

## **Wiltshire Pension Fund Committee – Statement of Going Concern**

The LGPS is administered by individual “administering authorities”, these being prescribed in statute. Wiltshire Council is the administering authority for the County area of Wiltshire, including Swindon. It has delegated this function to the Wiltshire Pension Fund Committee (the Committee).

Administering authorities are responsible for the administration of a Pension Fund established on behalf of all employer bodies in their Scheme. The Funds are not separate legal entities from administering authorities and therefore are not covered by trust law. Nevertheless, the role of the administering authority is very similar to that of a trustee and members of the Committee therefore act in a quasi-trustee role.

In the capacity described above, the Committee confirms that members have considered the evidence set out below, as well as their knowledge of the legislative framework surrounding the LGPS, and confirm that the Wiltshire Pension Fund is a going concern as at 31 March 2021.

### ***Supporting evidence***

#### *Funding level*

The Funding level (i.e. the ratio of the Fund’s asset to liabilities) as at the last actuarial valuation (31 March 2019) was 96.6%. With positive investment performance since this formal valuation the funding level has reached 100.2% (31 March 2021). The strategic asset allocation is set in order to deliver the investment returns which the Fund requires over time, in order to achieve full funding, and was modelled over a wide range of possible market environments.

#### *Liquidity*

As set out in the Investment Strategy Statement, the Fund’s approach to Liquidity risk is as follows:

**“Liquidity risk** – the Committee recognises that there is liquidity risk in holding assets that are not readily marketable and realisable. Given the long term investment horizon, the Committee believes that a degree of liquidity risk is acceptable, given the potential return. The majority of the Fund’s assets are realisable at short notice.”

The Fund maintains a balance of cash sufficient to meet operational requirements, and this is reviewed on a regular basis. If cash balances fell (for example, due to payment of a large invoice, or from employers failing to make contribution payments), the Fund has sufficient liquid assets which can be liquidated to fund benefit payments, for example the gilts portfolio (which is currently over 15% of the Fund’s total assets). As an illustration, the gilts portfolio at the end of March 2021 was valued at £468m. Total benefits payable for 2020/21 was £112m. Using the liquid gilts portfolio alone, the Fund has sufficient assets to pay the benefits for 4 years.

Currently the cash flow position of the Fund is broadly neutral, which is to say that contributions from employers and employees are sufficient to meet the payments of benefits due without needing to utilise investment income, or liquidate investment assets.

### *Employer contributions*

The Fund actively monitors timeliness of receipt of employer contributions on a monthly basis, and this data is reported to the Committee. The latest set of data reported to the Committee was up to 31 January 2021, 99.4% by value of contributions were received on time. Following 31 March 2021, there have been no concerning trends regarding timely receipt of contributions. Data on contributions is collated by one of the Fund's Investment and Accounting Technicians, this is reported to the Head of Pension Fund Investments and the Fund Governance and Performance Manager.

### *Value of assets*

During the year to 31 March 2020, the Fund experienced negative investment performance, mainly due to market turbulence during March 2020. The fund started the year with £2.5bn of assets, during the year to 31 March 2021 investment values have rebounded significantly and grown to reach £3.0bn.

### *Arrangements with employers*

The majority of the Fund's employers are public sector bodies, such as councils and academies, who are long term secure, tax backed employers, where the covenant is strong and backed by statute or the Department of Education guarantee. These types of bodies are unlikely to pose an insolvency risk to the Fund. Similarly, they are likely to be able to make contributions when they fall due, albeit there will be some who may face cashflow challenges whilst balancing reduced income and increased outgoings due to funding pandemic related activity. This is monitored as mentioned above.

The most significant impact on covenant is in respect of other employers including those who are close to exit and/or are not public sector. However, it should be noted that from 1 October 2012, the LGPS 2012 Miscellaneous Regulations introduced mandatory new requirements for all Admission Bodies brought into the Fund from that date; the regulations required Admission Bodies to provide some form of security, such as a guarantee from the letting employer, an indemnity or a bond. The security is required to cover some or all of the following:

- the strain cost of any redundancy early retirements resulting from the premature termination of the contract;
- allowance for the risk of asset underperformance;
- allowance for the risk of a greater than expected rise in liabilities;
- allowance for the possible non-payment of employer and member contributions to the Fund;  
and/or
- the current deficit

### *Operational concerns*

Wiltshire Council has always promoted flexible and home working, and it has been a relatively easy transition to move to this way of working on a continuous basis. Staff are provided with the IT equipment they need, and Wiltshire Council has installed Microsoft Teams to aid in keeping teams in touch via video calls. Wiltshire Council itself is experiencing some budgetary

difficulties, but this does not affect the Pension Fund, as it is funded by its own budget, which is agreed by the Committee. There have been no redundancies or furloughing of staff who work on the Pension Fund.

#### *Key suppliers*

Officers have been in regular contact with the investment managers, Brunel pool, Hymans (Fund actuaries), Mercer (investment consultants), Anthony Fletcher (independent adviser), and State Street (the global custodian) over the period since COVID-19 became a disruption and home-working became the norm. All suppliers have provided updates on their operational resilience, and all are successfully working remotely, and are readily contactable via phone, email or video conferencing. The Fund has experienced no issues in progressing projects, obtaining advice, arranging meetings, or otherwise being able to access these key suppliers and advisers.

Signed on behalf of the Wiltshire Pension Fund Committee: