69,650</b>	<b>-70,945</b>	<b>-73,889</b>
<b>Net additions from dealings with members</b>	<b>26,570</b>	<b>20,755</b>	<b>25,705</b>	<b>22,487</b>	<b>7,745</b>
<b>Returns on Investments</b>					
Investment Income	34,142	26,846	27,691	31,095	24,774
Change in market value of investments	-290,820	276,140	70,903	9,884	120,124
Investment management expenses	-2,899	-2,359	-4,049	-5,465	-3,529
<b>Net returns on investments</b>	<b>-259,577</b>	<b>300,627</b>	<b>94,545</b>	<b>35,514</b>	<b>141,369</b>
<b>Net increase in the fund during the year</b>	<b>-233,007</b>	<b>321,382</b>	<b>120,250</b>	<b>58,001</b>	<b>149,114</b>
<b>Membership Summary</b>					
	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>
Contributors	19,130	19,866	19,456	19,329	20,193
Pensioners and Dependents	10,066	10,737	11,343	12,227	12,879
Deferred Pensioners	15,366	16,640	17,883	19,701	21,178

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. It is anticipated that the Fund will go Cashflow negative during 2013/14, this is being monitored closely.

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

## Active Members

	2012/13	2011/12
<b>Active membership at start of year</b>	<b>19,329</b>	<b>19,456</b>
New Entrants	2,925	3,468
Linked deferred members	0	37
Unfrozen actives	-10	1
<b>Leavers and exits during the year:</b>		
Retirements	-390	-567
Death	-12	-76
Deferred members	-1,682	-2,434
Refunds / Transfer outs / opt outs	-61	-449
Other	94	-107
<b>Active membership at end of year</b>	<b>20,193</b>	<b>19,329</b>

## Pensioners

<b>In payment at start of year</b>	<b>12,227</b>	<b>11,343</b>
<b>New pensioners in year resulting from:</b>		
Retirement of active members	390	652
Retirement of deferred members	373	391
Cessation of benefits	-320	-313
Other	209	154
<b>In payment at end of year</b>	<b>12,879</b>	<b>12,227</b>

## Deferred members

<b>At start of year</b>	<b>19,701</b>	<b>17,883</b>
New deferred pensioners	1,682	2,434
<b>Cessation of deferred pensions resulting from:</b>		
Retirements	-373	-391
Linked to active records	0	-37
Full commutations	0	0
Transfers-out	-126	-166
Deaths	-24	-24
Other	318	2
<b>At end of year</b>	<b>21,178</b>	<b>19,701</b>

# Participating employers at 31 March 2013

## Scheduled bodies / Resolution bodies

Wiltshire Council  
 Swindon Borough Council  
 Wiltshire & Swindon Fire Authority  
 Wiltshire Police Authority  
 Wiltshire Probation Service  
 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  
 Wanborough Town Council  
 Warminster Town Council  
 Westbury Town Council  
 Wilton Town Council  
 Wootton Bassett Town Council  
 Wroughton Parish Council  
 Bishop Wordsworth Academy  
 Bybrook Valley Academy  
 Churchfield Academy  
 Colebrook Infants Academy  
 Collaborative Schools  
 Commonweal Academy  
 Corsham Primary Academy  
 Corsham Secondary Academy  
 Devizes Academy  
 Dorcan Technology Academy  
 Eastrop Infants Academy  
 Education Fellowship  
 Excalibur Academy  
 Goddards Park Academy  
 Gorse Hill Academy  
 Hardenhuish School Ltd  
 Highworth Warneford Academy  
 Holy Family Academy

## Admitted bodies

Holy Rood Infants Academy  
 Holy Rood Junior Academy  
 Holy Trinity Calne Academy  
 Holy Trinity Devizes Academy  
 John Bentley Academy  
 John of Gaunt Academy  
 King William Academy  
 Kingdown Academy  
 Kingsdown Academy  
 Lavington Academy  
 Lethbridge Academy  
 Lydiard Academy  
 Malmesbury Academy  
 The Manor Academy  
 The Mead Primary Academy  
 New College  
 Pewsey Vale Academy  
 Ridgeway Academy  
 Rowde Academy  
 Sarum Academy  
 Sevenfields Academy  
 Sheldon Academy  
 South Wilts Grammar School  
 Southfield Junior Academy  
 Springfields Academy  
 St Augustine's School  
 St Catherine's Academy  
 St Edmund's Calne Academy  
 St Edmunds Girls Academy  
 Salisbury  
 St Joseph's Academy Devizes  
 St Joseph's Academy Swindon  
 St Laurence Academy  
 St Leonard's Academy  
 St Mary's Swindon Academy  
 Swindon Academy  
 Swindon College  
 Wansdyke Academy  
 Wellington Academy  
 White Horse Academies  
 Wiltshire College  
 Woodford Valley Academy  
 Wootton Bassett School  
 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  
 Elior UK  
 Enara  
 FCC Environment  
 Great Western Hospitals  
 Innovate Services  
 The Landscape Group  
 Leonard Cheshire  
 Mainline Contract Services  
 Norwest Holst (Vinci)  
 Oasis Operations  
 The Order Of St John Care Trust  
 Oxford Health NHS Trust  
 Oxfordshire Learning  
 Salisbury and South Wilts Museum  
 Selwood Housing  
 Somerset Care Ltd  
 Swindon Commercial Services  
 Swindon Dance  
 Visit Wiltshire  
 Westlea Housing Association  
 Wiltshire and Swindon Sports Partnership



## 3. Governance of the fund

<b>Administering authority</b>	Wiltshire Council County Hall Trowbridge Wiltshire BA14 8JN
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### Pension fund committee as at 31 March 2013

<b>Wiltshire Council members</b>	Councillor Tony Deane (Chairman) Councillor Charles Howard (Vice Chairman) Councillor Mark Packard Councillor Fleur de Rhe'-Philippe Councillor Sheila Parker
<b>Swindon Borough Council members</b>	Councillor Des Moffatt Councillor Peter Stoddart
<b>Employee observers</b>	Mike Pankiewicz – Wiltshire Council Tony Gravier – Swindon Unison Branch
<b>Admitted bodies</b>	Mr Tim Jackson – Westlea Housing Association
<b>Education scheduled bodies</b>	Ms Lynda Croft – Wiltshire College

### Officers, advisors & managers at 31 March 2013

<b>Wiltshire Council officers</b>	Michael Hudson – Chief Finance Officer David Anthony – Head of Pensions
<b>Investment managers</b>	Baillie Gifford & Co CBRE Global Multi Manager Western Asset Management Co Ltd Edinburgh Partners Jubilee Advisors (formerly Fauchier Partners) Legal & General M&G Financing Fund Partners Group Barings Asset Management Berenberg Bank
<b>AVC providers</b>	Equitable Life Assurance Society Clerical Medical Funds NPI Funds Prudential
<b>Investment consultant</b>	Mercers
<b>Actuary</b>	Hymans Robertson
<b>Independent adviser</b>	Jim Edney, Independent Pension Fund Adviser
<b>Auditor</b>	KPMG LLP
<b>Custodian</b>	BNY Mellon
<b>Legal adviser</b>	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](http://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.	<b>FULL – The Council's constitution (Part 3, para 2.5) says that the Committee will "exercise the functions of the Council as Administering Authority under the Local Government Superannuation Act and Regulations and deal with all matters relating thereto". The Wiltshire Pension Fund Committee has the power to "... make decisions on matters of significant policy..." (Part 3B, para 4).</b>	N/A
	b) That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	<b>FULL – There are two voting representatives from Swindon Borough Council, two voting representatives from Admitted Bodies and 2 UNISON Observers (representing active, deferred and pensioner members), all of whom are members of the main committee.</b>	N/A
	c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	<b>N/A – There is no secondary committee</b>	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.	<b>N/A – There is no secondary committee</b>	N/A

B) Representation	a) That all key stakeholders are afforded the opportunity to be represented within the main or secondary		
	i. employing authorities (including non-scheme employers, eg, admitted bodies);	<b>FULL – four representatives in total, two from Swindon Borough and two from Admitted Bodies</b>	N/A
	ii. scheme members (including deferred and pensioner scheme members);	<b>FULL – two representatives from UNISON, who represent active, deferred and pensioner members</b>	see A) b) above
	iii. independent professional observers; and	<b>FULL – Our Independent Pension Adviser, who attends all meetings, fulfils this role and feeds back any observations to the Chief Finance Officer and/or Head of Pensions</b>	N/A
	iv. expert advisors (on an ad-hoc basis).	<b>FULL – Mercers (the Fund’s Investment Consultant) attends all meetings where expert advice is required</b>	N/A
	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.	<b>FULL – All members of the Committee are given equal access to papers, meetings and training and are able to fully participate in debates.</b>	N/A
C) Selection and Role of Lay Members	a) That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	<b>FULL – Full Induction Training and Governance is given and each member is given a Members’ Handbook outlining their responsibilities amongst other information.</b>	N/A
	b) That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.	<b>FULL – this is a standard part of committee procedure.</b>	

D) Voting	a) The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	<b>FULL – The Committee has afforded each of its members voting rights, except the UNISON Observers who represent members. Being a statutory pension scheme, the local committee has very little influence over benefits and the members are fully protected by statute. Therefore, there is very little that scheme members (or their representatives) can influence on the committee that has any direct impact upon them. Further, giving voting rights to the observers would mean increasing the size of the Committee, because the Administering Authority must legally be able to maintain a majority.</b>	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.	<b>FULL – There is a Members’ Training Plan which is updated regularly and fully implemented. All members (including observers) have full access to all training opportunities and are allowed to claim all reasonable expenses.</b>	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.	<b>FULL – see Members Training Plan</b>	N/A

F) Meetings - Frequency	a) That an administering authority's main committee or committees meet at least quarterly.	<b>FULL – The Committee meets five times per year, plus ad-hoc for special issues (eg. valuation, tenders)</b>	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.	<b>N/A – There is no secondary committee</b>	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.	<b>N/A – There is no secondary committee</b>	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.	<b>FULL – All members of the Committee (including non voting and substitute members) receive all the papers for every meeting, including the confidential ones</b>	N/A
H) Scope	a) That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	<b>FULL – All matters in relation to the Fund, whether Benefits, Governance, Investments, Communications, Employers, Financial, etc, are covered by the governance arrangements.</b>	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.	<b>FULL – the Governance Compliance Statement is available on the Wiltshire Pension Fund Website and in the Wiltshire Pension Fund Annual Report</b>	N/A

## 5. Administration report

### Recent developments

This year has again witnessed a relatively large number of admitted bodies and academies joining the Fund, bringing the total number of employers to over 120. 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 ceased its membership during this period.

The full list of employers can be seen on page 8.

During 2012-13 the following strategies and policies were approved by the Wiltshire Pension Fund Committee.

### Statement of Investment Principles

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

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

<http://www.wiltshirepensionfund.org.uk/investment-principles>.

### Treasury Management Strategy

This strategy was reviewed and approved in February 2013. 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 £6m. This limits the risk to a single counter party but is large enough to ensure that if one is removed at short notice the limit wouldn't be breached.

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

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

## Communications

The Fund continues to develop its communications 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.

The Fund has been working with employers and Unions to arrange seminars to update members on the changes to the scheme which are due to take place from April 2014. The Fund is also looking to continue its successful Pension Clinics in locations around Wiltshire during 2013-2014 as this provides members with the opportunity to book 1-1 appointments with a member of the Benefits Team to discuss issues regarding their individual pension records.

The Fund has also been developing both its members and pensioner newsletters which have been extremely well received with much positive feedback. This has enabled the Fund to inform members of significant changes in areas such as changes to the pension tax relief regimes including annual and lifetime allowance.

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 once for a special item. 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 now has policies in respect of its approach to new employers, in particular academies. The purpose of such policies are to ensure that the Fund is treating new & existing employers in a fair and reasonable way as well as protecting the interests of the Fund and its current employers. Further details of these policies and guidance can be found on the Wiltshire Pension Fund website at the following address:

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

## Operational improvements

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

Following on from the introduction of a workflow task management tool last year, the Fund has now moved to an electronic imaging filing system which means all post and paperwork in relation to the administration work is scanned into the pension database. This both improves the data handling when processing work and enables better visibility of the stage each case has reached. It also assists in reducing the use of paper within the office. Work continues to with the employers submission of data to the Fund electronically which is assisting in reducing processing times for certain areas of administration.

In 2012 the pension team undertook a restructure that ensures the service has the required knowledge and experience in the key areas and to the team is now better equipped to address the multitude of forthcoming changes over the next two years, in particularly the implementation of the LGPS 2014 reforms.



## Pension increase

Pensions in payment were increased by 2.2 percent effective from 6 April 2013 in line with the Consumer Price Index (CPI) as at September the previous year. Pensions commencing in the 12 months preceding 6 April 2012 have received an increase based on the 2.2 percent pro-rated for the length of time the pension has been in payment to 6 April 2013.

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 and the LGA consulted their members during the summer of 2012 over the proposals and following a positive response the Government has now moved directly to a statutory consultation which is now taking place over the summer of 2013.

The main provisions proposed LGPS 2014 are:

1. A Career Average Revalued Earnings (CARE) scheme using CPI as the revaluation factor – 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.

The timeline for implementing the necessary changes to the LGPS 2014 regulations remains extremely challenging and the Fund is working with its software providers and speaking to employers in regards to the potential changes to systems and data submission required.

A communication strategy is in place and information, presentation and literature will be communicated to the active membership over the coming months.

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

<http://www.wiltshirepensionfund.org.uk/news-update.htm>

## Automatic Enrolment

The timescales for the implementation of Automatic Enrolment has now commenced. 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 was 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.

## Collaboration

Local Government Pensions Schemes are currently under more and more scrutiny to ensure they are maximising the cost effectiveness of resources while increasing the quality of their services.

