



ANNUAL  
REPORT  
2021



## REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2021

Chair's Foreword	3
Scheme Management and Governance	4
Training Report	8
Scheme Administration Report	12
Investment Report	24
Climate Change Statement and Report, including Task Force on Climate-related Financial Disclosures (TCFD) Report	32
Member Survey	40
Pooling Report	44
Financial Performance	49
Risk	54
Statutory Statements	55
Actuarial Position	57
Statement of Responsibilities for the Financial Statements	59
Independent Auditor's Report	60
Statement of Accounts	61
IAS26 Statement	88
Further Information and Contacts	90



## CHAIR'S FOREWORD

I was delighted to be appointed Chair of the Wiltshire Pension Fund Committee in May 2021, and I look forward to using my experience from working on the Local Pension Board to help drive the Pension Fund forwards. My heartfelt thanks go out to Cllr Tony Deane, who stood at the helm of the Pension Fund Committee for an incredible 12 years as chair. He will be greatly missed.

Due to market instability at the start of the pandemic, we reported negative investment performance for the year to 31 March 2020. I am pleased to report that we have experienced a strong recovery, and the Fund's investments returned 17.5% over the year to 31 March 2021. This was 4% ahead of the managers' combined benchmarks, and took the total Fund value to just under £3bn. Our funding level also recovered from 88.2% at 31 March 2020 to 100.2% at 31 March 2021.

Investment performance at the start of this financial year was driven by a rally in tech stocks, which benefitted from people working at home, shopping online etc. The Fund saw impressive returns from its holdings in companies like Zoom. The oil price plummeted, and I am relieved to report that the Fund was somewhat protected, due to last year's strategic decision to move all passive equities exposure into a low carbon portfolio. Following the announcement of the vaccine in November 2020, markets again rallied, and experienced a rotation towards value stocks, and the Fund's returns were smoothed by the style diversification in the Brunel active global equities portfolio. The last quarter of the financial year was characterised by inflation, and expectations of future interest rate rises. This caused large negative returns in the gilts portfolio, although this was balanced by continued positive performance from equities. More information on the investment performance can be found in the Investment Report, on page 24.

The Committee has made huge strides this year in building on strong foundations, and has advanced an approach to responsible investment issues. I have been impressed by the dedication shown by Committee members to their ongoing training and development.

During the year, members commissioned our investment advisers, Mercer, to carry out climate change scenario modelling, as they were deeply concerned about the potential financial impact of not taking action on this risk. Mercer's modelling showed that the Fund would be materially financially better off under a 2°C warming scenario, and that there were investment opportunities to be found in allocating to sustainable equities in line with the Fund's established status as a long-term investor. Following significant training and research, and taking views of employers and members into account, the Committee has now made the decision to embed a new investment belief in the Investment Strategy Statement: "In order to protect the Fund's investments into the future, the Fund supports a global warming scenario of 2°C or lower, and states an ambition to achieve net zero carbon emissions across all investment portfolios by 2050." Work will soon begin to put this belief into action, as well as research into sustainable equities, and I look forward to reporting back on the progress we will have made in a year's time.

The Committee also decided to demonstrate transparency and best practice, by becoming early adopters of the TCFD (Task force on Climate-related Financial Disclosures) reporting. This clearly sets out how the Fund is dealing with climate risk, from the perspectives of governance, strategy, risk management, and carbon metrics. You can read the Fund's first TCFD report on page 34.

As part of the work done in developing these new investment beliefs the Committee launched a survey of the scheme membership in March 2021, focussing on responsible investment issues, including climate change and engagement with the companies we invest in. This was publicised as widely as possible. I was amazed to learn that 2,251 members had responded to the survey, showing an incredible level of engagement and interest. My sincere thanks go out to all members who responded, and shared their views with us. The full results of the survey are now published on our website, and a summary of the highlights of the results is included in this annual report, on page 40.

We have continued to work to deliver investment pooling, alongside nine other shareholder funds, as part of the Brunel Pension Partnership pool. This year Brunel wisely paused transition activity, during an uncertain and volatile market environment. Shortly after the 2021 year end, we have recommenced transitions, and have now moved our gilts and multi-asset credit portfolios into the pool. Following these transitions, Brunel now holds over 60% of the Fund's assets. We have worked collaboratively with Brunel throughout the year, developing strong governance arrangements and progressing investment matters. We continue to hold Brunel to account, both in terms of monitoring performance, and delivering fee savings. You can read more about this significant area in the Pooling Report on page 44.

As we have navigated our way through an extremely challenging and changeable year, Pension Fund officers have continued to deliver the service, adapting well to remote working. During the year, the Fund has once again made excellent progress in delivering many of the objectives of its Business Plan including the successful launch of a new, single website for members and employers, the introduction of online annual benefit statements for all active and deferred members, saving large amounts of paper and costs, and the continued rollout of the i-Connect platform across all employers. Furthermore, officers have continued to streamline processes and introduce new ways for members to self-serve their information requests, using a mixture of the new website and online member portal, whilst continuing to deliver the important day to day work to administer the Fund effectively.

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.

**Richard Britton, Chair**

On behalf of the Wiltshire Pension Fund Committee, 24 June 2021

# SCHEME MANAGEMENT AND GOVERNANCE

<b>Administering authority</b>	Wiltshire Council County Hall Trowbridge Wiltshire BA14 8JN
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## PENSION FUND COMMITTEE AS AT 31 MARCH 2021

Wiltshire Council members	Councillor Tony Deane (Chair) Councillor Pauline Church (Vice Chair) Councillor George Jeans Councillor Gordon King Councillor Christopher Newbury
<b>Swindon Borough Council members</b>	Councillor Steve Allsopp Councillor Robert Jandy
<b>Employer representatives</b>	Tracy Adams Chris Moore
<b>Employee observers</b>	Mike Pankiewicz (observer) – Wiltshire Council Stuart Dark (observer) – Swindon Unison Branch

## MANAGEMENT OF THE SCHEME

The members who served on the Wiltshire Pension Fund committee during the year are shown above and in the table below. This report was written to show the Committee membership in place as at 31 March 2021. However, following the local government elections in May 2021, the chair is now Cllr Richard Britton, and the other newly appointed Wiltshire Councillor members are Cllr Elizabeth Threlfall and Cllr Johnathon Seed. Changes to the Committee's membership also arose in relation to representatives from Swindon Borough Council with the appointment of Cllr Steve Heyes and Cllr Vijay Manro. In addition, Claire Anthony has been appointed to the Committee to the post of educational scheduled body representative.

## OFFICERS, ADVISORS AND MANAGERS AT 31 MARCH 2021

<b>Wiltshire Council officers</b>	Andy Brown – Treasurer to the Fund Andy Cunningham – Head of Pensions Administration and Relations Jennifer Devine – Head of Pension Fund Investments
<b>Investment managers in place at 31 March 2021</b>	Brunel Pension Partnership CBRE Global Multi Manager Loomis Sayles Legal & General Magellan Group M&G Financing Fund Ninety One Partners Group Pinebridge
<b>AVC providers</b>	Prudential Clerical Medical Funds Phoenix Group Utmost Life and Pensions
<b>Investment consultant</b>	Mercer
<b>Actuary</b>	Hymans Robertson
<b>Independent adviser</b>	Anthony Fletcher, MJ Hudson Allenbridge
<b>Auditor</b>	Deloitte LLP
<b>Custodian</b>	State Street
<b>Legal adviser</b>	Osborne Clarke
<b>Bankers of the Fund</b>	HSBC

## 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 Chair	12	–	–	•	•	
Cllr S Jacobs	Committee Vice-Chair	0	–	21/07/2020	•	•	
Cllr P Church	Committee Vice-Chair	7	21/07/2020	–	•	•	
Cllr G King	Committee Member	10	–	–	•	•	
Cllr C Newbury	Committee Member	5	–	–	•		
Cllr G Jeans	Committee Member	2	–	–	•		
Cllr S Allsop	Committee Member	4	–	–	•		
Cllr B Ford	Substitute Committee Member**	2	–	16/07/2020	•	•	
Cllr R Jandy	Committee Member**	7	16/07/2020	–	•	•	
C Moore	Committee Employer rep.	3	–	–	•		
D Hall	Committee Employer rep.	0	–	07/07/2020	•		
T Adams	Committee Employer rep.	4	20/10/2020				
M Pankiewicz	Committee and Board Vice Chair and Member rep.	7	–	–	•	•	•
S Dark	Employee Member Observer	1	–	–	•		
M Spilsbury	Board Chair	7	01/04/2020	–			•
Cllr Britton	Board Employer rep.	5	–	–			•
I Jones	Board Employer rep.	3	–	–			•
P Smith	Board Employer rep.	3	–	–			•
B Reed	Board Member rep.	2	–	16/09/2020			•
M Corbey	Board Member rep.	4	20/10/2020	–			•
R Lauder	Board Member rep.	4	–	–			•

Please note the following points concerning Members;

- \*There were five Committee meetings including an Extraordinary Investment training meeting, four Investment sub-Committee meetings and four Local Pension Board meetings during 2020–21;
- Meeting attendance information reflects both a member's presence and attendance throughout the year, irrespective of a requirement to be present;
- Cllr P Church replaced Cllr S Jacobs as Vice Chair of the Pension Fund Committee;
- \*\*Reflects the mid-year exchange of roles in respect of Cllr R Jandy and Cllr B Ford;
- T Adams replaced D Hall as an Employer representative on the Committee;
- M Spilsbury replaced H Pearce as Board Chair;
- M Corbey replaced B Reed as a Member representative on the Board;
- M Pankiewicz sits on the ISC as a member observer without voting rights; and
- With the exception of Cllr B Ford substitute members are not included in the table.

## THE WILTSHIRE PENSION FUND

The Wiltshire Pension Fund Committee has nine voting members. This consists of five Wiltshire Council members, including the Chair, 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. This year an additional extraordinary meeting was held in January 2021, dedicated to responsible investment issues. All decisions are taken by a simple majority with the Chair 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 4 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 Chair, Vice-Chair, 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 Full Council meeting on 24 February 2015, to ensure the LPB had been established by 1 April 2015. On 21 July 2020, updated LPB Terms of reference were approved.

The LPB consists of an independent chair, 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/Annual-report-and-accounts>

## FUND ADMINISTRATION

The Pension Fund Committee is 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).

## STATUTORY STATEMENTS

The Fund's statutory statements are summarised and linked on pages 55–56. The strategic fund documents reviewed during the year were as follows:

Strategic Fund documents approved during the Fund Year	
Date	Document
21/05/2020	Local Pension Board Annual Report
16/07/2020	Climate Change Statement
16/07/2020	New Employer Policy
21/07/2020	Committee terms of reference
21/07/2020	Local Pension Board terms of reference
24/09/2020	Annual Report and Accounts
24/09/2020	Administering Authority Discretions Policy
24/09/2020	Cyber Resilience Strategy
15/10/2020	Local Pension Board Code of Conduct and Conflicts of Interest Policy
17/12/2020	Employer Cessation Policy
17/12/2020	Data Protection Policy
30/03/2021	Investment Strategy Statement
30/03/2021	Business Plan 2021/22
30/03/2021	Governance Compliance Statement
30/03/2021	Investment sub-Committee terms of reference

Governance arrangements concerning Wiltshire's involvement in the Brunel Pension Partnership are covered in detail in the Pooling Report on page 44.

# 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 Committee member and Pensions Board training, knowledge and understanding. The Fund's current training policy covering the period 2018 to 2021 records 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 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 the Fund's Committee members 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, including the Investment sub-Committee.

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

- a) By coinciding the next review with the Local Government elections due in May 2021, 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 a set of basic training requirements. In addition, the circumstances surrounding 2020 saw the training arrangements for existing members tested with the suspension of all the traditional national and regional conferences and seminars.

To mitigate this loss, both members and officers transitioned to maintaining their knowledge and understanding via on-line webinars provided by a variety of professional bodies as well as the Fund appointing two specific module orientated training platforms and conducting internal training via virtual meeting rooms.

Regular training continued to be delivered through several traditional means including in-house Committee meetings, structured training events undertaken by advisers, as well as briefings and research materials with a particular focus on the investment requirements posed by its climate change and MiFID II compliance.

The Scheme Year also saw the conclusion of the members effectiveness review initiated in 2018 with Wiltshire Council's approval in July of the Committee and Board's updated terms of reference. These approvals were subsequently accompanied by the completion of updated versions of the Fund's Governance Compliance Statement and Investment sub-Committee's terms of reference. This framework of documents setting out with greater clarity Wiltshire Council's expectations concerning the Fund's training strategy and which the Fund feels will better place it to incorporate the anticipated knowledge and understanding recommendations made by SAB's Good Governance review.

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 and Performance Manager on behalf of the Treasurer to the Fund.

The table below illustrates the training undertaken by Committee members during the period 2020/21. 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

			Cllr. Tony Deane	Cllr. Simon Jacobs	Cllr. Pauline Church	Cllr. Gordon King	Cllr. Christopher Newbury	Cllr. George Jeans	Cllr. Steve Allsopp	Cllr. Brian Ford	Cllr. Robert Jandy	Chris Moore	Diane Hall	Tracy Adams	Mike Pankiewicz	Stuart Dark
Date of training	Topics covered	Duration (minutes)	Wiltshire Councillors					Swindon Councillors				Employer Reps			Member Reps	
21/04/2020	Hymans – What's happening in the LGPS	30				•										
21/05/2020	The Roles and Responsibilities of the S151 and Monitoring officers	45				•										
02/07/2020	Loomis – Multi-asset Credit Portfolio update	45	•			•					•					
02/07/2020	Bank Loans vs Private Debt	30	•			•					•					
06/07/2020	LAPF Strategic Investment Forum	45				•										
16/07/2020	Investment Risk	60	•		•	•	•		•						•	
06/08/2020	National Fraud Initiative & Certificate of Existence Exercise	20	•		•										•	
10/09/2020	Investment Manager Presentation – Magellan	30	•		•	•					•					
10/09/2020	Investment Manager Presentation – CBRE	30	•		•	•					•					
19/11/2020	Climate Change Modelling workshop	60	•		•	•	•	•	•		•			•		
27/11/2020	New Member Induction training	135			•									•		
02/12/2020	Investment Manager Presentation – PineBridge	30	•			•				•					•	
02/12/2020	Investment Manager Presentation – NinetyOne	30	•			•				•					•	
18/02/2021	Administering Authority's Discretions Policy	20	•												•	
25/02/2021	Investment Manager Presentation – Partners Group	30	•		•	•	•			•						
25/02/2021	Investment Manager Presentation – BPP	30	•		•	•	•			•						
10/03/2021	Climate Change Modelling workshop	140	•		•	•			•		•			•		•



## OFFICERS TO THE PENSION FUND COMMITTEE

A new officer training policy covering the period 1 April 2020 to 31 March 2023 was approved in December 2019 and following an assessment of each officer's training needs individual training plans were communicated consistent with the Fund's business plan and each officer's personal development.

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

**Andy Brown**

Treasurer of Pension Fund

Date: 24 June 2021

## MEMBERS TRAINING PLAN APRIL 2021 – MARCH 2022

Wiltshire Pension Fund Committee and Investment sub-Committee – Training Plan 2021–22					
Period	Actual meeting date	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 members will be invited to attend additional internal training events and subject to COVID-19 restrictions external conferences, seminars and pension forums to supplement and maintain their knowledge and understanding. Technical notes will also be circulated as required. With effect from May 2021 members have also agree to register with their Actuarial Consultant's on-line training platform.					
Q2 2021	20/05/2021	Board meeting	Administration	Complaints, Dispute and Disclosure requirements	Committee members to be invited
Q2 2021	10/06/2021	Investment sub-Committee meeting	Governance	Task Force on Climate-related Financial Disclosures	All members to be invited
Q2 2021	24/06/2021	Committee meeting	Administration	Understanding the Fund's IHER protection arrangements	Board members to be invited
Q3 2021	24/08/2021	Board meeting	Governance	The role of the Scheme Advisory Board	Committee members to be invited
Q3 2021	02/09/2021	Investment sub-Committee meeting	Investment Performance and Risk	Tax on investments, particularly overseas investments	All members to be invited
Q3 2021	23/09/2021	Committee meeting	Investment Performance and Risk	Range of investment support services and performance monitoring	Board members to be invited
Training strategy review including annual self-assessment					
MiFID II certification					
Q4 2021	11/11/2021	Board meeting	Governance	Guidance connected with MiFID II, CIPFA and SOLACE	Committee members to be invited
Q4 2021	25/11/2021	Investment sub-Committee meeting	Governance	BPP Governance of the Fund's interests	All members to be invited
Q4 2021	16/12/2021	Committee meeting	Investment performance & Risk	Fund interaction with the UK and overseas tax systems in relation to benefit administration	Board members to be invited
Q1 2022	17/02/2022	Board meeting	Governance	tPR Breach reporting	Committee members to be invited
Q1 2022	03/03/2022	Investment sub-Committee meeting	Financial Markets & Products	The role of asset classes in long-term pension fund investing	All members to be invited
Q1 2022	24/03/2022	Committee meeting	Actuarial Method	Valuation training	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 90 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 24.

