

## Wiltshire Pension Fund

The Wiltshire Pension Fund ('the fund') is part of the LGPS 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 LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme 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                                       | 2019/20       | 2018/19       |
|--|---------------|---------------|
| Active   | 23,487        | 22,541        |
| Pensioner & Dependents                           | 18,150        | 17,222        |
| Deferred   | 39,187        | 37,417        |
| <b>Total number of members in pension scheme</b> | <b>80,824</b> | <b>77,180</b> |

### 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 ending 31 March 2020. 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 LGPS 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 Associate Director of Finance.

### **Wiltshire Pension Fund Committee**

There are seven elected members of the Committee, comprising five Wiltshire Councillors and two Swindon Borough Council members. In addition, there are two representatives of the admitted bodies and two observers representing staff interests. Details of the membership of the Committee in 2019/2020 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](http://www.wiltshirepensionfund.org.uk).

Safe custody of all investments is the responsibility of State Street 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 2020

|  | <i>Notes</i> | <b>2019/20</b><br><b>£'000</b> | <b>2018/19</b><br><b>£'000</b> |
|--|--------------|--------------------------------|--------------------------------|
| <b>Dealings with members, employers and others directly involved in the Fund</b>         |              |                                |                                |
| Contributions  | 5a           | 119,936                        | 108,207                        |
| Transfers in from other pension funds  | 5b           | 19,444                         | 30,507                         |
|  |              | <b>139,380</b>                 | <b>138,714</b>                 |
| Benefits   | 6            | (91,621)                       | (89,608)                       |
| Payments to and on account of leavers  | 7            | (11,136)                       | (4,002)                        |
|  |              | <b>(102,757)</b>               | <b>(93,610)</b>                |
| <b>Net additions from dealings with members</b>  |              | <b>36,623</b>                  | <b>45,104</b>                  |
| Management Expenses  | 8 & 9        | (36,936)                       | (21,152)                       |
| Net additions inc. Fund management expenses  |              | <b>(313)</b>                   | <b>23,952</b>                  |
| <b>Returns on investments</b>  |              |                                |                                |
| Investment income  | 10           | 12,489                         | 11,452                         |
| Taxes on income  |              | (78)                           | (97)                           |
| Profits and losses on disposal of investments and changes in market value of investments | 12           | (128,141)                      | 186,134                        |
| <b>Net returns on investments</b>  |              | <b>(115,730)</b>               | <b>197,489</b>                 |
| <b>Net (increase)/decrease in the net assets available for benefits during the year</b>  |              | <b>(116,043)</b>               | <b>221,441</b>                 |
| Opening net assets of the scheme   |              | 2,619,921                      | 2,398,479                      |
| <b>Closing net assets of the scheme</b>  |              | <b>2,503,878</b>               | <b>2,619,920</b>               |

The Wiltshire Pension Fund

**Net Asset Statement**  
**At 31 March 2020**

|   | <i>Notes</i> | <b>31 March 2020</b><br><b>£'000</b> | <b>31 March 2019</b><br><b>£'000</b> |
|---|--------------|--------------------------------------|--------------------------------------|
| <b>Long Term Investments</b>  |              |                                      |                                      |
| Brunel Pension Partnership  |              | 427                                  | 840                                  |
|   |              | <b>427</b>                           | <b>840</b>                           |
| <b>Investment assets</b>  | 12b          |                                      |                                      |
| Equities  |              | 0                                    | 432,614                              |
| Pooled investment vehicles  |              | 2,145,268                            | 1,800,530                            |
| Pooled property investments   |              | 329,510                              | 334,978                              |
| Cash held on deposit  |              | 17,950                               | 15,321                               |
| Other investment balances   |              | 246                                  | 182                                  |
|   |              | <b>2,492,974</b>                     | <b>2,583,625</b>                     |
| <b>Total Investment Assets</b>  |              | <b>2,493,401</b>                     | <b>2,584,465</b>                     |
| <b>Investment liabilities</b>   | 12b          |                                      |                                      |
| Amounts Payable for Purchases   |              | 0                                    | (2,326)                              |
|   |              | <b>0</b>                             | <b>(2,326)</b>                       |
| <b>Total net investments</b>  |              | <b>2,493,401</b>                     | <b>2,582,139</b>                     |
| Current assets  | 17           | 28,917                               | 42,155                               |
| Long term debtors   | 17a          | 0                                    | 965                                  |
| Current liabilities   | 18           | (10,645)                             | (5,339)                              |
| Long term liabilities   | 18a          | (7,795)                              | 0                                    |
| <b>Net assets of the scheme available to fund benefits at the end of the reporting period</b> |              | <b>2,503,878</b>                     | <b>2,619,920</b>                     |

**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 2019/20 financial year and its financial position at 31 March 2020. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2019/20* (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. No such accounting standards have been identified for 2019/20.

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 after note 23.

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) Contribution income**

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**

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 accrual's basis at the point when the members will be 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:

|                                       |  |
|---------------------------------------|--|
| <b>Administrative expenses</b>        | All staff costs of the pensions administration team are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charges as expenses to the Fund.   |
| <b>Oversight and governance</b>       | All staff costs associated with governance and oversight are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.  |
| <b>Investment management expenses</b> | 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 12. Fees and costs associated with the underlying funds in multi-manager portfolios are also accounted for and disclosed separately in Note 12. 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 the 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. A financial asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. From this date any gains or losses 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) **Quoted securities**  
Quoted Securities have been valued at 31 March 2020 by the Fund's custodian using the bid price where a quotation was available on a recognised stock exchange or unlisted securities market.
- (ii) **Unquoted securities**  
Unquoted securities have been valued according to the latest trades, professional valuation, asset values or other appropriate financial information.
- (iii) **Pooled investment vehicles**  
Pooled investments are stated at bid price for funds with bid/offer spreads, or single price/net asset value where there are no bid/offer spreads, as provided by the investment manager.

### h) 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 2020.



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.

**i) 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.

**j) Financial liabilities**

A financial liability is recognised in the net assets statement on the date the fund becomes party to the 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.

**k) 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.

**l) 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. These are money purchase arrangements made by individual fund members under the umbrella of the Local Government Pension Scheme, to enhance pension benefits.

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.

