

## 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 2011 included 19,456 active members, 11,343 pensioners and 17,883 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 Director of Resources.

#### 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 2010/11 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 investment 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.

#### 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 have been implemented for the Fund.

#### Actuarial Statement

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 2010/11.

#### 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 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:

	<b>Males</b>	<b>Females</b>
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 2011. It showed that the funding level (excluding the effect of any membership movements) remained broadly unchanged over 2010/11.

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

### **Audit**

The Audit Commission has appointed KPMG to 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 current mandates are the result of the revised investment strategy agreed by the Wiltshire Pension Fund Committee in July 2006 with a further review in September 2008.

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 2011 were:

<b>Company</b>	<b>Mandate</b>	<b>Share of Fund</b>
Baillie Gifford	Global Equity	12.5%
Capital International	Global Equity	14.0%
Capital International	Absolute Income Grower (Equities / Bonds)	10.0%
Western Asset Management	Bonds	10.5%
ING Real Estate	Property	13.0%
Edinburgh Partners	Global Equities	10.5%
Fauchier Partners	Long-Short Equities	5.0%
Legal & General	Passive UK Equity	15.5%
Legal & General	Government Bonds	6.0%
M&G Investment Management	UK Companies Financing Fund	2.0%
Record Currency Management	Currency - Passive	1.0%

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

Legal & General	£276.7 million
Baillie Gifford	£176.2 million
ING Real Estate	£151.8 million
Western Asset Management	£140.6 million
Edinburgh Partners	£131.5 million
Fauchier Partners	£65.3 million
Record Currency Management	£16.4 million
M&G Investment Management	£4.7 million
<b>Total</b>	<b>£1,276.3 million</b>

		£ million	% of Fund total
<b>Geographical analysis</b>	United Kingdom	716.0	56.1
	North America	177.3	13.9
	Europe	128.4	10.0
	Japan	20.2	1.6
	Asia, ex Japan	19.5	1.5
	Other - Overseas	53.3	4.2
	Other - Pooled Funds	161.6	12.7
		<b>1,276.3</b>	<b>100.0</b>
<b>Sector analysis</b>	Equities	774.0	60.6
	Fixed interest bonds	198.7	15.6
	Cash & Derivatives	49.0	3.8
	Property	147.6	11.6
	Long-Short Hedge Fund	62.8	4.9
	Index linked bonds	44.2	3.5
	Currency Fund	0	0.0
		<b>1,276.3</b>	<b>100.0</b>

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

The Wiltshire Pension Fund

<b>Fund Account</b>	<b>Notes</b>	<b>2010/2011</b>	<b>2009/2010</b>
<b>For the year ended 31 March 2011</b>			<b>Restated *</b>
		<b>£000</b>	<b>£000</b>
<b>Contributions and benefits</b>			
Contributions receivable	<b>3</b>	86,210	84,975
Individual transfers		9,145	7,281
		<u>95,355</u>	<u>92,256</u>
Benefits payable	<b>4</b>	(61,418)	(61,115)
Payments to and on account of leavers	<b>5</b>	(6,889)	(9,065)
Administrative expenses	<b>6</b>	(1,343)	(1,321)
		<u>(69,650)</u>	<u>(71,501)</u>
<b>Net additions from dealings with members</b>		<u><b>25,705</b></u>	<u><b>20,755</b></u>
<b>Returns on investments</b>			
Investment income	<b>7</b>	27,691	26,846
Change in market value of investments	<b>9</b>	70,903	276,140
Investment management expenses	<b>10</b>	(4,049)	(2,359)
<b>Net returns on investments</b>		<u><b>94,545</b></u>	<u><b>300,627</b></u>
<b>Net Increase in the fund during the year</b>		<u><b>120,250</b></u>	<u><b>321,382</b></u>
<b>Opening Net Assets of the Fund</b>		1,166,548	845,166
<b>Closing net assets of the Fund</b>		<u><b>1,286,798</b></u>	<u><b>1,166,548</b></u>

**The Wiltshire Pension Fund**

<b>Net Asset Statement</b>	<b>Notes</b>	<b>31 March 2011</b>	<b>31 March 2010</b>
<b>At 31 March 2011</b>			<b>Restated *</b>
		<b>£000</b>	<b>£000</b>
<b>INVESTMENT ASSETS</b>			
Fixed interest securities	<b>9</b>	126,432	113,515
Index linked securities		805	767
Equities		421,908	520,041
Pooled investment vehicles		530,502	358,674
Property		147,637	114,506
Derivative assets		5,568	2,156
Cash held on deposit		43,083	54,313
Other investment balances		3,861	4,780
		<b>1,279,796</b>	<b>1,168,752</b>
<b>INVESTMENT LIABILITIES</b>			
Derivatives liabilities	<b>9</b>	(3,450)	(10,269)
<b>Total net investments</b>		<b>1,276,346</b>	<b>1,158,483</b>
Current assets	<b>11</b>	12,891	9,610
Current liabilities	<b>12</b>	(2,439)	(1,545)
<b>Net assets of the Fund at 31 March</b>		<b>1,286,798</b>	<b>1,166,548</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.

\* This the first year that the Code of Practice on Local Authority Accounting 2010/11 which is based around International Financial Reporting Standards has applied to the Fund's financial statements. This includes a requirement to restate the opening balances, however as there are no material differences impacting on the 2009/10 accounts a single column is shown.

**Notes****Forming part of the financial accounts****1. Basis of Preparation**

The general principles adopted in compiling the accounts of the Wiltshire Pension Fund follow the recommendations of the Chartered Institute of Public Finance and Accountancy (CIPFA). Specifically, they follow the CIPFA Code of Practice on Local Authority Accounting 2010/11 which is an IFRS based code.

This is the first year of applying IFRS based code. There are no material differences impacting on the 2009/10 accounts on transition to the IFRS-based code. 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 16. 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 16 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 2011 by the Fund's custodian using the bid price where a quotation was available on a recognised stock exchange or unlisted securities market.
- (ii) **Unquoted securities**  
Unquoted securities have been valued according to the latest trades, professional valuation, asset values or other appropriate financial information.
- (iii) **Pooled investment vehicles**  
Pooled investments are stated at bid price for funds with bid/offer spreads, or single price where there are no bid/offer spreads, as provided by the investment manager.
- (iv) **Fixed Interest Stocks**  
Fixed interest stocks are valued on a clean basis. Accrued income is accounted for within investment income.
- (v) **Derivative Contracts**  
Derivatives are stated at market value. Exchange traded derivatives are stated at market values determined using quoted prices. For exchange traded derivative contracts which are assets, market value is based on quoted bid prices. For exchange traded derivative contracts which are liabilities, market value is based on quoted offer prices.

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

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

All gains and losses arising on derivative contracts are reported within in '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 2011.

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

**Investment Management Expenses**

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

**Acquisition Costs of Investments**

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

**Administration Expenses**

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

**Taxation**

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

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

**Related Party Transactions**

Related parties to the Wiltshire Pension Fund include all the Admitted Bodies within the Fund (see Schedule of Employer bodies), members of the Wiltshire Pension Fund Committee and the Chief Finance Officer. There have been no financial transactions between any of these parties and the Fund apart from the routine contributions and benefits payable that are defined by statutory regulation and are therefore not within the direct control of any party. All these transactions are included within the accounting statements given in the following pages.

**Additional Voluntary Contributions (AVCs)**

The accounts of the Fund in accordance with regulation 5 (2) (C) of the Pension Scheme (Management and Investment of Funds) Regulations 1998 do not include transactions in respect of AVCs. These are money purchase arrangements made by individual Fund members under the umbrella of the Local Government Pension Scheme, to enhance pension benefits. Fund members over the age of fifty may elect to buy service with their AVC funds, such transactions being included within transfers into the Fund.

