

Public Document Pack



NOTICE OF MEETING

Meeting	Hampshire Pension Fund Panel and Board
Date and Time	Friday, 14th December, 2018 at 10.00 am
Place	Wellington Room, EII South, 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 5 - 8)

To confirm the Minutes of the meeting held on 15 November 2018.

4. CHAIRMAN'S ANNOUNCEMENTS

To receive any announcements the Chairman may wish to make.

5. GOVERNANCE - INTERNAL AUDIT PROGRESS REPORT (Pages 9 - 20)

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. GOVERNANCE - ADMINISTRATION PERFORMANCE UPDATE
(Pages 21 - 40)

To consider a report from the Director of Corporate Resources-Corporate Services updating the Pension Fund Panel and Board on pensions administration in the first six months of 2018/19, including an analysis of employer performance, and seeking approval for the updated Communication Policy Statement.

7. GOVERNANCE - REVIEW OF THE PENSION FUND'S STATUTORY STATEMENTS (Pages 41 - 94)

To consider a report from the Director of Corporate Resources-Corporate Services seeking the annual approval by the Pension Fund Panel and Board of the Pension Fund's statutory statements - Business Plan, Investment Strategy Statement, Funding Strategy Statement, Governance Policy and Governance Compliance Statement, Communication Policy Statement and Administration Strategy Statement. In addition the Panel and Board's approval is sought for changes to the Employer Policy.

8. INVESTMENTS: PENSION FUND CASH MONITORING AND ANNUAL INVESTMENT STRATEGY 2019/20 (Pages 95 - 108)

To consider a report from the Director of Corporate Resources - Corporate Services providing an update on the management of the Pension Fund's cash balances and the Annual Investment Strategy for those cash balances for 2019/20.

9. 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.

10. CONFIRMATION OF THE EXEMPT MINUTES OF THE MEETING ON 15 NOVEMBER 2018 (Pages 109 - 110)

To confirm the exempt minutes of the meeting held on 15 November 2018.

11. INVESTMENTS - CASH INVESTMENT STRATEGY - EXEMPT APPENDIX (Pages 111 - 112)

To consider an exempt appendix from the Director of Corporate Resources - Corporate Services providing an update on the management of the Pension Fund's cash balances.

12. GOVERNANCE: DRAFT ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICY (Pages 113 - 120)

To consider an exempt report from the Director of Corporate Resources – Corporate Services seeking approval for the Pension Fund's revised draft Responsible Investment Policy for consultation as set out in the report, as recommended by the Environmental Social and Governance (ESG) working group.

13. INVESTMENT - INVESTMENT UPDATE (Pages 121 - 192)

To consider the exempt report of the Director of Corporate Resources - Corporate Services updating the Panel and Board on the progress of the Pension Fund's investments since the last meeting of the Pension Fund Panel and Board on 15 November 2018.

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.

AT A MEETING of the PENSION FUND PANEL AND BOARD of the County Council held at The Castle, Winchester on Thursday 15 November 2018.

Chairman:
a Councillor M. Kemp-Gee

Elected members of the Administering Authority (Councillors):

p C. Carter	p A. Joy
p A. Dowden	p P. Latham
p A. Gibson	p B. Tennent
p J. Glen	p T. Thacker
p D. Mellor	

Employer Representatives (Co-opted members):

a Councillor M. Chaloner (Southampton City Council)
a Councillor J. Smith (Portsmouth City Council)
p Councillor T. Cartwright (Fareham Borough Council)
p Mr D. Robbins (Churchers College)

Scheme Member Representatives (Co-opted members):

p Dr C. Allen (pensioners' representative)
p Mr N. Wood (scheme members representative)
p Mrs V. Arrowsmith (deferred members' representative)
p Mrs S. Manchester (substitute scheme member representative)

Independent Adviser:

p C. Dobson

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.

118. **APOLOGIES FOR ABSENCE**

Cllrs Kemp-Gee and Smith sent their apologies.

119. **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.

120. **CONFIRMATION OF MINUTES**

The minutes of the Pension Fund Panel and Board held on 28 September 2018 were confirmed.

121. **CHAIRMAN'S ANNOUNCEMENTS**

The Vice-Chairman welcomed Cllr Cartwright to his first meeting and updated the committee that the Panel and Board's Environmental, Social and Governance (ESG) working group would shortly be meeting for a third time before reporting back to the committee's December meeting.

Cllr Tennent fed back to the Panel and Board having attended the investment manager Schroders' trustee training event.

122. **ACCESS JOINT COMMITTEE MEETING MINUTES**

The minutes of the ACCESS Joint Committee meeting (item 5 in the Minute Book) held on 11 June 2018 were noted.

123. **GOVERNANCE – FUNDING STRATEGY STATEMENT AND EMPLOYER POLICY**

The Panel considered a report of the Director of Corporate Resources (item 6 in the Minute Book) following consultation on the changes to the Funding Strategy Statement (FSS) and Employer Policy in relation to the payment of exit credits following changes to the LGPS (Amendment) Regulations 2018 which were made in May 2018.

A consultation response was received from one employer and as a result revisions have been made to the wording of paragraph 12.7 of the Employer Policy which makes the agreement of a likely payment date part of the process for each exit rather than having a default policy in place. The Fund Actuary has recommended that a caveat is added alongside this change which will allow them to use more prudent assumptions if there is no agreement from an employer to accept a later payment date, even where the employer is late in providing the required information. The wording in paragraph 12.9 has also been altered slightly to make it clearer that it is only in very specific and limited circumstances that the Fund will not pay an exit credit to an exiting employer.

RESOLVED:

- (a) That the changes to the Funding Strategy Statement and Employer Policy were approved.

124. **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.

125. **MINUTES OF PREVIOUS MEETING HELD ON 28 SEPTEMBER 2018 (EXEMPT APPENDIX)**

The exempt minutes of the Pension Fund Panel and Board held on 28 September 2018 were confirmed.

126. **INVESTMENTS – INVESTMENT UPDATE**

The Panel and Board received an exempt report from the Director of Corporate Resources (Item 9 in the Minute Book) updating the Panel and Board on the 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:	14 December 2018
Title:	Governance - Internal Audit Progress Report – November 2018
Report From:	Deputy Chief Executive and Director of Corporate Resources

Contact name: Neil Pitman; Chief Internal Auditor

Tel: 01962 845139

Email: Neil.pitman@hants.gov.uk

1. Recommendation(s)

- 1.1. That the Pension Fund Panel and Board note the progress of internal audit work for the period ending 30 November 2018.

2. Executive Summary

- 2.1. 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.

3. Contextual information

- 3.1. 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.
- 3.2. Appendix 1 summarises internal activity for the period ending 30 November 2018.

CORPORATE OR LEGAL INFORMATION:**Links to the Strategic Plan**

Hampshire maintains strong and sustainable economic growth and prosperity:	yes/no
People in Hampshire live safe, healthy and independent lives:	yes/no
People in Hampshire enjoy a rich and diverse environment:	yes/no
People in Hampshire enjoy being part of strong, inclusive communities:	yes/no
OR	
This proposal does not link to the Strategic Plan 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 adaptation to climate change

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Internal Audit Progress Report

November 2018

Pension Services

Southern Internal Audit Partnership

Hampshire Pension Services

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Assurance through excellence
and innovation

Contents:

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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 2017].

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 County 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

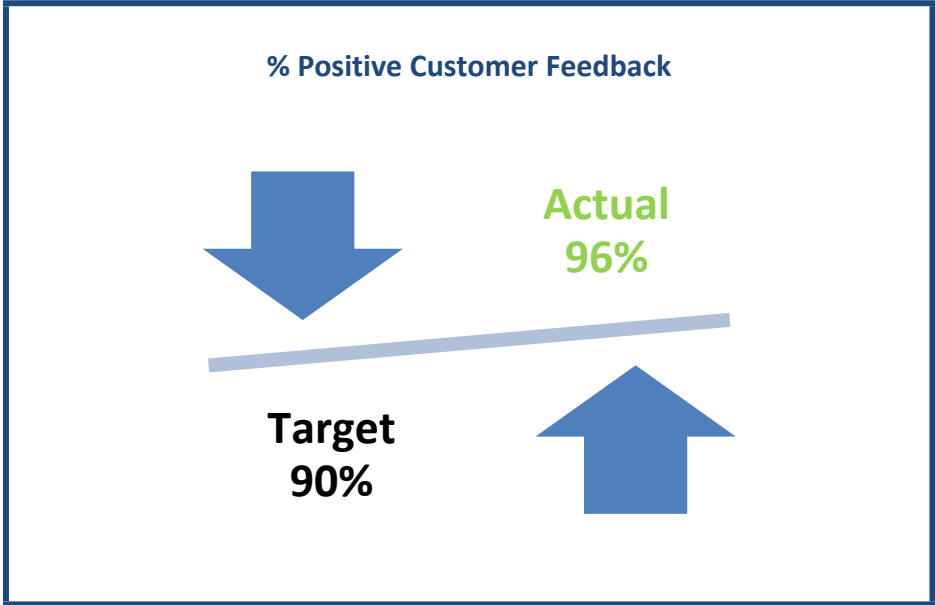
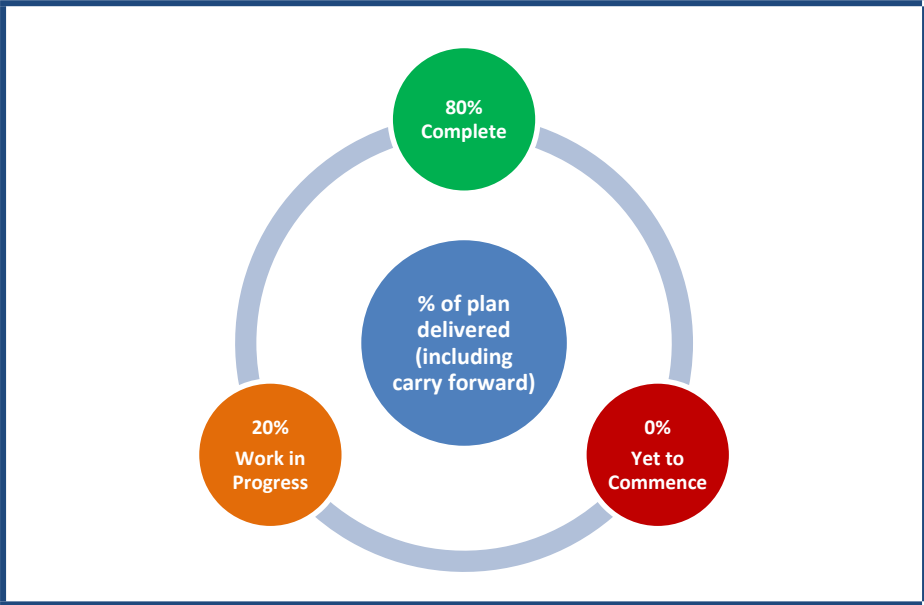
In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to ‘Senior Management’ and ‘the Board’, summarising:

- 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	
	<p>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:</p> <p><i>'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).</i></p> <p>In accordance with PSIAS, a further self assessment was completed in April 2018 concluding that the Southern Internal Audit Partnership continues to comply with all aspects of the IPPF, PSIAS and LGAN.</p>

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	05.11.18	CR	Adequate	1 (0)	0 (0)	0 (0)	1 (0)	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	01.04.18 – 30.11.18
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	3 fte*
Total number (absolute and full time equivalent) of professionally accredited counter fraud specialists	5 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.'*

***relates to SIAP staff only and includes time spent on proactive fraud initiatives to identify or prevent potential fraud that may not result in a formal investigation or prosecution.

7. Planning & Resourcing

The internal audit plan for 2018-19 was discussed and agreed with Officers and the plan remains fluid to provide a responsive service that reacts to the changing needs of the County 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
Pension Starters	CR	✓	✓	✓	✓	✓	Substantial	✓	
Pension Leavers	CR	✓	✓	✓	✓	✓	Adequate	✓	
Pensions Payroll and Benefit Calculations	CR	✓	✓	✓				✓	
Governance Arrangements	CR	✓	✓	✓	✓	✓	Substantial	✓	
Pension Services Pooling Arrangements	CR	✓	✓	✓	✓	✓	n/a	✓	Position Statement

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Pension Fund Panel & Board
Date:	14 December 2018
Title:	Governance: Administration performance update
Report From:	Director of Corporate Resources – Corporate Services

Contact name: Lois Downer

Tel: 01962 847600

Email: lois.downer@hants.gov.uk

1. Recommendations

1.1. It is recommended that the Panel and Board:

- approve the updated Communication Policy Statement
- note the performance information for the first two quarters of 2018/19.

2. Executive Summary

2.1. The purpose of this paper is to update the Pension Fund Panel and Board on pensions administration in the first six months of 2018/19 (together with an analysis of employer performance for the same period and to seek approval for the updated Communication Policy Statement.

3. Performance against Service Standards (KPIs)

3.1. The KPI tables for Pensions evidence the continuing strong performance in the first two quarters of 2018/19. However, there were 6 divorce estimate cases which missed the 15 day service level agreement by between 1 and 2 days. The team are running the monitoring reports daily to ensure that no further cases miss the target.

Quarter 1 2018/19

Type of case	Time to Complete					Total	On target?
	0-5 days	6-10 days	11-15 days	16-20 days	20-40 days		
Retirement	148	51	10	0	0	209	100.00%
Deferred Retirement	232	153	41	0	0	426	100.00%
Estimate	124	181	291	0	0	596	100.00%
Deferred	86	198	350	201	226	1,061	100.00%
Transfer out	0	4	22	0	0	26	100.00%
Transfer In	35	5	13	0	0	53	100.00%
Divorce	12	34	62	4	0	112	96.43%
Refund	129	242	36	16	0	423	100.00%
Rejoiners	21	17	94	80	0	212	100.00%
Interfunds	6	16	30	0	0	52	100.00%
Death	157	33	18	14	0	222	100.00%
Grand Total						3,392	

Quarter 2 2018/19

Type of case	Time to Complete					Total	On target?
	0-5 days	6-10 days	11-15 days	16-20 days	20-40 days		
Retirement	129	92	105			326	100.00%
Deferred Retirement	59	72	223			354	100.00%
Estimate	39	52	307			398	100.00%
Deferred	46	123	52	49	1,510	1,780	100.00%
Transfer out	2	0	19			21	100.00%
Transfer In	50	19	14			83	100.00%
Divorce	9	21	44	2		76	97.37%
Refund	172	167	18			357	100.00%
Rejoiners	13	21	58	148		240	100.00%
Interfunds	14	14	24			52	100.00%
Death	188	35	16	11		250	100.00%
Grand Total						3,937	

- 3.2. In addition to the casework, 57,877 annual benefit statements were produced for active members by the statutory deadline of 31 August, covering 99.27% of the membership. Of the remaining 424 members who did not receive a statement, over 50% did not have CARE pay provided for the year and are likely to be leavers that have not yet been notified to Pensions by employers.
- 3.3. Deferred benefit statements were produced for 99.24% of the membership by the statutory deadline, with 38 statements requiring follow up due to data issues on the record.
- 3.4. Pension savings statements were produced by the statutory deadline of 6 October 2018 for the 188 members who exceeded the HMRC annual allowance in 2017/18. Of these members, 39 had a tax charge. The number of statements required has doubled from the previous year, as more members start to exceed the reduced annual limit.