**m) 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 2020 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  |
|--|--|---|
| Unlisted assets, specifically pooled property investments (valued at £329m), and private infrastructure funds (valued at £63m) | Quarterly valuation statements for the underlying funds in these portfolios are delivered a significant length of time after the quarter end, and consequently lagged valuations are included in the accounts. Due to particular uncertainty following the market falls experienced in March 2020, the managers for these portfolios were asked to provide estimates of impairments, which have been applied to the valuations. However, the true position will not be known for several months. | If valuations of the underlying property and infrastructure assets turn out to be lower than expected, then the value of the Fund's investments will have been overstated. A 10% fall in the valuations included in the accounts for these portfolios would result in a reduction of £35m in total Fund assets. |

**5a. Contributions receivable**

|  | <b>2019/20</b><br><b>£000</b> | <b>2018/19</b><br><b>£000</b> |
|--|-------------------------------|-------------------------------|
| <b>Employers' contributions</b>  |                               |                               |
| - Normal   | 78,960                        | 71,279                        |
| - Augmentation   | 2,248                         | 1,625                         |
| - Deficit recovery contributions*  | 15,840                        | 14,198                        |
| <b>Employees' contributions</b>  |                               |                               |
| - Normal   | 22,726                        | 20,941                        |
| - Additional contributions   | 162                           | 164                           |
|  | <b>119,936</b>                | <b>108,207</b>                |
| <b>Analysis of contributions by type of employer</b>                         |                               |                               |
|  | <b>2019/20</b><br><b>£000</b> | <b>2018/19</b><br><b>£000</b> |
| <i>Contributions from employees<br/>(Including Additional Contributions)</i> |                               |                               |
| - Wiltshire Council  | 8,347                         | 7,724                         |
| - Other scheduled bodies   | 13,400                        | 12,364                        |
| - Admitted bodies  | 1,141                         | 1,017                         |
|  | <b>22,888</b>                 | <b>21,105</b>                 |
| <i>Contributions from employers<br/>(Including Augmentations)</i>            |                               |                               |
| - Wiltshire Council  | 35,489                        | 32,580                        |
| - Other scheduled bodies   | 52,057                        | 46,876                        |
| - Admitted bodies  | 9,502                         | 7,646                         |
|  | <b>97,048</b>                 | <b>87,102</b>                 |
| <b>Total contributions receivable</b>  | <b>119,936</b>                | <b>108,207</b>                |

\* Deficit funding contributions are being paid by the employer for the three years commencing from 1 April 2017 with a minimum specified in the Rates and Adjustment Certificate dated 31 March 2017 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**

|                      | <b>2019/20</b><br><b>£000</b> | <b>2018/19</b><br><b>£000</b> |
|----------------------|-------------------------------|-------------------------------|
| Group transfers      | 9,305                         | 25,003                        |
| Individual transfers | 10,139                        | 5,504                         |
|                      | <b>19,444</b>                 | <b>30,507</b>                 |

The volume of transfers was higher in 2019/20, both due to timings of requests from members and prioritisation of workload within the pensions administration team. Additionally, several large transfers were processed during the year.

Group transfers in 2019/20 comprises an amount of £9.3m due from White Horse Federation.

**6. Benefits payable**

|  | 2019/20<br>£000         | 2018/19<br>£000         |
|--|-------------------------|-------------------------|
| Pensions                                     | 77,241                  | 72,224                  |
| Commutation and lump sum retirement benefits | 13,087                  | 15,168                  |
| Lump sum death benefits                      | 1,293                   | 2,216                   |
|  | <b>91,621</b>           | <b>89,608</b>           |
| <b>Analysis of benefits payable</b>          | <b>2019/20<br/>£000</b> | <b>2018/19<br/>£000</b> |
| <i>Pensions payable</i>                      |                         |                         |
| - Wiltshire Council                          | 39,161                  | 37,330                  |
| - Other scheduled bodies                     | 30,336                  | 27,709                  |
| - Admitted bodies                            | 7,744                   | 7,185                   |
|  | <b>77,241</b>           | <b>72,224</b>           |
| <i>Retirement and Death grants payable</i>   |                         |                         |
| - Wiltshire Council                          | 5,817                   | 7,152                   |
| - Other scheduled bodies                     | 6,999                   | 8,303                   |
| - Admitted bodies                            | 1,564                   | 1,929                   |
|  | <b>14,380</b>           | <b>17,384</b>           |
| Total benefits payable                       | <b>91,621</b>           | <b>89,608</b>           |

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

|                                    | 2019/20<br>£000 | 2018/19<br>£000 |
|------------------------------------|-----------------|-----------------|
| Individual transfers               | 10,943          | 3,751           |
| Refunds to members leaving service | 195             | 250             |
| State Scheme Premiums              | (2)             | 1               |
|                                    | <b>11,136</b>   | <b>4,002</b>    |

**8. Management Expenses**

|                                | 2019/20<br>£000 | 2018/19<br>£000 |
|--------------------------------|-----------------|-----------------|
| Administration costs           | 1,738           | 2,940           |
| Investment Management expenses | 34,377          | 18,070          |
| Oversight & Governance costs   | 821             | 142             |
|                                | <b>36,936</b>   | <b>21,152</b>   |

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**

|                                      | 2019/20<br>£000 | 2018/19<br>£000 |
|--------------------------------------|-----------------|-----------------|
| Payable in respect of external audit | 19              | 19              |
|                                      | <b>19</b>       | <b>19</b>       |

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

**9. Investment management expenses**

|   | 2019/20<br>£000 | 2018/19<br>£000 |
|---|-----------------|-----------------|
| Management fees   | 8,268           | 8,683           |
| Performance related fees  | 13,095          | 2,283           |
| Transaction and other costs (pooled funds)                      | 4,972           | 2,714           |
| Transaction and other costs (multi-manager portfolios)          | 737             | 604             |
| Transaction and other costs (Segregated portfolios)             | (34)            | 88              |
| Fees and costs for underlying funds in multi-manager portfolios | 3,861           | 2,668           |
| Custody fees  | 193             | 86              |
| Transition costs  | 2,265           | 33              |
| Costs associated with investment pooling                        | 888             | 617             |
| Indirect costs incurred in managing investment portfolios       | 132             | 294             |
|   | <b>34,377</b>   | <b>18,070</b>   |

In 2019/20, the Fund transitioned its active global equity portfolio into the Brunel pool. The previous manager charged a performance fee, which was calculated based on accumulated outperformance, with an annual cap. The cap was removed at the end of the contract, per the investment management agreement, which resulted in a large final fee. This will be paid in four annual instalments.

During 2019/20, the Fund also transitioned its passive global equity portfolio into the pool. These two transitions resulted in the much higher transition costs shown above compared to 2018/19.

