

## Wiltshire Pension Fund

The Fund is administered by Wiltshire Council for local authorities within Wiltshire and other local government associated organisations. It meets the cost of pension benefits due to current and former employees of these organisations. The current membership as at 31 March 2016 included 21,831 active members, 14,905 pensioners and 26,517 deferred members.

### Responsibility for the Report

#### Wiltshire Council

The Council has to arrange for the proper administration of the Wiltshire Pension Fund. In particular, it needs to ensure an economic, efficient and effective use of resources in carrying out this administration and that the Fund's investments are safeguarded.

The Council has delegated this responsibility to the Wiltshire Pension Fund Committee. It also, however, has to ensure that one of its officers has responsibility for the financial aspects of that administration, this being the Associate Director Finance.

#### Wiltshire Pension Fund Committee

There are seven elected members of the Committee, comprising five Wiltshire Councillors and two Swindon Borough Council members. In addition, there are two representatives of the admitted bodies and two observers representing staff interests. Details of the membership of the Committee in 2015/2016 are shown in the Wiltshire Pension Fund Annual Report.

Included amongst the powers delegated by the Council to the Committee are requirements to:

- arrange and keep under review the investments of the Fund through one or more properly authorised investment managers, and to
- appoint investment managers and external advisers as necessary to support the work of the Committee.

#### Local Pensions Board

The Local Pension Board was established in April 2015 to assist the Committee in securing compliance with the scheme regulations and the effective and efficient governance and administration of the Fund. It is made up of 3 scheme members' representatives and 3 scheme employers' representatives along with a non-voting independent chairman

The Fund will liaise closely with the Local Pension Board, so they can fulfil their duties and form appropriate opinions.

#### Chief Finance Officer

The Chief Finance Officer is responsible for preparing the financial statements of the Wiltshire Pension Fund, which must show the financial position of the Fund at the accounting date and its income and expenditure for the year.

In preparing the statements, suitable accounting policies must be selected and applied consistently and judgements and estimates made where necessary that are reasonable and prudent and comply with the appropriate accounting Code of Practice.

Proper accounting records must be maintained and kept up to date and all reasonable steps must be taken to prevent and detect fraud and other irregularities. An anti-fraud and corruption and whistle blowing policy has been implemented for the Fund.

**Actuarial Statement**

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

**Description of Funding Policy**

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

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

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

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

**Funding Position as at the last formal valuation**

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

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

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

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

**Method**

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

**Assumptions**

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

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

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

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

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

\*Currently aged 45

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

**Experience over the year since April 2013**

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

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

**Audit**

KPMG act as the external auditor of the Council, and therefore the pension fund.

**Investment Management Policy**

Overall responsibility for investment policy lies with the Wiltshire Pension Fund Committee, which reports directly to Wiltshire Council.

The Investment Strategy is revised annually by the Fund. The latest Strategic review was undertaken during 2011, new mandates have been implemented resulting from this.

The current strategy has the dual aim of increasing returns and reducing risk by increasing diversification and alternative approaches. Details of the strategy are provided in the Fund's Statement of Investment Principles (SIP) – the Wiltshire Fund's SIP can be supplied upon request or viewed at [www.wiltshirepensionfund.org.uk/investment-principles](http://www.wiltshirepensionfund.org.uk/investment-principles).

The full list of managers as at 31 March 2016 were:

Company	Mandate	Share of Fund
Baillie Gifford	Global Equity	15.0%
CBRE Global Multi Manager	Property	13.0%
Loomis Sayles	Fixed Income	10.5%
Barings	Absolute Return Fund	10.0%
Legal & General	Passive UK Equity	12.5%
Legal & General	Global Equities	5.0%
Legal & General	Government Bonds	5.0%
Legal & General	Fundamental Equities	12.5%
Investec	Emerging Market Multi Asset	10.0%
Partners Group	Infrastructure	5.0%
M&G Investment Management	UK Companies Financing Fund	1.5%

During the year, the managers transacted purchases of £539.9 million (£940.3m 2014/2015) and sales of £523.4 million (£946.9m 2014/2015). The value of assets under management at 31 March 2016 was £1,826.4 million, broken down by managers as follows:

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

		£ million	% of Fund total
<b>Geographical analysis</b>	United Kingdom	614.0	33.6
	North America	172.8	9.5
	Europe	67.8	3.7
	Asia, ex Japan	6.2	0.3
	Other - Overseas	60.6	3.3
	Other - Pooled Funds	905	49.6
		<b>1,826.4</b>	<b>100.0</b>
<b>Sector analysis</b>	Equities	1098.0	60.1
	Fixed interest bonds	202.2	11.1
	Cash & Derivatives	22.4	1.2
	Property	230.5	12.6
	Long-Short Hedge Fund	0.0	0.0
	Emerging Market	153.0	8.4
	Infrastructure	17.9	1.0
	Index linked bonds	102.4	5.6
	<b>1,826.4</b>	<b>100.0</b>	

Comparative figures for 2014/2015 are shown below.

		£ million	% of Fund total
<b>Geographical analysis</b>	United Kingdom	586.0	31.9
	North America	169.7	9.2
	Europe	65.8	3.6
	Asia, ex Japan	7.6	0.4
	Other - Overseas	73.1	4.0
	Other - Pooled Funds	935.2	50.9
		<b>1,837.4</b>	<b>100.0</b>
<b>Sector analysis</b>	Equities	1148.3	62.5
	Fixed interest bonds	201.4	11.0
	Cash & Derivatives	14.3	0.8
	Property	191.7	10.4
	Long-Short Hedge Fund	22.8	1.2
	Emerging Market	137.9	7.5
	Infrastructure	10.5	0.6
	Index linked bonds	110.5	6.0
		<b>1,837.4</b>	<b>100.0</b>

Safe custody of all investments is the responsibility of BNY Mellon and as such, they are registered in the name of, and are held by, its nominee companies or, alternatively, by overseas agents.

### The Wiltshire Pension Fund

Fund Account For the year ended 31 March	Notes	2015/2016 £000	2014/2015 Restated £000
<b>Contributions and benefits</b>			
Contributions receivable	5	89,449	85,529
Individual transfers		2,491	1,785
		<b>91,940</b>	<b>87,314</b>
Benefits payable	6	(76,841)	(74,067)
Payments to and on account of leavers	7	(3,948)	(31,249)
		<b>(80,789)</b>	<b>(105,316)</b>
Management Expenses	8&12	(9,336)	(8,610)
		<b>1,815</b>	<b>(26,612)</b>
<b>Returns on investments</b>			
Investment income	9	11,764	21,443
Change in market value of investments	11	(27,521)	212,608
<b>Net returns on investments</b>		<b>(15,757)</b>	<b>234,051</b>
<b>Net Increase in the fund during the year</b>		<b>(13,942)</b>	<b>207,439</b>
<b>Opening Net Assets of the Fund</b>		1,852,603	1,645,164
<b>Closing Net Assets of the Fund</b>		<b>1,838,661</b>	<b>1,852,603</b>

Net Asset Statement At 31 March	Notes	31 March 2016	31 March 2015
		£000	£000
<b>INVESTMENT ASSETS</b>	<b>11</b>		
Fixed interest securities		0	0
Index linked securities		0	0
Equities		320,848	342,126
Pooled investment vehicles		1,252,637	1,289,293
Property		230,505	191,695
Derivative assets		4,170	1,171
Cash held on deposit		20,977	15,383
Other investment balances		179	431
		<u>1,829,316</u>	<u>1,840,099</u>
<b>INVESTMENT LIABILITIES</b>	<b>11</b>		
Derivatives liabilities		(2,924)	(2,702)
<b>Total net investments</b>		<u>1,826,392</u>	<u>1,837,397</u>
Current assets	<b>13</b>	16,183	18,912
Current liabilities	<b>14</b>	(3,914)	(3,706)
<b>Net assets of the Fund at 31 March</b>		<u><b>1,838,661</b></u>	<u><b>1,852,603</b></u>

