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NOTICE OF MEETING

Meeting	Hampshire Pension Fund Panel and Board
Date and Time	Friday, 12th July, 2019 at 10.00 am
Place	Chute 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 29 March 2019.

4. **CHAIRMAN'S ANNOUNCEMENTS**

To receive any announcements the Chairman may wish to make.

5. GOVERNANCE: PROPOSED CHANGES TO THE CURRENT GROUPING ARRANGEMENTS IN THE FUND (Pages 9 - 90)

To consider the report of the Director of Corporate Resources - Corporate Services seeking approval from the Panel and Board on proposed changes to the way in which employers are grouped for funding purposes.

6. ACCESS JOINT COMMITTEE MINUTES - 12 MARCH 2019 (Pages 91 - 100)

To receive the ACCESS Joint Committee minutes of the meeting held on 12 March 2019.

7. ACCESS BUSINESS PLAN (Pages 101 - 108)

To present the 2019/20 ACCESS business plan for approval by the Panel and Board.

8. GOVERNANCE: ADMINISTRATION PERFORMANCE UPDATE (Pages 109 - 122)

To consider the report of the Director of Corporate Resources - Corporate Services updating the Panel and Board on administration performance for 2018/19, and to share the proposed response to the current consultation on changes to the local valuation cycle and management of employer risk.

9. GOVERNANCE: PENSION FUND PANEL AND BOARD TRAINING IN 2019/20 (Pages 123 - 160)

To consider the report of the Director of Corporate Resources - Corporate Services setting out proposals for the training arrangements for members of the Pension Fund Panel and Board in 2019/20.

10. GOVERNANCE: RESPONSIBLE INVESTMENT POLICY (Pages 161 - 174)

To consider a report of the Director of Corporate Resources - Corporate Services recommending an updated Responsible Investment Policy and terms of reference for a Responsible Investment sub-group of the Panel and Board, following consultation with the Pension Fund’s scheme members and employers.

11. GOVERNANCE: PENSION FUND RISK MANAGEMENT (Pages 175 - 190)

To consider a report of the Director of Corporate Resources - Corporate Services providing a summary of the Pension Fund's approach to risk management and the Risk Register for review by the Pension Fund Panel and Board.

12. 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.

13. CONFIRMATION OF THE MINUTES OF THE PREVIOUS MEETING (Pages 191 - 196)

To confirm the exempt minutes of the meeting held on 29 March 2019.

14. GOVERNANCE: GOOD GOVERNANCE CONSULTATION (Pages 197 - 222)

To consider the exempt report of the Director of Corporate Resources - Corporate Services updating the Panel and Board on the 'Good Governance' project commissioned by the LGPS Scheme Advisory Board (SAB) and Hampshire's response to the consultation that was part of the project.

15. INVESTMENT - INVESTMENT UPDATE (Pages 223 - 264)

To consider the exempt report of the Director of Corporate Resources - Corporate Services updating the Panel and Board on the Pension Fund's investments since the last meeting of the Pension Fund Panel and Board on 29 March 2019.

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 Friday 29 March 2019.

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 J. Glen
a B. Tennent	p T. Thacker (vice-chairman)
p D. Mellor	

Employer Representatives (Co-opted members):
a Councillor J. Smith (Portsmouth City Council)
a Councillor T. Cartwright (Fareham Borough Council)
p Councillor M. Chaloner (Southampton City 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.

149. **APOLOGIES FOR ABSENCE**

Cllrs Kemp-Gee, Tennent, Cartright and Smith sent their apologies.

150. **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.

Ms Dobson reminded the committee that she is an independent non-executive director of Aberdeen Standard Fund Managers Ltd, but that this does not prevent her fulfilling her role in advising the Panel and Board.

151. **CONFIRMATION OF MINUTES**

The minutes of the Pension Fund Panel and Board held on 15 February 2019 were confirmed.

The Director of Corporate Resources confirmed to the committee that a response to the Government's consultation on new draft Investment Pooling Guidance will be sent by ACCESS and Hampshire County Council. The Director also updated the Panel and Board that Essex County Council as the host of ACCESS' Support Unit is in the final stage of making an appointment to the role of Director.

152. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman reminded the members of the committee of the importance of completing their training needs analysis to inform the Panel and Board's annual training plan.

The Chairman invited members to provide feedback on any recent training courses that they had attended. Cllr Gibson commented on a recent seminar he had been to.

153. **GOVERNANCE: CHANGE TO FUNDING STRATEGY STATEMENT**

The Panel and Board received a report of the Director of Corporate Resources (Item 5 in the Minute Book) setting out a technical change to the Funding Strategy Statement (FSS) which will allow the Fund Actuary to use the new Investment Strategy and revised calculation of Capital Market Assumptions in calculations for new and exiting employers prior to the 2019 valuation.

The Director informed the committee that the Fund's Actuary will bring a discussion paper to a meeting with her on 3 April outlining proposals for a review of the Pension Fund's grouping mechanism. Following this meeting it is proposed that employers are engaged on the potential changes to the grouping mechanism, prior to any redrafting of the FSS.

RESOLVED:

(a) That the proposed technical changes to the Funding Strategy Statement were approved.

(b) That authority is delegate to the Director of Corporate Resources to consult with employers on proposals to change the way in which they are grouped for funding purposes.

154. **GOVERNANCE: ADMINISTRATION STRATEGY CHANGES AND FAIR DEAL CONSULTATION RESPONSE**

The Panel and Board received a report of the Director of Corporate Resources (Item 6 in the Minute Book) seeking approval for some minor changes to the Administration Strategy, and to share the proposed response to the current Fair Deal consultation.

The Director informed the Panel and Board that the Administration Strategy needs to be amended in light of recent LGPS amendment regulations which have an impact on some of the Fund's discretionary policies. In addition, two beneficial changes to administration processes have been made as part of the new partnership arrangement with West Sussex and these need to be reflected in the Strategy.

The committee extend their thanks to Pension Services for their hard work in commencing the delivery of pensions administration services to West Sussex Pension Fund.

The Ministry for Housing, Communities and Local Government (MHCLG) has issued a consultation on the new Fair Deal proposals. These proposals are intended to strengthen the pension protection afforded to employees in the LGPS who are compulsorily transferred to third party service providers. A response on behalf of the administering authority has been drafted for consideration and approval by the Pension Fund Panel and Board that highlights that the proposed changes will increase the administrative burden on both the employer and the administering authority and could lead to greater confusion for scheme members.

155. **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.

156. **MINUTES OF PREVIOUS MEETINGS (EXEMPT)**

The exempt minutes of the Pension Fund Panel and Board held on 15 February 2019 were confirmed.

157. **INVESTMENTS: PENSION FUND'S CUSTODIAN PERFORMANCE REPORT**

The Panel and Board considered the exempt report from the Director of Corporate Resources (Item 9 in the Minute Book) detailing the performance of the Pension Fund's custodian. [SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT INFORMATION]

158. **INVESTMENTS – INVESTMENT PERFORMANCE UPDATE**

The Panel and Board received an exempt report from the Director of Corporate Resources (Item 10 in the Minute Book) updating the Panel and Board on the performance of the Pension Fund's investments. [SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT INFORMATION]

159. **INVESTMENTS: ALTERNATIVE INVESTMENTS PORTFOLIO UPDATE**

The Panel and Board received an exempt report from the Director of Corporate Resources (Item 11 in the Minute Book) updating the Panel and Board on the progress of the Pension Fund's alternative investments. [SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT INFORMATION]

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Panel:	Pension Fund Panel and Board
Date:	12 July 2019
Title:	Governance: Proposed changes to the current grouping arrangements in the Fund
Report From:	Director of Corporate Resources

Contact name: Lois Downer, Deputy Head of Pension Services

Tel: 01962 847600 **Email:** lois.downer@hants.gov.uk

Purpose of this Report

1. The purpose of this report is to seek approval from the Panel and Board on proposed changes to the way in which employers are grouped for funding purposes.

Recommendation(s)

2. It is recommended that the Panel and Board:
   - having noted and considered the responses set out in Appendix 3, approve the proposed changes to the way in which employers are grouped for funding purposes, as set out in paragraph 7 of this report
   - delegate authority to the Director of Corporate Resources to agree with the Fund Actuary the methodology for calculating the discount given to employers who pre-pay contributions.

Executive Summary

3. The Panel and Board gave their approval for the Director of Corporate Resources to consult with employers on options for changing the way in which they are grouped together for funding purposes with effect from the 2019 triennial valuation.

4. The 2019 triennial valuation provides an opportunity to make these structural changes because there has been a material improvement in the funding level since the last valuation. It has not been possible to recommend changes at

earlier valuations, despite the pressure on the grouping mechanism, because of the material impact of the allocation of the deficit on employers. This effect is vastly reduced as the fund becomes fully funded.

5. A suite of proposed changes were drafted by officers on the advice of the Fund Actuary. A briefing note which set out the reasons for change and the impact on each type of employer was sent to all employers in April, with an invitation for employers to attend a workshop led by the Fund Actuary in May. Following the communication of the proposals, responses to the consultation were received from 30 employers.

6. The decision to proceed with the proposed changes has to be taken in advance of the valuation work being carried out. This means that employers were asked to respond to the consultation without knowing the impact of the changes on their own employer contribution rates. However, the message has been given throughout the consultation exercise that employers should not expect to see material increases to contributions as a result of these changes, and may well see a decrease.

7. As a result of the consultation exercise, the final proposals for consideration by the Panel and Board are to:

   a) disband the Scheduled Body Group (SBG) at the 2019 valuation and,
   b) establish an academies pool for all academies and free schools covered by the DfE guarantee
   c) establish a Town and Parish Council (TPC) pool
   d) allow any TPC who elects to do so, to not be part of the TPC pool, and to instead have an individual contribution rate
   e) calculate an individual contribution rate for all the remaining scheduled body employers who are currently part of the SBG
   f) change the operation of the Admitted Body Group (ABG) so that employers are allocated assets at an individual level to enable different deficit recovery periods to be used
   g) remove the two employers currently in the ABG who do not have a subsumption commitment from a local authority and instead calculate an individual rate for them
   h) allow any employer with an individual rate to pre-pay contributions in return for a discount, under a methodology agreed with the fund actuary
   i) allow any employer with an individual rate or an employer in the TPC pool or the ABG to pay additional contributions towards their deficit if desired.

8. The remainder of the report sets out the proposals and the consultation process in more detail.

Proposed changes to the structure of the Hampshire Pension Fund

Reasons for change

9. At the meeting on 29 March, members gave their approval for the Director of Corporate Resources to consult with employers on potential options for changes to the way in which they are grouped for funding purposes.

10. The Fund Actuary recommended changes because the grouping arrangements have been under strain for over a decade as employers have sought to make efficiencies through outsourcing, restructuring and creating trading companies. Whilst the Fund Actuary has been able to accommodate these different approaches, it is increasingly difficult to sustain, and to justify, the grouped approach. This is particularly of concern as LGPS funds come under greater scrutiny and employers are under greater pressure to explain their own pension costs.

11. Dismantling the Scheduled Body Group (SGB) will result in 'winners' and 'losers' as it reveals the cross subsidies within the group and a fair decision has to be made as to the allocation of any deficit when the group is dismantled. However, this effect is drastically reduced if the group is dismantled at the point it is near 100% funded.

12. There has been material improvement in the funding level for the HPF since the 2016 valuation which means that overall contributions are not expected to rise, and may even fall for employers in the SBG. By taking the opportunity to dismantle the groups at the 2019 valuation, employers are more than likely to find that even if their future service rate increases as a result of de-grouping (if their membership is older than the group average) their overall contribution rate will be stable or reduce.

13. The current arrangement by which the costs of death in service and ill health retirements are shared by all employers in the Fund (not just within groups) will be retained, regardless of the outcome of the consultation. This change was intended to offer greater protection for smaller employers against the volatility of their funding position that deaths-in-service or ill-health retirement can cause.