**10. Investment Income**

|  | 2019/20<br>£'000 | 2018/19<br>£'000 |
|--|------------------|------------------|
| Income from equities                                   | 1,262            | 1,369            |
| Pooled property investments                            | 9,835            | 8,375            |
| Pooled investments - unit trusts & other managed funds | 111              | 162              |
| Interest on cash deposits                              | 201              | 950              |
| Stock lending income                                   | 245              | 596              |
| Other  | 835              | 0                |
| <b>Total before taxes</b>                              | <b>12,489</b>    | <b>11,452</b>    |

**11. Stock Lending**

During the year, the Council participated in a securities lending programme administered by State Street. Participation in this programme ended when the segregated global equities portfolio for which the programme operated transitioned over into the Brunel pool in November 2019. Securities in the beneficial ownership of the Council to a value of £0million (0% of the total fund value) were on loan at 31 March 2020. No collateral was held at 31 March 2020. Income earned from this programme amounted to £0.245 million in the year.

|                                  | 2019/20<br>£m | 2018/19<br>£m |
|----------------------------------|---------------|---------------|
| WC securities on loan            |               | 46.8          |
| <i>(percentage of total)</i>     | <b>0.0%</b>   | 1.8%          |
| WC collateral share of pool      | <b>0.0%</b>   | 0.014%        |
| Value of WC pooled share         | <b>0</b>      | 51.0          |
| Percentage of securities on loan | <b>0.0%</b>   | 108.9%        |
| Income earned in year            | <b>0.245</b>  | 0.596         |

**12. Investments held at year end**

|                                     | 31 March 2020<br>£'000 | 31 March 2019<br>£'000 |
|-------------------------------------|------------------------|------------------------|
| <b>LONG TERM INVESTMENTS</b>        |                        |                        |
| Brunel Pension Partnership          | 427                    | 840                    |
| <b>INVESTMENT ASSETS</b>            |                        |                        |
| - Equities                          | 0                      | 432,614                |
| - Pooled investment vehicles        | 2,145,268              | 1,800,530              |
| - Pooled property investments       | 329,510                | 334,978                |
| - Cash deposits                     | 17,950                 | 15,321                 |
| - Investment income due             | 6                      | 28                     |
| - Recoverable tax                   | 240                    | 154                    |
| <b>Total investment assets</b>      | <b>2,493,401</b>       | <b>2,584,465</b>       |
| <b>INVESTMENT LIABILITIES</b>       |                        |                        |
| - Amounts payable for purchases     | 0                      | (2,326)                |
| <b>Total investment liabilities</b> | <b>0</b>               | <b>(2,326)</b>         |
| <b>Net investment assets</b>        | <b>2,493,401</b>       | <b>2,582,139</b>       |

12a. Reconciliation of Movements in Investments

|   | Value at<br>01 April 2019 | Purchases<br>at cost and<br>derivative<br>payments | Sales<br>proceeds<br>and<br>derivative<br>receipts | Change in<br>market<br>Value | Value at<br>31 March<br>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  | (806,684)  | (121,023)                    | 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                      |
|   | <b>2,568,961</b>          | <b>2,925,924</b>                                   | <b>(2,891,641)</b>                                 | <b>(128,039)</b>             | <b>2,475,205</b>             |
| 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                            |
| <b>Net investment assets</b>            | <b>2,582,139</b>          |  |  | <b>(128,141)</b>             | <b>2,493,401</b>             |

|  | Value at<br>1 April 2018 | Purchases<br>at cost and<br>derivative<br>payments | Sales<br>proceeds<br>and<br>derivative<br>receipts | Change in<br>market<br>Value | Value at<br>31 March<br>2019 |
|--|--------------------------|--|--|------------------------------|------------------------------|
|  | £'000                    | £'000  | £'000  | £'000                        | £'000                        |
| Long term investments<br>- Brunel Pension<br>Partnership | 840                      |  |  |                              | 840                          |
| Funds held with Brunel:<br>Pooled funds                  | 0                        | 406,742  | (234)  | 3,277                        | 409,784                      |
| Equities<br>Pooled Investment Vehicles                   | 368,094                  | 54,663   | (55,383)   | 65,240                       | 432,614                      |
| - Other  | 1,684,739                | 611,670  | (1,000,856)  | 95,192                       | 1,390,746                    |
| - Property   | 299,464                  | 206,043  | (192,692)  | 22,163                       | 334,978                      |
|  | <b>2,353,138</b>         | <b>1,279,118</b>                                   | <b>(1,249,166)</b>                                 | <b>185,871</b>               | <b>2,568,961</b>             |
| Other investment balances                                |                          |  |  |                              |                              |
| - FX contracts   | 0                        |  |  | (1)                          | (1)                          |
| - Cash deposits  | 28,722                   |  |  | 263                          | 15,321                       |
| - Receivable for investment<br>sales                     | 10                       |  |  |                              | 0                            |
| - Investment income due                                  | 308                      |  |  |                              | 29                           |
| - Tax reclaims due on<br>investment income               | 168                      |  |  |                              | 154                          |
| - Payables for investment<br>purchases                   | (122)                    |  |  |                              | (2,326)                      |
| <b>Net investment assets</b>                             | <b>2,382,224</b>         |  |  | <b>186,134</b>               | <b>2,582,139</b>             |



