

Wiltshire Pension Fund

The Wiltshire Pension Fund ('the fund') is part of the Local Government Pension Scheme (LGPS) ("the scheme") and 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.

General

The scheme is governed by the [Public Service Pensions Act 2013](#). The fund is administered in accordance with the following secondary legislation:

- the [Local Government Pension Scheme Regulations 2013](#) (as amended)
- the [Local Government Pension Scheme \(Transitional Provisions, Savings and Amendment\) Regulations 2014](#) (as amended)
- the [Local Government Pension Scheme \(Management and Investment of Funds\) Regulations 2016](#).

It is a contributory defined benefit pension scheme administered by Wiltshire Council to provide pensions and other benefits for pensionable employees of Wiltshire Council, the town and parish councils in Wiltshire and a range of other scheduled and admitted bodies. Teachers, police officers and firefighters are not included as they come within other national pension schemes. The fund is overseen by the Wiltshire Pension Fund Committee, which is a committee of Wiltshire Council.

Membership

Membership of the scheme is voluntary and employees are free to choose whether to join, remain or make their own personal arrangements outside the scheme.

Organisations participating in the Wiltshire Pension Fund include the following:

- Scheduled bodies, which are automatically entitled to be members of the fund.
- Admitted bodies, which participate in the fund under the terms of an admission agreement between the fund and the employer. Admitted bodies include voluntary, charitable and similar not-for-profit organisations, or private contractors undertaking a local authority function following outsourcing to the private sector

Membership details are set out as below:

Membership	31 March 21	31 March 20
Active	23,131	23,487
Deferred	40,287	39,187
Pensioners	19,036	18,150
Total number of members in the pension scheme	82,454	80,824

Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the [Local Government Pension Scheme Regulations 2013](#) and ranged from 5.5% to 12.5% of pensionable pay for the financial year ended 31 March 2021. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2019.

Benefits

Prior to 1 April 2014, pension benefits under the scheme were based on final pensionable pay and length of pensionable service. From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is updated annually in line with the Consumer Prices Index.

A range of other benefits are also provided including early retirement, disability pensions and death benefits, as explained on [the LGPS website](#).

Responsibility for the Report**Wiltshire Council**

The Council must arrange for the proper administration of the Wiltshire Pension Fund. 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, must ensure that one of its officers has responsibility for the financial aspects of that administration, this being the Corporate Director Resources & Deputy Chief Executive (S.151 Officer).

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 2020/21 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 Administering Authority 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 LPB has an oversight function to ensure the Fund is compliant with the Pensions Regulator.

The Fund will liaise closely with the Local Pension Board, so they can fulfil their duties providing support and advice to the Administering Authority.

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.

Audit

Deloitte LLP 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 reviewed regularly by the Fund, at least once every three years in line with the Government guidance.

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 Investment Strategy Statement (ISS) which can be supplied upon request or viewed at www.wiltshirepensionfund.org.uk.

Safe custody of all investments is the responsibility of State Street Global Advisors 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 2021

	Notes	2020/21 £'000	2019/20 £'000
Dealings with members, employers and others directly involved in the Fund			
Contributions	5a	118,383	119,936
Transfers in from other pension funds	5b	228	19,444
		118,611	139,380
Benefits	6	(104,268)	(91,621)
Payments to and on account of leavers	7	(7,999)	(11,136)
		(112,267)	(102,757)
Net additions from dealings with members		6,344	36,623
Management expenses	8 & 9	(29,164)	(37,221)
Net withdrawals inc. fund management expenses		(22,820)	(598)
Returns on investments			
Investment income	10	10,027	12,489
Taxes on income		-	(78)
Profits and losses on disposal of investments and changes in market value of investments	12a	468,900	(127,856)
Net return on investments		478,927	(115,445)
Net increase/(decrease) in the net assets available for benefits during the year		456,107	(116,043)
Opening net assets of the scheme		2,503,878	2,619,921
Closing net assets of the scheme		2,959,985	2,503,878

The following notes on pages 6 to 33 form an integral part of these financial statements

The Wiltshire Pension Fund

Net Asset Statement

At 31 March 2021

	<i>Notes</i>	31 March 2021 £'000	31 March 2020 £'000
Long Term Investments			
Brunel Pension Partnership		768	427
		768	427
Investment assets			
Pooled investment vehicles		2,537,890	2,145,268
Pooled property investments		392,126	329,510
Cash held on deposit		32,291	17,950
Other investment balances		216	246
Total net investments	12	2,963,291	2,493,401
Current assets	17	15,002	28,917
Current liabilities	18	(15,044)	(10,645)
Long term liabilities	18a	(3,264)	(7,795)
Net assets of the scheme available to fund benefits at the end of the reporting period		2,959,985	2,503,878

Notes

Related notes form an integral part of these financial statements

1. Basis of Preparation

The statement of accounts summarises the fund's transactions for the 2020/21 financial year and its financial position at 31 March 2021. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2020/21* (the Code) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. IFRS 16, introduced on 1 January 2019, is due to be adopted by the Code for accounting periods commencing on or after 1 April 2022. This new accounting standard largely removes the distinction between operating and finance leases by introducing an accounting model that requires lessees to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. This will bring assets formerly off-Balance Sheet onto the Balance Sheet of lessees. Implementation of IFRS 16 is not expected to have a material impact on the pension fund because it does not hold any assets as a lessee.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year nor do they take into account the actuarial present value of promised retirement benefits. IAS26 requires the actuarial present value of promised benefits to be disclosed. The Code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. A separate report has been prepared by Hymans Robertson and is enclosed below in note 24.

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

The accounts have been prepared on a going concern basis.

2. Summary of Significant Accounting Policies

The principal accounting policies of the Fund are as follows:

Fund account – revenue recognition

a) Contributions

Contributions are received from employer bodies in respect of their own and their pensionable employees' contributions.

Normal contributions are accounted for on an accruals basis as follows:

- Employee contribution rates are set in accordance with Local Government Pension Scheme regulations, using common percentage rates for all schemes which rise according to pensionable pay.
- Employer contributions are set at the percentage rate recommended by the fund actuary for the period to which they relate.

Employer deficit funding contributions are accounted for on the basis advised by the fund actuary in the rates and adjustment certificate issued to the relevant employing body. Additional employers' contributions in respect of ill-health and early retirements are accounted for in the year the event arose. Any amount due in the year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

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

b) Transfers to and from other schemes

Transfers in and out relate to members who have either joined or left the fund.

Individual transfers in/out, i.e. 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. Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (Note 5b).

Bulk (group) transfers are accounted for on an accruals basis at the point when the members are transferred in accordance with the terms of the transfer agreement.

c) 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.
- Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.
- Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.
- Changes in the value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund account – expense items**d) Benefits payable**

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

Refunds of contributions have been brought into account on the basis of all valid claims approved during the year.

e) Taxation

The fund is a registered public service scheme under Section 1(1) of Schedule 36 of the [Finance Act 2004](#) and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. As Wiltshire Council is the administering authority, VAT input tax is recoverable on all expenditure.

Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

f) Management expenses

The fund discloses its pension fund management expenses in accordance with the CIPFA guidance [Accounting for Local Government Pension Scheme Management Expenses \(2016\)](#) as shown below. All items of expenditure are charged to the fund on an accruals basis as follows:

Administrative expenses	All staff costs relating to the pensions administration team are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.
Oversight and governance	All costs associated with governance and oversight are separately identified, apportioned to this activity and charged as expenses to the fund.
Investment management expenses	Investment management expenses are charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are invoiced directly these are included on an accruals basis. Where fees are netted off valuations by investment managers, these expenses are shown separately in Note 12 and the change in value of investments is grossed up to account for this. Transactions costs which have been passed through the investment portfolios (which include costs directly attributable to the Fund's investment portfolios, such as fees, commissions, stamp duty and other fees) are identified via year end transparency reporting provided by the managers, and are accounted for and disclosed separately in Note 9. Fees and costs associated with the underlying funds in multi-manager portfolios are also accounted for and disclosed separately in Note 9. The costs of the investment team are charged to the Fund, as well as a proportion of the time spent by officers on investment management activity.

Net Asset Statement**g) Financial assets**

Wiltshire Pension Fund and nine other shareholders each hold a 10% share in Brunel Pension Partnership Ltd (company number 10429110) so no fund is deemed to have a significant influence. This long-term investment has been included in the accounts at the Fund's share of the total equity in Brunel Pension Partnership as taken from the latest audited accounts.

All other financial assets are included in the accounts on a fair value basis in line with the SORP as at the reporting date using the valuations for the Fund's assets based on the figures provided by the Fund's custodian, State Street Global Advisors. A financial asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. Any amounts due or payable in respect of trades entered into but not yet complete at 31 March each year are accounted for as financial instruments held at amortised cost and reflected in the reconciliation of movements in investments and derivatives in Note 14a. Any gains or losses on investment sales arising from changes in the fair value of the asset are recognised in the fund account.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13. For the purposes of disclosing levels of fair value hierarchy, the fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

Valuation of Investments

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

- (i) **Unquoted securities**
Unquoted securities have been valued according to the latest trades, professional valuation, asset values or other appropriate financial information.
- (ii) **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.

(iii) **Foreign Currency Transactions**

All investments held in foreign currencies are shown at market value translated into sterling using the WM 4PM rate on 31 March 2021.

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

(iv) **Cash and cash equivalents**

Cash comprises cash in hand and demand deposits and includes amounts held by the fund's external managers.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

h) Financial liabilities

A financial liability is recognised in the net assets statement on the date the fund becomes legally responsible for that liability. The fund recognises financial liabilities relating to investment trading at fair value as at the reporting date, and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the fund account as part of the Change in Value of Investments.

Other financial liabilities classed as amortised cost are carried in the net asset statement at the value of the outstanding principal at 31 March each year. Any interest due not yet paid is accounted for on an accruals basis and included in administration costs.

i) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of International Accounting Standard (IAS) 19 and relevant actuarial standards. As permitted under the Code, the fund has opted to disclose the actuarial present value of promised retirement benefits by way of a separate report which has been prepared by the fund's actuary Hymans Robertson and is enclosed below after note 23.

j) Additional Voluntary Contributions (AVCs)

The Wiltshire Pension Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund.

AVCs are not included in the accounts in accordance with Section 4(1)(b) of the [Local Government Pension Scheme \(Management and Investment of funds\) Regulations 2016](#) but are disclosed for information in note 19.

k) Contingent assets and contingent liabilities

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events.

Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the net asset statement but are disclosed by way of narrative in the notes.

3. Critical Judgements in Applying Accounting Policies

Pension Fund Liability

The net pension fund liability is re-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. This estimate is subject to significant variances based on changes to the underlying assumptions.

Actuarial re-valuations are used to set future contribution rates and underpin the fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/return.

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts. Estimates are made considering historical experience, current trends and future expectations. However, because balances cannot be determined with certainty, actual results could be different from the assumptions and estimates made.

The items in the net asset statement at 31 March 2021 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
Pooled Property Investment	Valuation techniques are used to determine the carrying values of directly held freehold and leasehold property. Where possible these valuation techniques are based on observable data, otherwise the best available data is used.	Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property-based investments by up to 10% ie an increase or decrease of £39m on carrying values of £392m.

5a. Contributions receivable

	2020/21	2019/20
	£000	£000
Employers' contributions		
- Normal	82,683	78,960
- Augmentations	2,123	2,248
- Deficit recovery contributions*	9,517	15,840
	94,323	97,048
Employees' contributions		
- Normal	23,956	22,726
- Additional contributions	104	162
	24,060	22,888
	118,383	119,936
Analysis of contributions by type of employer		
	2020/21	2019/20
	£000	£000
<i>Contributions from employees (Including additional contributions)</i>		
- Wiltshire Council	8,632	8,347
- Other scheduled bodies	14,303	13,400
- Admitted bodies	1,125	1,141
	24,060	22,888
<i>Contributions from employers (Including augmentations)</i>		
- Wiltshire Council	36,354	35,489
- Other scheduled bodies	53,419	52,057
- Admitted bodies	4,550	9,502
	94,323	97,048
Total contributions receivable	118,383	119,936

* Deficit funding contributions are paid relevant employers for the three years commencing from 1 April 2019 with a minimum specified in the Rates and Adjustment Certificate dated 31 March 2021 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.

5b. Transfers in from other pension funds

	2020/21	2019/20
	£000	£000
Group transfers	(3,640)	9,305
Individual transfers	3,868	10,139
	228	19,444

The value for group transfers in 2020/21 is negative as £3,640k of the £9,305k due from White Horse Federation in 2019/20 was reallocated to another LGPS fund, there were no other group transfers in during the year.

The volume of individual transfers was higher in 2019/20, both due to timings of requests from members and prioritisation of workload within the pensions administration team.

6. Benefits Payable

	2020/21	2019/20
	£000	£000
By category		
Pensions	89,109	77,241
Commutation and lump sum retirement benefits	13,060	13,087
Lump sum death benefits	2,099	1,293
	104,268	91,621
	2020/21	2019/20
	£000	£000
By type of employer		
Wiltshire Council	46,938	44,978
Other scheduled bodies	39,139	37,335
Admitted bodies	9,942	9,308
Provision for underpayment	8,250	-
	104,269	91,621

See details in Note 18 regarding new provision made for underpayment.

7. Payments to and on account of leavers

	2020/21	2019/20
	£000	£000
Individual transfers	7,706	10,943
Refunds to members leaving service	294	195
State Scheme Premiums	(1)	(2)
	7,999	11,136

8. Management expenses

	2020/21	2019/20
	£000	£000
Administration costs	1,754	1,738
Investment Management expenses (Note 9)	26,611	34,662
Oversight & Governance costs	799	821
	29,164	37,221

The fund discloses its pension fund management expenses in accordance with the CIPFA guidance [Accounting for Local Government Pension Scheme Management Expenses \(2016\)](#).

8a. External Audit Costs

	2020/21	2019/20
	£000	£000
Payable in respect of external audit	19	19
	19	19

External audit costs are also included in oversight and governance costs in note 8 above.

9. Investment management expenses

	2020/21			
	£000			
	Total	Management fees	Performance fees	Transaction costs
Pooled investments	21,181	8,325	3,042	9,814
Pooled property investments	3,202	3,202	-	-
	24,383	11,527	3,042	9,814
Custody fees	74			
Transition costs	69			
Costs associated with investment pooling	1,501			
Indirect costs incurred in managing investment portfolios	584			
	26,611			
	2019/20			
	£000			
	Total	Management fees	Performance fees	Transaction costs
Equities	13,366	945	12,455	(34)
Pooled investments	14,167	7,118	1,212	5,837
Pooled property investments	3,365	3,365	0	0
	30,898	11,428	13,667	5,803
Custody fees	193			
Transition costs	2,550			
Costs associated with investment pooling	888			
Indirect costs incurred in managing investment portfolios	133			
	34,662			

10. Investment income

	2020/21	2019/20
	£'000	£'000
Income from equities	192	1,262
Pooled property investments	7,758	9,835
Pooled investments - unit trusts & other managed funds	1,193	111
Interest on cash deposits	22	201
Stock lending income	48	245
Other	814	834
Total before taxes	10,027	12,489

11. Stock lending

During 2020/21, the Pension Fund participated in a securities lending programme administered by Brunel Pension Partnership, for the Pension Fund's active global equities portfolio.

Previously (including 2019/20), the Council participated in a securities lending programme administered by State Street Global Advisors. Securities in the beneficial ownership of the Council to a value of £15.8million (0.5% of the total fund value) were on loan at 31 March 2021. Collateral held for these securities had a market value of £17.2million, which represents 108.85% of the value of the shares on loan. Income earned from this programme amounted to £48,278 in the year.

	2020/21	2019/20
	£m	£m
Market value of securities on loan	15.8	0
(percentage of total Fund value)	0.5%	0.0%
Market value of collateral	17.2	0.0
Collateral %	108.85%	0.0%
Income earned in year	0.048	0.245

12. Details of investments held at year end

	31 March 2021	31 March 2020
	£'000	£'000
INVESTMENT ASSETS		
Pooled funds		
- Fixed income unit trusts	842,333	785,516
- Infrastructure funds	84,651	62,598
- Global equity	1,308,053	1,025,876
- Diversified growth funds	0	33,096
- Emerging market multi-asset	301,359	238,182
	2,536,397	2,145,268
Other investments		
- Pooled property investments	392,126	329,510
- Private equity	1,493	0
	393,619	329,510
- Cash deposits	32,291	17,950
- Investment income due	0	6
- Recoverable tax	216	240
- Amounts receivable for sales	0	0
	32,507	18,196
Total investment assets	2,962,523	2,492,974
LONG TERM INVESTMENTS		
UK unquoted equity - shares in Brunel Pension Partnership	768	427
Net investment assets	2,963,291	2,493,401

12a. Reconciliation of movements in investments

	Market value 01 April 2020 £'000	Purchases and derivative payments £'000	Sales and derivative receipts £'000	Change in value during the year £'000	Market value 31 March 2021 £'000
Long term investments:					
- Brunel Pension Partnership	427	0	0	341	768
Funds held with Brunel:					
Pooled funds	896,241	130,064	(202,561)	441,962	1,265,705
Equities	0	0	0	0	0
Pooled Investment Vehicles					
- Other	1,249,028	2,093,456	(2,027,346)	32,048	1,347,185
Property	329,510	2,269	(9,212)	(5,440)	317,126
	2,475,205	2,225,788	(2,239,119)	468,911	2,930,784
Other investment balances:					
- FX contracts	0			0	0
- Cash deposits	17,950			(11)	32,291
- Receivable for investment sales	0			0	0
- Investment income due	6			0	0
- Tax reclaims due on investment income	240			0	216
- Payables for investment purchases	0			0	0
Net investment assets	2,493,401			468,900	2,963,291

12a. Reconciliation of movements in investments (cont'd)

	Market value 01 April 2019	Purchases and derivative payments	Sales and derivative receipts	Change in value during the year	Market value 31 March 2020
	£'000	£'000	£'000	£'000	£'000
Long term investments:					
- Brunel Pension Partnership	840	0	0	(413)	427
Funds held with Brunel:					
Pooled funds	409,784	1,414,164	(806,969)	(120,738)	896,241
Equities	432,614	13,111	(472,843)	27,118	0
Pooled Investment Vehicles					
- Other	1,390,746	1,481,839	(1,592,582)	(30,975)	1,249,028
Property	334,978	16,809	(19,531)	(2,746)	329,510
	2,568,961	2,925,924	(2,891,925)	(127,754)	2,475,205
Other investment balances:					
- FX contracts	(1)			(2)	0
- Cash deposits	15,321			(100)	17,950
- Receivable for investment sales	0			0	0
- Investment income due	29			0	6
- Tax reclaims due on investment income	154			0	240
- Payables for investment purchases	(2,326)			0	0
Net investment assets	2,582,139			(127,856)	2,493,401

12b. Investments Analysed by Fund Manager

	31 March 2021 £'000	31 March 2020 £'000
Investments managed by Brunel Pension Partnership asset pool:		
Brunel - Low Carbon Hedged Passive Equities	557,832	479,769
Brunel - Global High Alpha active global equities	609,552	416,472
Brunel - private equity	1,493	0
Brunel - generalist infrastructure	54	0
Brunel - renewable infrastructure	5,016	0
Brunel - secured income	91,758	0
	1,265,705	896,241
Long-term investment - Brunel Pension Partnership	768	427
Investments managed outside of Brunel Pension Partnership asset pool:		
Baillie Gifford - Global Equity	216	240
Ninety One - Emerging Markets	301,359	238,182
Barings - Dynamic Assets Allocation	0	33,096
CBRE Global Multi Manager - Property	346,803	347,080
Partners Group - Infrastructure	62,823	62,598
Magellan Select Infrastructure Fund	140,669	129,636
Loomis Sayles - Multi Asset Credit	154,766	187,206
Pinebridge - Bank Loans	219,561	0
M&G - Financing Fund	3	3
Legal & General - Gilts	468,003	598,308
Cash held at custodian	2,614	384
	1,696,818	1,596,733
Total	2,963,291	2,493,401

The following investments represent over 5% of the net assets of the fund.

