

**ANNUAL
REPORT
2020**



**WILTSHIRE
PENSION FUND**

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2020

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CHAIRMAN'S FOREWORD

It is with pleasure that I present this Annual Report of the Wiltshire Pension Fund.

The year to 31 March 2020 saw extraordinary changes to our lives on a global scale. We have felt the effects of the coronavirus pandemic in our investment performance, with all asset classes being negatively impacted, and of course in our way of working. I want to reassure you that in these challenging times, we are being adaptable and flexible. Wiltshire Council has always been up to speed on technological developments, and staff in the pension administration and investment and accounting teams are equipped with all the tools they need to successfully work from home. I would like to thank the officers for their dedication and willingness to embrace new ways of working so that business can continue as usual. We held our first remote Pension Fund Committee meeting in March and now have the necessary delegations in place to continue to make important decisions in the absence of face-to-face discussion. We are in regular contact with our investment managers and advisers and are ensuring that we take appropriate actions to protect the Fund's investments, as well as taking advantage of any opportunities which may arise.

During 2020, the Pension Fund Committee concluded its work into the review of the Strategic Asset Allocation. This work was done in conjunction with the triennial actuarial valuation, and sets the mix of assets which will give the Fund the best chance of meeting its objectives over the long term. We have reviewed the asset classes we hold, and have made new allocations to various private markets portfolios, which will be delivered via our pooling company, Brunel Pension Partnership. Overall, the new Strategic Asset Allocation is designed to deliver the required returns, but from a lower risk mix of assets.

Investment performance during March 2020 has taken the value of the assets to £2.5bn at the end of the year, down from £2.6bn one year ago. However, since the end of March we have seen significant recovery, and by the end of June 2020 the assets were valued at £2.8bn. We need to bear in mind that we are long term investors, and once the dust has settled, we will take professional advice on any need to amend our strategic asset allocation. More detail on investment performance, including that of the individual portfolios, can be found in the Investment Report on page 23.

2019 was a triennial valuation year, and the actuarial valuation for 31 March 2019 has now been completed, and employers have been notified of the new contributions rates. Largely due to the Fund benefitting from better than expected investment returns, the valuation showed a significant improvement in the funding level (i.e. the ratio of assets to liabilities), which was 97% as at 31 March 2019. This enabled us to keep many employer contributions rates the same and to reduce some others. The Fund also introduced an alternative, lower risk investment strategy for some employers, particularly those which are only expected to have a short time horizon within the Fund.

This year the Pension Fund Committee undertook research into ways in which to invest in an environmentally responsible way, without sacrificing any investment performance. I was delighted that members took the decision to move our entire passive equities

exposure into a low carbon passive global equities portfolio, managed by Brunel. This represents around 20% of the Fund's total assets. This transition took place in December 2019, and in January 2020 we issued a press release, alongside our partners at Brunel, who were launching their climate change policy statement. This was developed following significant engagement with shareholders, and Brunel have been active in taking a public stand regarding responsible investment issues in the investment management industry. We have been proactive in taking action in this area in other ways, and this year the Annual Report includes for the first time a statement on our climate change policies and actions. You can find all the detail on page 30.

We have continued to work to deliver investment pooling, alongside nine other shareholder funds, as part of the Brunel Pension Partnership pool. This year we transferred our passive global equities portfolio into the pool, and combined this with our other passive equities portfolios, which were already in the pool, to create our new allocation to low carbon passive global equities. We also transitioned our active global equities portfolio into the pool. This means that Brunel now hold 36% of the Pension Fund's assets (just under £1bn), so significant progress has been made. We continue to hold Brunel to account, both in terms of monitoring performance, and monitoring savings. You can read more about this significant area in the Pooling Report on page 33.

During the year, the Fund has made excellent progress in delivering the objectives of its Business Plan including the successful launch of a new member portal, so that members can see their pensions online, and the start of the rollout of the i-Connect platform across all employers whilst at the same time collecting the data which will be needed to administer the expected regulatory amendments resulting from the McCloud case. Officers have also released a new employer website and made pensioner pay slips available online. Processes and controls continue to be worked on to improve efficiency and customer service.

There are now 174 employers within the Wiltshire Pension Fund with approximately 77,180 members (18,150 pensioners, 23,487 current employees and 39,187 deferred members). The average pension paid in 2019/20 was £5,050.

The Committee is also responsible for the administrative performance of the Fund which is administered by key officers, namely Andy Brown (Treasurer to the Pension Fund), Andy Cunningham (Head of Pensions Administration and Relations) and Jennifer Devine (Head of Pension Fund Investments) following the requirements set out in the Local Government Pension Scheme (LGPS) Scheme Regulations and the principles laid down by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Many thanks for taking the time to read this report. Please contact me if you have any questions, and I look forward to updating you on where we are in a year's time.

Tony Deane, Chairman

On behalf of the Wiltshire Pension Fund Committee
24 September 2020

SCHEME MANAGEMENT AND GOVERNANCE

| | |
|--------------------------------|--|
| Administering authority | Wiltshire Council County Hall Trowbridge Wiltshire BA14 8JN |
|--------------------------------|--|

PENSION FUND COMMITTEE AS AT 31 MARCH 2020

| | |
|--|--|
| Wiltshire Council members | Councillor Tony Deane (Chairman) Councillor Simon Jacobs (Vice Chairman) Councillor George Jeans Councillor Gordon King Councillor Christopher Newbury |
| Swindon Borough Council members | Councillor Steve Allsopp Councillor Brian Ford |
| Employer representatives | Diane Hall Chris Moore |
| Employee observers | Mike Pankiewicz (observer) – Wiltshire Council Stuart Dark (observer) – Swindon Unison Branch |

OFFICERS, ADVISORS AND MANAGERS AT 31 MARCH 2020

| | |
|--|---|
| Wiltshire Council officers | Andy Brown – Treasurer to the Fund Andy Cunningham – Head of Pensions Administration and Relations Jennifer Devine – Head of Pension Fund Investments |
| Investment managers in place at 31 March 2020 | Barings Asset Management Brunel Pension Partnership CBRE Global Multi Manager Loomis Sayles Legal & General Magellan Group M&G Financing Fund Ninety One Partners Group |
| AVC providers | Prudential Clerical Medical Funds Phoenix AVCs Utmost Life & Pensions (formerly Equitable Life) |
| Investment consultant | Mercer |
| Actuary | Hymans Robertson |
| Independent adviser | Anthony Fletcher, MJ Hudson Allenbridge |
| Auditor | Deloitte LLP |
| Custodian | State Street |
| Legal adviser | Osborne Clarke |
| Bankers of the Fund | HSBC |

MANAGEMENT OF THE SCHEME

The members who served on the Wiltshire Pension Fund committee during the year are shown in the table opposite.

MEMBERS TABLE

| Wiltshire Pension Fund Members, their roles and dates of Appointment and/or Departure during the Fund Year | | | | | | | |
|--|--|--------------------|------------|------------|------------------|---------------------------------|--------------|
| Name | Role | Meeting Attendance | Appointed | Left | Committee Member | Investment Sub-Committee Member | Board Member |
| Cllr T Deane | Committee Chairman | 10 | – | – | ✓ | ✓ | |
| Cllr R While | Committee Vice-Chairman | 2 | – | 19/08/2019 | ✓ | ✓ | |
| Cllr S Jacobs | Committee Vice-Chairman | 6 | 26/11/2019 | – | ✓ | ✓ | |
| Cllr G King | Committee Member | 8 | – | – | ✓ | ✓ | |
| Cllr C Newbury | Committee Member | 2 | – | – | ✓ | | |
| Cllr G Jeans | Committee Member | 3 | 26/02/2019 | – | ✓ | | |
| Cllr S Allsop | Committee Member | 5 | – | – | ✓ | | |
| Cllr T Swinyard | Committee Member | 0 | 21/06/2018 | 17/05/2019 | ✓ | ✓ | |
| Cllr B Ford | Committee Member | 3 | 17/05/2019 | – | ✓ | ✓ | |
| Cllr R Jandy | Substitute Committee Member | 3 | 17/05/2019 | – | ✓ | ✓ | |
| C Moore | Committee Employer rep. | 4 | 21/05/2019 | – | ✓ | | |
| D Hall | Committee Employer rep. | 3 | – | – | ✓ | | |
| M Pankiewicz | Committee and Board Vice Chair and Member rep. | 10 | – | – | ✓ | ✓ | ✓ |
| S Dark | Employee Member Observer | 3 | – | – | ✓ | | |
| H Pearce | Board Chairman | 6 | – | 31/03/2020 | | | ✓ |
| S Holbrook | Board Employer rep. | 1 | – | 23/02/2020 | | | ✓ |
| Cllr Britton | Board Employer rep. | 6 | – | – | | | ✓ |
| I Jones | Board Employer rep. | 2 | 26/11/2019 | – | | | ✓ |
| P Smith | Board Employer rep. | 1 | 25/02/2020 | – | | | ✓ |
| D Bowater | Board Member rep. | 0 | – | 14/07/2019 | | | ✓ |
| B Reed | Board Member rep. | 3 | – | – | | | ✓ |
| R Lauder | Board Member rep. | 2 | 26/11/2019 | – | | | ✓ |

Please note the following points concerning Members;

- There were five Committee meetings including an Extraordinary Valuation meeting, four Investment sub-Committee meetings and four Local Pension Board meetings during 2019–20;
- Meeting attendance information reflects both a member's presence and attendance throughout the year, irrespective of a requirement to be present;
- Not reflected in the table but in attendance for one Board meeting was the new Board Chair from 1 April 2020 M Spilsbury;
- Cllr S Jacobs replaced Cllr R While as Vice Chair of the Pension Fund Committee;
- Cllr B Ford, supported by Cllr R Jandy replaced Cllr T Swinyard as one of the Swindon Councillors sitting on the Committee;
- C Moore replaced L Stuart as an Employer representative on the Committee;
- M Spilsbury replaced H Pearce as Board Chair;
- P Smith replaced S Holbrook as an Employer representative on the Board;
- I Jones filled the vacant Employer representative post on the Board;
- R Lauder replaced D Bowater as the Active member representative on the Board;
- M Pankiewicz and B Reed were reappointed as member representatives on the Board;
- M Pankiewicz sits on the ISC as a member observer without voting rights; and
- With the exception of R Jandy substitute members are not included in the table.

THE WILTSHIRE PENSION FUND COMMITTEE

The Wiltshire Pension Fund Committee has nine voting members. This consists of five Wiltshire Council members, including the Chairman, two members from Swindon Borough Council as the second largest employer and two employer representatives.

The two Unison representatives observe on behalf of the employees, deferred, and pensioner members within the scheme to ensure their interests are considered at the Committee.

The Committee typically meets four times a year for regular business. In this valuation year it increased to five meetings. All decisions are taken by a simple majority with the Chairman having the casting vote.

The Wiltshire Pension Committee meets at regular quarterly intervals to review the affairs of the Fund, to review Fund performance and to plan the implementation of policy. In addition, a separate Investment Sub Committee meets periodically to review specific issues relating to Fund investments. The role of the pension board is to ensure that the management of fund administration and investments complies with the relevant regulations and legislation and that the Fund is managed in the best interests of its stakeholders.

Details of the meetings and minutes can be found at the following link:

<https://cms.wiltshire.gov.uk/ieListMeetings.aspx?CId=142&Year=0>

INVESTMENT SUB-COMMITTEE

The Investment Sub-Committee (ISC) met four times during the year. The role of the ISC is to implement and monitor investment manager performance while considering and making recommendations to the main committee on changes in the investment strategy of the Fund.

The ISC consists of four members of the main committee, being the Chairman, Vice-Chairman, and two other co-opted Members from the Wiltshire Pension Fund Committee.

All Members of the main committee are invited to attend the ISC as observers. The minutes and any decisions made are reported back to the next available main committee meeting.

Details of the meetings and minutes can be found at the following link:

<https://cms.wiltshire.gov.uk/ieListMeetings.aspx?CId=1281&Year=0>

LOCAL PENSION BOARD

The Wiltshire Pension Fund Committee is supported by a Local Pension Board which is responsible for:

- securing compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme and;
- ensuring the effective and efficient governance and administration of the Scheme.

To fulfil its obligations under the legislation, Wiltshire Council approved the Terms of Reference for the LPB at its meeting on 24 February 2015 to ensure the LPB had been established by 1 April 2015.

The LPB consists of an independent chairman, three employer representatives, and three scheme member representatives and meets four times per year. The LPB has an oversight function to ensure the Fund is compliant with the Pensions Regulator.

Details of the meetings and minutes can be found at the following link:

<https://cms.wiltshire.gov.uk/ieListMeetings.aspx?CId=1280&Year=0>

The Annual Report from the Local Pension Board summarises its role, activities, costs, and future work plans. This can be found on the following link:

<https://www.wiltshirepensionfund.org.uk/media/5445/local-pension-board-annual-report-2020.pdf>

STATUTORY STATEMENTS

The Fund's statutory statements are summarised and linked on pages 44–45. The strategic fund documents reviewed during the year were as follows:

| Strategic Fund documents approved during the Fund Year | |
|--|---|
| Date | Document |
| 03/10/2019 | Funding Strategy Statement |
| 25/10/2019 | Actuarial Valuation Report |
| 17/12/2019 | Pensions Administration Strategy Report |
| 17/12/2019 | Communications Strategy Report |
| 13/02/2020 | Data Retention Strategy |
| 26/03/2020 | Employer Cessation Policy |
| 26/03/2020 | Business Continuity Policy |
| 26/03/2020 | Treasury Management Strategy |

Governance arrangements concerning Wiltshire's involvement in the Brunel Pension Partnership are covered in detail in the Pooling Report on page 33.

TRAINING REPORT

BACKGROUND

The Public Service Pensions Act 2013 provides for the regulation of the LGPS by the Pensions Regulator and accordingly an increased emphasis on member and Pensions Board training, knowledge and understanding. The Fund's current training policy covering the period 2018 to 2021 records of the training activity undertaken by members which is kept and reported on. Whilst the overarching strategy is reviewed every three years annual training reviews of members are conducted to ensure that the strategy remains relevant.

The maintenance of the current training policy for the Committee and Board members will better place- them to make well-informed decisions and consequently- enable them to comply with the increased requirements of the Regulator and the overarching governance requirements of the Fund. A major factor in the governance arrangements of the Fund is to ensure that Committee and Board members, as well as their officers, have the relevant skills and knowledge through the application of the CIPFA Knowledge and Skills Framework as well as other key information resources.

As an administering authority Wiltshire Council recognises the importance of ensuring that all officers and members of the Pension Fund Committee and Investment Sub Committee charged with the financial management and decision making of the pension scheme are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them.

The current training plan for both the Fund's Committee & Investment sub-Committee is therefore viewed as – a living document enabling the substitution of topical training items eluded to above as well as recognising the need for flexibility by inviting members of the different groups to attend training organised for other groups.

Consequently, consideration has been given to the co-ordination of future training and development reviews as part of the strategy;

- a) To coincide future reviews with Local Government elections to enable the early assessment of training needs for new members of the Committee; and
- b) To continue to annually self-assess members concerning the maintenance of their knowledge and understanding.

As part of the training strategy all new members to the Committee (and Board) will be asked to complete the following basic training requirements;

- a) Attend the three sections of the LGPS Fundamentals training course conducted by the LGA;
- b) Complete the Pension Regulator's (tPR) toolkit within six months of being appointed a member of either the Committee or Board;
- c) Attend an officer lead induction training session or one-to-one training session; and
- d) Receive a copy of the Member's handbook

Specific to the Investment sub-Committee links to the Myners principles on best practice in managing investment funds will be made available. In particular, Principle 1 'effective decision making' states administering authorities should ensure that:

- a) Decisions are taken by persons or organisations with the skills, knowledge, advice and with the resources necessary to make them effective and monitor implementation; and
- b) Those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive and manage conflicts of interest.

Regular training will be delivered through several means including in-house at Committee meetings, structured training events undertaken by advisers, as well as briefings and research material. All members will also be encouraged to attend conferences, seminars and other external events as part of their ongoing development.

A separate plan for the training of the Local Pension Board is also in place and outlined in its annual report. Both plans are managed by the Fund Governance & Performance Manager on behalf of the Treasurer to the Fund.

The table overleaf illustrates the training undertaken by Committee members during the period 2019/20. Training undertaken by Board members during the same period is set out in the Wiltshire Pension Fund's Local Pension Board's Annual Report.

ASSESSMENTS AND TRAINING UNDERTAKEN

| | | Clr. Tony Deane | Clr. Roy White | Clr. Simon Jacobs | Clr. Gordon King | Clr. Christopher Newbury | Clr. George Jeans | Clr. Steve Allsopp | Clr. Timothy Swinyard | Clr. Brian Ford | Clr. Robert Jandy | Chris Moore | Diane Hall | Mike Pankiewicz | Stuart Dark |
|------------------|--|-----------------------|----------------|-------------------|------------------|--------------------------|---------------------|--------------------|-----------------------|-----------------|-------------------|---------------|-------------|-----------------|-------------|
| Date of training | Topics covered | Wiltshire Councillors | | | | | Swindon Councillors | | | | | Employer Reps | Member Reps | | |
| 2019/20 | tPR on-line toolkit | | | | | | | | | | | ✓ | | | |
| 05/06/2019 | Mercer Market and Manager performance presentation | ✓ | ✓ | | ✓ | | | | | | | | | | |
| 05/06/2019 | Baillie Gifford Q1 2019 Presentation | ✓ | ✓ | | ✓ | | | | | | | | | | |
| 05/06/2019 | Barings Q1 2019 Presentation | ✓ | ✓ | | ✓ | | | | | | | | | | |
| 05/06/2019 | Loomis Q1 2019 Presentation | ✓ | ✓ | | ✓ | | | | | | | | | | |
| 18/07/2019 | CIPFA guidance changes to the Annual Report and Accounts | ✓ | ✓ | | | | | ✓ | | | | ✓ | | ✓ | |
| 22/08/2019 | TPR Breach Reporting | ✓ | | | | | | | | | | | | ✓ | |
| 05/09/2019 | Manager performance presentation from Magellan | ✓ | | | ✓ | | | | | ✓ | ✓ | | | | |
| 05/09/2019 | Manager performance presentation from Brunel | ✓ | | | ✓ | | | | | ✓ | | | | | |
| 23/09/2019 | ESG and Climate Change training | ✓ | | | ✓ | | ✓ | ✓ | | ✓ | ✓ | | | | ✓ |
| 17/10/2019 | Investments – Private Debt and Insurance Linked Strategies | ✓ | | ✓ | ✓ | | ✓ | ✓ | | | | | | ✓ | |
| 25/10/2019 | Valuation refresher training | ✓ | | | ✓ | ✓ | ✓ | ✓ | | | | ✓ | ✓ | ✓ | |
| 31/10/2019 | LGPS Fundamentals – Day 1 | | | | | | | | | | | ✓ | | | |
| 19/11/2019 | Brunel Investor Day (Oxford) | | | | | | | ✓ | | | | | | | |
| 21/11/2019 | LGPS Fundamentals – Day 2 | | | | | | | | | | | ✓ | | | |
| 28/11/2019 | MiFID II compliance | ✓ | | ✓ | ✓ | | | | | | ✓ | | | ✓ | |
| 28/11/2019 | Manager performance presentation from CBRE | ✓ | | ✓ | ✓ | | | | | | ✓ | | | ✓ | |
| 28/11/2019 | Manager performance presentation from Investec | ✓ | | ✓ | ✓ | | | | | | ✓ | | | ✓ | |
| 12/12/2019 | LGPS Fundamentals – Day 3 | | | | | | | | | | | ✓ | | | |
| 23/01/2020 | Induction Training | | | | | | | | | ✓ | | ✓ | | | |

ASSESSMENTS AND TRAINING UNDERTAKEN

A new officer training policy covering the period 1 April 2020 to 31 March 2023 was approved in December 2019, incorporating Wiltshire Council's policy – that all officers receive an appraisal once a year with an interim review on a half yearly basis. Following assessment of each officers training needs an individual training plan is agreed consistent with the Fund's business plan and their personal development.

