

Public Document Pack



NOTICE OF MEETING

Meeting	Hampshire Pension Fund Panel and Board
Date and Time	Friday, 3rd March, 2017 at 10.00 am
Place	Ashburton Hall, E II Podium, Winchester
Enquiries to	members.services@hants.gov.uk

John Coughlan CBE
Chief Executive
The Castle, Winchester SO23 8UJ

FILMING AND BROADCAST NOTIFICATION

This meeting may be recorded and broadcast live on the County Council's website. The meeting may also be recorded and broadcast by the press and members of the public – please see the Filming Protocol available on the County Council's website.

AGENDA

1. APOLOGIES FOR ABSENCE

To receive any apologies for absence.

2. DECLARATIONS OF INTEREST

All Members who believe they have a Disclosable Pecuniary Interest in any matter to be considered at the meeting must declare that interest and, having regard to Part 3 Paragraph 1.5 of the County Council's Members' Code of Conduct, leave the meeting while the matter is discussed, save for exercising any right to speak in accordance with Paragraph 1.6 of the Code. Furthermore all Members with a Personal Interest in a matter being considered at the meeting should consider, having regard to Part 5, Paragraph 4 of the Code, whether such interest should be declared, and having regard to Part 5, Paragraph 5 of the Code, consider whether it is appropriate to leave the meeting while the matter is discussed, save for exercising any right to speak in accordance with the Code.

3. CONFIRMATION OF MINUTES (NON-EXEMPT) (Pages 1 - 4)

To confirm the Minutes of the meeting held on 31 January 2017.

4. CHAIRMAN'S ANNOUNCEMENTS

To receive any announcements the Chairman may wish to make

5. INTERNAL AUDIT PROGRESS REPORT - FEBRUARY 2017 (Pages 5 - 16)

To consider a report from the Director of Corporate Resources-Corporate Services providing the Pension Fund Panel and Board with an overview of the internal audit work completed in accordance with the approved plan.

6. INTERNAL AUDIT PLAN 2017/18 (Pages 17 - 30)

To consider a report from the Director of Corporate Resources-Corporate Services providing the Pension Fund Panel and Board with the Internal Audit Plan 2017/18 for Pension Services.

7. GOVERNANCE - DRAFT INVESTMENT STRATEGY STATEMENT
(Pages 31 - 46)

To consider a report from the Director of Corporate Resources-Corporate Services seeking the Panel and Board's approval of the draft Investment Strategy Statement, which is a new requirement of the updated LGPS Management and Investment of Funds Regulations 2016, replacing the Statement of Investment Principles and providing an update on the finalisation of the 2016 triennial Actuarial Valuation and plans for the subsequent review of the Pension Fund's Investment Strategy.

8. EXCLUSION OF THE PRESS AND PUBLIC

That in relation to the following items the press and public be excluded from the meeting, as it is likely, in view of the nature of the business to be transacted or the nature of proceedings, that if a member of the public were present during the items there would be disclosure to them of exempt information within Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, and further that in all circumstances of the case, the public interest in maintaining the exempt information outweighs the public interest in disclosing the information, for the reasons set out in the report.

9. CONFIRMATION OF THE MINUTES OF THE PREVIOUS MEETING ON 31 JANUARY 2017 (EXEMPT ITEMS) (Pages 47 - 50)

To confirm the exempt minutes of the meeting held on 31 January 2017.

10. INVESTMENT - CUSTODIAN PERFORMANCE (Pages 51 - 60)

To consider an exempt report from the Director of Corporate Resources - Corporate Services providing a review of custody services provided in the last year by JP Morgan, the Pension Fund's global custodian, as well as an update on the Pension Fund's tax claims and class actions.

11. INVESTMENT - INVESTMENT UPDATE (Pages 61 - 72)

To consider the exempt report of the Director of Corporate Resources - Corporate Services updating the Panel and Board on the Pension Fund's investments since the last meeting of the Pension Fund Panel and Board on 31 January 2017.

12. INVESTMENTS - ALTERNATIVE INVESTMENTS PORTFOLIO UPDATE (Pages 73 - 86)

To consider the exempt report of the Director of Corporate Resources - Corporate Services updating the Pension Fund Panel and Board on the progress of the alternative investments portfolio.

ABOUT THIS AGENDA:

On request, this agenda can be provided in alternative versions (such as large print, Braille or audio) and in alternative languages.

ABOUT THIS MEETING:

The press and public are welcome to attend the public sessions of the meeting. If you have any particular requirements, for example if you require wheelchair access, please contact members.services@hants.gov.uk for assistance.

County Councillors attending as appointed members of this Committee or by virtue of Standing Order 18.5; or with the concurrence of the Chairman in connection with their duties as members of the Council or as a local County Councillor qualify for travelling expenses.

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AT A MEETING of the PENSION FUND PANEL AND BOARD of the County Council held at The Castle, Winchester on Tuesday 31 January 2017.

Chairman:
p Councillor M. Kemp-Gee

Elected members of the Administering Authority (Councillors):

p C. Carter	p P. Latham
p C. Connor	p T. Rolt
p A. Gibson	p B. Tennent
p A. Joy	p T. Thacker

Employer Representatives (Co-opted members):

p Councillor P. Giddings (Test Valley Borough Council)
a Councillor H. Mason (Portsmouth City Council)
p Mr D. Robbins (Churchers College)

Scheme Member Representatives (Co-opted members):

p Dr C. Allen (pensioners' representative)
p Mr N. Wood (substitute scheme members representative, substituting for Mr P. Reynolds)
p Mrs V. Arrowsmith (deferred members' representative)

Independent Adviser:

a C. Dobson

133. **BROADCASTING ANNOUNCEMENT**

The Chairman announced that the press and members of the public were permitted to film and broadcast the meeting. Those remaining at the meeting were consenting to being filmed and recorded, and to the possible use of those images and recording for broadcasting purposes.

134. **APOLOGIES FOR ABSENCE**

Cllrs Mason, Rust, Greenwood and Mrs Dobson sent their apologies.