**12b. Analysis of Investments**

|   | 31 March 2020<br>£'000 | 31 March 2019<br>£'000 |
|---|------------------------|------------------------|
| <b>FINANCIAL ASSETS</b>                                     |                        |                        |
| <b>LONG TERM ASSETS</b>                                     |                        |                        |
| Brunel Pension Partnership                                  | 427                    | 840                    |
| <b>INVESTMENT ASSETS</b>                                    |                        |                        |
| <b>Equities</b>   |                        |                        |
| Overseas - Equities - Quoted                                | 0                      | 432,614                |
|   | <b>0</b>               | <b>432,614</b>         |
| <b>Pooled investment vehicles</b>                           |                        |                        |
| <b>Unit Trusts</b>  |                        |                        |
| UK - Government bonds - Quoted                              | 598,308                | 424,140                |
| UK - Equities - Quoted                                      | 0                      | 86,480                 |
| Overseas - Equities - Quoted                                | 1,058,972              | 702,307                |
| Overseas - Emerging Markets Multi-Asset - Quoted            | 238,182                | 257,780                |
| Overseas - Multi Asset Credit - Quoted                      | 187,206                | 276,736                |
| Overseas - Property - Quoted                                | 209,259                | 167,237                |
| <b>Limited Liability Partnerships</b>                       |                        |                        |
| UK - Fixed income - Unquoted                                | 3                      | 1,531                  |
| Overseas - Property - Unquoted                              | 120,250                | 167,741                |
| Overseas - Infrastructure - Unquoted                        | 62,598                 | 51,556                 |
|   | <b>2,474,778</b>       | <b>2,135,508</b>       |
| <b>Cash</b>   |                        |                        |
| Cash deposits - UK  | 17,950                 | 10,433                 |
| - Overseas  | 0                      | 4,888                  |
|   | <b>17,950</b>          | <b>15,321</b>          |
| <b>Other investment balances</b>                            |                        |                        |
| <b>Debtors</b>  |                        |                        |
| - Outstanding dividend entitlements                         | 6                      | 28                     |
| - Tax reclaims due on dividend income                       | 240                    | 154                    |
|   | <b>246</b>             | <b>182</b>             |
| <b>Total financial assets</b>                               | <b>2,493,401</b>       | <b>2,584,465</b>       |
| <b>FINANCIAL LIABILITIES</b>                                |                        |                        |
| <b>Other investment balances</b>                            |                        |                        |
| <b>Creditors</b>  |                        |                        |
| - Amounts payable for purchases                             | 0                      | (2,326)                |
| <b>Total financial liabilities</b>                          | <b>0</b>               | <b>(2,326)</b>         |
| <b>Total of investments held</b>                            | <b>2,493,401</b>       | <b>2,582,139</b>       |
| <b>CURRENT ASSETS</b>                                       |                        |                        |
| Contributions due from employers                            | 8,873                  | 7,785                  |
| Money due re. transfer of staff from another pension scheme | 9,305                  | 25,003                 |
| Sundry debtors  | 2,865                  | 2,133                  |
| Payments in advance   | 402                    | 370                    |
| Cash balances   | 7,472                  | 6,863                  |
|   | <b>28,917</b>          | <b>42,155</b>          |
| <b>LONG TERM DEBTORS</b>                                    |                        |                        |
| Money due from Magistrates                                  | 0                      | 965                    |
| <b>CURRENT LIABILITIES</b>                                  |                        |                        |
| Sundry Creditors  | (7,748)                | (3,079)                |
| Unpaid Benefits   | (927)                  | (947)                  |
| Other   | (1,970)                | (1,315)                |
|   | <b>(10,645)</b>        | <b>(5,339)</b>         |
| <b>LONG TERM CREDITORS</b>                                  |                        |                        |
| Investment manager performance fee                          | (7,795)                | 0                      |
| <b>Total net assets</b>                                     | <b>2,503,878</b>       | <b>2,619,920</b>       |

**12c. Investments Analysed by Fund Manager**

|  | 31 March 2020<br>£'000 | 31 March 2019<br>£'000 |
|--|------------------------|------------------------|
| <b>Investments managed by Brunel Pension Partnership asset pool:</b>         |                        |                        |
| Legal & General - UK Equity  | 0                      | 66,052                 |
| Legal & General - Multi Factor UK  | 0                      | 20,428                 |
| Legal & General - Multi Factor North America                                 | 0                      | 225,935                |
| Legal & General - Multi Factor Europe exc. UK                                | 0                      | 55,291                 |
| Legal & General - Multi Factor Japan   | 0                      | 27,168                 |
| Legal & General - Multi Factor Asia pacific exc. Japan                       | 0                      | 14,910                 |
| Brunel - Low Carbon Hedged Passive Equities                                  | 479,769                | 0                      |
| Brunel - Global High Alpha   | 416,472                | 0                      |
|  | 896,241                | 409,784                |
| Long-term investment - Brunel Pension Partnership                            | 427                    | 840                    |
| <b>Investments managed outside of Brunel Pension Partnership asset pool:</b> |                        |                        |
| Baillie Gifford - Global Equity  | 240                    | 436,612                |
| CBRE Global Multi Manager - Property   | 347,080                | 343,114                |
| Legal & General - Global Equity  | 0                      | 132,922                |
| Legal & General - Gilts  | 598,308                | 424,140                |
| Barings - Dynamic Assets Allocation  | 33,096                 | 246,080                |
| Partners Group - Infrastructure  | 62,598                 | 51,556                 |
| Investec - Emerging Markets  | 238,182                | 257,780                |
| Loomis Sayles - Multi Asset Credit   | 187,206                | 116,345                |
| Loomis Sayles - Absolute Return Bond Fund                                    | 0                      | 160,391                |
| M&G - Financing Fund   | 3                      | 1,531                  |
| Magellan Select Infrastructure Fund  | 129,636                | 0                      |
| Cash held at custodian   | 384                    | 1,044                  |
|  | 1,596,733              | 2,171,515              |
| <b>Total</b>   | 2,493,401              | 2,582,139              |

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

| Security                                | Market value £m | % of total market value |
|---|-----------------|-------------------------|
| Brunel - GPCU MSCI World Low Carbon OFC | 479.77          | 19.15%                  |
| Brunel - Global High Alpha              | 416.47          | 16.63%                  |
| Investec - Emerging Markets             | 238.18          | 9.51%                   |
| LSAA 2068 Index Linked Gilts            | 205.77          | 8.22%                   |
| LUAB 2062 Index Linked Gilts            | 205.54          | 8.21%                   |
| Loomis Sayles - Multi Asset Credit      | 187.21          | 7.47%                   |
| BSAR 2071 Gilt Fund                     | 186.99          | 7.47%                   |
| MFG Select Infrastructure Fund          | 129.64          | 5.17%                   |
|   | <b>2,049.57</b> | <b>81.83%</b>           |

**13. Derivative Contracts**

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

**14. Fair value basis of valuation**

All investments are held at fair value in accordance with the requirements of the Code and IFRS 13. The valuation bases are set out below. All assets have been valued using fair value techniques based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. There has been no change in the valuation techniques used during the year.

| <b>Description of asset</b>                              | <b>Valuation hierarchy</b> | <b>Basis of valuation</b>  | <b>Observable and unobservable inputs</b>  | <b>Key sensitivities affecting the valuations provided</b>   |
|--|----------------------------|--|--|--|
| 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 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 |

Having analysed historical data and current market trends, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2020.

**Sensitivity of assets valued at level 3**

|                            | Assessed<br>valuation<br>range (+/-) | Value at 31<br>31 March 2020<br>£'000 | Value on<br>increase<br>£'000 | Value on<br>decrease<br>£'000 |
|----------------------------|--------------------------------------|---------------------------------------|-------------------------------|-------------------------------|
| Pooled property            | 2.49%                                | 120,251                               | 2,993                         | (2,993)                       |
| M&G Financing Fund         | 28.3%                                | 3                                     | 1                             | (1)                           |
| Infrastructure             | 10.4%                                | 62,598                                | 6,488                         | (6,488)                       |
| Brunel Pension Partnership | 0.0%                                 | 427                                   | 0                             | 0                             |
|                            |                                      | <b>183,279</b>                        | <b>9,482</b>                  | <b>(9,482)</b>                |

**14a. Fair value hierarchy**

The Fund measures fair values using the following 3-level fair value hierarchy that reflects the quality and reliability of the inputs used in making the measurements used to determine the fair value:

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

The tables below analyse financial instruments, measured at fair value at the end of the reporting period 31 March 2020 and 31 March 2019, 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 State Street, which is based on valuations provided by the investment managers.