There are a variety of sources of reference to facilitate the training framework, which reflect the increasing complex nature of pension fund administration and these include CIPFA's Knowledge and Skills Framework for practitioners, Heywood's TEC platform and the CIPP framework. Combined they assist in recognising and providing training needs to ensure the requisite knowledge and skills are obtained.

As the officer responsible for ensuring that the Fund's training policies and strategy are implemented, the Director of Finance and Procurement can confirm that the officers and Members charged with the financial decision making for the pension scheme collectively possess the requisite knowledge and skills necessary to discharge these duties and make decisions required during the reported period.

Andy Brown

Treasurer of Pension Fund
September 2020

MEMBERS TRAINING PLAN APRIL 2020 – MARCH 2021

| Wiltshire Pension Fund Committee and Investment sub-Committee – Training Plan 2020–21 | | | | | |
|---|--|----------------------------------|---|---|---------------------------------|
| Period | Actual meeting date framework category | Meeting type | CIPFA Framework category | Proposed training item | Comments |
| New members inducted to the Committee will receive a Member Handbook, Induction training from Officers, attend the LGPS Fundamentals training course and be recommended to complete the Pension Regulator's on-line toolkit | | | | | |
| All members, in addition to the organised training set out below will be invited to attend additional internal training events, plus external conferences, seminars and pension forums to supplement and maintain their knowledge and understanding. Technical notes will also be circulated as required. | | | | | |
| Q2 2020 | 21/05/20 | Board meeting | Governance | Treasurer and monitoring responsibilities, plus conflicts of interest | Committee members to be invited |
| Q2 2020 | 02/07/20 | Investment sub-Committee meeting | Investment performance and Risk | Understanding the nature of risk | All members to be invited |
| Q2 2020 | 02/07/20 | Investment sub-Committee meeting | Investment performance and Risk | Tax on investments, particularly overseas investments | All members to be invited |
| Q2 2020 | 16/07/20 | Committee meeting | Accounting and Audit | Understanding the role of Third Party assurance | Board members to be invited |
| Q3 2020 | 06/08/20 | Board meeting | Legislation | Legal roles and responsibilities of members | Committee members to be invited |
| Q3 2020 | 10/09/20 | Investment sub-Committee meeting | Financial Markets and Products and Governance | Regulatory investment restrictions on LGPSs, Myners Principles and MiFID II | All members to be invited |
| Q3 2020 | 24/09/20 | Committee meeting | Actuarial Method | Employer Covenants | Board members to be invited |
| Annual self-assessment review | | | | | |
| MiFID II certification | | | | | |
| Q4 2020 | 15/10/20 | Board meeting | Legislation | Legal framework - External bodies, scrutiny framework and Statutory obligations | Committee members to be invited |
| Q4 2020 | 03/12/20 | Investment sub-Committee meeting | Financial Markets and Products | Fund ESG policy | All members to be invited |
| Q4 2020 | 17/12/20 | Committee meeting | Governance | Fund delegation, within the Administering Authority and BPP | Board members to be invited |
| Q1 2021 | 11/02/21 | Board meeting | Administration | Complaints, Dispute and Disclosure requirements | Committee members to be invited |
| Q1 2021 | 25/02/21 | Investment sub-Committee meeting | Governance | Internal controls and treasury management | All members to be invited |
| Q1 2021 | 11/03/21 | Committee meeting | Governance | tPR Breach reporting | Board members to be invited |

SCHEME ADMINISTRATION REPORT

LEGAL FRAMEWORK

The Local Government Pension Scheme (LGPS) is governed by the Superannuation Act 1972. The current scheme rules are contained within the LGPS Regulations 2013, the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 and the LGPS (Amendment) Regulations 2015. The Regulations are fixed on a national basis; however, the Scheme is administered by 101 designated Administering Authorities throughout England and Wales.

Wiltshire Council is responsible for administering Wiltshire Pension Fund for the benefits of employees of Wiltshire Council and the employees of scheme employers and admissions bodies. A list of participating scheme employers is shown on page 19–20.

The LGPS is granted 'exempt approval' status by HM Revenue and Customs (HMRC) for the purposes of Income and Corporation Taxes Act 1988. The LGPS is also classified as a Registered Pension Scheme under Part 4 of Chapter 2 of the Finance Act 2004.

The Regulations specify the type and amounts of pension and other benefits payable in respect of Scheme members, and specifies the member contribution rates payable. Members have the freedom to opt out of the Scheme and make alternative arrangements. Scheme members currently pay a contribution rate of 5.5% to 12.5%, based on their actual pensionable pay. The bands are revised annually to allow for inflationary increases.

Employer contribution rates are set by the Fund's Actuary every three years following a valuation of the Fund, this ensures the solvency of the Fund. The most recent triennial valuation took valuation in 2019 with new employer contribution rates applying from 1 April 2020.

SCHEME BENEFITS

The Local Government Pension Scheme (LGPS) provides the following benefits for its members:

- An inflation protected pension with the option to convert part of the pension to a lump sum payment (subject to HMRC limits). Since April 2014 benefits are accrued on a Career Average Revalued Earnings basis;
- Early payment of pension benefits due to ill-health;
- Early payment of pension if aged 55 or over if:
 - Made redundant;
 - Retired through business efficiency;
 - Taken flexible retirement;
 - Taken early retirement.
- A lump sum death grant payable to the nominated beneficiary or the most appropriate recipient deemed by Wiltshire Pension Fund, plus an inflation protected dependant's pension if death occurs before retirement;

- An inflation protected dependant's pension for death after retirement and a guaranteed lump sum death grant if death occurs within 10 years of retirement (depending on eligibility).

For leavers not entitled to the immediate payment of benefits.

- An inflation protected deferred pension to be paid at normal retirement age or at any time before age 75; or
- An opportunity to transfer to another pension scheme provider; or
- A refund (depending on eligibility criteria but generally if scheme membership is less than two years).

The ability to increase personal benefits is available as follows:

- Purchase of extra pension by means of Additional Voluntary Contributions (AVC's) through the Fund's approved AVC provider;
- Purchase of additional pension through Additional Pension Contributions (APC's) arrangements.

HOW THE SERVICE IS DELIVERED

The Fund undertakes nearly all pension administration services in-house as part of the Wiltshire Pension Fund team. Pensioners and dependents are paid by Wiltshire Council's payroll based on instructions from Wiltshire Pension Fund. The Fund use a number of external providers to support its administration services such as actuaries, legal advisers, technical advisors, tracing agents and AVC providers. However, with the exception of some AVC providers, nearly all members only need to directly contract either Wiltshire Pension Fund or Wiltshire Council payroll as per the contact details on the website.

Value for Money

The Fund is committed to becoming an exemplar Fund, which will include providing value for money. In 2019, the Fund outlined its Business Plan for 2019 to 2022 which set out how it intended to achieve this goal. Actions related to the Business Plan are updated annually. The Fund is overseen by both a Local Pension Board and the Wiltshire Pension Fund Committee and is subject to internal and external audit reviews which assess its efficiency and effectiveness amongst other matters. For administration matters, the Fund informally compares itself to other funds on an adhoc basis but it does not compare itself using any standardised key performance indicators as it believes there are material differences in methodology used by different funds which means like for like comparisons are not possible or reliable. However, the Fund's most recent Common Data score was 97.9% and its Conditional Data score was 95.4%, based on data from October 2019, which according to some informal analysis from the Fund's administration software provider placed the Fund above average compared to a sample of LGPS peer Funds (these comparisons used the same report so should be more reliable). Data quality forms part of the Fund's risk register and the actuary's considerations when valuing fund liabilities.

Accuracy and Confidentiality

All pension administration staff are trained on their area of work before they begin to work independently, either internally or externally as appropriate for their role and needs. Work is logged on the pension administration software using workflows which outline the process to be followed and contain checklist items. All work which results in a payment out of the Fund is peer checked and approved before payment is made unless the values and risks associated with the task are deemed small and in such cases only approvals occur (no peer checking). The Fund also employs a team of data quality officers whose responsibility is to undertake reconciliations, improve and maintain high data quality standards. Internal and external audits also take place each year to test controls.

To help ensure confidentiality is maintained, staff are trained on data protection and procedures integrate with policies on data protection.

Assurance Framework

The Fund is subject to an annual internal audit review which is now undertaken by South West Audit Partnership (SWAP). An annual audit plan is agreed with the Wiltshire Pension Fund looking to provide assurances over key controls and the systems being used. The outcomes of these audits are reported to the main committee and any action plans arising from them are reviewed on a periodical basis.

Last year, Deloitte replaced KPMG as external auditor and provides the external audit of the Fund as part of its main audit of the Wiltshire Council accounts. The outcome of this audit is reported to Wiltshire Council's audit committee and to the Wiltshire Pension Fund committee in July. Any recommended actions are periodically reviewed by the pension committee.

Use of Technology

Last year, the Fund launched a new website called My Wiltshire Pension for active and deferred members to see their pension online and for the Fund to provide further education and engagement with its membership. Members are able to change their personal details, see the pension accrued to date and forecast what pension they could receive at a future date. The Fund is also currently implementing the i-Connect platform to further enhance its use of technology and gain efficiency and control improvements.

The Fund also provide an online ePayslip facility for circa 20,000 pensioners to access their payslips. ePayslips provide pensioner members with quicker access to their payslips while making a saving in both paper and cost to the Fund.

Employer Satisfaction

The Fund currently issues requests for employer feedback following each quarterly employer forum and it plans to start issuing a more generic periodic employer satisfaction survey later this year.

Internal Dispute Resolution Procedure

The Wiltshire Pension Fund operates a two stage Internal Dispute Resolution Procedures (IDRP) if a scheme member or prospective member remains dissatisfied with a decision made.

An application made under Stage 1 of the process will be considered carefully by a person nominated by the Wiltshire Pension Fund. This person is known as the 'Adjudicator'. The adjudicator will conduct a formal review of the initial decision or act or omission and is an opportunity for the matter to be reconsidered. For the purpose of the IDRP process, the Stage 1 adjudicator appointed by Wiltshire Pension Fund is Muse Advisory.

If the scheme member, dependant or prospective member remains dissatisfied with the adjudicator's decision, (or their failure to make a decision) they can make an application under Stage 2 of the process to Wiltshire Council. The Director of Finance and Procurement at Wiltshire Council will reconsider the determination made by the Stage 1 adjudicator.

A member also has the right to refer their complaint to The Pensions Ombudsman free of charge. The Pensions Ombudsman deals with complaints and disputes which concern the administration and/or management of occupational and personal pension schemes.

During 2019/20, the Fund received two applications under the Stage 1 IDRP process. One of these applications moved to stage 2 following the determination by Muse Advisory.

PENSION'S SECTION OVERVIEW

The administration function of the Pensions team comprises of the following teams and roles:

The Benefits Team acts as the main point of contact for all membership enquiries. This team is responsible for setting up new members, monitoring and maintenance of pension member records, payment of benefits, transfer payments and AVCs. This team comprises of approximately twelve members of staff.

The Data and Systems Team is responsible for ensuring all the systems being used by the team are up to date, working correctly, and developed to ensure the most efficient and effective use of technology in delivering the administration services. This team is also responsible for monitoring and cleansing members' data to ensure it is fit for purpose and meets the requirements imposed on the Fund by the regulators. This team comprises of approximately eight members of staff.

Fund Communications are handled by the Fund Communications manager who deals with all aspects of scheme members' communications and is responsible for the development and implementation of the Fund's Communications Strategy. This includes areas such as scheme members' newsletters, issuing of Annual Benefit Statements, delivery of presentations, road shows, the Fund's website and the marketing of the Fund. This role also supports employer communications and helps ensure that all team members are trained accordingly.

Technical and Compliance Manager provides the technical support to the Fund in respect of interpretation of the Scheme Regulations and associated legislations. The Technical and Compliance Manager is also responsible for ensuring the process and procedures are compliant with all the relevant regulations.

Employer Relationships are handled by the Employer Relationship Manager. This role acts as a conduit between the employers and the Fund to address any issues or problems that may arise. This person is also responsible for and providing advice on new admission, transfers, employers ceasing membership and any other pension related issues facing employers.

The Fund Governance and Performance Manager is responsible for supporting the Wiltshire Pension Fund Committee and Local Pension Board, including overseeing governance training and supporting governance recruitment. The role is also responsible for overseeing Fund administration and service performance, including the performance of various service providers.

The Investment and Accounting Team is responsible for all matters associated with the Fund's investments and also for accounting for all aspects of the Fund's activities. This includes development of the Fund's strategic asset allocation, selection and monitoring of the Fund's investment managers, working with the Brunel Pension Partnership pool in setting up portfolios, transitioning assets and representing the Fund's interests and holding Brunel to account. Accounting responsibilities include the setting and monitoring of three-year budget plans, production of the year end accounts and Annual Report, and the provision of IAS19/FRS102 information to employer organisations within the Fund. The team comprises of four members of staff.

KEY STAFFING INDICATORS

Staff to fund-member ratios: Average case per member of staff

| | All Staff | Processing related staff* |
|---------------------------|---------------|---------------------------|
| Ratio to Fund | (35) | (23.5) |
| Active | 1:671 | 1:1000 |
| Pensioner (and Dependant) | 1:519 | 1:772 |
| Deferred | 1:1120 | 1:1668 |
| Total | 1:2310 | 1:3440 |

*All benefits, data and systems related staff but excludes roles in management, communication, governance, finance and investments.

Average (completed) cases per member of staff

| | All Staff | Processing related staff* |
|------------------------------------|-------------|---------------------------|
| | (35) | (23.5) |
| Total cases completed | 15024 | 15024 |
| Average per member of staff | 442 | 668 |

*All benefits, data and systems related staff but excludes roles in management, communication, governance, finance and investments.

COST AND PERFORMANCE BENCHMARKING

Cost benchmarking

The Fund benchmarks its costs against the SF3 data collected annually by the Department for Communities and Local Government. The most recent data is for the financial year 2018/19.

| Process | 2016/17 | 2017/18 | 2018/19 |
|---------------------------------------|---------------|---------------|---------------|
| Investment management expenses | | | |
| Total cost (£'000) | 9,117 | 9,401 | 18,070 |
| Total membership no. | 64,855 | 67,307 | 77,180 |
| Cost per member (£) | 140.58 | 139.67 | 234.13 |
| Administration costs | | | |
| Total cost (£'000) | 1,955 | 1,867 | 1,977 |
| Total membership no. | 64,855 | 67,307 | 77,180 |
| Cost per member (£) | 30.14 | 27.74 | 25.61 |
| Oversight and Governance costs | | | |
| Total cost (£'000) | 109 | 135 | 153 |
| Total membership no. | 64,855 | 67,307 | 77,180 |
| Cost per member (£) | 1.68 | 2.01 | 1.98 |
| Total cost per member (£) | 172.40 | 169.42 | 261.73 |

2017/18 figures have been restated to correct an error. This has resulted in an increase of £3.2m in investment management expenses. Due to the introduction of improved cost transparency reporting, it became possible to include additional underlying figures associated with the costs of managing the portfolios in the figure for 2018/19. Please note that the increase in 2018/19 does not represent an increase in managers' fees, but better available information about the underlying costs of investment management.

In 2019 for the first time, members categorised as undecided leavers and frozen refunds have been included in the membership numbers, under deferred members.

KEY PERFORMANCE INDICATORS (KPIs)

The Fund monitors performance against internally set KPIs as well as the legal requirements. The Fund also monitors cases outstanding at the beginning and end of the period, as shown in the following two tables:

Table 1

| Process | | No. cases outstanding at start of period | No. of cases commenced in year | No. of cases completed in year | No. cases outstanding at year end | % completed in year | Notes |
|--|-----------------|--|--------------------------------|--------------------------------|-----------------------------------|---------------------|----------------------|
| Deaths – initial letter acknowledging death of active/deferred/pensioner member | | 83 | 463 | 449 | 97 | 82.2% | See note 1a |
| Deaths – letter notifying amount of dependant's pension | | 4 | 441 | 440 | 5 | 98.9% | See note 1a |
| Retirements - letter notifying estimate of retirement benefits (including all retirement types: normal, ill health, early, later etc) | Active | 89 | 728 | 737 | 80 | 90.2% | See notes 1a & 3 |
| | Deferred | 25 | 1254 | 1277 | 2 | 99.8% | |
| | Total | 114 | 1982 | 2014 | 82 | 96.1% | |
| Retirements – letter notifying actual retirement benefits (including all retirement types: normal, ill health, early, later etc) | Active | 6 | 469 | 472 | 3 | 99.4% | See notes 1a, 2 & 3 |
| | Deferred | 9 | 703 | 711 | 1 | 99.9% | |
| | Total | 15 | 1172 | 1183 | 4 | 99.7% | See note 1a |
| Retirements – process and pay benefits on time | Active | 6 | 469 | 472 | 3 | 99.4% | See notes 1a, 2 & 3 |
| | Deferred | 9 | 703 | 711 | 1 | 99.9% | |
| | Total | 15 | 1172 | 1183 | 4 | 99.7% | |
| Deferment – calculate and notify deferred benefits | | 1849 | 5157 | 4023 | 2983 | 57.4% | See notes 1b, 4 & 6. |
| Transfers in – letter detailing transfer in quote | | 0 | 93 | 93 | 0 | 100.0% | See note 1a |
| Transfers in – letter detailing transfer in | | 0 | 66 | 66 | 0 | 100.0% | See note 1a |
| Transfers out – letter detailing transfer out quote | | 31 | 518 | 480 | 69 | 87.4% | See note 1a |
| Transfers out – letter detailing transfer out | | 0 | 523 | 522 | 1 | 99.8% | See note 1a |
| Refund – process and pay a refund | | 225 | 1192 | 1371 | 46 | 96.8% | See notes 1b & 4 |

KEY PERFORMANCE INDICATORS (KPIs) (continued)

Table 1 (continued)

| Process | No. cases outstanding at start of period | No. of cases commenced in year | No. of cases completed in year | No. cases outstanding at year end | % completed in year | Notes |
|---|--|--------------------------------|--------------------------------|-----------------------------------|---------------------|-------------|
| Divorce quote – letter detailing cash equivalent value and other benefits | 0 | 222 | 222 | 0 | 100.0% | See note 1a |
| Divorce settlements – letter detailing implementation of pension sharing order | 1 | 5 | 6 | 0 | 100.0% | See note 1a |
| Member estimates/projections | 21 | 383 | 384 | 20 | 95.1% | See note 1a |
| Joiners – Send notification of joining the LGPS to scheme member | 0 | 4199 | 4199 | 0 | 100.0% | See note 5 |

Notes and Assumptions

- The Fund has used two different approaches to producing the table above, as detailed in a) and b), to attempt to match its processes against the requirements of the table.
This creates some apparent, relatively minor inconsistencies such as 'Deaths – letter notifying amount of dependants pension' is greater than 'Deaths – initial letter acknowledging death' which are in fact due to the timing of different tasks.
 - Items relate to specific task within an overall case.
 - Items relate to actual cases rather than individual tasks.
- Retirements – 'letter notifying actual retirements' and 'process and pay benefits on time' are one in the same process for the Fund and hence the figures disclosed are identical.
- Ill Health estimates and retirements are all included within active status due to limitations in reporting capability.
- Deferments created and outstanding includes cases still to be decided if deferred or refund, this means that there is some movement between opening and closing figures across deferments and refunds.
- 'Joiners – notification of date of enrolment' is estimated as the statutory notifications are batched as part of a separate process and hence this information is not currently available.
- The Fund undertook an exercise during 2018/19 and 2019/20 to identify deferment and aggregation cases which had yet to be logged which accounted for the large increase in the number of cases set up.