Changes that were consulted on

14. Employers were consulted on proposed changes which are described in paragraphs 15 - 32 below. In summary the proposed changes were to:

- Remove the academies from the Scheduled Body Group and create an academies pool (paragraphs 15 - 18)
- Create a Town and Parish councils pool (paragraphs 19 – 22)

- Set up the remaining scheduled body employers on an individual basis (paragraphs 23 – 27)
- Change the way in which the grouping works for the Admitted Body Group to enable different recovery periods to be used in light of different potential terms to exit (paragraphs 28 - 32)

Employers who would become stand alone under the proposals were also asked to comment on the desirability for them to pre-pay contributions or be allowed to make additional contributions towards their deficit.

Academies

15. Academies are currently part of the scheduled body group (SBG) and therefore already pay a common contribution rate. In the absence of a decision at the national level, the proposal was to remove the academies from the SBG and create an academies pool. The reason for not proposing individually assessed contribution rates at this valuation was because there is uncertainty over the timing and contents of any future guidance from the Scheme Advisory Board in relation to academy funding, which may encourage (or even require) pooling within Funds as a preferred solution. It would put at risk the stability of academy contribution rates if academies were individually assessed in 2019 only to be pooled again at the next valuation.

16. Under the proposal, Academies would pay deficit contributions based on their proportion of the group's liabilities and would pay a common future service rate. It is likely that overall contributions would be lower than present due to the overall improvement in funding level (as this will lead to lower deficit contributions).

17. Pooling academies together would aid any future call on the Department for Education (DfE) guarantee in the event of failure, because it would be clearly demonstrable that there were no cross subsidies to or from outside the academy sector.

18. However, if there is no national approach before the next valuation, the decision to maintain a group for academies would be revisited prior to that valuation, in consultation with the academies and in light of any stated preferences from the DfE.

Town and Parish Councils

19. Town and Parish Councils (TPCs) are resolution bodies who have the choice of designating membership to the LGPS and therefore participate in the Fund on a different basis to scheduled bodies who must offer the LGPS to all their employees. Therefore the membership of TPCs can be transient and result in an employer joining and exiting the Fund multiple times. This means that some TPCs join the Fund as a new employer without historic deficit

contributions, whilst others continue to pay deficit contributions because they joined the SBG before the 2010 valuation when the layered deficit recovery plan was introduced[1]. More generally, the participation of 'new' (post 2010) employers in the SBG is inconsistent with the other employers in the group who all contribute towards paying off the group's deficit.

20. Although there are 60 TPCs in the Fund, they represent only 271 active employees, 154 deferred members and 157 pensioners. Membership of the SBG has ensured that TPC contributions are much more stable than if their contributions are assessed on an individual basis. It is therefore considered appropriate that some version of grouping is retained for TPCs. Two of the risks to which TPCs would be vulnerable if they are not grouped are ill health and death in service pension costs, but since 2016 these risks are shared across all employers in the Fund. The biggest remaining variable is the age of the TPC's membership which, if they only have one active member, could result in huge changes in contribution rates over time.

21. It was therefore proposed that the TPCs would be pooled together in a Town and Parish Councils Group and pay a common primary contribution rate. However, it was also proposed that assets of the pool are allocated at employer level to enable the Fund Actuary to certify individual deficit contributions reflective of the TPC's expected future participation in the Fund, and so that exit calculations are based on the TPC's own assets and liabilities. Deficit recovery periods will be reduced, but this will be accommodated within the overall savings likely to be generated by the improved funding position (i.e. a reduced deficit) to avoid any contribution increases.

22. In recognition of the relatively small size of most of the TPCs, a commitment was made to ensure that the changes are delivered within the same overall cost that each TPC would have paid from 2020 if no changes had taken place (i.e. after allowing for the planned increases in primary and secondary rates from previous valuations).

Remaining scheduled body employers

23. Once academies and TPCs are removed from the SBG, the remaining employers are mainly the local councils, and associated employers such as the Cultural Trust. Under the proposals, these employers would be given their own contribution rate at the 2019 valuation, based on their membership profile and a share of any remaining deficit in the SBG, based on their liabilities. Associated employers (including maintained schools which have a

[1] The LGPS regulations allow the Fund to suspend the requirement for an exit payment if the TPC has a further active member joining within three years of ceasing active membership, which reduces the administrative burden and potential financial implications of a pre-2010 TPC exiting the Fund.

separate employer number to their local authority for historic administration purposes) would be grouped with their local authority.

24. All employers would continue to have the same funding target and deficit recovery period at the 2019 valuation, although this could be varied at future valuations.

25. A key benefit of having individually assessed rates is that employers can pay additional contributions or pre-pay contributions to benefit from a discount. This is not possible as part of the existing SBG group as contributions are not allocated to individual employer – where "full" grouping is in place (as was the case for the SBG and is proposed for the new academies pool) assets are only tracked at group level so contributions paid affect the group position and are not allocated to an individual employer.

26. As there has been a material improvement in the funding level for the HPF since the 2016 valuation, it is anticipated that overall contributions will not rise, and on balance are more likely to reduce, before allowing for any changes to the group arrangements.

27. By taking this opportunity to dismantle the SBG at the 2019 valuation, SBG employers are more than likely to find that even if their future service rate increases as a result of de-grouping (if their membership is older than the group average) their overall contribution rate will be stable or reduce as a result of a significantly reduced deficit stream payment.

Admitted body group

28. Work has already been carried out to secure a commitment from the relevant local authorities to subsume the assets and liabilities of the charitable employers in the admitted body group (ABG) when they exit the Fund. This will enable the continuation of a long term funding strategy for those employers' liabilities without having to increase funding to the level required for orphan liabilities within the Fund. The two bodies without this commitment will be de-grouped at the 2019 valuation and set their own contribution rate and recovery period, based on their financial strength and likely length of participation in the Fund.

29. Due to the disparate membership profiles of employers in the group, there would be a wide range of future service rates at employer level if the group was dismantled and rates were set individually. Some employers would experience significant increases in rates and others significant decreases. Many of the employers in the group have alerted the administering authority to affordability constraints which would suggest that setting individual rates for some employers could have a significantly detrimental impact to their ongoing viability.

30. The proposal the remaining employers were consulted on was for them to continue to share all risks within a reformed admission body group, so as not to disturb current risk/cost sharing arrangements which currently protect a number of the employers. The operation of the group funding arrangements would be changed so that assets are allocated to individual employers at the 2019 valuation to enable different recovery periods to be used in light of different potential terms to exit (based on the working lifetimes of their active members). The aim is to avoid contribution increases and make these changes within the cost envelope provided by the improvement in the funding level since 2016.

31. To keep the funding strategy simple, employers may be allocated into short, medium and long-term brackets for recovery plans.

32. This approach will eradicate the issue which currently exists whereby there is an inconsistency between the amounts employers pay in deficit contributions whilst members of the fund, and the amounts they are asked to pay on exit. This is because active employers pay a share of the group's deficit contributions in proportion to their relative payrolls in the group but, as and when they exit the Fund, they are allocated a different share of the group's deficit, in proportion to liabilities. This current operation is a natural outcome of the existing grouping arrangements in which cross-subsidies are unravelled on exit. In some cases this can (and has) caused an unexpected significant exit payment for the exiting employer (to the gain of the other group employers), and in other cases it could see a lower than expected exit payment for the exiting employer (but to the detriment to the other group employers). Setting individual deficit contribution rates for ABG employers ensures the fair allocation of the total ABG deficit across its members and consistency with valuations undertaken on exit.

Employer consultation

33. Following a meeting on 3 April where officers agreed the proposals with the Fund Actuary, employers were sent a briefing note (Appendix 1) on the proposed changes and were invited to a workshop presented by the Fund Actuary. Four separate workshops were held (one for TPCs, one for Admitted Bodies, one for Academies and one for the other Scheduled Bodies) so that the Actuary could set out the implications of the proposals on their particular employer type.

34. At the workshops, the Fund Actuary presented the proposals to the employers and then answered any questions arising. The workshops were attended by 52 employer representatives in total. The list of attendees is attached in Appendix 2. The presentation was recorded and a video was

shared with all employers, together with a copy of the slides so that all employers could see what was said, even if they had not been able to attend.

35. Employers were asked to comment on the changes based on the principles of the proposals, rather than how it would affect their own individual organisation. The decision on whether to go ahead with the proposals has to be done prior to the 2019 valuation being carried out as the agreed structure of the Fund will form the basis of the Actuary's calculations. There was reluctance from some employers to respond on this basis because they wouldn't know the impact on them as an individual employer, despite the overall message from the Actuary that most employers could expect contributions that were no greater than they were currently paying, and in each presentation the overall impact of the change on the employer category was discussed.

36. Employers were asked for their response to the proposed changes by 26 June, and copies of all the feedback that has been received has been attached as Appendix 3. In total there were 30 responses from the 176 employers who would be impacted by these proposals.

37. There has been broad support from the local councils and other scheduled bodies who would become stand alone employers under the proposed changes. However the Town and Parish Councils have been less positive about the impact of them being removed from the Scheduled Body Group. There were two responses from academies but none from the admitted body employers.

Proposed way forward

38. The Panel and Board need to act in the best interests of all the employers in the Fund, and the suite of proposals was designed with this objective in mind.

39. The strongest objection to the proposals has come from the TPC group (albeit that there were only 21 responses from the 61 TPC employers affected, and 2 of these were positive). The preference for TPCs would be for no changes to be implemented so that they can continue in the Scheduled Body Group and receive the benefit of the cross subsidies from the larger employers (as the TPC group has an older than average membership). However the responses from the larger scheduled employers has indicated that they would welcome becoming individually assessed. Clearly it is not possible to accommodate these two opposing positions.

40. The proposed approach of setting up a TPC group already mitigates the biggest risk to large changes in the TPC future service rate by allowing them to pay a common future service rate based on the average age of the group. The existing arrangement of sharing the cost of ill health retirements and

death in service across all fund employers would be kept in place. In addition, a commitment has been made which will mean that no TPC will pay more in contributions following the 2019 valuation than they would have done had the 2016 valuation still applied. It is not in the longer term interest of the TPCs to remain in the existing SBG arrangement as TPCs would continue on average to underpay contributions which will lead to much larger exit deficits when their last employee leaves the scheme. It would not be good governance to allow these employers to continue to underpay contributions to this extent.

41. Several of the TPC responses suggest an alternative would be for them to be pooled with the councils, either with their 'parent' district or borough or for all the TPCs to be part of a Hampshire County Council pool. This option has not been explored with the councils as it does not achieve the objective of removing the cross subsidies which exist in the current SBG, and would still see TPCs underpaying relative to the potential exit deficit they would face if their last active member leaves the scheme. Continuing to pool the TPCs within the SBG would mean that their pension costs would be understated, with the outcome that other employers in SBG would be providing a cross subsidy which ultimately impacts on the council tax of those bodies, and means that the true costs of TPCs LGPS membership is not fully reflected within their own precepts.

42. Almost all the TPC responses cited the lack of financial information as a reason they could not provide a considered and final response to the consultation. The TPC workshop was the first one to take place and in hindsight, more time should have been given to explain the reason for the timing of these proposed changes which necessitates a decision being made prior to the valuation calculations being undertaken. The grouping mechanism has been under pressure for over a decade but it has not been viable to de-group employers at previous valuations because of the overall deficit position of the Fund. It is only possible to make such structural changes at a valuation and so there is only an opportunity once every 3 years to consider this option. There is also then only a narrow window of time when the likely funding position at the next valuation becomes clear. This means that the decision has to be taken on principles, rather than assessing the individual winners and losers, and in tight timescales. The material improvement in the funding position since the last valuation provides a unique moment in time for the scheduled body group to be dismantled.

43. It is therefore recommended that the proposed changes are implemented as set out above, despite the 19 TPC responses which would rather see the continuation of the SBG in its current form. A TPC pool, despite its relatively small membership will still protect TPCs from the volatility of contributions caused by the aging/changing of its employees. However given the feedback received, the Panel and Board are asked to consider a further option to allow any Town and Parish Council who would rather become an individually assessed employer to do so.

44. If the Panel and Board agree to allow TPCs the option to become a standalone employer rather than part of the TPC pool, any TPC wishing to do so would have to make a positive election to become stand alone by 15 August 2019 so that the change could be included in the valuation calculations. There would be an opportunity at each subsequent valuation for a TPC in the pool to come out, but once an employer has an individual rate they will not be allowed back into the TPC pool.

Final proposals

45. For clarity the final suite of proposals that the Panel and Board is asked to consider is to disband the scheduled body group at the 2019 valuation and instead:

- Establish an academies pool for all academies and free schools covered by the DfE guarantee. Academies would pay a common future service rate and a share of the pool's deficit in proportion to their share of the pool's liabilities.
- Establish a Town and Parish Council (TPC) pool. TPCs would pay a common future service rate but an individually assessed deficit contribution based on their own liabilities and likely future participation in the fund.
- Allow any TPC who irrevocably elects to do so by 15 August 2019 to instead become a standalone employer with a future service rate and deficit contribution based on their membership profile
- Calculate an individual contribution rate and a share of any remaining deficit for all the remaining scheduled body employers based on their membership profile. Retain the same funding targets and deficit recovery periods for these employers at this valuation but with the option to vary them in the future
- Change the operation of the Admitted Body Group (ABG) so that employers are allocated assets at an individual level to enable different deficit recovery periods to be used
- Remove the two employers in the ABG who do not have a subsumption commitment from a local authority and set them up as standalone employers with a future service rate and deficit contribution based on their membership profile
- Allow any employer with an individually assessed contribution rate to pre-pay contributions
- Allow any employer with an individually assessed contribution rate, or an employer in the TPC pool or an employer in the ABG, to pay one off additional contributions towards reducing their deficit.

Next steps

46. Following this meeting, a communication will be sent to all affected employers to inform them of the Panel and Board's decision. This communication will include the offer to each TPC to elect to become a standalone employer at the 2019 valuation, if this recommendation is approved.

47. If the Panel and Board agree to the recommendations, then a methodology for calculating the discount given to employers who pre-pay contributions needs to be established. The Panel and Board are asked to delegate authority to the Director of Corporate Resources to work with the Fund Actuary to agree this methodology and process by which employers can enter into a pre-payment agreement.

48. If the Panel and Board agree the changes to the way in which employers are assessed for funding purposes, the Funding Strategy Statement (FSS) will be revised to reflect the new arrangements and this will be presented to the Panel and Board for approval in September, prior to being issued to employers for consultation following the Annual Employer Meeting in October. The Fund Actuary will use the new FSS in setting contribution rates for employers in the 2019 valuation.

Update on the 2019 triennial valuation

49. Work to provide the Fund Actuary with the necessary information to complete the 2019 triennial valuation has continued and a report setting out the approach to the 2019 valuation will be considered by the Panel and Board at its next meeting on 26 July.

REQUIRED CORPORATE AND 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 the Pension Fund Panel and Board need to approve changes to the way in which the Fund is structured.	

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	

EQUALITIES IMPACT ASSESSMENT:

1. **Equality Duty**

   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 by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
   - Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
   - Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

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

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

2. **Equalities Impact Assessment:**

Equality objectives are not considered to be adversely affected by the proposals in this report as the proposals benefit all scheme members.

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Proposed changes to the funding strategy for the Hampshire Pension Fund

Purpose of this Report

1. The purpose of this document is to set out in detail the proposed changes to the funding strategy for the Hampshire Pension Fund and to provide information on how the proposals affect different groups of employers.

Executive summary

2. Historically the Hampshire Pension Fund (HPF) has grouped employers together for funding purposes, each paying a common contribution rate and sharing risks. There is a larger 'Scheduled Bodies Group' (SBG) comprising 86% of the liabilities of the Fund and a small 'Admission Bodies Group' (ABG) comprising less than 1% of the liabilities of the Fund. This grouped funding approach is simple and works well when employers have very similar characteristics and are all long term, open bodies.

3. The grouped approach in the HPF has been under strain for over a decade as employers have diversified. There is also increased scrutiny of LGPS funds and pension costs, demanding greater transparency and flexibility for individual employers.

4. The Fund Actuary has accommodated these pressures through several complex mechanisms including:
   - layered deficit recovery plans at each valuation since 2010[1]
   - certifying additional contributions for employers who make decisions out of line with the group
   - legal arrangements to allow a material outsourcing from a unitary council.

5. The barrier to dismantling the groups has primarily been the fair allocation of any fund deficit at the point of change, particularly where a large deficit has existed. Employers in the groups share pension costs, resulting in cross subsidies between employers, both in terms of meeting the costs of future service benefits, and contributing towards the groups' deficits. When the groups are separated out, the extent of those subsidies is revealed and could impact significantly on individual contribution rates.

6. A step towards de-risking the groups was taken at the 2016 valuation when the HE/FE sector and housing associations were removed from the groups and set

[1] Prior to 2010 all employers paid a common % of Pay rate towards paying off the deficit in the groups, which was re-set at successive valuations. The change to fixed capital payment streams from 2010 helped to protect grouped employers against the actions of employers whose payrolls were falling relatively quickly which, prior to 2010, would have reduced their obligations to contribute to restoring the group's deficit.

individual rates. The purpose of that exercise was to enable the Fund to incorporate employer risk into its funding strategy, which it had been unable to do for employers participating in the groups where a common funding strategy applies for all. Contribution rates for the employers who were removed from the groups became based on an assessment of their financial strength and likely future participation in the Fund, with higher contributions set for employers perceived to be of a weaker financial standing and/or expected to exit the Fund in the shorter term.

7. As part of the 2016 reforms, ill health and death pension costs became shared across all employers in the Fund rather than just within the two groups. These can be the most material risks for smaller employers who are not grouped. Adoption of this policy helped the Administering Authority (AA) demonstrate to employers who were removed from the groups in 2016 that it was still committed to sharing some key risks at a Fund level and protecting those who may be less able to withstand them. With this Fund-level risk sharing in place the case for grouping of employers, where all risks are shared, is diminished.

8. There have been material improvements in the funding level since the 2016 valuation and this is likely to provide the opportunity (given that the deficit position is likely to be much reduced) for dismantling the existing structure and allow employers greater transparency and flexibility over their pension costs.

9. Grouped funding arrangements may continue to be attractive for some employers who operate in the same sector and share similar characteristics. In particular the payment of a common future service ('primary') rate, rather than rates which vary based on the profile (age, sex and salaries) of the employer's membership, would help stabilise contribution rates for employers across the sector.

10. If the decision is taken to dismantle the groups, the Fund Actuary is recommending four main changes:

- create a smaller group for the academies
- create a smaller group for the Town and Parish Councils[2]
- calculate individual rates for all other employers currently in the SBG
- maintain the ABG, but with individual asset allocations to employers

These changes would be made as part of the 2019 valuation, with the first impact on contribution rates from 1 April 2020.

[2] Proposals for the Town and Parish Councils, and Admission Body Group, are to operate an alternative grouping arrangement where all risks continue to be shared but assets are allocated to employers. The principal aim is to give more flexibility to both the AA and employers around the timing of deficit payments, which were payable over 19 years for all grouped employers in the 2016 valuation.

Current structure of the HPF

11. The Hampshire Pension Fund (HPF) currently operates two main contribution groups:

    - the Scheduled Body Group (SBG), containing principally the local authorities, police and fire authorities and academies, representing around 86% of the Fund's liabilities in the 2016 valuation; and
    - the Admission Body Group (ABG), containing principally charity admission bodies, representing less than 1% of the Fund's liabilities in the 2016 valuation.

12. The groups operate such that (nearly) all funding risks are shared between the employers in the group. Grouped employers pay contributions based on their shared of the groups' payroll. Since 2010, deficit contributions have been set as monetary amounts to guard against employers under-contributing due to falling payroll.

13. This grouped structure has been in place for many years. It reflects the AA's philosophy on risk sharing and helps keep contributions more stable, particularly for smaller employers.

14. However, the HPF is unique amongst LGPS funds in continuing to operate this level of grouping, and whilst this is not in itself a reason to disband the groups, there have been increasing strains on this approach over the last decade.

15. At the 2016 valuation, employers in the HE/FE sector, independent schools and housing associations were removed from the groups and set their own contribution rates based on their membership profile, financial strength and likely continued participation in the Fund. Together with the other employers who are not grouped (primarily private sector service providers and orphan bodies), these represented the remaining 13% of the Fund's assets at the 2016 valuation.

16. Since the 2016 valuation, work to assess the desirability and sustainability of the grouping approach has continued, and it is proposed that further significant changes are made at the 2019 valuation.

Reasons for change

17. Grouping employers together for funding purposes works well when employers are relatively homogeneous and make similar decisions. Grouping will always create cross subsidies but, within a similar group of employers, it can be more acceptable to share risks and costs without concerns that the actions or business strategies of some employers will create unfair costs for others.

18. The grouping arrangements have been under strain for over a decade as employers have sought to make efficiencies through outsourcing, restructuring

and creating trading companies. Whilst the Fund Actuary has been able to accommodate these different approaches, solutions are not perfect and do not fully protect other employers without either imposing severe penalties on the relevant employer or entering into complex agreements to re-allocate costs fairly. Further, with proposed new fair deal regulations which may result in outsourced staff being indistinguishable from those of the letting authority (who would be the deemed employer for the outsourced workforce), it would become increasingly difficult to sustain, and to justify, the grouped approach. This is particularly of concern as LGPS funds come under greater scrutiny and employers are under greater pressure to explain their own pension costs.

19. More employers are looking at ways in which they can improve their own funding position, such as pre-paying deficit contributions or making additional one-off contributions, neither of which are compatible with the group approach as any payments are of benefit to the group as a whole rather than the individual employer.

20. Dismantling the groups will result in ‘winners’ and ‘losers’ as it reveals the cross subsidies within the group. The losers will be those employers whose pension costs are currently being subsidised by others, either through:

- currently paying the group future service rate if this is lower than the cost of the benefits accruing to their workforce, or
- currently paying a share of the group's deficit contributions which is lower than the employer's share of the group's liabilities (a proxy to the risk which the employer brings to the group). A fair decision has to be made as to the allocation of any deficit when the group is dismantled. However, this effect is drastically reduced if the group is dismantled at the point it is near 100% funded.

21. There has been material improvement in the funding level for the HPF since the 2016 valuation which means that overall contributions are not expected to rise, and may even fall (but there is no guarantee of this until the valuation is complete). By taking this opportunity to dismantle the groups at the 2019 valuation employers are more than likely to find that, even if their future service rate increases as a result of degrouping (generally if their membership is older than the group average), their overall contribution rate will be stable or reduce.

Proposed changes

22. If the recommendation is made to dismantle the groups at the 2019 valuation, the Fund Actuary is proposing four key changes:

- create a smaller group for the academies
- create a smaller group for the Town and Parish Councils *
- calculate individual rates for all other employers currently in the SBG
- Maintain the ABG, but with individual asset allocations to employers[3].

These are discussed in more detail below.

Academies and Multi Academy Trusts

23. There were approximately 93 academies in the Fund as at 31 March 2018, which is a material increase from the 2016 valuation. The number is likely to increase as more schools leave local authority control.

24. Academies are backed by a Department for Education (DfE) guarantee whereby the DfE would ultimately pay a pension liability in the event of an academy failing. It is this guarantee that meant academies were kept in the SBG when the rest of the educational establishments were removed in 2016.