135. **DECLARATIONS OF INTEREST**

Members were mindful that where they believed they had a Disclosable Pecuniary Interest in any matter considered at the meeting they must declare that interest at the time of the relevant debate and, having regard to the circumstances described in Part 3, Paragraph 1.5 of the County Council's Members' Code of Conduct, leave the meeting while the matter was discussed, save for exercising any right to speak in accordance with Paragraph 1.6 of the Code. Furthermore Members were mindful that where they believed they had a Non-Pecuniary interest in a matter being considered at the meeting they considered whether such interest should be declared, and having regard to Part 5,

Paragraph 2 of the Code, considered whether it was appropriate to leave the meeting whilst the matter was discussed, save for exercising any right to speak in accordance with the Code.

136. **CONFIRMATION OF MINUTES**

The minutes of the Pension Fund Panel and Board held on 16 December 2016 were confirmed.

137. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman thanked members for their attendance at this specially called meeting of the Panel and Board.

138. **EXCLUSION OF PRESS AND PUBLIC**

RESOLVED:

That the public be excluded from the meeting during the following items of business, as it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the public were present during these items there would be disclosure to them of exempt information within Paragraphs 3 of Part 1 of Schedule 12A to the Local Government Act 1972, and further that in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, for the reasons set out in the reports.

139. **MINUTES OF PREVIOUS MEETING HELD ON 16 December 2016 (EXEMPT APPENDIX)**

The exempt minutes of the Pension Fund Panel and Board held on 16 December 2016 were confirmed.

140. **GOVERNANCE: LGPS INVESTMENT POOLING INTER-AUTHORITY AGREEMENT**

The Panel and Board considered the exempt report from the Director of Corporate Resources (Item 7 in the Minute Book) detailing the draft Inter-Authority Agreement for the ACCESS pool. [SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT INFORMATION]

141. **INVESTMENTS - INVESTMENT UPDATE INCLUDING RECENT PERFORMANCE RETURNS**

The Panel and Board considered the exempt report from the Director of Corporate Resources (Item 8 in the Minute Book) updating the Panel

and Board about the progress of the Pension Fund's investments.
[SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT
INFORMATION]

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HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Pension Fund Panel and Board
Date:	03 March 2017
Title:	Governance - Internal Audit Progress Report – February 2017
Reference:	8174
Report From:	<i>Director of Corporate Resources – Corporate Services</i>

Contact name: Neil Pitman; Chief Internal Auditor

Tel: 01962 845139

Email: Neil.pitman@hants.gov.uk

1. Executive Summary

1.1. The purpose of this paper is to provide the Pension Fund Panel and Board with an overview of the internal audit work completed in accordance with the approved plan.

2. Contextual information

2.1. At the request of the Pension Fund Panel and Board, the Chief Internal Auditor has provided a progress report against internal activity on the pension fund summarising:

- The status of 'live' internal audit reports;
- An update on progress against the annual audit plan;
- A summary of internal audit performance, planning and resourcing issues; and
- A summary of significant issues that impact on the Chief Internal Auditor's annual opinion.

2.2. Appendix 1 summarises internal activity for the period ending 15 February 2017.

3. Recommendation(s)

That the Pension Fund Panel and Board note the progress of internal audit work for the period ending 15 February 2017.

CORPORATE OR LEGAL INFORMATION:**Links to the Corporate Strategy**

Hampshire safer and more secure for all:	yes/no
Maximising well-being:	yes/no
Enhancing our quality of place:	yes/no
OR	
This proposal does not link to the Corporate Strategy but, nevertheless, requires a decision because:	
Accounts and Audit (England) Regulations 2015.	

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

DocumentLocation

None

IMPACT ASSESSMENTS:

1. Equality Duty

1.1. The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;
- Advance equality of opportunity between persons who share a relevant protected characteristic (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- a) The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;
- b) Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;
- c) Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity which participation by such persons is disproportionately low.

1.2. Equalities Impact Assessment:

Equality objectives are not considered to be adversely affected by the proposals within this report

2. Impact on Crime and Disorder:

2.1. The proposals in this report are not considered to have any direct impact on the prevention of crime, however internal audit work has provided to ensure that controls are in place to minimise the risk of fraud and corruption against the County Council.

3. Climate Change:

- a) How does what is being proposed impact on our carbon footprint / energy consumption?

No specific changes

- b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

No specific proposals affecting adaption to climate change

Internal Audit Progress Report

February 2017

Pension Services

Hampshire Pension Services

**Southern Internal
Audit Partnership**

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Assurance through excellence
and innovation

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1. Role of Internal Audit

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

‘Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.’

The standards for ‘proper practices’ are laid down in the Public Sector Internal Audit Standards [the Standards – updated 2016].

The role of internal audit is best summarised through its definition within the Standards, as an:

‘Independent, objective assurance and consulting activity designed to add value and improve an organisations operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.

The County Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The County Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisations objectives.

2. Purpose of report

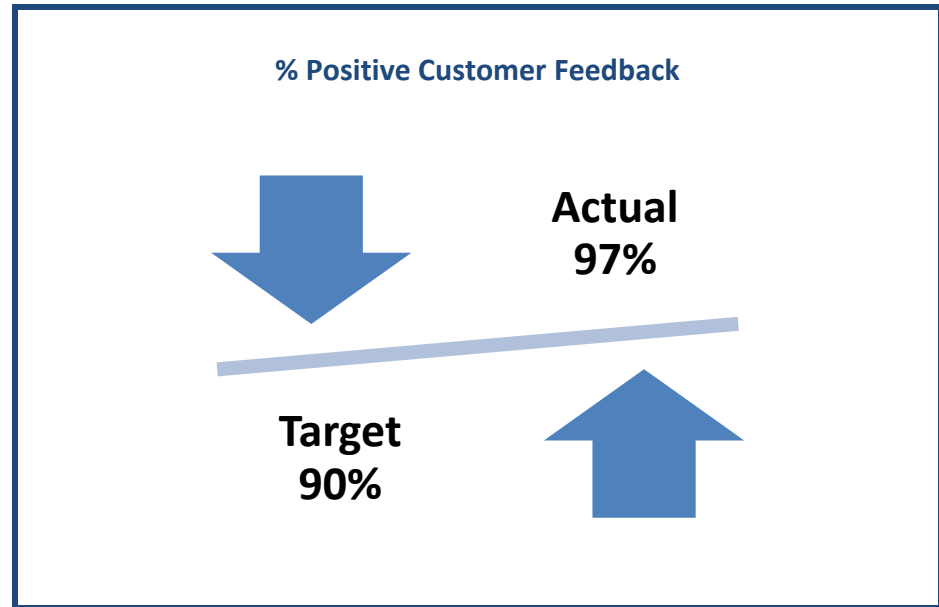
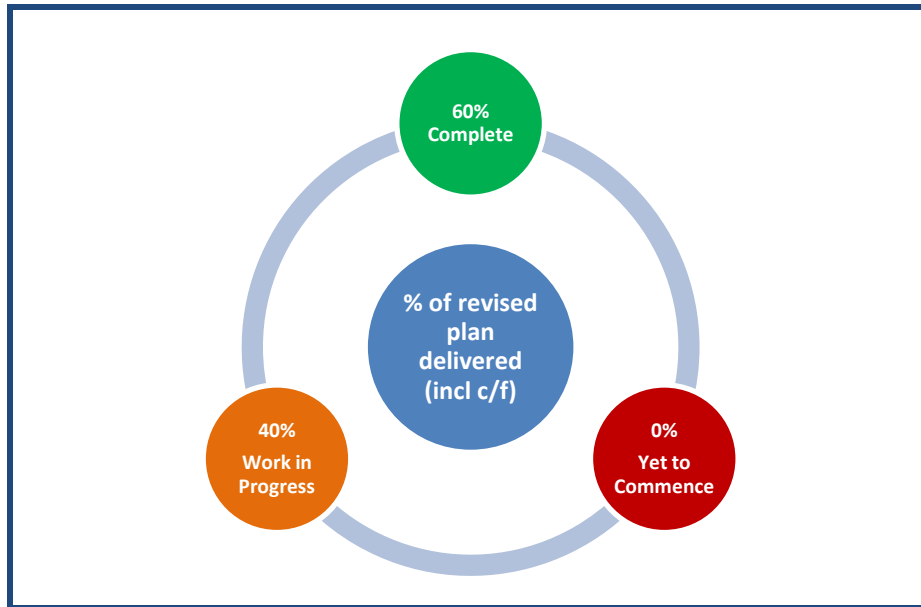
In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to ‘Senior Management’ and ‘the Board’, summarising:

- The status of ‘live’ internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor’s annual opinion.

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. Assurance opinions are categorised as follows:

Substantial	A sound framework of internal control is in place and operating effectively. No risks to the achievement of system objectives have been identified
Adequate	Basically a sound framework of internal control with opportunities to improve controls and / or compliance with the control framework. No significant risks to the achievement of system objectives have been identified
Limited	Significant weakness identified in the framework of internal control and / or compliance with the control framework which could place the achievement of system objectives at risk
No	Fundamental weaknesses identified in the framework of internal control or the framework is ineffective or absent with significant risk to the achievement of system objectives

3. Performance dashboard



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Compliance with Public Sector Internal Audit Standards / Local Government Application Note



An 'External Quality Assessment' of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2015. The report concluded:

*'It is our view that the Southern Internal Audit Partnership 'generally conforms' (top grading) to **all** of the principles contained within the International Professional Practice Framework (IPPF); Public Sector Internal Audit Standards (PSIAS); and the Local Government Application Note (LAGN).*

4. Status of 'Live' Reports

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions ('High Priority')				
				Reported	Not Accepted	Pending	Cleared	Overdue
Pension Leavers	18.02.16	CR	Adequate	6 (3)	0 (0)	0 (0)	6 (3)	0 (0)
Pension Payroll and Benefit Calculations	17.06.16	CR	Substantial (Police) Adequate (Fire)	2(2)	0 (0)	0 (0)	2 (2)	0 (0)
Pension Starters	20.06.16	CR	Adequate	1 (1)	0 (0)	0 (0)	1 (1)	0 (0)

5. Executive Summaries of new reports published concluding a 'Limited' or 'No' assurance opinion

There have been no reviews that have concluded with a 'limited' or 'no assurance' opinion since the last report.

6. Fraud and Irregularities

In accordance with the Local Government Transparency Code 2015 there is a requirement on local authorities to publish the following information with regard counter fraud work:

Local Government Transparency Code 2015	01.04.16 – 31.01.17
Part 2 Requirements - Fraud	
Number of occasions powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers have been used	Nil
Total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud	2 fte*
Total number (absolute and full time equivalent) of professionally accredited counter fraud specialists	4 fte*
Total amount of time spent by the authority on the investigation and prosecution of fraud	1 day
Total number of fraud cases investigated	0 **

*relates to internal audit staff across the wider SIAP only (does not include other areas of the Council that may affect reported figures i.e. legal, HR, Trading Standards, departmental investigating officers etc.)

**the definition of fraud is as set out by the Audit Commission in *Protecting the Public Purse - 'the intentional false representation, including failure to declare information or abuse of position that is carried out to make gain, cause loss or expose another to the risk of loss.'*

7. Planning & Resourcing

The internal audit plan for 2016-17 was discussed and agreed with Officers and the plan remains fluid to provide a responsive service that reacts to the changing needs of the Council. Progress against the plan is detailed within section 8

8. Rolling Work Programme

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Member Deaths	CR	✓	✓	✓	✓	✓	Substantial	✓	
Accounting for Pension Receipts	CR	✓	✓	✓	✓	✓	Substantial	✓	
Pension Transfers	CR	✓	✓	✓	✓	✓	Substantial	✓	
Fund Management and Investors (Contract Procurement)	CR	✓	✓	✓				✓	
Pensions payroll and benefit calculations	CR	✓	✓	✓				✓	

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Pension Fund Panel and Board
Date:	03 March 2017
Title:	Governance: Internal Audit Plan 2017/18
Reference:	8173
Report From:	<i>Director of Corporate Resources – Corporate Services</i>

Contact name: Neil Pitman; Chief Internal Auditor

Tel: 01962 845139

Email: Neil.pitman@hants.gov.uk

1. Executive Summary

1.1. The purpose of this paper is to provide the Pension Fund Panel and Board with the Internal Audit Plan 2017/18 for Pension Services (Appendix 1).

1.2. The aim of internal audit's work programme is to provide independent and objective assurance to management, in relation to the business activities, systems or processes under review that:

- the framework of internal control, risk management and governance is appropriate and operating effectively; and
- risks to the achievement of the Council's objectives are identified, assessed and managed to a defined acceptable level.

2. Contextual information

2.1. The Internal Audit Plan provides the mechanism through which the Chief Internal Auditor can ensure most appropriate use of internal audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements.

2.2. The plan will remain fluid and subject to on-going review, and amended in consultation with the relevant officers, to ensure it continues to reflect the needs of the Council. Amendments to the plan will be identified through the Chief Internal Auditor's continued contact and liaison with those responsible for the governance of the Council.

2.3. The Council's 'internal audit charter' ensures the Chief Internal Auditor has sufficient resource necessary to fulfil the requirements and expectations to deliver an internal audit opinion. Significant matters that jeopardise the delivery of the plan, or require changes to the plan will be identified, addressed and reported to the Management Team.

3. Recommendation(s)

3.1. That the Pension Fund Panel and Board note the Internal Audit Plan for 2017/18.

CORPORATE OR LEGAL INFORMATION:**Links to the Corporate Strategy**

Hampshire safer and more secure for all:	yes/no
Maximising well-being:	yes/no
Enhancing our quality of place:	yes/no
OR	
This proposal does not link to the Corporate Strategy but, nevertheless, requires a decision because:	
Accounts and Audit (England) Regulations 2015.	

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

DocumentLocation

None

IMPACT ASSESSMENTS:

1. Equality Duty

1.1. The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;
- Advance equality of opportunity between persons who share a relevant protected characteristic (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- a) The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;
- b) Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;
- c) Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity which participation by such persons is disproportionately low.

1.2. Equalities Impact Assessment:

Equality objectives are not considered to be adversely affected by the proposals within this report

2. Impact on Crime and Disorder:

2.1. The proposals in this report are not considered to have any direct impact on the prevention of crime, however internal audit work has provided to ensure that controls are in place to minimise the risk of fraud and corruption against the County Council.

3. Climate Change:

- a) How does what is being proposed impact on our carbon footprint / energy consumption?

No specific changes

- b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

No specific proposals affecting adaption to climate change

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Internal Audit Plan

2017-18

Hampshire Pension Services

Hampshire Pension Services

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**Southern Internal
Audit Partnership**

Assurance through excellence
and innovation

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Introduction

The role of internal audit is that of an:

'Independent, objective assurance and consulting activity designed to add value and improve an organisations operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'.

Hampshire Pension Services is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising Hampshire Pension Services that these arrangements are in place and operating effectively.

Hampshire Pension Services response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of objectives.

The aim of internal audit's work programme is to provide independent and objective assurance to management, in relation to the business, activities, systems or processes under review that:

- the framework of internal control, risk management and governance is appropriate and operating effectively; and
- risk to the achievement of objectives is identified, assessed and managed to a defined acceptable level.

The internal audit plan provides the mechanism through which the Chief Internal Auditor can ensure most appropriate use of internal audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements.

Internal Audit focus should be proportionate and appropriately aligned. The plan will remain fluid and subject to on-going review and amendment, in consultation with the relevant Audit Sponsors, to ensure it continues to reflect the needs of the service. Amendments to the plan will be identified through the Southern Internal Audit Partnership's continued contact and liaison with those responsible for the governance of Hampshire Pension Services.

Your Internal Audit Team

Your internal audit service is provided by the Southern Internal Audit Partnership. The team will be led by Neil Pitman, Head of Southern Internal Audit Partnership, supported by Antony Harvey, Strategic Lead and Liz Foster, Audit Manager.

Conformance with internal auditing standards

The Southern Internal Audit Partnership service is designed to conform to the Public Sector Internal Audit Standards (PSIAS). Under the PSIAS there is a requirement for audit services to have an external quality assessment every five years. In September 2015 the Institute of Internal Auditors were commissioned to complete an external quality assessment of the Southern Internal Audit Partnership against the PSIAS, Local Government Application Note and the International Professional Practices Framework.

In selecting the Institute of Internal Auditors (IIA) a conscious effort was taken to ensure the external assessment was undertaken by the most credible source. As the authors of the Standards and the leading Internal Audit authority nationally and internationally the IIA were excellently positioned to undertake the external assessment.

In considering all sources of evidence the external assessment team concluded:

*'It is our view that the Southern Internal Audit Partnership (SIAP) service generally conforms to **all** of these principles. **This performance is within the top decile of EQA reviews we have performed.** This is a notable achievement given the breadth of these Standards and the operational environment faced by SIAP.*

*There are **no instances** across these standards where we determined a standard below "generally conforms", and 4 instances where the standard is assessed as "not applicable" due to the nature of SIAP's remit.'*

Conflicts of Interest

We are not aware of any relationships that may affect the independence and objectivity of the team, and which are required to be disclosed under internal auditing standards.

Developing the internal audit plan 2017/18

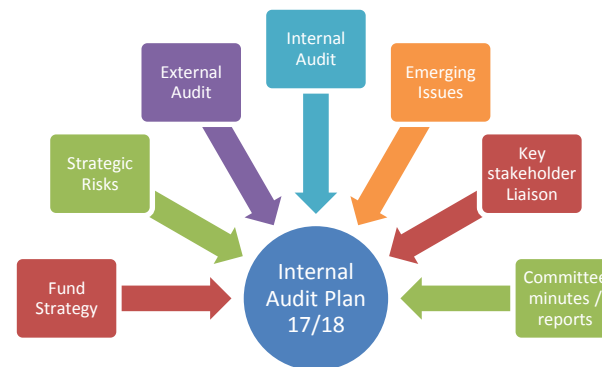
We have used various sources of information and discussed priorities for internal audit with the following groups:

- Carolyn Williamson – Director of Corporate Resources;
- Nick Weaver – Pensions, Investments & Borrowing Manager.

Based on these conversations with key stakeholders, review of key corporate documents and our understanding of the organisation the Southern Internal Audit Partnership have developed an annual audit plan for the forthcoming year (2017 – 2018).