Security	Market value 31 March 2021 £m	% of total market value
Brunel - Global High Alpha	609.55	20.58%
Brunel - GPCU MSCI World Low Carbon OFC	557.83	18.83%
BBAE 2071 Gilt Fund	468.00	15.80%
Ninety One - Emerging Market Multi-Asset Fund	301.36	10.17%
Pinebridge Global Secured Credit Funds	219.56	7.41%
Loomis Sayles - Multi Asset Credit	154.77	5.22%
	2,311.07	78.01%

13. Derivative Contracts

There are no balances to report for the 2020/21 or 2019/20 financial year.

14. Fair value – basis of valuation

All investment assets are valued using fair value techniques based on the characteristics of each instrument, where possible using market-based information. There has been no change in the valuation techniques used during the year.

Assets and liabilities have been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1 – where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities, comprising quoted equities, quoted bonds and unit trusts.

Level 2 – where quoted market prices are not available, or where valuation techniques are used to determine fair value based on observable data.

Level 3 – where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

The valuation basis for each category of investment asset is set out below:

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Unquoted pooled investments - unit trusts	Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not required
Pooled investments - property funds	Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not required
UK and Overseas property, private equity and infrastructure partnerships	Level 3	Valued using a number of different market and income valuation methods as well as comparable market transaction prices	Market transactions, market outlook, cash flow projections, last financings and multiple projections	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts
Unquoted equity holding in Brunel pool	Level 3	Valued as share of the company's equity as per the latest available audited financial statements	Earnings and revenue multiples, discount for lack of marketability, control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts

14. Fair value – basis of valuation (cont'd)

Sensitivity of assets valued at level 3

	Assessed valuation range (+/-)	Value at 31 31 March 2021 £'000	Value on increase £'000	Value on decrease £'000
Pooled property	3.20%	143,924	148,530	139,318
M&G Financing Fund - residual holding	0.0%	3	3	3
Infrastructure	11.1%	84,651	94,047	75,255
Private equity	24.2%	1,493	1,854	1,131
Brunel Pension Partnership	0.0%	768	768	768
		230,840	245,203	216,476

14a. Fair value hierarchy

The following table provides an analysis of the assets and liabilities of the pension fund grouped into levels 1 to 3, based on the level at which the fair value is observable. This has been produced from analysis provided by our custodian State Street Global Advisors, which is based on valuations provided by the investment managers.

2021

	£'000 Quoted market price Level 1	£'000 Using observable inputs Level 2	£'000 With significant unobservable inputs Level 3	£'000 Total
Brunel Pension Partnership			768	768
Pooled investment vehicles:				
- Other	0	2,451,742	86,147	2,537,890
- Property	0	248,202	143,924	392,126
- Futures	0	0	0	0
Cash deposits	1,033	31,258	0	32,291
Other investment balances	216	0	0	216
	1,249	2,731,203	230,840	2,963,291

2020

	£'000 Quoted market price Level 1	£'000 Using observable inputs Level 2	£'000 With significant unobservable inputs Level 3	£'000 Total
Brunel Pension Partnership			427	427
Pooled investment vehicles:				
- Other	-	2,082,667	62,601	2,145,268
- Property	-	154,780	174,730	329,510
Cash deposits	122	17,827	-	17,950
- Futures	-	-	-	-
Other investment balances	247	-	-	247
	369	2,255,275	237,758	2,493,402

14a. Fair value hierarchy (cont'd)

Wiltshire Pension Fund determines that transfers between levels of the fair value hierarchy have occurred when the investment manager for those assets notifies the Fund's custodian of the change. During 2020/21 4 funds were reclassified from level 3 to level 2 due to removal of gating and material uncertainty that existed at March 2020. One investment has moved from level 2 to level 3 following reclassification by the investment manager. The gross value of these adjustments are shown in note 14b below.

As at 31st March 2021 £12m of assets held in Cordatus Property Trust as part of a pooled property investment were subject to a trading restriction. These assets were classified as Level 3 in the accounts.

14b. Reconciliation of fair value measurements within Level 3

The following tables present the movement in level 3 instruments for the year end 31 March 2021.

	2021 £'000	2020 £'000
Opening balance	237,758	221,668
Adjustment for reclassifications	(20,971)	20,186
Total gains/losses	616	(11,761)
Purchases	44,395	21,444
Sales	(30,959)	(13,779)
Transfer out of Level 3	-	-
Closing balance	230,839	237,758

15. Classification of Financial Instruments

The following table analyses the carrying amounts of financial assets and liabilities by category and net asset statement heading.

2020/21			2019/20		
Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost	Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost
£000	£000	£000	£000	£000	£000
Financial assets			Financial assets		
768			427		
2,536,397			2,145,268		
392,126			329,510		
1,493			0		
	37,847			25,422	
	216			247	
	9,446			21,445	
2,930,784	47,509	0	2,475,205	47,113	0
Financial liabilities			Financial liabilities		
		(15,044)			(10,645)
		(3,264)			(7,795)
2,930,784	47,509	(18,308)	2,475,205	47,113	(18,440)
	2,959,985		Grand total		2,503,878

15. Classification of Financial Instruments (cont'd)

Net gains and losses on financial instruments

2020/21		2019/20
£000		£000
	Financial assets	
468,911	Fair value through profit and loss	(127,754)
(11)	Amortised cost - realised/ unrealised gains	(102)
468,900	Total	(127,856)

All realised gains and losses arise from the sale or disposal of financial assets which have been derecognised in the financial statements. The fund has not entered into any financial guarantees that are required to be accounted for as financial instruments

16. Nature and extent of risks arising from financial instruments***Risk and risk management***

Responsibility for the Fund's risk management strategy rests with the Pension Fund Committee. The Fund's primary long-term risk is that its assets will fall short of its liabilities (ie promised benefits payable to members). The aim of investment risk management is to minimise the risk of an overall reduction in the value of the fund and to maximise the opportunity for gains across the whole fund portfolio. The fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the fund manages its liquidity risk to ensure there is sufficient liquidity to meet the fund's forecast cash flows. The fund manages these investment risks as part of its overall pension fund risk management programme.