**3. Contributions Receivable**

	2010/2011 £000	2009/2010 £000
<b>Employer</b>		
- Normal	49,026	47,898
- Augmentation	3,267	7,885
- Deficit Funding*	14,385	9,919
<b>Members</b>		
- Normal	19,148	18,695
- Additional Contributions	384	578
	<b>86,210</b>	<b>84,975</b>
<b>Analysis of contributions receivable</b>		
	2010/2011 £000	2009/2010 £000
<i>Contributions from employees (Including Additional Contributions)</i>		
- Wiltshire Council	9,120	9,257
- Other scheduled bodies Admitted bodies	8,441 1,971	8,329 1,687
	<b>19,532</b>	<b>19,273</b>
<i>Contributions from employers (Including Augmentations)</i>		
- Wiltshire Council	30,492	34,403
- Other scheduled bodies Admitted bodies	29,455 6,731	25,593 5,706
	<b>66,678</b>	<b>65,702</b>
Total contributions receivable	<b>86,210</b>	<b>84,975</b>

\* Deficit funding contributions are being paid by the employer for the three years commencing from 1 April 2008 with a minimum specified in the Rates and Adjustment certificate dated 28 March 2008 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.

**4. Benefits payable**

	2010/2011 £000	2009/2010 £000
Pensions	47,519	47,480
Commutation and lump sum retirement benefits	12,676	12,269
Lump sum death benefits	1,223	1,366
	<b>61,418</b>	<b>61,115</b>
<b>Analysis of benefits payable</b>	<b>2010/2011 £000</b>	<b>2009/2010 £000</b>
<i>Pensions payable</i>		
- Wiltshire Council	26,444	26,487
- Other scheduled bodies	18,182	18,405
- Admitted bodies	2,893	2,588
	<b>47,519</b>	<b>47,480</b>
<i>Retirement and Death grants payable</i>		
- Wiltshire Council	7,757	8,188
- Other scheduled bodies	4,597	4,502
- Admitted bodies	1,545	945
	<b>13,899</b>	<b>13,635</b>
Total benefits payable	<b>61,418</b>	<b>61,115</b>

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

	2010/2011 £000	2009/2010 £000
Individual transfer out to other schemes	6,890	8,908
Refunds to members leaving service	18	133
State Scheme Premiums	(19)	24
	<b>6,889</b>	<b>9,065</b>

**6. Administrative expenses**

	2010/2011 £000	2009/2010 £000
Administration and processing	1,070	1,018
Actuarial fees	235	178
Audit fees	34	61
Legal and other professional fees	4	64
	<b>1,343</b>	<b>1,321</b>

**7. Investment Income**

	2010/2011 £000	2009/2010 £000
<i>Quoted securities</i>		
- UK fixed interest bonds (coupon receipts)	6,538	6,068
- Overseas fixed interest bonds (coupon receipts)	240	318
- UK index linked bonds (coupon receipts)	30	35
- UK equities	2,755	6,224
- Overseas equities	7,133	6,839
<i>Pooled Investment Vehicles</i>		
- UK equities	1	0
- Overseas equities	2,702	1,118
- UK fixed interest corporate bonds	915	972
- Overseas fixed interest bonds	421	0
- UK property	6,734	4,915
<i>Cash held on deposit</i>		
- Sterling Cash	217	337
- Overseas Cash	5	20
	<b>27,691</b>	<b>26,846</b>

**8. Stock Lending**

The Council participates in a securities lending programme administered by BNY Mellon. Securities in the beneficial ownership of the Council to a value of £10.0 million (0.8% of the total) were on loan at 31 March 2011. Collateral for these securities is held in a pooled form, the Wiltshire Pension Fund's share (0.61%) representing a value of £10.5 million (105.0%). Income earned from this programme amounted to £0.143 million in the year.