**2020**

|                             | £'000<br>Level 1 | £'000<br>Level 2 | £'000<br>Level 3 | £'000<br>Total   |
|-----------------------------|------------------|------------------|------------------|------------------|
| Brunel Pension Partnership  |                  |                  | 427              | 427              |
| Pooled investment vehicles: |                  |                  |                  |                  |
| - Other                     | 0                | 2,082,667        | 62,601           | 2,145,268        |
| - Property                  | 0                | 209,259          | 120,251          | 329,510          |
| Derivative assets           |                  |                  |                  |                  |
|                             | <b>0</b>         | <b>2,291,926</b> | <b>183,279</b>   | <b>2,475,205</b> |
| Cash deposits               | 122              | 17,827           | 0                | 17,950           |
| Other investment balances   | 247              | 0                | 0                | 247              |
|                             | <b>369</b>       | <b>2,309,753</b> | <b>183,279</b>   | <b>2,493,401</b> |

## 2019

|                                     | £'000          | £'000            | £'000          | £'000            |
|-------------------------------------|----------------|------------------|----------------|------------------|
|                                     | Level 1        | Level 2          | Level 3        | Total            |
| Brunel Pension Partnership Equities | 432,614        |                  | 840            | 432,614          |
| Pooled investment vehicles:         |                |                  |                |                  |
| - Other                             |                | 1,747,442        | 53,087         | 1,800,529        |
| - Property                          |                | 167,237          | 167,741        | 334,978          |
| Derivative assets                   |                |                  |                |                  |
|                                     | <b>432,614</b> | <b>1,914,679</b> | <b>221,668</b> | <b>2,568,961</b> |
| Cash deposits                       | 15,321         |                  |                | 15,321           |
| Other investment balances           | (2,143)        |                  |                | (2,143)          |
|                                     | <b>445,792</b> | <b>1,914,679</b> | <b>221,668</b> | <b>2,582,139</b> |

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 2019/20 some pooled property assets were reclassified as Level 2 (from Level 3) following consultation with the investment manager. This is shown in Note 14b below.

**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 2020.

## 2020

|                                  | £'000          |
|----------------------------------|----------------|
| Opening balance                  | 221,668        |
| Adjustment for reclassifications | (30,912)       |
| Total gains/losses               | (10,241)       |
| Purchases                        | 16,527         |
| Sales                            | (13,763)       |
| Closing balance                  | <b>183,279</b> |

## 15. Classification of Financial Instruments

The accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category and net asset statement heading.

| 2018/19                            |                          |                               | 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                          |
| <b>Financial assets</b>            |                          |                               |                                    |                          |                               |
| 840                                |                          |                               | 427                                |                          |                               |
| 432,614                            |                          |                               | 0                                  |                          |                               |
| 1,800,530                          |                          |                               | 2,145,268                          |                          |                               |
| 334,978                            |                          |                               | 329,510                            |                          |                               |
|                                    | 22,184                   |                               |                                    | 25,422                   |                               |
|                                    | 182                      |                               |                                    | 247                      |                               |
|                                    | 965                      |                               |                                    | 0                        |                               |
|                                    | 35,293                   |                               |                                    | 21,445                   |                               |
| <b>2,568,961</b>                   | <b>58,624</b>            | <b>0</b>                      | <b>2,475,205</b>                   | <b>47,113</b>            | <b>0</b>                      |
| <b>Financial liabilities</b>       |                          |                               |                                    |                          |                               |
|                                    |                          | (2,326)                       |                                    |                          | 0                             |
|                                    |                          | (5,339)                       |                                    |                          | (10,645)                      |
|                                    |                          | 0                             |                                    |                          | (7,795)                       |
| <b>2,568,961</b>                   | <b>58,624</b>            | <b>(7,665)</b>                | <b>2,475,205</b>                   | <b>47,113</b>            | <b>(18,440)</b>               |

\* The figure for the long-term investment in Brunel was stated at cost in 2018/19

## Net gains and losses on financial instruments

| 2018/19                 |   | 2019/20          |
|-------------------------|---|------------------|
| £000                    |   | £000             |
| <b>Financial assets</b> |   |                  |
| 185,871                 | Fair value through profit and loss          | (128,039)        |
| 263                     | Amortised cost - realised/ unrealised gains | (102)            |
| <b>186,134</b>          | <b>Total</b>                                | <b>(128,141)</b> |

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). Therefore, 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 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.

#### Market Price Risk

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

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

#### Market Price - Sensitivity Analysis

The sensitivity of the Fund's investments to changes in market prices has been analysed using the volatility of returns experienced by asset classes. The volatility data was provided by the Fund's custodian (State Street) 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 2020 and 2019 by the amounts shown below.

| As at 31 March 2020                               | Value<br>£'000   | Volatility<br>of return | Increase<br>£'000 | Decrease<br>£'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                 |
|   | <b>2,493,401</b> |                         | <b>313,869</b>    | <b>-313,869</b>   |



As at 31 March 2019

|   | Value<br>£'000   | Volatility<br>of return | Increase<br>£'000 | Decrease<br>£'000 |
|---|------------------|-------------------------|-------------------|-------------------|
| Baillie Gifford - Global Equity                   | 436,612          | 16.11%                  | 70,338            | -70,338           |
| CBRE Global Multi Manager - Property              | 343,114          | 2.76%                   | 9,470             | -9,470            |
| Brunel Pensions Partnership - UK Equity           | 66,052           | 9.41%                   | 6,215             | -6,215            |
| Legal & General - Gilts                           | 424,140          | 17.30%                  | 73,376            | -73,376           |
| Legal & General - Global Equity                   | 132,922          | 10.40%                  | 13,824            | -13,824           |
| Brunel Pensions Partnership - Multi Factor        | 343,733          | 10.38%                  | 35,679            | -35,679           |
| Barings - Dynamic Assets Allocation               | 246,080          | 5.56%                   | 13,682            | -13,682           |
| Partners Group - Infrastructure                   | 51,556           | 10.61%                  | 5,470             | -5,470            |
| Investec - Emerging Markets                       | 257,780          | 12.22%                  | 31,501            | -31,501           |
| Loomis Sayles - Multi Asset Credit                | 116,345          | 3.16%                   | 3,677             | -3,677            |
| Loomis Sayles - Absolute Return Bond Fund         | 160,391          | 1.78%                   | 2,855             | -2,855            |
| M&G - Financing Fund                              | 1,531            | 31.78%                  | 487               | -487              |
| Cash held at custodian                            | 1,044            | 0.00%                   |                   |                   |
| Long-term investment - Brunel Pension Partnership | 840              | 0.00%                   |                   |                   |
|   | <b>2,582,139</b> |                         | <b>266,574</b>    | <b>-266,574</b>   |