4. End of year processes and employer performance

4.1. Employers have to complete an annual return and submit it to Pensions by 30 April. This data is used to update pension records with current pay information and is subsequently used to produce annual benefit statements.

4.2. During the annual return process, employers were measured for timeliness, financial control and data quality. A breakdown is shown below but in summary:

- 96 out of 327 employers were assessed as meeting all 3 areas
- 4 large employers are still red in some areas but all of these have improved significantly since 2017
- There were no employers with a fail in all three areas
- The total amount of queries (across all employers) was 2,435. This compares with 5730 for the 2016/17 year end.

Annual return – 2018 Employer performance summary (2017 comparison shown in brackets)

	Return received before deadline	Return received between 1 May and 31 May	Return received more than 1 month late
Timeliness	260 (215)	58 (90)	9 (15)
	No reconciliation issues	Minor reconciliation issues/quickly resolved	Major reconciliation issues and/or slow/failed to respond
Financial control	208 (185)	107 (123)	12 (12)
	Data quality good	Minor data quality issues (less than 5% of membership)/quickly resolved	Major data quality issues (more than 5% of membership) and/or slow/failed to respond
Data quality	176 (178)	93 (72)	58 (70)

4.3. 75 employers were identified as red in one or more areas and so their high level contact was sent an annual return employer performance letter. Of these, 58 employers have been asked to complete a data validation return by 15 December 2018.

5. Ongoing employer performance

- 5.1. In addition to the analysis of employer performance as part of the annual return process, performance is measured each quarter to identify employers who have not met the standards set out in the Administration Strategy. Employers are asked to provide a comment if they have not met the standards in the quarter. The performance tables for the first two quarters of 2018/19 are shown in Appendix 2.
- 5.2. Following the changes to the Administration Strategy in December 2017 and feedback from Scheme Employers, the way in which employer performance is measured has been amended. Performance now is measured against the leavers received and processes set up in the quarter, which allows impacts from actions employers have taken from previous reports to feed through more quickly.

6. Feedback from Annual Employer Meeting

- 6.1. Employers were contacted after the AEM held on 12 October to provide feedback on the event. 28 responses were received, with a further 7 responses specifically about the stands which were available outside of the meeting room. The results were largely positive:
 - 96% of employers who completed the questionnaire found out what they wanted to know
 - 93% rated the information pack available on the day as good or excellent
 - 100% rated the venue as good or excellent
 - 96% rated the speakers as good or excellent

The Data Quality session delivered by Karen McWilliam and the update from AON were highlighted as the most interesting sessions. For those employers who visited the stands and provided feedback, they rated them as good or excellent, with specific praise for the Civica demonstration of the new Member Portal.

7. Member Portal

- 7.1. LGPS members can register for a pensions account so that they can see their annual benefit statements online, as well as access and update their personal details. Pensioner members are able to view their payslips and P60s.
- 7.2. The web software used to provide this online access has been upgraded to provide a more robust platform and user friendly experience. The new member portal is being rolled out to LGPS users at the end of January 2019. Feedback from employers who have been shown a demonstration of the new look site has been very positive.
- 7.3. The key improvements include a much quicker registration process, with activation codes being sent by email rather than a letter to home address

and the ability for members to change their death grant expression of wish details online. In addition the look of the site, and its navigation are much clearer and user friendly. Further developments for the available functionality are planned for 2019/20 as part of the plan to improve online information for members.

8. Communication Policy Statement

- 8.1. A review of the Communication Policy Statement has been carried out and the document has been updated to reflect the focus on providing more information online and via the Member Portal.
- 8.2. The revised statement is attached as Appendix 1. The key changes are found on pages 2 and 3.

9. Pension Regulator

- 9.1. For the first time this year the Pension Regulator required schemes to report on the presence and accuracy of common data (information about the individual and basic retirement information) and conditional data (required to calculate specific scheme benefits) as part of the annual return.
- 9.2. The score is based on a pass/fail approach for each member against all data items. This means that if an individual has a single piece of data missing then the individual will count as a fail (even if all other data is present and accurate).
- 9.3. AON were commissioned to report on the quality of the conditional data for the LGPS, based on the information supplied as part of the valuation exercise. The results of this provided a score for conditional data of 87%. The score for common data was measured as 94%.
- 9.4. Pensions have established a data cleansing programme to identify and correct data issues throughout the year, as well as being part of bulk data exercises such as running pension increase or annual benefit statement calculations. This work will be supported by the implementation of a data reporting module which provides a daily assessment of key data items. This is expected to be installed by the end of the year.

10. West Sussex administration onboarding

- 10.1. The project to take on the administration of the West Sussex local government and fire schemes is ongoing, and on track to go live in early March.

CORPORATE OR LEGAL INFORMATION:**Links to the Strategic Plan**

Hampshire maintains strong and sustainable economic growth and prosperity:	no
People in Hampshire live safe, healthy and independent lives:	no
People in Hampshire enjoy a rich and diverse environment:	no
People in Hampshire enjoy being part of strong, inclusive communities:	no
OR	
This proposal does not link to the Strategic Plan but, nevertheless, requires a decision because the Pension Fund Panel and Board are required to review the Pension Fund's Statutory Statements on an annual basis.	

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 in this report.

2. Impact on Crime and Disorder:

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?

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Communication Policy Statement 2018

Introduction

This document outlines how we communicate with our stakeholders. To communicate effectively, we use different methods according to the need and the target audience.

We have five key stakeholder groups:

- Scheme members
- Prospective scheme members
- Employing authorities
- Pensions Services' staff
- Other bodies, for example Pensions Fund Panel and Board, Scheme Advisory Board, prospective employing authorities.

We are committed to communicating clearly and effectively and we aim to provide a high quality service to all our stakeholders. Our statement of service standards for employers and scheme members can be found on our website:

<http://www3.hants.gov.uk/finance/pensions.htm>

We also have a customer charter that shows the service our scheme members can expect:

<http://www3.hants.gov.uk/pensions/pensionscustomerservice.htm#section409024-3>

Methods of communication

Our communication with scheme members

Scheme members include current contributors, those with a deferred benefit and those receiving a pension. Scheme members must be given detailed information about the scheme and their own benefits.

Website

Our website offers extensive information for scheme members. It contains links to other relevant organisations and is updated with all new legislation and relevant information. The website is the prime source of information on the pension scheme and ensures timely, up-to-date and easy-to-access information for all our stakeholders.

Member portal

Scheme members can register to access the member portal, which is a secure area of the website in which they can view their annual benefit statements and update their personal information.

Scheme literature

The *Employee's Guide* is the main reference point for current scheme members. This and other scheme literature is available on the Pensions Services website. We update this regularly, usually when regulations are changed. Members may also obtain scheme literature from their employers.

Member support

We have a general query call centre which operates during office hours. A voice mail service takes messages in the event of staff training within office hours. We aim to answer 90% of the incoming queries without the need to refer to our operational teams. We also have a general email address for all queries and at the bottom of each email we send there is a link to a feedback survey.

Correspondence

We use post and email for correspondence with scheme members. Annual Benefit Statements are available via the member self service. We also provide information to members via their employer.

We notify members of details of any scheme changes within three months of the change.

Benefit statements

Each year, we make an annual benefit statement, showing scheme benefits at 31 March, available to all current and deferred members via Member Portal. Members have the choice to opt out of this on line service and instead receive paper statements. All statements are made available by the end of August each year.

Pay advice slips and P60s

We send pay advice slips to pensioners each April and send a P60 in April if the pensioner has had income tax deducted during the year. We also send a payslip to pensioners if there has been a change of more than £1 in their monthly payment.

Newsletters

A newsletter is sent to pensioners each year in March and April.

Declaration of Pension Entitlement

Every year, we send forms to pensioners that live overseas to verify the continuing entitlement to receive pension payments. They will also be sent when we have payments or mail returned.

Report and accounts

In the autumn, a summary of the accounts, investment management and administrative arrangements is made available to current, pensioner, and deferred members. The annual report and full accounts are available to members on request or from our website.

Our communication with prospective scheme members

To provide information about the scheme, we give employers relevant information to ensure that eligible staff are aware of their pension options.

Scheme literature

Employers give all new employees access to information on appointment including the starter information booklet and form. A death grant 'expression of wish' form and a pension transfer booklet is available on the Pension Services website. Other scheme literature is available direct from us or from our website.

Website

The website contains a dedicated 'New Member' section, which outlines the benefits of the scheme and answers some common questions for prospective members.

Our communication with employing authorities

We communicate with employing authorities in several ways to help them meet their responsibilities as scheme employers.

Scheme literature

An *Employer Manual* is available to all employing authorities. It contains details of procedures and their responsibilities. Copies of leaflets and forms are also available to employers from the website or on request from Pension Services.

Correspondence

We send a regular electronic newsletter to keep employing authorities up to date with the latest regulation changes and proposals, as well as any changes in administration.

We also send ad hoc email communication to advise employers of any changes or information they should be aware of or would find useful.

Website

The website has a dedicated section for employers, with some areas password protected. It gives the latest news and an electronic version of the *Employer Manual*.

Employer training

We hold regular employer training days, and offer targeted training on request from employers, in addition to dealing with queries via phone or email.

Administration strategy

We publish an administration strategy which sets out the roles and responsibilities of the Hampshire Pension Fund and the employers.

Employer liaison meetings

All employers may request a meeting with us, and we attend established employer forums such as the Payroll Officers' Group. We also hold six-monthly meetings with an employer focus group.

Reports and accounts

We send an electronic copy of the annual report and accounts to each employer. We publish an updated Statement of Investment Principles and make it available to employers within three months of the Joint Pension Fund Panel and Board approving any significant amendment(s).

Valuation report

We send the provisional outcome and the full actuarial report on the triennial valuation to employers when they are available.

Pension Fund Annual Employers Meeting (AEM)

We invite all our employing authorities to attend the Pension Fund Annual Employers Meeting. As well as providing information on issues such as the annual report, scheme changes and investment managers' performance results, the Annual Employers Meeting provides formal and informal opportunities for employers to ask questions of the Joint Pension Fund Panel and Board or those presenting.

Our communication with Pensions Services staff

It is vital that our staff are kept up to date with all changes to the scheme so that they can continue to administer it effectively and offer a high-quality service to members and employers.

Email

Latest news and information is available on the staff webpages. In addition, we may send key information via the group distribution list.

Internet access

All staff have internet access, allowing access to a wide range of pension information.

Employer contact information

A database of contact information for all employing authorities is kept up to date and is available for use by our staff.

Meetings

Regular meetings are held, both informal and formal, within teams and across groups of staff.

Regular section briefings are held to share information across the whole of our section.

Staff training

We undertake regular staff training to ensure that our staff have the relevant knowledge and skills to undertake their role. This includes staff workshops and supporting staff taking any relevant professional qualifications. All new staff undertake a structured development programme.

Our communication with other bodies

Members' representatives

We provide information to members' representatives on request. Any issues that need consultation with members' representatives are referred to the regular meetings held with the Head of Human Resources, Operations.

Joint Pension Fund Panel and Board

The Joint Pension Fund Panel and Board receive reports from the Director of Corporate Resources. Although these usually concern investment issues, they will advise the Panel and Board on changes to administrative arrangements or scheme rules where relevant.

Prospective employing authorities

New employers receive information about the responsibilities and costs of joining the scheme and are invited to attend employer training sessions as well as having access to the employer website.

Complaints and appeals

We have a comprehensive process for dealing with complaints and appeals. Full details of the internal disputes resolution procedure is available on our website:

<http://www3.hants.gov.uk/pensions/lgps/a-z/internal-dispute-resolution-procedures.htm>

Publications matrix

<i>Document</i>	<i>Format</i>		<i>Available to</i>					<i>Published</i>	<i>Reviewed</i>
	<i>Paper</i>	<i>Website</i>	<i>Prospective members</i>	<i>Current members</i>	<i>Deferred members</i>	<i>Pensioners</i>	<i>Employers</i>		
Employee's Guide	✓	✓	✓	✓	✓	X	✓	Always available	As regulations change
Employer Manual	X	✓	X	X	X	X	✓	Always available	As regulations change
Reports and accounts	X	✓	✓	✓	✓	✓	✓	Annually	Annually
Benefit statements	✓	✓	X	✓	✓	X	X	Annually	Annually
Pensioners' newsletter	✓	✓	X	X	X	✓	X	Always available	Annually
Service standards	✓	✓	✓	✓	✓	✓	✓	Always available	Annually
Complaints and appeals process	✓	✓	✓	✓	✓	✓	✓	Always available	Annually

Employer performance Q1 and Q2 2018/19

Notification of Death in Service

These tables show all the deaths in service in the period, by employer together with the working days taken to notify Pension Services.