Table 2

| Process | | KPI (WPF) (Working days) | % met target | No. cases completed within KPI | Legal Requirement (Calendar days) | % met target | No. cases within Legal Requirements |
|---|-----------------|--------------------------|--------------|--------------------------------|-----------------------------------|--------------|-------------------------------------|
| Deaths – initial letter acknowledging death of active/deferred/pensioner member | | 5 days | 92.3% | 405 | 2 months | 99.8% | 438 |
| Deaths – letter notifying amount of dependant's pension | | 5 days | 52.8% | 227 | 2 months | 98.4% | 432 |
| Retirements – letter notifying estimate of retirement benefits (including all retirement types: normal, ill health, early, late etc) | Active | 10 days | n/a | | 2 months | n/a | |
| | Deferred | | n/a | | | n/a | |
| | Total | | 44.5% | 761 | | 98.4% | 1685 |
| Retirements – letter notifying actual retirement benefits (including all retirement types: normal, ill health, early, late etc)/process and pay benefits on time | Active | 10 days | 66.2% | 323 | 2 months | 92.0% | 449 |
| | Deferred | 5 days | 58.2% | 417 | | 99.9% | 716 |
| | Total | | 62.2% | 740 | | 95.9% | 1165 |
| Deferment – calculate and notify deferred benefits | | 20 days | 19.4% | 289 | 2 months | 50.2% | 749 |
| Transfers in – letter detailing transfer in quote | | 10 days | 45.2% | 42 | 2 months | 95.5% | 88 |
| Transfers out – letter detailing transfer out quote | | 10 days | 32.1% | 158 | 2 months | 90.3% | 441 |
| Refund – process and pay a refund | | 20 days | 27.1% | 249 | 2 months | 34.0% | 312 |
| Divorce quote – letter detailing cash equivalent value and other benefits | | 46 days | 98.2% | 218 | 3 months | 100.0% | 220 |
| Divorce settlements – letter detailing implementation of cash equivalent value and application of pension sharing order | | 46 days | 50.0% | 3 | 3 months | 62.5% | 4 |
| Joiners – Send notification of joining the LGPS to scheme member | | | | | 2 months | 89.8% | 4971 |

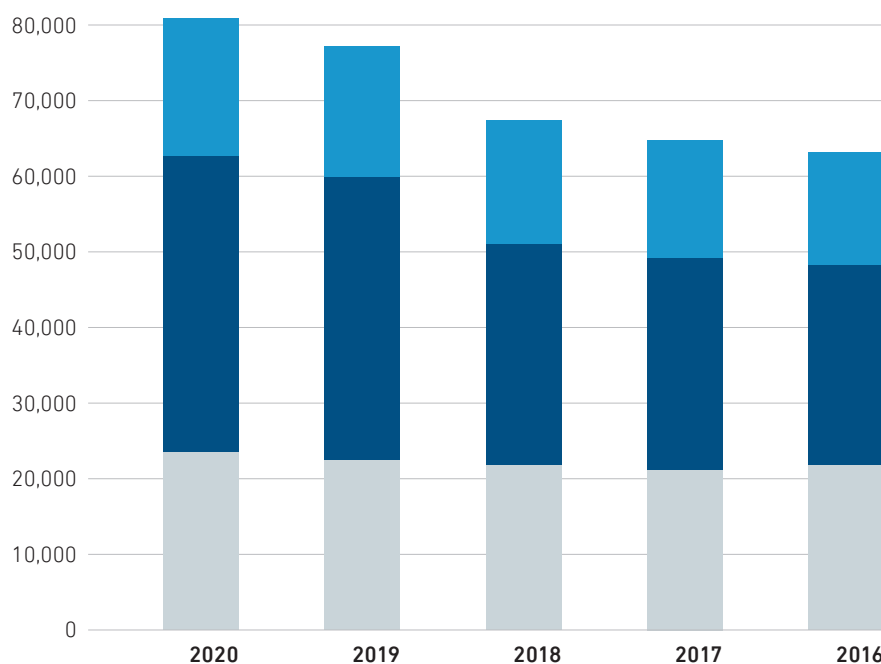
Notes and Assumptions

1. This table just covers completed cases in the year.
2. The Fund uses working days for its KPIs and has assumed 23 working days per calendar month.
3. Retirements – 'letter notifying actual retirements' and 'process and pay benefits on time' are treated as one and the same for this purpose.
4. Joiners – Due to the current way starters are loaded onto the administration system it is not possible to report on the date of creation and this issue of notifications at this time.
5. Refunds excludes those where no response was received from the member.
6. Internal KPIs are set at ambitious levels in line with the Fund's goal of delivering top service. The ways in which the Fund is approaching achieving these objectives are set out in the Business Plan, which can be accessed via the following link:
<https://www.wiltshirepensionfund.org.uk/media/4565/business-plan-2019-2022-final.pdf>

SCHEME MEMBERSHIP

The membership of the scheme at the end of the year is set out below:

5-year analysis of fund membership



| | 2020 | 2019 | 2018 | 2017 | 2016 |
|-------------------------|---------------|---------------|---------------|---------------|---------------|
| Active members | 23,487 | 22,541 | 21,781 | 21,245 | 21,831 |
| Deferred members | 39,187 | 37,417 | 29,253 | 28,087 | 26,517 |
| Pensions in payment | 18,150 | 17,222 | 16,273 | 15,523 | 14,905 |
| Total membership | 80,824 | 77,180 | 67,307 | 64,855 | 63,253 |

In 2019 for the first time, members categorised as undecided leavers and frozen refunds have been included in the membership numbers, under deferred members.

New retirements during the year are analysed as follows:

| New Pensioners by retirement type (from active and deferred status) | No. of cases |
|---|--------------|
| Ill Health Retirements | 112 |
| Early Retirements (Under 65) | 932 |
| Normal Retirements and others | 170 |
| Total | 1,214 |

EMPLOYER (ERS) AND EMPLOYEE (EES) CONTRIBUTIONS

| Employer Name | TOTAL ERS | TOTAL EES | Employer Name | TOTAL ERS | TOTAL EES |
|-----------------------------|---------------|--------------|----------------------------|------------|------------|
| WCCPost1April97 | 35,489,423.31 | 8,347,070.59 | Wilts&Swin Sprts Prt | 29,088.44 | 11,791.86 |
| SBC | 20,035,857.46 | 4,821,485.02 | Elior UK plc | 3,706.09 | 839.64 |
| SBC – Agincare | 16,103.22 | 4,520.59 | Excalibur Academy | 557,953.75 | 118,007.11 |
| New College | 1,027,152.04 | 282,993.54 | Holy Family Academy | 91,668.06 | 23,460.17 |
| Swindon College | 1,043,078.70 | 251,739.79 | St Catherine's Academy | 46,508.09 | 11,614.07 |
| Wiltshire College | 2,615,585.50 | 530,076.42 | Wansdyke Academy | 39,396.86 | 8,797.35 |
| TPCouncils | 2,093,850.70 | 519,918.67 | Education Fellowship | 1,305.99 | – |
| Wiltshire Police | 5,909,889.25 | 1,992,418.43 | Longmeadow Academy | 19,934.50 | 5,411.63 |
| Wiltshire Fire | 1,983,397.48 | 601,792.36 | Rowde Academy | 32,004.30 | 7,033.21 |
| Swindon Academy | 404,119.31 | 147,621.11 | Malmesbury Primary Academy | 113,427.38 | 27,182.51 |
| Aster Group | 219,253.88 | 5,686.26 | Atkins Limited | 45,881.31 | 13,515.70 |
| AsterPropMgmt | 57,868.91 | 14,516.57 | GLL | 21,482.05 | 13,774.87 |
| Sarsen Housing | 282,137.03 | 12,401.93 | Lifeways | 317.08 | – |
| Capita Business | 6,703.07 | 1,902.63 | Reach | 734.31 | – |
| CIPFA | 1,940,918.64 | 161,073.61 | Hazelwood Academy | 70,382.23 | 14,863.49 |
| Community First | 56,068.09 | 21,549.20 | Dauntsey Primary Academy | 31,787.73 | 7,437.13 |
| DC Leisure | 69,661.13 | 18,408.55 | Morgan Vale&Woodfall | 29,331.51 | 6,398.95 |
| Devizes Museum | 21,000.00 | – | Christian Malford Academy | 344,414.84 | 85,627.85 |
| FOCSA | 754.08 | – | Millbrook Academy | 147,698.27 | 32,840.58 |
| Order of St John | 660,143.80 | 26,083.25 | Peatmoor Primary Academy | 52,913.49 | 12,201.89 |
| Salisbury Museum | 294,762.23 | 3,434.25 | Westlea Academy | 106,177.99 | 24,486.55 |
| SelwoodHsgSoc | 672,375.99 | 108,467.38 | Whitesheet Academy | 408,114.01 | 97,896.18 |
| Swindon Dance | 11,197.51 | 2,284.58 | Shawridge Academy | 95,127.64 | 23,907.18 |
| Westlea | 2,775,572.35 | 1,811.10 | Mears Care Ltd | 12,147.11 | 2,387.81 |
| Direct Cleaning | 34.60 | – | Pewsey Primary Academy | 71,198.55 | 14,405.11 |
| Salisbury City Council | 143,173.44 | 80,188.40 | Twigmarket | 10,710.06 | 3,563.44 |
| Wellington Academy | 303,962.65 | 98,866.78 | Churchill Services | 11,640.63 | 2,126.04 |
| Swindon Commercial Services | 102,983.05 | 39,480.25 | Direct Cleaning | 1,560.80 | 318.34 |
| Hardenhuish School Ltd | 289,792.54 | 72,800.23 | UTC Swindon | 24,074.99 | 5,480.99 |
| Goddards Park Primary | 56,909.18 | 74,901.20 | Somerset Road Academy | 405,713.74 | 95,356.38 |
| Caterlink | 36.58 | 178.95 | Wiltshire CCG | 98.93 | – |
| Lavington Academy | 314,564.48 | 71,705.83 | Uplands Education | 5,408.53 | 1,601.83 |
| S.Wilts Grammar Academy | 186,841.04 | 48,217.94 | Greenwich Leisure | 131,647.01 | 37,389.83 |
| Bishop Wordsworth | 191,370.10 | 42,004.24 | Create Studios | 20,193.34 | 2,649.00 |
| Corsham Secondary | 265,780.72 | 63,466.95 | Athelstan Trust | 366,562.03 | 89,107.84 |
| Sheldon Academy | 271,352.02 | 69,063.27 | The Landscape Group | 140,606.75 | 58,939.25 |
| Wootton Bassett School | 683,273.21 | 164,959.15 | South Wiltshire UTC | 19,624.69 | 4,201.26 |

| Employer Name | TOTAL ERS | TOTAL EES | Employer Name | TOTAL ERS | TOTAL EES |
|----------------------------|--------------|------------|--------------------------------|----------------------|----------------------|
| Pewsey Vale Academy | 79,588.10 | 18,207.51 | Swindon Wildcats | 3,899.08 | 1,208.76 |
| Highworth Warneford | 188,091.03 | 46,437.06 | Blue Kite Academy | 421,642.29 | 110,520.59 |
| Commonweal Academy | 319,602.84 | 77,706.94 | Spurgeons | 5,394.84 | 1,479.46 |
| Holy Rood Infants | 121,928.04 | 27,671.34 | Salisbury Plain MAT | 445,928.11 | 94,929.18 |
| Holy Rood Junior | 66,639.12 | 15,782.80 | Ringway | 132,557.12 | 32,683.70 |
| Lethbridge Academy | 128,960.96 | 31,472.72 | BPP – Brunel Pension | 547,705.17 | 289,465.83 |
| Lydiard Academy | 505,441.55 | 121,995.30 | Mears Care East 2 | 13,019.16 | 2,537.09 |
| St Joseph's Academy | 405,578.40 | 98,548.72 | Mears Care North 1 | 7,421.69 | 1,616.22 |
| St Mary's Academy Swindon | 99,367.74 | 25,183.43 | Mears Care West 1 | 161.20 | – |
| Kingdown Academy | 756,397.88 | 187,015.35 | First City Nursing | 24,551.64 | 5,237.03 |
| St Laurence Academy | 279,138.21 | 67,249.53 | NHS South Central | 5,459.67 | 2,394.22 |
| Kingsdown Academy Swindon | 309,353.53 | 81,375.22 | Edwards & Ward Ltd | 534.74 | 123.70 |
| St Josephs Dev Academy | 30,189.36 | 6,992.85 | Edwards & Ward Ltd – St Peters | 65.43 | – |
| Holy Trinity CE P Academy | 29,894.54 | 7,027.33 | Deeland Ltd t/a Serv | 1,937.02 | 327.02 |
| St Augustines Acadmy | 170,604.15 | 41,700.68 | Eynon Catering | 25.13 | – |
| St Edmunds Calne Academy | 48,652.77 | 10,882.96 | Pickwick Academy Trust | 421,380.44 | 84,559.68 |
| Eastrop Infants Academy | 33,722.49 | 7,873.73 | Magna Learning Partnership | 640,183.32 | 162,255.42 |
| Southfield Junior Academy | 24,844.41 | 5,423.21 | Reach South Academy | 2,971.18 | – |
| Visit Wiltshire | 507.07 | 162.36 | Wyclean | 5,401.33 | 1,403.96 |
| St Leonards P Acadmy | 25,389.69 | 7,106.61 | SEQOL GWH NHS | 32,334.90 | 6,995.19 |
| Springfields Academy | 310,206.49 | 70,770.21 | Turning Point (CGL) | 2,467.71 | 48.15 |
| John Bentley Academy | 3,355.18 | – | Thera South West | 34,473.22 | 7,400.42 |
| Somerset Care Ltd | – | 5,273.38 | Churchill Cont Serv2 | 1,894.23 | 410.16 |
| Colebrook Infants Academy | 30,456.61 | 7,161.75 | Grt West Academ-270 | 50,022.63 | 12,269.11 |
| Dorcan Technology Academy | 187,775.79 | 50,217.60 | Hills Group Ltd-410 | 861,913.87 | 146,635.41 |
| Woodford Valley Academy | 41,224.43 | 9,739.81 | Swindon Mus Serv-375 | 27,845.67 | 10,114.97 |
| Smrst Care Pt2 Selwd | – | 844.20 | Braybourne Facilities | 2,238.06 | 533.96 |
| Great Western Hosptl | 2,769.36 | 1,043.04 | Brunel SEN MAT – 497 | 805,198.57 | 210,498.52 |
| John of Gaunt Academy | 247,003.98 | 60,097.88 | Community Golf & Leisure | 5,097.80 | 1,781.72 |
| Bybrook Valley Academy | 42,855.47 | 11,073.20 | Carehome Selection | 3,629.29 | 1,162.87 |
| The Mead Primary Academy | 360,229.34 | 98,386.87 | Direct Cleaning | 3,167.11 | 667.80 |
| Holy Trinity Calne Academy | 46,082.91 | 9,460.88 | Imperial Cleaning | 1,054.86 | 243.12 |
| Sevenfields Academy | 80,255.98 | 22,458.19 | Adoption west | 116,167.53 | 39,168.63 |
| Collaborative School | 18,529.54 | 5,100.79 | Community First | 11,182.87 | 2,796.45 |
| Oxford Health NHS Trust | 9,279.84 | 2,554.80 | Palladian MAT | 58,761.09 | 12,594.87 |
| White Horse Federation | 3,066,764.84 | 819,715.86 | Grove Learning Trust | 31,497.91 | 6,836.68 |
| King William Academy | 39,394.36 | 8,963.66 | Direct Cleaning | 1,574.83 | 309.34 |
| | | | | 97,048,327.08 | 22,887,591.06 |

EMPLOYER ACTIVITY

This year we have a total of 174 employers within Wiltshire Pension Fund, this has changed due to a mixture of reasons such as the amalgamation of schools or academies into Multi Academy Trusts and previous admitted bodies leaving and others joining the Fund. Despite these changes, the number of members has still increased overall.

The full list of contributing employers can be seen on page xx.

A summary of employers for the year to 31 March 2020 is as follows:

| | Active 2019 | New | Ceased | Merged | Total 2020 |
|----------------|-------------|-----------|-----------|-----------|------------|
| Scheduled Body | 118 | 3 | 0 | 14 | 107 |
| Admitted Body | 63 | 14 | 10 | 0 | 67 |
| Total | 181 | 14 | 20 | 14 | 174 |

The Wiltshire Pension Fund employs an Employer Relationship Manager whose role is to act as an advocate for employers, help foster relationships and assist employers with any pension specific queries.

There is also an Employers' Guide available, including details of the Fund's discretions policy which can be found on the Fund's website. The policy was reviewed and updated during 2015–16 by the Pension Fund Committee. The website is used as a substantive source of employer information, along with the regular technical newsletters and Employer Forums meetings. The Fund works alongside Employer organisations to assist and provide training on their pension responsibilities and undertakes site visits to guide teams through the process and forms when required. This is particularly useful where changes in key staff at an employer have recently occurred.

Further information specific to employers can be found on the website at the following web addresses:

<https://www.wiltshirepensionfund.org.uk/wiltshire-pension-fund/about-us/employers/>

<https://www.wiltshirepensionfund.org.uk/wiltshire-pension-fund/about-us/forms-and-publications/>

The Fund's Employer Relationship Manager is Denise Robinson and her contact details are: Denise.Robinson@Wiltshire.gov.uk (01225 713505).

MEMBER SCHEME CONTRIBUTIONS

The following pay bands and contribution rates will apply in the main and 50/50 sections of the LGPS from 1 April 2019 to 31 March 2020 (inclusive).

| Band | Salary range | Main section Contribution % | 50/50 section Contribution % |
|------|----------------------|-----------------------------|------------------------------|
| 1 | £0 to £14,400 | 5.50% | 2.75% |
| 2 | £14,401 to £22,500 | 5.80% | 2.90% |
| 3 | £22,501 to £36,500 | 6.50% | 3.25% |
| 4 | £36,501 to £46,200 | 6.80% | 3.40% |
| 5 | £46,201 to £64,600 | 8.50% | 4.25% |
| 6 | £64,601 to £91,500 | 9.90% | 4.95% |
| 7 | £91,501 to £107,700 | 10.50% | 5.25% |
| 8 | £107,701 to £161,500 | 11.40% | 5.70% |
| 9 | £161,501 or more | 12.50% | 6.25% |

Further information on the LGPS 2014 scheme can be found at <https://www.lgpsregs.org/>

COMMUNICATIONS

With the digital world constantly developing, the Fund continues to review its communication processes and procedures in order to meet both member and employer expectations. The Fund's Communication Strategy outlines the different methods in order to meet two of the main objectives from the Fund's 2019–22 business plan: To provide outstanding customer service and stakeholder relationships, and embracing technology. The communications strategy can be viewed on the Wiltshire Pension Fund website at: <https://www.wiltshirepensionfund.org.uk/media/5196/communications-strategy-2019.pdf>

The Fund continues to keep employers and employees updated with the latest changes affecting the scheme, options to increase pension entitlements through the purchase of additional pensions and notifying members of changes to legislation, particularly the tax implications from the new thresholds to Annual and Lifetime Allowances.

This includes the Fund's standard publications to members which are the Annual Benefits Statements for active and deferred members; Annual Allowances statements to those who breach the limits, letters and presentations to high earners informing them of changes to the pension tax relief regimes, annual active members and pensioners' newsletters, induction presentations, pre-retirement presentations and early retirement seminars, and presentations including training to employers.

The Fund's website is frequently reviewed and updated to ensure the latest information is available for scheme members. This includes updated guides to the LGPS 2014 scheme, updated benefit calculator, and information on how pension tax relief affects members along with relevant calculators. The News Update section of the website is also kept up to date to reflect important announcements and any other relevant news affecting members.

The Fund recently published a website solely for employer use. The purpose of the website is to bring all information, including employer newsletters, member communications and training opportunities into one place. The employer website can be found at: employer.wiltshirepensionfund.org.uk

The Fund has also launched an online secure portal called My Wiltshire Pension for its Active and Deferred members. Members can run pension projections and calculate the exchange of pension for a lump sum. It also allows the Fund to publish member documents and communications to member's individual accounts and members can also upload forms and documents to their accounts rather than send via post.

The Fund's Twitter account enable members to keep up to date with all the latest Fund and pension news. You can follow the Wiltshire Pension Fund by using the following link: <https://twitter.com/WiltsPensions>

AVC PROVIDER

Prudential is the Fund's current AVC provider. This facility allows members, if they wish, to top up their current LGPS pension provision by paying additional contributions into one of the many different funds offered by the Prudential which best fits their risk profile. Members still making contributions to the closed schemes run by Clerical Medical, Utmost Life & Pensions (formerly Equitable Life) and Phoenix AVCs can continue paying into these funds or can decide to transfer their accumulated benefits into one of the new Prudential funds.