	2010/2011 £m	2009/2010 £m
WPF Securities on loan	10.0	15.3
<i>(percentage of total)</i>	0.80%	1.30%
WPF Collateral share of pool	0.61%	0.56%
Value of WPF pooled share	10.5	16.3
Percentage of securities on loan	105.0%	106.2%
Income earned in year	0.143	0.184

## 9. Investments

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

	Value at 01 April 2010	Purchases at cost & derivative payments	Sales Proceeds and derivative receipts	Change in Market Value	Value at 31 March 2011
	£000	£000	£000	£000	£000
Fixed interest securities	113,515	90,069	(77,929)	777	126,432
Index linked securities	767	11,642	(11,816)	212	805
Equities	520,041	162,518	(294,709)	34,058	421,908
Pooled funds:					
- Other	358,674	189,875	(41,155)	23,108	530,502
- Property	114,506	28,195	(2,447)	7,383	147,637
Derivative assets					
- Futures	(145)	5,349	(4,179)	(319)	706
- Options	1	0	0	(1)	0
- Forward FX	(7,969)	24,949	(21,457)	5,889	1,412
	<b>1,099,390</b>	<b>512,597</b>	<b>(453,692)</b>	<b>71,107</b>	<b>1,229,402</b>
Cash deposits	54,313	343,551	(354,574)	(207)	43,083
Other Investment Balances	4,780	(1)	(921)	3	3,861
	<b>1,158,483</b>	<b>856,147</b>	<b>(809,187)</b>	<b>70,903</b>	<b>1,276,346</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 2011 £000	31 March 2010 £000
<b>INVESTMENT ASSETS</b>		
<b>Fixed Interest Securities</b>		
- UK fixed interest Government bonds	16,471	0
- UK fixed interest Corporate bonds	108,651	101,206
- Overseas fixed interest Government bonds	6	6,312
- Overseas fixed interest Corporate bonds	1,304	5,997
	<b>126,432</b>	<b>113,515</b>
<b>Index Linked Securities</b>		
- UK index linked Corporate bonds	805	767
	<b>805</b>	<b>767</b>
<b>Equities</b>		
- UK equities	46,047	179,291
- Overseas equities	375,861	340,750
	<b>421,908</b>	<b>520,041</b>
<b>Pooled Investment Vehicles</b>		
- UK equities	190,192	69,085
- Overseas equities	161,901	122,280
- UK fixed interest Government bonds	43,140	31,753
- UK fixed interest Corporate bonds	18,707	17,931
- Overseas fixed interest Government bonds	6,818	7,684
- Overseas fixed interest Corporate bonds	3,590	3,261
- UK index linked Government bonds	43,385	33,206
- Property	147,637	114,506
- Long-Short Hedge Fund	62,769	59,855
- Currency Fund	0	13,619
	<b>678,139</b>	<b>473,180</b>
<b>Cash held on deposit</b>		
- Sterling Cash	40,500	52,628
- Overseas Cash	2,583	1,685
	<b>43,083</b>	<b>54,313</b>
<b>Other Investment Balances</b>		
- Derivatives Assets	5,568	2,156
- Outstanding dividend entitlements	3,348	4,309
- Recoverable tax	513	471
	<b>9,429</b>	<b>6,936</b>
<b>INVESTMENT LIABILITIES</b>		
- Derivatives Liabilities	(3,450)	(10,269)
<b>Total of investments held</b>	<b>1,276,346</b>	<b>1,158,483</b>
<b>NET CURRENT ASSETS &amp; LIABILITIES</b>		
Current Assets	12,891	9,610
Current Liabilities	(2,439)	(1,545)
<b>Total net current assets</b>	<b>10,452</b>	<b>8,065</b>
	<b>1,286,798</b>	<b>1,166,548</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 passive currency hedging programme, using forward foreign contracts, is in place to reduce the currency exposure of the overseas investments. Currently 50% of the overseas equity investments are hedged this way.