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.

16.1. Market Risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. The objective of the fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, while optimising investment return.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the pension fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis, and manage any identified risk in two ways:

The exposure of the fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels.

Specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

Other Price Risk

Other 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 by factors affecting all such instruments in the market.

16.1. Market Risk (cont'd)

The fund is exposed to share price risk. The fund's investment managers mitigate this price risk through diversification.

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 was provided by the Fund's custodian, State Street Global Advisors, and was calculated as the monthly volatility of returns using 36 months of historical data, where available. Where this data was not available, due to the Fund holding a portfolio for less than 36 months, historical data for the strategy was provided by the investment manager, or data for an appropriate benchmark was used. 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 2021 and 2020 by the amounts shown below.

As at 31 March 2021

	Value £'000	Volatility of return	Increase £'000	Decrease £'000
Baillie Gifford - residual holding	216	0.00%	0	0
Brunel - Global High Alpha	609,552	18.04%	109,963	(109,963)
Brunel - Low Carbon Equities	557,832	14.75%	82,280	(82,280)
CBRE Global Multi Manager - Property	346,803	3.20%	11,098	(11,098)
Legal & General - Gilts	468,003	22.30%	104,365	(104,365)
Magellan - Listed Infrastructure	140,669	14.50%	20,397	(20,397)
Partners Group - Infrastructure	62,823	11.10%	6,973	(6,973)
Ninety One - Emerging Markets	301,359	11.20%	33,752	(33,752)
Loomis Sayles - Multi Asset Credit	154,766	9.70%	15,012	(15,012)
Pinebridge - bank loans	219,561	8.85%	19,431	(19,431)
Brunel - Private Equity	1,493	24.20%	361	(361)
Brunel - Infrastructure	5,070	11.10%	563	(563)
Brunel - Secured Income	91,758	3.20%	2,936	(2,936)
M&G - Financing Fund - residual holding	3	0.00%	0	0
Cash held at custodian	2,614	0.00%	0	0
Long-term investment - Brunel Pension Partnership	768	0.00%	0	0
	2,963,291		407,132	(407,132)

As at 31 March 2020

	Value £'000	Volatility of return	Increase £'000	Decrease £'000
Baillie Gifford - Global Equity	240	16.48%	40	(40)
Brunel - Global High Alpha	416,472	16.48%	68,638	(68,638)
Brunel - Low Carbon Equities	479,769	12.16%	58,348	(58,348)
CBRE Global Multi Manager - Property	347,080	2.49%	8,640	(8,640)
Legal & General - Gilts	598,308	18.63%	111,465	(111,465)
Barings - Dynamic Assets Allocation	33,096	10.05%	3,325	(3,325)
Magellan - Listed Infrastructure	129,636	12.20%	15,816	(15,816)
Partners Group - Infrastructure	62,598	10.36%	6,488	(6,488)
Investec - Emerging Markets	238,182	10.78%	25,677	(25,677)
Loomis Sayles - Multi Asset Credit	187,206	8.24%	15,432	(15,432)
M&G - Financing Fund	3	28.32%	1	(1)
Cash held at custodian	385	0.00%	0	0
Long-term investment - Brunel Pension Partnership	427	0.00%	0	0
	2,493,401		313,869	(313,869)

16.2. Interest Rate Risk

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates. The analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances. Loans have a floating rate income stream and therefore any change in interest rates would not impact the market value of these assets.

Interest Rate – Sensitivity Analysis

	Asset values at 31 March 2021 £'000	Impact of 1% increase £'000	Impact of 1% decrease £'000
Cash held on deposit	37,847	0	0
Fixed Interest Securities	622,769	(6,228)	6,228
Loans	219,564	0	0
	880,181	(8,423)	8,423

As at 31 March 2020	Asset values at 31 March 2021 £'000	Impact of 1% increase £'000	Impact of 1% decrease £'000
Cash held on deposit	25,422	0	0
Fixed Interest Securities	785,513	(11,607)	11,607
Loans	3	0	0
	810,939	(11,607)	11,607

16.3. 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 any cash balances and investment assets not denominated in UK 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.

The tables below show approximate exposures to each of the two major foreign currencies based on manager benchmarks and target allocations.

2021	US Dollar £'000	Euro £'000
Net Currency Exposure	118,205	33,657
2020	US Dollar £'000	Euro £'000
Net Currency Exposure	119,883	33,823

16.3. Currency Risk (cont'd)**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 2021 and 31 March 2020 would have increased or decreased the net assets by the amount shown below

2021	Assets Held	Change in net assets	
	at Fair Value	+10%	-10%
	£'000	£'000	£'000
US Dollar	118,205	11,820	(11,820)
Euro	33,657	3,366	(3,366)
Net Currency Exposure	151,862	15,186	(15,186)

2020	Assets Held	Change in net assets	
	at Fair Value	+10%	-10%
	£'000	£'000	£'000
US Dollar	119,883	11,988	(11,988)
Euro	33,823	3,382	(3,382)
Net Currency Exposure	153,706	15,371	(15,371)

The Fund hedges 50% of its overseas equity holdings therefore 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.

16.4. 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.

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 fitch 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, besides those in pooled investment vehicles, is invested with the custodian in a diversified money market fund rated AAAm.

The Fund's exposure to credit risk at 31 March 2021 and 2020 is the carrying amount of the financial assets.

Summary	Balances as at	Balances as at
	31 March 2021	31 March 2020
	£000	£000
Cash held at custodian	32,291	17,950
Bank current account - HSBC	(305)	(357)
Money Market Funds	5,862	7,829
	37,847	25,422

16.4. Credit Risk (cont'd)

Credit risk may also occur if an employing body not supported by central government does not pay contributions promptly, or defaults on its obligations. The pension fund has not experienced any actual defaults in recent years and the current practice is to obtain a guarantee before admitting new employers so that all pension obligations are covered in the event of that employer facing financial difficulties. All contributions due at 31 March 2021 and 31 March 2020 (£8.3m and £8.9m respectively) were received in the first two months of the financial year.

16.5. 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 non-investment financial liabilities as at 31 March 2021 and 2020, grouped into relevant maturity dates.