25. The LGPS Scheme Advisory Board (SAB), in conjunction with the MHCLG and the DfE, has been considering whether national changes are required for the treatment of academies in the LGPS. Whilst no formal recommendations have been made, one of the DfE's long standing concerns has been the variability of LGPS contributions within and across LGPS funds. One of the recommendations made by the academies funding working group of the SAB was for academies to be pooled within each fund and therefore have a common contribution rate. Some Funds already operate this type of arrangement.

26. Academies are currently part of the SBG and therefore already pay a common contribution rate. In the absence of a decision at the national level, **the proposal is to remove the academies from the SBG and create an academies pool**. The reason for not recommending individually assessed contribution rates at this time is because there is uncertainty over the timing and contents of any future guidance from the SAB in relation to academy funding, which may encourage pooling within Funds as a preferred solution. It would put at risk the stability of academy contribution rates if academies were individually assessed in 2019 only to be pooled back at the next valuation. Under this proposal, Academies would

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[3] Proposals for the Town and Parish Councils, and Admission Body Group, are to operate an alternative grouping arrangement where all risks continue to be shared but assets are allocated to employers. The principal aim is to give more flexibility to both the AA and employers around the timing of deficit payments, which were payable over 19 years for all grouped employers in the 2016 valuation.

continue to pay deficit contributions based on their proportion of the group's payroll and would pay a common future service rate. It is likely that overall contributions would be lower than present due to the overall improvement in funding (as this will lead to lower deficit contributions).

27. Pooling academies together would aid any future call on the DfE guarantee in the event of failure, because it would be clearly demonstrable that there were no cross subsidies to or from outside the academy sector.

28. However, if there is no national approach before the next valuation, the decision to maintain a group for academies would be revisited prior to that valuation in consultation with the academies and DfE.

Town and Parish Councils

29. Town and Parish Councils (TPCs) are resolution bodies who have the choice of designating membership to the LGPS and therefore participate in the Fund on a different basis to scheduled bodies who must offer the LGPS to all their employees. Therefore the membership of TPCs can be transient and result in an employer joining and exiting the Fund multiple times. This means that some TPCs join the Fund as a new employer without historic deficit contributions, whilst others continue to pay deficit contributions because they joined the SBG before the 2010 valuation when the layered deficit recovery plan was introduced[4]. More generally, the participation of 'new' (post 2010) employers in the SBG is inconsistent with the other employers in the group who all contribute towards paying off the group's deficit.

30. Although there are 60 TPCs in the Fund, they represent only 271 active employees, 154 deferred members and 157 pensioners. Membership of the SBG has ensured that TPC contributions are much more stable than if their contributions are assessed on an individual basis. It is therefore appropriate that some version of grouping is retained for TPCs. One of the risks which TPCs would have been vulnerable to if they are not grouped are ill health and death pension costs, but since 2016 these risks are shared across all employers in the Fund. The biggest remaining variable is the age of the TPC's membership which, if they only have one active member, could result in huge changes in contribution rates over time.

31. **It is therefore proposed that the TPCs will be pooled together and pay a common primary contribution rate.** However, it is also proposed that assets of the pool are allocated at employer level to enable the Fund Actuary to certify individual deficit contributions reflective of the TPC's expected future participation in the Fund, and so that exit calculations are based on the TPC's own assets and liabilities. Deficit recovery periods will be reduced, but this will be accommodated

[4] The LGPS regulations allow the Fund to suspend the requirement for an exit payment if the TPC has a further active member joining within three years of ceasing active membership, which reduces the administrative burden and potential financial implications of a pre-2010 TPC exiting the Fund.

within the overall savings likely to be generated by the improved funding position (i.e. a reduced deficit) to avoid any contribution increases.

De-group the Scheduled Body Group

32. Once academies and TPCs are removed from the SBG, the remaining employers are mainly the local councils, and associated employers such as the Cultural Trust. Under the proposals, **these employers will be given their own contribution rate at the 2019 valuation**, based on their membership profile and a share of any remaining deficit. Associated employers (including maintained schools which have a separate employer number to their local authority for historic administration purposes) would be grouped with their local authority.

33. All employers would continue to have the same funding target and deficit recovery period at the 2019 valuation, although this could be varied at future valuations.

34. As there has been a material improvement in the funding level for the HPF since the 2016 valuation, it is anticipated that overall contributions will not rise, and on balance are more likely to reduce, before allowing for any changes to the group arrangements.

35. By taking this opportunity to dismantle the SBG at the 2019 valuation, SBG employers are more than likely to find that even if their future service rate increases as a result of degrouping (if their membership is older than the group average) their overall contribution rate will be stable or reduce as a result of a significantly reduced deficit stream payment.

Alternative grouping arrangement for the Admitted Body Group

36. Work has already been carried out to secure a commitment from the relevant local authorities to subsume the assets and liabilities of the charitable employers in the ABG when they exit the Fund. This will enable the continuation of a long term funding strategy for those employers' liabilities without having to increase funding to the level required for orphan liabilities within the Fund. The two bodies without this commitment will be de-grouped at the 2019 valuation and set their own contribution rate and recovery period, based on their financial strength and likely length of participation in the Fund.

37. Due to the disparate membership profiles of employers in the group, there would be a wide range of future service rates at employer level if the group was dismantled and rates were set individually. Some employers would experience significant increases in rates and others significant decreases. Many of the employers in the group have alerted the AA to affordability constraints which would suggest that setting individual rates for some employers could have a significantly detrimental impact to their ongoing viability.

38. **It is therefore proposed that the remaining employers will be consulted on continuing to share all risks within a reformed admission body group**, so not to disturb current risk/cost sharing arrangements which currently protect a number of the employers. The proposal will be to change the operation of the group funding arrangements so that assets are allocated to individual employers at the 2019 valuation to enable different recovery periods to be used in light of different potential terms to exit (based on the working lifetimes of their active members). The aim is to avoid contribution increases and make these changes within the cost envelope provided by the improvement in the funding level since 2016.

39. To keep the funding strategy simple, employers may be allocated into short, medium and long-term brackets for recovery plans.

40. By taking this approach, it will eradicate the issue which currently exists whereby there is an inconsistency between the amounts employers pay in deficit contributions whilst members of the fund, and the amounts they are asked to pay on exit. This is because active employers pay a share of the group's deficit contributions in proportion to their relative payrolls in the group but, as and when they exit the Fund, they are allocated a different share of the group's deficit, in proportion to liabilities. This current operation is a natural outcome of the existing grouping arrangements in which cross-subsidies are unravelled on exit. In some cases this can (and has) caused an unexpected significant exit payment for the exiting employer (to the gain of the other group employers), and in other cases it could see a lower than expected exit payment for the exiting employer (but to the detriment to the other group employers). Setting individual deficit contribution rates for ABG employers ensures the fair allocation of the total ABG deficit across its members and consistency with valuations undertaken on exit.

Employer communications

41. A workshop will be held for each of the affected employer groups, and are being arranged for 28/29 May 2019. These will be led by the Fund actuary, with the Hampshire team in attendance. Employers will be encouraged to attend their relevant session, although the workshops will be recorded and made available for employers who cannot send a suitable representative.

42. At these sessions, the Fund Actuary will provide detailed examples of how the changes would affect employers on a range of scenarios, including examples of those who would benefit from the dismantling of the groups, and those who would 'lose out' (i.e. they see an increased future service rate and/or deficit contributions as a consequence of dismantling the groups, noting that there should be an overall reduction in contributions because of the improvement in funding level) for a range of funding levels. These calculations will be based on anonymised data from the 2016 valuation.

43. It is not desirable to provide individual examples for all affected employers based on the 2016 data because:

- figures on the 2016 data are unlikely to be valid in 2019 for some employers due to material changes in membership since 2016 (in particular employers of the admission body group); would be unhelpful as an indication, and could in some cases incorrectly allocate winners and losers
- changes in assumptions and market conditions between 2016 and 2019 could lead to materially different values in 2019, even if membership data had been relatively stable
- focussing on specific numbers, which are in no way accurate, could be very misleading as they do not correspond to likely contribution rates from 2019
- it is desirable for employers to respond to the principles of the proposals, rather than based on their own position.

44. However, to reiterate, as the indications are that the funding position will be much improved compared to the position at the 2016 valuation, the expectation is that employers would not see any rise in overall contribution levels (combining both the Future Service Rate and the fixed deficit payments) and that potentially most (but not all) employers will see an overall reduction in contributions due to lower deficit payments.

45. Employers will be sent invitations to the workshops in the week commencing 29 April, and encouraged to raise any questions or make any initial comments prior to the workshops. Following the workshops employers will have a further 4 weeks to comment on the proposals prior to a report and recommendations being brought to the Pension Fund Panel and Board on 12 July. The Pension Fund Panel and Board can then decide whether or not to proceed with the proposals for the 2019 valuation. This decision is as late as it can be without compromising the valuation timetable under which initial employer results are available for the annual employer meeting and budget cycles in October.

Legal implications

46. Previous legal advice obtained from the Fund’s external specialist pension lawyers confirms that:

- the LGPS regulations give the AA the statutory power to amend the funding model
- the AA must act fairly and reasonably and in line with those powers
- changes to the Funding Strategy Statement (FSS) must be made in consultation with ‘such people as the AA considers appropriate’.

47. A recent Pensions Ombudsman case found that the AA has a duty of care to members and employers as a whole, not to one particular employer or group of employers, to adopt policies it considers fair and reasonable.

48. The main aim of dismantling the SBG and making the four proposed changes are to:

- reduce risk to all employers in the SBG by recognising existing differences between employers in terms of their participation in the Fund
- remove the cross subsidies within the groups that have increased beyond an acceptable level
- make it possible for those employers who are likely to stop contributing, to properly manage their exits
- allow employers greater transparency and control over their own pension costs, including the potential ability to pre-pay contributions or make one off contributions to improve their own funding position
- continue to operate pooling arrangements for employers where pooling is desirable, including:
    - employers in the ABG where, due to the financial constraints of employers in the community/charity sector, individual funding arrangements could put some organisations viability at risk, and
    - for employers who are homogeneous and operate within the same sector, such as TPCs and Academies, for whom cross subsidies would be secondary to a preference/desire to pay a common rate across the sector and hence be protected from potential significant employer variations.

Making these changes will bring the Fund in line with other LGPS funds who already calculate employer contributions rates on an individual, rather than grouped, basis.

Employer attendees at de-grouping workhops in May 2019

Town and Parish Council workshop held on 28 May 2019

Invitation sent to 61 employers. Workshop attended by the maximum of 14. Three councils would have had a place if there had been more space (shaded in table below).

Attendee	Responded to consultation?
Alton Town Council	Yes
Hythe and Dibden Parish Council	Yes
Hound Parish Council	Yes
Church Crookham Parish Council	Yes
Fawley Parish Council	Yes
Swanmore Parish Council	No
West End Parish Council	Yes
Romsey Extra Parish Council	Yes
Fleet Town Council	Yes
Kingsclere Parish Council	Yes
Whiteley Town Council	No
Baughurst Parish Council	Yes
Ringwood Town Council	Yes
Beech Parish Council	Yes
Liss Parish Council	No
Four Marks Parish Council	Yes
Kings Worthy Parish Council	No

Admitted Bodies Group workshop held on 28 May 2019

Invitation sent to 19 employers, 12 attendees.

Attendee	Responded to consultation?
Community First New Forest	No
Hampshire Association of Local Councils	No
Community First	No
The Handy Trust	No
Basingstoke & District Sports Trust Ltd	No
HACB/Open Sight	No
Basingstoke Voluntary Action	No
Options Wellbeing Trust	No
Winchester City Council South East Employers	No
Tourism South East	No
The Handy Trust	No
Tourism South East	No

Academies workshop held on 29 May 2019

Invitation sent to 75 academies, 16 attendees.

Attendee	Responded to consultation?
Admiral Lord Nelson and Trafalgar Schools – Salterns Academy Trust	No
The Gryphon Trust	No
Rosewood School	No
The Thinking Schools Academy Trust	No
Hamwic Education Trust	No
Hounsdown School	No
University of Chichester Academy Trust	No
Everest Community Academy	No
TKAT	No
Wyvern College	No
Eggars School	No
Academy Trust's	No
The De Curci Trust	No
Bridgemary School	No
The Perins MAT	No

Scheduled Body Group workshop held on 29 May 2019

Invitation sent to 21 employers, 10 attendees.

Attendee	Responded to consultation?
New Forest District Council	Yes
Test Valley Borough Council	No
Portsmouth City Council	No
Gosport Borough Council	No
Basingstoke and Deane Borough Council	Yes
Lymington Harbour Commissioners	No
Hampshire Police	No
Fareham Borough Council	No
Southampton City Council	Yes
Winchester City Council	Yes
Hart District Council	No

Respondee name	Employer type	Supportive of proposals?	Summary of response
Alton TC	TPC	No	TPC pool is too small to be viable and a cap on contributions from the 2019 valuation does not help as just masks the true cost. Might prefer to be standalone.
Basingstoke and Deane BC	SBG	Yes	Justifiable allocation of costs to employers. Opportunity to pay one off contributions is appreciated.
Baughurst PC	TPC	Yes	No objection to proposed changes.
Beech PC	TPC	No	Leave the SBG as it is, or pool with HCCC, or pool with 'parent' district/borough.
Blackwater and Hawley TC	TPC	No	Understand the need to be equitable but cannot respond to consultation without understanding the impact of the changes on the council's own financial position.
Bourne Education Trust	Academy	Yes	Broadly supportive but have got general concerns about affordability.
Bramshott and Liphook PC	TPC	No	Noted the proposals but unable to comment without understanding the financial implications.
Church Crookham	TPC	No	Leave the SBG as it is. Concern over the lack of details and timing of the consultation. Wait until after the 2019 valuation results and then re-consult.
Colden Common PC	TPC	No	Do not feel placed to make a response without further information on what is driving the changes and financial information.
Fawley PC	TPC	No	Leave SBG as is or else pool TPCs with less than 10 members
Four Marks PC	TPC	No	No, would leave TPCs vulnerable.
Fleet TC	TPC	No	Not supportive of change. Don't understand how this decision can be taken before the 2019 valuation as it won't be made on up to date information.
Hampshire County Council	SBG	Yes	Provides visibility / autonomy over pension costs. Welcome ability to pre-pay contributions or make additional contributions.
Hamsphire Fire and Rescue	SBG	Yes	Provides visibility / autonomy over pension costs. Welcome ability to pre-pay contributions or make additional contributions.

Respondee name	Employer type	Supportive of proposals?	Summary of response
Headley Parish Council	TPC	Yes	In principle have no objection to the proposals but need further information to be able to respond.
Hordle PC	TPC	No	Unable to comment without financial information
Hound PC	TPC	No	Leave the SBG or else pool TPCs with the other councils.
Hythe and Dibden	TPC	No	Leave the SBG as it is, no reason to change.
Kingsclere PC	TPC	No	Cannot comment where figures are unknown and options haven't been compared. Concerned about TPC being too small.
New Milton TC	TPC	No	Leave the SBG as it is, to de-group is against the ethos of councils working together.
New Forest DC	SBG	Yes	Hard to comment on principles rather than knowing the financial impact on my own organisation but would like the ability to pre-pay and do see that employers should be accountable for their own decisions.
Odiham PC	TPC	No	Increases exposure so leave the SBG as it is. Unhelpful not to have figures.
Overton PC	TPC	No	Leave the SBG as it is. Difficult to respond in the absence of financial information.
Ringwood Town Council	TPC	No	Look for alternative proposal that allows pre-payment/one off contributions without breaking up the group.
Romsey Extra PC	TPC	No	Unable to comment without financial information
Rushmoor BC	SBG	Yes	Changes will result in improved long term position for the Fund. Welcome the option to make pre payments or pay additional contributions towards the deficit.
Southampton City Council	SBG	Yes	It is the right time to disaggregate and would be interested in the option for pre-payment/additional contributions.
Thornden School	Academy	Yes	No comment on changes but would like certainty over deficit payments, and for changes to come in from September 2020 not April 2020.
West End PC	TPC	No	TPC pool is too small. Membership of the LGPS by TPCs should be encouraged to strengthen the partnership between tiers of local government.
Winchester City Council	SBG	Yes	Fair contributions. Support ability to make pre-payments/one off contributions.

Downer, Lois

From: Alton Town Clerk <townclerk@alton.gov.uk>
Sent: 26 June 2019 12:34
To: Pensions Employer Services
Subject: Proposed changes in the Hampshire Pension Fund Consultation response

Dear Sirs,

Please find below the comments from Alton Town Council in relation to this consultation.

1) The proposed Parish Council fund looks too small to be a viable pension scheme in its own right
2) We have reservations about the long term cost implications of these changes and alarm bells start ringing when advisors suggests members of the scheme should look at whether to remain in the scheme or not due to the cost implications of liability going forward by remaining in the scheme. Is the intention to try and get town and parish councils to exit?
3) Whilst the consultation has stated there will be a cap any increase for the first three years to lessen the initial impact this only adds to the burden in years to come
4) This is only being put forward now because of a very short term improvement in the funding position over the last three years. If it can improve that much in three years it can potentially go down by the same percentage over the next three.
5) Without evidence of what the position would be if we stayed in the existing arrangement it is difficult to assess the principles of the consultation.
6) The proposal lumps larger councils i.e those with 15+ employees in the scheme with smaller ones with one or two employees. The larger councils generally have a lower age profile of employees but will be worse affected as their liability overall is less but they are lumped in with smaller councils whose liability is greater because of the higher age profile, but we will all be paying the same percentage.
7) Whilst HCC were keen to say that this was a transparent process there was no evidence presented of options they have discounted and nor was there any forecasting of the new rates for parishes should we stay in the existing regime. We were advised it has not been considered which provokes the question as to whether this is a genuine consultation or not.
8) We would asked if Councils, particularly those with larger numbers of employees in the scheme or deferred/retired could be dealt with in the same way as the proposal for others currently in the Scheduled Body Group and have an individual assessment of their contribution levels to ensure it is fair but we were advised we could put that in our response but it was not likely to be considered (again a question over whether therefore this is a genuine consultation)

Kind Regards

Leah
Mrs Leah Coney
Town Clerk
Alton Town Council
Town Hall
Market Square
Alton GU34 1HD
01420 83986

Downner, Lois

From:	Phillip Hood <Phillip.Hood@basingstoke.gov.uk>
Sent:	28 June 2019 15:34
To:	Pensions Employer Services
Cc:	Sue Cuerden; Carr, Rob
Subject:	Proposed Changes to Pension Fund Arrangements

Dear Carolyn

Thank you for the invite to the pension fund workshop on the proposed changes to pension fund arrangements which I attended on 29 May on behalf of Basingstoke and Deane Borough Council.

This together with the accompanying briefing note was very helpful in understanding the proposed changes and I am pleased to confirm that following discussion with Sue Cuerden (Exec Director of Finance and Resources and S151 Officer) this council supports the proposed changes. We agree that the proposed de-grouping arrangements will lead to a fairer and more justifiable allocation of pension costs across employers and welcome the resulting opportunity of being able to consider making one-off contributions to reduce future pension deficits and make revenue savings.

Kind regards

Phillip Hood
Head of Financial Services
Basingstoke and Deane Borough Council
Tel: 01256 845660
Phillip.Hood@basingstoke.gov.uk
www.basingstoke.gov.uk
@BasingstokeGov @BasingstokeGov

Basingstoke and Deane

THAMES VALLEY PROPERTY AWARDS 2017
Town of the Year WINNER

Downer, Lois

From:	clerk@baughurst-pc.gov.uk
Sent:	25 June 2019 14:16
To:	Pensions Employer Services
Subject:	Proposed changes to the Hampshire Pension Scheme

Dear Sirs

My Council has considered the arguments both for and against the proposed changes to the Hampshire Pension Scheme, and have no objection to the proposed changes, and feel that the scheme should be accepted.

Yours faithfully

Penny Waterfield
Clerk to the Council
51 Sheridan Crescent
BAUGHURST
RG26 5HQ
clerk@baughurst-pc.gov.uk
www.baughurst-pc.gov.uk
Tel: 0118 981 2944 Mobile: 07746 756007

Please note that I work part-time, and will reply to your emails on a flexible basis

24 June 2019

Beech Parish Council response to
Proposed changes to the structure of the Hampshire Pension Fund

Prepared in response to:

(i) a letter from HCC dated 28 April 2019, with an attached briefing note; and
(ii) HCC's workshop for town and parish councils on 28 May 2019.

Town and parish councils, as a whole, have done well out of the comprehensive risk sharing within the current SBG. Pension contributions have been lower than they otherwise would have been, and the share of the SBG deficit (and contributions to paying it off) have been steady, predictable and equally shared between employers. Any change from the status quo is likely, on the whole, to affect such councils adversely.

The proposed scheme for de-grouping the Scheduled Body Group ('SBG') is being taken as the opportunity, wherever possible, to attribute Fund assets and liabilities at the individual employer level. This applies to town and parish councils as much as to the larger councils. The effect of the proposed TPC Group is merely to have a common pension contribution rate in respect of all current employees (which may be more for the convenience of the HCC scheme administrators than for any other reason); in all other respects there is absolutely no sharing of pension fund risk between the town and parish councils or with any other employers.

(We refer to paragraph 31 of HPF's paper 'Proposed changes to the funding strategy for the Hampshire Pension Fund' which states:
"31. **It is therefore proposed that the TPCs will be pooled together and pay a common primary contribution rate.** However, it is also proposed that assets of the pool are allocated at employer level to enable the Fund Actuary to certify individual deficit contributions reflective of the TPC's expected future participation in the Fund, and so that exit calculations are based on the TPC's own assets and liabilities."
In other words, in the future the assets, liabilities and resulting surplus/deficit will be calculated at individual town and parish council level, and the council's very real deficit reduction payments will be made based upon that individually-calculated deficit number. No sharing of pension financial risk there at all. With all of the asset/liability calculations being performed at the individual employer level, it will be as though each council will be funding its own individual defined-benefit pension scheme – in the case of Beech Parish Council a 2 person scheme – with no risk-diluting pooling effect at all.)

One does wonder why there should be a common contribution rate for all town and parish councils; the common rate will be too high for some and too low for the rest, and will act to drive each council further into deficit or surplus. Wouldn't it be more sensible to set an individual contribution rate for each council under this scenario? The additional contribution for paying off the attributed deficit will in any case be set individually for each council, so the total contribution % of payroll will already vary between councils.

The proposal to cap an employer's contribution (during a transition period) to what it would have been under the old SBG arrangement is well-intentioned but perhaps pointless? A 'capped' employer would just be increasing its deficit during the transition period, and so following the end of the transition period its total contribution (including deficit reduction payment) will just be higher than it would otherwise have been. In other words, the increase to the employer's contributions is merely deferred and accentuated. (Although it could be the case that a transitional period may allow the increase to be better quantified and planned for by councils. In general, fixing a council's contribution levels well in advance will help financial planning, setting council tax precepts etc.)

You asked for comments on the appropriate number of years over which payments should be made to eliminate a council's deficit. This is impossible to answer because we have no idea of the range of sizes of deficit (per £ of payroll) that we might be faced with. No parish council knows the size of its current deficit, if any. Also, deficits fluctuate wildly over time depending on Fund investment returns and other factors, so aren't predictable. Our only comment is that if a parish council ceases to be a member of the Fund (e.g. if it ceases to exist because no councillors come forward – an emerging problem) then it may well not have sufficient reserves to pay off any residual pension fund deficit, as a parish council is not supposed to carry unallocated reserves. And it is hard to allocate the appropriate reserves, every year, to a wildly fluctuating deficit.

Overall, we believe that the comprehensive risk sharing arrangements that exist in the current SBG are ideal for accommodating small organisations (town and parish councils) that:

- need steady and predictable outgoings to match their steady, barely fluctuating income (council tax precepts);
- may at any time cease to be participating employers (or even cease to exist) and be unable to fund any (relatively very small) residual deficit that could be attributed to them;
- may unwittingly be carrying pension liabilities accrued when their employees were previously employed by other Hampshire local authorities; and
- should not have to worry about incurring a significant actuary-calculated financial penalty when recruiting a suitable older (or female) candidate to their very small workforce (possibly only a single employee, as in Beech Parish Council).

So moving town and parish councils out of the currently constituted SBG will be detrimental to their finances and financial planning.

By how much will Beech Parish Council's financial risk increase by moving from a risk-pooled scheme with c.150,000 members/pensioners to a stand-alone scheme with two members (where financial risk equals the probability of deviation from the mean expected financial outcome)? Will the level of financial risk rise by a factor of 100 (all other things being equal)? By a factor of 1,000? Or 10,000? Or will the level of financial risk rise by a factor of more than 1 million? These are straightforward statistical calculations that AON's actuaries must be able to provide.

(Also, even if financial risk were to be truly pooled between all town and parish councils, there would be a move from the c.150,000 member/pensioner SBG pool to a c.600 member/pensioner TPC pool. Once again, the level of financial risk would rise by a large factor.)

Therefore, if the SBG is to be abolished for other good commercial reasons, then we would propose that the Hampshire town and parish councils be put in a pool with HCC (who have c.70,000 members/pensioners), with full risk sharing in the same manner as the current SBG. The vast bulk of this pool would consist of HCC, which would still be separated from other major bodies currently in the SBG (which must be one of the key drivers of the current proposals). Essentially, town and parish council employees would become members of the de-grouped HCC pension scheme. Town and parish councils already have a pensions administrative relationship with HCC/HPF. In this arrangement, the beneficial pooling effect for town & parish councils is of the same order as in the SBG.

Alternatively, town and parish councils could be pooled with their 'parent' district or borough council – thus Beech Parish Council in East Hampshire District Council's pool – again with the pool acting similarly to the SBG. This may be more appropriate if the ratio of town and parish council employees to district council employees is lower than it is to HCC employees. But this seems unlikely because EHDC has only c.950 members/pensioners, and so pooling with HCC would seem to be a far superior solution.

In summary, the potentially high volatility of a pension fund calculated at single employer level, for a very small parish council like Beech (one current employee plus possibly one deferred pensioner), is not desirable. The likelihood and financial consequences of our attributed pension fund's deviation from actuarial assumptions are just too great for comfort. We would be surprised if it were not to be considered poor professional practice, in the context of defined benefit pension arrangements, to move a one/two member employer into a stand-alone asset/liability arrangement from the existing comprehensive risk pooling arrangement in the SBG.

This note is copied to Mark Kemp-Gee, the Chairman of the Hampshire Pension Fund Panel & Board, and our local County Councillor. It is also copied to Tony Costigan, our local East Hampshire District Councillor.

Downer, Lois

From:	Enquiries <enquiries@blackwaterandhawleytowncouncil.gov.uk>
Sent:	25 June 2019 12:40
To:	Pensions Employer Services
Cc:	acollett@cix.co.uk; Andy Tarbet; Bob Harward; Brian Blewett; Dave Lister; Sara Usher; Terry Hunt; Trish Monks
Subject:	Response to Pensions Consultation

Dear Sirs

This is the formal response of Blackwater and Hawley Town Council (BHTC) to the current HCC LG Pensions Scheme consultation.

The Council has reviewed the information provided and is disappointed that it has been unable to find out the actual monetary impact of the proposals on the Town Council.
BHTC acknowledges the wish to spread the load equitably regarding the Pensions Deficit, costs and risks going forward, however it understands that this consultation is based on projections following the last Actuarial Review which took place in 2016, with the next Review due in September 2019.
BHTC believes that this consultation is therefore premature, and formally requests that the deadline for consultation and action on these proposals be deferred until the effects of the Actuarial Review on its personal circumstances are known.

Yours faithfully

Mary Harris

Locum Clerk
Blackwater and Hawley Town Council

Downer, Lois

From: Kate Sanders | Bourne Education Trust <sandersk@bourne.education>
Sent: 28 June 2019 10:14
To: Pensions Employer Services
Cc: Helen Webster; Alex Russell | Bourne Education Trust
Subject: Response to Pensions Consultation - Academies

Dear Pensions

We are broadly in support of polling academies together.

However there are three significant concerns:

1) Timing of valuations – our 19/20 budget has been set, the academy budget is on a knife edge and it is really not good for us to get any in year changes to the pension rate or deficit lump sum.
2) Assumptions – whilst we understand the need for conservative assumptions any significant increases will have a serious impact on our budgets. Unlike maintained schools, academies cannot have deficit budgets. We would therefore ask that this is taken into account when making the final decisions on rates/deficit lump sum values.
3) The basis of the deficit lump sum – we understand that this was set at conversion – given that Everest has had to go through two major restructures to reduce staff in order to be viable including the payment of at least one capital lump sum, a deficit lump sum based on payroll at conversion is now completely at odds with the current payroll value. Everest for example has a deficit lump sum to bear that is the same or more than Robert Mays School, a school many times its size. We believe this calculation methodology should be reviewed.

Thanks and regards,

Kate

Kate Sanders
Chief Operating Officer
Bourne Education Trust
Ruxley Lane
West Ewell
Epsom
KT19 9JW
02089740400
sandersk@bourne.education

Bourne Education Trust

Transforming schools... changing lives

Downner, Lois

From: Clerk <clerk@bramshottandliphook-pc.gov.uk>
Sent: 20 June 2019 14:37
To: Pensions Employer Services
Subject: Consultation on Proposed Changes to the LGPS

In response to the consultation, the council considered the proposals and felt that in the absence of any detailed information about the financial implications, the proposals be noted.

Kind regards

Peter Stanley
Executive Officer
Bramshott & Liphook Parish Council
The Parish Office
Haskell Centre
Liphook
Hampshire
GU30 7TN
Tel 01428 722988

CHURCH CROOKHAM
PARISH COUNCIL

Church Crookham Parish Council

Church Crookham Community Centre, Boyce Road, Church Crookham, GU52 8AQ
01252 626793

25th June 2019

Response to the proposed changes to the structure of the Hampshire Pension Fund on behalf of Church Crookham Parish Council

Dear Sirs,

Church Crookham Parish Council (CCPC) was recently represented at the Town & Parish Council briefing session where details on the proposed changes to remove Town & Parish Councils to a separate pension scheme were set out. As requested this letter is in response to the proposals.

Of main concern is the lack of time and meaningful detail that has been provided to respond on such an important issue especially bearing in mind the timetable of parish council meetings and bringing an important and somewhat complex issue to be determined.

CCPC's response is as follows:

- That CCPC should remain in the Scheduled Bodies Group (SBG) for now as concern has been raised that the proposal is made on assumptions, and is not based on the most current valuation for which figures are due out later in the year.
- If the proposal is to proceed, the Pension Fund should delay any proposed changes until after publication of the 3-year valuation at 1st April 2019, i.e. no decision should be made until that result is known later this year. We believe it is imperative to have the most up to date and complete information to enable an appropriate decision to be made.
- That any proposed changes should be consulted fully on again with ALL options and their impact on the TPCs set out clearly. At the meeting there was a request to be provided with the funding position if this group remained in its current form but this was not forthcoming.

In addition, Church Crookham Parish Council is not aware of any potential shortfall in its fund and currently assumes that we would have been notified of any such shortfall in order that plans can be set to rectify any such position. Are you able to confirm if CCPC has a deficit?

CCPC would also like to understand how the outcome of the consultation will be communicated and if we can expect individual responses to points raised within this submission.

CHURCH CROOKHAM PARISH COUNCIL

Church Crookham Parish Council

Church Crookham Community Centre, Boyce Road, Church Crookham, GU52 8AQ
01252 626793

Yours Sincerely,

Mrs C L Inglis
Clerk to Church Crookham Parish Council

Downner, Lois

From:	clerk@coldencommon-pc.gov.uk
Sent:	26 June 2019 10:37
To:	Pensions Employer Services
Subject:	Proposed changes in the Hampshire Pension Fund - Town and Parish Councils

Please find below Colden Common Parish Council's comments on the proposed changes in the Hampshire Pension Fund.

The Parish Council do not feel competent to make a representation but would like to make the following comments: -

1) ***The Parish Council would like further information on what is driving this proposed change and the perceived benefits to HCC and the Town and Parish Councils.***
2) ***What is the forecasted financial effect on both the Town and Parish Council and the HCC pension fund in terms of contributions to any deficits and ongoing financially viability?***
3) ***The perception is that fewer Town and Parish Councils are offering the HCC pension fund to new employers, adopting for a NEST pension instead. Does HCC have evidence of enrolments from Town and Parish Council falling, and if so, what are the forecasted effects of this on the proposed a stand-alone Town and Parish Council pension fund.***

Colden Common
Parish Council

The Parish Office, Community Centre,
St Vigor Way, Colden Common,
Winchester, Hampshire, SO21 1UU

Telephone: 01962 713700 or 07775 627131
Email: clerk@coldencommon-pc.gov.uk
www.coldencommon-pc.gov.uk

Clerk to the Council: Debbie Harding

Connecting Communities

FAWLEY
PARISH COUNCIL

REF: SP

13 June 2019

Carolyn Williamson FCPFA
Deputy Chief Executive & Director of Corporate Resources
Hampshire Pensions Service
The Castle
Winchester
Hampshire
SO23 8UB

Dear Ms Williamson FCPFA

Re: HPF Grouping Proposals

Thank you for your briefing note and invitation to the grouping proposal workshop that I attended on Tuesday 28 May 2019.

I can confirm that your briefing note was part of agenda papers for a meeting of our full council on 12 June 2109. The resolution agreed was that this letter is returned as Fawley Parish Council's (FPC) response to the consultation.

The Council having read the briefing document fully understand the reasoning why Hampshire County Council (HCC) would consider separating town and parish councils from the 'scheduled body group' (SBG) of the Local Government Pension Scheme (LGPS). Whilst the reasoning concludes that the small numbers, and the older age profile of employees of town and parish councils creates a higher risk due to reduced years of pension membership, and the possibility of exiting the scheme if there are no employees to continue contributions, this is not the case for Fawley Parish Council. However, members do think this would generally be true for many parish councils who have small employee numbers.

Fawley Parish Council has 30 employees, 15 of which are in the LGPS. The age profile is very varied with many being in their twenties. This would, in the council's opinion set us apart from most other parish councils, as we are not within the risk profile suggested in the briefing document. i.e. FPC has sufficient employees to continue contributions, and length of membership is sufficient to meet any deficit payments.

The proposal of Fawley Parish Council would therefore be;

1. The scheme to remain as it is currently
2. If a change is approved to create a new Town and Parish Group that membership of a group is conditional; that a council having more than 10 employees stays within the SBG.

Should you have any questions please do not hesitate to contact me.

Yours sincerely

Steve Postlethwaite

Clerk to Fawley Parish Council
Email: clerk@fawley-pc.gov.uk
Tel: 02380890761

Fleet
TOWN COUNCIL

The Harlington
236 Fleet Road
Fleet
Hampshire
GU51 4BY

01252 625246

25 June 2019

Dear Sirs,

Fleet Town Council's response to the proposed changes to the structure of the Hampshire Pension Fund

We recently attended the consultation meeting and have been considering your proposals.