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

## Notes

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

#### 1. Basis of Preparation

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

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

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

#### 2. Accounting Policies

The principal accounting policies of the Fund are as follows:

##### Contributions

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

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

**Benefits and Refund of Contributions**

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

**Transfers to and from Other Schemes**

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

**Investment Income**

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

**Valuation of Investments**

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

- (i) **Quoted securities**  
Quoted Securities have been valued at 31 March 2016 by the Fund's custodian using the bid price where a quotation was available on a recognised stock exchange or unlisted securities market.
- (ii) **Unquoted securities**  
Unquoted securities have been valued according to the latest trades, professional valuation, asset values or other appropriate financial information.
- (iii) **Pooled investment vehicles**  
Pooled investments are stated at bid price for funds with bid/offer spreads, or single price/net asset value where there are no bid/offer spreads, as provided by the investment manager.
- (iv) **Fixed Interest Stocks**  
Segregated fixed interest stocks are valued on a clean basis. Accrued income is accounted for within investment income.
- (v) **Derivative Contracts**  
Derivatives are stated at market value. Exchange traded derivatives are stated at market values determined using quoted prices. For exchange traded derivative contracts which are assets, market value is based on quoted bid prices. For exchange traded derivative contracts which are liabilities, market value is based on quoted offer prices.

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

Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.

All gains and losses arising on derivative contracts are reported within 'Change in Market Value'.

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

**Foreign Currency Translation**

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

Foreign currency transactions are accounted for on the basis of the equivalent sterling value of the underlying transactions, by applying the relevant exchange rate ruling at the time. Where overseas

securities are acquired with currency either previously purchased directly or accruing from the sale of securities, the sterling book cost of the new security will be based on the exchange rate ruling at the time of the purchase of that security. Any profit or loss arising on currency transactions either realised or unrealised, will be reflected in the Net Asset Statement.

#### **Investment Management Expenses**

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

#### **Acquisition Costs of Investments**

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

#### **Administration Expenses**

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

#### **Taxation**

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

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

#### **Management Expenses**

Pension fund management expenses are accounted for in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Costs. The comparator figures for 2014/2015 have been restated to reflect the implementation of the CIPFA guidance. Consequently management expenses reported in the Fund Account for 2014/2015 have been increased by £7.1m to £8.6m and Profit and Loss on disposal of investments and changes in the market value of investments has similarly been changed from £211.1m to £212.6m to reflect the fees which had been deducted at source.

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

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

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

#### **Pension Fund Liability**

The Pension Fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in the actuarial position statement (on page 99). This estimate is subject to significant variances based on changes to the underlying assumptions.

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

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

determined with certainty, actual results could be materially different from the assumptions and estimates.

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

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

## 5. Contributions Receivable

	2015/2016 £000	2014/2015 £000
<b>Employer</b>		
- Normal	55,708	51,605
- Augmentation	1,068	868
- Deficit Funding*	13,344	13,765
<b>Members</b>		
- Normal	19,100	19,047
- Additional Contributions	229	244
	<b>89,449</b>	<b>85,529</b>
<b>Analysis of contributions receivable</b>		
	2015/2016 £000	2014/2015 £000
<i>Contributions from employees (Including Additional Contributions)</i>		
- Wiltshire Council	7,693	8,224
- Other scheduled bodies Admitted bodies	10,335	9,460
	1,301	1,608
	<b>19,329</b>	<b>19,292</b>
<i>Contributions from employers (Including Augmentations)</i>		
- Wiltshire Council	27,882	26,016
- Other scheduled bodies	35,163	32,725
- Admitted bodies	7,075	7,496
	<b>70,120</b>	<b>66,237</b>
Total contributions receivable	<b>89,449</b>	<b>85,529</b>