The Fund has now for a number of years worked closely with its peer LGPS funds in the South West to try and raise standards, improve knowledge levels, share costs and make costs savings from working together on procurement exercises. This has seen the setting up of frameworks for legal, actuarial, benefits and investment advisers which has reduced procurement processes and allowed funds to benefit from reduced costs. The Fund will continue to work with partners to explore other areas for collaboration which can lead to improved service delivery moving forward.

## 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 arranges training for staff and members of the pension committee to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills.

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

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

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. They have their needs assessed and training plans are formulated accordingly.

The publication of the CIPFA Pension Finance Knowledge and Skills Framework for practitioners in 2010 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 Director of Finance can confirm that the officers and Members charged with the financial decision making for the pension scheme collectively possess the requisite knowledge and skills necessary to discharge these duties and make decisions required during the reported period.

**Michael Hudson**

**Treasurer of Pension Fund**

**15 July 2013**

## Wiltshire Pension Fund committee - Members' Training Plan - November 2011-2013

### Proposed delivery methods

TRAINING NEEDED:	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	COMPLETION TARGET DATE
<b>GENERAL TRAINING</b>								
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
<b>SPECIFIC ISSUES IDENTIFIED FROM MEMBERS SELF ASSESSMENTS</b>								
<b>General Pension Framework</b>								
· LGPS discretions & policies			✓					Completed
· Implications of the Hutton Review		✓		✓	✓			Note sent March 2011 / May 2012
<b>Pensions Legislation &amp; Governance:</b>								
· Roles of the Pension Regulator, Pension Advisory Service & Pension Ombudsman in relation to the scheme		✓		✓				Completed 23/10/12
· Review of Myners principles and associated CIPFA & SOLACE guidance		✓		✓				Completed 23/10/12
<b>Pension Accounting &amp; Auditing standards:</b>								
· Accounts & Audit regulations and the legislative requirements			✓					Completed Nov 11
<b>Financial Services procurement:</b>								
· Current public procurement policy & procedures				✓				Completed Nov 11
· UK & EU procurement legislation				✓				Completed Nov 11
<b>Investment Performance &amp; Risk Management:</b>								
· Monitoring asset returns relative to liabilities				✓				Completed 23/10/12
· Myners principles of performance management				✓				Completed 23/10/12
· Setting targets for committee and how to report against them				✓				31-Oct-12
<b>Financial markets &amp; products knowledge:</b>								
· Refresh the importance of setting investment strategy			✓					Completed May 12
· Limits placed by regulation on investment activities in the LGPS				✓				
· Understanding of the operations of the fixed income manager					✓			Visited WAM Jan 2011
· Understanding of Alternative asset classes				✓				Completed June 2011
<b>Actuarial methods, standards and practices:</b>								
· Considerations in relation to outsourcings and bulk transfers			✓					31-Oct-12
· Triennial Valuation refresher			✓					30-Apr-13
<b>CHAIRMAN / VICE CHAIRMAN TRAINING</b>								
· 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 :-

<http://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,



infrastructure and absolute return products to achieve stabilisation; and

- c) the achievement of some “alpha” (manager) returns independently of “beta” (market) returns, through high alpha equity strategies.

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

<http://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 were implemented during 2012/13. The Pension Fund Committee also resolved to make further changes to the strategic allocation resulting from the termination of two managers at the February 2013 Committee meeting. In broad terms, at 31 March 2013 the Fund’s strategic allocation was to be invested 60% in Equities, 15.5% in Bonds, 13% in Property and 11.5% in Alternatives. More details are given in the section below summarising the Fund’s investment management arrangements.

## Risk control

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

## Environmental social governance policy

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

It is also a member of the Local Authorities Pension Fund Forum (LAPFF), to enable it to act collectively with other local authorities on corporate governance issues. The Forum currently has 56 member funds with assets of more than £115 billion.

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

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

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

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

## Investment management arrangements

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

The Committee resolved:

- an aspiration to move the Fund's equities split to 30% UK/70% overseas as opportunities arise from changes in the equities mandates;

- to remove the 12.5% limit for new investment mandates and to set a limit of 20% for a single active manager and 30% for a passive manager;
- to implement a dynamic currency hedging programme;
- to make a strategic allocation of 10% to an Absolute Return Fund Mandate;
- to make a strategic allocation of 5% to an Infrastructure manager;
- to make a strategic allocation of 5% to a global equities passive 'fundamental' index product;
- to hold a passive global equities allocation of 10% on a temporary basis;

These changes were implemented during 2012/13.

At the February/June 2013 Committee meetings further changes were made to the strategic allocation moving forward. These would be implemented in the coming months.

At the February/June 2013 meeting the Committee resolved:

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

This means the Fund's asset allocation will change as follows:

## Asset Allocation

	At 31 March 2013	Moving Forward
<b>Equities: Long-Only:</b>		
UK*	12.5%	12.5%
Overseas (Global)**	37.5%	27.5%
Absolute Return (Lower Volatility)	10.0%	10.0%
Emerging Market Multi Asset	0.0%	10.0%
	60.0%	60.0%
<b>Bonds</b>	15.5%	15.5%
<b>Property</b>	13.0%	13.0%
<b>Alternatives:</b>		
Long-short Equities – Global	5.0%	0.0%
Infrastructure	5.0%	5.0%
M&G Financing Fund	1.5%	1.5%
Opportunistic Investment	0.0%	5.0%
	11.5%	11.5%
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>

\* (sits at approximately 15.5% moving to 14.7% if including the UK element of the global mandates)

\*\* (includes active, and fundamental indexation)

The allocation of mandates to managers is as follows:

<b>Manager / Mandate Allocation</b>	<b>At 31 March 2013</b>	<b>Moving Forward</b>
<b>Baillie Gifford</b>		
Global Equities	15.0%	15.0%
<b>Legal &amp; General</b>		
Passive UK Equities	12.5%	12.5%
Passive Global Equities	10.0%	0.0%
Passive Fundamental Equities	5.0%	12.5%
Passive Index-Linked Bonds (UK)	5.0%	5.0%
<b>Barings</b>		
Absolute Return Fund	10.0%	10.0%
<b>Western Asset Management</b>		
Corporate Bonds (UK & Overseas)	10.5%	10.5%
<b>Emerging Market Multi Asset Mandate</b>		
	0.0%	10.0%
<b>CBRE Global Multi Manager</b>		
Property Fund of Funds (UK & Europe)	13.0%	13.0%
<b>Edinburgh Partners</b>		
Global Equities	7.5%	0.0%
<b>Jubilee Advisors</b>		
Equity Long-Short Fund of Funds (Global)	5.0%	0.0%
<b>Partners Group</b>		
Infrastructure	5.0%	5.0%
<b>M&amp;G Investment Management</b>		
UK Companies Financing Fund	1.5%	1.5%
<b>Opportunistic Investment</b>		
	0.0%	5.0%
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>