Summary of death notifications processed for period 1 April to 30 June 2018

Employer	0-5 days	6-10 days	11-15 days	16-20 days	21-30 days	31-40 days	41-50 days	51-60 days	+60 days	Total
Hampshire County Council	2	0	0	0	0	0	0	0	0	2
Bedales School	1	0	0	0	0	0	0	0	0	1
Winchester City Council	1	0	0	0	0	0	0	0	0	1
East Hampshire District Council	0	1	0	0	0	0	0	0	0	1
St George's Catholic College	0	0	1	0	0	0	0	0	0	1
Total	4	1	1	0	0	0	0	0	0	6

Summary of death notifications processed for period 1st July to 30th September 2018

Employer	0-5 days	6-10 days	11-15 days	16-20 days	21-30 days	31-40 days	41-50 days	51-60 days	+60 days	Total
Hampshire County Council	2	1	0	0	0	0	0	0	0	3
Southampton City Council	0	1	1	1	0	0	0	0	0	3
Havant and South Downs College	1	0	0	0	0	0	0	0	0	1
Hampshire Constabulary (LGPS)	0	1	0	0	0	0	0	0	0	1
Costello Academy	1	0	0	0	0	0	0	0	0	1
Portsmouth Primary Academy Trust	0	0	0	1	0	0	0	0	0	1
Total	4	3	1	2	0	0	0	0	0	10

Notification of retirements

These tables show the notification of retirements to Pension Services by employer, and the days between the notification and the retirement date. The service standard is for employers to provide all retirement information 20 working days before the retirement date. Employers are only listed if any of the notifications are received late

Quarter 1

Employers not meeting timescales for notifying of retirements

Days - / + retirement date	<table border="1"> <tr> <td style="background-color: #90EE90;"></td> <td style="background-color: #90EE90;"></td> <td style="background-color: #FFFF00;"></td> <td style="background-color: #FFFF00;"></td> <td style="background-color: #FFFF00;"></td> <td style="background-color: #FFDAB9;"></td> <td style="background-color: #FFDAB9;"></td> <td style="background-color: #FFDAB9;"></td> <td style="background-color: #FF0000;"></td> <td style="background-color: #FF0000;"></td> <td style="background-color: #FF0000;"></td> <td style="background-color: #FF0000;"></td> </tr> <tr> <td><-40</td> <td>-40 to -21</td> <td>-20 to -11</td> <td>-10 to -6</td> <td>-5 to -1</td> <td>0 to 5</td> <td>6 to 10</td> <td>11 to 20</td> <td>21 to 40</td> <td>41 to 60</td> <td>61 to 90</td> <td>+90</td> </tr> </table>																								<-40	-40 to -21	-20 to -11	-10 to -6	-5 to -1	0 to 5	6 to 10	11 to 20	21 to 40	41 to 60	61 to 90	+90	Total
<-40	-40 to -21	-20 to -11	-10 to -6	-5 to -1	0 to 5	6 to 10	11 to 20	21 to 40	41 to 60	61 to 90	+90																										
Hampshire County Council	10	8	12	13	3	4	3	2	3	0	2	1	61																								
	16%	13%	20%	21%	5%	7%	5%	3%	5%	0%	3%	2%	100%																								
	30%		46%			15%			10%																												
Eastleigh Borough Council	0	0	0	0	1	0	0	0	2	0	0	0	3																								
	0%	0%	0%	0%	33%	0%	0%	0%	67%	0%	0%	0%	100%																								
	0%		33%			0%			67%																												
The Inspire Learning Federation (Blackfield a	0	0	0	0	0	0	0	0	1	0	0	0	1																								
	0%	0%	0%	0%	0%	0%	0%	0%	100%	0%	0%	0%	100%																								
	0%		0%			0%			100%																												
Portsmouth City Council	0	15	0	1	0	1	0	0	1	0	0	0	18																								
	0%	83%	0%	6%	0%	6%	0%	0%	6%	0%	0%	0%	100%																								
	83%		6%			6%			6%																												
Robert Mays	0	0	0	0	0	0	0	0	0	1	0	0	1																								
	0%	0%	0%	0%	0%	0%	0%	0%	0%	100%	0%	0%	100%																								
	0%		0%			0%			100%																												
Cams Hill School Academy	0	0	0	0	0	0	0	0	0	0	1	0	1																								
	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	100%	0%	100%																								
	0%		0%			0%			100%																												

Quarter 2

Employers not meeting timescales for notifying of retirements

		Days - / + retirement date												Total
		<-40	-40 to -21	-20 to -11	-10 to -6	-5 to -1	0 to 5	6 to 10	11 to 20	21 to 40	41 to 60	61 to 90	+90	Total
6	Hampshire County Council	2	29	17	32	1	6	5	10	5	1	1	0	109
		2%	27%	16%	29%	1%	6%	5%	9%	5%	1%	1%	0%	100%
			28%			46%			19%				6%	
7	The University of Winchester	1	1	0	0	0	0	0	0	1	0	0	0	3
		33%	33%	0%	0%	0%	0%	0%	0%	33%	0%	0%	0%	100%
			67%			0%			0%				33%	
8	New Forest District Council	0	0	0	2	0	0	1	1	3	0	0	0	7
		0%	0%	0%	29%	0%	0%	14%	14%	43%	0%	0%	0%	100%
			0%		29%	0%		29%					43%	
9	Havant Borough Council	0	0	0	0	0	0	0	0	1	0	1	0	2
		0%	0%	0%	0%	0%	0%	0%	0%	50%	0%	50%	0%	100%
			0%			0%		0%					100%	
10	Alton College	0	0	0	0	0	0	0	1	0	3	0	0	4
		0%	0%	0%	0%	0%	0%	0%	25%	0%	75%	0%	0%	100%
			0%			0%		0%	25%		75%		0%	
11	Capita Southampton Ltd	0	0	0	0	0	0	0	0	1	0	0	0	1
		0%	0%	0%	0%	0%	0%	0%	0%	100%	0%	0%	0%	100%
			0%			0%		0%					100%	
12	Southampton City Council	0	2	6	0	1	0	1	1	0	0	0	1	12
		0%	17%	50%	0%	8%	0%	8%	8%	0%	0%	0%	8%	100%
			17%			58%			17%				8%	

Notification of other leavers

If an employer does not meet the standards for notification of deaths or retirements, their performance against the notification of other leavers is also reported.

Quarter 1

Results for employers where not meeting timescales for deaths and/or retirements

Days - / + leaving date	<-40	-40 to -21	-20 to -11	-10 to -6	-5 to -1	0 to 5	6 to 10	11 to 20	21 to 40	41 to 60	61 to 90	91 to 180	181 to 365	+365	Total
Hampshire County Council	0	4	6	1	0	6	28	46	596	22	24	59	146	4	942
	0%	0%	1%	0%	0%	1%	3%	5%	63%	2%	3%	6%	15%	0%	100%
									73%		5%			22%	
Eastleigh Borough Council	0	0	0	0	0	0	0	5	11	2	0	0	0	1	19
	0%	0%	0%	0%	0%	0%	0%	26%	58%	11%	0%	0%	0%	5%	100%
									84%		11%			5%	
The Inspire Learning Federation	0	0	0	0	0	0	1	0	0	0	0	0	0	0	1
	0%	0%	0%	0%	0%	0%	100%	0%	0%	0%	0%	0%	0%	0%	100%
									100%		0%			0%	
Portsmouth City Council	0	4	1	0	0	0	0	2	4	64	38	7	2	0	122
	0%	3%	1%	0%	0%	0%	0%	2%	3%	52%	31%	6%	2%	0%	100%
									9%		84%			7%	
Robert May's School	0	0	0	0	0	0	0	0	0	0	0	1	0	0	1
	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	100%	0%	0%	100%
									0%		0%			100%	

Quarter 2

Results for employers where not meeting timescales for deaths and/or retirements

Days -/+ leaving date	<-40	-40 to -21	-20 to -11	-10 to -6	-5 to -1	0 to 5	6 to 10	11 to 20	21 to 40	41 to 60	61 to 90	91 to 180	181 to 365	+365	Total
Hampshire County Council	0	4	5	11	3	3	4	312	674	84	23	7	6	0	1136
	0%	0%	0%	1%	0%	0%	0%	27%	59%	7%	2%	1%	1%	0%	100%
									89%		9%			1%	
The University of Winchester	0	0	0	0	0	0	2	2	4	0	2	0	3	0	13
	0%	0%	0%	0%	0%	0%	15%	15%	31%	0%	15%	0%	23%	0%	100%
									62%		15%			23%	
New Forest District Council	0	0	3	5	2	12	15	40	38	1	2	2	3	1	124
	0%	0%	2%	4%	2%	10%	12%	32%	31%	1%	2%	2%	2%	1%	100%
									93%		2%			5%	
Southampton City Council	0	0	0	1	1	0	4	14	22	0	2	1	1	0	46
	0%	0%	0%	2%	2%	0%	9%	30%	48%	0%	4%	2%	2%	0%	100%
									91%		4%			4%	
Alton College	0	0	0	0	0	0	0	0	1	0	0	0	0	0	1
	0%	0%	0%	0%	0%	0%	0%	0%	100%	0%	0%	0%	0%	0%	100%
									100%		0%			0%	
Capita Southampton Ltd	0	0	0	0	0	0	0	0	2	0	0	0	0	0	2
	0%	0%	0%	0%	0%	0%	0%	0%	100%	0%	0%	0%	0%	0%	100%
									100%		0%			0%	

Employer Comments

On receipt of their performance report, employers are asked to provide any comments as to the reasons for the failure or steps that have been put in place to make improvements.

Havant Borough Council (HBC) were the only employer to comment on their performance after receiving their quarterly report. HBC have proactively working with their outsourced contractor and Pension Services to improve the quality and timeliness of the pension data that they provide to Pension Services and they are committed to resolving any quality issues.

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Pension Fund Panel & Board
Date:	14 December 2018
Title:	Governance: Review of the Pension Fund's Statutory Statements
Report From:	Director of Corporate Resources – Corporate Services

Contact name: Gemma Farley

Tel: 01962 847540

Email: Gemma.farley@hants.gov.uk

1. Recommendations

- 1.1. That progress on the Business Plan's actions be noted, and subject to any amendments the Panel and Board may wish to make, the updated Business Plan (Appendix 1) be approved.
- 1.2. That the updated Investment Strategy Statement (Appendix 2) be approved.
- 1.3. That the updated Governance Policy and Governance Compliance Statements (Appendix 3) be approved.
- 1.4. That the Administration Strategy Statement (Appendix 4) be approved.

2. Executive Summary

- 2.1. The purpose of this paper is to ask the Pension Fund Panel and Board to approve the Pension Fund's statutory statements on an annual basis, which are its Business Plan, Investment Strategy Statement, Funding Strategy Statement, Governance Policy and Governance Compliance Statement, Communication Policy Statement and Administration Strategy Statement. In addition the Panel and Board is usually also asked to approve changes to the Employer Policy.

3. Background

- 3.1. The Pension Fund's statutory statements are reviewed annually to ensure that current versions comply with the latest Government and other relevant guidance. All the documents are published in the Pension Fund's Annual Report. The documents were last reviewed by the Panel and Board at their meeting in December 2017.

4. Business Plan

- 4.1. The Myners principles require pension funds to draw up a forward-looking business plan, including a training plan for both the trustees and officers involved in their management and administration.
- 4.2. The Hampshire Pension Fund's business plan includes a commitment to review and revise the plan annually, and to evaluate performance against the action plan.
- 4.3. A draft updated version of the business plan is attached as Appendix 1 for approval. A few changes are necessary this year, and these are highlighted.
- 4.4. The business plan approved by the Pension Fund Panel and Board in December 2017 included several actions for completion by March 2019. Progress against these action points is summarised below.

Planned Action	Deadline	Progress
Implement a private debt portfolio	March 2019	The Fund has appointed an investment manager to implement a private debt portfolio.
Implement a multi-asset credit portfolio	March 2019	The Fund has appointed two investment managers to implement two multi-asset credit portfolios.
Review the Admitted Bodies Group in the Pension Fund's Funding Strategy Statement.	March 2019	The Fund reviewed the Admitted Bodies Group, consulted on changes to the Pension Fund's Funding Strategy Statement, which were approved by the Panel and Board in November 2018.
Monitor the Fund's investment managers' performance.	Ongoing	Up-to-date performance information is reported to each meeting of the Panel and Board and is closely monitored by officers on a monthly basis. The Panel and Board have agreed changes to the Fund's investment management arrangements based on investment performance.
Keep Panel and Board members' training needs under review and provide any extra training considered	Ongoing	In March 2018, the Panel and Board approved the training plan for 2018/19. Bespoke training events for Panel and

Planned Action	Deadline	Progress
necessary, for example to any new members of the Panel and Board.		Board members were arranged for August and November 2018, and Panel and Board members have attended a number of Pension industry events.
Review the Fund's Investment Strategy Statement.	December 2018	Included in this report. In addition, a further change is being proposed for consultation in this meeting's agenda, which could result in further changes to this statement in 2019/20.
Review the Fund's Funding Strategy Statement	December 2018	Following consultation, changes to the Funding Strategy Statement were approved by the Panel and Board at its November 2018 meeting.
Review the Governance Policy and Governance Compliance Statements	December 2018	Included in this report.
Review this business plan, including progress against the action plan	December 2018	Included in this report.
Review the Communication Policy Statement	December 2018	Included in this meeting's agenda.
Review the Administration Strategy Statement	December 2018	Included in this report.
Review the Fund's management fees and transaction costs.	December 2018	Reported at September 2018 Pension Fund Panel and Board meeting.
Review the Employer policy.	December 2018	Following consultation, changes to the Employer Policy were approved by the Panel and Board at its November 2018 meeting.
Review performance of the Fund's Custodian.	December 2018	Reported at April 2018 Pension Fund Panel and Board meeting.

Planned Action	Deadline	Progress
Respond to all consultations and requests for information from Central Government on the Pension Fund's investments.	Ongoing	Responded to requests for information from Central Government regarding the status of investment pooling as part of the ACCESS pool.
Comply with any requests from the Scheme Advisory Board.	Ongoing	No requests have been made this year to date.
Continue to work with the ACCESS pool to comply with the Government target to pool assets.	Ongoing	Hampshire is continuing to work with the pool to provide a pooling solution that is suitable for all LGPS funds within the ACCESS pool. Hampshire has invested in the pooling solution for passive investments, as well as invested in the pool's first global equities sub-fund.

5. Funding Strategy Statement

- 5.1. Following a consultation on the changes to the Funding Strategy Statement in relation to the payment of exit credits following changes to the LGPS (Amendment) Regulations 2018, the Fund's Funding Strategy Statement was reviewed and approved in November 2018.

6. Investment Strategy Statement

- 6.1. At its meeting in November 2018, the Panel and Board agreed to amend the Strategic Asset Allocation following the recommendation of Hymans Robertson. The Investment Strategy Statement is attached at Appendix 2 for approval; this version includes the changes agreed to the interim allocation, as well as the resulting changes to the long term allocation. There have also been minor changes added to this statement.
- 6.2. The Investment Strategy Statement's section on Environmental, Social and Governance (ESG) considerations remains unchanged in Appendix 2. Changes to this section of the statement are considered separately on this agenda.

7. Governance Policy and Governance Compliance Statements

- 7.1. The Governance Policy and Governance Compliance Statements are attached at Appendix 3 for approval; minor changes have been made to the Governance Policy to update the Pension Fund Panel and Board's decision-making role in relation to investment pooling.

8. Communication Policy Statement

- 8.1. A review of the Communication Policy Statement has been carried out, which is described in the update on the administration of the Fund on this meeting's agenda.

