

THE SALVATION ARMY OFFICERS' PENSION FUND

ANNUAL REPORT
FOR THE YEAR ENDED
31 MARCH 2020

CHARITY REGISTRATION NUMBER: 230791

THE SALVATION ARMY OFFICERS' PENSION FUND

CONTENTS

	Page
Report of the Salvation Army Pension Fund Board	2 to 6
Accounts	7 to 13
Auditors' Report	14 to 15
Actuary's Statement	16

THE SALVATION ARMY OFFICERS' PENSION FUND

REPORT OF THE SALVATION ARMY PENSION FUND BOARD

The members of The Salvation Army Officers' Pension Fund present their annual report together with the financial statements of the Fund for the year ended 31 March 2020.

CONTROLLING BODY

The Fund is under the control of a Board, which is constituted by the Second Schedule of the Salvation Army Act 1963. This consists of six ex officio members, under the Chairmanship of the Territorial Commander for the time being of The Salvation Army United Kingdom Territory with the Republic of Ireland, and three other Officers of the Army, appointed by the Board and whose terms of office may be determined by the Board, but may not exceed five years. The members of the Board who served during the year and those serving at the date of approval of the Annual Report were:

Commissioner A. Cotterill	
Commissioner G. Cotterill	
Commissioner M. Heatwole	(Resigned 31 October 2020)
Commissioner L. Graves	(Appointed 3 November 2020)
Colonel P. Main	(Appointed 1 November 2020)
Lieut-Colonel B. McCombe	
Lieut-Colonel A. McCombe	(Appointed 1 December 2019)
Lieut-Colonel A. Read	
Major J. Burton	(Resigned 19 May 2019)
Major C. Daws (formerly Begley)	(Appointed 20 May 2019)
Major J. Hilditch	

PROFESSIONAL ADVISORS

- | | | |
|----|----------------------|---|
| 1. | Actuaries | Messrs. BWCI Consulting Limited |
| : | | Albert House |
| | | St Peter Port |
| | | Guernsey GY1 3BY |
| 2. | Auditors: | Knox Cropper LLP |
| | | 65-68 Leadenhall Street |
| | | London EC3A 2AD |
| 3. | Solicitors: | Messrs. Slaughter & May |
| | | 35 Basinghall Street |
| | | London EC2V 5BD |
| 4. | Bankers: | Reliance Bank Limited |
| | | Faith House, |
| | | 23-24 Lovat Lane, |
| | | London EC3R 8EB |
| 5. | Investment Advisor: | Investment Advisory Committee of The Salvation Army |
| 6. | Investment Managers: | Sarasin & Partners LLP |
| | | 100 St. Paul's Churchyard, |
| | | London EC4M 8BU |
| | | Legal & General Investment Management (LGIM) |
| | | 1 Coleman Street |
| | | London EC2R 5AA |

THE SALVATION ARMY OFFICERS' PENSION FUND**REPORT OF THE SALVATION ARMY PENSION FUND BOARD (CONTINUED)****ADDRESS OF SCHEME**

101 Newington Causeway, London, SE1 6BN.

ORIGINATING INSTRUMENT: Salvation Army Act 1963

CONSTITUTION AND PURPOSES

The Salvation Army Officers' Pension Fund was established for two main purposes:

"..... to pay pensions to those Officers who (immediately before the implementation of the Act) were in receipt of retirement allowances from any of the Salvation Army undertakings", and

"..... to pay pensions and allowances and to make grants to Officers who may retire on or at any time after the appointed day whether by reason of having reached retirement age or on grounds of ill-health or of other disability or on any other grounds which, in the opinion of the Board, justify the payment of a pension or the making of an allowance or grant (as the case may be)."

The Act also states that:

"The pension fund shall be non-contributory and nothing in this Act shall confer any right on any officer or other person to receive or continue to receive a pension or a pension of any particular amount."

It will be seen, therefore, that the Fund is a Pension Fund, as this term is generally understood, in name only, since it has no members and the payments are according to rules which may be redefined at the discretion of the Board.

The fund is a registered Charity (No. 230791).

TAX STATUS

The Scheme is a deemed Registered Pension Scheme and adheres to HMRC regulations.

ANNUAL REPORT

The Salvation Army Officers' Pension Fund is exempt from S47(1)(a) and S47(1)(b) of the 1995 Pensions Act, and the regulations thereunder, and the requirement to produce an annual report including an audit report and actuarial statement is governed by the Salvation Army Act 1963.