The Hampshire Pension Fund Panel & Board are reminded that internal audit is only one source of assurance and through the delivery of our plan we will not, and do not seek to cover all risks and processes within the organisation.

We will however continue to work closely with other assurance providers to ensure that duplication is minimised and a suitable breadth of assurance is obtained.



Internal Audit Plan 2017-18

Audit	Risk	Scope	Proposed Timing
Pensions payroll and benefit calculations	Systems and process do not support the accurate, complete and timely administration of pension calculations and payments.	Annual review of the processes and controls to support: <ul style="list-style-type: none"> • accuracy and appropriateness of pension benefit calculations; • completeness / timeliness of payroll runs; and • ensuring all payments are recorded accurately. 	
Pension refunds	Pension refunds are incomplete and/or inaccurate.	Cyclical review of the control framework to support appropriate, complete, accurate and prompt member refunds.	
Fund management and investments	Revised strategies have not been formally approved or complied with. Investments are not in line with approved practice.	Review of the development and approval of the new Pension Fund Investment Strategy and compliance with the new Strategy once approved..	
Accounting for assets / custodian services includes pension fund shareholding	Ineffective commissioning and procurement processes to re-let contract. Assets are not held securely. Investment income/dividends are not received	Review of current custodian service arrangements and process to re-let the contract (effective from 1 August 2018).	
Management	Planning, liaison, reporting, audit committee, external audit, advice		
Total Days	100		

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HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Pension Fund Panel & Board
Date:	3 March 2017
Title:	Governance: Investment Strategy Statement and Investment Strategy next steps
Reference:	8149
Report From:	Director of Corporate Resources

Contact name: Andrew Bouflower

Tel: 01962 847407

Email: andrew.bouflower@hants.gov.uk

1. Executive Summary

- 1.1. This report includes a draft Investment Strategy Statement for the Panel and Board's approval which is a new requirement of the updated LGPS Management and Investment of Funds Regulations 2016, replacing the Statement of Investment Principles.
- 1.2. The report also includes an update on the finalisation of the 2016 triennial Actuarial Valuation and plans for the subsequent review of the Pension Fund's Investment Strategy.

2. Investment Strategy Statement

- 2.1. Following consultation in November 2016 the Government published revised LGPS Management and Investment of Funds Regulations. The regulations included the requirement to publish an Investment Strategy Statement by 1 April 2017.
- 2.2. The Regulations require that the Investment Strategy Statement must include:
 - a. A requirement to invest money in a wide variety of investments;
 - b. The authority's assessment of the suitability of particular investments and types of investments;
 - c. The authority's approach to risk, including the ways in which risks are to be measured and managed;
 - d. The authority's approach to pooling investments, including the use of collective investment vehicles and shared services;
 - e. The authority's policy on how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and

- f. The authority's policy on the exercise of rights (including voting rights) attaching to investments.
- 2.3. One of the main aims of the new regulations was to relax the regulatory framework for scheme investments and let administering authorities make their investment decisions within a prudential framework with less central prescription. The regulations therefore contain far fewer investment limits, which were previously reflected in Hampshire's Statement of Investment Principles.
- 2.4. The considering an appropriate response to investment risk some of the previous limits have been retained:
- that no more than 10% of each portfolio can be invested in any individual corporate holding, and
 - that no more that 25% of the Fund can be invested in each managers' in-house investment vehicle.
- 2.5. The draft Investment Strategy Statement does not include the previous limit that no more that 25% of the Fund could be invested in a single passively managed fund, on the basis that the controls in place in the management of these funds mitigate the risk of this additional exposure.
- 2.6. A draft of Hampshire's Investment Strategy Statement is attached in Annex 1. Some sections of the previous Statement of Investment Principles have been largely retained, other sections; such as the maximum limits for different types of investments, approach to risk and statement on investment pooling have been added to comply with the new Regulations.
- 2.7. The Regulations require that the Administering Authority "must consult such persons as it considers appropriate as to the proposed contents of its investment strategy". It is proposed that, following the Panel and Board's agreement, the draft Investment Strategy Statement is published on the Pension Fund's website for scheme members to view and comment on if they wish, and that an email is sent to the Fund's employers inviting them to comment on the draft strategy. The consultation period will be open for 6 weeks, closing on 28 April 2017. All of the comments received will be reported to the Panel and Board at its meeting on 7 July 2017 when the committee will be asked to approve the finalised Investment Strategy Statement.

3. Actuarial valuation

- 3.1. The Pension Fund's Actuary, Aon Hewitt, is in the process of finalising the Fund's 2016 triennial valuation, the statutory deadline for which is 31 March 2017. The results of the valuation are unchanged to those previously reported to the Panel and Board; the Fund's funding position has improved slightly from the last valuation to 81% funded, and the deficit recovery period has reduced to 19 years in line with the original recovery plan.
- 3.2. In the consultation with the Pension Fund's employers on the Funding Strategy Statement an employer raised the question of pre-paying their

pension contributions. This issue has been raised previously in Hampshire and more widely across the LGPS. This has been discussed further with the Fund's Actuary who has raised two issues with this proposal that make it disadvantageous.

- 3.3. The prepayment of contributions is not consistent with the Fund's grouping arrangements for employers, since contributions are shared between employers in the group. In order for an employer to benefit from making prepayments it would have to be removed from the group and therefore not benefit from the risk sharing within the group that has been agreed by employers and the Fund.
- 3.4. Employers seeking to make prepayments would want a discount on the amount of contributions payable. The Fund's Actuary has advised that this should not be viewed as offering a guaranteed return equal to the discount rate on those contributions as there is still the risk that actual returns are less than the discount rate. It is therefore very difficult, if not impossible, to agree a discount that would benefit employers but without passing additional undue risk to the Fund.

4. Investment Strategy Review

- 4.1. As previously agreed by the Pension Fund Panel and Board, following the Actuarial Valuation the Pension Fund will review its Investment Strategy to determine if there are opportunities to change its strategic asset allocation to improve the chances of achieving its investment target and/or reducing investment risk. The Fund will seek advice from an investment consultant on options for changes to its investment strategy and five firms have been asked to submit tenders for this work.
- 4.2. The appointed investment consultant will report back to the Panel and Board at its meeting on 7 July 2017 with any recommended changes to the Pension Funds asset allocation. These changes will be incorporated into the final version of the Investment Strategy Statement, which the Panel and Board will be asked to agree at the July meeting.

5. Recommendations

- 5.1. That the Panel and Board note the progress in finalising the Fund's 2016 Actuarial Valuation and the rationale for not offering employers the option to prepay pension contributions.
- 5.2. That the Panel and Board agree the draft Investment Strategy Statement and that it is published for consultation with the Fund's scheme members and employers.
- 5.3. That the Panel and Board note the plan for the review of the Fund's Investment Strategy, finalising the Investment Strategy Statement and the remainder of the report.

CORPORATE OR LEGAL INFORMATION:

Links to the Corporate Strategy

Hampshire safer and more secure for all:	no
Corporate Business plan link number (if appropriate):	
Maximising well-being:	no
Corporate Business plan link number (if appropriate):	
Enhancing our quality of place:	no
Corporate Business plan link number (if appropriate):	
OR	
This proposal does not link to the Corporate Strategy but, nevertheless, requires a decision because actions are required to continue the appropriate investment of the Hampshire Pension Fund.	

Other Significant Links

Links to previous Member decisions:		
<u>Title</u>	<u>Reference</u>	<u>Date</u>
Direct links to specific legislation or Government Directives		

Section 100 D - Local Government Act 1972 - background documents	
<p>The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)</p>	
<u>Document</u>	<u>Location</u>
None	

IMPACT ASSESSMENTS:

1. Equalities Impact Assessment:

1.1. The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;
- Advance equality of opportunity between persons who share a relevant protected characteristic (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- a. The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;
- b. Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;
- c. Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity which participation by such persons is disproportionately low.

1.2. Equalities Impact Assessment:

1.3. There are no direct equalities impacts from the custody services that the Pension Fund receives.

2. Impact on Crime and Disorder:

2.1. The proposals in this report are not considered to have any direct impact on the prevention of crime.

3. Climate Change:

a. How does what is being proposed impact on our carbon footprint / energy consumption?

No specific impact.

b. How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

No specific impact.

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Investment Strategy Statement

Introduction

Hampshire County Council is the administering authority for the Hampshire Pension Fund (the “Fund”), which covers employees of the County Council, two unitary councils, 11 district councils, and 329 other scheduled and admission bodies. The total number of contributors is 57,815 and there are 59,857 deferred members and 36,519 pensioners.

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require pension fund administering authorities to prepare and review, from time to time, an Investment Strategy Statement, which replaces the previous Statement of Investment Principles.

This Statement has been drafted to comply with these regulations in accordance with the Guidance on Preparing and Maintaining an Investment Strategy Statement.

Investment Strategy

The Fund has three main aims:

- To manage the employers’ liabilities to achieve long-term solvency. Accordingly, employers’ contributions will be set to ensure that 100% of the liabilities can be met over the long term.
- To enable primary contribution rates to be kept to nearly as constant as possible (subject to the administering authority not taking undue risk) at reasonable cost to the taxpayers, scheduled, resolution and admitted bodies, while achieving and maintaining fund solvency and long-term cost efficiency, which should be assessed in light of the risk profile of the Fund and employers, and the risk appetite of the administering authority and employers alike.
- Seek returns on investment within reasonable risk parameters.

In completing the Fund’s 2016 Actuarial Valuation, the Fund’s Actuary, Aon Hewitt advised that the Pension Fund requires the assets to deliver a long-term return of above the discount rate of 4.5%, which is set out in the Fund’s Funding Strategy Statement.

Variety of investments

In order to achieve the return in its Funding Strategy, the Investment Regulations require the Pension Fund to invest money in a wide variety of investments and state the maximum percentage that it will invest in particular investments or classes of investment.

The strength of the majority of the Fund’s employers’ covenants and the present positive annual cashflows allow the Fund to have set a long term deficit recovery period and to take a corresponding long term view of investment strategy. For the purpose of setting maximum limits the Pension Fund has done this at a strategic level. The total is deliberately greater than 100% to allow flexibility between the categories. The allocation below favours growth assets as the Fund believes that participation in economic growth is a major source of long term equity returns, which

will be required to meet its long-term investment return target and mean that employer contributions can be kept lower.

	Maximum %
Growth assets – primarily include investments in equity. They tend to carry higher levels of risk, yet have the potential to deliver higher returns over longer investment time frames.	80%
Matching assets – investments whose return mirrors the drivers of the Pension Fund’s liabilities, in particular inflation, such as Index-Linked Gilts and property.	50%

Suitability of investments and receipt of investment advice

The Pension Fund has access to the necessary skills, expertise and resources to manage the whole Fund. When making investment decisions the Pension Fund Panel and Board will take advice from appropriate specialist investment professionals including officers, consultants and independent advisors. The Panel and Board have appointed a permanent independent advisor (currently Carolan Dobson) to provide advice on all investment decisions.

The Pension Fund recognises the importance of ensuring that all staff and members charged with the financial management and decision making with regard to the Fund are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them. The members of the Panel and Board annually complete CIPFA’s training needs analysis for pension fund’s, which includes investments, and a training plan is prepared to meet the requirements identified. To fulfil the training needs of officers and members the Pension Fund will access training from a variety of investment professionals, including both companies that it does and does not currently contract with, in order to gain exposure to a wide variety of views.

Strategic Asset Allocation

To implement the Pension Fund’s Investment Strategy the Pension Fund Panel and Board sets a Strategic Asset Allocation with the aim of achieving the Fund’s overall long-term target return without exposing the Fund to excessive risk. In setting the Strategic Asset Allocation advice was commissioned from Aon Hewitt on the options for the Fund’s asset allocation and the most effective allocation for achieving the Fund’s target return with the degree of certainty specified in the Funding Strategy Statement.

Investment sector	Management style	% of Fund
Growth Assets		
Equities*	Active	40.0
	Passive	14.0
Global bonds	Active	5.0
Private equity and other	Direct	5.0
Infrastructure**	Direct	1.5
Hedge funds	Direct	3.5
		<hr/> 69.0
Matching Assets		
UK index-linked bonds	Passive	21.0
UK property	Direct	10.0
		<hr/> 31.0
		<hr/> 100.0

* equities are split 65/35 Global/UK

** an additional 3.5% is to be made available fund from passive equities for infrastructure investments if suitable opportunities can be found

The Strategic Asset Allocation was agreed in 2014 following the Fund's last triennial actuarial valuation and will be reviewed from time to time by the Panel and Board at least every 3 years following the actuarial valuation.

To manage the portfolios in the Fund's asset allocation the Pension Fund contracts with specialist external investment managers. No assets are managed internally, with the exception of the Fund's cash balance. Since the implementation of the Strategic Asset Allocation the Pension Fund has taken advice from Allenbridge Epic on the appointment of investment managers. The Fund's current investment managers are shown in Appendix 1.

Approach to risk

The Pension Fund has identified a number of risks on its risk register that may impact its funding and investment strategies, contained in Appendix 2, which is reviewed at least annually by the Panel and Board. The Pension Fund maintains a risk register to identify key risks, consider and assess their significance, likelihood of occurrence and potential impact of the risk.

The Panel and Board is aware that the Fund has a need to take risk (e.g. investing in growth assets) to help it achieve its funding objectives. The Fund's appetite for risk is to minimise the overall portfolio risk while delivering the target returns through a diversified portfolio.

Social, environmental and corporate governance considerations

The Hampshire Pension Fund has an overriding fiduciary duty in law to invest Fund monies to achieve the best possible financial return for the Fund consistent with an acceptable level of risk.

However, the Fund recognises that companies can enhance their long-term performance and increase their financial returns by adopting positive social, environmental and ethical principles in planning and running their activities.

The Fund has delegated to the external investment managers responsibility for taking social, environmental and corporate governance considerations into account when assessing the financial potential and suitability of investments. All of the investment managers contracted by the Hampshire Pension Fund are signatories to the UN Principles for Responsible Investment.

Where appropriate each investment manager is asked to work actively with companies to promote forward-looking social, environmental and corporate governance standards. This should not, however, deflect from the primary objective of achieving the best possible financial return for the Fund, in accordance with the Fund's fiduciary duty.

Exercise of rights attaching to investments

Investment managers have been instructed to exercise the Fund's responsibility to vote on company resolutions wherever possible.

Investment managers have also been instructed to intervene in companies that are failing (thus jeopardising the Fund's interests), by voting or by contacting company management directly.

The Fund believes that if companies comply with the principles of the UK Corporate Governance Code published by the Financial Reporting Council, this can be an important factor in helping them succeed; but the Fund also accepts the need for a flexible approach that is in the common long-term interests of shareholders, company employees and consumers. The Fund's investment managers should cast their votes with this in mind.

In particular, the Fund's investment managers should cast their votes to ensure that:

- executive directors are subject to re-election at least annually
- executive directors' salaries are set by a remuneration committee consisting of a majority of independent non-executive directors, who should make independent reports to shareholders
- arrangements for external audit are under the control of an audit committee consisting of a majority of independent non-executive directors, with clear terms of reference – these should include a duty to ensure that investment managers closely control the level of non-audit work given to auditors, and should not significantly exceed their audit-related fee unless there are, in any investment manager's opinion, special circumstances to justify it
- in the investment managers' opinion, no embarrassment is caused to the Fund in relation to its beneficiaries, Hampshire residents, or the general principles of the UK Corporate Governance Code.

If investment managers do not follow these guidelines, they must report to the Pension Fund explaining why.

Approach to pooling

Hampshire is a member of the ACCESS pool along with the following 10 other pension funds:

Cambridgeshire
East Sussex
Essex
Hertfordshire
Isle of Wight
Kent
Norfolk
Northamptonshire
Suffolk
West Sussex

All eleven funds are committed to collaboratively working together to meet the criteria for pooling and have signed a Memorandum of Understanding to underpin their partnership. ACCESS is working to a project plan in order to create the appropriate means to pool investments. The first investments to be pooled in 2017 will be passively managed investments.

The ACCESS Funds have set out how they meet the pooling criteria, the pool's structure, governance arrangements and services to be shared in the submission made to the Government in July 2016, which is available on ACCESS' website <http://www.accesspool.org/>

All 11 ACCESS funds are working in the expectation that all investments will be pooled apart from a minority of investments where there is no value for money benefit to pooling a specific investment as identified and agreed by an individual fund.

Hampshire will not be pooling its allocation to directly held UK property (10% of its Strategic Asset Allocation). As set out by the ACCESS funds in their July 2016 submission to the Government, there is a dis-economy in pooling direct property investments due to the cost (principally tax) of making changes to portfolios and the limited anticipated savings available from pooling.

In addition Hampshire will not pool cash held for the efficient administration of the scheme, which is needed to manage cash flow to meet statutory liabilities including monthly pension payroll payments.

Appendix 1 – Investment management arrangements

Portfolio	Investment Manager	Benchmark	Annual target performance gross/net of fees
Low-risk active UK equities	Schroder Investment Management	FTSE All Share	+1.25% gross
High-performance global equities	Acadian Asset Management	MSCI World Index	+1.5-2.5% net
	Baillie Gifford	MSCI ACWI	+1.5-2.5% net
	Newton Investment Management	MSCI ACWI	+1.5-2.5% net
	Standard Life	MSCI ACWI	+1.5-2.5% net
Passive Global Equities	State Street Global Advisors	FTSE All World Equity Index	
Passive UK Equities	State Street Global Advisors	FTSE All Share	
Active global bonds	Western Asset Management	Barclays Capital Global Aggregate Bonds Index	+1.5% gross
Private equity	Aberdeen Asset Management		+9%-11.5% net
Hedge funds	Morgan Stanley		+5.5%-8% net
Infrastructure	Grosvenor Capital Management		+7.5%-10% net
Passive UK index-linked bonds	Legal & General	FT British Government Over Five Years Index-Linked Gilts Index	
	State Street Global Advisors	FT British Government Over Five Years Index-Linked Gilts Index	
UK property	CBRE Global Investors	Retail Price Index (RPI)	+4.5% net
European property (legacy portfolio)	Aberdeen Asset Management	Eurozone Harmonised Index of Consumer Prices (HICP)	+5% net