## 16.2. 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, including those indirectly held in through pooled investment vehicles, in cash & cash equivalents, fixed interest and loans at 31 March 2020 and 2019 are provided below:

|                                   | 31 March 2020<br>£'000 |
|-----------------------------------|------------------------|
| Cash held locally and by managers | 25,422                 |
| Multi-asset credit                | 187,206                |
| Loans                             | 3                      |
|                                   | <b>212,631</b>         |

  

|                                   | 31 March 2019<br>£'000 |
|-----------------------------------|------------------------|
| Cash held locally and by managers | 22,184                 |
| Fixed Interest Securities         | 276,736                |
| Loans                             | 1,531                  |
|                                   | <b>300,451</b>         |

## Interest Rate – Sensitivity Analysis

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

| As at 31 March 2020       | Value<br>£'000 | Change in net<br>assets |               |
|---------------------------|----------------|-------------------------|---------------|
|                           |                | £'000                   | £'000         |
|                           |                | +100 BP                 | -100 BP       |
| Cash held on deposit      | 25,422         | 0                       | 0             |
| Fixed Interest Securities | 187,206        | (11,607)                | 11,607        |
| Loans                     | 3              | 0                       | 0             |
|                           | <b>212,631</b> | <b>(11,607)</b>         | <b>11,607</b> |

| As at 31 March 2019       | Value<br>£'000 | Change in net<br>assets |              |
|---------------------------|----------------|-------------------------|--------------|
|                           |                | £'000                   | £'000        |
|                           |                | +100 BP                 | -100 BP      |
| Cash held on deposit      | 22,184         | 0                       | 0            |
| Fixed Interest Securities | 276,736        | (6,680)                 | 6,680        |
| Loans                     | 1,531          | 0                       | 0            |
|                           | <b>300,451</b> | <b>(6,680)</b>          | <b>6,680</b> |

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

### 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 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.

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

|                              |                  |              |              |
|------------------------------|------------------|--------------|--------------|
| <b>2020</b>                  | <b>US Dollar</b> | <b>Euro</b>  |              |
|                              | <b>£'000</b>     | <b>£'000</b> |              |
| <b>Net Currency Exposure</b> | 121,686          | 36,955       |              |
| <b>2019</b>                  | <b>US Dollar</b> | <b>Euro</b>  | <b>HKD</b>   |
|                              | <b>£'000</b>     | <b>£'000</b> | <b>£'000</b> |
| <b>Net Currency Exposure</b> | 423,420          | 94,325       | 49,973       |

### 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 2020 and 31 March 2019 would have increased or decreased the net assets by the amount shown below

| 2020                         | Assets Held    | Change in net assets |                 |
|------------------------------|----------------|----------------------|-----------------|
|                              | at Fair Value  | +10%                 | -10%            |
|                              | £'000          | £'000                | £'000           |
| US Dollar                    | 121,686        | 12,169               | (12,169)        |
| Euro                         | 36,955         | 3,696                | (3,696)         |
| <b>Net Currency Exposure</b> | <b>158,641</b> | <b>15,865</b>        | <b>(15,865)</b> |

| 2019                         | Assets Held    | Change in net assets |                 |
|------------------------------|----------------|----------------------|-----------------|
|                              | at Fair Value  | +10%                 | -10%            |
|                              | £'000          | £'000                | £'000           |
| US Dollar                    | 423,420        | 42,342               | (42,342)        |
| Euro                         | 94,325         | 9,433                | (9,433)         |
| Hong Kong Dollar             | 49,973         | 4,997                | (4,997)         |
| <b>Net Currency Exposure</b> | <b>567,718</b> | <b>56,772</b>        | <b>(56,772)</b> |

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 2020 and 2019 is the carrying amount of the financial assets.

| Summary                     | Balances as at | Balances as at 31 |
|-----------------------------|----------------|-------------------|
|                             | 31 March 2020  | March 2019        |
|                             | £000           | £000              |
| Cash held at custodian      | 17,950         | 15,321            |
| Bank current account - HSBC | (357)          | (250)             |
| Money Market Funds          | 7,829          | 7,113             |
|                             | <b>25,422</b>  | <b>22,184</b>     |

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 2020 and 31 March 2019 (£8.9m and £7.8m 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 financial liabilities as at 31 March 2020 and 2019, grouped into relevant maturity dates.

#### 2020

|                  | Carrying<br>Amount<br>£'000 | Less than<br>12 months<br>£'000 | Greater than<br>12 months<br>£'000 |
|------------------|-----------------------------|---------------------------------|------------------------------------|
| Sundry creditors | 15,543                      | 7,748                           | 7,795                              |
| Benefits payable | 927                         | 927                             | 0                                  |
| Other            | 1,970                       | 1,970                           | 0                                  |
|                  | <b>18,440</b>               | <b>10,645</b>                   | <b>7,795</b>                       |

#### 2019

|                  | Carrying<br>Amount<br>£'000 | Less than<br>12 months<br>£'000 | Greater than<br>12 months<br>£'000 |
|------------------|-----------------------------|---------------------------------|------------------------------------|
| Sundry creditors | 3,079                       | 3,079                           | 0                                  |
| Benefits payable | 947                         | 947                             | 0                                  |
| Other            | 1,313                       | 1,313                           | 0                                  |
|                  | <b>5,339</b>                | <b>5,339</b>                    | <b>0</b>                           |

**17. Current assets**

|   | <b>31 March 2020</b> | <b>31 March 2019</b> |
|---|----------------------|----------------------|
|   | <b>£000</b>          | <b>£000</b>          |
| Contributions due from other authorities and bodies |                      |                      |
| - Employees   | 1,814                | 1,674                |
| - Employers   | 7,059                | 6,111                |
|   | <b>8,873</b>         | <b>7,785</b>         |
| Debtors (Magistrates)                               | 0                    | 965                  |
| Bulk transfer values receivable                     | 9,305                | 25,003               |
| Sundry debtors                                      | 2,865                | 2,133                |
| Prepayments   | 402                  | 370                  |
|   | <b>12,572</b>        | <b>28,472</b>        |
| Cash balances                                       | <b>7,472</b>         | <b>6,863</b>         |
| Less:   |                      |                      |
| Long Term debtors (Magistrates)                     | 0                    | (965)                |
| Net current assets                                  | <b>28,917</b>        | <b>42,155</b>        |

Contributions due at the year-end have been paid to the Fund subsequent to the year end in accordance with the Rates & Adjustment Certificate.