2020/21

	Carrying Amount £000	Less than 12 months £000	Greater than 12 months £000
Sundry creditors	6,953	4,355	2,598
Benefits payable	650	650	0
Other	10,704	10,039	666
	18,308	15,044	3,264

2019/20

	Carrying Amount £000	Less than 12 months £000	Greater than 12 months £000
Sundry creditors	15,543	7,748	7,795
Benefits payable	927	927	0
Other	1,970	1,970	0
	18,440	10,645	7,795

17. Current assets

	31 March 2021	31 March 2020
	£000	£000
Contributions due - employees	1,887	1,814
Contributions due - employers	6,423	7,059
	8,310	8,873
Bulk transfer values receivable	0	9,305
Sundry debtors	743	2,865
Prepayments	393	402
	1,136	12,572
Cash balances	5,556	7,472
Net current assets	15,002	28,917

18. Current liabilities

	31 March 2021	31 March 2020
	£000	£000
Sundry creditors	4,355	7,748
Benefits payable	650	927
Payable to Wiltshire Council	1,789	1,970
Provision for pension underpayments	8,250	0
	15,044	10,645

A provision of £8.250m has been made in 2020/21 for underpayment of pensions which have arisen due to discrepancies between the Funds membership database and payroll system. The provision calculated includes the maximum possible underpayment adding in potential interest and compensation costs. Amounts due to Wiltshire Council include costs incurred throughout the year, including corporate recharges and payroll.

18a. Long Term Creditors

	31 March 2021	31 March 2020
	£000	£000
Manager fees	2,598	7,795
Brunel Pension Partnership pension reimbursement liability	666	0
Total	3,264	7,795

The managers fees balance represents a final performance fee due to an investment manager on termination of their contract, due to transferring the portfolio into the Brunel pool. The fee is due in four annual instalments with two remaining to be paid one of which is due within one year, included in sundry creditors in note 18.

During 2020/21 a pension recharge agreement was signed by all 10 shareholders in Brunel Pension Partnership (BPP), in which shareholders have guaranteed that any pension costs arising in respect of BPP's participation in the LGPS defined benefit pension scheme will be underwritten by the shareholders. This is reflected as a long-term debtor on BPP's balance sheet, and as a corresponding long term liability in the Pension Funds accounts, at a value of £666k.

19. Additional Voluntary Contributions (AVCs)

AVC contributions are not included in the Fund's financial statements as they do not come under the requirements of Regulation 4(1)(b) of the Pension Scheme (Management and Investment of Funds) Regulations 2016 regarding regulation 69(1)(a) of the Local Government Pension Scheme Regulations 2013.

Contribution data was not available from the Funds AVC provider, Prudential, at year end due to a significant system issue affecting all Prudential AVC funds. Therefore, it is not possible to provide in-year information on contributions paid and the value of the funds invested. In 2019/20 Fund members paid contributions totalling £0.999million into AVC funds held with Prudential during the year. At 31 March 2020 the value of funds invested on behalf of members with Prudential was £4.1m.

20. Employer Related Assets

There were no employer related assets within the Fund during 2020/21.

21. 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 £1.804m (2019/20: £1.819m) in relation to the administration of the Fund which was included as a creditor at 31 March 2021, and the Council was subsequently reimbursed by the Fund for these expenses in April 2021. The Council is also the single largest employer of members of the Pension Fund and contributed £36.4m to the Fund in 2020/21 (2019/20: £35.5m) in respect of employers and employees contributions, £1.26m of which was due to the Pension Fund as at 31 March 2021, and was paid in April 2021.

Part of the pension fund cash holdings are invested in the money markets by the treasury management operations of Wiltshire Council, through a service level agreement. During the year to 31 March 2021, the fund had an average investment balance of £6.8m (31 March 2020: £8.5m), earning interest of £20k (2019/20: £66k) in these funds.

Brunel Pension Partnership Limited (BPP Ltd.) was formed on the 14th October 2016 and oversees the investment of pension fund assets for Wiltshire, Avon, Buckinghamshire, Cornwall, Devon, Dorset, Environment Agency, Gloucestershire, Oxfordshire and Somerset Funds.

Each of the 10 local authorities, including Wiltshire Pension Fund own 10% of BPP Ltd. In 2017/18 the Pension Fund paid BPP £840k and there has been no subsequent investment. The fair value of the shareholding as at 31st March 2021 was £768k. During 2020/21 the Pension Fund paid BPP £835k (£888m in 2019/20) in respect of the costs of delivering investment pooling. During 2020/21 a pension recharge agreement was signed by all 10 shareholders in BPP, in which shareholders have guaranteed that any pension costs arising in respect of BPP's participation in the LGPS defined benefit pension scheme will be underwritten by the shareholders. This is reflected as a long-term debtor on BPP's balance sheet, and as a corresponding long-term liability in the Pension Funds accounts, at a value of £666k. This is also included in the cost of pooling for 2020/21 in Note 9. BPP are an employer in the Wiltshire Pension Fund as an admitted body. During 2020/21 BPP paid contributions of £904k into the Fund (£860k in 2019/20) in respect of employers and employees contributions.

21.1. Governance

Two members of the Pension Fund Committee are active members of the Pension Fund. One member of the Committee is a pensioner member of the Pension Fund. Two members of the Pension Fund Board are pensioner members of the Pension Fund and one is an active member of the Pension Fund.

Each member of the Pension Fund Committee is required to declare their interests at each meeting. No declarations were made during the year.

22. Guaranteed Minimum Pension (GMP)

Following the cessation of contracting out in April 2016 HMRC embarked on a GMP reconciliation programme with its former contracted out pension schemes including the Wiltshire Pension Fund (WPF) which concluded in December 2018. Since then the WPF has continued this project by reviewing all its relevant member benefits to ensure that the GMP it promised to pay to its members for the period that they had opted out of the State Second Pension (S2P) are correct. This continuation of the project is known as the Rectification project and seeks to verify that each member's GMP accrued between 1978 & 1997 would broadly speaking be equivalent to the S2P that would have accrued by that member on becoming a pensioner in payment after their State Pension Age (SPA).

The Rectification project sought not only to undertake an automated recalculation of all individual GMP values based on a first principles approach to arrive at each member's present-day amount, but also to assess whether there would be any consequential impact on any pensioners in payment, when compared against the current values being paid to them. In conjunction with the recalculation exercise the Pension Fund has also sought to gather clear guidance from its advisers, the LGA & the Scheme Advisory Board (SAB) to ensure that those pensioners in payment who are affected by these changes are fairly & appropriately treated. As stated in last year's Annual Report the effect of not showing the correct amount of GMP is that a member's pension will be increased by more than it should have been, however any overpayments will have been treated as costs to the WPF and will have already been included as expenditure in previous pension fund accounts, therefore requiring no restatement.

During the past couple of years there has also been considerable press coverage concerning the Lloyds Banking Group Pensions Trustees Limited v Lloyds Bank plc in relation to GMP equalisation, the last, at the time of writing this article being the High Court judgement on 20 November 2020. The basis of this latest judgement is that pension schemes will need to revisit any individual transfer payments made since 17 May 1990 and check to see if any additional value is due. (Note: The original Court judgement in October 2018 ruled that Pension Schemes had to equalise benefits for men and women and consequently adjust any GMP benefits accrued between 1978 & 1997). However, the Fund's understanding, based on a HM Treasury statement, is that this judgement does not impact the current method to achieve equalisation and indexation in public sector.

Along with this ruling and as part of the Local Government Pension Scheme (LGPS), the WPF has recently received guidance on how it should address GMP indexation after 5 April 2021. In summary the Government has announced that there isn't the time or resource to carry out a full conversion of GMPs to normal scheme benefits. As a result, LGPS funds will continue to apply full indexation to any member with a GMP who reaches state pension age after 5 April 2021. Guidance concerning the revisiting of transfer cases due to equalisation is still to be received by the Fund on the next steps it should take.

23. Contingent Liabilities and Contractual Commitments

Capital Commitments

Outstanding capital commitments (investments) at 31 March 2021 totalled £618.5m (£734.5m at 31 March 2020). £551.5m of these commitments relate to amounts committed to private equity, infrastructure, secured income and private debt portfolios managed by the Brunel Pool. The balance (£66.9m) relates 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.

Transitional protections

When the LGPS benefit structure was reformed in 2014, transitional protections were applied to certain older members close to normal retirement age. The benefits accrued from 1 April 2014 by these members are subject to an 'underpin' which means that they cannot be lower than what they would have received under the previous benefit structure. The underpin ensures that these members do not lose out from the introduction of the new scheme, by effectively giving them the better of the benefits from the old and new schemes.

The "McCloud" case

On 21 December 2018, the Court of Appeal held that transitional protections that protected older judges and firefighters from the public services pension scheme changes in 2015 were unlawfully discriminatory. This case is known as the 'McCloud case' and whilst the complaints related to two specific public sector pension schemes, it was deemed that the remedy should apply to all public service pension schemes.

On 27 June 2019, the Supreme Court refused the Government permission to appeal the McCloud case in respect of age discrimination and pension protection, and the Government announced it would work with

employment tribunals to find a solution. On 26 March 2020, a ministerial statement confirmed that detailed proposals for removing the discrimination would be published later in 2020 and be subject to public consultation. In July 2020, MHCLG consulted on changes to the LGPS and in May 2021, Luke Hall MP released a statement outlining the Government's response.

The LGPS England & Wales Scheme Advisory Board (SAB) maintains a McCloud page on its website with regular updates, and is engaging with the Government and with Administering Authorities to discuss the remedy and its implementation. We will await further details to confirm the next steps in the process, and continue to keep members informed through newsletters and wiltshirepensionfund.org.uk.

In 2019, the Fund actuary's central estimate for the potential impact of the McCloud judgement on the pension fund liabilities for the Wiltshire Council Pool as at 31 March 2019 was an increase of approximately £2.7m. Last year, the impact has been updated to £1.9m, allowing for changes to overall membership and the assumptions made for the 2019 fund valuation. The estimate will be refined once the final legislation is in place. As well as the liability impact, the remedy to the McCloud judgement will have a significant impact on administration costs and complexity, for potentially many decades to come. We have not sought to quantify these costs at this stage.

Similarly to the calculation carried out last year, the Fund's actuary has adjusted GAD's estimate of the estimated impact on liabilities to better reflect the Wiltshire Pension Fund's local assumptions, particularly salary increases and withdrawal rates. In carrying out the adjustment, we have made allowance for the assumptions adopted as at the 2019 formal valuation.

These numbers are high level estimates based on scheme level calculations and depend on several key assumptions.

24. Actuarial Statement in respect of IAS26 as at 31.03.2021**Introduction**

CIPFA's Code of Practice on Local Authority Accounting 2020/21 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. I have been instructed by the Administering Authority to provide the necessary information for the **Error! Reference source not found.** ~~Wiltshire Pension Fund~~ ("the Fund").

The actuarial present value of promised retirement benefits is to be calculated similarly to the Defined Benefit Obligation under IAS19. There are three options for its disclosure in the 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 Fund's funding assumptions.

Present value of Promised Retirement Benefits

Year ended	Error! Reference source not found. 31-March 2021	Error! Reference source not found. 31-March 2020
Active members (Error! Reference source not found. £m)	Error! Reference source not found. 1,822	Error! Reference source not found. 1,169
Deferred members (Error! Reference source not found. £m)	Error! Reference source not found. 1,247	Error! Reference source not found. 905
Pensioners (Error! Reference source not found. £m)	Error! Reference source not found. 1,403	Error! Reference source not found. 1,294
Total (Error! Reference source not found. £m)	Error! Reference source not found. 4,472	Error! Reference source not found. 3,368

The promised retirement benefits at 31 March 2021 have been projected using a roll forward approximation from the latest formal funding valuation as at **Error! Reference source not found.** ~~31-March 2019~~. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

Note that the above figures at 31 March 2021 include an allowance for the "McCloud ruling", i.e. an estimate of the potential increase in past service benefits arising from this case affecting public service pension schemes.

Error! Reference source not found. ~~This estimate was allowed for in the 31-March 2020 IAS26 reporting and is continued to be allowed for within the liabilities this year.~~

The figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, 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 pension fund accounts. 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 and are different as at ~~Error! Reference source not found.~~^{31 March 2021} and ~~Error! Reference source not found.~~^{31 March 2020}. I estimate that the impact of the change in financial assumptions to ~~Error! Reference source not found.~~^{31 March 2021} is to ~~Error! Reference source not found.~~^{increase} the actuarial present value by ~~Error! Reference source not found.~~^{£908m.} ~~Error! Reference source not found.~~^{I estimate that the impact of the change in demographic and longevity assumptions is to increase the actuarial present value by £54m.}

Financial assumptions

Year ended (% p.a.)	Error! Reference source not found. ^{31 March 2021}	Error! Reference source not found. ^{31 March 2020}
Pension Increase Rate	Error! Reference source not found. ^{2.85%}	Error! Reference source not found. ^{1.90%}
Salary Increase Rate	Error! Reference source not found. ^{3.25%}	Error! Reference source not found. ^{2.30%}
Discount Rate	Error! Reference source not found. ^{2.00%}	Error! Reference source not found. ^{2.30%}

