

## **CASHFLOW PROJECTIONS**

### **Purpose of the Report**

1. The purpose of this report is to highlight the key outcomes of modelling work undertaken by Hymans Robertson to review the cashflow position of the fund.
2. A detailed report prepared by Hymans Robertson (Appendix 1) is also included in the papers.

### **Key Considerations for the Committee / Risk Assessment / Financial Implications**

3. At the December Committee meeting it was agreed that Hymans Robertson would be commissioned to undertake detailed scenario analysis of the funds cashflow. This is to assess the risk of the fund becoming cashflow negative due to the impact of high inflation increasing cash outflows. Proactively assessing the cashflow position of the fund and adjusting the strategic asset allocation accordingly can prevent the fund from becoming a forced seller of assets.
4. Indicative modelling by officers had indicated the fund could become cashflow negative in 2027. The detailed modelling work by Hymans Robertson shows the fund is likely to be cashflow negative by 2030 allowing for an expected pension increase of 10.1% in April 2023 and inflation in line with the valuation assumptions thereafter. If higher inflation persists then the date of cashflow negative being reached comes earlier. The most significant risk to the fund is a stagflation scenario where inflation remains persistently high.
5. The detailed report attached sets out further detail of scenarios that have been tested for higher inflation and the methodology used to complete this modelling.
6. On the basis of this report officers recommend that no immediate action is required and the fund should ensure it considers cashflow at the next strategic asset allocation review in 2026.

### **Environmental Impacts of the Proposals**

7. There are no known implications at this time.

### **Safeguarding Considerations/Public Health Implications/Equalities Impact**

8. There are no known implications at this time.

### **Proposals**

9. The Committee is asked to note that no immediate action is required to amend the investment strategy to address any short term cashflow needs.

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Unpublished documents relied upon in the production of this report: NONE

**Appendices:**

Appendix 1 – Hymans Robertson Cashflow report