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

**6. Benefits payable**

	2015/2016 £000	2014/2015 £000
Pensions	63,698	62,118
Commutation and lump sum retirement benefits	11,495	10,648
Lump sum death benefits	1,648	1,301
	<b>76,841</b>	<b>74,067</b>
<b>Analysis of benefits payable</b>	<b>2015/2016 £000</b>	<b>2014/2015 £000</b>
<i>Pensions payable</i>		
- Wiltshire Council	34,705	34,225
- Other scheduled bodies	23,018	21,566
- Admitted bodies	5,975	6,327
	<b>63,698</b>	<b>62,118</b>
<i>Retirement and Death grants payable</i>		
- Wiltshire Council	4,832	4,586
- Other scheduled bodies	6,154	5,609
- Admitted bodies	2,157	1,754
	<b>13,143</b>	<b>11,949</b>
Total benefits payable	<b>76,841</b>	<b>74,067</b>

**7. Payments to and on account of leavers**

	2015/2016 £000	2014/2015 £000
Individual transfer out to other schemes	3,577	3,961
Bulk transfer out to other schemes	0	27,167
Refunds to members leaving service	258	98
State Scheme Premiums	113	23
	<b>3,948</b>	<b>31,249</b>

**8. Management Expenses**

	2015/2016 £000	2014/2015 £000
Administration costs	1,496	1,471
Investment Management expenses	7,731	7,016
Oversight & Governance	109	123
	<b>9,336</b>	<b>8,610</b>

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

expenses and investment management expenses). The 2014/2015 figures have been restated to comply with this guidance fully.

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

Investment Management expenses includes £1.8m of performance-related fees paid to the fund's investment managers (2014/2015: £1.5m).

## 9. Investment Income

	2015/2016 £000	2014/2015 £000
<i>Quoted securities</i>		
- UK fixed interest bonds (coupon receipts)	0	10,183
- Overseas fixed interest bonds (coupon receipts)	0	259
- UK index linked bonds (coupon receipts)	0	0
- UK equities	587	138
- Overseas equities	1,089	1,177
<i>Pooled Investment Vehicles</i>		
- Overseas equities	0	0
- UK property	10,018	9,535
- Infrastructure	0	0
<i>Cash held on deposit</i>		
- Sterling Cash	66	136
- Overseas Cash	4	15
	<b>11,764</b>	<b>21,443</b>

## 10. Stock Lending

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

	2015/2016 £ million	2014/2015 £ million
WPF Securities on loan	5.7	17.5
(percentage of total)	0.30%	1.00%
WPF Collateral share of pool	0.01%	0.04%
Value of WPF pooled share	6.2	18.8
Percentage of securities on loan	108.6%	107.0%
Income earned in year	0.03	0.048

## 11. Investments

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

	Value at 01 April 2015	Purchases at cost & derivative payments	Sales Proceeds and derivative receipts	Change in Market Value	Value at 31 March 2016
	£000	£000	£000	£000	£000
Fixed interest securities	0	0	0	0	0
Index linked securities	0	0	0	0	0
Equities	342,126	56,753	(93,423)	15,392	320,848
Pooled funds:					
- Other	1,289,293	56,877	(61,734)	(31,799)	1,252,637
- Property	191,695	52,576	(28,845)	15,079	230,505
Derivative assets					
- Futures	0	0	0	0	0
- Options	0	0	0	0	0
- Forward FX	(1,531)	121,548	(94,942)	(23,829)	1,246
	<b>1,821,583</b>	<b>287,754</b>	<b>(278,944)</b>	<b>(25,157)</b>	<b>1,805,236</b>
Cash deposits	15,383	252,183	(244,205)	(2,384)	20,977
Other Investment Balances	431	0	(272)	20	179
	<b>1,837,397</b>	<b>539,937</b>	<b>(523,421)</b>	<b>(27,521)</b>	<b>1,826,392</b>