9. Administration Strategy Statement

- 9.1. The Administration Strategy Statement is attached at Appendix 4 for approval; there has been no proposed changes added to this statement.

10. Employer Policy

- 10.1. Following a consultation on the changes to the Employer Policy in relation to the payment of exit credits following changes to the LGPS (Amendment) Regulations 2018, the Fund's Employer Policy was reviewed and approved in November 2018.

CORPORATE OR LEGAL INFORMATION:**Links to the Strategic Plan**

Hampshire maintains strong and sustainable economic growth and prosperity:	no
People in Hampshire live safe, healthy and independent lives:	no
People in Hampshire enjoy a rich and diverse environment:	no
People in Hampshire enjoy being part of strong, inclusive communities:	no
OR	
This proposal does not link to the Strategic Plan but, nevertheless, requires a decision because the Pension Fund Panel and Board are required to review the Pension Fund's Statutory Statements on an annual basis.	

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 in this report.

2. Impact on Crime and Disorder:

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

Business Plan

Mission and objectives

The County Council, as administering authority for the Hampshire Pension Fund, has delegated responsibility for managing the Fund's investments to the Joint Pension Fund Panel and Board. The Panel and Board consists of nine county councillors, three scheme member representatives, and three employer representatives. All Panel and Board members have voting rights. An independent adviser to the Panel and Board attends all Panel and Board meetings, but does not have voting rights.

The Panel and Board's mission is to provide an efficient and effective pension scheme for all employees and pensioners of all eligible employers in Hampshire, in accordance with the requirements of the legislation for the Local Government Pension Scheme (LGPS).

The Panel and Board's objectives:

- To achieve a 100% funding level over the long term, which means that all current and future fund liabilities can be met.
- To maintain a stable employers' contribution rate in the long term.
- To respond promptly to legislative changes affecting the LGPS and pension provision generally.
- To comment fully on consultation papers dealing with pension matters in the interests of the Fund's participating employers and members within the deadlines set.
- To make sure that the Fund follows best practice as recommended by the Government, the Scheme Advisory Board, the Pensions Regulator, the Local Government Pensions Committee (LGPC), the Chartered Institute of Public Finance and Accountancy (CIPFA) and other organisations specialising in pensions.
- To keep abreast of all developments affecting the LGPS by undertaking training and/or taking advice from external fund managers, external consultants and County Council officers as appropriate.
- To make arrangements for keeping the Fund's participating employers and members fully informed about matters affecting them.

The funding level and employers' contribution rate

The Panel and Board seeks to achieve a 100% funding level and stable contribution rate by:

- drafting and maintaining a Funding Strategy Statement, in partnership with the Fund's actuary and participating employers. This sets out the background and parameters the actuary must use when carrying out actuarial valuations, and the duties of the County Council as administering authority and the Fund's other employers
- commissioning a full actuarial valuation of the Fund every three years as required by law to determine employers' contribution levels. The actuary completed the

latest actuarial valuation of the Fund at 31 March 2016 in March 2017, and the next actuarial valuation will be valued at 31 March 2019.

- arranging interim actuarial valuations if developments mean that the funding level can be expected to have changed
- commissioning an asset/liability study following valuations or as necessary to help determine the best asset allocation needed to meet the Fund's liabilities
- where an actuarial valuation reveals a past service deficit, agreeing employers' contributions with the actuary to recover the deficit.

Investment of the Fund

The Panel and Board seeks a return on the Fund's investments which will enable 100% funding to be achieved and its liabilities to be met with a stable employers' contribution rate. The Fund's Actuary advised that the Pension Fund should aim to achieve an overall investment return equal to the discount rate, which for the 2016 triennial valuation was 4.5%. The Panel and Board aims to achieve this by:

- using the results of the analysis by the Fund actuary and others to set benchmark asset allocations and performance targets for external investment managers
- reviewing managers' performance against those targets over three-year and five-year rolling periods at Panel and Board meetings – performance will also be monitored over one-year periods at those meetings and ongoing consideration given to the size of and need for each manager's portfolio in the light of their performance in each financial year
- reviewing in the autumn of each year the levels of all costs incurred in the previous financial year by the external managers on the Fund's behalf
- delegating to the Director of Corporate Resources responsibility for monitoring the managers' performance between Panel and Board meetings.

Arrangements for investing additional voluntary contributions (AVCs)

The Panel and Board aims to make sure there is a wide and varied selection of high-performing investment options for fund contributors who wish to make additional voluntary contributions (AVCs).

The current AVC providers for contributors to the Fund are Prudential and Zurich. The Panel and Board will review the performance and options offered by these providers, as necessary.

Legislative changes

The Panel and Board aims to respond promptly to legislative changes with implications for managing and administering the Fund by:

- closely monitoring new legislation affecting the LGPS or pension provision generally – this role is delegated to the Director of Corporate Resources
- considering reports on the implications for the Fund of relevant draft legislation
- agreeing any actions necessary to ensure full compliance when the final legislation is enacted, including meeting any deadlines.

Consultation papers

The Panel and Board aims to play an active role in responding to and commenting on consultation papers about pensions, on behalf of Fund employers and members. In doing so it seeks to ensure high standards of corporate governance and best practice, and to further the best interests of contributors and pensioners.

Best practice

The Panel and Board will ensure that the Fund follows best practice as recommended by the Government, the Scheme Advisory Board, the Pensions Regulator, the Local Government Pensions Committee (LGPC), the Chartered Institute of Public Finance and Accountancy (CIPFA) and other organisations specialising in pension matters. It has delegated responsibility for achieving this to the Director of Corporate Resources.

Decision-making

The Panel and Board will take advice as necessary to ensure that all decisions are in the best interests of the Fund and its members. Advice is provided as necessary by:

- the Director of Corporate Resources and her staff
- the actuary
- the Fund's external investment managers
- the Fund's independent adviser
- other consultants.

Developments and training plan

The Panel and Board aims to keep abreast of all developments affecting the LGPS by undertaking training and taking advice when necessary from external fund managers, external consultants and County Council officers.

A training plan was prepared in **March 2018** for the Joint Pension Fund Panel and Board and training logs are maintained for individual Panel and Board members. As part of the Panel and Board's training plan bespoke training sessions delivered by external speakers were arranged in **December 2017**, and **August and November 2018** giving an overview of **currency hedging, LGPS investment pooling, alternative beta, multi asset credit and LGPS governance**. A new training plan will be prepared in **March 2019** for the year ahead; this will be based on feedback from the annually completed training needs analysis.

The Panel and Board also expects the Director of Corporate Resources and relevant members of the department (who are the Panel and Board's main advisers) to keep up to date with developments in pensions and investments and to undertake training as required.

Communications with participating employers and Fund members

The Panel and Board will arrange to keep the Fund's participating employers and members fully informed about anything affecting them by publishing:

- an annual report on the Fund for each financial year, to be available for an Annual Employers Meeting of the Fund's employers held in the following July
- an annual summary of the accounts, investment management and administrative arrangements is made available online to current, pensioner, and deferred members
- an annually updated employees' guide to the Scheme
- an annual newsletter to pensioners.

Review and evaluation of business plan

The Panel and Board will review and revise the business plan annually in December and will evaluate performance against the action plan.

Actions to March 2020

New actions:

Retender the contract for the independent property valuer.

Review investment management arrangements for UK direct property.

Ongoing actions:

Monitor the Fund's investment managers' performance.

Respond to all consultations and requests for information from Central Government on the Pension Fund's investments.

Continue to work with the ACCESS pool to comply with the Government target to pool assets.

Comply with any requests from the Scheme Advisory Board.

Complete the following annual reviews – deadline March 2020:

- the Statutory Statements:
 - the Fund's Investment Strategy Statement
 - the Fund's Funding Strategy Statement (if necessary)
 - the Governance Policy and Governance Compliance statements
 - this Business Plan, including reviewing progress against the action plan
 - the Communication Policy statement
 - the Administration Strategy statement
- the Fund's management fees and transaction costs
- the Employer policy

- the performance of the Fund's Custodian.

Keep Panel and Board members' training needs under review and provide any extra training considered necessary, for example to any new members of the Panel and Board.

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 319 other scheduled and admission bodies. The total number of contributors is 57,877 and there are 69,503 deferred members and 39,796 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.

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.

The Pension Fund Panel and Board have prepared a set of investment beliefs based on their experience of the workings of the Fund and the nature of the underlying investments held, which are contained in Annex 1.

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.

	Minimum	Maximum
Growth assets – To deliver sufficient return to meet the funding target and maintain the affordability of the target level of contributions (assets such as equities and hedge funds)	40%	70%
Income assets – Structuring the assets to meet the Fund’s income requirements or increase the confidence of achieving required returns through a more stable and observable return stream (assets such as property, infrastructure, loans and alternative credit)	10%	45%
Protection assets - Employing investment strategies that provide some downside protection or diversification benefit to maintain stability in the level of contributions (assets such as traditional gilts and index-linked gilts)	10%	30%

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 advisers. The Panel and Board have appointed a permanent independent adviser (currently **Investment Trustee and Adviser Ltd**) 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 funds, 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 Hymans Robertson 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	Interim % of Fund	Long Term % of Fund
Growth	48.0%	43.0%
Income	30.0%	40.0%
Protection	22.0%	17.0%
Total Fund	100.0%	100.0%

In line with the Regulations, the authority's investment strategy does not permit more than 5% of the total value of all investments of fund money 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.

The Strategic Asset Allocation was agreed in 2017 following the Fund's last triennial actuarial valuation and the Panel and Board has agreed an implementation plan in order to move to the new allocation. The Fund's Asset Allocation will be reviewed from time to time by the Panel and Board and 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 MJ Hudson Allenbridge on the appointment of investment managers and transition management. The Fund's current investment managers are shown in Annex 2.

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 Annex 3, 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 (including the risk of climate change) 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	Kent
East Sussex	Norfolk
Essex	Northamptonshire
Hertfordshire	Suffolk
Isle of Wight	West Sussex

All eleven funds are committed to collaboratively working together to meet the criteria for pooling and have signed an Inter-Authority Agreement to underpin their partnership. ACCESS is working to a project plan in order to create the appropriate means to pool investments. The first investments that have been pooled were passively managed investments, and a global equities active mandate. The Operator is currently working to launch a further series of sub-funds in early 2019. In addition external advisers have been engaged to assist the design of suitable building blocks across fixed income and equity allocations.

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.

Annex 1 – Investment Beliefs

Belief: Clear and well defined objectives are essential to achieve future success

The Pension Fund Panel and Board is aware that there is a need to generate a sufficient level of return from the Fund's assets, while at the same time having a clear understanding of the potential risks and ensuring there is sufficient liquidity available to pay members' benefits as they fall due. The Panel and Board have considered their own priorities and believe that setting clear objectives for the Fund is key in providing focus for the way the investment strategy is implemented.

Belief: Strategic asset allocation is a key determinant of risk and return

The Panel and Board understands that having the appropriate strategy in place is a key driver of the Fund's future success and thus is typically more important than manager or stock selection.

Belief: Funding and investment strategy are linked

The Panel and Board understands that a number of funding related aspects feed into investment strategy decisions, including maturity and level of required return. Given this, actuarial and investment matters, most notably setting investment strategy, are looked at in tandem by the Panel and Board.

Belief: The Panel and Board will take an appropriate level of investment risk

As a long term LGPS Fund the Panel and Board acknowledge the need to take investment risk to ensure the affordability and sustainability of the Fund. However, the level of risk will be set which is aligned to the long term objectives, with a view to taking appropriate and not unnecessary levels of risk and managing funding level volatility.

Belief: Long term investing provides opportunities for enhancing returns

The Panel and Board believes that investors with long term time horizons are typically less constrained by liquidity requirements and able to better withstand periods of price volatility. As a long term investor, the Fund may choose to gain additional compensation by investing in assets that are illiquid (e.g. property, infrastructure and private equity) or may be subject to higher levels of volatility (a premium return is required for any such investments). Having this long-term focus also helps the Fund tolerate periods of active manager underperformance when the manager's investment style is out of favour with the market.

Belief: Equities are expected to generate superior long term returns

The Panel and Board believes that, over the longer term, equities are expected to outperform other liquid assets, in particular government bonds. The Panel and Board is therefore comfortable that the Fund maintains a significant allocation to equities in order to support the affordability of contributions.

Belief: Government bonds provide liquidity and a degree of liability matching

Government bonds have characteristics that are similar to the assumptions used in valuing pension liabilities e.g. sensitive to changes in interest rates and (for index-linked) to changes in market-implied inflation. This makes them a suitable asset for reducing the Fund's funding risks. In addition, this asset class has proven to be highly liquid at times of market stress, enabling it to be used for rebalancing and to help meet any outflows that may fall due. Given this, the Fund hold a proportion of its assets in this asset class.

Belief: Alternative investments provide diversification

The Panel and Board believes that diversification across asset classes can help reduce the volatility of the Fund's overall asset value and improve its risk-return characteristics. The Panel and Board believes that investing across a range of asset classes (including, but not restricted to, equities, bonds, infrastructure and property) will provide the Fund with diversification benefits.

Belief: Fees and costs matter

The Panel and Board recognises that fees and costs reduce the Fund's investment returns. The Panel and Board considers the fees and costs of its investment arrangements to ensure the Fund is getting value for money and to minimise, as far as possible, any cost leakages from its investment process. The Panel and Board will consider paying higher fees to access the strategic opportunity or where the Fund can achieve better or more consistent net of fees returns.

Beliefs: Market inefficiencies will provide opportunities to add value over time

The Panel and Board belief that at times relative market movements or dislocations will provide opportunities to generate additional returns for the Fund. However, the Panel and Board do not believe that they are best placed to capitalise on these opportunities. The Panel and Board will therefore set mandates with the flexibility for specialist external investment managers to add value through allocation decisions where deemed appropriate. Alongside this the Panel and Board will assess the position of the Fund against the long term strategic benchmark and any requirements to rebalance back toward the long term target.

Belief: Active management can add value

The Panel and Board recognises that certain asset classes can only be accessed via active management. The Panel and Board also recognises that active managers may be able to generate higher returns for the Fund (net of fees), or similar returns but at lower volatility, than equivalent passive exposure. The Panel and Board will therefore use active management selectively and when doing so will aim to minimise excessive turnover in its active managers. By carefully selecting and monitoring active managers and recognising that periods of underperformance may arise, the Panel and Board seeks to minimise the additional risk from active management.

Belief: Passive management has a role to play in the Fund's structure

The Committee recognises that passive management allows the Fund to access certain asset classes (e.g. equities) on a low cost basis and when combined with active management can help reduce the relative volatility of the Fund's performance.

Belief: Responsible Investment is important to the Panel and Board and can have a material impact on the long term performance of its investments

The Panel and Board recognises that Responsible Investment issues incorporating all forms of Environmental, Social and Governance (ESG) issues can impact the Fund's returns. Given this, the Panel and Board aims to be aware of, and monitor, financially material ESG-related risks and issues through the Fund's investment managers.

Annex 2 – Current 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
	Dodge & Cox Worldwide Investments Ltd.	MSCI ACWI	+1.5-2.5% net
Passive Global Equities	UBS Asset Management	Link Fund Solutions	+1.5-2.5% net
		FTSE All World Equity Index	
		FTSE RAFI All-World 3000	
		MSCI World Min Vol	
Passive UK Equities	UBS Asset Management	MSCI World Quality	
		FTSE All Share	
Active global bonds	Western Asset Management	Barclays Capital Global Aggregate Bonds Index	+1.0% gross
Private equity	Aberdeen Standard Investments		+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	UBS Asset Management	FT British Government Over Five Years Index-Linked Gilts Index	
UK property	CBRE Global Investors	Retail Price Index (RPI)	+3.5% net
European property (legacy portfolio)	Aberdeen Standard Investments	Eurozone Harmonised Index of Consumer Prices (HICP)	+5% net

Annex 3 – 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 month’s 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, having taken expert external advice. The review of the Fund’s Investment Strategy commissioned from Hymans Robertson optimised a strategy for the Fund that gave the best chance of achieving the Fund’s funding outcome and minimising the impact of the worst short-term investment markets.</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</p>	<p>The Pension Fund considers that investments paying a fixed rate of interest (generally bonds)</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</p>

Risk description	Approach	Mitigation
that pay a fixed interest rate	offer an important source of diversification from equities.	possible, in order to manage risks such as changes in interest rates.
Currency risk – the risk of fluctuations in prices of financial instruments that are denominated in any currency other than the functional currency of the Fund (GB pounds)	As a long term investor the Pension Fund accepts that currencies will rise and fall but movements are difficult to forecast, and therefore that products that can smooth the impact of currency fluctuations do not offer value for money.	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. 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.
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.	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</p>

Risk description	Approach	Mitigation
		be lent at any time will not exceed 25% of the total market value of Fund assets.
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.	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.	The Fund contracts with specialist external investment managers and as a general principle aims to 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.
Custody risk – losing economic rights to Fund assets, when held in custody or being traded.	The Fund has appointed a Global Custodian (currently JP Morgan) with a global custody network, to provide safe custody of its assets.	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.
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.	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.	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.
Environmental, social and governance (ESG) factors – that these factors reduce long-term returns.	The Fund recognises that companies can enhance their long-term performance and increase their financial returns by adopting positive social, environmental and ethical principles.	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.
Regulatory risk – that inhibits the Pension Fund Panel and	The Panel and Board recognise the importance of its overriding	The Fund will be proactive in engaging with the Government, including responding to consultation, on any issues effecting the

Risk description	Approach	Mitigation
Board's fiduciary duty.	fiduciary duty in law to invest Fund monies to achieve the best possible financial return for the Fund.	management and investment of Pension Fund monies.
Illiquidity – that the Fund is unable to meet its immediate liabilities	Although the Fund does not have a strategic allocation to cash, a cash balance is maintained to meet liabilities as they fall due.	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.

Governance Policy Statement

Section 55 of the Local Government Pension Scheme Regulations 2013 require the Fund to maintain a Governance Policy Statement.

The County Council, as administering authority for the Hampshire Pension Fund, has delegated responsibility for managing the Fund's investments to the Joint Pension Fund Panel and Board.

The Joint Pension Fund Panel and Board oversees the proper administration and management of the Pension Fund. It is responsible for:

- making suitable custody arrangements for the Fund's investments
- considering and approving actuarial valuations every three years and determining the level of employers' contributions
- considering changes in pension fund regulations and determining actions required
- considering and approving strategic advice on investment policy
- the selection of an investment pool and holding that pool to account
- selecting the pool sub-funds to invest in, appointing external fund managers (for investments held outside of the pool) and advisers
- monitoring the investment performance of each manager against their target and benchmark, based on statistics prepared by the custodian
- the periodic review of the Investment Strategy Statement, the Fund's Business Plan, its Funding Strategy Statement, this Governance Policy Statement, its Governance Compliance Statement and the Fund's Communication Policy Statement.

The Joint Pension Fund Panel and Board normally meets seven times a year. These meetings are used for discussions with the Fund's investment managers, using a report on their strategies and performance prepared by the Director of Corporate Resources, any views of the independent adviser, and presentations prepared by the managers themselves. The Panel and Board also considers reports from the Director of Corporate Resources, the independent adviser and other consultants as necessary on a range of issues, for example reviews of the Investment Strategy Statement, the Fund's business plan, training, and proposals for scheme change.

The Joint Pension Fund Panel and Board is constituted as follows:

- the County Council as administering authority and the largest employer with 45% of the contributing membership
- an equal number of scheme members and employer representatives (three of each) in line with the requirements of the LGPS (Amendment) (Governance) Regulations 2014

The Joint Pension Fund Panel and Board consists of:

- nine county councillors with voting rights
- three scheme member representatives with voting rights

- three employer representatives with voting rights

There is also an independent adviser without voting rights, who attends all Panel and Board meetings.

Training

Members of the Joint Pension Fund Panel and Board and officers in Corporate Services have opportunities to attend training courses and seminars on pension fund matters, when necessary and appropriate. The cost of attending is charged to the Pension Fund.

A training plan for members of the Joint Pension Fund Panel and Board has been prepared, and training logs for individual members are maintained.

Use of advisers

The Director of Corporate Resources advises the Panel and Board on all Pension Fund investment and administrative matters.

The Fund's independent adviser advises the Panel and Board on investment matters.

The Panel and Board uses the Fund's actuary, Aon Hewitt, and other consultants as necessary, for advice on matters when in-house expertise is not available. The Panel and Board takes advice from the actuary, the fund managers or specialist consultants or advisers as required on allocating assets, selecting managers, and investment performance targets.

Communications with Fund employers and members

Each financial year, an annual report on the Fund is prepared for the Fund's employers to consider at an Annual Employers Meeting to be held by 31 October in the next financial year. The report covers the Fund's accounts, investment arrangements and policy, investment performance, scheme changes and other issues of current interest.

In the autumn, a summary of the accounts, investment management and administrative arrangements is made available online to current, pensioner, and deferred members.

The Investment Strategy Statement is published and made available to scheme employers within three months of any amendments.

Annual benefit statements are provided to contributors and deferred pensioners, together with an annual newsletter to pensioners.

Service standards

The County Council follows best practice as set out in the LGPC circular 'Principles of Good Practice for the Management of Local Government Pension Schemes'.

Governance Compliance Statement

This statement shows how Hampshire County Council as the administering authority of the Hampshire Pension Fund complies with guidance on the governance of the Local Government Pension Scheme (LGPS) issued by the Secretary of State for Communities and Local Government in accordance with the Local Government Pension Scheme (Administration) Regulations 2008.

Ref.	Principles	Compliance	Comments
A	Structure		
a.	That the management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Full compliance.	Hampshire County Council's constitution sets out the functions of the Joint Pension Fund Panel and Board.
b.	That representatives of participating LGPS employers, admission bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Full compliance.	The Joint Pension Fund Panel and Board includes representatives of the other local authorities in the Fund, and pensioner and contributor members.
c.	That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Full compliance.	No formal secondary committees or panels have been established.
d.	That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	Full compliance.	No formal secondary committees or panels have been established.

Ref.	Principles	Compliance	Comments
B	Representation		
a.	<p>That all key stakeholders have the opportunity to be represented within the main or secondary committee structure. These include:</p> <ul style="list-style-type: none"> • employing authorities (including non-scheme employers, e.g. admission bodies) • scheme members (including deferred and pensioner scheme members) • where appropriate, independent professional observers, and • expert advisers (on an ad-hoc basis). 	Full compliance.	<p>The Joint Pension Fund Panel and Board includes representatives of the other local authorities in the Fund, and pensioner and contributor members.</p> <p>The Fund's independent adviser attends Joint Pension Fund Panel and Board meetings. Independent professional observers are not regarded as appropriate.</p>
b.	That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers, meetings, and training and are given full opportunity to contribute to the decision-making process, with or without voting rights.	Full compliance.	Equal access is provided to all members of the Joint Pension Fund Panel and Board.
C	Selection and role of lay members		
a.	That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	Full compliance.	
D	Voting		
a.	That the individual administering authorities on voting rights are clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Full compliance.	All representatives on the Joint Pension Fund Panel and Board have full voting rights, but the Panel and Board works by consensus without votes often being required.

Ref.	Principles	Compliance	Comments
E	Training/facility time/expenses		
a.	That in relation to the way in which the administering authority takes statutory and related decisions, there is a clear policy on training, facility time and reimbursement of expenses for members involved in the decision-making process.	Full compliance.	Full training and facilities are made available to all members of the Joint Pension Fund Panel and Board.
b.	That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Full compliance.	
c.	That the administering authority considers adopting annual training plans for committee members and maintains a log of all such training undertaken.	Full compliance.	A training plan has been prepared for the Joint Pension Fund Panel and Board, and training logs are maintained for individual Panel and Board members.
F	Meetings (frequency/quorum)		
a.	That an administering authority's main committee or committees meet at least quarterly.	Full compliance.	
b.	That an administering authority's secondary committee or panel meets at least twice a year and is synchronised with the dates when the main committee sits.	Full compliance.	No formal secondary committees or panels have been established.
c.	That an administering authority that does not include lay members in its formal governance arrangements must provide a forum outside of those arrangements to represent the interests of key stakeholders.	Full compliance.	The Joint Pension Fund Panel and Board includes lay members. An Annual Employers Meeting of the Pension Fund is held and road shows are arranged for employers.

Ref.	Principles	Compliance	Comments
G	Access		
a.	That, subject to any rules in the County Council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that are due to be considered at meetings of the main committee.	Full compliance.	Equal access is provided to all members of the Joint Pension Fund Panel and Board.
H	Scope		
a.	That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	Full compliance.	The Joint Pension Fund Panel and Board deals with fund administration issues as well as fund investment.
I	Publicity		
a.	That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in how the scheme is governed can say they want to be part of those arrangements.	Full compliance.	The County Council's Governance Policy Statement is published in the Pension Fund's Annual Report and on its website.



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Hampshire Pension Fund Administration Strategy

1 Introduction

- 1.1 Hampshire County Council is the administering authority for the Local Government Pension Scheme (LGPS) on behalf of the employers participating in the LGPS through the Hampshire Pension Fund (HPF). The LGPS is governed by statutory regulations.
- 1.2 HPF provides a high quality pension service to members and employers, to ensure members receive their correct pension benefits. This is best achieved where HPF and the employers are clear about their roles and responsibilities and work in partnership.
- 1.3 This strategy statement:
 - sets out the roles and responsibilities of HPF and the employers
 - specifies the level of services HPF and the employers will provide to each other
 - explains the performance measures used to evaluate them
 - is an agreement between HPF and the employers

2 Pension Administration Strategy

- 2.1 This strategy is an agreement between the Hampshire Pension Fund and all participating bodies. All parties commit to the following principles:
 - provide a high quality and low cost pension service to members
 - continually develop efficient working arrangements
 - meet HPF's service standards
 - an annual report of performance
 - take responsibility to provide accurate and timely information
 - keep the pension administration strategy under review and revise where appropriate.
- 2.2 This strategy statement was produced by HPF in consultation with the employers and is effective from 16 December 2017 . It is hereby agreed that each of the parties as defined in this agreement and the scheme regulations, shall abide by the requirements of this agreement.
 - HPF shall monitor the requirements of this agreement and report its findings to the Hampshire Pension Fund Panel and Board.
 - Changes are subject to consultation with the employers. Variations must be agreed with HPF and confirmed in writing.
- 2.3 Please keep a copy of this strategy for your records. The original will be held at the offices of the Hampshire Pension Fund and will be made available to any scheme member, past or present, wishing to have sight of the document.

3 Roles and responsibilities

- 3.1 The quality of service to members depends on the supply of accurate and timely information.
- 3.2 Employer duties, responsibilities and discretions are listed in Appendix A to this agreement.
- 3.3 HPF's duties and responsibilities are listed in Appendix B to this agreement.

4 The Regulations – effect on strategy

- 4.1 This strategy sets out certain duties and responsibilities.
- It does not override any provision or requirement in the Regulations or any overriding legislation.
 - The intentions of the Regulations in their application to current members, potential members, deferred members and retired members must be complied with.
- 4.2 This agreement is based on:
- Current regulations:
 - the Local Government Pension Scheme Regulations 2013, and any amendments;
 - the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014, and any amendments;
 - Any earlier LGPS regulations as they continue to apply
 - Overriding legislation including, but not limited to,
 - the Public Service Pension Act 2013
 - the Local Government (Early Termination of Employment) (Discretionary Compensation) (England & Wales) Regulations 2006
 - Occupation and Personal Pension Scheme (Disclosure of Information) Regulations 2013

5 Definitions

- 5.1 For the purpose of this Administration Agreement:
- “**Administering Authority**”, ‘Hampshire Pension Fund (HPF) and the Fund means Hampshire County Council;
 - “**Employing authority**” or “**employer**” means an employer within the Hampshire Pension Fund; and
 - “**Scheme**” means the Local Government Pension Scheme, and
 - “**The Panel**” means the Hampshire Pension Fund Panel and Board’

6 Communication

- 6.1 The HPF Communications Policy Statement outlines how the Fund communicates with all stakeholders, including employers.
- 6.2 HPF routinely provides information and resources for employers using
 - its website, www.hants.gov.uk/pensions with an employers' section
 - an electronic newsletter called Pension Matters
 - an employer manual and other guides available on the HPF website.
- 6.3 HPF will make available to the employer an up to date list of LGPS publications which will be available from the HPF website or as otherwise indicated.
- 6.4 HPF will communicate to the employer on an ad hoc basis and as required in respect of matters relating to the LGPS.
- 6.5 HPF will ensure that sufficient information is issued in the form of newsletters, booklets and other materials to satisfy the requirements of The Occupational, Personal and Stakeholder Pension Schemes (Disclosure of Information) (Amendment) Regulations 2013.
- 6.6 HPF will notify the employer of changes to administrative procedures that may arise as a result of changes in pension scheme regulations and update standard documentation on the HPF website.
- 6.7 HPF will issue electronic forms, newsletters, booklets and such other materials as are necessary in the administration of the LGPS, for members and the employers.
- 6.8 Employers should provide contact details at least annually, and whenever a named contact changes, on the Employer Contacts and Authorisation form.
- 6.9 Employers may provide information about members to HPF in a variety of ways, including electronic and paper forms or directly updating electronic pension records. Forms used must be up to date, and are available on the HPF website. Employers who update electronic pension records directly are fully supported via initial and refresher training and day to day support.

7 Performance measurement and reporting

- 7.1 Pensions Services will monitor, measure and report compliance with the agreed service standards. This information will be reported to the Panel, and improvement plans put in place if necessary.
- 7.2 Where this information reveals problems in employers meeting the standards, HPF will consult and work with the relevant employers to improve compliance and performance levels by providing appropriate support, guidance, and training.
- 7.3 Where as part of the annual return process or any other monitoring activity, there are concerns about the accuracy of an employers data, the employer will be required to undertake a data cleanse exercise and make a declaration that they have fulfilled all of their requirements to notify the fund of changes. Details of the data cleanse requirements will be provided as part of the annual returns process.
- 7.4 Where poor performance affects Pension Services meeting statutory deadlines, consideration will be given to the requirement to report this to the Pension Regulator.

8 Costs

- 8.1 The Fund Actuary determines employer contribution rates for the three years following each triennial valuation. The rates and adjustments certificate provides details of all payments which are due from employers in the fund.
- 8.2 The costs of the standard administration service, including actuarial fees for the triennial valuation, are charged directly to HPF. These administration costs are taken into account by the Fund Actuary when assessing the employers' contribution rates.
- 8.3 Where Pension Services incur additional administration costs due to the pension implications of an Employer restructuring (eg outsourcing, creation of a company, change of legal status etc) a separate additional administration charge will be made. The charge will be based on estimated staff time and will be notified to the employer before any work is carried out.
- 8.4 Where additional actuarial or legal services are required by, or result from the decisions and actions of, the employer, the employer will be required to reimburse HPF for the costs involved. Where appropriate, an estimate of these costs will be provided and the employer's agreement obtained before proceeding to instruct the service provider.
- 8.5 If HPF incurs interest charges as a result of a late notification of retirement from the employer, it may recharge to the employer the interest incurred on the late payment of the lump sum.
- 8.6 Employers may also be required to pay for additional work, including estimates which are in addition to the agreed allocation, or for requesting work to be completed faster than the normal service standards. The employer's agreement to the charge will be obtained prior to the work being carried out.

9 Penalties

- 9.1 Commitment to the principles of this statement (see 2.1) should mean that any non-compliance is addressed promptly, with no need to resort to a penalty. However, the following actions are possible:
 - Where payment over of contributions is late more than once in any 12 month period, HPF will issue the employer with a written notice of unsatisfactory performance and may charge interest on the late payment at a daily rate equal to the Bank of England's base rate plus 1%
 - Persistent failure to comply with contributions payment requirements will result in HPF informing The Pensions Regulator as required of Scheme Administrators by the Pensions Act 2004.
 - Where the employer fails to comply with their scheme duties, including failure to pay contributions due, HPF reserves the right to notify the member(s) involved and to notify all members employed by the employer in the event of serious or persistent failure.
 - If additional and disproportionate resources are deployed by HPF because of an employer's poor performance, the cost of the additional resources may be re-charged to the employer according to powers available under scheme regulations. Written notice will be given of the reasons for the re-charge, how the cost was calculated, and the part of this statement which, in HPF's opinion, was contravened.

- Where orders or instructions issued by The Pensions Regulator, the Pensions Ombudsman or other regulatory body require financial compensation or a fine to be paid by HPF, or by any officer responsible for it, and it is due to the default, omission or otherwise negligent act of the employer, the sum concerned will be recharged to the employer.
- Where, as a result of the employer's failure to notify HPF of the final retirement details in a timely manner, payment of any retirement lump sum is not made within 30 days from the date of the member's retirement, HPF may issue the employer with a written notice of unsatisfactory performance and may charge the employer for the interest payment made.
- Where it is proven that the employer is not responsible for any fine or penalty imposed by The Pensions Regulator or any other statutory body as a result of non-compliance of this Service Level Agreement, any such charge will automatically default to HPF.
- From time to time, HPF offer training and support to employers through 'Employer Days' and workshops. There is no charge made to an employer for attending this event, however HPF reserves the right to charge a late cancellation fee of £100 + VAT, where at least one week's notice has not been given of non attendance.

10 Hampshire Pension Fund contacts

Member and general employer queries
<p>Pensions customer support team 01962 845588</p> <p>pensions@hants.gov.uk</p> <p>Website www.hants.gov.uk/finance/pensions</p>
Technical employer queries
<p>Employer services team servdev.pensions@hants.gov.uk</p>
End of year and associated matters
<p>Employer services team pensions.eoy@hants.gov.uk</p>

Appendix A - Employer Responsibilities

The main duties of the employers as set out in the Regulations are set out in the table below, together with timescales for completion where appropriate.

Employer responsibility	Timescale
Decide who is eligible to become a member of the LGPS and the date from which membership of the LGPS starts). Notify HPF of the new member details and provide employee with details of the pension scheme.	Within 10 working days following the end of the month in which the employee joined the LGPS.
Determine the rate of employee contributions to be deducted from the employee's pensionable pay and, where the employee holds more than one post, the rate that should be applied to each post. This should be reviewed at least annually or more often where employer policy states	For the first pay period in which the employee joins the LGPS
Move employees into the 50:50 section Provide an amendment form to advise of change to/from 50:50 section	From the next pay period after receiving the employee's request Within 10 working days following the change
Collect and pay to the HPF the deduction of, the correct rate of pension contributions payable by the employee and the employer, including any additional employee contributions of any kind.	Payment over to HPF by 19 th of the month following deduction (22 nd if electronic)
Complete monthly remittance form containing detail of the contributions payment.	Send to Pensions Services with payment of contributions every month
Collect and pay over AVC contributions to the specified AVC provider in accordance with statutory timescales Notify HPF of a member's election to pay, vary or cease AVCs.	Payment over to AVC provider by 19 th of the month following deduction (22 nd if electronic)
Refund contributions through the payroll to any employee who opts out of the scheme with less than 3 months membership. Notify HPF of opt out and refund through payroll by providing a copy of the opt out form	From the next pay period after receiving the employee's request to opt out Within 10 working days following the end of the month in which the employee left the

Employer responsibility	Timescale
	scheme
Calculate assumed pensionable pay for any employees who met this requirement under the regulations.	As required
<p>Leavers (excluding retirements/casuals)</p> <p>When an employee's LGPS membership ends, determine the reason for leaving and entitlement to benefit and notify the HPF, supplying timely and accurate information to HPF so that benefits payable from the LGPS are calculated correctly.</p>	Within 10 working days following the end of the month in which the employee was last paid
<p>Leavers (casuals)</p> <p>When an employee's LGPS membership ends, determine the reason for leaving and entitlement to benefit and notify the HPF, supplying timely and accurate information to HPF so that benefits payable from the LGPS are calculated correctly.</p>	Within 10 working days following the end of the month the employer is aware they have left or were last paid
<p>Retirements</p> <p>When an employee's LGPS membership ends on the grounds of retirement, determine the reason for retirement and entitlement to benefit and notify the HPF, supplying timely and accurate information to HPF so that benefits payable from the LGPS are calculated correctly.</p>	Within 20 working days before an employee's retirement date
Use an independent registered medical practitioner qualified in occupational health medicine in determining requests for ill health retirement.	As required
Write, publish and maintain a policy on areas of the regulations in which employers can exercise their discretion.	<p>In accordance with regulations and then regular review.</p> <p>Notify HPF and members of any changes to those policies within one month of setting a policy and the changes taking effect.</p>
Appoint a person to consider applications from members regarding decisions, acts or omissions and to decide on those applications.	On entry to the HPF and review as required
<p>Provide annual information to HPF with full details of the contributions paid by members in the year.</p> <p>Respond to queries on the annual return raised by HPF.</p>	<p>By 30 April each year</p> <p>Respond to queries within 10 working days of receipt</p>
The employer will maintain employment records for each member for the purposes of determining membership and	As required

Employer responsibility	Timescale
entitlement to benefits. The employer must keep a full pay history for the 13 years, ending 31 March, before the member leaves the scheme.	
Notify HPF of a member's death and next of kin's details.	Within five working days of the member's death.
Supply details required for completion of an estimate.	Within 10 working days of the member's request
Distribute annual benefit statements and any other notifications to active members as requested by HPF.	Within 20 working days of receipt
Notify HPF of any TUPE transfer. Complete TUPE forms for each member transferring.	Notify HPF of the transfer as soon as possible in advance of the transfer date. Part A of the TUPE form completed within 10 working days following the end of the month in which the transfer took place.
Notify HPF of any outsourcing arrangements which impact on employees eligible to the LGPS Where an admission agreement is required, the Scheme employer should complete an 'Outsourcing data capture' form, transferring 'staff data capture' form and 'Undertaking of costs' form Ensure admission agreement is finalised Provide individual TUPE forms for transferring staff to HPF	As soon as possible but no later than 20 working days before change As soon as possible but no later than 20 working days before change No later than date of transfer Part A of the TUPE form completed within 10 working days following the end of the month in which the transfer took place

Employer responsibility	Timescale
Notify HPF of a change of payroll provider by completing a 'Employer Change of payroll provider' form	As soon as possible but no later than 20 working days before change
Submit individual 'Change of payroll provider' forms to HPF for all transferring employees	Within 20 working days post transfer
Provide notification of new payroll numbers (if applicable) to HPF	Within 20 working days post transfer
Complete a mid year return if date of change is not 1 April	Within 40 working days post transfer

Appendix B - HPF Responsibilities

The overriding responsibility of HPF is to maintain the Hampshire Pension Fund in accordance with the regulations.

HPF will provide the following within the timescales shown. A reduced timescale may be agreed in exceptional cases at an employer's request.

HPF responsibility	Timescales
Invest pension contributions and account for and manage the Pension Fund's assets.	Daily.
Allocate all contributions submitted by the employer to their respective income codes and reconcile the total contributions paid on a yearly basis.	Annually.
Appoint Additional Voluntary Contributions provider(s).	As required.
Appoint an actuary for the purposes of the triennial valuation of the Fund and to provide periodical actuarial advice when required.	As required, in line with procurement provisions.
Provide accurate, timely data to the Fund actuary.	As required.
Correspond with and commission any information required of the Fund Actuary on behalf of the employer.	As required.
Arrange for the triennial valuation of the Pension Fund and provide the employer with a copy of the valuation report and the annual report and statement of accounts.	Every three years.
Arrange for the annual accounting report to be provided to all employers requiring such a report.	Annually.
Publish and review the Pension Fund's Policies and Funding Strategy Statement, and prepare annual report and accounts.	Annual review and publication.
<p>Notify the employers of any significant changes to:</p> <ul style="list-style-type: none"> • Regulations that might affect members in their employ; • policies made by the administering authority under the Regulations; or • procedures adopted by it in accordance with this strategy. <p>Advice will be given to the employers in respect of matters arising from the interpretation and implementation of the Regulations.</p>	As required.
Maintain a complaints procedure including the appointment of a specified person to act as a local referee at Stage 2 of the dispute process.	As required.

HPF responsibility	Timescales
Write, publish and maintain a policy on areas of the regulations in which employers can exercise their discretion.	In accordance with regulations and then regular review. Notify employers and members of any changes to those policies within 30 working days of the changes taking effect.
Answer enquiries made by members	Within 5 working days or sooner where possible Where an enquiry will take longer than 5 days to resolve, HPF will notify the member and keep the member updated.
Set up a record for each new member and issue a statutory notification.	Within 20 working days from when notified of their membership.
Issue annual benefit statements on member self service to active members or via their employer where written notification is received to opt out of member self service	By 31 August after relevant annual return information from the employer is received and uploaded
Provide an estimate of pension benefits on request from the employer, and details of any capital costs to be paid by them.	Within 15 working days of receipt of all relevant information
Amend a member's record.	Within 15 working days from when the change was notified.
Calculate benefits due when a member leaves employment and send details to the member.	Within 15 working days for retirements, or within 40 working days for deferred benefits, on receipt of all information needed to make the final calculation
Send a benefit statement to all deferred members showing the accrued benefits to the date of leaving and the other options available to them in accordance with the Regulations.	Annually by 31 August

HPF responsibility	Timescales
Pay retirement lump sums.	Within 10 days of the retirement date or of receipt of all information from the employer and member if later.
Provide details of the final capital costs to be paid by the employer into the Pension Fund.	Within 10 working days of completing the calculation.
Calculate and process transfers of members' pension rights inwards and outwards.	Within 15 working days of receipt of all information
Acknowledge in writing the death of a member.	Within 5 working days of being notified of the death.
Supply survivor beneficiaries with notification of their entitlements including the method of calculation.	Within 15 working days of all the information being received.
Pay any death grant due and set up dependant on pensioner payroll.	Within 10 working days of completing the calculation of entitlement
Apply pensions increases annually to the relevant pensions in payment and deferred pensions retained in the Fund in accordance with the Pensions Increase (Review) Order issued by the Government.	Annually

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Appendix C – Administering Authority discretions and delegated authority for approval

The table below sets out how the Hampshire Pension Fund (HPF) chooses to exercise its discretions under the LGPS regulations, together with the delegated authority for approval where a further decision exists.