PENSION INCREASE

Public Service Pensions which have been in payment for at least one year will have received a 2.4% increase effective from 8 April 2019. This is based on the Consumer Price Index (CPI) as at September of the previous year. Pensions which have been in payment for less than one year will receive a proportionate increase based on the amount of time they have been in payment.

DISCRETIONS POLICIES

Under the LGPS Regulations, the Fund has a certain number of discretions as the Administering Authority in the administration of benefits. Its current policy was reviewed and approved by the Committee on 10 December 2015 which can be viewed at the following link:

<http://www.wiltshirepensionfund.org.uk/media/3556/wiltshire-pension-fund-discretions-policy.pdf>

Each employer in the Fund must have completed their own discretions policy which guides the Fund as to how to process their employee benefits. This must be approved by the appropriate people within their organisation and is 'published' and made available to its employees. Copies of these policies must be submitted to the Fund on approval along with any changes within one month of them becoming active.

The current policies for the Fund's scheme employers can be viewed at the following link:

<https://www.wiltshirepensionfund.org.uk/media/3476/employer-discretions-policy-and-template.docx>

OTHER MATTERS

The Fund continues to support its employers by co-ordinating the provision of IAS 19 and FRS102 accounting reports from the actuary, so that they can meet their obligations to show their pension liabilities relative to their pension assets in their annual accounts.

INVESTMENT REPORT

INVESTMENT STRATEGY STATEMENT (ISS)

The ISS sets out the investment strategy of the Fund, based on its current policies and provides transparency in relation to how the Fund investments are managed, acts as a risk register, and has been kept short, in order to be read in as user-friendly manner as is possible. The Fund's ISS is a living document and is an important governance tool for the Fund. The ISS was last reviewed and approved by the Committee in July 2020. The full ISS can be found at the following link: <https://wiltshirepensionfund.org.uk/media/3391/investment-strategy-statement-july-2020.pdf>

OBJECTIVES OF THE PENSION FUND

The primary objective of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death before or after retirement for their dependants, in accordance with LGPS Regulations, whilst at the same time seeking to minimise the contributions that need to be paid in to the Fund by employer bodies.

The level of employer contribution is assessed every three years through an actuarial valuation of the Fund. This valuation establishes the solvency position of the Fund, that is, the extent to which the assets of the Fund are sufficient to meet the Fund's pension liabilities accrued to date. The objective is that the Fund should be at least 100% funded on an ongoing basis, taking account of any additional contributions paid by employer bodies to cover any past service deficit. The projection is that full funding is achieved over a time frame agreed appropriate by the Actuary for each employer, as set out in the Funding Strategy Statement.

FUNDING STRATEGY STATEMENT

All Local Government Pension Scheme (LGPS) funds have to produce, consult on and publish a document called a 'Funding Strategy Statement' (FSS). The purpose of the FSS is:

- a) to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward;
- b) to support the regulatory framework to maintain as nearly constant employer contribution rates as possible; and
- c) to take a prudent longer-term view of funding those liabilities.

However, there will be conflicting objectives which need to be balanced and reconciled. For example, for most employers, objective a) implies low contribution rates, because they would see pension liabilities being 'best met' by gaining as much help as possible from the investment strategy over the long term, which would lead you towards an equity-biased investment strategy. By contrast, objectives b) and c) imply stability and prudence of employer contribution rates, which would lead you towards a bond biased investment strategy.

Therefore, the best that can be achieved is a sensible balance between these different objectives, while considering the affordability of employer contributions.

The FSS and ISS are intrinsically linked and together aim to deliver stable contribution rates for employers and a reduced reliance on employer contributions over time. The FSS can be viewed at the link below: <https://www.wiltshirepensionfund.org.uk/media/5113/funding-strategy-statement-final.pdf>

INVESTMENT POWERS

These are set out in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, which outline the wide investment powers allowing committees to invest in line with its ISS, with certain restrictions as long as proper advice has been obtained.

The Secretary of State also now has the power to direct should an authority fail to act in accordance with the guidance issued under these regulations.

RESPONSIBILITY FOR DECISIONS

The Committee is responsible for overall investment policy and for the implementation of appropriate investment management arrangements. In carrying out this role, the Committee receives advice from independent external advisors (Mercer) and from the Head of Pension Fund Investments and the Treasurer to the Pension Fund (the Director of Finance and Procurement). The Committee is also supported by its Independent Adviser (Anthony Fletcher). It appoints external investment managers to implement investment policy, who are therefore responsible for day to day investment decisions. Increasingly, as implementation of pooling takes place, the Brunel Pension Partnership Limited ("the pool") will be responsible for the appointment of external investments managers to implement the Fund's investment policy.

The Committee believes these arrangements strike the right balance between their own overall responsibilities in acting in a quasi trustee role and having decisions taken with the most appropriate level of expertise available.

TYPES OF INVESTMENTS HELD

The Committee has freedom to operate within the Regulations and its policy is outlined below. Its expectation, however, is that the majority of assets are invested in major stock markets, where the underlying investments can be easily traded if required.

The Fund therefore invests in pooled funds managed by properly authorised organisations (equities, property, infrastructure and government bonds) and sterling and overseas cash deposits. The Fund also hedges a proportion of its overseas currency exposure to equities. It may also invest in futures and options, as well as limited investment in direct property. The Fund also invests and has commitments to private markets mandates, including Infrastructure, Private Equity, Private Lending & Secured Finance.

EXPECTED RETURNS ON INVESTMENTS

The Committee recognises that the past is not a reliable guide to the future in respect of predicted returns on investment. In addition, it recognises that the range of expected returns is greater for some asset classes than others and that the prospect of higher returns is usually accompanied by higher levels of risk. The target return set by the actuary at the valuation is 1.6% per annum in excess of gilt yields. Based on the Actuarial valuation carried out by Hymans, this is currently estimated at 3.8% p.a.

RISK CONTROL

The Committee regards the major control of risk to be required at the strategic asset allocation level and this has been taken into account in setting its overall investment strategy. The key themes for the Fund include equity risk, inflation and interest rate protection. All risks are continually monitored and a high level asset allocation review is undertaken annually to check the appropriateness of the Fund's current strategy.

INVESTMENT BELIEFS AND OBJECTIVES

The investment objective is therefore to maximise returns subject to an acceptable level of risk whilst increasing certainty of cost for employers, and minimising the long term cost of the Fund. Having a thorough understanding of the risks facing the Fund is crucial and these are covered within the ISS.

The Fund has formed the following investment beliefs which help to inform the investment strategy derived from the decision making process.

- Funding, investment strategy and contribution rates are linked.
- The strategic asset allocation is the key factor in determining the risk and return profile of the Fund's investments.
- Investing over the long term provides opportunities to improve returns.
- Diversification across asset classes can help to mitigate against adverse market conditions and assist the Fund to produce a smoother return profile due to returns coming from a range of different sources.
- Managing risk is a multi-dimensional and complex task but the overriding principle is to avoid taking more risk than is necessary to achieve the Fund's objectives.
- Environmental, Social and Governance factors, including Climate Change are important factors for the sustainability of investment returns over the long term.
- Value for money from investments is important, not just absolute costs. Asset pooling is expected to help reduce costs over the long-term, whilst providing more choice of investments, and therefore be additive to Fund returns.
- High conviction active management can add value to returns, albeit with higher short-term volatility.

SECURITIES LENDING

The Fund does not currently engage in any securities lending as all the equity holdings are now held within pooled fund structures. The intention going forwards is to increase returns through employing securities lending through the Brunel portfolios, when viable.

CUSTODIAL ARRANGEMENTS

Fund assets are held by State Street who handles all custodial arrangements of the Fund. The custodian is also able to carry out stock lending on behalf of the Fund. Fund assets are held under the legal name 'Wiltshire County Council Pension Fund'.

ENVIRONMENTAL SOCIAL AND GOVERNANCE (ESG) POLICY

ESG are important factors for the sustainability of investment returns over the long term. The Fund seeks to use its position as a shareholder to actively encourage good corporate governance practice in those companies in which it invests. As part of owning publicly listed companies Brunel, on behalf of its clients, will have the opportunity to vote at company meetings (AGM/ EGMs). To provide guidance, Brunel has a single voting policy for all assets managed by Brunel in segregated accounts. Brunel will publish its voting policy and provide online voting records no less than twice a year.

The Fund is also a member of the Local Authorities Pension Fund Forum (LAPFF), to enable it to act with other local authorities on corporate governance issues. LAPFF's mission is to protect the long-term investment interests of beneficiaries by promoting the highest standards of corporate governance and corporate responsibility amongst investee companies. Details of their activities can be found on the following link:

<http://www.lapfforum.org/about-us>

The Fund has a fiduciary duty to act in the best interest of its members and therefore expects its investment managers to take account of financially material social, environmental and ethical considerations in the selection, retention and realisation of investments as an integral part of the normal investment research and analysis process. The Fund believes that taking account of such considerations forms part of the investment managers' normal fiduciary duty.

As such, the Fund has a commitment to ensuring that the bodies in which it invests adopt a responsible attitude toward the environment, and adopt high ethical standards. Such companies are expected to behave in a socially responsible manner by taking account of the interests of all stakeholders.

CLIMATE CHANGE POLICY

The Fund is developing its approach in this area, and has set out its policy and actions in a separate statement, which can be found on page xx.

RESPONSIBLE INVESTMENT INITIATIVES

To deliver the Fund's Responsible Investment policy the Fund is active in supporting a number of responsible investment initiatives. The Fund plans to become a signatory to the new UK Stewardship code. The Fund is a member of the LAPFF. The Fund supports the Transition Pathway Initiative ('TPI'). In addition, the Fund supports Brunel as a signatory to the UN supported Principles for Responsible Investment ('PRI').

INVESTMENT MANAGEMENT COSTS

As set out in the Investment Strategy Statement, one of the Fund's core beliefs is that 'Value for money from investments is important, not just absolute costs.' This is reflected in the fact that the Fund expects to (and does) pay lower fees for passive mandates compared to active management. The Fund reviews the investment managers' performance on a net basis against an agreed benchmark (plus an outperformance target where appropriate). The Committee monitors costs on a quarterly basis, as part of overall budget monitoring. The Fund is required to report in line with the CIPFA requirements under the Transparency Code and requires its investment managers to provide sufficient information to fulfil this requirement. An analysis of the total investment costs is provided in Note 9 to the Accounts, and a detailed analysis by portfolio is provided with the Pooling Report on page 33.

INVESTMENT MANAGEMENT ARRANGEMENTS

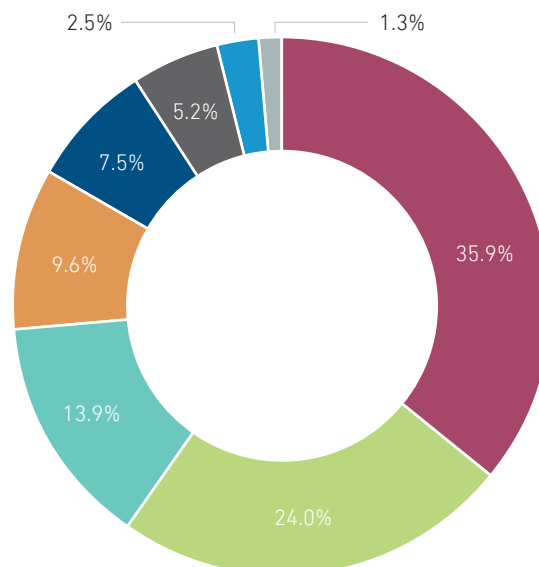
The Fund's current asset allocation as at 31 March 2020 is shown in the following table:

| Asset Class/Portfolio | Actual allocation as at 31 March 2020 | Market value as at 31 March 2020 £m | Interim allocation | Long term strategic allocation |
|---------------------------------------|---------------------------------------|-------------------------------------|--------------------|--------------------------------|
| Active global equities | 16.6% | 416.5 | 16.1% | 10.0% |
| Passive low carbon equities | 19.2% | 479.8 | 14.9% | 12.0% |
| Emerging market equities | 4.8% | 119.1 | 5.0% | 5.0% |
| Private equity | – | – | – | 7.5% |
| Total equity | 40.6% | 1,015.4 | 36.0% | 34.5% |
| Diversified growth fund | 1.3% | 33.1 | – | – |
| Infrastructure | 7.9% | 192.2 | 8.0% | 8.0% |
| Total growth assets | 49.8% | 1,240.7 | 44.0% | 42.5% |
| Multi asset credit | 7.5% | 187.2 | 5.0% | 5.0% |
| Emerging market debt | 4.8% | 119.1 | 5.0% | 5.0% |
| Property | 14.1% | 347.1 | 13.5% | 15.0% |
| Private lending | – | – | – | 7.5% |
| Private lending interim portfolio | – | – | 7.5% | – |
| Total income generating assets | 26.4% | 653.4 | 31.5% | 32.5% |
| Index linked gilts | 23.9% | 598.3 | 25.0% | 15.0% |
| Secured income | – | – | – | 10.0% |
| Total protection assets | 23.9% | 598.3 | 25.0% | 25.0% |
| Total | 100.0% | 2,492.4 | 100.0% | 100.0% |

The Fund has set both a long-term allocation and an interim allocation. This reflects the fact that private markets commitments will take several years to become full invested, and also the fact that any large movements between asset classes need to be considered in the light of the timetable of portfolio transitions agreed with the Brunel pool. Specifically, the Fund has made commitments to Brunel's private equity, infrastructure, private debt and secured income portfolios. These were made as at 31 March 2020, and in order to achieve vintage year diversification, these portfolios will be built up to the long term target allocations over several years. In addition, the private lending interim portfolio was agreed as part of the strategy by the Committee, but was not implemented until September 2020.

Split of Assets by Manager

| Manager | £m | % of Fund Total |
|---|----------------|-----------------|
| Brunel (pooled assets) | 896.3 | 35.9% |
| LGIM (Gilts) | 598.3 | 24.0% |
| CBRE (property) | 347.1 | 13.9% |
| Investec (emerging market multi-asset) | 238.2 | 9.6% |
| Loomis Sayles (multi-asset credit) | 187.2 | 7.5% |
| Magellan (listed infrastructure) | 129.6 | 5.2% |
| Partners (unlisted infrastructure) | 62.6 | 2.5% |
| Barings (diversified growth fund) | 33.1 | 1.3% |
| Locally held (cash and Brunel long term investment) | 1.0 | 0.0% |
| Total | 2,493.4 | 100.0% |

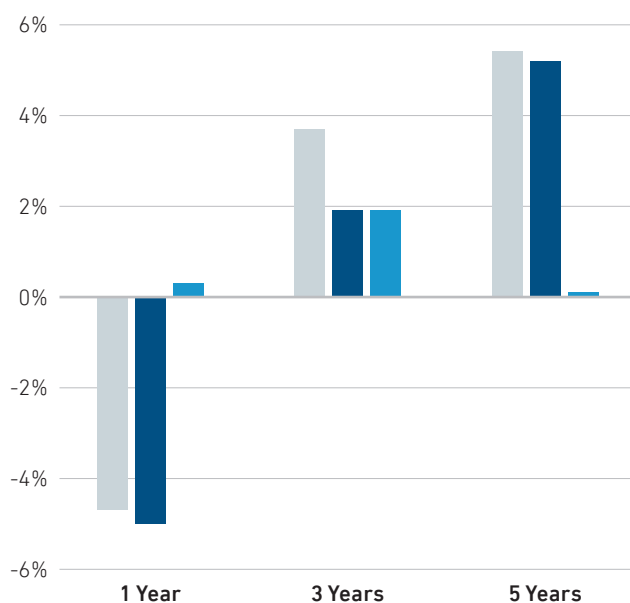


Performance

This section shows performance for the whole fund, and all investment portfolios over 1, 3- and 5-year periods (where available) against the benchmarks. Baillie Gifford's global equities portfolio transferred into the Brunel pool in November 2019, and in December 2019 the LGIM passive global equities portfolio transferred into the Brunel pool and was merged with the passive fundamental equities and passive UK equities portfolios to create the passive low carbon equities portfolio, so there is no complete 1-year period of performance data yet for these portfolios.

Markets globally suffered from coronavirus related disruption and saw large negative falls in March 2020, which reversed any gains earned earlier in the year. Over the year to March 2020, global equities returned -6.2% as measured by the MSCI All Countries World Index, and UK equities returned -18.5% as measured by the FTSE All Share Index. UK Index Linked Gilts returned -1.1% over the year. Wiltshire's overall returns were impacted by this market performance, and the whole fund return for the year to 31 March 2020 was -4.7%. This represented an outperformance of 0.3% relative to a composite of the managers' benchmarks.

| | Whole Fund returns to 31 March 2020 | 1 Year | 3 Years | 5 Years |
|-------------------|-------------------------------------|--------|---------|---------|
| Net Return | | -4.7% | 3.7% | 5.4% |
| Benchmark | | -5.0% | 1.9% | 5.2% |
| Return Against BM | | 0.3% | 1.9% | 0.1% |

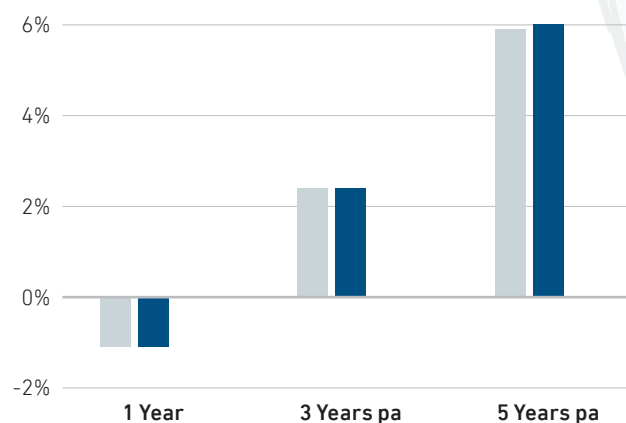


Passive portfolios

The Brunel low carbon passive equities portfolio has only been in place since December 2019, so it is not possible to show performance data this year. The portfolio aims to match its benchmark indices, and so has met the performance objectives over the short period since inception.

The LGIM passive UK gilts portfolio has also matched its benchmark over all periods as expected.

| | LGIM passive UK Gilts | 1 Year | 3 Years pa | 5 Years pa |
|-------------------|-----------------------|--------|------------|------------|
| Net Return | | -1.1% | 2.4% | 5.9% |
| Benchmark | | -1.1% | 2.4% | 6.0% |
| Return Against BM | | 0.0% | 0.0% | 0.0% |



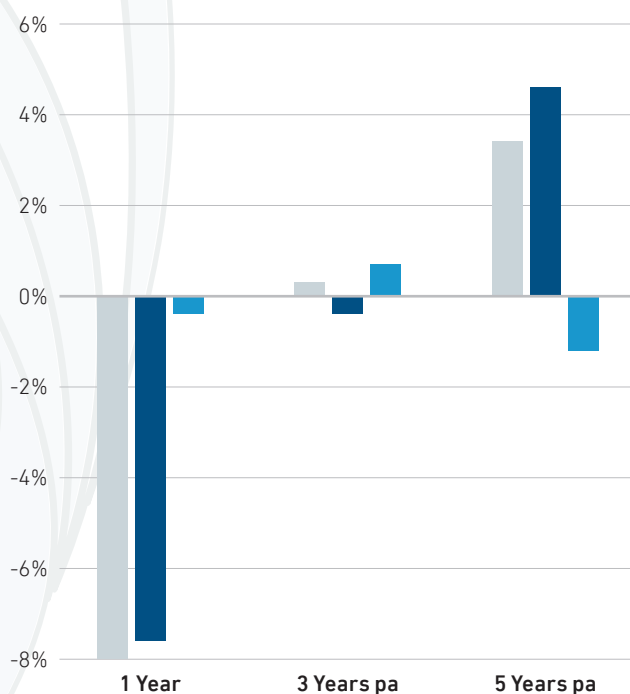
Brunel Global High Alpha equities

Baillie Gifford's global equities portfolio transitioned into Brunel in November 2019. Consequently it is too early to show performance data. Over the period to 31 March 2020 the portfolio had returned -9.0% since inception, which was 4.1% ahead of the benchmark index. This portfolio targets 2–3% outperformance over the index.