	Value at 01 April 2014	Purchases at cost & derivative payments	Sales Proceeds and derivative receipts	Change in Market Value	Value at 31 March 2015
	£000	£000	£000	£000	£000
Fixed interest securities	163,143	25,298	(202,461)	14,020	0
Index linked securities	933	3,904	(4,943)	106	0
Equities	267,461	91,392	(85,347)	68,620	342,126
Pooled funds:					
- Other	997,888	428,559	(250,431)	113,277	1,289,293
- Property	170,936	39,699	(38,288)	19,348	191,695
Derivative assets					
- Futures	(49)	1,445	(113)	(1,283)	0
- Options	0	0	0	0	0
- Forward FX	1,632	82,535	(86,723)	1,025	(1,531)
	<b>1,601,944</b>	<b>672,832</b>	<b>(668,306)</b>	<b>215,113</b>	<b>1,821,583</b>
Cash deposits	26,042	267,445	(275,638)	(2,466)	15,383
Other Investment Balances	3,465	0	(2,995)	(39)	431
	<b>1,631,451</b>	<b>940,277</b>	<b>(946,939)</b>	<b>212,608</b>	<b>1,837,397</b>

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

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

Details of investments held at year end

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

## Derivative Contracts

### *Objectives and Policies*

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

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

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

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

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

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

**Forward Cash Currency Contracts**

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

**Financial Instruments****Classification of financial instruments**

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

As at 31 March 2016

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

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

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

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

**Financial Risk Disclosure**

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

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

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

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

#### **a) Market Risk**

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

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

##### **1) Market Price Risk**

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

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

##### **Market Price - Sensitivity Analysis**

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

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

**As at 31 March 2016**

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

**As at 31 March 2015**

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

**2) Interest Rate Risk**

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

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

<b>31 March 2016</b>	
<b>£000</b>	
Cash held on deposit	20,977
Fixed Interest Securities	202,162
Loans	9,799
	<b><u>232,938</u></b>
<b>31 March 2015</b>	
<b>£000</b>	
Cash held on deposit	15,383
Fixed Interest Securities	201,386
Loans	11,785
	<b><u>228,554</u></b>

**Interest Rate – Sensitivity Analysis**

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

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

<b>As at 31 March 2015</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	15,383	154	(154)
Fixed Interest Securities	201,386	(6,417)	6,417
Loans	11,785	0	0
	<b><u>228,554</u></b>	<b><u>(6,263)</u></b>	<b><u>6,263</u></b>

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

**3) Currency Risk**

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

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

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

<b>2016</b>	US Dollar	Euro	Yen
Benchmark Weights	20.89%	4.86%	1.96%
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Net Currency Exposure</b>	<b>381,611</b>	<b>88,782</b>	<b>35,759</b>

<b>2015</b>	US Dollar	Euro	Yen
Benchmark Weights	18.43%	7.02%	3.40%
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Net Currency Exposure</b>	<b>338,723</b>	<b>129,005</b>	<b>62,417</b>

### Currency Risk – Sensitivity Analysis

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

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

<b>2016</b>	<b>Assets Held at Fair Value</b>	<b>Change in net assets</b>	
	<b>£000</b>	<b>+10%</b>	<b>-10%</b>
		<b>£000</b>	<b>£000</b>
US Dollar	381,611	38,161	(38,161)
Euro	88,782	8,878	(8,878)
Yen	35,759	3,576	(3,576)
<b>Net Currency Exposure</b>	<b>506,152</b>	<b>50,615</b>	<b>(50,615)</b>

<b>2015</b>	<b>Assets Held at Fair Value</b>	<b>Change in net assets</b>	
	<b>£000</b>	<b>+10%</b>	<b>-10%</b>
		<b>£000</b>	<b>£000</b>
US Dollar	338,723	33,872	(33,872)
Euro	129,005	12,901	(12,901)
Yen	62,417	6,242	(6,242)
<b>Net Currency Exposure</b>	<b>530,145</b>	<b>53,015</b>	<b>(53,015)</b>

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

### b) Credit Risk

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

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

A securities lending programme is run by the Fund's custodian, BNY Mellon, who manage and monitor the counterparty risk, collateral risk and the overall lending programme. The minimum level of collateral

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

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

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

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

**2016**

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

**2015**

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

**c) Liquidity Risk**

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

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

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

  

<b>2015</b>	<b>Carrying Amount £000</b>	<b>Less than 12 months £000</b>	<b>Greater than 12 months £000</b>
Accounts Payable	68	68	0
Benefits Payable	511	511	0
Sundry Creditors	3,127	3,127	0
	<b>3,706</b>	<b>3,706</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 2016 and 31 March 2015, by the level in the fair value hierarchy into which the fair value measurement is categorised. This has been produced from analysis provided by our custodian BNY Mellon.