## Investment as at 31 March 2013

During the year, the managers transacted purchases of £1,325.6 million (£662.7m 31 March 2012) and sales of £1,293.4million (£620.8m 31 March 2012). The value of assets under management at 31 March 2013 was £1,480.5 million (£1,328.2m 31 March 2012), broken down by managers as follows:

<b>Legal &amp; General</b>	£546.2 million
<b>Baillie Gifford</b>	£227.9 million
<b>Western Asset Management</b>	£173.7 million
<b>CBRE Global Multi Manager</b>	£162.8 million
<b>Barings Asset Management</b>	£150.8 million
<b>Edinburgh Partners</b>	£120.8 million
<b>Jubilee Advisors (Formerly Fauchier Partners)</b>	£75.4 million
<b>M&amp;G Financing Fund</b>	£11.4 million
<b>Berenberg Bank</b>	£7.5 million
<b>Partners Group</b>	£3.8 million
<b>Capital International</b>	£0.2 million
<b>TOTAL</b>	<b>£1,480.5 million</b>

The Fund participates in a securities lending programme administered by BNY Mellon. As at the 31 March 2013 there were no stocks on loan and therefore no collateral held. Income earned from this programme during 2012-13 amounted to £0.056 million.

## Investment markets

Investment markets had a generally positive year (to 31 March 2013) with many risk assets (including equities) delivering double digit returns and other lower risk assets, such as corporate bonds and gilts, also providing strong returns. This was despite a back drop of any meaningful and consistent improvement in economic fundamentals, but reflected a more upbeat mood for investors more generally.

In light of the seemingly concerted effort from the US, UK, Japanese and European Central Banks to use quantitative easing to avoid an illiquidity crisis, concerns over a systematic failure of financial markets appear to have receded. The global economic background remained largely unchanged, with data suggesting a sluggish growth and, at best, a slow grinding recovery. Consensus economic forecasts marginally fell, with 2.6% real global GDP growth expected in 2013. (Source: Consensus Economic April 2013)

Significant divergence in economic growth was seen in different regions. With the conclusion of the US Presidential Election in November 2012 and the deal on fiscal cliff being reached by the US congress at the start of 2013, the forecast on the US economic growth had been somewhat more positive than the other developed markets albeit slow and cautious. The recovery in the UK continued to falter with Moody's downgrade of the UK Credit rating to Aa1 in February 2013. The significant depreciation of sterling against the US dollar and the Euro over the first quarter of 2013 highlighted the continued concerns over the weakness of the UK economy and its future growth prospects. As the Euro area officially fell back in recession in the second half of 2012, Germany managed to avoid recession and continued to post relatively strong growth compared to Italy and

Spain. More recently, the uncertainty of the Italian election and the botched ECB rescue of Cyprus once again weighted on the concerns over the Euro.

The emerging markets continued to be a major engine of global economic growth. However, stock markets remained concerned over the slower than expected growth in China as export demand for Europe declined, although this may be seen in hindsight as a helpful cooling-off process.

## 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.

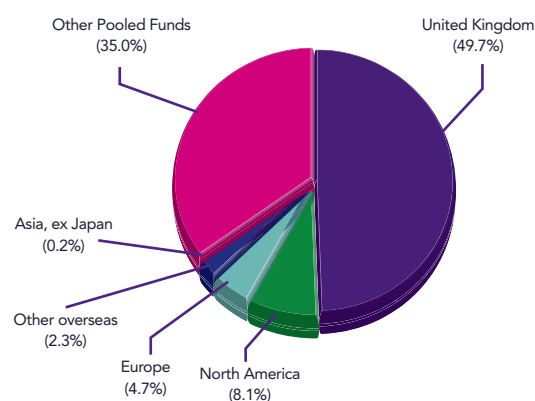
## Other matters

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

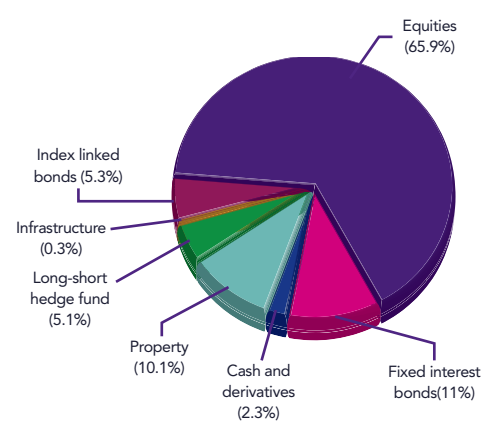
### Analysis of investments as at 31 March 2013

Geographical analysis	£000	% of Fund total
United Kingdom	736,106	49.7
North America	120,074	8.1
Europe	68,973	4.7
Asia, ex Japan	2,707	0.2
Other overseas	33,667	2.3
Other Pooled Funds	518,961	35.0
	<b>1,480,488</b>	<b>100.00</b>



### Analysis of investments by sector as at 31 March 2013

Sector analysis	£000	% of Fund total
Equities	975,477	65.9
Fixed interest bonds	163,184	11.0
Cash & derivatives	33,877	2.3
Property	149,468	10.1
Long-short hedge fund	75,364	5.1
Infrastructure	3,808	0.3
Index linked bonds	79,310	5.3
	<b>1,480,488</b>	<b>100.00</b>



### Twenty largest holdings at 31 March 2013

	£000	% of Fund total
1 Legal & General Equity Index Fund	219,821	14.85
2 Legal & General World Equity Index	164,554	11.11
3 Barings Alpha Funds - Dynamic Asset Allocation Fund	150,774	10.18
4 Edinburgh Partners Global Opportunities Equity Fund	118,675	8.02
5 Jubilee Absolute Equity Fund	75,364	5.09
6 Amazon.Com Inc Com	21,249	1.44
7 M&G Secured Property Income Fund	18,107	1.22
8 Blackrock UK Property Fund	15,470	1.04
9 PPR EUR 4.00	14,187	0.96
10 Industria De Diseno Textil	13,213	0.89
11 Tencent Holdings Ltd	12,785	0.86
12 Baidu Inc	12,554	0.85
13 Google Inc	11,895	0.80
14 Henderson UK Shopping Centre	11,423	0.77
15 Prudential/M&G Companies Financing Fund	11,349	0.77
16 Apple Inc	11,273	0.76
17 Intuitive Surgical Inc	11,021	0.74
18 Schroders GBP	11,010	0.74
19 Ebay Inc	10,760	0.73
20 Atlas Copco	10,700	0.72
	<b>926,184</b>	<b>62.6</b>

## 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 2012/13.

### 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 2013. 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.

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:-

**Catherine McFadyen**

**23 May 2013**

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

## 9. Audit opinion

### Independent auditor's report to the members of Wiltshire Council

We have audited the financial statements of the local government pension fund administered by Wiltshire Council for the year ended 31 March 2013 on pages 37 to 60. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the members of the Authority, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of the Chief Financial Officer and auditor

The Chief Financial Officer is responsible for the preparation of the pension fund financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and for being satisfied that they give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2013 and the amount and disposition of the fund's assets and liabilities as at 31 March 2013, other than liabilities to pay pensions and other benefits after the end of the scheme year. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Pension Fund Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2013 and the amount and disposition of the fund's assets and liabilities as at 31 March 2013, other than liabilities to pay pensions and other benefits after the end of the scheme year; and

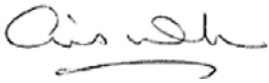
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

## Matters on which we are required to report by exception

The Code of Audit Practice for Local Government Bodies 2010 requires us to report to you if:

- the information given in the Pension Fund Annual Report for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters relating to the pension fund have been reported in the public interest under section 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit.