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 contact 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 and subject to approval by the Wiltshire Pension Fund Committee alongside approval of the Fund's budget. 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 98.5% (2019: 97.9%) and its Conditional Data score was 96.4% (2019: 95.4%), based on data from October 2020, 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, using consistent reporting. 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.

Deloitte is the Fund's external auditor and provides the audit of the Fund's accounts 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. Any recommended actions are periodically reviewed by the pension committee.

## Use of Technology

In 2019, the Fund launched a new online portal called My Wiltshire Pension for active and deferred members to view their pension online and for the Fund to provide further education and engagement with its membership. Members are able to 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 for all employer bodies to further enhance its use of technology and gain efficiency and control improvements. Around three quarters of active members are now covered by this platform and the Fund's goal is to increase this to close to 100% over the next year.

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 employer forum and after other employer events (such as webinars).

## 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 Corporate Director for Resources and s151 officer 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 2020/21, the Fund received three applications under the Stage 1 IDRP process. One of these applications is still awaiting determination, one other was upheld and the remaining one was not upheld.

## 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 eleven members of staff.

**Fund Communications** are handled by the Fund Communications, Project and Training 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 admissions, 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 with 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 day-to-day accounting responsibilities. The team comprises of five members of staff.

## KEY STAFFING INDICATORS

### Staff to fund member ratios

	All Staff	Processing related staff*
Ratio to Fund	(FTE: 33.6)	(FTE: 20.0)
Active	1:688	1:1,128
Pensioner (and Dependant)	1:567	1:929
Deferred	1:1,199	1:1,966
<b>Total</b>	<b>1:2,454</b>	<b>1:4,023</b>

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

### Average (completed) cases per member of staff (FTE)

	All Staff	Processing related staff*
Ratio to Fund	(FTE: 33.6)	(FTE: 20.0)
Total cases completed	20,610	20,610
<b>Average per member of staff</b>	<b>613</b>	<b>1,005</b>

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

A "case" is defined here as the number of times a member file was worked on for a distinct piece of work (for example, an estimate request, retirement or a change of details etc).

## COST AND PERFORMANCE BENCHMARKING

### Cost benchmarking

The Fund benchmarks its costs against the SF3 data collected annually by the Ministry of Housing, Communities and Local Government. The most recent data is for the financial year 2019/20.

Process	2017/18	2018/19	2019/20
<b>Investment management expenses</b>			
Total cost (£'000)	9,401	18,070	34,662
Total membership no.	67,307	77,180	80,824
Cost per member (£)	139.7	234.1	428.9
<b>Administration costs</b>			
Total cost (£'000)	1,867	1,977	1,738
Total membership no.	67,307	77,180	80,824
Cost per member (£)	27.7	25.6	21.5
<b>Oversight and Governance costs</b>			
Total cost (£'000)	135	153	821
Total membership no.	67,307	77,180	80,824
Cost per member (£)	2.0	2.0	10.2
<b>Total cost per member (£)</b>	<b>169.4</b>	<b>261.7</b>	<b>460.5</b>

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 2019/20, investment manager fees include a one-off high performance fee which was charged on termination of a mandate. In 2019/20, the Fund reclassified certain costs as oversight and governance, to better reflect how the Fund is run.

### Historical administration issues

During 2020/21, officers identified a number of discrepancies between the pension administration system records and those on the pensioner payroll system. Some of these differences related to Guaranteed Minimum Pension (GMP), and others related to other historical administrative issues. Information on the background to the GMP aspect of this issue, and the accounting implications, can be found in Note 22 to the Accounts, on page 86. The historical differences include both under and over payments of pensions. As the exercise to correct records is still in progress, the Fund has calculated a provision to make good on underpayments, which has been included in the 2020/21 accounts – please refer to Note 18 on page 84. This provision is valued at £8.25m, and includes the maximum possible underpayment adding in potential interest and compensation costs.

### 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. Of particular note in the tables below are deferments. This is the area with the largest backlogs, which have increased over the year to 3,449 cases. Additionally, service standards for deferments are below target, with only 23.93% meeting the Fund's internal targets, and only 61.65% meeting the legal requirements. Other areas to note are transfers in, transfers out, and joiners in Table 2, all of which are significantly below meeting the legal requirements. Improving service standards is a key focus for the Fund, and many areas of the Fund's Business Plan are targeted towards this goal. The Fund has a Data Improvement Plan in place, which outlines the overall strategy to improve data quality, and the Fund is also actively recruiting further staff to reduce certain backlogs of work by creating more dedicated resource to deal with the areas of concern.

## 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		98	557	536	119	81.8%	See note 1a
Deaths – letter notifying amount of dependant's pension		5	402	398	9	97.8%	See note 1a
Retirements – letter notifying estimate of retirement benefits (including all retirement types: normal, ill health, early, later etc)	Active	3	331	319	15	95.5%	See notes 1a & 3
	Deferred	2	1264	1260	6	99.5%	
	Total	5	1595	1579	21	98.7%	
Retirements – letter notifying actual retirement benefits (including all retirement types: normal, ill health, early, later etc)	Active	3	432	434	1	99.8%	See notes 1a, 2 & 3
	Deferred	1	727	728	0	100%	
	Total	4	1159	1162	1	99.9%	See note 1a
Retirements – process and pay benefits on time	Active	3	432	434	1	99.8%	See notes 1a, 2 & 3
	Deferred	1	727	728	0	100%	
	Total	4	1159	1162	1	99.9%	
Deferment – calculate and notify deferred benefits		3140	2594	2285	3449	39.9%	See notes 1b & 4
Transfers in – letter detailing transfer in quote		0	175	175	0	100.0%	See note 1a
Transfers in – letter detailing transfer in		0	24	24	0	100.0%	See note 1a
Transfers out – letter detailing transfer out quote		57	247	252	52	82.9%	See note 1a
Transfers out – letter detailing transfer out		1	339	340	0	100%	See note 1a
Refund – process and pay a refund		46	455	473	28	94.4%	See notes 1b & 4



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
<b>Divorce quote</b> – letter detailing cash equivalent value and other benefits		0	246	246	0	100.0%	See note 1a
<b>Divorce settlements</b> – letter detailing implementation of pension sharing order		0	1	1	0	100.0%	See note 1a
<b>Member estimates/projections</b>		20	283	275	28	90.8%	See note 1a
<b>Joiners</b> – Send notification of joining the LGPS to scheme member		0	3195	3195	0	100.0%	See note 5

#### Notes and Assumptions

1. 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.

a) Items relate to specific task within an overall case.

b) Items relate to actual cases rather than individual tasks.

2. 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.

3. Ill Health estimates and retirements are all included within active status due to limitations in reporting capability.

4. 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.

5. '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.

**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
<b>Deaths</b> – initial letter acknowledging death of active/deferred/pensioner member		5 days	44.65%	192	2 months	95.83%	408
<b>Deaths</b> – letter notifying amount of dependant's pension		5 days	18.14%	78	2 months	90.58%	388
<b>Retirements</b> – letter notifying estimate of retirement benefits (including all retirement types: normal, ill health, early, late etc)	<b>Active</b>	10 days	n/a		2 months	n/a	
	<b>Deferred</b>		n/a			n/a	
	<b>Total</b>		9.28%	119		96.30%	1618
<b>Retirements</b> – letter notifying actual retirement benefits (including all retirement types: normal, ill health, early, late etc)/process and pay benefits on time	<b>Active</b>	5 days	6.18%	34	2 months	94.99%	520
	<b>Deferred</b>	5 days	42.70%	313		99.09%	726
	<b>Total</b>		27.05%	347		96.9%	1246
<b>Deferment</b> – calculate and notify deferred benefits		20 days	23.93%	468	2 months	61.65%	1951
<b>Transfers in</b> – letter detailing transfer in quote		10 days	19.05%	8	2 months	64.28%	34
<b>Transfers out</b> – letter detailing transfer out quote		10 days	19.09%	59	2 months	73.53%	230
<b>Refund</b> – process and pay a refund		20 days	57.07%	331	2 months	99.21%	436
<b>Divorce quote</b> – letter detailing cash equivalent value and other benefits		46 days	92.28%	227	3 months	98.90%	243
<b>Divorce settlements</b> – letter detailing implementation of cash equivalent value and application of pension sharing order		46 days	100%	1	3 months	100%	1
<b>Joiners</b> – Send notification of joining the LGPS to scheme member		2 months	75.04%	2425	2 months	75.04%	2425

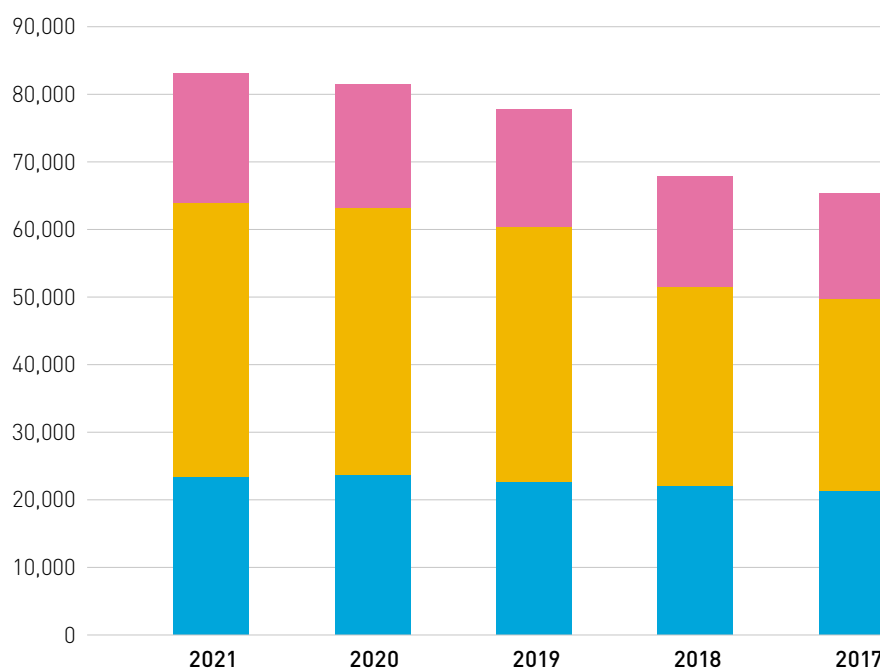
#### Notes and Assumptions

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.

## SCHEME MEMBERSHIP

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

### 5-year analysis of fund membership



	2021	2020	2019	2018	2017
Active members	23,131	23,487	22,541	21,781	21,245
Deferred members	40,287	39,187	37,417	29,253	28,087
Pensions in payment	19,036	18,150	17,222	16,273	15,523
<b>Total membership</b>	<b>82,454</b>	<b>80,824</b>	<b>77,180</b>	<b>67,307</b>	<b>64,855</b>

In 2019 for the first time, members categorised as undecided leavers and frozen refunds have been included in the membership numbers, under deferred members. The average pension paid to pensioners in the year was £5,044.

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	83
Early Retirements (Under 65)	852
Normal Retirements and others	184
<b>Total</b>	<b>1,119</b>

## EMPLOYER (ER'S) AND EMPLOYEE (EE'S) CONTRIBUTIONS

Employer Name	£000's ER'S	£000's EE'S	£000's TOTAL	Employer Name	£000's ER'S	£000's EE'S	£000's TOTAL
Wiltshire Council	36,354	8,632	44,986	St Edmunds Calne Academy	49	11	60
Swindon Borough Council	20,093	5,041	25,133	Lex Leisure CIC	46	14	60
Wiltshire Police PCC & CC	6,083	2,163	8,246	Atkins Ltd	43	16	58
White Horse Academies Federation	3,427	916	4,342	Aster Communities	43	11	54
Dorset and Wiltshire Fire Authority	2,089	642	2,731	Woodford Valley Academy	43	10	53
Town and Parish Councils	1,831	595	2,426	Dauntsey Primary Academy	43	10	53
Wiltshire College & University Centre	1,882	543	2,424	Holy Trinity Calne Academy	43	10	52
Wootton Bassett School	992	283	1,275	Bybrook Valley Academy	40	10	50
New College	978	293	1,271	King William Academy	35	8	43
Brunel SEN MAT	988	241	1,229	St Joseph's Devizes Academy	33	8	41
Magna Learning Partnership	813	205	1,018	Holy Trinity Devizes Academy	29	8	37
The Hills Group Ltd (Admitted)	875	136	1,011	UTC Swindon (ALET)	29	7	36
Kingdown/Acorn Academy	762	205	967	Morgan Vale & Woodfalls Academy	29	6	35
Swindon College	738	212	951	Swindon Music Service	24	10	34
CIPFA	765	152	917	Classes Abroad (Braeside House)	23	8	30
The Park Academies Trust/ Lydiard Academy	740	157	896	Innovate Services Ltd 2	24	6	30
Brunel Pension Partnership (BPP)	553	311	864	Community First – Oxenwood	23	5	29
Blue Kite Academy	671	163	834	Order of St John	0	26	26
Selwood Housing Society	684	106	790	Community Golf & Leisure Trust Ltd	21	5	25
Excalibur Academy	635	141	777	Colebrook Infants Academy	21	5	25
Swindon Academy (ULT)	558	162	720	Oasis Community Learning – Longmeadow	19	5	23
The Mead Primary Academy	556	103	659	SEQOL GWH NHS	14	7	21
Somerset Road Academy	500	102	602	Caterlink 4 – Gorsehill	18	3	21
Diocese of Salisbury Academy	437	103	540	Brunel Education Trust	17	4	21
Diocese of Bristol Academy (11 Schools)	415	103	517	Wiltshire Archaeological Society	21	–	21
Athelstan Trust (Braden Forest)	405	97	501	Westlea/Greensquare	15	3	18
Pickwick Academy	407	91	498	Agincare	14	4	18
John of Gaunt Academy	432	62	494	Collaborative Schools	13	3	15
River Learning Trust	363	104	467	First City Nursing	13	3	15
Aster Group	457	5	462	Spurgeons	14	2	15
St Joseph's Swindon Academy	353	105	458	Edwards and Ward – Grange Federation	11	3	14
Salisbury City Council	364	78	442	Mears Care East 2	9	3	13
Equa MAT	351	73	424	Oxford Health NHS Trust	10	3	12
Reach South/Springfields Academy Trust	347	75	422	Wiltshire & Swindon Sports Partnership	2	12	10
Commonweal Academy	299	78	378	Capita Business	7	2	9
Salisbury Plain MAT	297	79	375	Churchill Services	8	1	9
Goddards Park Academy	271	77	347	NHS South Central & West	6	2	8

Employer Name	£000's ER'S	£000's EE'S	£000's TOTAL	Employer Name	£000's ER'S	£000's EE'S	£000's TOTAL
Hardenhuish School Ltd	271	76	347	Wellington Academy	8	-	8
Corsham Seconday Academy inc Corsham Regis	269	67	336	Swindon Dance	6	2	7
St Laurence Academy	267	69	336	Wyclean	6	1	7
Sheldon Academy	262	69	331	Mears Care North 1	5	2	7
Millbrook Academy	227	30	257	Thera South West	5	1	6
Ringway	224	32	256	Equa Multi-Academy Trust	5	-	5
Bishop Wordsworth	194	48	242	Somerset Care Ltd (Wiltshire)	-	5	5
South Wilts Grammar	184	51	234	South Wiltshire UTC	3	1	5
Dorcan Technology Academy	178	54	232	Mears Care Ltd	2	2	5
GLL Part 2	201	24	225	GLL Part 1 (WC)	7	11	4
St Augustine's School	173	48	221	Great Western Hospitals	3	1	4
Highworth Warneford Academy	151	43	194	Direct Cleaning (Westbury School)	3	1	4
Idverde – English Landscapes (The Landscape Group)	140	51	191	Rapid Commercial Cleaning Services Ltd	3	0	3
Palladian MAT	158	29	187	Deeland Ltd t/a Servicemaster	2	0	3
Lethbridge Academy	130	32	162	Braybourne Facilities Services Ltd	2	1	3
Westlea Academy	132	26	158	Sevenfields Academy	2	-	2
Holy Rood Infants Academy	122	28	149	Direct Cleaning (Malmesbury School)	2	0	2
Malmesbury Primary Academy	119	28	147	Expedite – Brunel SE	2	0	2
St Mary's Swindon Academy	114	29	143	Direct Cleaning (Wansdyke)	2	0	2
Adoption West	95	45	140	Churchill Contract Services 2 Commonweal	1	0	1
Public Power Solutions	99	35	134	Direct Cleaning Salisbury Plain	1	0	1
St Catherines Academy	116	12	128	Wansdyke Academy	1	-	1
Shawridge Academy	101	24	125	Somerset Care Pt 2 (Selwood)	-	1	1
Holy Family Academy	94	25	118	Rowde Academy	1	-	1
King Alfred/Pewsey Primary Academy	98	19	117	Eastrop Infants Academy	1	-	1
Grove Learning Trust	90	22	112	St Leonard's (Andrews) Academy	0	1	1
Pewsey Vale Academy	84	20	104	Community First	1	-	1
Great Western Academy	80	20	100	Swindon Wildcats	0	1	0
Reach South Academy	97	-	97	ABM Catering	1	-	1
SWLEP	78	19	96	Alina Homecare – 500	2	-	2
Holy Cross Junior Academy	72	17	89	Create Studios	8	-	8
Hazelwood Academy/AET	61	16	77	Idverde UK	-10	-	10
Aster Property Management	59	13	72	Wilts CCG (GBS NHS Wilts – Williamson)	16	-	16
Places For People Leisure (DC Leisure)	53	15	68	Twigmarket	150	-	150
Peatmoor Primary Academy	48	12	60				
<b>Total Contributions</b>					<b>94,323</b>	<b>24,060</b>	<b>118,383</b>

Some employers within the table above show negative contributions, in most cases this will be due to a surplus on cessation being paid back to the employer upon exit.