During the year the participating employers' contributions to the Fund amounted to £8.57m in aggregate and, after payment of benefits and administrative expenses, this resulted in net withdrawals from dealings with officers of almost £13k. In addition, as a result of the negative performance of the financial markets due to COVID-19 at the end of the financial year, net returns on investments disclosed an outflow of funds this year of £16.97m resulting in a net decrease in the Fund for the year of £16.98m.

THE SALVATION ARMY OFFICERS' PENSION FUND

REPORT OF THE SALVATION ARMY PENSION FUND BOARD (CONTINUED)

STATEMENT OF PENSION FUND BOARD'S FINANCIAL RESPONSIBILITIES

The Pension Fund Board is responsible for preparing the Annual Report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The Salvation Army Act 1963 requires the Pension Fund Board members to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Fund for that period.

In preparing the accounts, they are required to select suitable accounting policies and apply them consistently; make judgements and estimates that are reasonable and prudent; state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and prepare the accounts on a going concern basis when it is appropriate to presume that the Fund will continue to operate.

They are responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Fund and to enable them to ensure that the accounts comply with recommended practice. They are also responsible for safeguarding the assets of the Fund and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ACTUARIAL POSITION

The Fund is subject to triennial valuations. The most recent full actuarial valuation was carried out by BWCI Consulting Limited as at 31 March 2019 whose actuarial statement is set out on page 16.

ORDINARY CONTRIBUTIONS RECEIVABLE

2020

2019

The number of active UK officers in respect of which ordinary contributions were payable at the year end amounted to:

Officers

982

1,010

As detailed in note 3 to the financial statements, contributions are also payable where there is a leadership post not held by an officer.

INVESTMENTS

The Fund's investment policy is determined by the Board, under the advice of the Investment Advisory Committee of The Salvation Army (IAC) and its Statement of Investment Principles is summarised below. The Salvation Army maintains a Code of Ethical Practice to ensure its funds are invested to reflect its ethical and moral stance.

The Board's objective is to invest the assets of the Fund in the best interests of members and beneficiaries. It aims to generate sufficient return, at appropriate levels of risk and in line with the Ethical Code, to enable the Fund to meet its future liabilities. The Board recognises that investment in a small number of asset classes or individual investments increases the risk of significant loss over a short period of time and believes that the need for an adequately diversified overall investment portfolio is met by the benchmark and ranges set out below.

In addition, the Board has selected a passive investment manager (LGIM) and an active investment manager (Sarasins) for the equities to provide diversification by manager and by investment style. Each investment manager is expected to take investment decisions with regard to a suitable level of diversification being maintained within asset classes.

Investments managed by Sarasins and Partners LLP are held with The Bank of New York Mellon who act as custodian for the assets. Investments managed by LGIM are held with HSBC Bank PLC and Citibank, NA (London Branch).

THE SALVATION ARMY OFFICERS' PENSION FUND**REPORT OF THE SALVATION ARMY PENSION FUND BOARD (CONTINUED)****INVESTMENTS (Continued)**

The Fund's benchmarks and ranges of distribution are as follows.
Overall asset allocation,

Asset Category	Long term target asset allocation	Permitted range	Performance Benchmark
UK Equities	45.0%	+/- 5%	FTSE All-Share Index
Overseas Equities	22.5%	+/- 5%	FTSE All-World (ex-UK) Index
Long dated UK corporate bonds	25.0%	+/- 5%	Markit iBoxx Sterling Non-Gilts >15 years Index
Property	7.5%	+/- 2.5%	MSCI/AREF UK Quarterly All Balanced Property Fund Index
Cash	0.0%	+ 5%	
TOTAL	100%		

Active manager asset allocation,

Asset Category	Asset allocation	Permitted range	Performance Benchmark
UK Equities	27.0%	+/- 10%	FTSE All-Share Index
Overseas Equities	13.0%	+/- 10%	FTSE All-World (ex-UK) Index
Long dated UK corporate bonds	60.0%	+/- 5%	Markit iBoxx Sterling Non-Gilts >15 years Index
Cash	0.0%	+ 5%	
TOTAL	100%		

The active manager is allocated 100% of the overall property allocation on an execution only service. The allocation to property is managed by the Board and delegated to the IAC.