On 8 April 2011 Wiltshire Pension Fund received confirmation from the Government Actuary's Department that they agreed to make a payment to the Fund to cover the liabilities in respect of the Magistrates Courts. In the past active members employed by the Magistrates Courts were transferred out of the LGPS but pensioners/deferred members remained in. The payment would be in 10 instalments over the next 10 years. The total amount of the remaining debt is £0.965m, which represents the final instalment, repayable within one year.

**17a. Long-term Debtors**

|              | <b>31 March 2020</b> | <b>31 March 2019</b> |
|--------------|----------------------|----------------------|
|              | <b>£000</b>          | <b>£000</b>          |
| Magistrates  | 0                    | 965                  |
| <b>Total</b> | <b>0</b>             | <b>965</b>           |

**18. Current Liabilities**

|                  | <b>31 March 2020</b> | <b>31 March 2019</b> |
|------------------|----------------------|----------------------|
|                  | <b>£000</b>          | <b>£000</b>          |
| Sundry creditors | 7,748                | 3,079                |
| Benefits payable | 927                  | 947                  |
| Other            | 1,970                | 1,313                |
|                  | <b>10,645</b>        | <b>5,339</b>         |

**18a. Long-term creditors**

|              | <b>31 March 2020</b> | <b>31 March 2019</b> |
|--------------|----------------------|----------------------|
|              | <b>£000</b>          | <b>£000</b>          |
| Manager fees | 7,795                | 0                    |
| <b>Total</b> | <b>7,795</b>         | <b>0</b>             |

This 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, one of which is due within one year, included in sundry creditors in note 18, and the remainder due over 2021-2023.

**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.

Fund members paid contributions totalling £0.999 million (£0.934million in 2018/2019) into AVC funds held with Prudential during the year.

**20. Employer Related Assets**

There were no employer related assets within the Fund during 2019/20.

**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 £1.819m (2018/2019: £1.477m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The Council is also the single largest employer of members of the Pension Fund and contributed £35.5m to the Fund in 2019/2020 (2018/2019: £32.6m). A balance of £2.0m was owed by the Pension Fund to the Council at year end.

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 2020, the fund had an average investment balance of £8.5m (31 March 2019: £6.9m), earning interest of £66k (2018/2019: £44k) 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 was no further investment in 2018/19 or in 2019/20. The fair value of the shareholding as at 31st March 2020 was £0.427m.

**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.

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

The Guaranteed Minimum Pension (GMP) Rectification project (Stage 3) whereby LGPS pensions will be amended with the reconciled Stage 2 GMP information continues to be in an analysis phase. Automated recalculation of all individual GMP values based on a first principles approach has taken place, whereby members original values have been taken and revalued each year to arrive at a present-day amount. Comparison of the results of these recalculations is now underway against the GMP values currently being paid to pensioners & the impact of any changes identified. However, whilst the practical task of identifying the appropriate GMP value has moved forward, before any change affecting pensioners can be implemented clear guidance is required to ensure that those pensioners in payment who will be affected by the changes are treated fairly & appropriately.

Guidance is subject to several dependencies & the Fund along with other LGPSs in the South West continue to work with the Scheme Advisory Board to establish a national approach concerning the appropriate completion of this exercise. It is currently anticipated that on receipt of all the necessary guidance the Administering Authority to the Wiltshire Pension Fund will seek individual legal advice on the guidance received before making a final determination on the implementation arrangements to be applied.

The effect of LGPS pensions not showing the correct amount of GMP for its members means that their pensions will be increased by more than they should be. For LGPS members who have a State Pension Age (SPA) prior to 06/04/2016 their GMP should not be increased by the Fund in respect of their Pre-1988 GMP (This period being 06/04/1978 to 05/04/1988). In respect of their Post 1988 GMP element (This period being 06/04/1988 to 05/04/1997) it should only be increased by up to a maximum of 3% per annum. The Government will increase the State Pension for the member fully on their Pre-1988 GMP element and in respect of their Post 1988 GMP element only by the increased amount above 3% per annum, if the prevailing rate in CPI requires it.

Although these overpayments are costs to the Fund they have been included as expenditure in previous pension fund accounts, therefore no restatement is necessary. The Government has announced that future GMP increases will be met in full by the Fund where a member's SPA falls between 06/04/2016 and 05/04/2021. We await further confirmation from the Government detailing how GMPs will be increased for those members whose SPA falls after 05/04/2021.

## 23. Contingent Liabilities and Contractual Commitments

Outstanding capital commitments (investments) at 31 March 2020 totalled £734.5m (£94.7m at 31 March 2019). £650.0m of these commitments relate to amounts committed to private equity, infrastructure, secured income and private debt portfolios managed by the Brunel Pool. The balance (£84.5m) 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.

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 sector pension scheme changes in 2015 were unlawfully discriminatory. This case is known as the 'McCloud case'.

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 will be published later in 2020 and be subject to public consultation. It is likely that the remedy applied to the LGPS will involve extending the transitional protections to younger members in some way. 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](http://wiltshirepensionfund.org.uk).

Last year 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. This 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 in future as new details about the potential remedy come to light. 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.



## Actuarial Statement in respect of IAS26 as at 31.03.2020

### Introduction

CIPFA's Code of Practice on Local Authority Accounting 2019/20 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 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

| £m                  | Year ended    |               |
|---------------------|---------------|---------------|
|                     | 31 March 2019 | 31 March 2018 |
| Active members      | 1,169         | 1,750         |
| Deferred pensioners | 905           | 929           |
| Pensioners          | 1,294         | 1,107         |
| <b>Total</b>        | <b>3,368</b>  | <b>3,786</b>  |

The promised retirement benefits at 31 March 2020 have been projected using a roll forward approximation from the latest formal funding valuation as at 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 2020 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.

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 31 March 2020 and 31 March 2019. I estimate that the impact of the change in financial assumptions to 31 March 2020 is to decrease the actuarial present value by £323m. I estimate that the impact of the change in demographic and longevity assumptions is to decrease the actuarial present value by £88m.