	Discretion	Regulation	Policy	Delegated authority for approval
1.	Whether to agree to an admission agreement with a Care Trust, NHS Scheme employing authority, Care Quality Commission or any other body applying to be an admission body	R4(2)(b), R5(5) & RSch 2, Part 3, para 1	HPF will enter into an admission agreement where the requirements that it has set down and issued to prospective bodies are met.	Team Manager – Service Development
2.	Whether to terminate a transferee admission agreement in the event of: <ul style="list-style-type: none"> - Insolvency, winding up or liquidation of the body - Breach by that body of its obligations under the admission agreement - Failure by that body to pay over sums due to the Fund within a reasonable period of being requested to do so 	RSch 2, Part 3, para 9(d)	HPF will decide any case on its merits.	Director of Corporate Resources
3.	Define what is meant by ‘employed in connection with’	RSch 2, Part 3, para12(a)	HPF admission agreements specify this as the employee spending at least 50% of his time employed by the admission body carrying out duties relevant to the provision of the services.	N/A
4.	Whether to turn down a request to pay an APC/SCAPC over a period of time where it would be impractical to allow such a request (e.g. where the sum being paid is very small and could be paid as a single payment)	R16(1)	HPF has not set a minimum payment threshold.	N/A
5.	Whether to require a satisfactory medical before agreeing to an application to pay an APC / SCAPC	R16(10)	HPF does not require those applying to take out an APC to pass a medical.	N/A
6.	Whether to turn down an application to pay an APC / SCAPC if not satisfied that the member is in reasonably good health.	R16(10)	HPF will turn down an application if there are sound reasons to believe the applicant is not in good health	Head of Pensions

	Discretion	Regulation	Policy	Delegated authority for approval
7.	Whether to charge member for provision of an estimate of additional pension that would be provided by the Scheme in return for transfer in of in house AVC /SCAVC funds (where AVC / SCAVC arrangement was entered into before 1 / 4/ 14)	TP15(1)d & A28(2)	HPF charges for estimates in accordance with its estimates policy.	N/A
8.	Decide to whom any AVC/SCAVC monies (including life assurance monies) are to be paid on death of the member	R17(12)	HPF will decide each case on its merits, after assessing all potential beneficiaries, but will take into account the member's valid expression of wish form.	Team Manager - Operations
9.	Pension account may be kept in such form as considered appropriate	R22(3)(c)	HPF will decide the form in which pension accounts are kept based on any published guidance, best practice and in an efficient manner.	N/A
10.	Decide, in the absence of an election from the member within 12 months of ceasing a concurrent employment, which ongoing employment benefits from the concurrent employment which has ceased should be aggregated (where there is more than one ongoing employment)	TP10(9)	HPF will aggregate with the earliest remaining employment.	N/A
11.	If an Employer has become defunct, the administering authority is required to make decisions on ill health and early payment of benefits. Including whether to waive, in whole or in part, actuarial reduction on benefits paid on flexible retirement or on benefits which a member voluntarily draws before normal pension age.	R30(8) TP12(6) R38(3) R38(6) B30(2) B30(5) B30A(3) B30A(5) B31(4) B31(7)	HPF will exercise this discretion in accordance with, and to the extent of (if any) the policy and practice of the former employer. If no policy exists, HPF will not waive any reduction. HPF will assess ill health retirement decisions, including the use of 2008 certificates, on a case by case basis.	Head of Pensions

	Discretion	Regulation	Policy	Delegated authority for approval
12.	Whether to require any strain on Fund costs to be paid 'up front' by employing authority following payment of benefits under: flexible retirement; redundancy / business efficiency; the waiver (in whole or in part) of any actuarial reduction that would have otherwise been applied to benefits which a member voluntarily draws before normal pension age; release of benefits before age 60.	R68(2) TPSch 2, para 2(3) L80(5) B30 or B30A	HPF requires employers to make upfront payment of strain charges following any decision to allow early payment of benefits (other than ill health).	N/A
13.	Whether to extend the time limits within which a member must give notice of the wish to draw benefits before normal pension age or upon flexible retirement.	R32(7)	No extension will be granted, unless appropriate to the individual circumstances of a case.	Head of Pensions
14.	Decide whether to commute small pension	R34(1) B39 T14(3) L49 & L156	HPF will not allow commutation of small pension pots.	N/A
15.	Approve medical advisors used by employers (for ill health benefits)	R36(3) L97(10)	HPF requires employers to provide details of medical advisors used for assessing entitlement to ill health benefits and will liaise with any employer who is using a medical advisor of which HPF does not approve.	Head of Pensions
16.	Decide to whom death grant is paid	TP17(5) to (8) R40(2) R43(2) R46(2) B23(2) & B32(2) B35(2) TSch1 L155(4) L38(1) L155(4) E8	HPF will decide each case on its merits, after assessing all potential beneficiaries, but will take into account the member's valid expression of wish form.	Head of Pensions

	Discretion	Regulation	Policy	Delegated authority for approval
17.	Decide, in the absence of an election from the member, which benefit is to be paid where the member would be entitled to a benefit under 2 or more regulations in respect of the same period of Scheme membership	R49(1)(c) B42(1)(c)	HPF will choose the benefit entitlement that yields the highest level of benefits for the member.	Team Manager - Operations
18.	Whether to set up a separate admission agreement fund	R54(1)	HPF has decided not to set up a separate admission agreement fund.	Director of Corporate Resources
19.	Maintain a governance policy which contains the information set out in the regulations	R55	HPF has a written governance policy which contains the required information and is regularly reviewed.	Pension Fund Panel and Board
20.	Decide on Funding Strategy for inclusion in funding strategy statement	R58	HPF has a funding strategy which is included in the funding strategy statement.	Pension Fund Panel and Board
21.	Whether to have a written pensions administration strategy and if so, the matters it should include	R59(1) and (2)	HPF has a written pensions administration strategy.	Pension Fund Panel and Board
22.	Maintain a communication policy which contains the information set out in the regulations	R61	HPF has a written communication policy which contains the required information and is regularly reviewed.	Pension Fund Panel and Board
23.	Whether to obtain revision of employer's contribution rate if there are circumstances which make it likely a Scheme employer will become an exiting employer	R64(4)	HPF will decide each case on its merits, with advice from the Fund Actuary.	Director of Corporate Resources
24.	Decide whether to obtain a new rates and adjustments certificate if the Secretary of State amends the Benefits Regulations as part of the 'cost sharing' under R63	R65	HPF will make this decision as it arises, with advice from the Fund Actuary.	Director of Corporate Resources
25.	Decide the frequency of payments to be made over to the Fund by employers and whether to make an admin charge	R69(1) L81(1) L12(5)	Employer contribution payments are due monthly by 19 th of the month (22 nd if electronic) following deduction. Administration costs are taken into account by the actuary when setting employer contribution rates.	Head of Pensions

	Discretion	Regulation	Policy	Delegated authority for approval
26.	Decide the form and frequency of information to accompany payments to the Fund	R69(4) L81(5)	Employers are required to complete a monthly remittance form with their payment showing a breakdown of contributions.	Team Manager - Finance
27.	Whether to issue employer with notice to recover additional costs incurred as a result of the employer's level of performance	R70 and TP22(2)	HPF will work with employers to improve performance but if additional and disproportionate resources are deployed by HPF because of an employer's poor performance, the cost of the additional resources may be re-charged.	Head of Pensions
28.	Whether to charge interest on payments by employers which are overdue	R71(1) L82(1)	HPF will charge interest on payments which are more than one month overdue.	Head of Pensions
29.	Decide whether to extend six month period to lodge a stage one IDRPs to be heard by the administering authority	R74(4)	HPF will not extend the 6 month period, unless the circumstances of the individual case warrant an extension.	Head of Pensions
30.	Decide procedure to be followed when exercising its IDRPs functions and decide the manner in which those functions are to be exercised	R74(6) R76(4) L99	HPF has a documented and compliant IDRPs process.	N/A
31.	Whether admin authority should appeal against employer decision (or lack of a decision)	R79(2) L105(1)	HPF would take the decision to appeal based on the merits of the individual case.	Head of Pensions
32.	Specify information to be supplied by employers to enable admin. authority to discharge its functions	R80(1)(b) & TP22(1)	HPF provides employers with full guidance as to the information they must supply.	N/A
33.	Whether to pay death grant due to personal representatives or anyone appearing to be beneficially entitled to the estate without need for grant of probate / letters of administration where payment is less than amount specified in the Administration of Estates (Small Payments) Act 1965.	R82(2) A52(2) L95	HPF will pay death grants that are under the amount specified in the Administration of Estates (Small Payments) Act 1965 without the need for grant of probate / letters of administration.	N/A

	Discretion	Regulation	Policy	Delegated authority for approval
34.	Whether, where a person (other than an eligible child) is incapable of managing their affairs, to pay the whole or part of that person's pension benefits to another person for their benefit.	R83 A52A	HPF will decide who should receive payment of benefits, based on the circumstances of the individual case.	Head of Pensions
35.	Date to which benefits shown on annual benefit statement are calculated.	R89(5) L106A(5)	HPF uses 31 March, but will revise this if regulatory requirements, administrative efficiency or best practice demand it.	N/A
36.	Extend normal time limit for acceptance of a transfer value beyond 12 months from joining the LGPS.	R100(68)	HPF will not extend the 12 month limit, except if warranted by the individual circumstances of the case.	Head of Pensions
37.	Allow transfer of pension rights into the Fund.	R100(7)	HPF will allow transfers into the Fund.	N/A
38.	Where member to whom B10 applies (use of average of 3 years pay for final pay purposes) dies before making an election, whether to make that election on behalf of the deceased member. Make election on behalf of deceased member with a certificate of protection of pension benefits i.e. determine best pay figure to use in the benefit calculations (pay cuts / restrictions occurring pre 1.4.08.).	TP3(6), TP4(6)(c), TP8(4), TP10(2)(a), TP17(2)(b) TSch 1 L23(9) B10(2)	HPF will choose the pay figure that would yield the highest overall level of benefits for beneficiaries.	Team Manager - Operations
39.	Decide to treat child as being in continuous education or vocational training despite a break.	RSch 1 & TP17(9) B39 T14(3)	HPF will treat a child as being in continuous education or vocational training despite a break.	N/A
40.	Decide evidence required to determine financial dependence of cohabiting partner on scheme member or financial interdependence of cohabiting partner and scheme member.	RSch 1 & TP17(9)(b) B25	HPF will decide the evidence required to determine financial dependence, based on guidance and best practice. For most cases, utility bills, bank statements or mortgage documentation in joint names will be accepted.	Team Manager - Operations

	Discretion	Regulation	Policy	Delegated authority for approval
41.	Decide policy on abatement of pensions following re-employment, including the pre April 14 element for post 14 leavers.	TP3(13) & A70(1)* & A71(4)(c) T12 L109 L110(4)b	HPF will not abate pension for any re-employment starting after 1 April 2014. Pensions already abated at this date will continue to be abated until the re-employment ends.	N/A
42.	Extend time period for capitalisation of added years contract	TP15(1)(c) & TSch1 & L83(5)	HPF will not extend the time limit for applications to pay off added years contracts.	N/A
43.	Outstanding employee contributions can be recovered as a simple debt or by deduction from benefits	A45(3) L89(3)	HPF will usually recover as a deduction from benefits.	Team Manager - Operations
44.	Whether to pay the whole or part of a child's pension to another person for the benefit of that child.	B27(5) L47(2) G11(2)	All pensions due to children under 16 will be paid to another person for the benefit of the child. After age 16, HPF will normally pay to the child, unless the circumstances of the individual case mean that the payments should continue to be made to another person.	N/A
45.	Extend normal 12 month period following end of relevant reserve forces leave for "Cancelling notice" to be submitted by a councillor member requesting that the service should not be treated as relevant reserve forces service.	L17(4),(7),(8) , & L89(4) & Sch 1	HPF will not extend the 12 month period.	N/A
46.	Select appropriate final pay period for deceased non-councillor member (leavers post 31.3.98. / pre 1.4.08.).	L22(7)	HPF will choose the appropriate pay period that would yield the highest overall level of benefits for beneficiaries.	Team Manager - Operations
47.	Apportionment of children's pension amongst eligible children (children of councillor members and children of post 31.3.98 / pre 1.4.08. leavers).	L47(1) G11(1)	HPF will apportion children's pension equally amongst eligible children.	N/A
48.	Commute benefits due to exceptional ill-health (councillor members, pre 1.4.08. leavers and pre 1.4.08. Pension Credit members).	L50 and L157	HPF will commute benefits due to exceptional ill health, provided regulatory conditions are met.	N/A

	Discretion	Regulation	Policy	Delegated authority for approval
49.	Whether acceptance of AVC election is subject to a minimum payment (councillors only).	L60(5)	HPF does not set a minimum payment threshold for AVCs	N/A
50.	Timing of pension increase payments by employers to fund (pre 1.4.08. leavers).	L91(6)	Employer payments are paid monthly on account, with an annual balancing charge after the year end.	N/A
51.	Retention of CEP where member transfers out (councillors and pre 1.4.08. leavers).	L118	CEP will be paid with transfers out rather than being retained in the Fund.	N/A
52.	Discharge Pension Credit liability (in respect of Pension Sharing Orders for councillors and pre 1.4.08. Pension Sharing Orders for non-councillor members).	L147	HPF will discharge its liability by conferring pension credit rights on the person entitled to the pension credit.	N/A
53.	Whether to pay spouse's pensions for life for pre 1.4.98 retirees / pre 1.4.98 deferreds who die on or after 1.4.98. (rather than ceasing during any period of remarriage or co-habitation).	F7	HPF will pay spouse's LGPS pensions for life.	N/A
54.	Agree to pay annual compensation on behalf of employer and recharge payments to employer.	DC31(2)	HPF will pay compensation on behalf of an employer, subject to acceptable recharge arrangements.	Head of Pensions

Key to regulations:

Prefix	Regulation
R	Local Government Pension Scheme Regulations 2013
TP	Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014
A	Local Government Pension Scheme (Administration) Regulations 2008
B	Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007
T	Local Government Pension Scheme (Transitional Provisions) Regulations 2008
L	Local Government Pension Scheme Regulations 1997 (as amended)
None	Local Government Pension Scheme Regulations 1995
DC	Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Hampshire Pension Fund Panel and Board
Date:	14 December 2018
Title:	Investments: Pension Fund cash monitoring report and Annual Investment Strategy 2019/20
Report From:	Director of Corporate Resources – Corporate Services

Contact name: Mike Chilcott

Tel: 01962 847411

Email: mike.chilcott@hants.gov.uk

1. Recommendations

- 1.1. That the Annual Investment Strategy for 2019/20 be approved.
- 1.2. That, if the Annual Investment Strategy referred to in recommendation 1.1 is approved, that it be implemented from the date of this meeting for the remainder of 2018/19.
- 1.3. That the Director of Corporate Resources be authorised to manage the Fund's cash balance in accordance with the policy set out in this report.

2. Executive Summary

- 2.1. This report provides an update on the management of the Pension Fund's cash balances and the Annual Investment Strategy for those cash balances for 2019/20, which is outlined in Section 6 for approval.
- 2.2. In accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, an investment policy must be formulated for the investment of the Fund's cash.
- 2.3. The production of an Annual Investment Strategy is in line with the recommendations of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice 2017 Edition.

3. Background

- 3.1. The Pension Fund's Investment Strategy Statement does not include a strategic allocation in cash as an asset class. However, the Pension Fund receives cash each month from contributions by employees and employers, and income from some of its investments, which needs to be managed.
- 3.2. Dividends from shares and interest receipts from bonds are held by the Pension Fund's custodian bank, JP Morgan, for segregated accounts and by

the investment managers' custodian banks where the Pension Fund is investing in pooled funds. Cash in these accounts is retained by the Fund's external investment managers for reinvestment, but rental income from the Pension Fund's direct property portfolio, distributions from private equity investments, infrastructure investments and indirect property funds are credited to the Fund's cash balance.