Passive manager asset allocation,

Asset fund category	Asset allocation	Permitted range	Performance Benchmark
Custom UK Equity Index Fund	67.0%	+/- 2%	FTSE Custom All-Share Specialist Ethical Index
Custom All-World ex UK Equity Index Fund	33.0%	+/- 2%	FTSE Custom All-World (ex-UK) Specialist Ethical Index
TOTAL	100%		

A full analysis of the investment portfolio is set out in Note 7 to the financial statements. The analysis of investments (at bid market value) as at 31 March 2020 was as follows:

	Market Value	
	£	%
UK Equities	19,755,609	9
Overseas Equities	17,345,920	8
UK Bonds	56,334,653	26
Property	16,765,019	8
Equity Funds	96,976,673	46
Cash	5,434,476	3
	£212,612,350	100%

THE SALVATION ARMY OFFICERS' PENSION FUND**REPORT OF THE SALVATION ARMY PENSION FUND BOARD (CONTINUED)****INVESTMENTS (Continued)**

Lothbury Property Trust, had a market value of £16,765,019 at the year-end (2019: £16,907,445). Legal & General Custom UK Equity Index Fund had a market value of £65,226,881 at the year-end (2019: £74,552,888). Legal & General Custom All World ex UK Equity Index Fund had a market value of £31,749,792 at the year-end (2019: £38,630,415). All of these investments represent more than 5% of the net assets of the Pension Fund.

The Fund performance against benchmark over 1 and 3 years was as follows:

	Performance over 1 year (%)		Performance over 3 years (%pa)	
	Fund	Benchmark	Fund	Benchmark
Sarasin excluding Property	-0.2	-3.2	4.1	2.9
Sarasin Property	-0.8	0.0	4.0	4.8
LGIM UK Equities	-18.6	-18.6	n/a	n/a
LGIM Overseas Equities	-5.2	-5.4	n/a	n/a
OPF Consolidated	-7.1	-8.4	1.0	0.2

Approved by the Trustees on 14 January 2021.

SIGNED ON BEHALF OF THE BOARD



Lieut-Colonel A. Read

THE SALVATION ARMY OFFICERS' PENSION FUND**FUND ACCOUNT****FOR THE YEAR ENDED 31 MARCH 2020**

	Notes	2020 £	2019 £
CONTRIBUTIONS AND BENEFITS			
Contributions Receivable	1(b), 3	8,574,665	10,984,541
Transfers in		34,971	9,525
		<u>8,609,636</u>	<u>10,994,066</u>
Benefits Payable	4	8,325,725	8,216,108
Transfers out		88,558	-
Administrative Expenses	5	207,906	127,456
		<u>8,622,189</u>	<u>8,343,564</u>
<i>Net Additions/(Withdrawals) from Dealings with Officers</i>		<u>(12,553)</u>	<u>2,650,502</u>
RETURNS ON INVESTMENTS			
Investment Income	1(b), 6	3,806,707	4,677,766
Change in Market Value of Investments	7	(20,291,566)	9,450,932
Investment Management Fees		(481,218)	(474,073)
<i>Net Returns on Investments</i>		<u>(16,966,077)</u>	<u>13,654,625</u>
NET INCREASE/(DECREASE) IN THE FUND DURING THE YEAR		(16,978,630)	16,305,127
NET ASSETS OF THE SCHEME			
<i>At 1 April 2019</i>		<u>231,622,877</u>	<u>215,317,750</u>
<i>At 31 March 2020</i>		<u><u>£214,644,247</u></u>	<u><u>£231,622,877</u></u>

THE SALVATION ARMY OFFICERS' PENSION FUND**STATEMENT OF NET ASSETS****AS AT 31 MARCH 2020**

	Notes	2020 £	2019 £
INVESTMENT ASSETS			
Bonds	7	56,334,653	55,648,301
Equities	7	37,101,528	40,216,783
Property Fund	7	16,765,019	16,907,445
Legal & General UK Fund	7	65,226,882	74,552,888
Legal & General Worldwide Fund	7	31,749,792	38,630,415
Cash Deposits	7	5,434,476	2,922,533
		<u>212,612,350</u>	<u>228,878,365</u>
CURRENT ASSETS	8	2,290,091	2,889,654
CURRENT LIABILITIES	9	(258,194)	(145,142)
TOTAL NET ASSETS AT 31 MARCH		<u>£214,644,247</u>	<u>£231,622,877</u>