Investec

Investec's emerging market multi-asset portfolio is made up of approximately 50% equities and 50% debt investments. This portfolio has a composite benchmark which reflects the composition of the portfolio, plus an outperformance target of 2-4%. This portfolio has underperformed this target over all time periods.

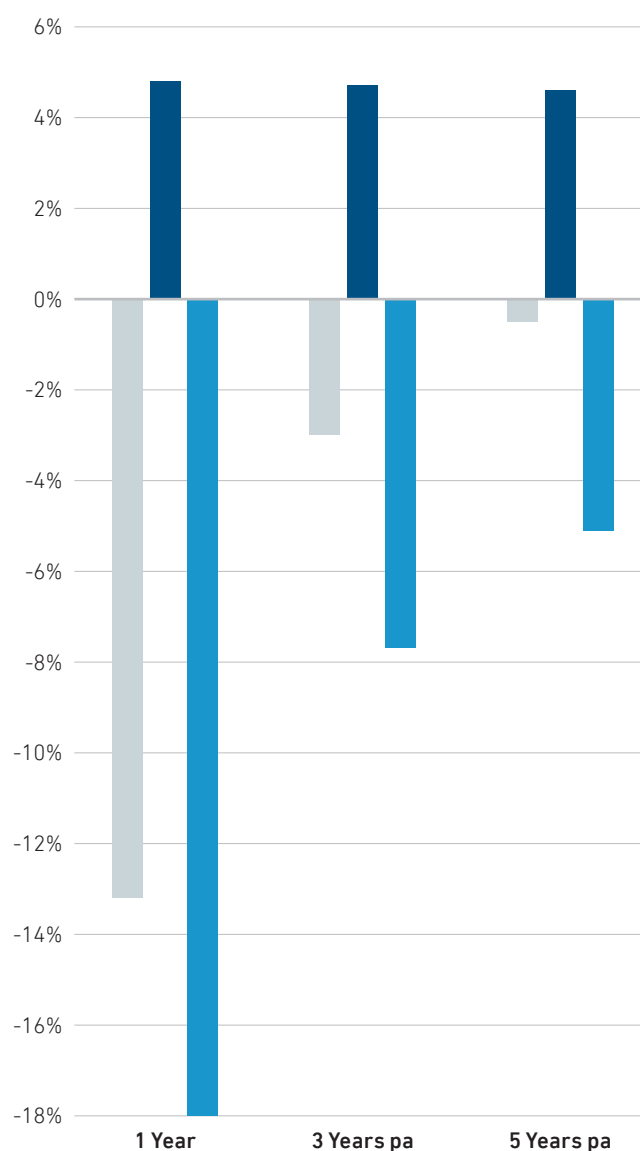
| Investec | 1 Year | 3 Years pa | 5 Years pa |
|-------------------|--------|------------|------------|
| Net Return | -8.0% | 0.3% | 3.4% |
| Benchmark | -7.6% | -0.4% | 4.6% |
| Return Against BM | -0.4% | 0.7% | -1.2% |



Barings

Barings manage a diversified growth fund portfolio, which is benchmarked against cash +4%. The portfolio has underperformed this target over all time periods. Performance over the last year was particularly hit in the first quarter of 2020. The Fund is in the process of redeeming this portfolio following a change to the strategic asset allocation.

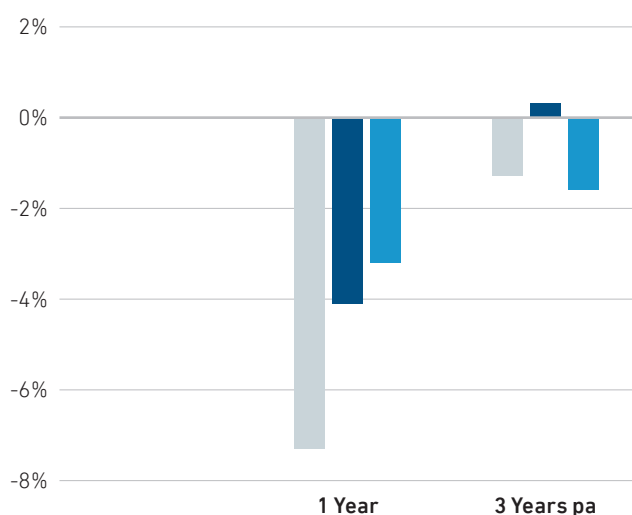
| Barings | 1 Year | 3 Years pa | 5 Years pa |
|-------------------|--------|------------|------------|
| Net Return | -13.2% | -3.0% | -0.5% |
| Benchmark | 4.8% | 4.7% | 4.6% |
| Return Against BM | -18.0% | -7.7% | -5.1% |



Loomis Sayles

Loomis Sayles manage a multi-asset credit portfolio, which is benchmarked against a composite benchmark, plus an outperformance target of 2–4%. Inception for this portfolio was March 2015 so 5 year performance is not quite yet available. The portfolio has underperformed against its benchmark and target over one and three year time periods.

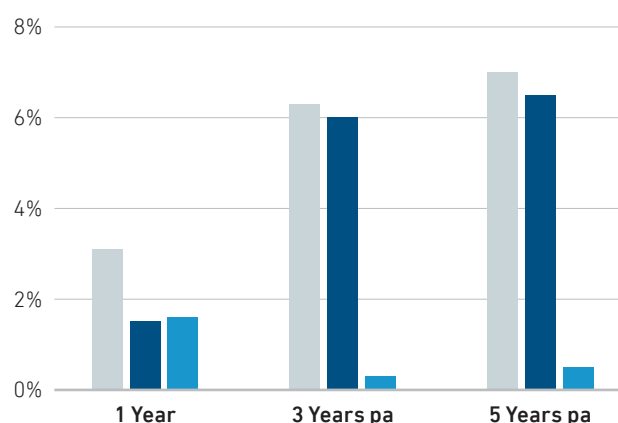
| Loomis – Multi-asset credit | 1 Year | 3 Years pa |
|-----------------------------|--------|------------|
| Net Return | -7.3% | -1.3% |
| Benchmark | -4.1% | 0.3% |
| Return Against BM | -3.2% | -1.6% |



CBRE

CBRE manage a portfolio of indirect property funds, split approximately between 75% UK and 25% global. During the year, the Committee approved an increase to 35% global, but this will take time to implement. The performance objective is to deliver a return in excess of a 75:25 benchmark based on the MSCI/AREF UK QPFI All Balanced Property Fund Index and the MSCI Global Property Fund Index over five years. There is also an outperformance target of 0.4% on top of this benchmark. CBRE have met this outperformance target over one year end five year time periods.

| CBRE | 1 Year | 3 Years pa | 5 Years pa |
|-------------------|--------|------------|------------|
| Net Return | 3.1% | 6.3% | 7.0% |
| Benchmark | 1.5% | 6.0% | 6.5% |
| Return Against BM | 1.6% | 0.3% | 0.5% |



Infrastructure

Magellan manage a portfolio of listed infrastructure equities. The inception date for this portfolio was May 2019, so it is too early to show performance information.

Partners Group manage a portfolio of unlisted infrastructure via three limited partnership funds. The internal rates of return for these funds as at 31 March 2020 were 9.5%, 11.9%, and too early to be applicable for the third fund. This is compared to an absolute return target of 8–11%.

CLIMATE CHANGE STATEMENT AND REPORT

The Committee believes that in order to carry out their fiduciary duty by acting in the interest of its members, that effective management of Environmental, Social & Corporate Governance management (ESG) issues, including climate change, which are financially material to the Fund is essential.

The Fund's approach to Climate Change Risk is to acknowledge that investing in companies who have properly considered this risk, and who have made plans for a transition to a low-carbon economy, is an essential part of being able to generate returns over the long term. The Fund takes action by a combined approach – through the Brunel Pension Partnership pool (Brunel), and on its own initiative, at a strategic level. Brunel is well resourced in this area, and the Fund views the work Brunel carry out on behalf of all clients as one of the key benefits of pooling. Further detail on Brunel's policy, and also Wiltshire's specific monitoring and actions is below.

BRUNEL 2020–22 CLIMATE CHANGE POLICY OBJECTIVES

Brunel's Climate Change Policy sets out a plan to build a financial system which is fit for a low carbon future. The Policy explains how Brunel see three areas where they have a particular contribution to make. Namely: they will have significant direct influence over the investment managers they appoint; they can exert broader influence in the investment industry and with policy makers and lastly their ability to influence company practice and performance, in particular in conjunction with their Client Funds and others.

The Committee fully encourages and supports Brunel's 2020–2022 policy objectives on climate change which are set out in their Climate Change Policy below. The Committee are currently supportive of Brunel's approach of not issuing exclusion lists as the Fund believes that simply stating exclusions or requiring divestment from specific stocks or sectors will not compel investment managers to develop their capacity on climate change or drive change in the companies in which they are invested.

MONITORING OF CLIMATE CHANGE POLICY AND REPORTING PROGRESS

Reporting on climate change is an area that is rapidly developing, and the Fund is working with Brunel and other member funds to continue to improve this. The Fund is supportive of Brunel's involvement in initiatives, such as the Institutional Investors Group on Climate Change ("IIGCC") Paris Aligned Investment Initiative, that are working to allow asset owners and investment managers to explain, in a consistent and comparable manner, how their portfolios compare to the goals of a net zero carbon future and of keeping global temperature rise below 2 °C.

The Fund currently undertakes climate change scenario analysis and carbon footprinting (measuring carbon intensity and fossil fuel reserve exposure) to better understand opportunities and risks within the Fund's portfolios.

Alongside Brunel and the partner funds, the Fund will look to undertake a full review of our climate change policy approach in late 2022 to early 2023 to provide us with the opportunity to reflect

BRUNEL'S 2020–2022 CLIMATE CHANGE POLICY OBJECTIVES

We will play an active and leading role in encouraging policy makers to establish comprehensive and robust climate change policy frameworks. Within this, we will focus particular attention on:

- The adoption of a meaningful price on carbon, which is material (i.e. sufficient to drive change at the scale and rate required), progressive over time and widespread (i.e. applies to all major sectors of the economy).
- The removal of fossil fuel subsidies.
- The introduction of policy measures – for example, product standards, limitations on high carbon technologies, support for low carbon technologies – that accelerate the move away from high impact activities and sectors.
- The removal or correction of regulatory barriers to progress and support financial policy makers and regulators in being ambitious and effective in implementation of plans to mitigate climate risk and under the Adaptation Reporting Power.
- The integration of climate change into the mandates and into the oversight and control processes of prudential regulators and other regulatory bodies.
- Ensuring that climate change policy is socially sustainable and takes due account of workers' rights and community interests (the 'Just Transition') when taking action to reduce greenhouse gas emissions and adapt to a changing climate.

We will play an active leading role in encouraging policy makers to integrate climate change into multilateral and bilateral trading frameworks, with a particular focus on the UK post Brexit.

We will encourage policy makers to introduce mandatory climate change disclosure requirements for companies, with a focus on providing clear, decision useful information and encouraging a clear articulation of the risks that companies and their investors face.

We will support the development of skills, knowledge and professional standards of those intermediaries who are critical influencers in the action of investors and companies. These include, but are not limited to, investment consultants, actuaries, lawyers and auditors.

Further details of Brunel's Climate Change policy are set out on its website: <https://www.brunelpensionpartnership.org/wp-content/uploads/2020/01/Brunel-Climate-Change-Policy-rev01.pdf>

on progress, the effectiveness of our approach, and potentially to raise our ambitions.

One of the key questions the Fund will be answering as part of this review is whether Brunel's decision to engage with investment managers has been effective. Specifically, whether it has been effective in delivering change in the way investment managers work and in their ongoing engagement with companies to drive improvements in corporate strategies on climate change, so that these companies are on a trajectory to be aligned with the transition to a 2°C economy. If the answer is no, the Fund will be expecting Brunel to consider whether they need to change investment managers and/or introduce selective divestment requirements for companies.

The Fund will continue to monitor Brunel's progress on implementing its policy objectives and will work with them to achieve our collective climate change ambitions. If the Fund does not feel action is progressing at an appropriate pace, the Fund will seek to address this with the other partner funds and Brunel.

In addition to the full review, the Committee will be reviewing its beliefs and commitments on an annual basis to ensure that they remain fit for purpose and that strategic objectives are set with these in mind. To support this, the Fund will ensure there is regular training on climate change for the Committee, Board, and Officers so that those in charge of the decision making for the Fund are sufficiently informed.

RELEVANT STRATEGIC DECISIONS AND ACTIONS TAKEN DURING THE YEAR TO 31 MARCH 2020

During the year, the Committee instructed officers to carry out research into options for low carbon investing. Following this, the Committee decided to transfer its entire passive equity exposure (around 20% of the Fund at the time of transfer) into a low carbon passive equities portfolio managed by Brunel, which was completed in December 2019. This portfolio gave the Fund the ability to lower its carbon footprint, whilst not sacrificing any investment returns compared to the broader global equity index. The Fund published a press release, an extract of which is shown below, to share with members of the Fund and the general public the action it had taken.

PENSION COMMITTEE CHAIRMAN, COUNCILLOR TONY DEANE :

“Climate change is an increasingly material issue for investors and we believe that investing to support the Paris goals is entirely consistent with securing long-term financial returns and is aligned with the best long-term interests of Wiltshire’s beneficiaries. We also want to invest in a world worth living in, and investing in low carbon passive equities through our pool operators at Brunel gives us an ideal, cost-effective solution. It also helps us benefit from the wider expertise of our Pool. As the world steps up to meet the global climate emergency its vital that investors like us play their part.”

The Committee also agreed to sign up as a supporter of the Transition Pathway Initiative (TPI), which is a global initiative which assesses companies' preparedness for transition to a low-carbon economy, with the following statement:

We support TPI because as long term investors we consider all investment risks in developing our strategy, which includes climate change risk. The work TPI is doing in quantifying how companies are managing climate change risk is something that we will use to help hold our asset managers to account.

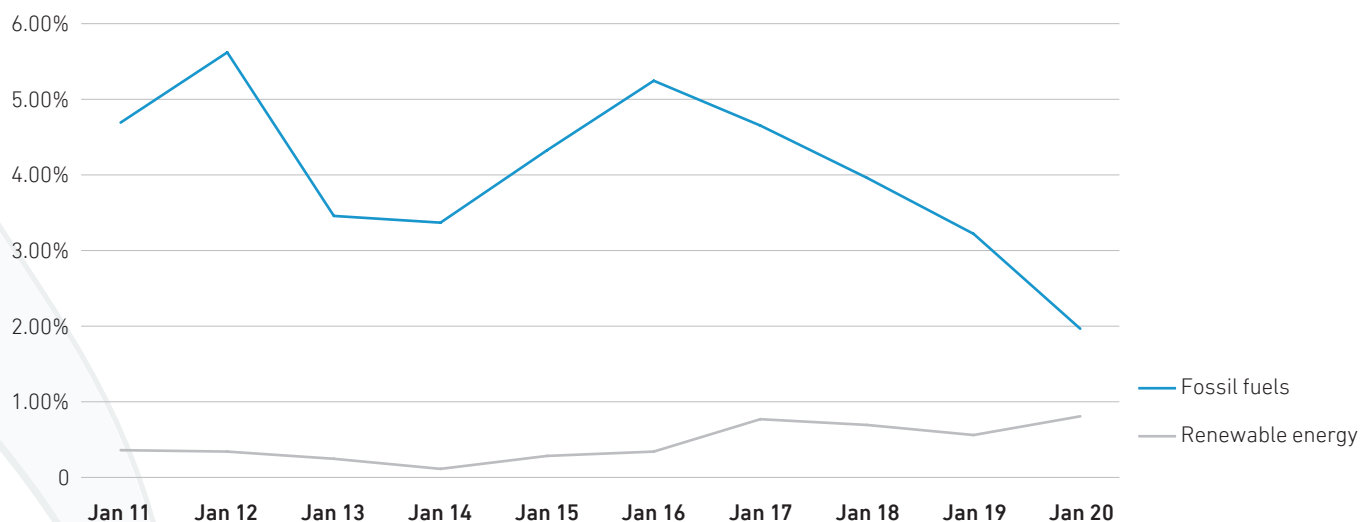
In order to begin setting a benchmark for progress, the Committee commissioned Brunel to carry out a carbon footprinting exercise on all equity portfolios (these are the portfolios on which this type of analysis is possible) as at 31 March 2019. The analysis was repeated at 31 December 2019 and the results are shown below. This exercise will be continued into the future in order to monitor trends and empower the Committee to hold Brunel to account in this area.

The Committee has also instructed an exercise which will model various climate change scenarios, and the effects of these on the Fund's portfolios. This will help inform policy and the direction of travel for the Fund going forward.

MONITORING OF RELEVANT METRICS

The Committee monitors on an annual basis, as at 31 March, the Fund's overall exposure to companies which derive the bulk of their revenues from fossil fuels, as well as companies or assets (via the infrastructure portfolio) which are focussed on renewable energy. A graph showing the exposure as a percentage of the total Fund value over the last 10 years is shown below. Due to the transition to low carbon passive equities, the exposure of the Fund to fossil fuels is at an all-time low. Increased deployment of capital into infrastructure assets via the unlisted infrastructure portfolio managed by Partners Group has also increased the Fund's exposure to renewable energy sources.

Percentage of Fund held in Fossil Fuels and Renewable Energy



The results of the carbon footprinting exercise are shown below:

Wiltshire Pension Fund – Carbon Footprint Analysis as at 31 December 2019

| Metric | Unit | Portfolio | Benchmark | Relative Efficiency |
|--|-------------------------|-----------|-----------|---------------------|
| Weighted Average Carbon Intensity | tCO ₂ e/mGBP | 153 | 301 | 49% |
| Extractive Industries Revenue Exposure (VOH) | % | 2.3 | 5.3 | 57% |

Wiltshire Pension Fund – Carbon Footprint Analysis as at 31 March 2019

| Metric | Unit | Portfolio | Benchmark | Relative Efficiency |
|--|-------------------------|-----------|-----------|---------------------|
| Weighted Average Carbon Intensity | tCO ₂ e/mGBP | 292 | 450 | 35% |
| Extractive Industries Revenue Exposure (VOH) | % | 4.3 | 8.0 | 46% |

Definitions

- WACI:** The weighted average carbon intensity shows the portfolio's exposure to carbon intensive companies. This measure is determined by taking the carbon intensity of each company and weighting it based on its holding size within the Portfolio. Because carbon intensive companies are more likely to be exposed to potential carbon regulations and carbon pricing, this is a useful indicator of potential exposure to transition risks such as policy intervention and changing consumer behaviour.
- Extractives Industries Revenue Exposure (VOH):** This is calculated by summing the weights of any holdings in companies that have a revenue dependency on extractives-related activities. This measure is useful as an indicator to show potential exposure to stranded assets.

This analysis shows that between March and December 2019, there has been significant improvement in Wiltshire's carbon footprint. Of particular note is the change in the WACI, which has reduced by 48% over the period.

POOLING REPORT

IMPLEMENTATION: APPROACH TO ASSET POOLING

The Fund pools investments with 8 other local authorities and the Environment Agency through the Brunel Pension Partnership and its operator Brunel Ltd.

The Fund first transferred assets to BPP Ltd in July 2018 and, through the Pension Committee, will retain the responsibility for setting the detailed Strategic Asset Allocation for the Fund and allocating investment assets to the portfolios provided by BPP Ltd. However, the fiduciary responsibility dictates that the Pension Fund Committee must always act in the best interest of the Fund and it will need to ensure the most appropriate investments are used in the implementation of its investment strategy. This includes ensuring BPP Ltd are able to implement the Committees strategic decisions, that they are held to account for performance and in extremis, potentially consider other investments if the value for money opportunity cannot be delivered through BPP Ltd in terms of collective and individual basis.