We have nothing to report in respect of these matters



**Chris Wilson**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
**Chartered Accountants**  
**100 Temple Street**  
**Bristol**  
**BS1 6AG**

## 10. Statement of accounts

### Fund Account

For the year ended 31 March 2013

	Notes	2012-13 £000	2011-12 £000
<b>Contributions and benefits</b>			
Contributions receivable	5	77,083	87,770
Individual transfers		4,551	5,662
		<b>81,634</b>	<b>93,432</b>
Benefits payable	6	-68,351	-65,687
Payments to and on account of leavers	7	-4,156	-4,039
Administrative expenses	8	-1,382	-1,219
		<b>-73,889</b>	<b>-70,945</b>
<b>Net additions from dealings with members</b>		<b>7,745</b>	<b>22,487</b>
<b>Returns on investments</b>			
Investment income	9	24,774	31,095
Change in market value of investments	11	120,124	9,884
Investment management expenses	12	-3,529	-5,465
		<b>141,369</b>	<b>35,514</b>
<b>Net returns on investments</b>		<b>149,114</b>	<b>58,001</b>
<b>Net increase in the fund during the year</b>		<b>149,114</b>	<b>58,001</b>
Add opening net assets of the funds restated		1,344,799	1,286,798
<b>Closing net assets of the scheme</b>		<b>1,493,913</b>	<b>1,344,799</b>

### Net Asset Statement

At 31 March 2012

	Notes	31-Mar-13 £000	31-Mar-12 £000
<b>Investment assets</b>			
Fixed interest securities	11	162,030	144,117
Index linked securities		2,435	627
Equities		236,695	426,513
Pooled investment vehicles		895,984	546,157
Property		149,468	154,161
Derivative assets		1,871	6,957
Cash held on deposit		29,809	46,805
Other investment balances		3,509	4,466
		<b>1,481,801</b>	<b>1,329,803</b>
<b>Investment liabilities</b>			
Derivatives liabilities	11	-1,313	-1,619
<b>Total net investments</b>		<b>1,480,488</b>	<b>1,328,184</b>
Current assets	13	15,797	18,109
Current liabilities	14	-2,372	-1,494
<b>Net assets of the scheme at 31 March</b>		<b>1,493,913</b>	<b>1,344,799</b>

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

## Notes

### 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 2012/13 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 61. 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 61 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 2013 by the Fund's custodian using the bid price where a quotation was available on a recognised stock exchange or unlisted securities market.

#### (ii) Unquoted securities

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

#### (iii) Pooled investment vehicles

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

#### (iv) Fixed interest stocks

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 2013.

Foreign currency transactions are accounted for on the basis of the equivalent sterling value of the underlying transactions, by applying the relevant exchange rate ruling at the time. Where overseas securities are acquired with currency either previously purchased directly or accruing from the sale of securities, the sterling book cost of the new security will be based on the exchange rate ruling at

the time of the purchase of that security. Any profit or loss arising on currency transactions either realised or unrealised, will be reflected in the Net Asset Statement.

#### Investment management expenses

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

#### Acquisition costs of investments

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

#### Administration expenses

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

#### Taxation

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

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

#### Additional Voluntary Contributions (AVCs)

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

### 3. Critical Judgement in Applying Accounting Policies

#### Pension Fund Liability

The pension fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in the actuarial position statement (on page 32). 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 2013 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 2013, the fund had a balance of £15.8m for debtors (£6.8m relate to a long term debtor). A review of significant balances suggested that no impairment is currently necessary. However, in the current economic climate, it is not certain that all debts will be paid.	If collection rates deteriorate it may be necessary for an allowance to be included in the accounts for doubtful debts.
Hedge Fund of Funds	The fund of funds is valued at the sum of the fair values provided by the administrators of the underlying funds plus adjustments that the fund of funds directors or independent administrators judge necessary. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total hedge fund of funds value in the financial statements is £75.4m. 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 £8.2m.

## 5. Contributions receivable

	2012-13 £000	2011-12 £000
<b>Employer</b>		
Normal	46,169	46,229
Augmentation	2,080	1,827
Deficit funding*	11,122	21,453
<b>Members</b>		
Normal	17,448	17,936
Additional contributions	264	325
	<b>77,083</b>	<b>87,770</b>

	2012-13	2011-12
	£000	£000
<b>Analysis of contributions receivable</b>		
<b>Contributions from employees (Including Additional Contributions)</b>		
Wiltshire Council	7,610	8,185
Other scheduled bodies	8,075	8,058
Admitted bodies	2,027	2,018
	<b>17,712</b>	<b>18,261</b>
<b>Contributions from employers (Including Augmentations)</b>		
Wiltshire Council	26,099	27,017
Other scheduled bodies	25,481	35,413
Admitted bodies	7,791	7,079
	<b>59,371</b>	<b>69,509</b>
<b>Total contributions receivable</b>	<b>77,083</b>	<b>87,770</b>

\* 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

	2012-13	2011-12
	£000	£000
Pensions	55,875	51,633
Commutation and lump sum retirement benefits	11,549	12,664
Lump sum death benefits	927	1,390
	<b>68,351</b>	<b>65,687</b>
<b>Analysis of benefits payable</b>		
Pensions payable		
Wiltshire Council	30,558	28,627
Other scheduled bodies	21,120	19,389
Admitted bodies	4,197	3,617
	<b>55,875</b>	<b>51,633</b>
Retirement and Death grants payable		
Wiltshire Council	4,847	6,368
Other scheduled bodies	5,241	5,264
Admitted bodies	2,388	2,422
	<b>12,476</b>	<b>14,054</b>
<b>Total benefits payable</b>	<b>68,351</b>	<b>65,687</b>

## 7. Payments to and on account of leavers

	2012-13	2011-12
	£000	£000
Individual transfer out to other schemes	4,154	4,031
Refunds to members leaving service	6	20
State Scheme Premiums	-4	-12
	<b>4,156</b>	<b>4,039</b>

## 8. Administrative expenses

	2012-13	2011-12
	£000	£000
Administration and processing	1,057	932
Actuarial fees	196	215
Audit fees	71	49
Legal and other professional fees	58	23
	<b>1,382</b>	<b>1,219</b>

## 9. Investment income

	2012-13	2011-12
	£000	£000
<b>Quoted securities</b>		
UK fixed interest bonds (coupon receipts)	8,061	7,655
Overseas fixed interest bonds (coupon receipts)	40	139
UK index linked bonds (coupon receipts)	16	26
UK equities	370	1,763
Overseas equities	4,791	7,826
<b>Pooled investment vehicles</b>		
UK equities	-	-
Overseas equities	2,713	3,883
UK fixed interest corporate bonds	-	756
Overseas fixed interest bonds	-	360
UK property	8,615	8,425
Infrastructure	39	
<b>Cash held on deposit</b>		
Sterling cash	129	256
Overseas cash	-	6
	<b>24,774</b>	<b>31,095</b>

## 10. Stock lending

The Council participates in a securities lending programme administered by BNY Mellon. As at the 31 March 2013 there were no stocks on loan and therefore no collateral held. Income earned from this programme during 2012-13 amounted to £0.056 million.