Appendix 2 – Investment Risk Register

Risk description	Approach	Mitigation
<p>Investment management underperformance – from the Fund’s investment managers failing to outperform their benchmark returns for prolonged periods of time</p>	<p>The Pension Fund believes that for certain asset classes active investment management can add value. It acknowledges that there will be periods where even the best active managers underperform the market but that any investment decisions must be made with a long-term perspective on previous and expected investment returns.</p>	<p>For asset classes where active management can add value the Pension Fund will consider a range of investment strategies from higher performance/risk, lower volatility and passive management.</p> <p>The Fund’s investment managers’ performance is reviewed regularly by the Fund’s officers and reported regularly to the Panel and Board.</p> <p>The Fund’s active investment managers report to the Fund on their actions in managing the Fund’s investments at least four times a year, including at least once to the Panel and Board.</p> <p>All of the Fund’s contracts for investment management contain the provision that the Fund can cancel the contract with 1 months notice in the event of poor investment performance.</p>
<p>Market risk – from fluctuations in market prices, which is particularly relevant for investments in equities</p>	<p>The Pension Fund is a long term investor, and as such can ride-out short term fluctuations in markets in order to participate in long term growth that will deliver returns for the Fund.</p>	<p>The Panel and Board have set a diversified asset allocation which limits exposure to one particular market.</p> <p>The Fund contracts with specialist external investment managers and as a general principle aims to invest globally and set mandates for investment managers that give them as much freedom as possible, in order to manage market conditions as they see fit.</p>
<p>Interest rate risk – which can affect the prices of investments that pay a fixed interest rate</p>	<p>The Pension Fund considers that investments paying a fixed rate of interest (generally bonds) offer an important source of diversification from equities.</p>	<p>The Fund contracts with specialist external investment managers and as a general principle aims to set mandates for investment managers that give them as much freedom as possible, in order to manage risks such as changes in interest rates.</p>
<p>Currency risk – the risk of fluctuations in prices of financial instruments that are</p>	<p>As a long term investor the Pension Fund accepts that currencies will rise and fall but</p>	<p>As a UK Pension Fund the Panel and Board consider that the Pension Fund should have a significant proportion of its assets denominated in Sterling, thereby removing the currency risk.</p>

Risk description	Approach	Mitigation
denominated in any currency other than the functional currency of the Fund (GB pounds)	movements are difficult to forecast, and therefore that products that can smooth the impact of currency fluctuations do not offer value for money.	The Panel and Board keep their view of the long term nature of currency movements under review and will seek specialist advice if they believe that this might change or there is likely to be an event that might crystallise the effect of particular currency movements.
<p>Credit risk – the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. This includes the risk of loss in the Stock Lending programme.</p>	The Pension Fund recognises that all investment carries an element of risk, which underpins the importance that the Panel and Board place on their own knowledge and skills and seeking the appropriate professional advice.	<p>The Panel and Board have set a diversified asset allocation which limits exposure to any particular investment.</p> <p>In addition to further reduce exposure to any particular investment the Fund has the following limits:</p> <ul style="list-style-type: none"> • no more than 10% of each actively managed portfolio can be invested in any individual corporate holding • no more than 25% of the Fund can be invested in each managers' in-house investment vehicle, this limit does not apply to passively managed unitised life insurance policies • no more than 5% of the total value of all investments of fund money is to be invested in entities which are connected with that authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007. <p>Stock lending is managed on the Fund's behalf by its custodian JP Morgan. The custodian manages a collateralised stock lending programme, ensuring borrowers place collateral that exceeds the value of stock on loan that can make good any losses. Restrictions have been placed on the programme to ensure that the proportion of Fund assets that are available to be lent at any time will not exceed 25% of the total market value of Fund assets.</p>

<p>Refinancing risk – that the Pension Fund could be bound to replace on maturity a significant proportion of its financial instruments at a time of unfavourable interest rates.</p>	<p>The Pension Fund considers that investments that are time bound (such as bonds or closed-ended investment vehicles) have an important place in offering diversification from equities.</p>	<p>The Fund contracts with specialist external investment managers and as a general principle aims make their portfolios ‘ever-green’ so that income and maturing investments can be reinvested, allowing investment managers to build portfolios that do not have a concentration of investments with a particular maturity date.</p>
<p>Custody risk – losing economic rights to Fund assets, when held in custody or being traded.</p>	<p>The Fund has appointed a Global Custodian (currently JP Morgan) with a global custody network, to provide safe custody of its assets.</p>	<p>The Panel and Board and the Fund’s officers regularly monitor the performance of the Fund’s custodian and have the power to replace the provider should serious concerns exist.</p>
<p>Liability risk – that the Fund’s liability are not accurately calculated resulting in the return target being too low and employer’s contributions having to rise.</p>	<p>In calculating the Fund’s liabilities its Actuary makes assumptions for the key factors, such as interest rates, pay and price inflation, life expectancy, changing retirement patterns and other demographic risks that will impact on the calculation of the Fund’s liabilities.</p>	<p>The County Council as the Fund’s Administering Authority will ensure that the Fund’s Actuary investigates the main factors that determine the Fund’s liabilities, such as interest rates, inflation, life expectancy and other demographics. The Fund’s Actuary will report and agree with the Administering Authority any necessary changes to their assumptions and the resulting impact on the Fund’s employers’ contributions.</p>
<p>Environmental, social and governance (ESG) factors – that these factors reduce long-term returns.</p>	<p>Fund recognises that companies can enhance their long-term performance and increase their financial returns by adopting positive social, environmental and ethical principles.</p>	<p>The Fund’s external investment managers have been instructed to exercise the Fund’s responsibility to vote on company resolutions wherever possible. They have also been instructed to intervene in companies that are failing, thus jeopardising the Fund’s interests, by voting or by contacting company management directly.</p>
<p>Illiquidity – that the Fund is unable to meet its immediate liabilities</p>	<p>Although the Fund does not have a strategic allocation to cash, a cash balance is maintained to meet liabilities as they fall due.</p>	<p>The Fund maintains a cashflow forecast to ensure that it can plan suitably in advance to ensure that it has sufficient cash available. The Fund’s asset allocation is set to achieve a balance between liquid and illiquid investments.</p>

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