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

<b>Future Contracts</b>					
<b>Nature</b>	<b>Nominal Amount</b>	<b>Duration</b>	<b>Economic Exposure</b>	<b>Asset value at year end</b>	<b>Liability value at year end</b>
	<b>£000</b>		<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Equity Futures</b>					
FTSE 100 Index Future	258	Expires Jun 11	15,182	598	
<b>Fixed Income Security</b>					
UK Long Gilt	(155)	Expires Jun 11	(18,161)		(1)
US Ultra Bond	55	Expires Jun 11	4,240	125	
US 10 Year Treasury	(86)	Expires Jun 11	(6,386)		(16)
				<b>723</b>	<b>(17)</b>

**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	25	(15)
Forward OTC	0 to 6 months	Australian Dollar	Sterling	35	
Forward OTC	0 to 6 months	Canadian Dollar	Sterling		(3)
Forward OTC	0 to 6 months	Sterling	Canadian Dollar	16	(8)
Forward OTC	0 to 6 months	Danish Krone	Sterling	25	
Forward OTC	0 to 6 months	Sterling	Danish Krone		(121)
Forward OTC	0 to 6 months	Euro	Sterling	772	
Forward OTC	0 to 6 months	Sterling	Euro		(2,128)
Forward OTC	6 to 12 months	Sterling	Euro		(206)
Forward OTC	0 to 6 months	Hong Kong Dollar	Sterling	19	
Forward OTC	0 to 6 months	Sterling	Hong Kong Dollar	274	(21)
Forward OTC	0 to 6 months	Japanese Yen	Sterling	60	
Forward OTC	0 to 6 months	Sterling	Japanese Yen	723	(8)
Forward OTC	6 to 12 months	Sterling	Japanese Yen		(64)
Forward OTC	0 to 6 months	Norwegian Krone	Sterling	70	
Forward OTC	0 to 6 months	Sterling	Norwegian Krone		(69)
Forward OTC	0 to 6 months	Singapore Dollar	Sterling	9	
Forward OTC	0 to 6 months	Sterling	Singapore Dollar	27	(10)
Forward OTC	0 to 6 months	Swedish Krona	Sterling	42	
Forward OTC	0 to 6 months	Sterling	Swedish Krona		(393)
Forward OTC	0 to 6 months	Swiss Franc	Sterling	76	
Forward OTC	0 to 6 months	Sterling	Swiss Franc	119	(78)
Forward OTC	0 to 6 months	US Dollar	Sterling	187	
Forward OTC	0 to 6 months	Sterling	US Dollar	2,366	(257)
Forward OTC	6 to 12 months	Sterling	US Dollar		(52)
				<b>4,845</b>	<b>(3,433)</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 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 2011 by the amounts shown below.

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

<b>31 March 2011</b>	
<b>£000</b>	
Cash held on deposit	43,083
Fixed Interest Securities	126,432
Loans	4,682
	<b><u>174,197</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 affect of a 100 basis point (1%) change in interest rates. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

<b>As at 31 March 2011</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	43,083	431	-431
Fixed Interest Securities	126,432	-9,520	9,520
Loans	4,682	0	0
	<b><u>174,197</u></b>	<b><u>-9,089</u></b>	<b><u>9,089</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. Borrower pay a fixed annual interest rate agreed at the outset.

## 3) Currency Risk

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

Currently Wiltshire Pension Fund has a 50% passive hedging arrangement in place. This restricts the losses/gains to half of what they would have been on overseas investment returns. This reduces the volatility of returns over the long term.

The table below shows approximate exposures to each of the three major foreign currencies based on manager benchmarks and target allocations. This is based on the three global equity managers Baillie Gifford, Capital International, Edinburgh Partners and the Capital International (AIG) product.

	US Dollar	Euro	Yen
Benchmark Weights	19.80%	6.60%	3.20%
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Net Currency Exposure</b>	<b>242,506</b>	<b>84,239</b>	<b>40,843</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 2011 would have increased or decreased the net assets by the amount shown below.

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

As the Fund has a 50% hedging arrangement in place only 50% of the gains/losses would be experienced. One important point to note is that currency movements are not independent of each other. If sterling strengthened generally it may rise against all the above currencies producing losses across all the currencies.

**b) Credit Risk**

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

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

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

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

Another source of credit risk is the cash balances held internally or by managers. The Pension Fund's bank account is held at HSBC, which holds an 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 2011 is the carrying amount of the financial assets.

	<b>£'000</b>
Fixed interest securities	126,432
Index linked securities	805
Derivative assets	2,118
Cash held on deposit	43,083
Other investment balances	3,861
Current assets	12,891
	<b>189,190</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 table analyses the Fund's financial liabilities, grouped into relevant maturity dates.

	<b>Carrying Amount £'000</b>	<b>Less than 12 months £'000</b>	<b>Greater than 12 months £'000</b>
Accounts Payable	494	494	0
Benefits Payable	677	677	0
Sundry Creditors	1,268	1,268	0
	<b>2,439</b>	<b>2,439</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 table below analyses financial instruments, measured at fair value at the end of the reporting period, 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.

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

During 2010/11 there were no transfers between level 1 and 2 of the fair value hierarchy.

The following table presents the movement in level 3 instruments for the year end 31 March 2011.

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

#### 10 Investment management expenses

	2010/2011 £000	2009/2010 £000
Administration, management and custody	3,333	1,831
Transaction Costs	677	491
Performance measurement services	39	37
	<b>4,049</b>	<b>2,359</b>

**11 Current assets**

	<b>31-Mar-11</b>	<b>31-Mar-10</b>
	<b>£000</b>	<b>£000</b>
Contributions due from other authorities and bodies		
- Employees	1,515	1,428
- Employers	4,155	3,815
Income due from external managers and custodians	144	164
Other	462	872
Cash	6,615	3,331
	<b>12,891</b>	<b>9,610</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.

**12 Current Liabilities**

	<b>31-Mar-11</b>	<b>31-Mar-10</b>
	<b>£000</b>	<b>£000</b>
Managers / Custody fees	698	728
HMRC	541	2
Other	1,200	815
	<b>2,439</b>	<b>1,545</b>

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

Fund members paid contributions totalling £0.196 million (£0.130 million in 2009/10) into their AVC funds during the year. At the year end, the value of funds invested on behalf of Fund members totalled £2.865 million (£2.847 million in 2009/10), made up as follows:

	<b>£ million</b>
<i>Equitable Life Assurance Society</i>	
- With Profits Fund	1.078
- Unit Linked Managed Fund	0.285
- Building Society Fund	0.056
<i>Clerical Medical Funds</i>	
- With Profits Fund	0.136
- Unit Linked Managed Fund	0.890
<i>NPI Funds</i>	
- Managed Fund	0.025
- With Profits Fund	0.213
- Global Care Unit Linked Fund	0.056
- Cash Deposit Fund	0.034
<i>Prudential</i>	
- With Profits Cash Accumulation Fund	0.024
- Deposit Fund	0.031
- Diversified Growth Fund	0.004
- Long Term Growth Fund	0.021
- Pre-Retirement Fund	0.008
- Property Fund	0.004
	<b>2.865</b>

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

#### **14. Employer Related Assets**

There are no employer related assets within the Fund.

#### **15. Guaranteed Minimum Pension**

The Fund is liaising with the Department for Work & Pensions to obtain details of Guaranteed Minimum Pensions (GMP) that are not currently shown on member's records.

GMP elements of member's LGPS pension are not increased by the Fund for Pre 1988 GMP but for Post 1988 GMP's it is increased by a maximum of 3%. The Government increase the State Pension for the member fully on the Pre 1988 GMP and for Post 1988 GMP it is only increased if CPI is above 3%.

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

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

#### **16. Subsequent Event**

On 8<sup>th</sup> 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 in 10 instalments over the next 10 years. The first payment of £965,000 was received on 15<sup>th</sup> April 2011.

### **Actuarial Statement in respect of IAS26 as at 31.03.2011**

#### **Introduction**

CIPFA's Code of Practice on Local Authority Accounting 2010/11 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. This change is one of many which are being adopted by employers reporting under CIPFA guidance in the financial year 2010/11.

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.

In order for the Administering Authority to comply, I have provided the information required below.