	2012-13	2011-12
	£m	£m
WC securities on loan	0.0	10.2
(percentage of total)	0.0%	0.8%
WC collateral share of pool	0.00%	0.07%
Value of WC pooled share	0.0	10.8
Percentage of securities on loan	0.0%	106.1%
Income earned in year	0.056	0.121

## 11. Investments

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

	Value at 1 April 2012	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market Value	Value at 31 March 2013
	£000	£000	£000	£000	£000
Fixed interest securities	144,117	39,286	-34,478	13,105	162,030
Index linked securities	627	2,975	-1,226	59	2,435
Equities	426,513	429,346	-621,460	2,296	236,695
Pooled funds					
- Other	546,157	398,926	-163,331	114,232	895,984
- Property	154,161	27,592	-27,893	-4,392	149,468
Derivative assets					
- Futures	-330	2,536	-2,298	-294	-386
- Options	0	0	0	0	0
- Forward FX	5,668	49,921	-48,753	-5,892	944
	<b>1,276,913</b>	<b>950,582</b>	<b>-899,439</b>	<b>119,114</b>	<b>1,447,170</b>
Cash deposits	46,805	374,990	-392,990	1,004	29,809
Other Investment balances	4,466	0	-963	6	3,509
	<b>1,328,184</b>	<b>1,325,572</b>	<b>-1,293,392</b>	<b>120,124</b>	<b>1,480,488</b>

	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					
- Other	530,502	70,103	-63,451	9,003	546,157
- Property	147,637	20,194	-14,485	815	154,161
Derivative assets					
- 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
	<b>1,229,402</b>	<b>360,276</b>	<b>-322,861</b>	<b>10,096</b>	<b>1,276,913</b>
Cash deposits	43,083	301,813	-297,902	-189	46,805
Other Investment balances	3,861	628	0	-23	4,466
	<b>1,276,346</b>	<b>662,717</b>	<b>-620,763</b>	<b>9,884</b>	<b>1,328,184</b>

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

Transaction costs have been debited through the Fund Account and have been disclosed as part of the Investment Management Expenses. Costs are also borne by the Fund in relation to transactions in pooled investment vehicles. 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 2013 £000	31 March 2012 £000
<b>Investment assets</b>		
Fixed interest securities		
- UK fixed interest government bonds	14,897	8,891
- UK fixed interest corporate bonds	146,901	134,667
- Overseas fixed interest corporate bonds	232	559
	<b>162,030</b>	<b>144,117</b>
Index linked securities		
UK index linked corporate bonds	2,435	627
	<b>2,435</b>	<b>627</b>
Equities		
UK equities	23,640	48,380
Overseas equities	213,055	378,133
	<b>236,695</b>	<b>426,513</b>
Pooled investment vehicles		
- UK equities	219,821	193,060
- Overseas equities	518,961	189,425
- UK fixed interest government bonds	0	49,162
- Overseas fixed interest government bonds	177	154
- Overseas fixed interest corporate bonds	978	811
- UK index linked government bonds	76,875	49,801
- Property	149,468	154,161
- Long-short hedge fund	75,364	63,744
- Infrastructure	3,808	0
	<b>1,045,452</b>	<b>700,318</b>
Cash held on deposit		
Sterling cash	25,591	38,444
Overseas cash	4,218	8,361
	<b>29,809</b>	<b>46,805</b>
Other investment balances		
Derivatives assets	1,871	6,957
Outstanding dividend entitlements	2,998	3,739
Recoverable tax	511	727
	<b>5,380</b>	<b>11,423</b>
Investment liabilities		
Derivatives liabilities	-1,313	-1,619
<b>Total of investments held</b>	<b>1,480,488</b>	<b>1,328,184</b>
Net current assets & liabilities		
Current assets	15,797	18,109
Current liabilities	-2,372	-1,494
<b>Total net current assets</b>	<b>13,425</b>	<b>16,615</b>
	<b>1,493,913</b>	<b>1,344,799</b>

## Derivative contracts

### Objectives and policies

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

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

### Options

The Fund allows 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 dynamic currency hedging programme, using forward foreign contracts, is in place to reduce the currency exposure of the overseas investments. The overseas equity investments are hedged this way.

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

## Derivative contracts

### Future contracts

Nature	Nominal Amount £000	Duration	Economic Exposure £000	Asset value at year end £000	Liability value at year end £000
<b>Fixed Income Security</b>					
UK Long Gilt	(151)	Expires Jun 13	(17,936)		(384)
Australian 10yr Bond	66	Expires Jun 13	5,510		(2)
				-	<b>(386)</b>

## Forward cash currency contracts

Contract	Settlement date	Currency bought	Currency sold	Asset value	Liability value
				at year end	at year end
				£000	£000
Forward OTC	0 to 6 months	Sterling	Australian Dollar	6	
Forward OTC	0 to 6 months	Sterling	Brazil Real	11	
Forward OTC	0 to 6 months	Sterling	Canadian Dollar		(20)
Forward OTC	0 to 6 months	Sterling	Czech Koruna	1	
Forward OTC	0 to 6 months	Danish Krone	Sterling		(1)
Forward OTC	0 to 6 months	Sterling	Danish Krone	65	
Forward OTC	0 to 6 months	Euro	Sterling		(204)
Forward OTC	0 to 6 months	Sterling	Euro	531	
Forward OTC	0 to 6 months	Hong Kong Dollar	Sterling		(40)
Forward OTC	0 to 6 months	Sterling	Hong Kong Dollar	113	
Forward OTC	0 to 6 months	Sterling	Indonesian Rupiah	1	
Forward OTC	0 to 6 months	Sterling	Israeli Shekel		(2)
Forward OTC	0 to 6 months	Sterling	Japanese Yen		(246)
Forward OTC	0 to 6 months	Sterling	Malysian Ringgit		(1)
Forward OTC	0 to 6 months	Sterling	New Taiwan Dollar	6	
Forward OTC	0 to 6 months	Sterling	New Zealand Dollar		(1)
Forward OTC	0 to 6 months	Sterling	Norwegian Krone	3	
Forward OTC	0 to 6 months	Sterling	Polish Zloty	1	
Forward OTC	0 to 6 months	Sterling	Singapore Dollar		(10)
Forward OTC	0 to 6 months	Sterling	South Korean Won	10	
Forward OTC	0 to 6 months	Swedish Krona	Sterling		(2)
Forward OTC	0 to 6 months	Sterling	Swedish Krona	124	(3)
Forward OTC	0 to 6 months	Sterling	Swiss Franc	40	
Forward OTC	0 to 6 months	Sterling	Thailand Baht	1	
Forward OTC	0 to 6 months	US Dollar	Sterling		(340)
Forward OTC	0 to 6 months	Sterling	US Dollar	958	(57)
				<b>1,871</b>	<b>(927)</b>
				<b>1,871</b>	<b>(1,313)</b>



## Financial Instruments

### Classification of financial instruments

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

#### As at 31 March 2013

	Designated as Fair value through Profit and Loss £000	Loans and Receivables £000	Financial liabilities at amortised cost £000
<b>Financial assets</b>			
Fixed interest securities	162,030	0	0
Index linked securities	2,435	0	0
Equities	225,346	11,349	0
Pooled investment vehicles	895,984	0	0
Property	149,468	0	0
Derivative assets	1,871	0	0
Cash held on deposit	0	33,226	0
Other Investment balances	3,509	0	0
Debtors	0	12,380	0
	<b>1,440,643</b>	<b>56,955</b>	<b>0</b>
<b>Financial liabilities</b>			
Derivative liabilities	-1,313	0	0
Creditors	0	-2,372	0
	<b>-1,313</b>	<b>-2,372</b>	<b>0</b>
	<b>1,439,330</b>	<b>54,583</b>	<b>0</b>

#### As at 31 March 2012

<b>Financial assets</b>			
Fixed interest securities	144,117	0	0
Index linked securities	627	0	0
Equities	416,810	9,703	0
Pooled investment vehicles	546,157	0	0
Property	154,161	0	0
Derivative assets	6,957	0	0
Cash held on deposit	0	48,562	0
Other Investment balances	4,466	0	0
Debtors	0	16,352	0
	<b>1,273,295</b>	<b>74,617</b>	<b>0</b>
<b>Financial liabilities</b>			
Derivative liabilities	-1,619	0	0
Creditors	0	-1,494	0
	<b>-1,619</b>	<b>-1,494</b>	<b>0</b>
	<b>1,271,676</b>	<b>73,123</b>	<b>0</b>

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

	2013	2012
	£000	£000
<b>Financial assets</b>		
Fair value through profit and loss	120,874	12,528
Loans and receivables	994	-219
<b>Financial liabilities</b>		
Fair value through profit and loss	-1,744	-2,425
Loans and receivables	0	0
<b>Total</b>	<b>120,124</b>	<b>9,884</b>

**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) 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 2013 and 2012 by the amounts shown below.

<b>As at 31 March 2013</b>	<b>Value</b>	<b>Volatility of return</b>	<b>Increase</b>	<b>Decrease</b>
	<b>£000</b>		<b>£000</b>	<b>£000</b>
Baillie Gifford - Global Equity	227,940	17.00%	38,750	(38,750)
CBRE Global Multi Manager - Property	162,841	10.80%	17,587	(17,587)
Western Asset Management - Corporate Bonds	173,712	6.70%	11,639	(11,639)
Legal & General - Equity	219,821	16.60%	36,490	(36,490)
Legal & General - Gilts	76,875	11.00%	8,456	(8,456)
Legal & General - Global Equity	249,512	17.00%	42,417	(42,417)
Edinburgh Partners - Global Equity	120,759	17.00%	20,529	(20,529)
Jubilee Advisors - Long/Short Hedge Funds	75,365	10.90%	8,215	(8,215)
Barings - Dynamic Assets Allocation	150,774	12.00%	18,093	(18,093)
Partners Group - Infrastructure	3,811	30.00%	1,143	(1,143)
M&G - Financing Fund	11,349	0.00%	0	0
Berenberg Bank - Dynamic Currency Fund	7,482	0.00%	0	0
Capital International - Global Equity	135	0.00%	0	0
Capital International - Absolute Income Grower	112	0.00%	0	0
	<b>1,480,488</b>		<b>203,319</b>	<b>-203,319</b>

### As at 31 March 2012

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
	<b>1,328,184</b>		<b>188,269</b>	<b>(188,269)</b>

## 2) Interest Rate Risk

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

The Fund's exposure to interest rate movements from its investments in cash & cash equivalents, fixed interest and loans at 31 March 2013 and 2012 are provided below.

<b>As at 31 March 2013</b>	<b>£000</b>
Cash held on deposit	29,809
Fixed Interest Securities	162,030
Loans	11,349
	<b>203,188</b>
	<b>£000</b>
<b>As at 31 March 2012</b>	
Cash held on deposit	46,805
Fixed Interest Securities	144,117
Loans	9,703
	<b>200,625</b>

## Interest Rate – Sensitivity Analysis

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

<b>As at 31 March 2013</b>	<b>Value £000</b>	<b>Change in net assets</b>	
		<b>£000 +100 BP</b>	<b>£000 +100 BP</b>
Cash held on deposit	29,809	298	-298
Fixed Interest Securities	162,030	-13,108	13,108
Loans	11,349	0	0
	<b>203,188</b>	<b>-12,810</b>	<b>12,810</b>

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

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

### 3) Currency Risk

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

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

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

<b>2013</b>	<b>US Dollar</b>	<b>Euro</b>	<b>Yen</b>
Benchmark Weights	18.00%	6.60%	3.20%
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Net Currency Exposure</b>	<b>266,904</b>	<b>97,108</b>	<b>47,408</b>

<b>2012</b>	<b>US Dollar</b>	<b>Euro</b>	<b>Yen</b>
Benchmark Weights	21.70%	4.80%	3.70%
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Net Currency Exposure</b>	<b>288,486</b>	<b>63,317</b>	<b>49,330</b>

### 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 2013 and 31 March 2012 would have increased or decreased the net assets by the amount shown below.

<b>2013</b>	<b>Assets Held at Fair Value</b>	<b>Change in net assets</b>	
		<b>+10%</b>	<b>-10%</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
US Dollar	266,904	26,690	-26,690
Euro	97,108	9,711	-9,711
Yen	47,408	4,741	-4,741
<b>Net Currency Exposure</b>	<b>411,420</b>	<b>41,142</b>	<b>-41,142</b>

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

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

#### b) Credit Risk

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

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

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

Forward currency contracts are entered into by the Fund's currency overlay manager – Berenberg. These contracts are subject to credit risk in relation to the counterparties of the contracts which are primarily banks. The responsibility for these contracts rests with Berenberg. Prior to appointment full due diligence was undertaken, they are regulated by BaFin (the German equivalent of 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 2013 and 2012 is the carrying amount of the financial assets.

<b>2013</b>	<b>£000</b>
Fixed interest securities	162,030
Index linked securities	2,435
Derivative assets	558
Cash held on deposit	29,809
Other investment balances	3,509
Current assets	15,797
	<b>214,138</b>

<b>2012</b>	<b>£000</b>
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
	<b>219,462</b>

### c) Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The main liabilities of the Fund relate to the benefits payable which fall due over a long period of time. The investment strategy reflects this and 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 2013 and 2012, grouped into relevant maturity dates.

<b>2013</b>	<b>Carrying Amount £'000</b>	<b>Less than 12 months £'000</b>	<b>Greater than 12 months £'000</b>
Accounts Payable	26	26	0
Benefits Payable	819	819	0
Sundry Creditors	1,527	1,527	0
	<b>2,372</b>	<b>2,372</b>	<b>0</b>
<b>2012</b>			
Accounts Payable	98	98	0
Benefits Payable	248	248	0
Sundry Creditors	1,148	1,148	0
	<b>1,494</b>	<b>1,494</b>	<b>0</b>

## Fair Value Hierarchy

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

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

The tables below analyse financial instruments, measured at fair value at the end of the reporting period 31 March 2013 and 31 March 2012, 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.

2013	£'000	£'000	£'000	£'000
	Level 1	Level 2	Level 3	Total
Fixed Interest Securities	679	161,351		162,030
Index Linked Securities		2,435		2,435
Equities	223,788		12,907	236,695
Pooled Funds:				0
- Other		892,176	5,585	897,761
- Property		132,508	15,183	147,691
Derivative assets				0
- Futures	-386			-386
- Options				0
- Forward FX	944			944
	<b>225,025</b>	<b>1,188,470</b>	<b>33,675</b>	<b>1,447,170</b>
Cash Deposits	29,805	4		29,809
Other Investment balances	3,509			3,509
	<b>258,339</b>	<b>1,188,474</b>	<b>33,675</b>	<b>1,480,488</b>



<b>2012</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
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
	<b>480,561</b>	<b>784,770</b>	<b>11,582</b>	<b>1,276,913</b>
Cash Deposits	36,396	10,409		46,805
Other Investment balances	4,466			4,466
	<b>521,423</b>	<b>795,179</b>	<b>11,582</b>	<b>1,328,184</b>

During 2012/13 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 2013 and 31 March 12.

<b>2013</b>	<b>£000</b>
Opening balance	11,582
Total gains/losses	12,911
Purchases	12,771
Sales	-3,589
Transfer out of Level 3	0
<b>Closing balance</b>	<b>33,675</b>

<b>2012</b>	<b>£000</b>
Opening balance	7,190
Total gains/losses	-526
Purchases	4,918
Sales	0
Transfer out of Level 3	0
<b>Closing balance</b>	<b>11,582</b>

## 12. Investment management expenses

	<b>2012-13</b>	<b>2011-12</b>
	<b>£000</b>	<b>£000</b>
Administration, management and custody	3,200	5,114
Transaction Costs	289	313
Performance measurement services	40	38
<b>TOTAL</b>	<b>3,529</b>	<b>5,465</b>

### 13. Current assets

	31 March 2012	31 March 2012
	£000	£000
Contributions due from other authorities and bodies		
- Employees	767	1,459
- Employers	2,501	2,709
Income due from external managers and custodians	-	-
Debtors (Magistrates)	6,755	8,685
Other	2,357	3,499
Cash balances	3,417	1,757
<b>Total</b>	<b>15,797</b>	<b>18,109</b>
Less:		
Long term debtors (Magistrates)	-6,755	-7,720
<b>Net current assets</b>	<b>9,042</b>	<b>10,389</b>

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 2013	31 March 2012
	£000	£000
Managers / custody fees	764	593
HMRC	607	544
Other	1,001	357
<b>TOTAL</b>	<b>2,372</b>	<b>1,494</b>

## 15. Additional Voluntary Contributions (AVCs)

Fund members paid contributions totalling £0.371 million (£0.286 million in 2011/12) into their AVC funds during the year. At the year end, the value of funds invested on behalf of Fund members totalled £3.152 million (£2.950 million in 2011/12), made up as follows:

	£m
<b>Equitable Life Assurance Society</b>	
- With Profits Fund	0.894
- Unit Linked Managed Fund	0.258
- Building Society Fund	0.039
<b>Clerical Medical Funds</b>	
- With Profits Fund	0.196
- Unit Linked Managed Fund	0.952
<b>NPI Fund</b>	
- Managed Fund	0.028
- With Profits Fund	0.136
- Global Care Unit Linked Fund	0.052
- Cash Deposit Fund	0.032
<b>Prudential</b>	
- With Profits Cash Accumulation Fund	0.154
- Deposit Fund	0.134
- Diversified Growth Fund	0.070
- Equity Passive	0.001
- Long Term Growth Fund	0.095
- Pre-Retirement Fund	0.058
- Property Fund	0.053
	<b>3.152</b>

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 £975K (2011/12: £952K) 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 £25m to the fund in 2012/13 (2011/12: £27m). A balance of £1.2m 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 2013, the fund had a average investment balance of £2.8m (31 March 2012: £2.8m), earning interest of £22k (2011/12: £22k) 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.

As 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. Contingent Liabilities and Contractual Commitments**

Outstanding capital commitments (investments) at 31 March 2013 totalled Euro 45.266m (31 March 2012:0).

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

# 11. IAS26 statement

## Actuarial Statement in respect of IAS26 as at 31.03.2013

### Introduction

CIPFA's Code of Practice on Local Authority Accounting 2012/13 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 March 2013	31 March 2012
	£m	£m
Present Value of Promised Retirement Benefits	2,285	1,922

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 2013 comprises £1,143m in respect of employee members, £429m in respect of deferred pensioners and £713m 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 2013 is to increase the actuarial present value by £223m.

### Financial assumptions

My recommended financial assumptions are summarised below:

Year ended	31 March 2013	31 March 2012
	% p.a.	% p.a.
Inflation/Pension Increase Rate	2.8%	2.5%
Salary Increase Rate*	5.1%	4.8%
Discount Rate	4.5%	4.8%

\*Salary increases are 1% p.a. nominal until 31 March 2015 reverting to the long term rate 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 2012.

### Commutation

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

### Professional notes

This paper accompanies my covering report titled 'Actuarial Valuation as at 31 March 2013 for IAS19 purposes' dated April 2013. The covering report identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

**Catherine McFadyen FFA**  
**23 May 2013**

## 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](http://www.wiltshirepensionfund.org.uk) or by emailing [pensionenquiries@wiltshire.gov.uk](mailto:pensionenquiries@wiltshire.gov.uk).

### Guide to the Local Government Pension Scheme

This booklet explains the benefits available to employees and their dependants of being in the Fund.

### Employers' guide

This is available on our website and specifically aimed at staff within employer bodies with responsibility for providing information to the Pensions Section in respect of Fund administration. The aim of the Guide is to provide Scheme Employers with all the information they need in order to fulfil their pension responsibilities correctly.

### Starter packs

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

### Retirement packs

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

### Newsletters

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

### Annual benefit statements

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

### Other information

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

### For further information contact:

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## WILTSHIRE PENSION FUND

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