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

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

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

The following tables present the movement in level 3 instruments for the year end 31 March 2016 and 31 March 2015.

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

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

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

Security	31 March 2016	
	Market value £m	% of total market value
L&G over 5yrs Index-Linked Gilts	102.4	5.6
L&G N - UK Equity Index	233.0	12.8
L&G (YX) FTSE RAFI AW 3000 EQ IND	246.5	13.5
L&G (PT) World Equity Index (MSCI)	107.3	5.9
Baring-Dynamic Asst Allo-Inc	190.4	10.4
IGS-EMER MKT MUL-AS-S GBP A	153.0	8.4
Loomis Sayles Strategic Alpha BD FD Class H-S1/A(GBP)	120.0	6.6
	<b>1,152.5</b>	<b>63.1</b>

## 12 Investment management expenses

	2015/2016 £000	2014/2015 £000
Management & Investment Admin Fees	7,644	6,912
Custody & Performance Measurement	87	104
	<b>7,731</b>	<b>7,016</b>

## 13 Current assets

	31 March 2016 £000	31 March 2015 £000
Contributions due from other authorities and bodies		
- Employees	1,390	1,424
- Employers	5,386	4,549
Income due from external managers and custodians	0	0
Debtors (Magistrates)	3,860	4,825
Other	1,562	2,133
Cash balances	3,985	5,981
	<b>16,183</b>	<b>18,912</b>
Less:		
Long term debtors (Magistrates)	3,860	4,825
<b>Net Current Assets</b>	<b>12,323</b>	<b>14,087</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.

On 8 April 2011 Wiltshire Pension Fund received confirmation from the Government Actuary's Department that they agreed to make a payment to the Fund to cover the liabilities in respect of the Magistrates Courts, In the past active members employed by the Magistrates Courts were transferred out of the LGPS but pensioners/deferred members remained in. The payment would be in 10 instalments over the next 10 years. The total amount of the remaining debt is £4.825m, of this the following year's instalment (£0.965m) is classified as a debt repayable in one year, and the remaining balance £3.9m is a long term debtor.

**14 Current Liabilities**

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

**15. Additional Voluntary Contributions (AVCs)**

Fund members paid contributions totalling £0.649 million (£0.593 million in 2014/2015) into their AVC funds during the year. At the year end, the value of funds invested on behalf of Fund members totalled £3.700 million (£3.529 million in 2014/2015), made up as follows:

	<b>£ million</b>
<i>Equitable Life Assurance Society</i>	
- With Profits Fund	0.512
- Unit Linked Managed Fund	0.197
- Building Society Fund	0.015
<i>Clerical Medical Funds</i>	
- With Profits Fund	0.150
- Unit Linked Managed Fund	0.880
<i>NPI Funds</i>	
- Managed Fund	0.026
- With Profits Fund	0.101
- Global Care Unit Linked Fund	0.051
- Cash Deposit Fund	0.024
<i>Prudential</i>	
- With Profits Cash Accumulation Fund	0.676
- Deposit Fund	0.272
- Diversified Growth Fund	0.245
- Equity Passive	0.034
- Long Term Growth Fund	0.207
- Pre-Retirement Fund	0.128
- Property Fund	0.182
	<b><u>3.700</u></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 £1.174m (2014/2015: £1.097m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The Council is also the single largest employer of members of the Pension Fund and contributed £28m to the Fund in 2015/2016 (2014/2015: £26m). A balance of £0.68m was owed by the Pension Fund to the Council at year end.

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

**Governance**

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

**18. Guaranteed Minimum Pension**

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

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

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

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

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

**19. Contingent Liabilities and Contractual Commitments**

Outstanding capital commitments (investments) at 31 March 2016 totalled Euro 30.550m (31 March 2015: Euro 36.285m; GBP 28.215m).

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

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

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

**Actuarial Statement in respect of IAS26 as at 31.03.2016****Introduction**

CIPFA's Code of Practice on Local Authority Accounting 2015/16 requires administering authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits.