Thank you for the opportunity to respond to your proposal to remove Town and Parish Councils to a separate pension scheme, although we feel that the length of time given is quite inadequate on such an important matter.

After careful consideration, we are of the opinion that we would strongly prefer to remain, as now, in the current large scheme on the simple basis that there is great strength rather than becoming a minnow of only 271 active members.

If that is not possible we are very concerned that the proposal is being made on the basis of assumptions and not on the basis of an actual 3 year valuation at 1st April 2019. We believe no decision should be made until that result is known in October this year.

The current situation is based on information in Nov/Dec 2018, a most favourable time in the present volatile markets and it is known that conditions since, in particular March/April are not as favourable.

The December figures show a massive improvement in valuation of the scheme over a two and a half year period. However your information at times varies and mentions 90%, 93.5%, closer to 100% and "it is near 100% funded" (page 4 of the proposed changes to the funding strategy).

Currently in local government you use a very optimistic Discount Rate compared to private schemes, largely based on the covenant of the tax payer. This rate is critical as even a reduction of 0.1% makes a massive increase to liabilities. Likewise your investment return target is overly optimistic in today's UK scenario.

Therefore the new 3 Year Valuation will have new agreed assumptions on the Discount Rate, Investment Return, Mortality and Inflation. In addition there should be assumptions made for GMP and the McCourt case all of which affect liabilities. We think it is essential to have the most up to date facts available.

In addition, Ministry of Housing, Communities and local Government have issued a consultation document. This latter part covers flexibility on exit payments and policy changes on exit credits. The current exit discount rate of 2.1% (fully buy out basis) is a particular concern to us as employers where we have only two members in a closed scheme, both of whom could retire at any time. We believe many other Town and Parish Councils are open to new members.

We would like to know the precise situation re exit payments under any new arrangements for our council say from 31 December 2019.

We hope you agree that all these aspects are sound reasons for suggesting that any decision is made only when all these current factors are taken into account in the 3 Year Valuation at April 2019.

Surely if you are determined to achieve smooth contribution rates, the most up to date information is necessary?

Whilst we appreciate your proposals to keep certain cost items like lump sum death in service and ill health early retirement pooled at Fund level, we are still concerned by proposals based on dated information.

A further concern is that on page 8 of the presentation you give £24.348m in respect of Town and Parish Councils but it is not clear whether that represents assets or liabilities. This does not seem a significant sum for a total of 582 members including pensioners and deferred pensioners! Could you please clarify?

In addition we believe everyone at the meeting requested to know the funding position if this group remained as now. Can you oblige please?

I trust the points that have been made will be given careful consideration and responded to where appropriate.

In summary if the Council's position cannot remain as now, it is essential to base any change on a full evaluation as at April 2019 such that the current facts form the basis of any decision.

If you have any questions re Fleet Town Council's comments we are happy to answer and provide any further information.

Yours Faithfully

W. J. Alle

p.p.

Janet Stanton
Town Clerk

Downner, Lois

From: officer@fourmarkspc.co.uk <officer@fourmarkspc.co.uk>
Date: 27 June 2019 at 10:10:41 BST
To: Kemp-Gee, Cllr M <CllrM.Kemp-Gee@hants.gov.uk>
Cc: 'Janet Foster' <janet.foster@fourmarksvillage.co.uk>
Subject: Changes to Pension Grouping for Town & Parish Councils

Good morning Mark,

Although I am 'allegedly' on holiday, I had been trying to respond to the proposed changes to the pension arrangements, but due to the complexity and my very scant understanding of how it all works, and more importantly lack of time, I did not respond to the consultation by the deadline.

I was unable to get a place on one of the workshops but have had the opportunity to watch on-line. The general consensus is that this is already a 'done deal' and no amount of concern raised will have an effect on the proposals and outcome. Although one or two suggestions were acknowledged as being 'looked into'.

As is noted in the issues raised, Parish Councils particularly are usually one employee, and some are very small, there is no 'one size fits all', and I would have concerns that this proposal would leave particularly Parish Council's vulnerable.

I would welcome your thoughts on these proposals, and maybe you can alleviate concerns and reassure that Parish Councils will not be left vulnerable or have to pay more in the long term for the privilege of being a member of the LGPS. I could foresee some PC's actually opting out.

Separately, I thought the meeting on Monday was very productive and it is great that HCC are now actively listening to and working with both the District and the Parish Council.

Thank you for working so hard on this.

Kind regards,

Sarah Goudie
Executive Officer
clerk@fourmarkspc.co.uk
www.fourmarksvillage.co.uk

Tel: 01420 768284

Follow us on Facebook @fourmarksparishcouncil and Twitter @FourMarksPC

Office hours 9.30am - 4.30pm

Four Marks Parish Council
The Parish Office
Four Marks Sports Pavilion
Uplands Lane
Four Marks

Hampshire GU34 5AF

Downner, Lois

From: Carr, Rob
Sent: 20 June 2019 12:01
To: Pensions Employer Services
Subject: Proposed Changes in Hampshire Pension Fund

Dear Sir / Madam

I refer to your consultation in respect of changes to the way the Hampshire Pension Fund operates.

Hampshire County Council as an employer is supportive of the proposed changes, given the changing nature of employers across the public sector and the differing ways in which services are provided following the long period of austerity.

We also welcome some of the opportunities that this provides, not just in terms of the ability to make pre-payments but also to give employers more visibility and autonomy in managing their own pension liabilities.

Many thanks

Rob

Rob Carr
Head of Finance
Finance Service
Elizabeth II Court
The Castle, Winchester, Hants SO23 8UB
E-mail: rob.carr@hants.gov.uk
Tel: 01962 847508
Fax: 01962 847644

Downner, Lois

From: Carr, Rob
Sent: 20 June 2019 12:03
To: Pensions Employer Services
Subject: Proposed Changes in the Hampshire Pension Fund

Dear Sir / Madam

I refer to your consultation in respect of changes to the way the Hampshire Pension Fund operates.

Hampshire Fire and Rescue Service as an employer is supportive of the proposed changes, given the changing nature of employers across the public sector and the differing ways in which services are provided following the long period of austerity.

We also welcome some of the opportunities that this provides, not just in terms of the ability to make pre-payments but also to give employers more visibility and autonomy in managing their own pension liabilities.

Many thanks

Rob

Rob Carr
Head of Finance
Finance Service
Elizabeth II Court
The Castle, Winchester, Hants SO23 8UB
E-mail: rob.carr@hants.gov.uk
Tel: 01962 847508
Fax: 01962 847644

HEADLEY PARISH COUNCIL

Clerk & Executive Officer: Katie Knowles
Parish Office, Village Hall, Arford Road, Headley, Bordon, Hampshire, GU35 8LJ
Tel: (01428) 713132 E:mail: clerk@headleypc.co.uk
www.headleyparish.com

Hampshire Pension Services,
The Castle,
Winchester,
SO23 8UB

24th June 2019

Dear Sir/Madam

PROPOSED CHANGES TO THE FUNDING STRATEGY FOR THE HAMPSHIRE PENSION FUND

Unfortunately, we were not made aware of the opportunity to attend the briefing on the proposed changes to the Hampshire Pension Fund. We were first notified by the briefing note issued by HALC on 12th June and therefore, the window of opportunity for the Council to formulate its comments has been very tight and an unreasonable consultation time period.

However, we have reviewed all available information, including the video recording of the briefing for Town and Parish Councils, and provided the 2019 actuarial valuation is at an acceptable level to allow the proposed changes, our assumption is that you will proceed.

There are many unanswered questions on the impact that the changes will have to the Parish Council's future liabilities and whilst in principle we have no objection to your proposals to separate out town and parish councils, we need further clarification on a number of issues:

1. The differences between the current and proposed ill health provision together with our risks and liabilities;
2. How the proposed new death in service provision will operate and be funded;
3. When will individual parish and town councils be made aware of their specific liabilities for any pension shortfall /secondary contributions for their employees so relevant budgeting can take place in due time?

Yours sincerely

Katie Knowles

Katie Knowles
Clerk & Executive Officer

Clerk & Executive Officer: Katie Knowles
Parish Office, Village Hall, Arford Road, Headley, Bordon, Hampshire, GU35 8LJ
Tel: (01428) 713132 E:mail: clerk@headleypc.co.uk
www.headleyparish.com

Hordle Parish Council
Council Offices, Vaggs Lane, Hordle,
Hampshire. SO41 0FP

Tel: 01425 611119 email: clerk@hordleparishcouncil.gov.uk
Web: www.hordleparishcouncil.gov.uk

Date: 25th June 2019.

Dear Carolyn Williamson

Proposed changes to the structure of the Hampshire Pension Fund

Council members have reviewed the proposed changes to the pension fund and make the following comments:
Concern that these matters are being recommended before the outcome of the 2019 valuation.
Concern over risks, as a small employer only having been in the scheme for 12 years with a maximum of 2 members our monthly deficit repayment is large.
No accurate figures are being offered especially to smaller employers to allow for liabilities to be considered. It is requested that as part of any consideration of changes to the scheme that we receive and Actuary report detailing our pension deficit and therefore our liability.

Yours sincerely

Susan Whitcher

Susan Whitcher

Clerk to Hordle Parish Council

Carolyn Williamson
Deputy Chief Executive and Director of Corporate Resources

The Parish Office, adjacent to the Pavilion, Vaggs Lane, Hordle, is open from 10am to noon each Monday to Thursday, excepting Bank Holidays

Downer, Lois

From:	David Nevin <dnevin@houndparishcouncil.gov.uk>
Sent:	26 June 2019 11:09
To:	Pensions Employer Services
Subject:	Re: Proposed changes in the Hampshire Pension Fund - Town and Parish Councils

Good morning,

Thank you for the workshop and sending through the below information from that workshop.

Hound Parish Council members have discussed the proposed changes and have resolved that they do not wish for any changes to be made to the grouping arrangements as proposed; however they may be interested in changes if Town and Parishes were grouped with larger Council bodies.

I have also been instructed to clarify what the exit charge would be if Hound Parish Council were to leave the LGPS and would appreciate if you could send this over please.

Kind regards,

David Nevin PSLCC
Clerk & RFO

t: 02380 453732
m: 07900 056225
e: dnevin@houndparishcouncil.gov.uk
www.houndparishcouncil.gov.uk

On Wed, 12 Jun 2019 at 13:04, Pensions Employer Services <pensions.employer@hants.gov.uk> wrote:

Dear Colleague,

Thank you to those that were able to attend the recent workshops held by the Fund Actuary to help you understand how the proposals regarding changes to the way in which employers are grouped together for funding purposes in the Hampshire Pension Fund, would affect Town and Parish Councils (TPCs).

We are now pleased to attach copies of the slides used on the day, as well as a link to the filmed session for those who were not able to attend or perhaps would like to remind themselves of some of the points made. We have also attached a copy of the Grouping Briefing Note that was previously sent.

Town and Parish Councils Filmed workshop - https://youtu.be/4V5exIc_V2U

Background and discussion from the session

Although we recognise that contributions are likely to have come down had the Scheduled Bodies Group (SBG) remained as is, it is also true to say that the existing cross subsidies within the group would remain; this consultation is seeking to address the point that such cross subsidies are no longer sustainable or justifiable. The much-improved funding position provides an opportunity to make changes without negative impacts on Town or Parish Councils (TPCs).

Under a grouped arrangement, every employer pays the average future service cost for employees in the group and a share of the group's deficit (currently based on the proportion of the group's payroll in 2010). Grouped arrangements therefore mean that employers are cross subsidising each other (e.g. some may have an older than average membership and therefore benefit from paying the group average, some may have a younger than average membership and therefore the group average is higher than they would otherwise pay).