## 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 including a merger of three Admitted Body contracts changing names to their parent company and becoming one entity. Despite these changes, the number of members has still increased overall.

A summary of employers for the year to 31 March 2021 is as follows:

	Active 2020	New	Ceased	Merged	Total 2021
Scheduled Body	107	1	0	1	109
Admitted Body	67	6	4	3 into 1	70
<b>Total</b>	<b>174</b>	<b>7</b>	<b>4</b>	<b>4 employers merged and 1 new created</b>	<b>179</b>

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 discretions policy was reviewed and updated during 2020-21 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:

Employer guide – Wiltshire Pension Fund Employer Area  
<https://employer.wiltshirepensionfund.org.uk/article/3244/>  
 Employer-guide

Monthly and End of Year Returns – Wiltshire Pension Fund Employer Area  
<https://employer.wiltshirepensionfund.org.uk/article/3259/>  
 Monthly-and-End-of-Year-Returns

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 2020 to 31 March 2021 (inclusive)

Band	Salary range	Main section Contribution %	50/50 section Contribution %
1	£0 to £14,600	5.50%	2.75%
2	£14,601 to £22,900	5.80%	2.90%
3	£22,901 to £37,200	6.50%	3.25%
4	£37,201 to £47,100	6.80%	3.40%
5	£47,201 to £65,900	8.50%	4.25%
6	£65,901 to £93,400	9.90%	4.95%
7	£93,401 to £110,000	10.50%	5.25%
8	£110,001 to £165,000	11.40%	5.70%
9	£165,001 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/6142/Communications-strategy/pdf/Communications\\_strategy.pdf](https://www.wiltshirepensionfund.org.uk/media/6142/Communications-strategy/pdf/Communications_strategy.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 is communicated via email and the Fund has created mailing lists for employer contacts and members who have signed up to My Wiltshire Pension.

The Fund's standard publications to members include the online 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 launched a new website in March 2021, which includes subsites for members, pensioners and employers. Making communications as simple as possible to enable information to become more accessible for all and easy to find.

Since launching the new website, the Fund are developing the use of online forms to make it quick and easier for members and employers to request information.

The Fund also maintains 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.

## 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 NPI 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 0.5% increase effective from 12 April 2020. 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:

[https://wiltshirepensionfund.org.uk/media/6143/Administering-authority-discretions-policy/pdf/Administering\\_authority\\_discretions\\_policy.pdf?m=637506307793100000](https://wiltshirepensionfund.org.uk/media/6143/Administering-authority-discretions-policy/pdf/Administering_authority_discretions_policy.pdf?m=637506307793100000)

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.

## 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 March 2021. The full ISS can be found at the following link:

[https://www.wiltshirepensionfund.org.uk/media/6169/Investment-strategy-statement/pdf/Investment\\_Strategy\\_Statement\\_March\\_2021.pdf?m=637569253131400000](https://www.wiltshirepensionfund.org.uk/media/6169/Investment-strategy-statement/pdf/Investment_Strategy_Statement_March_2021.pdf?m=637569253131400000)

## 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/6123/Funding-strategy-statement/pdf/Funding\\_Strategy\\_Statement\\_-\\_final.pdf?m=637505670022530000](https://www.wiltshirepensionfund.org.uk/media/6123/Funding-strategy-statement/pdf/Funding_Strategy_Statement_-_final.pdf?m=637505670022530000)

## 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 (Corporate Director Resources and Deputy Chief Executive of Wiltshire Council). 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.
- In order to protect the Fund's investments into the future, the Fund supports a global warming scenario of 2°C or lower, and states an ambition to achieve net zero carbon emissions across all investment portfolios by 2050.
- 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 engages in securities lending in order to increase returns. This was previously done through the custodian, but is now done through the pooled active equity portfolio held through Brunel.

## 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>

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 has prepared reporting in line with the Task Force on Climate-related Financial Disclosures (TCFD), which sets out the way that the Fund is responding to climate risk, from a perspective of governance, risk management, strategy and carbon metrics. This reporting can be found on page 34.

## 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 44.

## INVESTMENT MANAGEMENT ARRANGEMENTS

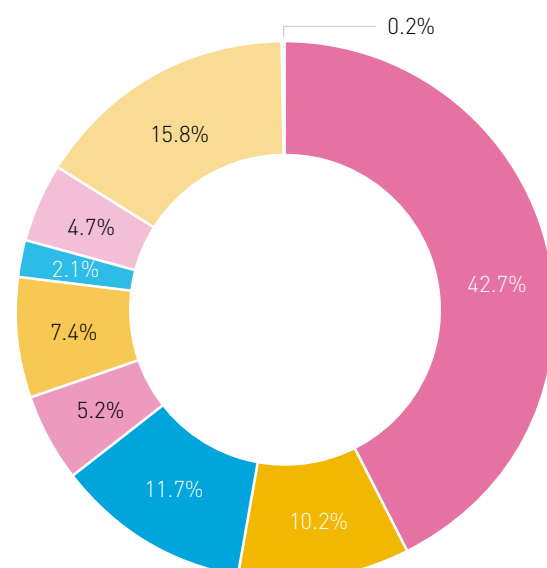
The Fund's current asset allocation as at 31 March 2021 is shown in the following table:

Asset Class/Portfolio	Actual allocation as at 31 March 2021	Market value as at 31 March 2021 £m	Interim allocation	Long term strategic allocation
Active global equities	20.6%	609.6	16.1%	10.0%
Passive low carbon equities	18.8%	557.8	14.9%	12.0%
Emerging market equities	5.1%	150.7	5.0%	5.0%
Private equity	0.05%	1.5	–	7.5%
<b>Total equity</b>	<b>44.5%</b>	<b>1,319.6</b>	<b>36.0%</b>	<b>34.5%</b>
Infrastructure	7.0%	208.6	8.0%	8.0%
<b>Total growth assets</b>	<b>51.5%</b>	<b>1,528.2</b>	<b>44.0%</b>	<b>42.5%</b>
Multi asset credit	5.2%	154.8	5.0%	5.0%
Emerging market debt	5.1%	150.7	5.0%	5.0%
Property	11.7%	346.8	13.5%	15.0%
Private lending	–	–	–	7.5%
Bank loans	7.4%	219.6	7.5%	–
<b>Total income generating/mid-risk assets</b>	<b>29.4%</b>	<b>871.9</b>	<b>31.0%</b>	<b>32.5%</b>
Index linked gilts	15.8%	468.0	25.0%	15.0%
Secured income	3.1%	91.8	–	10.0%
Cash	–	2.8	–	–
<b>Total protection assets</b>	<b>18.9%</b>	<b>562.6</b>	<b>25.0%</b>	<b>25.0%</b>
<b>Total</b>	<b>100.0%</b>	<b>2,962.5</b>	<b>100.0%</b>	<b>100.0%</b>

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 fully 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.

### Split of Assets by Manager

Manager	£m	% of Fund Total
Brunel (pooled assets)	1,265.7	42.7%
Ninety One (emerging market multi-asset)	301.4	10.2%
CBRE (property)	346.8	11.7%
Loomis Sayles (multi-asset credit)	154.8	5.2%
Pinebridge (bank loans)	219.6	7.4%
Partners (unlisted infrastructure)	62.8	2.1%
Magellan (listed infrastructure)	140.7	4.7%
Legal & General (LGIM) (Gilts)	468.0	15.8%
Cash	2.8	0.2%
<b>Total</b>	<b>2,962.5</b>	<b>100.0%</b>

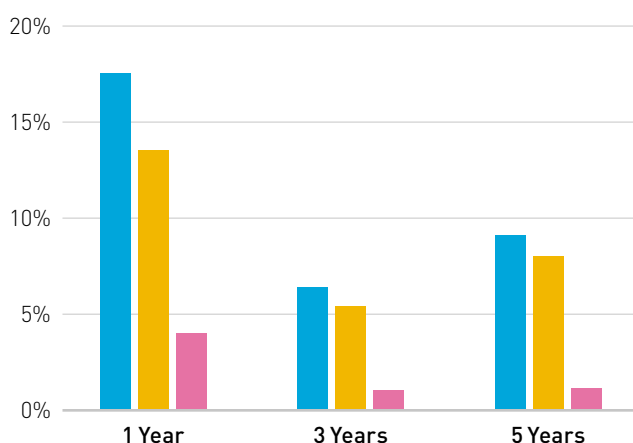


## Performance

This section shows performance for the whole fund, and all investment portfolios over 1, 3- and 5-year periods (where available) against the benchmarks.

Markets globally bounced back significantly in April 2020, after the falls experienced in March 2020 at the start of the global pandemic. Following on from the announcement of the vaccine in November 2020, markets have again rallied. The first quarter of 2021 has been dominated by actual and expected inflation, and consequent expectations that central banks will raise interest rates. This has led to very negative performance for the Fund's gilts portfolio over the period. Over the year to March 2021, global equities returned 39.1% as measured by the MSCI All Countries World Index, and UK equities returned 26.7% as measured by the FTSE All Share Index. UK Index Linked Gilts returned -17.1% over the year. Wiltshire's whole fund return for the year to 31 March 2021 was 17.5%. This represented an outperformance of 4.0% relative to a composite of the managers' benchmarks.

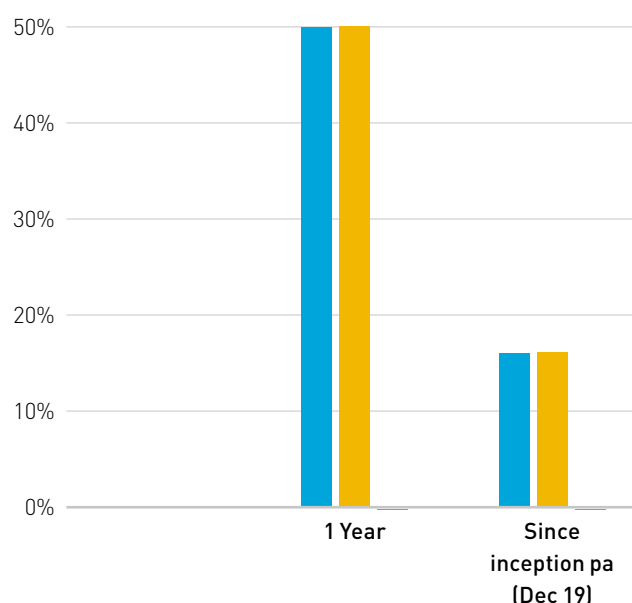
	Whole Fund returns to 31 March 2021	1 Year	3 Years	5 Years
Net Return		17.5%	6.4%	9.1%
Benchmark		13.5%	5.4%	8.0%
Return Against BM		4.0%	1.0%	1.1%



## Passive portfolios

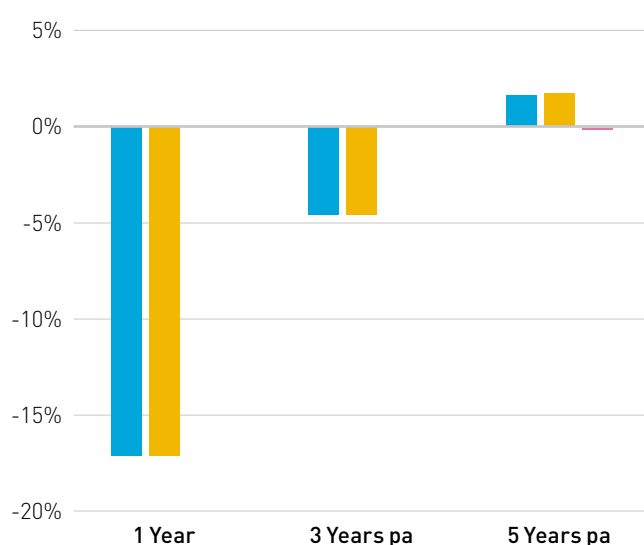
The Brunel low carbon passive hedged global equities portfolio has only been in place since December 2019, so it is only possible to show one-year performance data this year. The portfolio aims to match its benchmark indices, and so has met the performance objectives over the short period since inception.

	Brunel low carbon passive hedged global equities	1 Year	Since inception pa (Dec-19)
Net Return		49.9%	16.0%
Benchmark		50.0%	16.1%
Return Against BM		-0.1%	-0.1%



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

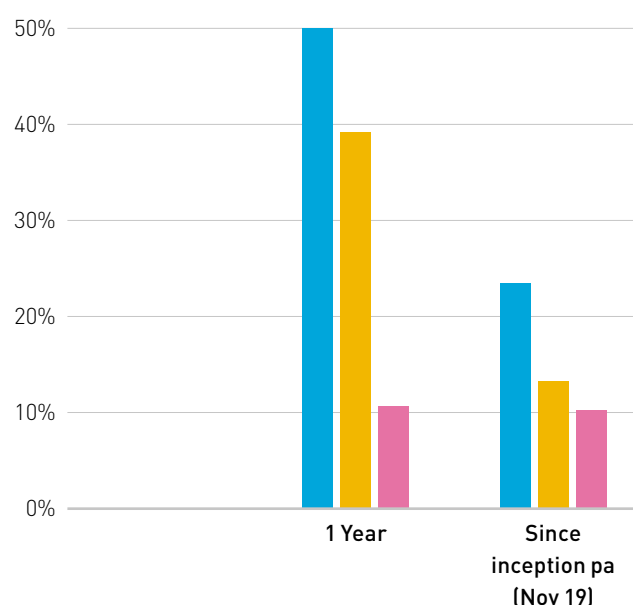
	LGIM passive UK Gilts	1 Year	3 Years pa	5 Years pa
	Net Return	-17.1%	-4.6%	1.6%
	Benchmark	-17.1%	-4.6%	1.7%
	Return Against BM	0.0%	0.0%	-0.1%



## Brunel Global High Alpha equities

Baillie Gifford's global equities portfolio transitioned into Brunel in November 2019. Therefore at this stage it is only possible to show performance data for the one-year period to 31 March 2021, and since inception (annualised). Over the year to 31 March 2021 the portfolio returned 50.0%, which was 10.9% ahead of the benchmark index. The portfolio benefitted from the managers' stock selection, particularly in certain tech stocks which benefitted strongly from the pandemic. Following the announcement of the vaccine in November 2020, markets continued to rally and experienced a rotation towards value stocks, and over this period a value manager within the portfolio provided a positive contribution to performance. This portfolio targets 2–3% outperformance over the index.

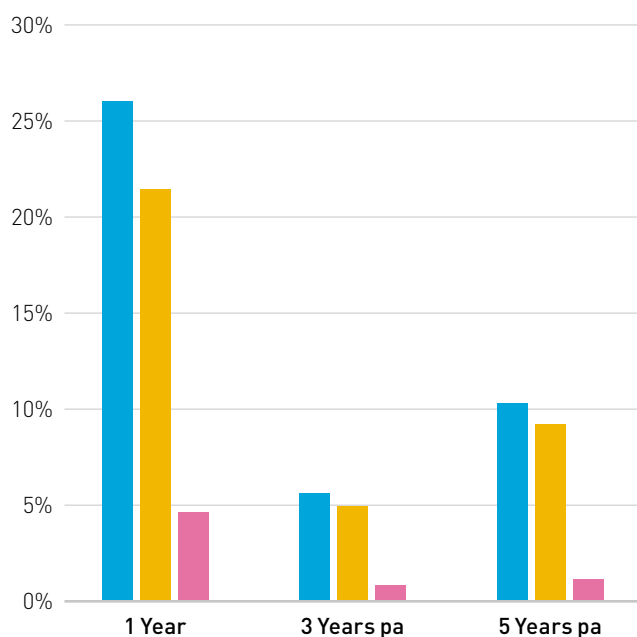
	Brunel global high alpha equities	1 Year	Since inception pa (Nov-19)
	Net Return	50.0%	23.9%
	Benchmark	39.1%	13.5%
	Return Against BM	10.9%	10.4%



## Ninety One (previously called Investec)

Ninety One's emerging market multi-asset portfolio is made up of approximately 50% equities and 50% debt investments, although the manager can vary the asset allocation depending on market conditions. This portfolio has a composite benchmark which reflects the composition of the portfolio, plus an outperformance target of 2–4%. This portfolio has outperformed the benchmark and the target over the last year, and has outperformed the benchmark but not met the target over the three and five year periods. Performance over the last year has benefited from strong returns across emerging markets in general, and from Ninety One's security selection.

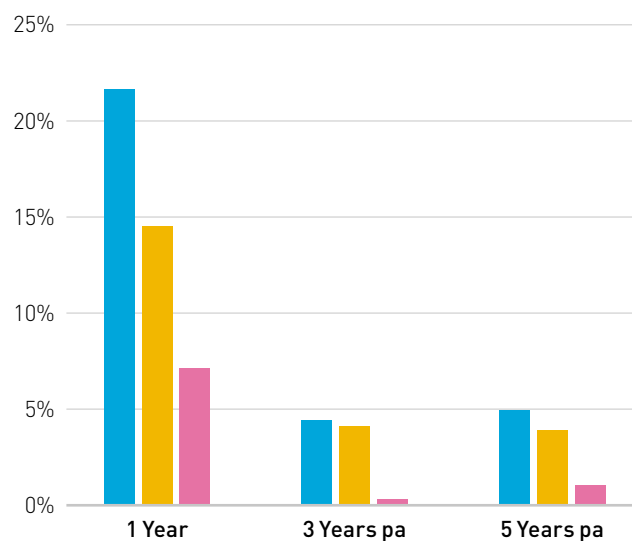
	Ninety One	1 Year	3 Years pa	5 Years pa
Net Return		26.0%	5.6%	10.3%
Benchmark		21.4%	4.9%	9.2%
Return Against BM		4.6%	0.8%	1.1%



## Loomis Sayles

Loomis Sayles manage a multi-asset credit portfolio, which is benchmarked against a composite benchmark, plus an outperformance target of 2–4%. This portfolio has outperformed the benchmark and the target over the last year, and has outperformed the benchmark but not met the target over the three and five year periods. Over the last year, Loomis Sayles have performed strongly due to cutting risk in the portfolio early on in the pandemic, minimising losses, and then adding risk back later to benefit from market improvements. Post year end, this portfolio transitioned into the Brunel pool.

	Loomis Sayles – Multi-asset credit	1 Year	3 Years pa	5 Years pa
Net Return		21.6%	4.4%	4.9%
Benchmark		14.5%	4.1%	3.9%
Return Against BM		7.1%	0.3%	1.0%



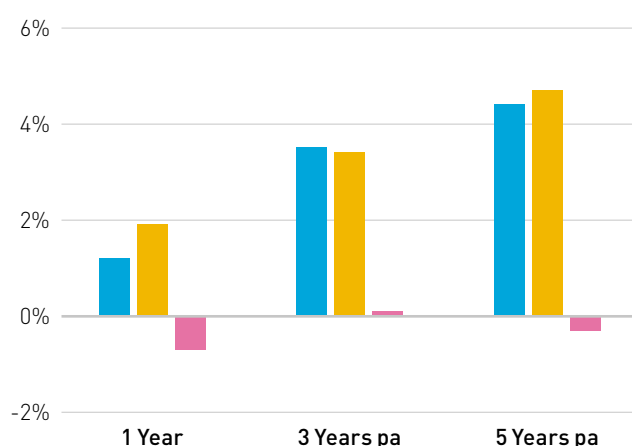
## Pinebridge

Pinebridge manage a portfolio of bank loans, which is benchmarked against a blended 80% benchmark (80% US and 20% European, to reflect the composition of the portfolio), with an outperformance target of 1%. Inception for this portfolio was September 2020, so it is too early to show performance data. Since inception, performance has broadly been in line with the benchmark.

## CBRE

CBRE manage a portfolio of indirect property funds, split approximately between 75% UK and 25% global. The Committee has 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 underperformed this target over one, three, and five year time periods.

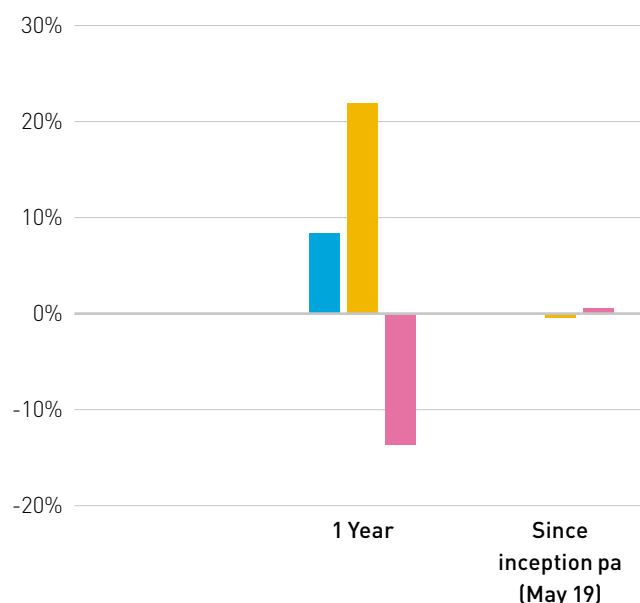
CBRE	1 Year	3 Years pa	5 Years pa
Net Return	1.2%	3.5%	4.4%
Benchmark	1.9%	3.4%	4.7%
Return Against BM	-0.7%	0.1%	-0.3%



## Infrastructure

Magellan manage a portfolio of listed infrastructure equities. The inception date for this portfolio was May 2019, therefore at this stage it is only possible to show performance data for the one year period to 31 March 2021, and since inception (annualised). Early in 2021, Magellan were exposed to airports which were particularly hard hit during the pandemic. Magellan's defensive strategy meant that they missed out on some of the market recovery, leading to a significant underperformance over the 12 months to 31 March 2021. Over the longer term, performance is in line with the benchmark.

Magellan	1 Year	Since inception pa (May-19)
Net Return	8.5%	0.0%
Benchmark	22.2%	-0.1%
Return Against BM	-13.7%	0.1%



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 2021 were 10.2%, 15.9%, and too early to be applicable for the third fund. This is compared to an absolute return target of 8–11%.

## Other Unlisted Investments

The Fund also has made commitments to several private markets portfolios via Brunel – specifically £180m to private debt, £140m to private equity, £80m to infrastructure, and £250m to secured income. These portfolios are not yet mature enough to report performance information.

# 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. 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

The Fund has undertaken 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, more detail may be found in the TCFD section of this report.

As part of ongoing monitoring, the Fund will be asking 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.

The Committee will review its beliefs and commitments on an ongoing 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 2021

The Fund has historically demonstrated a strong approach to responsible investment. The following are examples of recent work completed by the Committee and officers, and build on the strong foundations laid over past years.

In the 2019/2020 Annual Report, the Fund made voluntarily disclosures on climate risk and carbon metrics. This year, the Fund is building on this by following the recommendations of the Task Force for Climate Related Disclosures (TCFD) in this report and as a stand-alone report. The aim of this is to communicate to stakeholders the work which has been done and demonstrate transparency on the Fund's holdings and actions.

In summer 2020, Mercer, as the Fund's investment consultants, carried out climate change scenario modelling on both the existing strategic asset allocation, and one with a more sustainable tilt. In addition, Hymans, as the Fund's actuary, carried out modelling looking at different levels of policy response to climate risk. The results of this modelling have assisted the Committee in understanding the financial implications of climate change risk and developing the investment strategy.

Following on from modelling work completed by its advisors, in March 2021, the Committee agreed to update its Investment Strategy Statement with a new belief, which was publicised via a press release:

**“IN ORDER TO PROTECT THE FUND’S INVESTMENTS INTO THE FUTURE, THE FUND SUPPORTS A GLOBAL WARMING SCENARIO OF 2°C OR LOWER, AND STATES AN AMBITION TO ACHIEVE NET ZERO CARBON EMISSIONS ACROSS ALL INVESTMENT PORTFOLIOS BY 2050.”**

The Committee has approved a budget for Mercer to help develop a plan to achieve the net zero target, showing a strong commitment to making good on the promises made. The findings from this work will be included in a dedicated Responsible Investment Policy, which will be published in the autumn of 2021.

The Committee also supports the updated Stewardship Code (as signatory to the previous code), and is committed to developing a plan to report in line with the new code during 2021 in order to report in full in 2021/2022.

## Plans for 2021/22

Developing the Fund's approach to responsible investment issues is a "High Priority" action in the 2021/22 business plan. Climate change risk is also included as a "High" risk in the Fund's risk register ("Medium" following mitigating actions). The Committee has approved a Responsible Investment Plan for 2021/22, which is available at the following link: [https://wiltshirepensionfund.org.uk/media/6790/Responsible-Investment-Plan/pdf/Responsible\\_Investment\\_Plan\\_2021-22.pdf?m=637607587909400000](https://wiltshirepensionfund.org.uk/media/6790/Responsible-Investment-Plan/pdf/Responsible_Investment_Plan_2021-22.pdf?m=637607587909400000). The Plan sets out several points to develop the Fund's approach to responsible investment issues, including climate change. This includes:

- Investigating options for investing in sustainable equities
- Signing up to various wider initiatives, to support achieving the Fund's goals
- Developing a dedicated Responsible Investment Policy
- Advancing the approach to engagement with the scheme membership, including website improvements
- Developing a plan for reporting in line with the Stewardship Code 2020

The Committee will receive quarterly reporting monitoring progress against the Responsible Investment Plan.

# TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) REPORT

## INTRODUCTION

The Financial Stability Board, an international body that monitors and makes recommendations about the global financial system, established the Task Force for Climate Related Financial Disclosures. The recommendations it has developed aim to promote more informed investment and highlight the financial system's exposures to climate-related risks across sectors and jurisdictions.

In the UK, occupational pension schemes will be mandated to report against these recommendations from spring 2022, with similar regulations strongly anticipated to apply to the LGPS along the same timescales.

Wiltshire Pension Fund has taken several steps towards furthering its identification, analysis and management of climate related risks and reporting this information. This section of the annual report sets out the work in these areas against the recommendation structure around the four themes of: governance, strategy, risk management, and metrics and targets.

## GOVERNANCE

Describe the organization's governance around climate-related risks and opportunities.

### a. Describe the organization's governance around climate-related risks and opportunities.

Wiltshire Pension Fund's Governance Policy & Compliance Statement sets out the statutory framework under which the administering authority delegates statutory functions to committees, sub-committees or to officers. The existing governance arrangements of the Fund are provided for using the following structure;

**Pensions Committee** – the role and responsibilities of which are set out in its own terms of reference within the Council's Constitution<sup>1</sup>; The Committee meets at regular quarterly intervals to review the affairs of the Fund, to review Fund performance and to plan the implementation of policy.

**Investment sub-Committee (ISC)** – a secondary non-decision-making body reporting to the Pensions Committee, with its own terms of reference (effective June 2015); again, this sub committee meets quarterly, and the role of the ISC is to implement and monitor investment manager performance while considering and to make recommendations to the main committee on changes in the investment strategy of the Fund.

**Local Pension Board** – the role and responsibilities of which are set out in the Council's Constitution<sup>2</sup>; 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.

**Brunel Pension Partnership (BPP)** – an FCA regulated investment pooling company with its own governance structure in which the Fund seeks to integrate its own governance arrangements. The Administering Authority has dual relationships as both shareholder and client, these role and responsibilities are set out in Shareholder and Client Service Agreements (2017).

The approach to consideration of Environmental, Social and Governance ESG factors is set out in the Fund's Investment Strategy Statement (March 2021).

A responsible investment policy for Wiltshire Pension Fund will be drafted during 2021/2022. This will draw on the existing policies and beliefs in the Investment Strategy Statement and develop work which will be done with Mercer in planning a net zero carbon by 2050 road map. This document will be a resource for all stakeholders, for governance of the Fund, engagement with pension fund members and for wider audiences.

### b. Describe management's role in assessing and managing climate-related risks and opportunities.

The scheme of delegations sets out the responsibility of the Treasurer of the Pension Fund (S151 officer) and the day to day responsibility for management of the Fund and climate related risks and opportunities is delegated to The Head of Pension Fund Investments.

Wiltshire Pension Fund investments are managed by external managers. External manager appointments are assessed against ESG factors, which includes climate, during the procurement process, and Brunel Pension Partnership conduct extensive assessment and reporting of responsible investment factors for investments held.

The investment sub-committee and pension committee monitor their activities, together with the support of officers, on a regular basis. Responsible Investment is a standing item on the quarterly ISC and Committee agendas.

<sup>1</sup>under Part 3B paragraph 2.7 and Protocol 2A

<sup>2</sup>under Part 3B paragraph 7 and Protocol 2B (effective April 2015)

## STRATEGY

Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.

### a. Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.

The primary risks of the Wiltshire Pension Fund related to climate are those to the investment portfolio and asset values. Companies, assets or investment strategies that are carbon intensive are potentially more likely to be exposed to regulation, rising costs as a result of taxation and changing consumer behaviour.

Short to medium term factors identified were cost of investing in new technology and policy risks during the transition from high to lower carbon. Longer term risks were the availability of natural resources and the impact of natural catastrophes.

Potential opportunities include investment in sustainable equities and renewable infrastructure, for example, and positive influence via stewardship. Federated Hermes EOS, via Brunel Pension Partnership, provides engagement and voting services together with activity reporting.

The Fund is currently exploring options to incorporate sustainable equities and affordable housing – where there is the opportunity to be at the forefront of decarbonisation – into its investment strategy.

### b. Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.

In December 2019, the Fund transitioned all of its passive equity exposure to a low carbon passive equities portfolio managed by Brunel.

The Pensions Committee has completed several training sessions on responsible investment, including climate change and related topics such as embedding ESG issues within the investment process, impact investing, and what has been done by the Brunel pool on responsible investment.

In the summer of 2020, the Committee commissioned Mercer (as the Fund's investment consultants) to carry out climate change scenario modelling, on both the existing strategic asset allocation, and one with a more sustainable tilt.

The modelling work completed by Mercer showed that the Fund may be able to realise a material financial benefit by taking advantage of the opportunity to invest in sustainable equities. This will also have the additional bonus of diversifying the Fund's investment strategy via exposure to different investment styles and sizes/types of company. The Committee has reviewed initial information on Brunel's sustainable equities portfolio and will be making a formal decision in due course.

In addition, Hymans (as the Fund's actuary) carried out modelling looking at different levels of policy response to climate risk. The results of this modelling have been used by the Committee to help understand the financial implication of climate change risk and to develop the investment strategy along with other information from training, other professional advice from the Fund's independent adviser and investment managers.

The Committee has shown support of the updated Stewardship Code (the Fund was a signatory of the previous code), by committing to develop a plan to report in line with the new code. The plan will be put in place through 2021, ready for full reporting the following year.

The most recent Investment Strategy Statement outlines a programme of scheme employer and membership engagement including member and employer webinars on responsible investment matters, communication with the membership on the new net zero by 2050 target, development of the Fund's website, and a scheme membership survey on responsible investment.

### c. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

Scenario analysis for the Wiltshire Pension Fund was conducted by Mercer in November 2020.

The current and previous portfolios compared with a more sustainably tilted asset allocation were modelled against global policy environments resulting in warming increase scenarios of 2, 3 and 4°C. This modelling can be used to illustrate both the current exposure to climate risk and also the impact that changes already made may have.

		Current SAA	Sustainably tilted AA
		Climate change impact on return (% p.a.)	
2°C	2030	0.18%	0.37%
	2050	-0.01%	0.12%
	2100	-0.06%	-0.01%
3°C	2030	-0.02%	0.00%
	2050	-0.08%	-0.05%
	2100	-0.12%	-0.10%
4°C	2030	-0.08%	-0.08%
	2050	-0.15%	-0.15%
	2100	-0.20%	-0.20%

≤-10bsp	>-10bsp, <10bsp	≥10bsp
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The reported findings and recommendations will be used to develop the Fund's Responsible Investment Policy during 2021/2022.

The findings of Mercer's modelling were considered alongside multiple training sessions, modelling by the Fund's actuaries, consultation with the employers, and a responsible investment membership survey, and led to the Committee agreeing a new investment belief **"In order to protect the Fund's investments into the future, the Fund supports a global warming scenario of 2°C or lower, and states an ambition to achieve net-zero carbon emissions across all investment portfolios by 2050"**. This new investment belief has been included in the Investment Strategy Statement. The Committee also agreed a budget for Mercer to develop an action plan for the net zero target.

## RISK MANAGEMENT

Disclose how the organization identifies, assesses, and manages climate-related risks

### a. Describe the organization's processes for identifying and assessing climate-related risks.

The approach or process Wiltshire Pension Fund takes to identify climate related risks may be considered at both macro and micro levels. At a total Fund level, governance processes and policies are used to manage them. At the stock selection level, external investment managers take responsibility for identifying and assessing climate-related risks where appropriate.

Work in this area is developing and the Committee monitors external managers performance on a regular basis.

Brunel views engagement with companies, fund managers and policy makers as a key part of the approach to managing climate change risks. Engagement implementation is undertaken by fund managers, Brunel's dedicated engagement provider Federated Hermes EOS, and via collaborative forums such as the UN, PRI, IIGCC and Climate Action 100+.

### b. Describe the organization's processes for managing climate-related risks.

Risks are managed according to their likelihood and impact of occurrence; action is taken to mitigate these as far as possible. In the case of climate related risks, stewardship activity is key to influencing companies which the Fund is invested in (indirectly via pooled funds).

Brunel use a number of different complementary ESG and carbon specific datasets in the portfolio management tool in order to manage risks within investment portfolios. Carbon footprint (Scope 1, Scope 2 and first tier Scope 3) and fossil fuel revenues and reserves exposure (proxy for downstream scope 3) of each of the listed equity portfolios are monitored. This enables Brunel to assess exposure to high carbon industries. Data, such as that provided by the Transition Pathway Initiative (TPI), helps understand exposure to any carbon-intensive companies and assessment of their preparedness for the transition to a low carbon economy.

Brunel has a robust approach to incorporating climate change factors in its voting decisions, including on specific climate-related shareholder resolutions. Wiltshire Pension Fund officers are active members of the Brunel responsible investment sub-group and engage with Brunel in developing RI policy and reporting.

The Fund's direct Emerging Markets Equity portfolio is managed by an external manager, and the manager is responsible for casting the votes in line with their policies, which include specific consideration of climate change factors.

Federated Hermes EOS are the dedicated engagement provider for Brunel, and report quarterly internally and externally.

Wiltshire Pension Fund is a member of the Local Authority Pension Fund Forum. LAPFF's mission is to protect local authority pension fund by promoting the highest standards of corporate governance and corporate responsibility. Engagement lies at the heart of the Forum's work as a means of delivering positive change. Outcomes from these engagements are disclosed publicly in the LAPFF Annual and Quarterly Engagement Reports.

### c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.

Wiltshire Pension Fund uses a risk register to record and monitor its risk. This document identifies all risks to the Fund which are reviewed regularly; at least once a quarter.

Climate risk is identified on the risk register as a high priority but reduced to a medium residual risk after mitigating controls are considered. The failure to manage climate risk effectively via the investment strategy could result in lower investment returns over the long term.

Further measures, such as developing a Responsible Investment Policy (to be drafted in 2021/2022), further information gathering, analysis, and progress towards set targets may further reduce the residual assessment over time.

## METRICS AND TARGETS

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

### a. Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.

Currently, equities are the only asset class with readily available carbon metrics. Equity holdings represent approximately 50% of the total assets under management. Stewardship information is also widely reported and has been in place for some time.

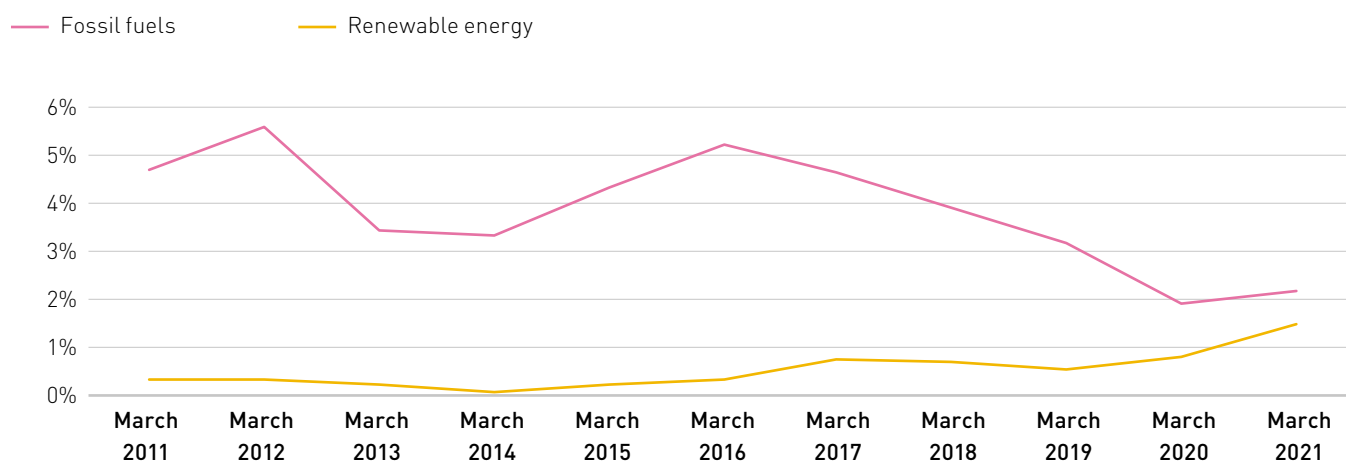
The metrics for other asset classes are being developed and where information is less readily available, the investment manager, asset class or strategy are assessed by looking at how climate factors are incorporated into investment philosophy and portfolio strategy.

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 (mainly 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 11 years is shown below.

The exposure to fossil fuels increased over the year from just under 2% to just over 2% of the total fund value, but broadly in line with the previous year. It is anticipated that this will resume its downward trend, as the Fund puts in place targets to reduce carbon intensity in line with the new target of net zero by 2050.

The exposure to renewables has risen, more than doubling in absolute terms over the year. This trend is expected to continue, as global policy demands a reduction in carbon emissions and the Fund's managers seek investment opportunities in companies and assets which support a transition to a low carbon economy.

### Percentage of Fund held in Fossil fuels and Renewable energy



### b. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.

Brunel produce a Carbon Metrics Report on an annual basis which details the following for each Portfolio against its relevant benchmark:

- The Weighted Average Carbon Intensity (WACI) of the Portfolio and its benchmark for both the current and previous quarter
- Exposure to fossil fuel in terms of the proportion of the Portfolio that derives revenues from fossil fuel extraction and energy activities.
- The proportion of the Portfolio that has fossil fuel reserves exposure
- The disclosure rates of companies within the Portfolio (both for a greenhouse gas and value of holdings basis)

Brunel also report on the level of company disclosures for Aggregate Portfolios and each sub-portfolio. The definitions of these are below:

**Full Disclosure** – Companies reporting their own carbon data (e.g. in financial reports, CDP disclosures etc).

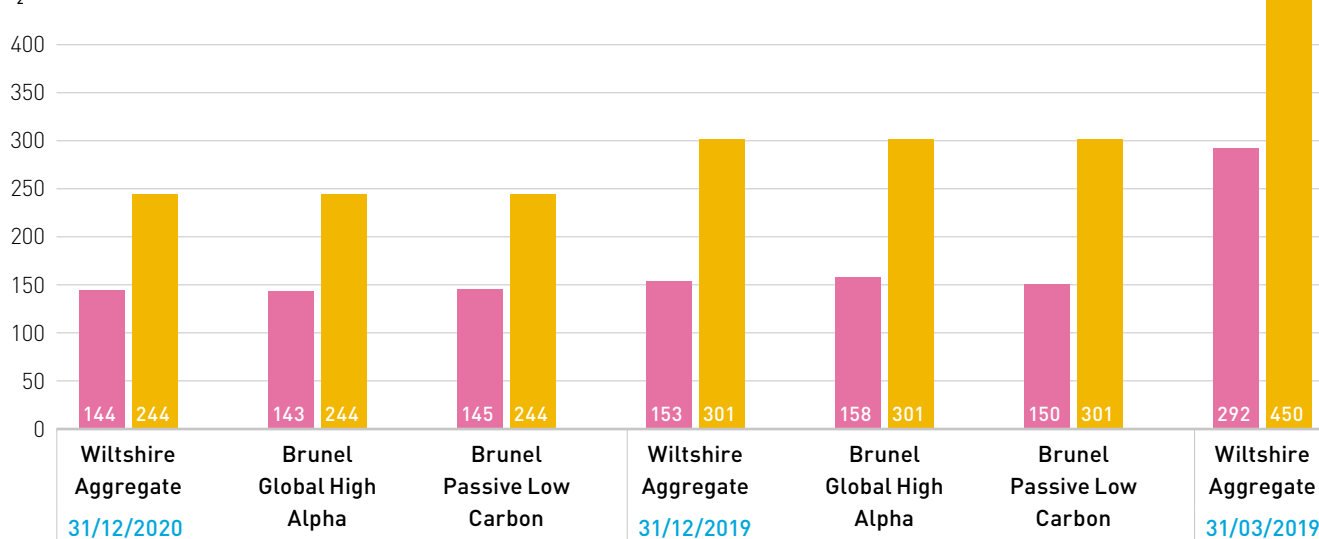
**Partial Disclosure** – The data disclosed by companies has been adjusted to match the reporting scope required by the research process. This may include data from previous years' disclosures, as well as changes in business activities.

**Modelled** – In the absence of usable or up-to-date disclosures, the data has been estimated by employing Trucost models.

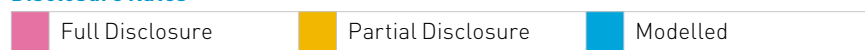
### Weighted Average Carbon Intensity (WACI)



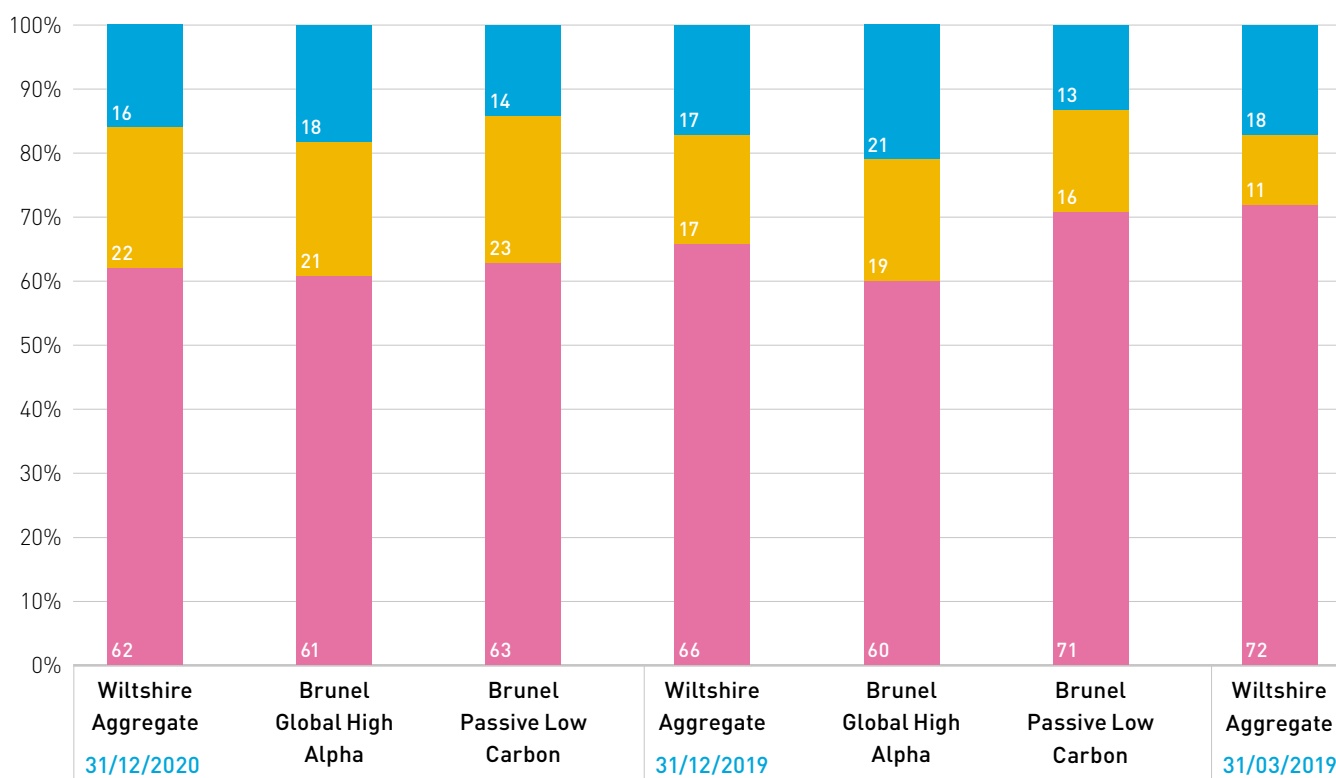
Carbon Intensity  
tCO<sub>2</sub>e/mGBP



### Disclosure Rates



Disclosure rate by Value of Holdings



The weighted average carbon intensity (WACI) 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.

These disclosures of (Brunel) equity fund carbon metrics form a baseline from which to progress. While metrics from other asset classes, investment managers, strategies or vehicles are not readily available yet, the Fund will be engaging with all relevant stakeholders as this initiative widens.

Wiltshire Pension Fund has made strategic asset allocation changes into low carbon products (Passive Low Carbon and Global High Alpha). As such, the WACI is likely to decrease over time and be incrementally lower going forwards.

As is shown in the charts at both fund and aggregate portfolio level, the large drop in WACI for the MSCI World benchmark was a result of carbon intensive names in the energy and utilities sectors declining and making up proportionally less of the index. This was driven by the decline in the oil price seen in Q1 2020 and exacerbated by the COVID crisis. The Portfolios that Wiltshire are invested in (Passive Low Carbon and Global high Alpha) are significantly less carbon intensive than the MSCI World, with much lower exposure to companies with fossil fuel related activities. As a result, the market movements seen throughout 2020 had less of an impact on the WACI of the Portfolios.

**c. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.**

In reporting in line with TCFD recommendations this year, the Fund is keen to demonstrate best practice in this area in advance of any regulatory or mandatory requirements imposed on the LGPS or pension funds.

In March 2021, the Pension Committee approved and committed to a target of net zero carbon by 2050 for the Fund's investment portfolios. This has been added to the Investment Strategy Statement – "In order to protect the Fund's investments into the future, the Fund supports a global warming scenario of 2°C or lower, and states an ambition to achieve net zero carbon emissions across all investment portfolios by 2050."

The Commitment also intends to report in line with the Stewardship Code 2020 (as a signatory of the previous code). A plan to report in line with the new code will be put in place during 2021, with full reporting in 2022.

At the asset class level, there are varying degrees of data availability, consistent methodologies and transparency around climate factors.

As demonstrated above in the disclosure charts provided by Brunel, larger, more established markets with greater reporting obligations and regulations appear to have moderate ratings. Setting targets and making quantifiable assessments against climate factors is more difficult in smaller cap, emerging, developing and private markets, where disclosure practices may need time to evolve.

In the meantime, and to support its strategy and policy implementation there will be regular training on climate change issues for the Committee, Board, and Officers so that decision making of the Fund is sufficiently informed.

# MEMBER SURVEY

In March 2021, Wiltshire Pension Fund conducted a survey of the scheme membership on responsible investment issues.

This survey was launched for two main reasons:

1. Engagement with the scheme membership, to raise awareness and to start a dialogue. Although **members' benefits are guaranteed, and therefore unaffected by investment returns**, they may still have opinions on how the investments are managed;
2. So that the results could be considered by the Pension Fund Committee alongside other important information when deciding the direction of travel for the Fund, in the context of determining the best approach to protect the Fund's investments from climate change risk, in order to safeguard the investments and secure the investment returns into the future.

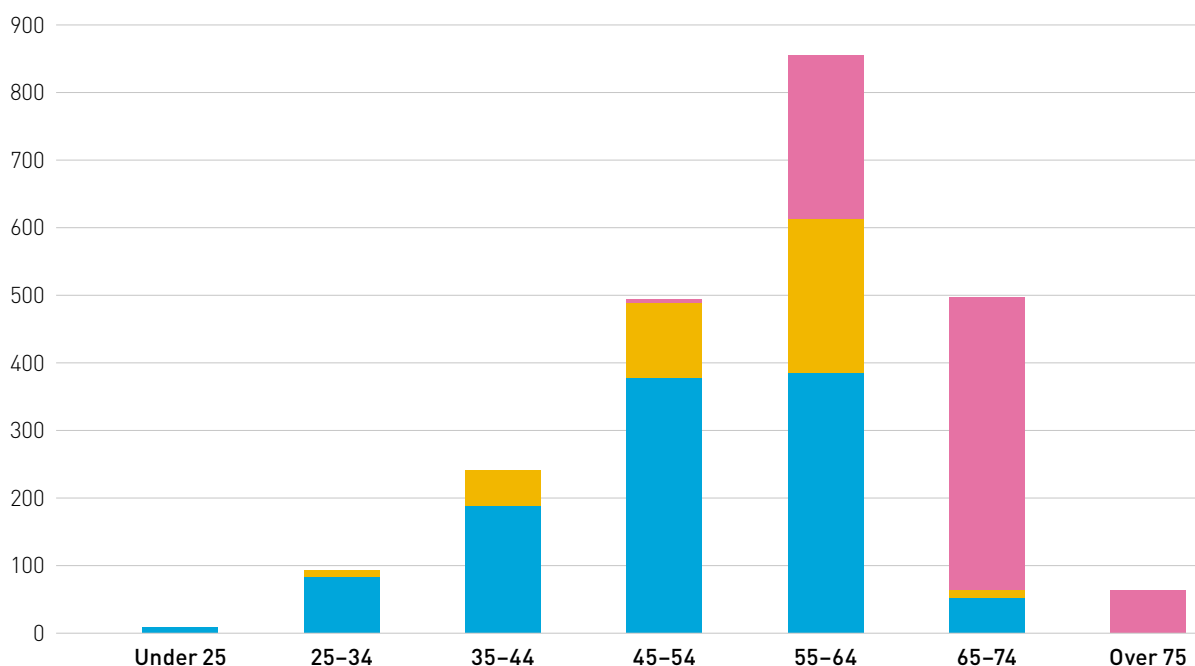
The survey was emailed to all active and deferred members who had signed up to member self-service and all pensioners members who had signed up to e payslips.

Wiltshire internal communications were used to encourage all staff to complete the survey, and all HR contacts at every employer organisation were asked to make staff aware of the survey and encourage completion.

TOTAL RESPONSES: 2,251

## Response

### Demographic Analysis – age and membership status profile (count of responses)



	Total number at point survey was carried out	Contacted	% Contacted	Responded	% of those contacted who responded
Active members	23,143	23,143	100%	1,095	4.7%
Deferred members	40,315	10,040	25%	413	4.1%
Pensioner members	19,015	5,500	29%	743	13.5%



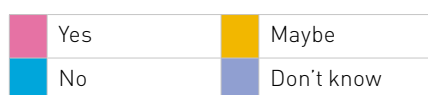
## Results

The survey comprised a total of 15 questions and a **full report of the findings is available on the Pension Fund website** at the following link: <https://www.wiltshirepensionfund.org.uk/Responsible-investment>. These pages provide a number of highlights.

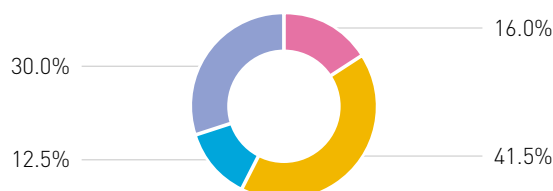
Members were asked for their understanding of Responsible Investment and views on ESG, climate risk and investment in sustainable assets.

What came across particularly strongly (more than whether ESG issues or climate change could present a financial risk) was the view that investment in sustainable and/or low carbon assets was important to 86% of members, this view was shared across levels of understanding.

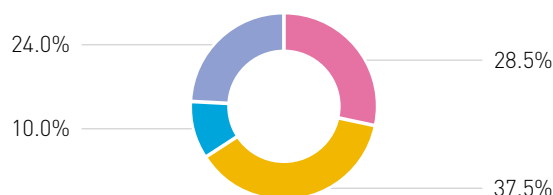
### Views on ESG/climate risk/sustainable assets



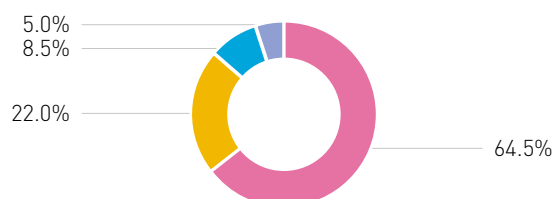
Do you believe that ESG (environmental, social, and governance) issues present a financial risk to the Pension Fund's investments?



Do you believe that climate change in particular presents a financial risk to the Pension Fund's investments?



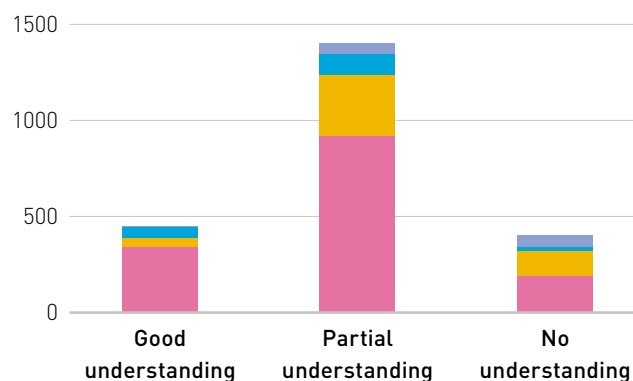
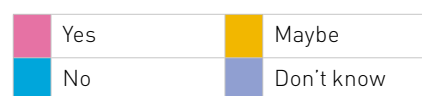
Is it important to you for Wiltshire Pension Fund to invest in sustainable and/or low carbon assets?



**"INVESTMENT IN SUSTAINABLE AND/OR LOW CARBON ASSETS WAS IMPORTANT TO 86% OF MEMBERS"**

Members clearly believe that climate change is or could be a risk to the investments. It is also important to them that the Fund invests in sustainable and/or low carbon assets this is more important to them than how strongly they believe ESG issues or climate change could present a financial risk.

### What level of understanding do you have of responsible investment; and Is it important to you for Wiltshire Pension Fund to invest in sustainable and/or low carbon assets? (Count of responses)



### Pension Fund Response

The Committee is currently considering a specific allocation to sustainable equities. If this is approved, it will be highlighted to the membership (via the website, annual conference etc).

The Committee has amended the Investment Strategy Statement to include a net zero target. This has also been publicised, via the same channels and also via a press release.

### Level of interest in investments/importance of ESG integration/wider engagement

Members were asked a series of questions on their level of interest in how the Pension Fund invests; importance for the Fund to take account of ESG (environmental, social and governance) issues when making investment decisions; importance of seeking to influence the behaviour of the wider financial community; and importance that the Pension Fund seeks to influence the behaviour of individual companies in which it invests to bring about better environmental and social outcomes.

Members are interested in how the Fund's investments are managed; 57% of members answered "yes" or "maybe" that ESG issues represent a financial risk to the Pension Fund. Members answered on average 7.7 (i.e. "important") when asked how important it is for the Fund to take account of ESG issues when making investment decisions. And a majority of members (63%) felt that the Fund should prioritise ESG and investment returns equally. This indicates that members want us to earn strong investment returns from investing responsibly and in a sustainable way.

Members also value our impact on the wider financial community and on the companies in which we invest.

**"‘IMPORTANT’ FOR THE FUND TO TAKE ACCOUNT OF ESG ISSUES WHEN MAKING INVESTMENT DECISIONS"**

### Pension Fund Response

We will continue to develop our approach to engaging with the membership and will use the website as a key tool in making more information on the investments available.

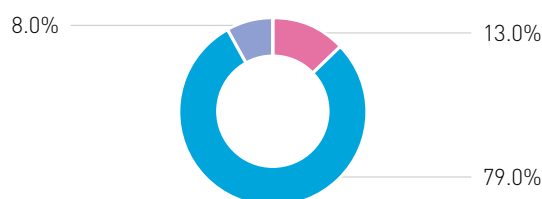
We will continue to publish the voting and engagement reports online, so the members can see the results of the engagement activities conducted on our behalf, and we will look to improve the information we put online in this topic area.

### Member engagement

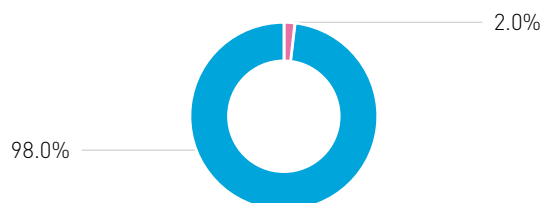
Members have not seen much information which we have put out already, although 13% have seen the annual report. However, members are keen to know more, 56% wanted more information.



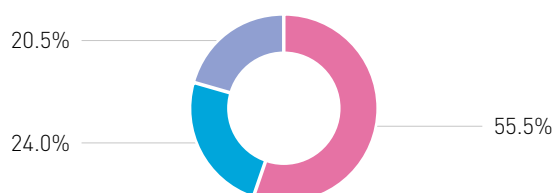
### Have you seen the Wiltshire Pension Fund Annual report 2019/20, and the section on climate risk?



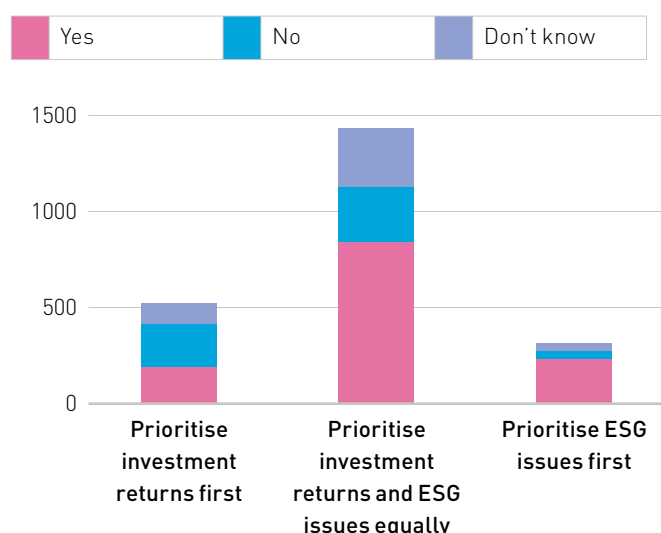
### Did you attend the responsible investment webinar at the annual member conference in November 2020?



### Would you be interested in learning more about Wiltshire Pension Fund's approach to responsible investment?



## In your opinion, should the Wiltshire Pension Fund prioritise investment returns, ESG issues, or both? and Would you be interested in learning more about Wiltshire Pension Fund's approach to responsible investment? (Count of responses)



### Pension Fund Response

At the member conference in the autumn of 2021, we will look at ways to publicise this more widely and try to encourage more attendance. We will also publicise the annual report more widely, as it is a key document. We will review the content of the annual report, to ensure it is not just a statutory document, but also contains additional information which is of interest to stakeholders. We began this last year and can look to do more, using the website to provide more information. If we make significant investment decisions, we will put out a press release.

We will develop a specific responsible investment policy to pull together key information, which will be a good engagement tool. We will investigate other ideas for engagement and develop our approach further.

## Other comments and feedback

Members were invited to submit other comments at the end of the survey. These have been broadly classified by theme, as well as analysed as to which membership group the comments came from.

Just under half the comments submitted (49%) were in support of integrating ESG issues and investing sustainably.

Some 12% of comments were along the theme of how the Fund should prioritise investment returns, including several who were under the impression that the investment returns would impact their pension. Securing the investment returns into the future is the Fund's top priority, and this is the reason why factors like climate change are being considered. The pension benefits paid out are set by law and so remain unaffected by the investment returns. Therefore we need to ensure we communicate this better to the membership, and will do this via the annual report as a first step.

### Feedback themes (size of box represents number of comments)



Some 12% of comments requested more information or made suggestions for the format of the information or method of delivery. This is supported by the 56% of respondents who answered that they would like to know more about the Pension Fund's approach to responsible investment, and the average score of 7.2 ("interested") to the question "what level of interest do you have in how the Pension Fund invests the money held to pay the pensions?".

The pensioner group were the most vocal, with 17% of all respondents adding a comment.

Thank you to all scheme members for participating in the survey, we appreciate your engagement and feedback.

# 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 (BPP) 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 working with Funds to develop specifications for investment portfolios with defined risk and return characteristics, such that Funds can allocate to these to implement their locally set Strategic Asset Allocations. 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.
- A biannual shareholder forum has been established, at which shareholder representatives from each Fund can exchange views on the direction of travel for Brunel, and discuss what has gone well and areas for improvement.
- 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 currently accommodate a specific solution, the Fund has requested creation of a suitable portfolio. These assets will remain outside the pool and will continue to be managed by the Fund until such time as a suitable portfolio managed by BPP has been implemented.

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.

2020/21				
Set up costs	Direct £'000s	Indirect £'000s	Total	Cumulative £'000s
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	–	–	–	–
<b>Total set up costs</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,072</b>
<b>Transition costs</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,088</b>

Note – transition costs for 2020/21 per Note 9 of the Accounts is £69k. This relates to a transition outside of the Brunel pool, in setting up the bank loans portfolio in September 2020. This is therefore not included in the above table.

## 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.

	2020/21				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	–	2,088	13	4,007	2,054	2,088	2,644	3,994
Ongoing costs	976	2,570	577	1,565	901	1,594	558	989
Client savings	–	(13)	(159)	(463)	–	(13)	(154)	(304)
Fee savings	(1,860)	(2,832)	(1,888)	(3,390)	(699)	(972)	(1,159)	(1,502)
Net savings realised	(883)	2,885	(1,457)	2,878	2,256	3,769	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. In 2018/19, only a saving for custodian costs has been recognised. In 2019/20 and 2020/21, no savings were 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 2021										
	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	–	2,616	2,616	23.9	1,786	3,825	5,611	34.0	8,227	30.0
Performance fees	–	–	–	–	–	2,867	2,867	17.4	2,867	10.4
Fees and costs of underlying fund investments	–	362	362	3.3	–	3,363	3,363	20.4	3,724	13.6
<b>Total fees</b>	<b>–</b>	<b>2,978</b>	<b>2,978</b>	<b>27.2</b>	<b>1,786</b>	<b>10,055</b>	<b>11,841</b>	<b>71.7</b>	<b>14,819</b>	<b>54.0</b>
Asset pool shared costs	1,501	–	1,501	n/a	–	–	–	n/a	1,501	n/a
<b>Transaction costs:</b>										
– Transaction taxes	–	–	–	–	–	22	22	0.1	22	0.1
– Broker commission	–	–	–	–	–	89	89	0.5	89	0.3
– Transaction related services	–	–	–	–	–	–	–	–	–	–
– Other explicit transaction costs	–	311	311	2.8	–	227	227	1.4	538	2.0
– Implicit transaction costs	–	466	466	4.3	–	7,041	7,041	42.6	7,507	27.4
– Indirect transactions costs	–	651	651	6.0	–	267	267	1.6	919	3.3
– Anti-dilution levy	–	-28	-28	-0.3	–	-1	-1	–	-29	-0.1
<b>Total transaction costs</b>	<b>–</b>	<b>1,401</b>	<b>1,401</b>	<b>12.8</b>	<b>–</b>	<b>7,645</b>	<b>7,645</b>	<b>46.3</b>	<b>9,046</b>	<b>33.0</b>
Operating expenses	–	76	76	0.7	–	443	443	2.7	518	1.9
<b>Total of all fees and costs</b>	<b>1,501</b>	<b>4,454</b>	<b>5,955</b>	<b>54.5</b>	<b>1,786</b>	<b>18,142</b>	<b>19,929</b>	<b>120.7</b>	<b>25,884</b>	<b>94.3</b>

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 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, global high alpha equities, private equity, secured income, and a portfolio of unlisted infrastructure. 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 24–31.

## 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>.

## Reconciliation to Note 9

The total fees and costs included in the table on page 47 is £25,884k. Other costs which are not included here but are included in Note 9 to the Accounts are custody fees of £74k, transition costs of £69k, and indirect costs incurred in managing investment portfolios of £584k. This brings the total cost of investment management expenses to £26,611k.



# 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	2020/21 £'000	2019/20 £'000	Notes
Contributions received and transfers in	118,611	139,380	Contributions received in year are lower than the prior year which included a significant bulk transfer in. Excluding this transfer in contributions have remained consistent year on year.
Benefits paid and transfers out	(112,267)	(102,757)	Benefits paid have increased compared to the prior year due to a one off provision made for an estimate of pension underpayments covering several years. Excluding this one off item benefits paid have increased by typical inflationary increases.
Management expenses	(29,164)	(37,221)	Management expenses have reduced following a £10m one off expense incurred in the prior year paid to an investment manager on the termination of contract as part of the pooling process.
Return on Investments	478,927	(115,445)	Improvement in market value of investments following global recovery from pandemic has driven the majority of the investment returns, see investment performance note for further details.
<b>Net increase/(decrease) in the Fund</b>	<b>456,107</b>	<b>(116,043)</b>	

Net Asset Statement	2020/21 £'000	2019/20 £'000	Notes
Long Term Investments – Brunel	768	427	This asset represents a 10% share of the equity of Brunel Pension Partnership.
Pooled investment vehicles	2,537,890	2,145,268	The detailed narrative for the increase in these asset values in year is included in the investments section
Pooled property investments	392,126	329,510	The detailed narrative for the increase in these asset values in year is included in the investments section
Cash and other current assets and liabilities	29,201	28,673	These net current assets including locally held cash have remained static year on year
<b>Total Net Investments</b>	<b>2,959,985</b>	<b>2,503,878</b>	

## 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 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.

As at 31 March 2020 the negative impact of Covid-19 on asset values had reduced the funding level to 88.2%. Since then the value of investments have improved throughout 2020 and early 2021, this has taken the funding position to 100.2% on an ongoing basis as at 31st March 2021. The trend of funding level, excluding the exceptional impact of Covid-19 on the March 2020 funding position, has been upwards since the March 2016 valuation.

## 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	24,060	23,728	98.6%	332	1.4%
Employer	94,323	93,269	98.9%	1,054	1.1%
<b>Total</b>	<b>118,383</b>	<b>116,997</b>	<b>98.8%</b>	<b>1,386</b>	<b>1.2%</b>

In total 59 monthly contribution payments of 2,318 (2.6%) were received late of which 53 were received within one month, and the remaining six paid within three months. No interest was charged on any of the late payments.

## FORECASTS

The following table shows the actual fund account performance for the last two years and a high level forecast for year ending March 2022 and March 2023. .

	2022/23	2021/22	2020/21	2019/20
Fund Account	Forecast £'000	Forecast £'000	Actual £'000	Actual £'000
Contributions	120,365	119,485	118,611	139,380
Payments	(105,555)	(104,783)	(112,267)	(102,757)
Management expenses	(29,621)	(29,404)	(29,164)	(37,221)
Return on investments	141,387	134,624	478,927	(115,445)
<b>Net increase in the Fund</b>	<b>126,576</b>	<b>119,921</b>	<b>456,107</b>	<b>(116,043)</b>

Contributions and payments are based on current expectations incorporating allowances for inflation, the administration and investment management expenses are based on current budgets and historic levels of investment fees with an allowance for inflation. The net return on investment is based on the long-term forecast returns for each asset class as set out in the next table.

	2022/23	2021/22	2020/21	2019/20
Asset Class/Portfolio	Forecast Value at 31 Mar 23	Forecast Value at 31 Mar 22	Market value as at 31 Mar 21	Long term forecast return rate
Active global equities	679.8	643.7	609.6	5.60%
Passive low carbon equities	622.0	589.0	557.8	5.60%
Emerging market equities	173.5	161.7	150.7	7.30%
Private equity	1.5	1.5	1.5	
<b>Total equity</b>	<b>1,476.8</b>	<b>1,396.0</b>	<b>1,319.6</b>	
Infrastructure	231.3	219.7	208.6	5.30%
<b>Total growth assets</b>	<b>1,708.1</b>	<b>1,615.6</b>	<b>1,528.2</b>	
Multi asset credit	169.0	161.8	154.8	4.50%
Emerging market debt	163.0	156.7	150.7	4.00%
Property	375.8	361.0	346.8	4.10%
Bank loans	237.5	228.4	219.6	4.00%
<b>Total income generating / mid-risk assets</b>	<b>945.4</b>	<b>907.9</b>	<b>871.9</b>	
Index linked gilts	486.9	477.4	468.0	2.00%
Secured income	95.5	93.6	91.8	2.00%
Cash	2.8	2.8	2.8	0%
<b>Total protection assets</b>	<b>585.2</b>	<b>573.8</b>	<b>562.6</b>	
<b>Total Investment Assets</b>	<b>3,238.7</b>	<b>3,097.3</b>	<b>2,962.7</b>	
<b>In Year Return on investment</b>	<b>141.4</b>	<b>134.6</b>		

The forecasts for total investment assets are based on the actual figures for 2020/21 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:

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

The forecasts in the above table were determined when the Fund's latest Strategic Asset Allocation was set during 2019/20.

## OPERATIONAL EXPENSES

The following table sets out the historic and forecast operational expenses of the pension fund by core reporting category. Investment management fees continue to be the largest part of the operational costs of the fund, further detail on these fees is included in the investments section of the report. Other operational expenses have remained largely static, some increase in staffing costs is forecast in 2021/22 to meet additional workload demands on the fund from regulation and activity.

	2021/22	2020/21	2019/20
<b>Fund Account</b>	<b>Forecast £'000</b>	<b>Actual £'000</b>	<b>Actual £'000</b>
<b>Fund Investment</b>			
Investment Management Fees	26,279	26,496	34,536
Staffing and other costs	217	115	127
<b>Investment Costs</b>	<b>26,496</b>	<b>26,611</b>	<b>34,662</b>
<b>Scheme Administration</b>			
Scheme Administration Staffing Costs	1,208	1,036	996
Staff Training	23	22	19
Corporate charges	311	311	311
Pension Administration systems and data cleansing	357	354	310
Other Administration Costs	89	41	102
<b>Scheme Administration Costs</b>	<b>1,988</b>	<b>1,765</b>	<b>1,738</b>
<b>Oversight and Governance</b>			
Oversight and Governance Staffing Costs	221	180	168
Training and Conferences	23	1	10
Subscriptions, memberships and levies	42	32	34
Actuarial Services	153	154	206
Audit Fees	27	27	10
Legal Fees	48	26	13
Advisory Fees	233	196	142
Corporate charges and other costs	146	159	224
<b>Local Pension Board Costs</b>	<b>25</b>	<b>14</b>	<b>14</b>
<b>Oversight and Governance Costs</b>	<b>920</b>	<b>788</b>	<b>821</b>
<b>Total Costs</b>	<b>29,404</b>	<b>29,164</b>	<b>37,221</b>

## CASHFLOW

Officers continue to monitor the cashflow position of the Fund to ensure sufficient resources are available to pay benefits as they fall due and meet investment calls in a timely manner. A summary of the principal locally held cashflow movements for 2020/21 is shown below:

Cashflow Summary	2020/21 £m
<b>Opening balance (locally held cash)</b>	<b>7.9</b>
Contributions received in advance	26.1
Contributions received	101.4
Cash disinvested from Gilts	10.0
Investment redemption	1.4
Private Markets distributions	4.0
Benefits paid	(115.4)
Cash paid into equity investments	(24.0)
Private Markets capital calls	(5.5)
<b>Net movement in cash</b>	<b>(2.0)</b>
<b>Closing balance (locally held cash)</b>	<b>5.9</b>

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	2020/21 £'000	2019/20 £'000	2018/19 £'000	2017/18 £'000	2016/17 £'000
Overpayments recovered	34	27	19	29	29
Overpayments not recovered	12	11	14	12	12
<b>Total</b>	<b>46</b>	<b>38</b>	<b>33</b>	<b>41</b>	<b>41</b>
Annual payroll	89,019	77,241	72,224	68,165	65,540
Write offs as a % of payroll	0.01%	0.01%	0.02%	0.02%	0.02%
No. of cases – not recovered	173	157	167	185	151
No. of cases – recovered	44	24	31	52	41
No. of cases – in process of recovery	20	9	7	9	11

# 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 has been formally adopted by the Wiltshire Pension Committee and risks are reviewed by the Committee at each quarterly meeting. In 2019 the risk register was reconfigured to make it a more dynamic document by splitting the risks into Horizon, Dynamic, Ongoing and Dormant risks 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

The Fund produces and maintains a range of statutory and quasi-statutory statements. A breakdown and explanation of each statement can be found below.

The latest version of all these documents can be found via the following website link:

<https://wiltshirepensionfund.org.uk/article/3756/Governance>

## INVESTMENT STRATEGY STATEMENT (ISS)

The Committee approved the current ISS at its meeting on 30 March 2021.

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.

## 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.

## 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 and objectives set for that specific year.

## CESSATION POLICY

The latest Cessation Policy was approved by the Pension Fund Committee in December 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.

## COMMUNICATIONS POLICY STATEMENT

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

## 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.

## WILTSHIRE PENSION FUND DISCRETIONS POLICY

This policy outlines discretions made under the following LGPS Regulations approved by the Fund's Committee on 30 March 2021

## 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.

## 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 March 2021 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.

## 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:

<https://wiltshirepensionfund.org.uk/article/3756/Governance>

## DATA IMPROVEMENT STRATEGY AND PLAN

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

## 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 1 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 2022.

## TRIENNIAL VALUATION REPORT 2019

A triennial valuation is used to set employers' contributions and to provide recommendations on funding decisions. The Fund's valuation report can be viewed on the Wiltshire Pension Fund website at the following link:

<https://wiltshirepensionfund.org.uk/article/3756/Governance>



# 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 severely disrupted by COVID 19 in March 2020, but in the 2020/21 year they recovered strongly. As a result, the funding level of the Fund as at 31 March 2021 is likely to be slightly better than reported at 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**

18 May 2021

For and on behalf of Hymans Robertson LLP

# 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 (Amendment) Regulations 2021.

## DIRECTOR OF FINANCE AND PROCUREMENT

The Director of Finance and 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 2021. 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 estimates 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 2021.



**Andy Brown**  
Corporate Director Resources and  
Deputy Chief Executive – (S. 151 Officer)  
Wiltshire Pension Fund



# INDEPENDENT AUDITOR'S REPORT

TO BE ADDED ONCE AUDIT OPINION  
HAS BEEN GIVEN BY DELOITTE

# STATEMENT OF ACCOUNTS

## FUND ACCOUNT

For the year ended 31 March 2021

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

The notes on pages 63–87 form an integral part of these financial statements.

## NET ASSET STATEMENT

At 31 March 2021

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

# NOTES

Related notes form an integral part of these financial statements

## 1 Basis of Preparation

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

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

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

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

The accounts have been prepared on a going concern basis.

## 2 Summary of Significant Accounting Policies

The principal accounting policies of the Fund are as follows:

### Fund account – revenue recognition

#### a) Contributions

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

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

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

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

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

#### b) Transfers to and from other schemes

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

Individual transfers in/out, i.e. those sums paid to, or received from, other pension schemes relating to previous periods of employment, have been brought into account on a cash basis. Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (Note 5b).

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

#### c) Investment Income

- Dividends, interest and coupon receipts have been accounted for on an accruals basis. Income on pooled investments is accumulated and reflected in the valuation of units.
- Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.
- Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.
- Changes in the value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.

### Fund account – expense items

#### d) Benefits payable

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

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

#### e) Taxation

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

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

#### f) Management expenses

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

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



## Net Asset Statement

### g) Financial assets

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

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

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

## Valuation of Investments

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

### (i) Unquoted securities

Unquoted securities have been valued according to the latest trades, professional valuation, asset values or other appropriate financial information.

### (ii) Pooled investment vehicles

Pooled investments are stated at bid price for funds with bid/offer spreads, or single price/net asset value where there are no bid/offer spreads, as provided by the investment manager.

### (iii) Foreign Currency Transactions

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

Foreign currency transactions are accounted for on the basis of the equivalent sterling value of the underlying transactions, by applying the relevant exchange rate ruling at the time. Any profit or loss arising on currency transactions either realised or unrealised, will be reflected in the Net Asset Statement.

### (iv) Cash and cash equivalents

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

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

### h) Financial liabilities

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

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

### i) Actuarial present value of promised retirement benefits

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

#### j) Additional Voluntary Contributions (AVCs)

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

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

#### k) Contingent assets and contingent liabilities

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

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

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

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

### 3 Critical Judgements in Applying Accounting Policies

#### Pension Fund Liability

The net pension fund liability is re-calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS19.

Assumptions underpinning the valuations are agreed with the actuary and are summarised in the actuarial position statement. This estimate is subject to significant variances based on changes to the underlying assumptions.

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

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

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

The items in the net asset statement at 31 March 2021 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Pooled Property Investment
Uncertainties	Valuation techniques are used to determine the carrying values of directly held freehold and leasehold property. Where possible these valuation techniques are based on observable data, otherwise the best available data is used.
Effect if actual results differ from assumptions	Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property-based investments by up to 10% ie an increase or decrease of £39m on carrying values of £392m.

## 5a Contributions receivable

	2020/21 £'000	2019/20 £'000
<b>Employers' contributions</b>		
Normal	82,683	78,960
Augmentations	2,123	2,248
Deficit recovery contributions*	9,517	15,840
	<b>94,323</b>	<b>97,048</b>
<b>Employees' contributions</b>		
Normal	23,956	22,726
Additional contributions	104	162
	<b>24,060</b>	<b>22,888</b>
<b>Total contributions receivable</b>	<b>118,383</b>	<b>119,936</b>

	2020/21 £'000	2019/20 £'000
<b>Analysis of contributions by type of employer</b>		
<b>Contributions from employees (including additional contributions)</b>		
Wiltshire Council	8,632	8,347
Other scheduled bodies	14,303	13,400
Admitted bodies	1,125	1,141
	<b>24,060</b>	<b>22,888</b>
<b>Contributions from employers (including augmentations)</b>		
Wiltshire Council	36,354	35,489
Other scheduled bodies	53,419	52,057
Admitted bodies	4,550	9,502
	<b>94,323</b>	<b>97,048</b>
<b>Total contributions receivable</b>	<b>118,383</b>	<b>119,936</b>

\* Deficit funding contributions are paid relevant employers for the three years commencing from 1 April 2019 with a minimum specified in the Rates and Adjustment Certificate dated 31 March 2021 to improve the Fund's funding position. The recovery period at the last valuation over which the deficit funding is recovered is mainly 20 years for scheduled bodies and 14 years or the length of the employer's contract (whichever is the shorter) for admitted bodies.

## 5b Transfers in from other pension funds

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

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

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

## 6 Benefits payable

By category	2020/21 £'000	2019/20 £'000
Pensions	89,109	77,241
Commutation and lump sum retirement benefits	13,060	13,087
Lump sum death benefits	2,099	1,293
	<b>104,268</b>	<b>91,621</b>

By type of employer	2020/21 £'000	2019/20 £'000
<b>Pensions payable</b>		
Wiltshire Council	46,938	44,978
Other scheduled bodies	39,139	37,335
Admitted bodies	9,942	9,308
Provision for underpayment	8,250	–
	<b>104,268</b>	<b>91,621</b>

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

## 7 Payments to and on account of leavers

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

## 8 Management expenses

	2020/21 £'000	2019/20 £'000
Administration costs	1,765	1,738
Investment management expenses (Note 9)	26,611	34,662
Oversight and Governance costs	788	821
	<b>29,164</b>	<b>37,221</b>

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

## 8a External Audit costs

	2020/21 £'000	2019/20 £'000
Payable in respect of external audit	19	19
	<b>19</b>	<b>19</b>

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

## 9 Investment management expenses

	2020/21 £'000 Total	Management fees	Performance fees	Transaction costs
Pooled investments	<b>21,181</b>	8,325	3,042	9,814
Pooled property investments	<b>3,202</b>	3,202	–	–
	<b>24,383</b>	<b>11,527</b>	<b>3,042</b>	<b>9,814</b>
Custody fees	74			
Transition costs	69			
Costs associated with investment pooling	1,501			
Indirect costs incurred in managing investment portfolios	584			
	<b>26,611</b>			

	2019/20 £'000 Total	Management fees	Performance fees	Transaction costs
Equities	<b>13,366</b>	945	12,455	(34)
Pooled investments	<b>14,167</b>	7,118	1,212	5,837
Pooled property investments	<b>3,365</b>	3,365	–	–
	<b>30,898</b>	<b>11,428</b>	<b>13,667</b>	<b>5,803</b>
Custody fees	193			
Transition costs	2,550			
Costs associated with investment pooling	888			
Indirect costs incurred in managing investment portfolios	133			
	<b>34,662</b>			

## 10 Investment income

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

## 11 Stock lending

During 2020/21, the Pension Fund participated in a securities lending programme administered by Brunel Pension Partnership, for the Pension Fund's active global equities portfolio. Previously (including 2019/20), the Council participated in a securities lending programme administered by State Street Global Advisors. Securities in the beneficial ownership of the Council to a value of £15.8million (0.5% of the total fund value) were on loan at 31 March 2021. Collateral held for these securities had a market value of £17.2million, which represents 108.85% of the value of the shares on loan. Income earned from this programme amounted to £48,278 in the year.

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

## 12 Investments held at year end

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

## 12a Reconciliation of movements in investments

	Value at 1 April 2020 £'000	Purchases and derivative payments £'000	Sales and derivative receipts £'000	Change in value during the year £'000	Value at 31 March 2021 £'000
<b>Long term investments</b>					
Brunel Pension Partnership	427	–	–	341	768
<b>Funds held with Brunel</b>					
Pooled funds	896,241	130,064	(202,561)	441,962	1,265,705
Equities	–	–	–	–	–
<b>Pooled investment vehicles</b>					
Other	1,249,028	2,093,456	(2,027,346)	32,048	1,347,185
Property	329,510	2,269	(9,212)	(5,440)	317,126
	<b>2,475,205</b>	<b>2,225,788</b>	<b>(2,239,119)</b>	<b>468,911</b>	<b>2,930,784</b>
<b>Other investment balances</b>					
FX contracts	–	–	–	–	–
Cash deposits	17,950	–	–	(11)	32,291
Receivable for investment sales	–	–	–	–	–
Investment income due	6	–	–	–	–
Tax reclaims due on investment income	240	–	–	–	216
Payables for investment purchases	–	–	–	–	–
<b>Net investment assets</b>	<b>2,493,401</b>	<b>2,225,788</b>	<b>(2,239,120)</b>	<b>468,900</b>	<b>2,963,291</b>



## 12a Reconciliation of movements in investments (continued)

	Value at 1 April 2019 £'000	Purchases and derivative payments £'000	Sales and derivative receipts £'000	Change in value during the year £'000	Value at 31 March 2020 £'000
<b>Long term investments</b>					
Brunel Pension Partnership	840	–	–	(413)	427
<b>Funds held with Brunel</b>					
Pooled funds	409,784	1,414,164	(806,969)	(120,738)	896,241
Equities	432,614	13,111	(472,843)	27,118	–
<b>Pooled investment vehicles</b>					
Other	1,390,746	1,481,839	(1,592,582)	(30,975)	1,249,028
Property	334,978	16,809	(19,531)	(2,746)	329,510
	<b>2,568,961</b>	<b>2,925,924</b>	<b>(2,891,925)</b>	<b>(127,754)</b>	<b>2,475,205</b>
<b>Other investment balances</b>					
FX contracts	(1)	3	–	(2)	–
Cash deposits	15,321	–	–	(100)	17,950
Receivable for investment sales	–	–	–	–	–
Investment income due	29	–	–	–	6
Tax reclaims due on investment income	154	–	–	–	240
Payables for investment purchases	(2,326)	–	–	–	–
<b>Net investment assets</b>	<b>2,582,139</b>	<b>2,925,926</b>	<b>(2,891,925)</b>	<b>(127,856)</b>	<b>2,493,401</b>

## 12b Investments analysed by Fund Manager

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

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

	Market value 31 March 2021 £'000	% of total market value
<b>Security</b>		
Brunel – Global High Alpha	609.55	20.58%
Brunel – GPCU MSCI World Low Carbon OFC	557.83	18.83%
BBAE 2071 Gilt Fund	468.00	15.80%
Ninety One – Emerging Market Multi-Asset Fund	301.36	10.17%
Pinebridge Global Secured Credit Funds	219.56	7.41%
Loomis Sayles – Multi Asset Credit	154.77	5.22%
	<b>2,311.07</b>	<b>78.01%</b>

	Market value 31 March 2020 £'000	% of total market value
<b>Security</b>		
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%
	<b>2,049.57</b>	<b>81.83%</b>

## 13 Derivative Contracts

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

## 14 Fair value basis of valuation

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

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

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

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

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

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

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

### Sensitivity of assets valued at level 3

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

### 14a. Fair value hierarchy

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

#### 2021

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

#### 2020

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

## 14a Fair value hierarchy (continued)

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

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

## 14b Reconciliation of fair value measurements within Level 3

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

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

## 15 Classification of Financial Instruments

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

	2020/21			2019/20		
	Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost	Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Financial assets</b>						
Long term investment in Brunel	768			427		
Pooled investment vehicles	2,536,397			2,145,268		
Pooled property investments	392,126			329,510		
Private equity	1,493			–		
Cash		37,847			25,422	
Other investment balances		216			247	
Sundry debtors and prepayments		9,446			21,445	
	<b>2,930,784</b>	<b>47,509</b>	<b>–</b>	<b>2,475,205</b>	<b>47,113</b>	<b>–</b>
<b>Financial liabilities</b>						
Sundry creditors			(15,044)			(10,645)
Long-term creditors			(3,264)			(7,795)
<b>Total</b>	<b>2,930,784</b>	<b>47,509</b>	<b>(18,308)</b>	<b>2,475,205</b>	<b>47,113</b>	<b>(18,440)</b>
<b>Grand total</b>			<b>2,959,985</b>			<b>2,503,878</b>

### Net gains and losses on financial instruments

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

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

## 16 Nature and extent of risks arising from financial instruments

### Risk and risk management

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

The Committee obtains regular reports from each investment manager and its Investment Consultant on the nature of investments made and associated risks.

The analysis below is designed to meet the disclosure requirements of IFRS 7.

### 16.1 Market Risk

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

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

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

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

#### Other Price Risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or by factors affecting all such instruments in the market.

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

#### Market Price – Sensitivity Analysis

The sensitivity of the Fund's investments to changes in market prices has been analysed using the volatility of returns experienced by asset classes. The volatility data was provided by the Fund's custodian, State Street Global Advisors, and was calculated as the monthly volatility of returns using 36 months of historical data, where available. Where this data was not available, due to the Fund holding a portfolio for less than 36 months, historical data for the strategy was provided by the investment manager, or data for an appropriate benchmark was used. Such a measure is appropriate for measuring "typical" variations in the relative values of the assets and liabilities over short time periods. It is not appropriate for assessing longer term strategic issues. The analysis assumes that all other variables, in particular, interest rates and foreign exchange rates, remain constant

Movements in market prices would have increased or decreased the net assets valued at 31 March 2021 and 2020 by the amounts shown opposite.



<b>As at 31 March 2021</b>	<b>Value £'000</b>	<b>Volatility of return</b>	<b>Increase £'000</b>	<b>Decrease £'000</b>
Baillie Gifford – residual holding	216	0.00%	–	–
Brunel - Global High Alpha	609,552	18.04%	109,963	(109,963)
Brunel – Low Carbon Equities	557,832	14.75%	82,280	(82,280)
CBRE Global Multi Manager – Property	346,803	3.20%	11,098	(11,098)
Legal & General – Gilts	468,003	22.30%	104,365	(104,365)
Magellan – Listed Infrastructure	140,669	14.50%	20,397	(20,397)
Partners Group – Infrastructure	62,823	11.10%	6,973	(6,973)
Ninety One – Emerging Markets	301,359	11.20%	33,752	(33,752)
Loomis Sayles – Multi Asset Credit	154,766	9.70%	15,012	(15,012)
Pinebridge – bank loans	219,561	8.85%	19,431	(19,431)
Brunel - Private Equity	1,493	24.20%	361	(361)
Brunel – Infrastructure	5,070	11.10%	563	(563)
Brunel – Secured Income	91,758	3.20%	2,936	(2,936)
M&G – Financing Fund – residual holding	3	0.00%	–	–
Cash held at custodian	2,614	0.00%	–	–
Long-term investment – Brunel Pension Partnership	768	0.00%	–	–
	<b>2,963,291</b>		<b>407,132</b>	<b>(407,132)</b>

<b>As at 31 March 2020</b>	<b>Value £'000</b>	<b>Volatility of return</b>	<b>Increase £'000</b>	<b>Decrease £'000</b>
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)
Ninety One (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%	–	–
Long-term investment – Brunel Pension Partnership	427	0.00%	–	–
	<b>2,493,401</b>		<b>313,869</b>	<b>(313,869)</b>

## 16.2 Interest Rate Risk

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

### Interest Rate – Sensitivity Analysis

	As at 31 March 2021			As at 31 March 2020		
	Asset values £'000	Impact of 1% increase £'000	Impact of 1% decrease £'000	Asset values £'000	Impact of 1% increase £'000	Impact of 1% decrease £'000
Cash held on deposit	37,847	–	–	25,422	–	–
Fixed Interest Securities	622,769	(6,228)	6,228	785,513	(11,607)	11,607
Loans	219,564	–	–	3	–	–
	<b>880,181</b>	<b>(6,228)</b>	<b>6,228</b>	<b>810,939</b>	<b>(11,607)</b>	<b>11,607</b>

## 16.3 Currency Risk

Currency risk represents the risk that the fair value of financial instruments will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on any cash balances and investment assets not denominated in UK sterling. When sterling depreciates the sterling value of foreign currency denominated investments will rise and when sterling appreciates the sterling value of foreign currency denominated investments will fall.

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

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

### Currency Risk – Sensitivity Analysis

The sensitivity of the Fund's investments to changes in foreign currency rates has been analysed using a 10% movement in exchange rates in either direction. This analysis assumes that all variables, in particular interest rates, remain constant.

A 10% strengthening or weakening of Sterling against the various currencies at 31 March 2021 and 31 March 2020 would have increased or decreased the net assets by the amount shown below.

	2021			2020		
	Assets held at fair value £'000	Change in net assets		Assets held at fair value £'000	Change in net assets	
		+10% £'000	-10% £'000		+10% £'000	-10% £'000
US Dollar	118,205	11,820	(11,820)	119,883	11,988	(11,988)
Euro	33,657	3,366	(3,366)	33,823	3,382	(3,382)
<b>Net Currency Exposure</b>	<b>151,862</b>	<b>15,186</b>	<b>(15,186)</b>	<b>153,706</b>	<b>15,371</b>	<b>(15,371)</b>

The Fund hedges 50% of its overseas equity holdings therefore only a proportion of the gains/losses would be experienced. One important point to note is that currency movements are not independent of each other. If sterling strengthened generally it may rise against all the above currencies producing losses across all the currencies.

## 16.4 Credit Risk

Credit risk represents the risk that the counterparty to the financial instrument will fail to meet their obligations and the Fund will incur a financial loss.

The Fund is exposed to credit risk through its investment managers, custodian and its daily treasury management activities. Credit risk is minimised through the careful selection and monitoring of counterparties.

Another source of credit risk is the cash balances held internally or by managers. The Pension Fund's bank account is held at HSBC, which holds an AA- long term fitch credit rating and it maintains its status as a well-capitalised and strong financial institution. The management of the cash held in this account is managed by the Council's Treasury Management Team in line with the Fund's Treasury Management Strategy which sets out the permitted counterparties and limits. Cash held by investment managers, besides those in pooled investment vehicles, is invested with the custodian in a diversified money market fund rated AAAM.

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

	2020/21 £'000	2019/20 £'000
<b>Summary</b>		
Cash held at custodian	32,291	17,950
Bank current account - HSBC	(305)	(357)
Money Market Funds	5,862	7,829
	<b>37,847</b>	<b>25,422</b>

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

## 16.5 Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The main liabilities of the Fund relate to the benefits payable which fall due over a long period of time. The investment strategy reflects this and set out the strategic asset allocation of the Fund. Liquidity risk is mitigated by investing a proportion of the Fund in actively traded instruments in particular equities and fixed income investments. The Fund maintains a cash balance to meet operational requirements.

The following tables analyse the Fund's non-investment financial liabilities as at 31 March 2021 and 2020, grouped into relevant maturity dates.

	2020/21			2019/20		
	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	6,953	4,355	2,598	15,543	7,748	7,795
Benefits payable	650	650	–	927	927	–
Other	10,704	10,039	666	1,970	1,970	–
	<b>18,308</b>	<b>15,044</b>	<b>3,264</b>	<b>18,440</b>	<b>10,645</b>	<b>7,795</b>

## 17 Current assets

	31 March 2021 £'000	31 March 2020 £'000
Employees	1,887	1,814
Employers	6,423	7,059
	<b>8,310</b>	<b>8,873</b>
Bulk transfer values receivable	–	9,305
Sundry debtors	743	2,865
Prepayments	393	402
	<b>1,136</b>	<b>12,572</b>
Cash balances	<b>5,556</b>	<b>7,472</b>
<b>Net current assets</b>	<b>15,002</b>	<b>28,917</b>

## 18 Current liabilities

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

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

## 18a Long term creditors

	31 March 2021 £'000	31 March 2020 £'000
Manager fees	2,598	7,795
Brunel Pension Partnership pension reimbursement liability	666	–
<b>Total</b>	<b>3,264</b>	<b>7,795</b>

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

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

## 19 Additional Voluntary Contributions (AVCs)

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

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

## 20 Employer Related Assets

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

## 21 Related Party Transactions

The Wiltshire Pension Fund is administered by Wiltshire Council. Consequently, there is a strong relationship between the Council and the Pension Fund.

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

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

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

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

### 21.1 Governance

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

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

## 22 Guaranteed Minimum Pension (GMP)

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

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

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

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

## 23 Contingent Liabilities and Contractual Commitments

### Capital Commitments

Outstanding capital commitments (investments) at 31 March 2021 totalled £618.5m (£734.5m at 31 March 2020). £551.5m of these commitments relate to amounts committed to private equity, infrastructure, secured income and private debt portfolios managed by the Brunel Pool. The balance (£66.9m) relates to outstanding call payments due on unquoted limited partnership funds held in the infrastructure part of the portfolio. The amounts 'called' are irregular in both size and timing from the original commitment.

### Transitional protections

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

### The 'McCloud' case

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

On 27 June 2019, the Supreme Court refused the Government permission to appeal the McCloud case in respect of age discrimination and pension protection, and the Government announced it would work with employment tribunals to find a solution. On 26 March 2020, a ministerial statement confirmed that detailed proposals for removing the discrimination would be published later in 2020 and be subject to public consultation. In July 2020, MHCLG consulted on changes to the LGPS and in May 2021, Luke Hall MP released a statement outlining the Government's response.

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

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

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

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

# IAS26 STATEMENT

## Pension Fund Accounts Reporting Requirement

### Introduction

CIPFA's Code of Practice on Local Authority Accounting 2020/21 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the 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 2021 £'000	Year ended 31 March 2020 £'000
Active members	1,822	1,169
Deferred pensioners	1,247	905
Pensioners	1,403	1,294
<b>Total</b>	<b>4,472</b>	<b>3,368</b>

The promised retirement benefits at 31 March 2021 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 2021 include an allowance for the 'McCloud ruling', i.e. an estimate of the potential increase in past service benefits arising from this case affecting public service pension schemes. This estimate was allowed for in the 31 March 2020 IAS26 reporting and is continued to be allowed for within the liabilities this year.

The figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the pension fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

### Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2021 and 31 March 2020. I estimate that the impact of the change in financial assumptions to 31 March 2021 is to increase the actuarial present value by £908m. I estimate that the impact of the change in demographic and longevity assumptions is to increase the actuarial present value by £54m.

### Financial assumptions

Year ended (%p.a.)	31 March 2021 £'000	31 March 2020 £'000
Pension Increase Rate	2.85%	1.90%
Salary Increase Rate	3.25%	2.30%
Discount Rate	2.00%	2.30%

### Longevity assumption

Life expectancy is based on the Fund's VitaCurves alongside future improvements based on the CMI 2020 model with an allowance for smoothing of recent mortality experience and a long term rate of improvement of 1.50% p.a.. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	21.9 years	24.4. years
Future pensioners (assumed to be aged 45 at the latest formal valuation)	22.9 years	26.2 years

### 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%	423
0.5% p.a. increase in Salary Increase Rate	1%	30
0.5% decrease in Real Discount Rate	10%	462

The principal demographic assumption is the longevity assumption. For sensitivity purposes, I estimate that a one 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 2021 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**

18 May 2021

For and on behalf of Hymans Robertson LLP

# FURTHER INFORMATION AND CONTACTS

The Council produces many other publications, as well as this document 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](http://www.wiltshirepensionfund.org.uk) or by emailing [pensionenquiries@wiltshire.gov.uk](mailto: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 latest version of the employer website was rolled out in March 2021 and 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 above and 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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