### Assumptions

The assumptions used are those adopted for the Administering Authority's FRS17/IAS19 reports at each year end as required by the Code of Practice. These can be found at the end of this report.

### Balance sheet

Year ended	31 Mar 2011 £m	31 Mar 2010 £m
Present Value of Promised Retirement Benefits	1,733	2,006

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 2011 comprises £748m in respect of employee members, £314m in respect of deferred pensioners and £671m 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.

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).

### Financial assumptions

My recommended financial assumptions are summarised below:

Year ended	31 Mar 2011 % p.a.	31 Mar 2010 % p.a.
Inflation/Pension Increase Rate	2.8%	3.8%
Salary Increase Rate	5.1%	5.3%
Discount Rate	5.5%	5.5%

*\*Salary increases are 1% p.a. nominal for the year to 31 March 2011 and the year to 31 March 2012 reverting to 5.1% thereafter.*

### Mortality

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*

### Historic mortality

Life expectancies for the below year ends are based on the PFA92 and PMA92 tables. The allowance for future life expectancies are shown in the table below.

Year ended	Prospective Pensioners	Pensioners
31 March 2010	year of birth, medium cohort and 1% p.a. Minimum improvements from 2007	year of birth, medium cohort and 1% p.a. Minimum improvements from 2007

**Commutation**

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

Peter Summers FFA  
31 May 2011

**Schedule of Employer Bodies**

**Scheduled Bodies**

Wiltshire Council  
Swindon Borough Council  
Wiltshire Police Authority  
Wiltshire & Swindon Fire Authority  
Wiltshire Probation Trust  
Thamesdown Transport  
Amesbury Parish Council  
Blunsdon St Andrews Parish Council  
Bradford-on-Avon Town Council  
Calne Town Council  
Chippenham Town Council  
Corsham Town Council  
Cricklade Town Council  
Devizes Town Council  
Haydon Wick Parish Council  
Highworth Town Council  
Malmesbury Town Council  
Marlborough Town Council  
Melksham Town Council  
Melksham Without Parish Council  
Mere Parish Council  
Purton Parish Council  
Salisbury City Council  
Stratton St Margaret Parish Council  
Trowbridge Town Council  
Warminster Town Council  
Westbury Town Council  
Wilton Town Council  
Wootton Bassett Town Council  
Wroughton Parish Council  
New College  
Swindon College  
Wiltshire College  
Bishop Wordsworth Academy  
Goddard Park Primary School Academy  
Hardenhuish School Ltd  
Lavington Academy  
Sarum Academy  
South Wiltshire Grammar  
Swindon Academy  
Wellington Academy

**Admitted Bodies**

ABM Catering Ltd  
Action for Blind People  
Aster Group  
Aster Property Management  
Barnados  
Capita Business Services Ltd  
Caterlink Ltd  
CIPFA  
Community First  
DC Leisure  
Direct Cleaning  
English Landscapes  
Focsa Services  
Norwest Hoist (Vinci)  
Ridgeway Community  
Ridgeway Partnership  
Salisbury and South Wilts Museum  
Sarsen Housing Association  
Selwood Housing  
Swindon Commercial Services  
Swindon Dance  
The Order of St John Care Trust  
Westlea Housing Association

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.

## 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 2011 on pages 98 to 123. The financial statements have been prepared under applicable law and the accounting policies set out in the Statement of Accounting Policies.

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 financial statements for the pension fund in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and which give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2011 and the amount and disposition of the fund's assets and liabilities as at 31 March 2011, 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 Practice's 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:

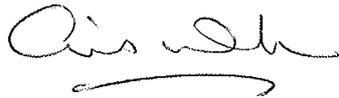
- whether the accounting policies are appropriate to the pension fund's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Chief Financial Officer; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Pension Fund Report and Accounts 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 2011 and the amount and disposition of the fund's assets and liabilities as at 31 March 2011, 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 2010/11.



**Chris Wilson**  
**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*  
100 Temple Street  
Bristol  
BS1 6AG

28 September 2011