BPP Ltd is a company which is wholly owned by the Administering Authorities. The company is authorised by the Financial Conduct Authority (FCA) to act as the operator of an unregulated Collective Investment Scheme. It is responsible for implementing the detailed Strategic Asset Allocations of the participating funds by investing Funds assets within investment portfolios with defined risk and return characteristics. In particular it researches and selects the underlying investment managers needed to meet the requirements of the detailed Strategic Asset Allocations. These Manager Operated Funds will be operated by professional external investment managers. The Fund is a client of BPP Ltd and as a client has the right to expect certain standards and quality of service. A detailed service agreement is in place which sets out the duties and responsibilities of BPP Ltd, and the rights of Wiltshire Pension Fund as a client. It includes a duty of care of BPP to act in its clients' interests.

The governance of the Brunel partnership is of the utmost important to ensure the Fund's assets are invested well and the needs of the Fund and its beneficiaries are met. Governance controls exist at several levels within Brunel.

- As shareholders in Brunel the Fund entered into a shareholder agreement with the company and the other shareholders. This gives considerable control over Brunel – several matters, including significant changes to the operating model and finances, are reserved matters requiring the consent of all shareholders.
- An Oversight Board comprising representatives from each of the Administering Authorities has been established. Acting for the Administering Authorities, it has a primary monitoring and oversight function. Meeting quarterly, it can request papers from Brunel or interrogate its management. However, it cannot take decisions requiring shareholder approval, which will be remitted back to each Administering Authority individually.

- The Oversight Board is supported by the Client Group, comprised primarily of pension investment officers drawn from each of the Administering Authorities, but also drawing on finance and legal officers from time to time. It will have a leading role in reviewing the implementation of pooling by Brunel, and provide a forum for discussing technical and practical matters, confirming priorities, and resolving differences. It will be responsible for providing practical support to enable the Oversight Board to fulfil its monitoring and oversight function.
- A separate level of governance is provided by the Board of Directors at Brunel, which are appointed by the Fund and the other shareholders. It comprises four highly experienced and independent non-executive directors, chaired by Denise Le Gal and four executive directors.
- Finally, as an authorised firm, Brunel has to meet the extensive requirements of the FCA which cover standards such as conduct, good governance, record keeping, training and competency, policy and process documents, and internal controls.

The arrangements for asset pooling for the Brunel pool were formulated to meet the requirements of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and Government guidance.

Wiltshire Council approved the full business case for the Brunel Pension Partnership on 21 February 2017. The Fund's first investment assets were transitioned across to BPP in July 2018. At the time of writing BPP are still working to finalise a number of their portfolio offerings, with the target date for all portfolios operational extending into 2021. Until such time as transitions take place, the Fund will continue to maintain the relationship with its current investment managers and oversee their investment performance.

Following the completion of the transition plan, it is currently envisaged that the majority of the Wiltshire Pension Fund's assets will be invested through BPP Ltd. The Fund has certain commitments to long term illiquid investment funds which will take longer to transition across to the new portfolios to be set up by BPP Ltd.

Currently not all proposed portfolios to be offered by BPP Ltd provide a direct substitution for the Fund's investment strategy. For example, there is not a replication of the Fund's Emerging Market Multi Asset mandate. In this case, where BPP cannot accommodate a specific solution, these assets would remain outside the Fund and continue to be managed by the Fund until such time as they are liquidated, and capital is returned.

In order to monitor progress, the following information has been prepared to show set-up and ongoing costs associated with investment pooling, along with actual and projected savings.

Set up costs

The following table shows the set-up costs (all of which were charged in prior years), and the current year's transition costs associated with transferring the passive UK and fundamental equities to Brunel.

| 2019/20 | | | | |
|---|--------------|----------------|--------------|--------------------------------|
| Set up costs | Direct £'000 | Indirect £'000 | Total | Long term strategic allocation |
| Recruitment | – | – | – | 18 |
| Legal | – | – | – | 133 |
| Consulting, Advisory & Procurement | – | – | – | 82 |
| Other support costs eg IT accommodation | – | – | – | – |
| Share purchase | – | – | – | 840 |
| Other working capital provided eg loans | – | – | – | – |
| Staff Costs | – | – | – | – |
| Total set up costs | – | – | – | 1,072 |
| Transition costs | – | 2,054 | 2,054 | 2,088 |

Note – transition costs for 2019/20 per Note 9 of the Accounts is £2,550k. This also includes £496k of costs associated with transitioning into the low carbon passive equities portfolio. This was carried out partially using portfolios already held with Brunel. The transition costs in the table above are only those incurred at launch of a new portfolio.

Projected Savings

The following table shows the expected costs and savings over the next few years, as taken from the Brunel business plan. These figures come from the original 2015 business case submission to the Ministry of Housing, Communities & Local Government (MHCLG), in line with the CIPFA guidance. Since then the business case has been revised to include a significant budget increase, as well as increased savings projections. The figures show that Wiltshire is expected to breakeven from pooling in 2023. The revised business case is still consistent with this position.

| | 2016/17 £'000 | 2017/18 £'000 | 2018/19 £'000 | 2019/20 £'000 | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 | 2024/25 £'000 | 2025/26 £'000 | 2026/36 £'000 |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Set up costs | 117 | 1,041 | – | – | – | – | – | – | – | – | – |
| Transition costs | – | – | 1,350 | 2,644 | 13 | – | – | – | – | – | – |
| Ongoing costs associated with management and running of the pool | – | – | 430 | 558 | 577 | 595 | 614 | 634 | 655 | 676 | 8,093 |
| Projected fee savings | – | – | (343) | (1,159) | (1,888) | (2,031) | (2,181) | (2,339) | (2,503) | (2,676) | (39,695) |
| Client savings | – | – | (150) | (154) | (159) | (163) | (168) | (173) | (179) | (184) | (2,172) |
| Net costs/ (savings) for the period | 117 | 1,041 | 1,288 | 1,889 | (1,457) | (1,599) | (1,735) | (1,878) | (2,027) | (2,184) | (33,775) |
| Net cumulative costs/(savings) | 117 | 1,158 | 2,446 | 4,335 | 2,878 | 1,279 | (456) | (2,334) | (4,361) | (6,545) | (40,320) |

Expected vs Actual Costs and Savings to date

The following table shows a comparison between the expected and the actual savings and costs achieved to date, for the past two years and cumulatively. Budget figures are those from the original 2015 business case submission to the MHCLG, in line with the CIPFA guidance.

| | 2018/19 | | | | 2019/20 | | | |
|----------------------|------------------|--------------------------------|------------------|--------------------------------|------------------|--------------------------------|------------------|--------------------------------|
| | Actual | | Budget | | Actual | | Budget | |
| | In year £'000 | Cumulative to date £'000 | In year £'000 | Cumulative to date £'000 | In year £'000 | Cumulative to date £'000 | In year £'000 | Cumulative to date £'000 |
| Set up costs | – | 1,072 | – | 1,158 | – | 1,072 | – | 1,158 |
| Transition costs | 33 | 33 | 1,350 | 1,350 | 2,054 | 2,087 | 2,644 | 3,994 |
| Ongoing costs | 693 | 693 | 430 | 430 | 901 | 1,594 | 558 | 989 |
| Client savings | – | – | (150) | (150) | – | – | (154) | (304) |
| Fee savings | (281) | (281) | (343) | (343) | (823) | (1,104) | (1,159) | (1,502) |
| Net savings realised | 432 | 1,504 | 1,288 | 2,446 | 2,132 | 3,636 | 1,889 | 4,335 |

Client savings represent the cost savings as a result of moving over some of the management of investments to Brunel. These were estimated to mainly be for expenses such as fund investment advice, financial / performance measurement and custodian costs. No savings have yet been recognised, as at this stage in the pooling process costs for consultancy etc. have in fact been higher, in assuring that portfolio specifications are appropriate etc.

Ongoing investment management costs

The following information has been prepared in order to enable comparison between the ongoing investment management costs between asset pools and non-pooled investments.

| Investment management costs for year to 31 March 2020 | | | | | | | | | | |
|---|-----------------|-------------------|----------------|-------------|-----------------|-------------------|----------------|--------------|----------------|-------------|
| | Asset Pool | | | | Non-Asset Pool | | | | Fund Total | |
| | Direct £'000 | Indirect £'000 | Total £'000 | Bps | Direct £'000 | Indirect £'000 | Total £'000 | Bps | Total £'000 | Bps |
| Management fees | – | 1,180 | 1,180 | 8.9 | 2,678 | 4,595 | 7,273 | 37.8 | 8,453 | 26.0 |
| Performance fees | – | – | – | – | 12,455 | 640 | 13,095 | 68.0 | 13,095 | 40.2 |
| Fees and costs of underlying fund investments | – | – | – | – | – | 3,861 | 3,861 | 20.0 | 3,861 | 11.9 |
| Total fees | – | 1,180 | 1,180 | 8.9 | 15,133 | 9,096 | 24,229 | 125.8 | 25,409 | 78.1 |
| Asset pool shared costs | 888 | – | 888 | n/a | – | – | – | n/a | 888 | n/a |
| Transaction costs: | | | | | | | | | | |
| – Transaction taxes | – | 18 | 18 | 0.1 | – | 148 | 148 | 0.8 | 166 | 0.5 |
| – Broker commission | – | 1 | 1 | – | – | 227 | 227 | 1.2 | 228 | 0.7 |
| – Transaction related services | – | – | – | – | – | 293 | 293 | 1.5 | 293 | 0.9 |
| – Other explicit transaction costs | – | – | – | – | – | 463 | 463 | 2.4 | 463 | 1.4 |
| – Implicit transaction costs | – | 191 | 191 | 1.4 | – | 2,949 | 2,949 | 15.3 | 3,140 | 9.6 |
| – Indirect transactions costs | – | 385 | 385 | 2.9 | – | 802 | 802 | 4.2 | 1,187 | 3.6 |
| – Anti-dilution levy | – | 160 | 160 | 1.2 | – | 57 | 57 | 0.3 | 217 | 0.7 |
| Total transaction costs | – | 435 | 435 | 3.3 | – | 4,825 | 4,825 | 25.1 | 5,260 | 16.2 |
| Operating expenses | – | – | – | – | – | 415 | 415 | 2.2 | 415 | 1.3 |
| Total of all fees and costs | 888 | 1,615 | 2,503 | 18.8 | 15,133 | 14,335 | 29,468 | 153.0 | 31,971 | 98.2 |

Direct costs are those which are directly invoiced to Wiltshire Pension Fund. Indirect costs are those which are charged to the underlying investments – these are disclosed to Wiltshire by cost transparency reporting each year, and are accounted for in the total investment management costs reported in the statement of accounts. These includes fees and costs charged by the underlying funds held in the property and infrastructure portfolios, in order to show a complete reflection of the costs of holdings these investments, in line with the CIPFA guidance on accounting for local government pension scheme management expenses 2016.

Asset pool shared costs represent the quarterly amounts invoiced by the Brunel pool for management and ongoing running costs, and also includes monthly consultancy costs associated with administering the Brunel client and oversight board groups.

Custody fees in the table above relate to custody fees incurred by the investment managers in the course of managing their portfolios, and are do not relate to the custody fees paid by Wiltshire to its global custodian, State Street. These are shown separately in Note 9 to the accounts.

The fee rates in basis points (bps) shown in the table above are based on the actual fees or costs, pro-rated up to a full year where the portfolio was only held for part of the year, as a percentage of the closing market value of the total assets held in the pool or held outside the pool, plus the closing market value for any portfolios which were terminated partway through the year. Assets currently held in the pool are low carbon passive equities, and global high alpha equities. All the Fund's passive equities are held in the pool, so costs associated with this portfolio are much lower than portfolios which are actively managed, and this brings down the average costs of pooled portfolios compared to those still held outside the pool.

Asset performance

Asset performance for portfolios held inside and outside the pool is shown as part of the Investment Report on pages 23–29.

Risks associated with the pooling arrangements

Risks of pooling are considered, identified, reviewed and monitored as part of the Fund's overall risk management process. Specific risks are set out in the Fund's risk register, which is reported as part of the quarterly Committee papers, which can be found at the following link: <https://cms.wiltshire.gov.uk/ieListMeetings.aspx?CId=142&Year=0>.

FINANCIAL PERFORMANCE

ANALYTICAL REVIEW

The following tables show a brief review of key movements in the Fund Account and Net Asset Statement for the financial year.

Major movements in Fund Account and the Net Assets Statement for the financial year

| Fund Account | 2019/20 £'000 | 2018/19 £'000 | Notes |
|--|------------------|------------------|---|
| Net additions from dealings with members | 36,623 | 45,105 | An additional £7.1m transferred out to other funds and £2m in benefits paid out during 2019/20 compared to the previous financial year. |
| Management expenses | -36,936 | -21,152 | Increase in costs mostly relate to £2m cost of transitions into the Brunel Pool, £10m in performance fees owed to an investment manager on termination of the contract, and £2m increase on 2018/19 in respect of un-invoiced transaction costs paid to pooled fund managers. |
| Return on Investments | -115,729 | 197,489 | Reduction in returns due to market fluctuations |
| Net (decrease)/increase in the Fund | -116,042 | 221,442 | |

| Net Asset Statement | 2019/20 £'000 | 2018/19 £'000 | Notes |
|--------------------------------|------------------|------------------|--|
| Long Term Investments – Brunel | 427 | 840 | 10% share in Brunel initially measured at cost is now accounted for at fair value |
| Equities | – | 432,614 | Overseas equities moved into Brunel Pool during 2019/20 |
| Pooled Funds | 2,145,268 | 1,800,530 | Funds previously invested in overseas equities were moved into the Brunel Pool during 19/20 |
| Property | 329,510 | 334,978 | |
| Cash | 17,950 | 15,321 | |
| Other | 247 | 182 | |
| Purchases | – | -2,326 | There was a pending purchase in the property portfolio at 31 March 2019, and none at 31 March 2020 |
| Total Net Investments | 2,493,402 | 2,582,139 | |

MOVEMENT IN ASSETS AND LIABILITIES

The funding level (i.e. the ratio of the assets to liabilities) at 31 March 2019 (last valuation) was 97% being valued at £2.589 million. Hymans Robertson's previous valuation at 31 March 2016 was 82%. This means that the total of the Fund's assets was sufficient to meet 97% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2019 valuation was £92 million.

Since the last formal valuation, the impact of Covid-19 on the financial markets has had a negative impact on investment returns on the Fund's assets and the funding level reduced to 88% as at 31 March 2020.

ANALYSIS OF PENSION CONTRIBUTIONS

The table below shows the value of contributions received on time and late.

| | Total | On time | | Late | |
|--------------|----------------|----------------|--------------|------------|-------------|
| | £'000 | £'000 | % | £'000 | % |
| Employee | 22,888 | 22,838 | 99.8% | 49 | 0.2% |
| Employer | 97,048 | 96,865 | 99.8% | 183 | 0.2% |
| Total | 119,936 | 119,703 | 99.8% | 233 | 0.2% |

In total 54 monthly contribution payments were received late of which 47 were received within the month, five received between one and three months late and two received more than three months late.

No interest was charged on any of the late payments.

FORECASTS

The following table shows the forecast and outturn for the Fund Account and Net Asset Statement for the two years to 31 March 2020.

| | 2020/21 | 2019/20 | | 2018/19 | |
|---------------------------------|-------------------|-------------------|-----------------|-------------------|-----------------|
| Fund Account | Forecast £'000 | Forecast £'000 | Actual £'000 | Forecast £'000 | Actual £'000 |
| Contributions | 143,047 | 142,104 | 139,380 | 105,059 | 138,715 |
| Payments | -105,460 | -95,897 | -102,757 | -88,191 | -93,610 |
| Investment management expenses | -15,167 | -21,669 | -36,936 | -9,172 | -21,152 |
| Net investment income | 12,412 | 11,500 | 12,411 | 11,000 | 11,355 |
| Change in market value | 75,146 | 204,747 | -128,141 | 210,857 | 186,134 |
| Net increase in the Fund | 109,978 | 240,786 | -116,043 | 229,553 | 221,442 |

Contributions and payments are based on current expectations, the administration and investment management expenses are based on current budgets; and the net investment income and change in market value are based on the long-term forecast returns for each asset class.

| | 2020/21 | 2019/20 | | 2018/19 | |
|--------------------------------|-------------------|-------------------|------------------|-------------------|------------------|
| Net Asset Statement | Forecast £'000 | Forecast £'000 | Actual £'000 | Forecast £'000 | Actual £'000 |
| Brunel Shareholdings | 427 | 427 | 427 | 840 | 840 |
| Pooled funds – equities | 1,118,278 | 1,296,307 | 1,058,975 | 1,326,740 | 1,222,931 |
| Emerging market equities | 127,785 | 139,588 | 119,091 | 136,655 | 128,890 |
| Infrastructure | 65,916 | 55,835 | 62,598 | 38,615 | 51,556 |
| Gilts | 610,274 | 435,592 | 598,308 | 261,979 | 424,140 |
| Multi Asset Credit | 195,629 | 119,486 | 187,205 | 118,349 | 116,345 |
| Absolute Return Bonds | – | 164,722 | – | 165,222 | 160,391 |
| Emerging market debt | 123,855 | 139,588 | 119,091 | 136,655 | 128,890 |
| Property | 343,020 | 350,052 | 329,510 | 294,091 | 334,978 |
| Cash | 17,950 | 39,351 | 17,950 | 28,757 | 15,321 |
| Income due and current assets | 10,723 | 38,571 | 10,723 | 16,818 | 35,639 |
| Total Investment Assets | 2,613,856 | 2,779,518 | 2,503,878 | 2,524,721 | 2,619,921 |

The forecasts for total investment assets are based on the actual figures for 2019/20 multiplied by the forecast long term returns for each asset used at the last strategic asset allocation review in 2019. No future changes in asset allocation have been considered as the timings of these are not known with certainty.

The long-term asset return forecasts for each asset class are as follows (the forecasts in the table were determined when the Fund's latest Strategic Asset Allocation was set during 2019/20):

Long-term forecast asset returns from 1 April 2020

| Asset Class | Long term forecast return (%) |
|--------------------------|-------------------------------|
| Equities | 5.6 |
| Emerging market equities | 7.3 |
| Infrastructure | 5.3 |
| Gilts | 2.0 |
| Multi Asset Credit | 4.5 |
| Emerging market debt | 4.0 |
| Property | 4.1 |

OPERATIONAL EXPENSES

The following table shows the forecast and outturn for the Fund Account and Net Asset Statement for the two years to 31 March 2020, and the forecast for the year to 31 March 2021.

| | 2020/21 | 2019/20 | | 2018/19 |
|---|-------------------|-------------------|-----------------|-----------------|
| Fund Account | Forecast £'000 | Forecast £'000 | Actual £'000 | Actual £'000 |
| Fund Investment | | | | |
| Custodians Fees | 143 | 144 | 193 | 113 |
| Brunel cost of Pooling | 963 | 891 | 888 | 769 |
| Staffing and other costs | 127 | 114 | 127 | 181 |
| Total net cost of investment | 1,233 | 1,149 | 1,208 | 1,063 |
| Scheme Administration | | | | |
| Pension Scheme Administration staffing costs | 1,072 | 969 | 996 | 800 |
| Staff training | 32 | 28 | 19 | 16 |
| Corporate charges | 311 | 311 | 311 | 248 |
| Pension Administration systems and data Cleansing | 354 | 332 | 310 | 397 |
| Other administration costs | 79 | 95 | 102 | 78 |
| Scheme Administration Costs | 1,848 | 1,735 | 1,738 | 1,540 |
| Oversight and Governance | | | | |
| Staffing and Related | 182 | 169 | 168 | 135 |
| Training and conferences | 8 | 12 | 10 | – |
| Subscriptions, memberships and levies | 45 | 43 | 34 | 39 |
| Actuarial services | 156 | 273 | 206 | 187 |
| Audit | 27 | 27 | 10 | 16 |
| Legal Fees | 58 | 20 | 13 | 67 |
| Advisory Fees | 170 | 165 | 142 | 111 |
| Corporate charges and other costs | 146 | 146 | 224 | 100 |
| Oversight and Governance costs | 792 | 855 | 807 | 655 |
| Local Pension Board costs | 27 | 16 | 14 | 20 |
| Grand Total (Inc Invest Man Fees) | 3,900 | 3,755 | 3,767 | 3,278 |

From 2019/20 the Fund has changed the way it manages its budget, with the main changes being a review of which types of expenditure are classified as oversight and governance. The 2018/19 figures shown in the table above have been reclassified to allow for ease of comparison between years.