These financial statements were approved by the board on 14th January 2021

Signed on behalf of the board:



Lieut-Colonel A. Read

THE SALVATION ARMY OFFICERS' PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

1. ACCOUNTING POLICIES

- (a) The Financial Statements have been prepared in accordance with Financial Reporting Standard 102 – the Financial Reporting Standard applicable in the UK and Republic and Ireland issued by the Financial Reporting Council and with the guidance set out in the Statement of Recommended Practice: Financial Reports of Pension Schemes (2018). The presentational currency is pounds sterling.
- (b) Income:
- (i) Contributions are taken into account on an accruals basis at the rates presently agreed between the Pension Fund Board and The Salvation Army on the recommendation of the Consulting Actuaries.
 - (ii) Investment income is accounted for on an accruals basis, dividend income being accounted for when the investment is quoted "ex - div".
- (c) Expenditure:
Expenditure is accounted for on the accruals basis. Benefits payable are included in the financial statements in respect of entitlement up to the year end in accordance with the rules of the Fund.
- (d) Investments:
Investments are included at their fair value at the accounting year end based on bid market price listings or, in the case of unitised pooled investments, on the latest available bid price or single price provided by the pooled investment manager.

2. ACTUARIAL VALUATION

The accounts summarise the transactions and net assets of the Fund. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Fund year. The actuarial position of the Fund, which does take account of such obligations, is dealt with in the statement by the actuary on page 16 and these financial statements should be read in conjunction therewith. This statement relates to the Actuarial Valuation as at 31 March 2019.

3. CONTRIBUTIONS RECEIVABLE

	2020	2019
	£	£
Ordinary Annual Contribution	4,574,665	4,984,541
Annual Capital Contribution	2,000,000	2,000,000
Special Contribution	2,000,000	4,000,000
	<hr/>	<hr/>
	£8,574,665	£10,984,541

Ordinary annual contributions represent a fixed rate per appointment where there is leadership, however, only commissioned officers at the point of retirement are entitled to a pension from the Scheme. Contributions are payable by The Salvation Army, which this year amounts to £4,740 per annum per officer (2019: £4,616). This represents an average of 965 units paid during the year (2019: 1,080).

THE SALVATION ARMY OFFICERS' PENSION FUND**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MARCH 2020****3. CONTRIBUTIONS RECEIVABLE (Continued)**

Following the 2019 actuarial valuation, contributions have been set at £4,680 per active officer from 1 April 2020 (increasing thereafter in line with changes in officers' allowances) and additional capital contributions of £2,000,000 will continue to be paid for approximately 13 years (also increasing in line with changes in allowances).

4. BENEFITS PAYABLE

	2020	2019
	£	£
Pensions to retired Officers	7,654,575	7,685,463
Lump Sum Retirement Grants	671,150	530,645
Transfers	-	-
	<u>£8,325,725</u>	<u>£8,216,108</u>

5. ADMINISTRATIVE EXPENSES

	2020	2019
	£	£
The Salvation Army Management Charge	37,456	28,660
Auditors Remuneration		
Audit Fees	12,300	12,100
Actuarial Fees	101,790	6,215
Other Professional Fees	46,895	77,588
Other Expenses	9,465	2,893
	<u>£207,906</u>	<u>£127,456</u>

6. INVESTMENT INCOME

	2020	2019
	£	£
Income from Fixed Interest Securities	2,140,282	2,107,917
Dividends from Equities	1,104,762	2,023,686
Income from Property Fund	542,861	527,224
Interest on Cash Deposits	18,802	18,939
	<u>£3,806,707</u>	<u>£4,677,766</u>

THE SALVATION ARMY OFFICERS' PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

7. INVESTMENTS

	Market Value 1/4/19	Purchases at Cost	Sales Proceeds	Change in Market Value	Market Value 31/3/20
	£	£	£	£	£
Bonds	55,648,301	22,769,551	(21,879,171)	(204,028)	56,334,653
Equity Funds	113,183,302	5,256,111	(5,256,111)	(16,206,629)	96,976,673
Equities	40,216,783	9,970,494	(9,890,127)	(3,195,622)	37,101,528
Property Fund	16,907,445	542,861	-	(685,287)	16,765,019
	225,955,832	£38,539,017	£(37,025,409)	£(20,291,566)	207,177,873
Cash Deposits	2,922,533				5,434,477
	£228,878,365				£212,612,350

The change in market value of investments during the year comprises all increases and decreases in market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

For Equity Funds, the change in market value also includes in respect of the underlying investments, any income generated, transactions costs and sale proceeds in respect of the purchase or sale of those investments. The value of these costs and revenues are not separately identified.

During the year the book value of investments increased by £9,083,803.

	2020		2019	
	£		£	
	Market Value	Book Value	Market Value	Book Value
	£	£	£	£
BONDS				
Fixed Interest Securities				
Corporate Bonds	56,334,653	52,771,818	55,648,301	50,558,863
UK Gilts	-	-	-	-
Overseas Corporate Bonds	-	-	-	-
Overseas Government Bonds	-	-	-	-
	56,334,653	52,771,818	55,648,301	50,558,863
Equity Funds				
UK Quoted	65,226,882	83,204,982	74,552,888	75,326,405
Overseas	31,749,792	32,485,058	38,630,415	37,466,699
	96,976,673	115,690,040	113,183,303	112,793,104
EQUITIES				
UK Quoted	19,755,608	20,712,615	24,168,756	22,275,290
Overseas	17,345,920	14,857,198	16,048,027	12,375,478
	37,101,528	35,569,813	40,216,783	34,650,768
PROPERTY FUND	16,765,019	14,164,678	16,907,445	13,621,756
CASH DEPOSITS				
Brokers Balances				
Sterling	5,434,477	5,434,476	2,922,533	2,922,533
TOTALS	£212,612,350	£223,630,825	£228,878,365	£214,547,024

THE SALVATION ARMY OFFICERS' PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

7. INVESTMENTS (Continued)

Investment fair value hierarchy

The fair value of investments has been determined using the following fair value hierarchy:

- Level 1 The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 Inputs other than quoted prices included within Level 1 that are observable (ie developed using market data) for the asset or liability, either directly or indirectly.
- Level 3 Inputs are unobservable (ie for which market data is unavailable) for the asset or liability.

The Fund's investment assets and liabilities have been fair valued using the above hierarchy levels as follows:

As at 31 March 2020	Level 1	Level 2	Level 3	Total
	£	£	£	£
UK Bonds	56,334,653	-	-	56,334,653
Equity Funds (pooled investment vehicles)	-	96,976,673	-	96,976,673
Equities	37,101,528	-	-	37,101,528
Property	-	16,765,019	-	16,765,019
Cash	5,434,477	-	-	5,434,477
	<u>£98,870,658</u>	<u>£113,741,692</u>	<u>£ -</u>	<u>£212,612,350</u>
As at 31 March 2019	Level 1	Level 2	Level 3	Total
	£	£	£	£
UK Bonds	55,648,301	-	-	55,648,301
Equity Funds (pooled investment vehicles)	-	113,183,303	-	113,183,303
Equities	40,216,783	-	-	40,216,783
Property	-	16,907,445	-	16,907,445
Cash	2,922,533	-	-	2,922,533
	<u>£98,787,617</u>	<u>£130,090,748</u>	<u>£ -</u>	<u>£228,878,365</u>

Investment risks

FRS 102 requires the disclosure of information in relation to certain investment risks.

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk: this comprises currency risk, interest rate risk and other price risk.

Currency risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.

Interest rate risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.

THE SALVATION ARMY OFFICERS' PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

7. INVESTMENTS (Continued)

Other price risk: this is the risk that the fair value of future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Fund is subject to credit risk because it directly invests in bonds. This risk is mitigated by investing in government bonds where the credit risk is minimal, or corporate bonds which are rated at least investment grade.

Currency risk arises on the Fund's equities held in overseas markets and indirectly from the underlying investments held in the overseas equities fund. The Trustees have set a benchmark limit to overseas currency exposure of 27.5% of the total portfolio value.

The Fund is subject to interest rate risk because some of its investments are held in bonds and cash. The Trustees have set a benchmark for total investment in bonds of 30% and cash of 5% of the total investment portfolio.

Other price risk arises principally in relation to the Fund's return seeking portfolio which includes directly held equities, indirectly held equities in the UK and overseas equity funds and the property fund unit trust. The Trustees have set a benchmark for total investment in property of 10% of the total investment portfolio.