- 3.3. The Pension Fund requires a cash balance to meet outgoings on pensions and benefits, existing commitments to invest in property and to fund drawdowns by the private equity and infrastructure funds, as well as covering day-to-day cash flow.

4. External Context

- 4.1. The following paragraphs explain the economic and financial background against which the Annual Investment Strategy is being set.

Economic background

- 4.2. The UK's progress negotiating its exit from the European Union (EU), together with its future trading arrangements, will continue to be a major influence on the Pension Fund's treasury management strategy for 2019/20. Following a weak reading in the first quarter of 2018 attributed to weather-related factors, UK Gross Domestic Product (GDP) growth rebounded in the second quarter to 0.4% and improved further to 0.6% in the third quarter, but at an annual rate of only 1.5% this remains below trend. As economic growth had evolved broadly in line with its May Inflation Report forecast, the Bank of England's (BoE) Monetary Policy Committee (MPC) voted unanimously for a rate rise of 0.25% in August 2018, taking Bank Rate to 0.75%. In November 2018 the MPC maintained Bank Rate at 0.75% while the Inflation Report showed that compared to the August report further interest rate increases may be required to bring inflation down to the 2% target over the forecast horizon.
- 4.3. The headline rate of UK Consumer Price Inflation remained at 2.4% year-on-year in October 2018, unchanged from the September rate, as higher import and energy prices continued to hold inflation above the BoE target. Labour market data is mostly positive. The ILO unemployment rate rose slightly to 4.1% in the three months to September 2018, up from 4.0% in the previous quarter which was its lowest level since 1975.
- 4.4. While external inflationary pressures from energy costs and import prices are expected to subside, domestic pressures are projected to build over the forecast horizon with the balance of these effects likely to keep inflation above the BoE's target throughout most of their forecast horizon.

Credit outlook

- 4.5. The big four UK banking groups have now divided their retail and investment banking divisions into separate legal entities under ringfencing legislation. Bank of Scotland, Barclays Bank UK, HSBC UK Bank, Lloyds Bank, National Westminster Bank, Royal Bank of Scotland and Ulster Bank are the ringfenced banks that now only conduct lower risk retail banking activities.

- 4.6. European banks are considering their approach to Brexit, with some looking to create new UK subsidiaries to ensure they can continue trading here. The credit strength of these new banks remains unknown, although the chance of parental support is assumed to be very high if ever needed. The uncertainty caused by protracted negotiations between the UK and EU is weighing on the creditworthiness of both UK and European banks with substantial operations in both jurisdictions.

Interest rate forecast

- 4.7. Following the increase in Bank Rate to 0.75% in August 2018, the County Council's treasury management adviser, Arlingclose, is forecasting two more 0.25% hikes during 2019 to take official UK interest rates to 1.25%. The BoE's MPC has maintained expectations for slow and steady rate rises over the forecast horizon. The MPC continues to have a bias towards tighter monetary policy but is reluctant to push interest rate expectations too strongly. Arlingclose believes that MPC members consider both that ultra-low interest rates result in other economic problems, and that higher Bank Rate will be a more effective policy weapon should downside Brexit risks crystallise when rate cuts will be required.
- 4.8. The UK economic environment remains relatively soft, despite seemingly strong labour market data. Arlingclose's view is that the economy still faces a challenging outlook as it exits the EU and Eurozone growth softens. Whilst assumptions are that a Brexit deal is struck and some agreement reached on transition and future trading arrangements before the UK leaves the EU, the possibility of a "no deal" Brexit still hangs over economic activity. As such, the risks to the interest rate forecast are considered firmly to the downside.

Negative interest rates

- 4.9. If the UK enters into recession in 2019/20, there is a small chance that the BoE could cut its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

5. Performance of cash investments

- 5.1. The Pension Fund's cash investment holding was £45.3m as at 30 November 2018 which represents around 0.7% of the Pension Fund's total value. As expected, the current cash balance is similar to last year because as the Fund has made large investments in property, as well as funded increased draw downs from the Fund's infrastructure and private equity investments, the Fund has also dis-invested from passive UK and global equities portfolios to maintain the cash balance.
- 5.2. It is expected that during the next year the Pension Fund's cash balances will increase significantly on a temporary basis due to the forthcoming redemption of the hedge fund portfolio. Although it is planned that these funds will be invested in the multi asset credit and private debt portfolios, as the private debt portfolio (like the infrastructure and private equity portfolios) will be

invested in on a draw down basis, it will take some time for the full allocation of cash to be invested. Dependent upon the time it takes for the private debt portfolio to be invested, the Fund may also experience that the Fund's cash balances will need to be maintained by disinvesting further from the Fund's passive equity portfolios, as the amounts paid in benefits payments, new property investments, and drawdowns to fund private equity, private debt and infrastructure investments will be greater than pension contributions and investment income received directly. This will move the Pension Fund closer to its agreed strategic asset allocation.

- 5.3. The priority for cash investments is security and liquidity and the Pension Fund's aim is to achieve a yield commensurate with these principles. This has been maintained by following the Pension Fund's counterparty policy as set out in its Annual Investment Strategy for 2018/19, which was approved by the Pension Fund Panel at its meeting in December 2017. A full breakdown of current investments is provided in the exempt appendix.
- 5.4. Whilst regulations provide an explicit power for pension funds to borrow for a period of up to 90 days for cash flow purposes, such as allowing scheme benefits to be paid and during a transition period when the investment of the Fund's assets is being changed, the Pension Fund's cash flow will be managed on the basis that the need for borrowing for the Fund is avoided and therefore all of the Pension Fund's cash investments are either overnight or for a very short duration.
- 5.5. As at 30 November 2018 the weighted average return on the Pension Fund's cash investments was 0.74%, which should be considered within the context of a recently increased, although still very low, UK Base Rate of 0.75%.

6. Annual Investment Strategy

- 6.1. In the past 12 months, the Pension Fund's investment balance has ranged between £34.8 and £95.0 million.
- 6.2. The following Annual Investment Strategy, for the period to 31 March 2020 has been prepared with the advice of the County Council's treasury management advisers, Arlingclose.
- 6.3. The primary objective in relation to the investment of Pension Fund cash remains the security of capital. The liquidity or accessibility of the Fund's cash investments followed by the yields earned on these investments are important but secondary considerations.

Risk Assessment and Credit Ratings

- 6.4. Credit ratings are obtained and monitored by the County Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:
 - no new investments will be made,
 - any existing investments that can be recalled or sold at no cost will be, and

- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.
- 6.5. Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as “rating watch negative” or “credit watch negative”) so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Other information on the Security of Investments

- 6.6. The Pension Fund understands that credit ratings are good but not perfect predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the County Council’s treasury management adviser. No investments will be made with an organisation if there are substantial doubts about its credit quality, even though it may otherwise meet the credit rating criteria.
- 6.7. When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances the Pension Fund will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions.

Investment Limits

- 6.8. Given the impact of bail-in legislation, which has increased the credit risk that unsecured bank/building society investments could be subject to a loss and/or converted to equities, the following investment limits are proposed to mitigate the risk whilst allowing sufficient flexibility to manage the Pension Fund’s investment balances. As mentioned in paragraph 5.2, cash balances are expected to rise temporarily during the next year due to the redemption of the hedge fund portfolio and the expected delay to full investment of the allocation to the private debt portfolio. As a result, changes have been made to the cash limits to allow this cash to be invested according to Arlingclose’s advice. It is expected that lower cash limits will be reinstated in the Fund’s cash annual investment strategy for 2020/21.
- 6.9. The limits below apply to the cash received into the Pension Fund’s bank account that is managed internally by officers. Where cash is retained by the Fund’s investment managers, a limit of 5% held in cash is specified in their investment management agreements to ensure they are fully invested in their particular investment class and to manage the risks from cash investment.

6.10. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Maximum limits will also be placed on fund managers and industry sectors as below:

Table 1: Investment Limits

	Cash limit	Maximum Term
Any single organisation, except the UK Central Government	£25m each	2 years
UK Central Government	Unlimited	2 years
Any group of organisations under the same ownership	£25m per group	2 years
Any group of pooled funds under the same management	£22m per manager	2 years
Money Market Funds	50% in total	Overnight

Approved Investment Counterparties and Limits

6.11. Appendix 1 shows a table of counterparty types which the Pension Fund may invest its cash in, subject to the cash limits (per counterparty) and the time limits shown. The Pension Fund will continue to largely invest overnight with banks and money market funds, given that cash is only held to meet immediate liabilities. Other more secure options that might mitigate the risk of bank bail-ins are available should the Pension Fund be required to hold larger amounts of cash for longer periods. The list of currently authorised counterparties is available in Appendix 2 for information. Therefore the Director of Corporate Resources and her staff will use the guidance of the County Council's treasury management advisers, Arlingclose, in order to place cash on deposit, within the limits shown in Appendix 1.

Liquidity Management

6.12. The Pension Fund has due regard for its future cash flows when determining the maximum period for which funds may prudently be committed. Historic cash flows are analysed in addition to significant future cash movements.

7. Other items

Investment Training

7.1. The needs of the Pension Fund's treasury management staff for training in investment management are assessed annually as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.

7.2. Staff members regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA. Relevant staff are also encouraged to

study professional qualifications from CIPFA, and other appropriate organisations.

- 7.3. The Pension Fund's training policy states that all Panel and Board members should receive appropriate training relevant to their needs and understand fully their roles and responsibilities, which includes treasury management responsibilities, and the scrutiny of the treasury management function. All Panel and Board members were invited to a workshop presented by Arlingclose on 27 November 2018, which gave an update on treasury matters. Another workshop is planned for November 2019.

Investment Advisers

- 7.4. The Pension Fund has appointed Arlingclose Limited as treasury management advisers and receives specific advice on investment, debt and capital finance issues. The quality of this service is controlled through quarterly review meetings with the Director of Corporate Resources and her staff and Arlingclose.

Markets in Financial Instruments Directive

- 7.5. The Pension Fund has opted up to professional client status with its providers of financial services, including advisers, brokers and fund managers allowing it access to a greater range of services, but without the greater regulatory protections afforded to individuals and small companies. As a Local Government Pension Scheme, this is the most appropriate status.

CORPORATE OR LEGAL INFORMATION:

Links to the Strategic Plan

This proposal does not link to the Strategic Plan but, nevertheless, requires a decision because management of the Pension Fund's cash needs deciding.

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.)

Document

Location

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 in 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.

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.

Approved Investment Counterparties and Limits

Credit Rating	Banks Unsecured	Banks Secured	Government	Corporates
UK Govt	n/a	n/a	£ Unlimited 2 years	n/a
AAA	£22m 2 years	£25m 2 years	£25m 2 years	£22m 2 years
AA+	£22m 2 years	£25m 2 years	£25m 2 years	£22m 2 years
AA	£22m 2 years	£25m 2 years	£25m 2 years	£22m 2 years
AA-	£22m 2 years	£25m 2 years	£25m 2 years	£22m 2 years
A+	£22m 2 years	£25m 2 years	£22m 2 years	£22m 2 years
A	£22m 13 months	£25m 2 years	£22m 2 years	£22m 2 years
A-	£22m 6 months	£25m 13 months	£22m 2 years	£22m 13 months
None	£1m 6 months	n/a	£22m 2 years	n/a
Pooled funds	£22m per fund			

The table must be read in conjunction with the notes below

Credit Rating

Investment limits are set by reference to the lowest published long-term credit rating from a selection of external rating agencies. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

Banks Unsecured

Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts

Banks Secured

Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank/building society's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is not investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the highest of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

Government

Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Central Government may be made in unlimited amounts for up to 2 years.

Corporates

Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made as part of a diversified pool in order to spread the risk widely.

Pooled Funds

Shares or units in diversified investment vehicles consisting of any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Operational bank accounts

The Pension Fund may incur operational exposures, for example through current accounts, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in and balances will therefore be kept low. The Pension Fund's operational bank account is with National Westminster and aims to keep the overnight balances held in current accounts as close as possible to £0. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Pension Fund maintaining operational continuity.

List of UK and non-UK banks and building societies

Country / Domicile	Counterparty	Maximum investment	Maximum duration
UK	Barclays Bank PLC / Barclays Bank UK PLC	£15m	100 days
UK	Close Brothers Limited	£15m	6 months
UK	Goldman Sachs International Bank	£15m	100 days
UK	HSBC Bank PLC / HSBC UK Bank PLC	£15m	6 months
UK	Leeds Building Society	£15m	100 days
UK	Lloyds Bank PLC / Bank of Scotland PLC	£15m	6 months
UK	National Westminster Bank PLC / Royal Bank of Scotland PLC / Ulster Bank Limited	£15m	100 days
UK	Nationwide Building Society	£15m	6 months
UK	Santander UK PLC / Abbey National Treasury Services PLC	£15m	6 months
UK	Standard Chartered Bank	£15m	6 months
Australia	Australia and New Zealand Banking Group	£15m	6 months
Australia	Commonwealth Bank of Australia	£15m	6 months
Australia	National Australia Bank	£15m	6 months
Australia	Westpac Banking Group	£15m	6 months
Canada	Bank of Montreal	£15m	6 months
Canada	Bank of Nova Scotia	£15m	6 months
Canada	Canadian Imperial Bank of Commerce	£15m	6 months
Canada	Royal Bank of Canada	£15m	6 months
Canada	Toronto-Dominion Bank	£15m	6 months
Denmark	Danske Bank	£15m	100 days
Finland	OP Corporate Bank	£15m	6 months
Germany	Bayerische Landesbank (BayernLB)	£15m	6 months
Germany	DZ Bank AG Deutsche Zentral	£15m	6 months
Germany	Landesbank Baden-Wuerttemberg (LBBW)	£15m	6 months
Germany	Landesbank Hessen-Thuringen (Helaba)	£15m	6 months
Netherlands	Cooperative Rabobank	£15m	13 months
Netherlands	ING Bank	£15m	100 days
Singapore	DBS Bank Ltd	£15m	13 months
Singapore	Oversea-Chinese Banking Corporation	£15m	13 months
Singapore	United Overseas Bank	£15m	13 months
Sweden	Nordea Bank AB	£15m	13 months
Sweden	Svenska Handelsbanken	£15m	13 months
Switzerland	Credit Suisse	£15m	100 days

* Please note that the counterparties listed above meet the Fund's minimum credit rating criteria as at 1 December 2018, additional counterparties could be added to this list if, for example, a counterparty/country is upgraded. Alternatively if a counterparty is downgraded, this list may be shortened.

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