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

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

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

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

**Present value of Promised Retirement Benefits**

£m	Year ended	
	31 March 2016	31 March 2015
Active members	1,318	1,336
Deferred pensioners	558	632
Pensioners	881	974
<b>Total</b>	<b>2,757</b>	<b>2,942</b>

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

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

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

**Assumptions**

The assumptions used are those adopted for the Administering Authority's IAS19 report as required by the Code of Practice. These are given below. I estimate that the impact of the change of assumptions to 31 March 2016 is to decrease the actuarial present value by £275m.

**Financial assumptions**

My recommended financial assumptions are summarised below:

<b>Year ended</b>	<b>31 Mar 2016</b>	<b>31 Mar 2015</b>
	<b>% p.a.</b>	<b>% p.a.</b>
Inflation/Pension Increase Rate	2.4%	2.4%
Salary Increase Rate	4.3%	4.3%
Discount Rate	3.2%	3.2%

**Longevity assumption**

As discussed in the accompanying report, the life expectancy assumption is based on the Fund's VitaCurves with improvements in line with the CMI\_2010 model, assuming the current rate of improvements has reached a peak and will converge to a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	<b>Males</b>	<b>Females</b>
Current Pensioners	22.3 years	24.5 years
Future Pensioners*	24.1 years	26.9 years

\*Future pensioners are assumed to be currently aged 45 at the most recent formal valuation as at 31 March 2013.

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

**Commutation**

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

**Sensitivity Analysis**

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

Change in assumptions for the year ended 31 March 2016	Approximate % Increase in liabilities	Approximate monetary amount (£m)
0.5% decrease in discount rate	11%	293
1 year increase in member life expectancy	3%	83
0.5% increase in salary increase rate	3%	91
0.5% increase in pensions increase rate	7%	197

**Professional notes**

This paper accompanies my covering report titled 'Actuarial Valuation as at 31 March 2016 for accounting purposes'. The covering report identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Catherine McFadyen FFA  
For and on behalf of Hymans Robertson LLP  
5 May 2016

**Schedule of Employer Bodies****Scheduled/Resolution bodies**

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

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

**Admitted bodies**

4 Children  
 ABM Catering Ltd  
 Action for Blind People  
 Agincare  
 Aster Communities  
 Aster Group  
 Aster Living  
 Aster Property Management  
 Atkins Ltd  
 Balfour Beatty  
 Barnardos  
 Capita Business Services Ltd  
 Care & Support Swindon (SEQOL)  
 Caterlink  
 Churchill Services  
 CIPFA  
 Collaborative Schools  
 Community First  
 Crime Reduction Initiatives  
 Developing Health & Independence  
 Devizes Museum  
 Direct Cleaning  
 Direct Cleaning Wansdyke  
 Elior UK  
 Enara  
 FCC Environment  
 GLL  
 Greenwich Leisure Limited pt2  
 Great Western Hospital  
 Greenwich Leisure Limited  
 Host  
 Innovate Services  
 Leonard Cheshire  
 Lifeways  
 Mainline Contract Services  
 Mears Care Ltd  
 Nuffield Health  
 Places For People Leisure  
 The Order Of St John Care Trust  
 Oxford Health NHS Trust  
 Reach  
 Salisbury and South Wilts Museum  
 Sarsen Housing  
 Selwood Housing  
 Seren Group  
 Somerset Care Ltd  
 Southern Health NHS Foundation Trust  
 Swindon Commercial Services  
 Swindon Dance  
 Twigmarket  
 Visit Wiltshire  
 Westlea Housing Association  
 Wiltshire and Swindon Sports Partnership  
 Wiltshire CCG

These accounts form a summary from the Wiltshire Pension Fund Annual Report and Financial Statements publication. This provides information on its activities and a full detailed statement of its accounts. Requests for this report, or any other queries arising from the Wiltshire Pension Fund Accounts, should be addressed to the Chief Financial Officer, County Hall, Bythesea Road, Trowbridge, BA14 8JN.