8. CURRENT ASSETS

	2020	2019
	£	£
Debtors:		
Accrued Dividends	69,015	108,857
Accrued Interest	785,109	964,111
Amounts due from Central Funds	240,914	245,298
Cash at Bank:		
Current Account	443,007	1,069,342
Deposit Account	752,046	502,046
	<u>£2,290,091</u>	<u>£2,889,654</u>

9. CURRENT LIABILITIES

	2020	2019
	£	£
Sundry Creditors	<u>£(258,194)</u>	<u>£(145,142)</u>

10. RELATED PARTY TRANSACTIONS

The administration of the Fund is undertaken by The Salvation Army United Kingdom Territory Central Funds, which has levied a management charge of £37,457 for the year (2019: £28,660). At the year end a net balance of £240,914 was due from Central Funds (2019: £245,298). The Fund's banker is Reliance Bank Limited, which is an associate company of The Salvation Army Trust Central Funds and a subsidiary company of The Salvation Army International Trust. At the year end, the Fund had bank balances of £1,195,053 (2019: £1,571,388) with the Bank.

CL3265890.1

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF THE BOARD OF
THE SALVATION ARMY OFFICERS' PENSION FUND

OPINION ON FINANCIAL STATEMENTS

We have audited the financial statements of The Salvation Army Officers' Pension Fund for the year ended 31 March 2020, which comprise the Fund Account, the Statement of Net Assets and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Members of the Board, as a body, in accordance with Section 145 of the Charities Act 2011 and regulations made under Section 154 of that Act and with The Salvation Army Act 1963. Our audit work has been undertaken so that we might state to the Members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Pension Fund and the Members for our audit work, for this report or for the opinions we have formed.

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2020, and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011 and the requirements of The Salvation Army Act 1963.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Pension Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Pension Fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

OTHER INFORMATION

The Members are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF THE BOARD OF
THE SALVATION ARMY OFFICERS' PENSION FUND

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Charities (Accounts and Reports) Regulations 2008 require us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the Report of the Board; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF PENSION FUND BOARD

As described on page 4, the Pension Fund Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Members are responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Members either intend to liquidate the Pension Fund or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

We have been appointed as auditor and report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with The Salvation Army Act 1963. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



KNOX CROPPER LLP
65 Leadenhall Street
London, EC3A 2AD
 14 January 2021

Chartered Accountants
Statutory Auditors

Knox Cropper LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

CL3265890.1

THE SALVATION ARMY OFFICERS' PENSION FUND

SUMMARY OF ACTUARIAL VALUATION

An actuarial valuation of the Fund was carried out as at 31 March 2019. The main purposes of the valuation were to review the financial position of the Fund at that date and to help establish the contributions payable to the Fund in the future.

The valuation assumed that the Fund would continue as a going concern. In order to carry out the valuation, the actuary made a number of assumptions based on economic conditions at the valuation date, on prospective investment returns and regarding longevity of Officers. However, changes in market values of the assets and in market conditions after the valuation date may mean that the assumptions and market values on which it is based are no longer appropriate. The Fund's funding position could have changed significantly since the valuation and this could affect the contributions payable in the future.

The main economic assumptions used in the calculations were as follows:

Price inflation	3.6% pa
Rate of increase in allowances	4.1% pa
Rate of pension increases	4.1% pa
Rate of deferred pension increases	4.1% pa
Pre-retirement discount rate	3.4% pa
Post-retirement discount rate	2.7% pa
Management expenses (other than investment related expenses)	4.0% of the future ordinary contributions
Assets	Market value

The valuation revealed a funding shortfall of £7,156,000 and a funding ratio of 97.0%. After taking into account the cost of benefits accruing in the future and the future expected ordinary contributions, the overall shortfall was £26,369,000.

It was agreed that the following contributions would be requested from the Army to be paid to the Fund:

- annual ordinary contributions of £4,680 per Officer from 1 April 2020 increasing in line with Officers' Allowances.
- capital payments of £2m pa increasing in line with Officers' Allowances.

These payments would eliminate the funding shortfall over a period of around 13 years. However additional capital payments are expected to be made by the Army as and when they can be afforded, with the aim of eliminating the funding shortfall over a shorter period.

A contingent asset arrangement was put in place following the 2007 actuarial valuation between the Board and the Army, such that the Board would have first call over the housing stock of the Army when retired Officers were Promoted To Glory, if the Army was unable to meet the shortfall. The contingent asset supports the shortfall repayment period.

Diana Simon
BWCI Consulting Limited
Consulting Actuaries

CL3265890.1