Longevity assumption

Life expectancy is based on the ~~Error! Reference source not found.~~^{Fund's VitaCurves} ~~Error! Reference source not found.~~^{alongside future improvements based on the CMI 2020 model with an allowance for smoothing of recent mortality experience and a long term rate of improvement of 1.50% p.a.} Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	Error! Reference source not found. ^{21.9} years	Error! Reference source not found. ^{24.4} years
Future pensioners (assumed to be aged 45 at the latest formal valuation)	Error! Reference source not found. ^{22.9} years	Error! Reference source not found. ^{26.2} years

Please note that the longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

Commutation assumptions

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:

Sensitivity to the assumptions for the year ended <u>Error! Reference source not found.31-March-2021</u>	Approximate % increase to liabilities	Approximate monetary amount (<u>Error! Reference source not found.£m</u>)
0.5% p.a. increase in the Pension Increase Rate	<u>Error! Reference source not found.9%</u>	<u>Error! Reference source not found.423</u>
0.5% p.a. increase in the Salary Increase Rate	<u>Error! Reference source not found.1%</u>	<u>Error! Reference source not found.30</u>
0.5% p.a. decrease in the Real Discount Rate	<u>Error! Reference source not found.40%</u>	<u>Error! Reference source not found.462</u>

The principal demographic assumption is the longevity assumption. For sensitivity purposes, I estimate that a 1 year increase in life expectancy would approximately increase the liabilities by around 3-5%.

Professional notes

This paper accompanies my covering report titled 'Actuarial Valuation as at Error! Reference source not found.31-March-2021 for accounting purposes'. The covering report identifies the appropriate reliance's and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Prepared by:-

Error! Reference source not found.Barry Dodds FFA

18 May 2021

For and on behalf of Hymans Robertson LLP

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

Wiltshire Council	Whiteparish Parish Council	New College
Swindon Borough Council	Wilton Town Council	Oasis Community Learning
Dorset and Wiltshire Fire Authority	Wroughton Parish Council	Palladian Multi Academy trust
Wiltshire Police PCC & CC	Acorn Academy	Peatmore Primary Academy
Alderbury Parish Council	Activate Learning Education Trust	Pewsey Vale Academy
Amesbury parish Council	Athelston Trust (Bradon Forest)	Pickwick Academy Trust
Blunsdon Parish Council	Athelston Trust (Malmesbury Academy)	Reach South Academy Trust
Bradford-on-Avon Town Council	Bishop Wordsworth Academy	River Learning Trust
Calne Town Council	Blue Kite Academy	Royal Wootton Bassett Academy
Central Swindon North Parish Council	Brunei SEN Multi Academy Trust	Salisbury Plain Multi Academy Trust
Central Swindon South Parish Council	Bybrook Valley Academy	Shaw Ridge Academy
Chippenham Town Council	Commonweal Academy	Sheldon Academy
Corsham Town Council	Corsham Secondary Academy	Somerset Road Academy Trust
Cricklade Town Council	Dauntsey Academy	South Wilts Grammar School
Devizes Town Council	Diocese of Bristol Academy Trust	South Wilts UTC
Downton Parish Council	Diocese of Salisbury Academy Trust	St Augustines School
Durrington Town Council	Dorcan Technology Academy	St Catherines Academy
Haydon Wick Parish Council	Diocese of Salisbury Academy Trust	St Edmunds Calne
Highworth town council	Dorcan Technology Academy	St Josephs Academy Devizes
Hullavington Parish Council	Equa Multi Academy Trust	St Josephs Academy Swindon
Idminster Parish Council	Excaliber Academy	St Laurence Academy
Ludgershall Parish Council	Goddards Park Academy	St Leonards Academy
Malmesbury Town Council	Grove Learning Trust	St Mary's Swindon Academy
Marlborough Town Council	Hardenhuish School	Swindon College
Melksham Town Council	Hazelwood Academy	The Mead Primary Academy
Melksham Without Parish Council	Highway Warneford Academy	The Parks Academy Trust
Mere Parish Council	Holy Cross Catholic Primary	United Learning Trust
Purton Parish Council	Holy Family Catholic Academy	Wansdyke Academy
Redlynch Parish Council	Holy Rood Primary Academy	Westlea Academy
Royal Wootton Bassett Town Council	Holy Trinity Calne Academy	White Horse Federation
Salisbury City Council	Holy Trinity Calne Academy	Wiltshire College
St Andrews Parish Council	John of Gaunt Academy	Woodford Valley Academy
Stratton St Margaret Parish Council	King Alfred trust	
Tidworth Town Council	King William Academy	
Trowbridge Town Council	Lethbridge Academy	
Wanborough Town Council	Magna Learning Partnership	
Warminster Town Council	Malmesbury Primary Academy	
Westbury Town Council	Millbrook Academy	
West Swindon Parish Council	Morgan Vale & Woodfalls Academy	

Schedule of Employer Bodies (cont'd)**Admitted Bodies**

ABM Catering
 ABM - John of Gaunt School
 Adoption West
 Alina Homecare
 Agincare
 Aspens – St Augustines
 Aspens Lethbridge
 Aster Communities
 Aster Group
 Aster Property Management
 Atkins Global
 Brayborne Facilities Services
 Brunel Partnership
 Capita Business Services Ltd
 Care Home Select (CHS)
 Caterlink WHF
 Caterlink Gorsehill School
 Caterlink - Melksham Oak
 Caterlink – Devizes School
 Caterlink – The Grange School
 Cera
 Churchill Services 1
 Churchill Services 2
 CIPFA
 Collaborative Schools
 Community First
 Community Golf and Leisure Trust
 Classes Abroad
 Deeland
 Direct Cleaning - Wansdyke
 Direct Cleaning - Westbury School
 Elor UK
 Expedite
 First City Nursing
 Greenwich Leisure Ltd (GLL)
 GLL Oasis Leisure
 Great Western Hospital
 Greensquare (Westlea housing Association)
 Hills Group
 Idverde
 Idverde – Chippenham Town Council
 Imperial Cleaning 1
 Imperial Cleaning 2
 Innovate Services 2
 KGB Cleaning
 Lex Leisure
 Oxford Health NHS Trust
 Places for People Leisure
 Public Power Solutions
 Rapid Cleaning
 Ringway
 Sansum
 Selwood Housing
 Sodexo 1
 Sodexo 2
 Sodexo – Lydiard
 Somerset Care Ltd HTLAH
 Somerset Care Ltd HTLAH 2
 Spurgeons
 Supreme Contract Cleaners
 Swindon Dance
 Swindon Music Services
 Swindon and Wiltshire Local Enterprise Partnership (SWLEP)
 The Order of St John Care Trust
 Thera South West
 Turning Point
 Westlea Housing Association (Green Square)
 Wiltshire and Swindon Sports Partnership
 Wyclean

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.