CASH FLOW

Officers continue to monitor the cashflow position of the Fund to ensure sufficient resources are available to pay benefits as they fall due. The position for 2019/20 is shown below:

| | Year ending 31 March 2020 £m |
|-----------------------------------|---------------------------------|
| Receipts | 149.9 |
| Payments | -132.0 |
| Surplus/ (Deficit) | 17.9 |
| Cash returned from managers | 5.0 |
| Cash returned from custodian | 0.6 |
| Funds sent to investment managers | -22.9 |

This shows that excluding investment income, cashflow is broadly neutral for the year.

ANALYSIS OF PENSION OVERPAYMENTS

The table below shows an analysis of the pension benefits overpaid and recovered. These mainly relate to overpayment of pensioners between the date of their death and notification.

| Analysis of Pension Overpayments | 2019/20 £'000 | 2018/19 £'000 | 2017/18 £'000 | 2016/17 £'000 | 2015/16 £'000 |
|---------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Overpayments recovered | 27 | 19 | 29 | 29 | 19 |
| Overpayments not recovered | 11 | 14 | 12 | 12 | 10 |
| Total | 37 | 33 | 41 | 41 | 29 |
| Annual payroll | 77,241 | 72,224 | 68,165 | 65,540 | 63,698 |
| Write offs as a % of payroll | 0.01% | 0.02% | 0.02% | 0.02% | 0.02% |
| No. of cases – not recovered | 157 | 167 | 185 | 151 | 106 |
| No. of cases – recovered | 24 | 31 | 52 | 41 | 35 |
| No. of cases – in process of recovery | 9 | 7 | 9 | 11 | 6 |

RISK

RISK MANAGEMENT

The Administering Authority has an active risk management programme in place. Controls are in place to cover the following risks.

Financial/Funding Risk

This is essentially the risk that the funding level drops and/or contribution rates must rise due to one or more of the following factors:

- Investment Risk – This is the risk that the investments assets underperform the level assumed in the Triennial Actuarial Valuation. This can occur due to poor economic/market conditions, the wrong investment strategy or poor selection of investment managers.
- Liability Risk – This is the risk that there is a fall in the so-called 'risk free' returns on Government bonds, which form the basis of assumptions about future investment returns. The assumed future investment return is used to "discount" future liabilities (i.e. over the next 0-80 years) back to today's values (net present value). Therefore, falling bond yields means higher liabilities.
- Inflation Risk – Notwithstanding other factors, Pension Fund liabilities increase in line with inflation, because the CPI is applied to pensions annually. Therefore, rising inflation causes the liabilities to increase.
- Insufficient Funds Risk - This is the risk that there is insufficient money in the Fund to pay out pensions as they become due.

Demographic Risk

This is the risk of that the pensioners live longer and therefore the liabilities of the Fund increase.

Regulatory Risk

This risk could manifest itself in several ways. For example, it could be the risk that the liabilities will increase due to the introduction of an improved benefits package, or that investment returns will fall due to tighter regulation being placed on what can be invested in.

It could also arise through a failure to comply with LGPS or other regulations.

Governance Risk

This is the risk that governance arrangements of the Fund are sub-optimal. For example, this could arise through a lack of expertise on the Committee arising from insufficient training. Another possibility is that potential conflicts of interest between the Fund and the Council are not managed sufficiently well.

Employer Risk

There is a risk to the Pension Fund that an employer will be unable to meet its financial obligations during its membership or when it ceases. An employer may cease due to the end of a service contract or the last active contributing member leaves the Fund. If a guarantor is in place then they will pick up the cost of any default, if there is no guarantor and the employer is unable to meet its obligations the cost will be spread across all the employers in the Pension Fund.

Management Risk

This risk can manifest itself in several ways:

- Failure to process pensions
- Failure to collect contributions
- Failure to have proper business continuity plans in place
- Fraud or misappropriation
- Failure to maintain up-to-date and accurate data and hold it securely
- Failure to maintain expertise or over-reliance on key staff
- Failure to communicate effectively with members and employers
- Failure to provide the service in accordance with sound equality principles

A Risk Register was formally adopted by the Wiltshire Pension Committee in May 2009 and a report of the key highlights is reported to the Committee at each quarterly meeting. In 2019 a reconfiguration of the risk register took place to make it a more dynamic document and more consistent with the Administering Authority's management of risk. One visible change to the Fund's management of risk was to split the risks into Horizon, Dynamic, Ongoing and Dormant to better manage the nature of each risk from its identification through to its mitigation. Risks in a dormant or closed phase will continue to be monitored by officers and will only be represented to the Committee if a circumstance has changed. This approach enables the Committee to take a more responsive approach to risks as they arise. The risk register is published in full in the quarterly Committee papers, which are available at the following link: <https://cms.wiltshire.gov.uk/ieListMeetings.aspx?CId=142&Year=0>

Other risks concerning the Fund are disclosed in the Funding Strategy Statement and note 16 of the Statement of Accounts relating to Financial Instruments.

Third party risks

Contribution payments are monitored closely for accuracy and timeliness. A reporting process is in place to escalate any late/inaccurate payments to ensure all payments are received.

In respect of Investment Managers, internal control reports (ISAE3402 and SSAE16) are received and reviewed regularly for any non-compliance issues. These are also reviewed by our internal and external auditors.

STATUTORY STATEMENTS

BUSINESS PLAN

The latest Business Plan was approved by the Pension Fund Committee in March 2019 and outlines the planned activities of the Fund up to 2022. Each scheme year the overarching business plan is reviewed & objectives set for that specific year. This plan can be viewed at the following link:

<https://www.wiltshirepensionfund.org.uk/media/4565/business-plan-2019-2022-final.pdf>

CESSATION POLICY

The latest Cessation Policy was approved by the Pension Fund Committee in March 2020. The Policy outlines the process and the flexibilities available to the Fund to work with employer organisations to pay off any cessation deficit payment. The policy can be viewed at the following link:

<https://www.wiltshirepensionfund.org.uk/media/3811/employer-cessation-policy-1-oct-2018.pdf>

COMMUNICATIONS POLICY STATEMENT

The latest Communications Policy was approved by the Wiltshire Pension Fund Committee in December 2019. Its purpose aims to meet the Fund's communication responsibilities as it transitions to a more digital platform.

<https://www.wiltshirepensionfund.org.uk/media/3183/communications-policy.pdf>

PENSION ADMINISTRATION STRATEGY

The pension administration strategy outlines the roles, responsibilities and expectations in terms of provision of data and service delivery of both the administration teams of the Wiltshire Pension Fund and the employer organisations. This policy was last approved by the Pension Fund Committee in December 2019 following consultation with employers.

This latest pension administration strategy incorporates the Fund's transition to an automated way of working with its sponsoring employers and seeks to improve data quality, efficient working practices and cost savings.

This policy can be found at the following link:

<http://www.wiltshirepensionfund.org.uk/media/3308/pension-administration-strategy-2015.pdf>

WILTSHIRE PENSION FUND DISCRETIONS POLICY

This policy outlines discretions made under the following LGPS Regulations approved by the Fund's Committee on 10 December 2015

<https://www.wiltshirepensionfund.org.uk/media/3556/wiltshire-pension-fund-discretions-policy.pdf>

WILTSHIRE PENSION FUND FULL PRIVACY NOTICE

This notice is designed to give members of the Fund information about the data we hold about them, how we use it, their rights in relation to it and the safeguards that are in place to protect it.

<https://www.wiltshirepensionfund.org.uk/media/3666/wiltshire-pension-fund-full-privacy-notice.pdf>

GOVERNANCE POLICY STATEMENT

The Governance Compliance Statement lays out the overarching framework within which the Wiltshire Pension Fund Committee operate. Notably it identifies the structure of operations, the representation and Selection of Members, their voting rights and scope of the Committee's responsibilities. The Statement was approved in June 2018 and will be reviewed as required, subject to a formal review every three years.

On receipt of SAB's final Good Governance report, it is intended that such a review will take place to ensure that both the governance policy statement and the Council's constitution are consistent with the findings of the report.

https://www.wiltshirepensionfund.org.uk/media/4115/governance_compliance_statement.pdf

TREASURY MANAGEMENT STRATEGY

The purpose of this strategy is to outline the process and policies for the cash held by the Fund. The strategy aims to achieve the optimum return on the cash held commensurate with the high levels of security and liquidity required. These funds are invested separately from cash balances held by Wiltshire Council.

The strategy was reviewed and approved by the Pension Fund Committee in March 2020, and the current version can be viewed on the Wiltshire Pension Fund website at the following link:

<http://www.wiltshirepensionfund.org.uk/media/4214/wpf-treasury-management-strategy.pdf>

DATA IMPROVEMENT STRATEGY AND PLAN

This document outlines Wiltshire Pension Fund's Data Improvement Strategy and Plan

<https://www.wiltshirepensionfund.org.uk/media/4559/wpf-data-improvement-strategy-and-plan.pdf>

FUNDING STRATEGY STATEMENT (FSS)

The FSS outlines how the Fund calculates employer contributions, what other amounts might be payable in different circumstances, and how this fits in with the investment strategy. The document follows CIPFA guidance ('Preparing and maintaining a funding strategy statement in the Local Government Pension Scheme 2016').

The FSS was prepared in collaboration with the Fund's Actuary, Hymans Robertson and forms an integral part of the framework within which they carry out triennial valuations to set employers' contributions and to provide recommendations on funding decisions.

The latest FSS was approved by the Pension Fund Committee in October 2019 as part of the 2019 valuation.

The current FSS can be viewed on the Wiltshire Fund website at the following link:

<http://www.wiltshirepensionfund.org.uk/media/3178/funding-strategy-statement.pdf>

STEWARDSHIP CODE COMPLIANCE STATEMENT

This document describes the Fund's approach to stewardship and how it seeks to comply with each of the seven principles outlined in the FRC Stewardship Code 2016.

As a signatory to the Code, Wiltshire Pension Fund has been given tier one status which describes the good quality and transparent description of our approach to stewardship.

The Fund will be publishing a revised statement to demonstrate compliance with the updated Stewardship Code by 31 March 2021.

In the meantime, the current statement can be viewed at the following link.

<https://www.wiltshirepensionfund.org.uk/media/3379/stewardship-code-compliance-statement-2016.pdf>

TRIENNIAL VALUATION REPORT 2019

A triennial valuation is used to set employers' contributions and to provide recommendations on funding decisions. The Fund is currently undergoing a valuation and the results will be available later in the year.

The results of the last valuation in 2019 can be viewed at the following link.

<https://www.wiltshirepensionfund.org.uk/media/3184/valuation-report.pdf>

INVESTMENT STRATEGY STATEMENT

The Committee approved the current ISS at its meeting on 16 July 2020.

The ISS sets out the Funds current Investment Strategy. Investment regulations specify the areas that must be included in the statement.

The statement is kept under review and revised from time to time, in particular when there is a material change in risk, and at least every three years. The current version of the ISS now incorporates more information about the Fund's position with regard to responsible investment, and climate change risk in particular.

The current ISS can be viewed at the following link:

<https://www.wiltshirepensionfund.org.uk/media/3391/investment-strategy-statement-2018.pdf>

ACTUARIAL POSITION

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

DESCRIPTION OF FUNDING POLICY

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated November 2019. In summary, the key funding principles are as follows:

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

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 20 years. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 75% likelihood that the Fund will achieve the funding target over 20 years.

FUNDING POSITION AS AT THE LAST FORMAL FUNDING VALUATION

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2019. This valuation revealed that the Fund's assets, which at 31 March 2019 were valued at £2,589 million, were sufficient to meet 97% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2019 valuation was £92 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS. Individual employers' contributions for the period 1 April 2020 to 31 March 2023 were set in accordance with the Fund's funding policy as set out in its FSS.

PRINCIPAL ACTUARIAL ASSUMPTIONS AND METHOD USED TO VALUE THE LIABILITIES

Full details of the methods and assumptions used are described in the 2019 valuation report.

METHOD

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

ASSUMPTIONS

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

The key financial assumptions adopted for the 2019 valuation were as follows:

| Financial assumptions | 31 March 2019 |
|-----------------------------------|---------------|
| Discount rate | 3.8% |
| Salary increase assumption | 2.7% |
| Benefit increase assumption (CPI) | 2.3% |

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are 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 as follows:

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

*Aged 45 at the 2019 Valuation

Copies of the 2019 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

EXPERIENCE OVER THE PERIOD SINCE 31 MARCH 2019

Markets were disrupted by COVID 19 which resulted in difficult market conditions towards the end of the financial year. As a result, the funding level of the Fund as at 31 March 2020 has reduced versus that reported in the previous formal valuation.

The next actuarial valuation will be carried out as at 31 March 2022. The Funding Strategy Statement will also be reviewed at that time.

Barry Dodds FFA

For and on behalf of Hymans Robertson LLP
29 April 2020
Hymans Robertson LLP
20 Waterloo Street, Glasgow, G2 6DB

STATEMENT OF RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

Responsibility for the Financial Statements, which form part of this Annual Report, is set out below.

ADMINISTRATION AUTHORITY

The Administering Authority is required to:

- Make arrangements for the proper administration of the financial affairs of the Pension Fund and to secure that an officer has the responsibility for the administration of those affairs. In this Authority, that officer is the Director of Finance and Procurement
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets,
- Prepare, approve and publish a statement in accordance with the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020.

DIRECTOR OF FINANCE AND PROCUREMENT

The Director of Finance & Procurement is responsible for the preparation of the Fund's financial statements, which in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. Based on International Reporting Standards (the Code), are required to present a true and fair view of the financial position of the Fund for the year ended 31 March 2020. This report includes the financial statements for the Pension Fund only.

In preparing these financial statements, the Director of Finance and Procurement has:

- Selected and applied consistently suitable accounting policies;
- Made judgements and estimate that were reasonable and prudent;
- Complied with the Code of Practice;
- Ensured proper accounting records are maintained;
- Ensured systems of internal control are in place.

CERTIFICATE

I hereby certify that the following Annual Report and Accounts give a true and fair view of the financial position of the Wiltshire Pension Fund for the financial year ending 31 March 2020.

Andy Brown

Director Finance and Procurement
Wiltshire Pension Fund
24 September 2020

INDEPENDENT AUDITOR'S REPORT

To be added once available.

STATEMENT OF ACCOUNTS

FUND ACCOUNT

For the year ended 31 March 2020

| | Notes | 2019/20 £'000 | 2018/19 £'000 |
|--|-------|------------------|------------------|
| Dealings with members, employers and others directly involved in the Fund | | | |
| Contributions | 5a | 119,936 | 108,207 |
| Transfers in from other pension funds | 5b | 19,444 | 30,507 |
| | | 139,380 | 138,714 |
| Benefits | 6 | (91,621) | (89,608) |
| Payments to and on account of leavers | 7 | (11,136) | (4,002) |
| | | (102,757) | (93,610) |
| Net additions from dealings with members | | 36,623 | 45,104 |
| Management expenses | 8 & 9 | (37,221) | (21,152) |
| Net additions inc. Fund management expenses | | (598) | 23,952 |
| Returns on investments | | | |
| 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 | (127,856) | 186,134 |
| Net returns on investments | | (115,445) | 197,489 |
| Net (decrease)/increase in the net assets available for benefits during the year | | (116,043) | 221,441 |
| Opening net assets of the scheme | | 2,619,921 | 2,398,479 |
| Closing net assets of the scheme | | 2,503,878 | 2,619,920 |

The notes on pages 52–74 form an integral part of these financial statements.

NET ASSET STATEMENT

At 31 March 2020

| | Notes | 31 March 2020 £'000 | 31 March 2019 £'000 |
|---|-------|---------------------------|---------------------------|
| Long term investments | | | |
| Brunel Pension Partnership | | 427 | 840 |
| | | 427 | 840 |
| Investment assets | | | |
| Equities | 12b | 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 |
| | | 2,492,974 | 2,583,625 |
| Total Investment Assets | | 2,493,401 | 2,584,465 |
| Investment liabilities | | | |
| Amounts Payable for Purchases | 12b | 0 | (2,326) |
| | | 0 | (2,326) |
| Total net investments | | 2,493,401 | 2,582,139 |
| 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 |
| Net assets of the scheme available to fund benefits at the end of the reporting period | | 2,503,878 | 2,619,920 |

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) Contributions

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

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

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

Employer deficit funding contributions are accounted for on the basis advised by the fund actuary in the rates and adjustment certificate issued to the relevant employing body. Additional employers' contributions in respect of ill-health and early retirements are accounted for in the year the event arose. Any

amount due in the year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

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

b) Transfers to and from other schemes

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:

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

Net Asset Statement

g) Financial assets

Wiltshire Pension Fund and 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 | Unlisted assets, specifically pooled property investments (valued at £329m), and private infrastructure funds (valued at £63m) |
| Uncertainties | 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. The Fund's property investments are subject to an industry standard material uncertainty disclosure as at 31 March 2020. This disclosure reflects increased difficulty in determining property values when few comparable transactions have occurred. However, the Trustees regard the market values as comparable to fair value. |
| Effect if actual results differ from assumptions | 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

| | 2019/20 £'000 | 2018/19 £'000 |
|---------------------------------------|------------------|------------------|
| Employers' contributions | | |
| Normal | 78,960 | 71,279 |
| Augmentations | 2,248 | 1,625 |
| Deficit recovery contributions* | 15,840 | 14,198 |
| | 97,048 | 87,102 |
| Employees' contributions | | |
| Normal | 22,726 | 20,941 |
| Additional contributions | 162 | 164 |
| | 22,588 | 21,105 |
| Total contributions receivable | 119,936 | 108,207 |

| | 2019/20 £'000 | 2018/19 £'000 |
|--|------------------|------------------|
| Analysis of contributions by type of employer | | |
| Contributions from employees (Including Additional Contributions) | | |
| Wiltshire Council | 8,347 | 7,724 |
| Other scheduled bodies | 13,400 | 12,364 |
| Admitted bodies | 1,141 | 1,017 |
| | 22,888 | 21,105 |
| Contributions from employers (Including Augmentations) | | |
| Wiltshire Council | 35,489 | 32,580 |
| Other scheduled bodies | 52,057 | 46,876 |
| Admitted bodies | 9,502 | 7,646 |
| | 97,048 | 87,102 |
| Total contributions receivable | 119,936 | 108,207 |

* 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

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

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. In 2018/19 group transfers included £25m from Dorset County Pension Fund in respect of a bulk transfer in of Dorset Fire civilians.

6. Benefits payable

| | 2019/20 £'000 | 2018/19 £'000 |
|--|------------------|------------------|
| Pensions | 77,241 | 72,224 |
| Commutation and lump sum retirement benefits | 13,087 | 15,168 |
| Lump sum death benefits | 1,293 | 2,216 |
| | 91,621 | 89,608 |

| Analysis of benefits payable | 2019/20 £'000 | 2018/19 £'000 |
|--|------------------|------------------|
| Pensions payable | | |
| Wiltshire Council | 39,161 | 37,330 |
| Other scheduled bodies | 30,336 | 27,709 |
| Admitted bodies | 7,744 | 7,185 |
| | 77,241 | 72,224 |
| Retirement and Death grants payable | | |
| Wiltshire Council | 5,817 | 7,152 |
| Other scheduled bodies | 6,999 | 8,303 |
| Admitted bodies | 1,564 | 1,929 |
| | 14,380 | 17,384 |
| Total benefits payable | 91,621 | 89,608 |

7. Payments to and on account of leavers

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

8. Management Expenses

| | 2019/20 £'000 | 2018/19 £'000 |
|---|------------------|------------------|
| Administration costs | 1,738 | 2,940 |
| Investment management expenses (Note 9) | 34,662 | 18,070 |
| Oversight & Governance costs | 821 | 142 |
| | 37,221 | 21,152 |

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 £'000 | 2018/19 £'000 |
|--------------------------------------|------------------|------------------|
| Payable in respect of external audit | 19 | 19 |
| | 19 | 19 |

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

9. Investment management expenses

| | 2019/20 £'000 | 2018/19 £'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 | 2,550 | 33 |
| Costs associated with investment pooling | 888 | 617 |
| Indirect costs incurred in managing investment portfolios | 132 | 294 |
| | 34,662 | 18,070 |

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 £'000 | 2018/19 £'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 |
| Total before taxes | 12,489 | 11,452 |

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 £m | 2018/19 £m |
|----------------------------------|---------------|---------------|
| WC securities on loan | – | 46.8 |
| Percentage of total | 0.0% | 1.8% |
| WC collateral share of pool | 0.0% | 0.014% |
| Value of WC pooled share | 0.0 | 51.0 |
| Percentage of securities on loan | 0.0% | 108.9% |
| Income earned in year | 0.245 | 0.596 |

12. Investments held at year end

| | 31 March 2020 £'000 | 31 March 2019 £'000 |
|-------------------------------------|---------------------------|---------------------------|
| Long term investments | | |
| Brunel Pension Partnership | 427 | 840 |
| Investment assets | | |
| 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 |
| Total investment assets | 2,493,401 | 2,584,465 |
| Investment liabilities | | |
| Amounts payable for purchases | 0 | (2,326) |
| Total investment liabilities | 0 | (2,326) |
| Net investment assets | 2,493,401 | 2,582,139 |

12a. Reconciliation of Movements in Investments

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

12a. Reconciliation of Movements in Investments (continued)

| | Value at 1 April 2018 £'000 | Purchases at cost and derivative payments £'000 | Sales proceeds and derivative receipts £'000 | Change in market value £'000 | Value at 31 March 2019 £'000 |
|---------------------------------------|--------------------------------------|---|---|---------------------------------------|---------------------------------------|
| Long term investments | | | | | |
| Brunel Pension Partnership | 840 | 0 | 0 | 0 | 840 |
| Funds held with Brunel | | | | | |
| Pooled funds | 0 | 406,742 | (234) | 3,277 | 409,784 |
| Equities | 368,094 | 54,663 | (55,383) | 65,240 | 432,614 |
| Pooled investment vehicles | | | | | |
| 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 |
| | 2,353,138 | 1,279,118 | (1,249,166) | 185,871 | 2,568,961 |
| Other investment balances | | | | | |
| FX contracts | 0 | | | (1) | (1) |
| Cash deposits | 28,722 | | | 263 | 15,321 |
| Receivable for investment sales | 10 | | | 0 | 0 |
| Investment income due | 308 | | | 0 | 29 |
| Tax reclaims due on investment income | 168 | | | 0 | 154 |
| Payables for investment purchases | (122) | | | 0 | (2,326) |
| Net investment assets | 2,382,224 | | | 186,134 | 2,582,139 |

12b. Analysis of Investments

| | | | | 31 March 2020 £'000 | 31 March 2019 £'000 |
|---------------------------------------|------------------------------|----------|--|---------------------------|---------------------------|
| Long term assets | | | | | |
| Brunel Pension Partnership | | | | 427 | 840 |
| Investment assets | | | | | |
| Equities | | | | | |
| Overseas | Equities | Quoted | | 0 | 432,614 |
| | | | | 0 | 432,614 |
| Pooled investment vehicles | | | | | |
| Unit trusts | | | | | |
| 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 |
| Limited Liability Partnerships | | | | | |
| UK | Fixed income | Unquoted | | 3 | 1,531 |
| Overseas | Property | Unquoted | | 120,250 | 167,741 |
| Overseas | Infrastructure | Unquoted | | 62,598 | 51,556 |
| | | | | 2,474,778 | 2,135,508 |
| Cash | | | | | |
| Cash deposits | UK | | | 17,950 | 10,433 |
| | Overseas | | | 0 | 4,888 |
| | | | | 17,950 | 15,321 |
| Other investment balances | | | | | |
| Debtors | | | | | |
| Outstanding dividend entitlements | | | | 6 | 28 |
| Tax reclaims due on dividend income | | | | 240 | 154 |
| | | | | 246 | 182 |
| Total investment assets | | | | 2,493,401 | 2,584,465 |

12b. Analysis of Investments (continued)

| | 31 March 2020 £'000 | 31 March 2019 £'000 |
|-------------------------------------|---------------------------|---------------------------|
| Other investment balances | | |
| Creditors | | |
| Amounts payable for purchases | 0 | (2,326) |
| Total investment liabilities | 0 | (2,326) |
| Net investment assets | 2,493,401 | 2,582,139 |

12c. Investments Analysed by Fund Manager

| | 31 March 2020 £'000 | 31 March 2019 £'000 |
|---|---------------------------|---------------------------|
| Investments managed by Brunel Pension Partnership asset pool | | |
| Brunel – UK Equity | 0 | 66,052 |
| Brunel – Multi Factor Equity | 0 | 343,732 |
| 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 |
| Investments managed outside of Brunel Pension Partnership asset pool | | |
| 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 |
| Total | 2,493,401 | 2,582,139 |

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

| Security | 31 March 2020 | |
|--|--------------------|--------------------------|
| | Market value £m | % of total net assets |
| Brunel – GPCU MSCI World Low Carbon OFC | 479.77 | 19.16% |
| 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 | 7.48% |
| BSAR 2071 Gilt Fund | 186.99 | 7.47% |
| MFG Select Infrastructure Fund | 129.64 | 5.18% |
| | 2,049.57 | 81.83% |

| Security | 31 March 2019 | |
|---|--------------------|--------------------------|
| | Market value £m | % of total net assets |
| Investec – Emerging Markets | 257.78 | 9.98% |
| Barings – Dynamic Asset Allocation Fund | 246.08 | 9.53% |
| Legal & General – Multi Factor North America | 225.94 | 8.75% |
| LSAA 2068 Index Linked Gilts | 213.56 | 8.27% |
| LUAB 2062 Index Linked Gilts | 210.58 | 8.16% |
| Loomis Sayles Alpha Bond Fund | 160.39 | 6.21% |
| L&G World Equity Index | 132.92 | 5.15% |
| | 1,447.25 | 56.1% |

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.

| Description of asset | Valuation hierarchy | Basis of valuation | Observable and unobservable inputs | Key sensitivities affecting the valuations provided |
|--|---------------------|--|--|--|
| Market quoted investments | Level 1 | Published bid market price ruling on the final day of the accounting period | Not required | Not required |
| Unquoted pooled investments – unit trusts | Level 2 | Closing bid price where bid and offer prices are published. Closing single price where single price published | NAV-based pricing set on a forward pricing basis | Not required |
| Pooled investments – property funds | Level 2 | Closing bid price where bid and offer prices are published. Closing single price where single price published | NAV-based pricing set on a forward pricing basis | Not required |
| UK and Overseas property 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 |

Note on property assets:

Pooled property vehicles which are regularly traded are generally included in level 2. The current, ongoing economic uncertainty brought about by the coronavirus pandemic means that asset valuation techniques which rely on unobservable inputs are less certain at a time when market transactional activity is lower than normal. Level 3 assets are valued in line with the industry standard guidelines, which is the RICS methodology for property investments. Wiltshire Pension Fund consults annually with CBRE, who manage the portfolio of indirect property funds, about which level each fund should be classified within, and the analysis takes into consideration any changes in liquidity of the funds, and whether gating has been put in place. As a consequence, one fund, Industrial Property Investment Mutual Fund, was reclassified from Level 3 to Level 2 for 31 March 2020, as there was no gating in place.

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 valuation range (+/-) | Value at 31 March 2020 £'000 | Value on increase £'000 | Value on decrease £'000 |
|--|---------------------------------------|---|------------------------------------|------------------------------------|
| Pooled property | 2.49% | 121,902 | 124,937 | 118,867 |
| M&G Financing Fund | 28.3% | 3 | 4 | 2 |
| Infrastructure | 10.4% | 62,598 | 69,086 | 56,110 |
| Brunel Pension Partnership | 0.0% | 427 | 427 | 427 |
| | | 184,930 | 194,454 | 175,406 |

14a. Fair value hierarchy

The Fund measures fair values using the following three-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 | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total £'000 |
|-----------------------------------|--------------------------|--------------------------|--------------------------|------------------------|
| Brunel Pension Partnership | 0 | 0 | 427 | 427 |
| Pooled investment vehicles | | | | |
| – Other | 0 | 2,082,667 | 62,601 | 2,145,268 |
| – Property | 0 | 209,259 | 120,251 | 329,510 |
| Cash deposits | 122 | 17,827 | 0 | 17,950 |
| | 122 | 2,309,753 | 184,930 | 2,493,154 |
| Other investment balances | | | | 247 |
| | | | | 2,493,401 |

| 2019 | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total £'000 |
|-----------------------------------|--------------------------|--------------------------|--------------------------|------------------------|
| Brunel Pension Partnership | 0 | 0 | 840 | 840 |
| Equities | 432,614 | 0 | 0 | 432,614 |
| Pooled investment vehicles | | | | |
| – Other | 0 | 1,747,442 | 53,087 | 1,800,529 |
| – Property | 0 | 167,237 | 167,741 | 334,978 |
| Cash deposits | 15,321 | 0 | 0 | 15,321 |
| | 445,792 | 1,914,679 | 221,668 | 2,584,282 |
| Other investment balances | | | | (2,143) |
| | | | | 2,582,139 |

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 one pooled property asset was reclassified as Level 2 (from Level 3) following consultation with the investment manager, due to an error in the previous year. 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 | (31,237) |
| Total gains/losses | (9,290) |
| Purchases | 17,552 |
| Sales | (13,763) |
| Closing balance | 184,930 |

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.

| | 2019/20 | | | 2018/19 | | |
|---------------------------------|------------------------------------|--------------------------|-------------------------------|------------------------------------|--------------------------|-------------------------------|
| | Fair value through profit and loss | Assets at amortised cost | Liabilities at amortised cost | Fair value through profit and loss | Assets at amortised cost | Liabilities at amortised cost |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Financial assets | | | | | | |
| Long term investment in Brunel* | 427 | | | 840 | | |
| Equities | 0 | | | 432,614 | | |
| Pooled investment vehicles | 2,145,268 | | | 1,800,530 | | |
| Pooled property investments | 329,510 | | | 334,978 | | |
| Cash | | 25,422 | | | 22,184 | |
| Other investment balances | | 247 | | | 182 | |
| Long-term debtors | | 0 | | | 965 | |
| Sundry debtors and prepayments | | 21,445 | | | 35,293 | |
| | 2,475,205 | 47,113 | 0 | 2,568,961 | 58,624 | 0 |
| Financial liabilities | | | | | | |
| Other investment balances | | | 0 | | | (2,326) |
| Sundry creditors | | | (10,645) | | | (5,339) |
| Long-term creditors | | | (7,795) | | | 0 |
| Total | 2,475,205 | 47,113 | (18,440) | 2,568,961 | 58,624 | (7,665) |

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

Net gains and losses on financial instruments

| | 2019/20 £'000 | 2018/19 £'000 |
|--|------------------|------------------|
| Financial assets | | |
| Fair value through profit and loss | (127,754) | 185,871 |
| Amortised cost – realised/unrealised gains | (102) | 263 |
| Total | (127,856) | 186,134 |

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 opposite.

| As at 31 March 2020 | Value £'000 | Volatility of return | Increase £'000 | Decrease £'000 |
|---|------------------------|---------------------------------|---------------------------|---------------------------|
| Baillie Gifford – Global Equity | 240 | 16.48% | 40 | -40 |
| Brunel – Global High Alpha | 416,472 | 16.48% | 68,638 | -68,638 |
| Brunel – Low Carbon Equities | 479,769 | 12.16% | 58,348 | -58,348 |
| CBRE Global Multi Manager – Property | 347,080 | 2.49% | 8,640 | -8,640 |
| Legal & General – Gilts | 598,308 | 18.63% | 111,465 | -111,465 |
| Barings – Dynamic Assets Allocation | 33,096 | 10.05% | 3,325 | -3,325 |
| Magellan – Listed Infrastructure | 129,636 | 12.20% | 15,816 | -15,816 |
| Partners Group – Infrastructure | 62,598 | 10.36% | 6,488 | -6,488 |
| Investec – Emerging Markets | 238,182 | 10.78% | 25,677 | -25,677 |
| Loomis Sayles – Multi Asset Credit | 187,206 | 8.24% | 15,432 | -15,432 |
| M&G – Financing Fund | 3 | 28.32% | 1 | -1 |
| Cash held at custodian | 385 | 0.00% | 0 | 0 |
| Long-term investment – Brunel Pension Partnership | 427 | 0.00% | 0 | 0 |
| | 2,493,401 | | 313,869 | -313,869 |

| As at 31 March 2019 | Value £'000 | Volatility of return | Increase £'000 | Decrease £'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% | 0 | 0 |
| Long-term investment – Brunel Pension Partnership | 840 | 0.00% | 0 | 0 |
| | 2,582,139 | | 266,574 | -266,574 |

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 and cash equivalents, fixed interest and loans at 31 March 2020 and 2019 are provided below:

| | 31 March 2020 £'000 | 31 March 2019 £'000 |
|-----------------------------------|---------------------------|---------------------------|
| Cash held locally and by managers | 25,422 | 22,184 |
| Multi-asset credit | 187,206 | – |
| Fixed interest securities | – | 276,736 |
| Loans | 3 | 1,531 |
| | 212,631 | 300,451 |

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 March 2020 | | | As at March 2019 | | |
|---------------------------|------------------|----------------------|-----------------|------------------|----------------------|-----------------|
| | Value £'000 | Change in net assets | | Value £'000 | Change in net assets | |
| | | +100BP £'000 | -100BP £'000 | | +100BP £'000 | -100BP £'000 |
| Cash held on deposit | 25,422 | 0 | 0 | 22,184 | 0 | 0 |
| Fixed Interest Securities | 187,206 | (11,607) | 11,607 | 276,736 | (6,680) | 6,680 |
| Loans | 3 | 0 | 0 | 1,531 | 0 | 0 |
| | 212,631 | (11,607) | 11,607 | 300,451 | (6,680) | 6,680 |

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.

| | 2020 | | 2019 | | |
|-----------------------|--------------------|---------------|--------------------|---------------|--------------|
| | US Dollar £'000 | Euro £'000 | US Dollar £'000 | Euro £'000 | HKD £'000 |
| Net currency exposure | 119,883 | 33,823 | 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 | | | 2019 | | |
|------------------------------|------------------------------------|---------------|-----------------|------------------------------------|---------------|-----------------|
| | Change in net assets | | | Change in net assets | | |
| | Assets held at fair value £'000 | +10% £'000 | -10% £'000 | Assets held at fair value £'000 | +10% £'000 | -10% £'000 |
| US Dollar | 119,883 | 11,988 | (11,988) | 423,420 | 42,342 | (42,342) |
| Euro | 33,823 | 3,382 | (3,382) | 94,325 | 9,433 | (9,433) |
| Hong Kong Dollar | | | | 49,973 | 4,997 | (4,997) |
| Net Currency Exposure | 153,706 | 15,371 | (15,371) | 567,718 | 56,772 | (56,772) |

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 | Balance as at 31 March 2020 | Balance as at 31 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 |
| | 25,422 | 22,184 |

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 table analyses the Fund's non-investment financial liabilities as at 31 March 2020 and 2019, grouped into relevant maturity dates.

| | 2020 | | | 2019 | | |
|------------------|--------------------------|---------------------------------|------------------------------------|--------------------------|---------------------------------|------------------------------------|
| | Carrying amount £'000 | Less than 12 months £'000 | Greater than 12 months £'000 | Carrying amount £'000 | Less than 12 months £'000 | Greater than 12 months £'000 |
| Sundry creditors | 15,543 | 7,748 | 7,795 | 3,079 | 3,079 | 0 |
| Benefits payable | 927 | 927 | 0 | 947 | 947 | 0 |
| Other | 1,970 | 1,970 | 0 | 1,313 | 1,313 | 0 |
| | 18,440 | 10,645 | 7,795 | 5,339 | 5,339 | 0 |

17. Current assets

| | 31 March 2020 £'000 | 31 March 2019 £'000 |
|--|---------------------------|---------------------------|
| Contributions due from employer organisations | | |
| Employees | 1,814 | 1,674 |
| Employers | 7,059 | 6,111 |
| | 8,873 | 7,785 |
| Debtors (Magistrates) | 0 | 965 |
| Bulk transfer values receivable | 9,305 | 25,003 |
| Sundry debtors | 2,865 | 2,133 |
| Prepayments | 402 | 370 |
| | 12,572 | 28,472 |
| Cash balances | 7,472 | 6,863 |
| Less: Long Term debtors (Magistrates) | 0 | (965) |
| Current assets due in less than one year | 28,917 | 42,155 |

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, included within sundry debtors as it is repayable within one year.

17a. Long-term Debtors

| | 31 March 2020 £'000 | 31 March 2019 £'000 |
|--------------|---------------------------|---------------------------|
| Magistrates | 0 | 965 |
| Total | 0 | 965 |

For details about this amount, please refer to the comment under Note 17.

18. Current Liabilities

| | 31 March 2020 £'000 | 31 March 2019 £'000 |
|-------------------|---------------------------|---------------------------|
| Sundry creditors | 7,748 | 3,079 |
| Benefits payable | 927 | 947 |
| Wiltshire Council | 1,970 | 1,313 |
| | 10,645 | 5,339 |

Amounts due to Wiltshire Council include costs incurred throughout the year, including corporate recharges and payroll.

18a. Long-term creditors

| | 31 March 2020 £'000 | 31 March 2019 £'000 |
|--------------|---------------------------|---------------------------|
| Manager fees | 7,795 | 0 |
| Total | 7,795 | 0 |

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.

At 31 March 2020, the value of funds invested on behalf of members with Prudential, the Fund's open AVC provider, was £4.1m (£3.8m at 31 March 2019).

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 and appropriately.

Guidance is subject to several dependencies and 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.

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

| | Year ended 31 March 2020 £'000 | Year ended 31 March 2019 £'000 |
|---------------------|---|---|
| Active members | 1,169 | 1,750 |
| Deferred pensioners | 905 | 929 |
| Pensioners | 1,294 | 1,107 |
| Total | 3,368 | 3,786 |

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 March 2020 £'000 | 31 March 2019 £'000 |
|-----------------------|---------------------------|---------------------------|
| 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 2020 | 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



FURTHER INFORMATION AND CONTACTS

The Council produces many other publications, as well as this booklet to support its role as administering authority of the Wiltshire Pension Fund. You can request these from the Wiltshire Pension Fund at County Hall, Trowbridge, from our Website at www.wiltshirepensionfund.org.uk or by emailing pensionenquiries@wiltshire.gov.uk.

Guide to the Local Government Pension Scheme

This booklet explains the benefits available to employees and their dependants of being in the Fund.

Employers website

As part of the Fund's main website there is a separate site devoted to the Fund's sponsoring employers. The employer website rolled out in March 2020 seeks to provide guidance and supporting documentation specifically aimed at staff within employer bodies with responsibility for providing information to the Pensions Section, in respect of Fund administration. The site will provide Scheme Employers with all the information they need to fulfil their pension responsibilities correctly.

Information to scheme members

With the rollout of the Fund's digital strategy all the communications specified below will be mitigated to an electronic format. Where requested by scheme members they can continue to receive paper versions of the information.

Starter packs

These contain information that must be made available to new employees on their pension entitlements, together with supporting information.

Retirement packs

These contain information for every new pensioner about their pension and other supporting information.

Newsletters

Occasional newsletters are produced, both for participating Fund members and for pensioners, containing information of interest.

Annual benefit statements

Statements are automatically available for all full-time Fund members and those working regular part time hours, and for deferred pensioners. Statements are also available on request for any Fund member at any time.

Other information

Various leaflets, posters and fact sheets explaining the Fund and highlighting its benefits are produced. The Pensions Section also has booklets available produced by Prudential on Additional Voluntary Contributions.

For further information contact

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