**Financial assumptions**

| Year ended (%p.a.)    | 31 Mar 2020 | 31 Mar 2019 |
|-----------------------|-------------|-------------|
| Pension Increase Rate | 1.9%        | 2.5%        |
| Salary Increase Rate  | 2.3%        | 2.8%        |
| Discount Rate         | 2.3%        | 2.4%        |

**Longevity assumption**

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2018 model, an allowance for smoothing of recent mortality experience and a long term rate of 1.25% p.a.. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

|                    | Males      | Females    |
|--------------------|------------|------------|
| Current Pensioners | 21.7 years | 24.0 years |
| Future Pensioners* | 22.5 years | 25.5 years |

\*Future pensioners (assumed to be aged 45 at the latest formal valuation)

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 31 March 2018 | Approximate % Increase to liabilities | Approximate monetary amount (£m) |
|---|---------------------------------------|----------------------------------|
| 0.5% p.a. increase in the Pension Increase Rate                 | 9%                                    | 303                              |
| 0.5% p.a. increase in Salary Increase Rate                      | 1%                                    | 23                               |
| 0.5% decrease in Real Discount Rate                             | 10%                                   | 328                              |

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 31 March 2020 for accounting purposes'. The covering report identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Prepared by: -

Barry Dodds FFA

29 April 2020

For and on behalf of Hymans Robertson LLP

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

Wiltshire Council  
 Swindon Borough Council  
 Dorset and Wiltshire Fire Authority  
 Wiltshire Police PCC & CC  
 Alderbury Parish Council  
 Amesbury parish Council  
 Blunsdon Parish Council  
 Bradford-on-Avon Town Council  
 Calne Town Council  
 Central Swindon North Parish Council  
 Central Swindon South Parish Council  
 Chippenham Town Council  
 Corsham Town Council  
 Cricklade Town Council  
 Devizes Town Council  
 Downton Parish Council  
 Durrington Town Council  
 Haydon Wick Parish Council  
 Highworth town council  
 Hullavington Parish Council  
 Idminster Parish Council  
 Ludgershall Parish Council  
 Malmesbury Town Council  
 Marlborough Town Council  
 Melksham Town Council  
 Melksham Without Parish Council  
 Mere Parish Council  
 Purton Parish Council  
 Redlynch Parish Council  
 Royal Wootton Bassett Town Council  
 Salisbury City Council  
 St Andrews Parish Council  
 Stratton St Margaret Parish Council  
 Tidworth Town Council  
 Trowbridge Town Council  
 Wanborough Town Council  
 Warminster Town Council  
 Westbury Town Council  
 West Swindon Parish Council  
 Wilton Town Council  
 Wroughton Parish Council  
 Acorn Academy  
 Activate Learning Education Trust  
 Athelston Trust (Bradon Forest)  
 Athelston Trust (Malmesbury Academy)  
 Bishop Wordsworth Academy  
 Blue Kite Academy  
 Brunel SEN Multi Academy Trust  
 Bybrook Valley Academy  
 Commonweal Academy  
 Corsham Secondary Academy  
 Dauntsey Academy  
 Diocese of Bristol Academy Trust  
 Diocese of Salisbury Academy Trust  
 Dorcan Technology Academy  
 Eastrop Infants Academy  
 Equa Multi Academy Trust  
 Excaliber Academy  
 Goddards Park Academy  
 Grove Learning Trust  
 Hardenhuish School  
 Hazelwood Academy  
 Highway Warneford Academy  
 Holy Cross Catholic Primary  
 Holy Family Catholic Academy  
 Holy Rood Primary Academy

Holy Trinity Calne Academy  
 Holy Trinity Academy – Great Cheverel  
 John of Gaunt Academy  
 King Alfred trust  
 King William Academy  
 Lethbridge Academy  
 Magna Learning Partnership  
 Malmesbury Primary Academy  
 Millbrook Academy  
 Morgan Vale & Woodfalls Academy  
 New College  
 Oasis Community Learning  
 Peatmore Primary Academy  
 Pewsey Vale Academy  
 Pickwick Academy Trust  
 Reach South Academy Trust  
 River Learning Trust  
 Royal Wootton Bassett Academy  
 Salisbury Plain Multi Academy Trust  
 Shaw Ridge Academy  
 Sheldon Academy  
 Somerset Road Academy Trust  
 South Wilts Grammar School  
 South Wilts UTC  
 St Augustines School  
 St Catherines Academy  
 St Edmunds Calne  
 St Josephs Academy Devizes  
 St Josephs Academy Swindon  
 St Laurence Academy  
 St Leonards Academy  
 St Mary's Swindon Academy  
 Swindon College  
 The Mead Primary Academy  
 The Parks Academy Trust  
 United Learning Trust  
 Wansdyke Academy  
 Westlea Academy  
 White Horse Federation  
 Wiltshire College  
 Woodford Valley Academy

**Admitted bodies**

ABM Catering  
 Adoption West  
 Alina Homecare  
 Agincare  
 Aspens  
 Aster Communities  
 Aster Group  
 Aster Property Management  
 Atkins Global  
 Brayborne Facilities Services  
 Brunel Partnership  
 Capita Business Services Ltd  
 Care Home Select ( CHS)  
 Caterlink 1 Greendown School  
 Caterlink 2 Zouch School  
 Caterlink 3 WHF  
 Caterlink 4 Gorsehill School  
 Churchill Services 1  
 Churchill Services 2  
 CIPFA  
 Collaborative Schools  
 Community First  
 Community Golf and Leisure Trust  
 Create Studios  
 Classes Abroad  
 Deeland  
 Direct Cleaning  
 Direct Cleaning - Wansdyke  
 Direct Cleaning - Westbury School  
 Edwards and Wards – St Peters School  
 Elixir UK  
 Expedite  
 FCC Environment  
 First City Nursing  
 Greenwich Leisure Ltd (GLL)  
 GLL Oasis Leisure  
 Great Western Hospital  
 Greensquare (Westlea housing Association)  
 Hills Group  
 Idverde  
 Imperial Cleaning 1  
 Imperial Cleaning 2  
 Innovate Services 2  
 KGB Cleaning  
 Mears Care East 2  
 Mears Care North 1  
 Oxford Health NHS Trust  
 Order of St John  
 Places for People Leisure  
 Public Power Solutions  
 Ringway  
 Selwood Housing  
 Sodexo 1  
 Sodexo 2  
 Somerset Care Ltd HTLAH  
 Somerset Care Ltd HTLAH 2  
 Spurgeons  
 Swindon Dance  
 Swindon Music Services  
 Swindon Wildcats  
 The Order of St John Care Trust  
 Thera South West  
 Turning Point  
 Westlea Housing Association (Green Square)  
 Wiltshire and Swindon Sports Partnership  
 Wiltshire CCG  
 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.

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