However, these cross subsidies are generally accepted within a group of very similar employers in return for the benefits of sharing risks across a larger number of members, as this results in more stable contributions.

The costs of ill health retirements and death in service have been shared across all employers in the Fund since 2016, and this will continue to be the case regardless of the outcome of the consultation.

The proposal is for the main scheduled bodies (such as the district, unitaries and County Council) to be removed from the group and become stand alone employers in the Fund, paying a future service rate based on their own profile of members and deficit contributions in line with their own liabilities (pensions promised/in payment to deferred and pensioner members).

The town and parish councils are considered to be have a similar profile to each other and therefore it was assumed that they would benefit from remaining as a group, accepting the cross subsidies in return for continuing to share risks and have the resulting stability of contributions. However, it is recognised that TPCs are likely to exit the Fund at different times and so within the group, TPCs would have their own recovery periods for paying off their deficit allowing them to receive the direct benefit of deficit contributions rather than these being shared across all the members of the group.

The administering authority is committed to ensuring stability of contributions for TPCs as smaller employers and has therefore undertaken that that TPCs will be no worse off following the 2019 valuation (i.e. will pay no more, and may pay less) than they would have done based on their current position in the SBG.

At the workshop there was a suggestion that TPCs pool with the relevant council (instead if all TPCs together), however we would also have to consider the views of those councils, noting this is not a proposal which has been put to them. If TPCs believe agreement can be gained with a relevant council to pool together, we would consider this request.

It was summarised that we would welcome comments on views of TPCs on:

- Being part of a TPC group, as proposed, and
- Being treated as individual employers for funding purposes (not sharing experience with other TPCs)

Consultation Feedback

We would like to remind you that we are inviting feedback regarding these proposed changes and we would be grateful for comments to be sent to pensions.employer@hants.gov.uk **no later than 5pm on Wednesday 26 June**, to allow the responses to be collated for a report to be considered by the Pension Fund Panel and Board at their meeting on 12 July.

*Please note that all slides and filmed sessions are now available on the Hampshire Pension Services Website under 'Employer News' - https://www.hants.gov.uk/hampshire-services/pensions/local-government/employers/news/hampshire-news

Kind regards

Hampshire Pension Services
Tel: 01962 845588 | **Fax:** 01962 834537
E-mail: pensions@hants.gov.uk | **Web:** www.hants.gov.uk/pensions

Hampshire Pension Services, The Castle, Winchester, SO23 8UB

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Hythe & Dibden
PARISH COUNCIL

SEAN SPENCER - Deputy Clerk to the Council Tel: 023 8084 1411
email:sean.spencer@hytheanddibden.gov.uk

Carolyn Williamson FCPFA
Deputy Chief Executive and Director of Corporate Resources
Hampshire Pensions Services
The Castle
Winchester
Hampshire
S023 8UB

27 June 2019

Dear Carolyn

Proposed changes to the structure of the Hampshire Pension Fund

Thank you for providing the opportunity for the Parish Council to comment on the above and for hosting the officers briefing in Winchester.

The Council understands the reasoning that a number of Parish Councils exiting the scheme due to their small number of employees and their age profile representing a risk to the pension fund. However, Members do not think that this is true for Hythe and Dibden Parish Council.

This Council has 12 employees in the fund who are of varying ages and therefore we are not within the risk profile suggested in the briefing document. Additionally, there is concern about the potential medium to long term impact on the level of Parish and Town Council's contribution rates should the regrouping proceed.

The response to the consultation of Hythe and Dibden Parish Council is that the grouping should remain as existing.

Yours sincerely

p.p. SMBennett

Malcolm Wade
Chairman of the Parish Council

The Grove, 25 St. John's Street, Hythe, Southampton, Hampshire, SO45 6BZ
www.hytheanddibden.gov.uk

Downer, Lois

From: clerk@kingsclere-pc.org.uk
Sent: 26 June 2019 16:00
To: Pensions Employer Services
Subject: Proposed changes in the Hampshire Pension Fund - Town and Parish Councils

Dear Sir/Madam
In response to your invitation for feedback on the proposed changes in the Hampshire Pension Fund, my council has made the following comments:-
• The consultation is premature in that no firm figures are available. It is unreasonable to expect any considered view to be provided without the financial consequences being set out;
• No alternative proposals were presented such as alternative groupings. The proposed change should be compared with other options along with the financial consequences of each option. At the workshop there was a suggestion that Town and Parish Councils (TPC) could pool with the relevant Borough or District council instead of all the TPCs together but this proposal has not been put to them;
• The major risks associated with the proposed change need to be explained and quantified For instance what would be the effect on the Town and Parish Councils' grouping if some of the larger employers of the group withdraw from the scheme? My council is concerned that if some of the larger employers of a TPC grouping were to withdraw the security of the group fund could be compromised.
In summary my council is concerned that it has been asked to comment on a proposal where the figures are unknown and options have not been compared. Without being able to properly consider this detail my council is not in a position to comment on a preferred option.

Yours sincerely,
Louise Porton
--
Mrs Louise Porton
Kingsclere Parish Clerk - 01635 298634
37 George Street
Kingsclere
RG20 5NH

Downner, Lois

From:	alan.bethune@nfdc.gov.uk
Sent:	27 June 2019 12:27
To:	Pensions Employer Services
Cc:	Lowe, Andrew
Subject:	Feedback on Proposed changes to HFP

Good afternoon,

Please find below comments from New Forest District Council in relation to the **'Proposed changes to the structure of the Hampshire Pension Fund'** letter received on 29 April 2019.

- NFDC support the need to continually review and reform within Local Government and understand the decision as to why this proposal is being considered as part of the 2019 valuation of the HFP.
- We appreciate that we are being asked to consider and feedback on the principles of the proposals, and in summary can support the rationale and objectives.
- We agree that decisions taken across the County should not have a significant bearing on the pension contributions that NFDC are required to pay. Disbanding would mean that NFDC are accountable for decisions taken by NFDC.
- As a mid-sized scheme member, NFDC could support the de-pooling of death and ill health benefits, but understands than in order to offer a level of protection to smaller scheme members, certain elements (death in service, ill health) should be pooled (as will presumably the administration fees?)
- We welcome the opportunity to explore how one-off lump-sum contributions or additional contributions could be evaluated on a financial return basis
- Ultimately we feel very strongly that it would be preferential to make an informed judgement on more specific feedback based on our individual standing as a scheme member, as opposed to just being asked to comment on the overarching principles

Kind regards

Alan Bethune FCCA
Head of Finance (S151)
New Forest District Council
Tel: 02380 28 5588 | 07768 882616

alan.bethune@nfdc.gov.uk
www.newforest.gov.uk

New Forest InTouch app

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Our privacy notice can be read here: http://www.newforest.gov.uk/article/4549/Privacy-Notice

Downner, Lois

From: clerk@newmiltontowncouncil.gov.uk
Sent: 26 June 2019 16:40
To: Pensions Employer Services
Cc: advice@hampshirealc.org.uk
Subject: Proposed changes to the Hampshire Pension Fund

Dear Colleague

As fellow local government employees, we are all working together to provide value for money, and the best services possible.

Irrespective of the tier of local government we are working in, it's always been made clear that we are in this together, equally.

We were reminded of this when Devolution was discussed not long ago and how HCC would work closer with our local councils.

We took this onboard and used the services of Hampshire Legal Services (HLS) as an example. I am also reminded of others, IT.

I was therefore surprised to learn that HCC are considering proposals for changes prior to the triennial review being undertaken.

As you well know, the results of this will not be known until the autumn, and therefore after the end of the consultation period.

From HALC, I also understand that the scheme administrators have confirmed that they will not increase our total contributions.

But this may change in future years and that deficit payments are dependent on work force profile, actuarial valuations and ROI.

All of which leads me to the conclusion that what is being proposed is somewhat premature and runs against our accepted ethos.

In summary, we are not keen on proposed changes at this time and nor are we convinced about the two other options at the end.

Kind regards

Graham Flexman
Town Clerk
New Milton Town Council
I

Downer, Lois

From: Angela McFarlane <cllrmcfarlane@odiham.org.uk>
Sent: 26 June 2019 13:36
To: Pensions Employer Services
Cc: Full Council
Subject: Response to the consultation on Proposed changes to the LGPS

Dear Sir

We would like to register our concern regarding the proposed changes to the LGPS as it affects Town and Parish Councils. Anything which potentially increases the exposure to pension deficit risk of small public bodies such as Parish Councils, and therefore puts the retirement benefits of employees, at risk is clearly undesirable. We are concerned that the planned disaggregation of Councils into groups significantly increases our exposure. The planned changes to transfer of pension rights on change of employer is also unhelpful in both regards. We therefore request that the planned disaggregation is reconsidered and the fund remains as it is, with risk shared across the full range of Councils.

We also find it unhelpful that the consultation period ends before the planned re-evaluation in the Autumn, when employers would be better able to assess and manage the resulting level of risk exposure.

Should we have to fund a deficit, we would have little option but to increase the precept which in the current financial climate would be very difficult. It is also unlikely that this could be increased to the level required. Parish Councils are unlikely to carry a sufficient reserve to be able to meet a shortfall.

Yours sincerely

Angela McFarlane
pensions.employer@hants.gov.pensions.employer@hants.gov.u

Dr Angela McFarlane
Chair of Odiham Parish Council

From:	Laura Harley <lfeh63@gmail.com>
Sent:	25 June 2019 16:59
To:	Pensions Employer Services
Subject:	Proposed changes to LGPS - consultation

Dear Sir of Madam

I am disheartened by the currant consultation to cease to group parish and town councils with district and the county councils with regard to funding the pension scheme for all employees who contribute.

It seems that parish and town council are expected to make decisions on this matter with no financial information or forecasts regarding what this will mean for each parish council going forward. Whilst being keen to have the pension that I am owed, I do not want to be an ongoing burden for my parish council. I would prefer to see the status quo continue for all existing employers and employees.

Kind regards

Laura Harley
Overton Parish Council

Downner, Lois

From: Rory Fitzgerald <Rory.Fitzgerald@ringwood.gov.uk>
Sent: 24 June 2019 15:10
To: Pensions Employer Services
Cc: Chris Wilkins
Subject: Proposed changes in the Hampshire Pension Fund – Consultation

Hello,

I have been asked to respond on behalf of Ringwood Town Council to the consultation on proposed changes to the Hampshire Pension Fund.

The Town Council is concerned about the consequences of the proposed changes and feel that the proposals are not in the best long term interests of the Town Council. For this reason, Council members are opposed to the proposals as outlined. Ringwood Town Council urge you to explore other mechanisms that would achieve the flexibility in deficit contributions that some of the larger authorities are seeking whilst avoiding the break-up of the Scheduled Body Group of Councils.

regards

Rory Fitzgerald
Finance Manager
Ringwood Town Council

Ringwood Gateway, The Furlong, RINGWOOD, BH24 1AT
Direct Line: 01425 484723 ¦ Switchboard: 01425 473883
rory.fitzgerald@ringwood.gov.uk ¦ www.ringwood.gov.uk

ROMSEY EXTRA PARISH COUNCIL

Chairman: Cllr John Parker
www.romseyextra-pc.org.uk

Hampshire Pension Fund

Via e-mail:
pensions.employers@hants .gov.uk

7 June 2019

Dear Sir or Madam

PROPOSED CHANGES TO THE FUNDING STRATEGY CONSULTATION

In response to your letter of 29 April inviting comments to the proposed changes to the funding strategy for the Hampshire Pension Fund the Parish Council is not in a position to make an informed decision. Having attended the workshop on 28 May, whilst illustrative figures were given for the new TPC group no figures were given if the parish council was to remain in the Scheduled Body Group thus making it impossible to make a comparison

Yours faithfully

C amfld.

Carol McFarland
Clerk to the Council

Clerk to the Council
CAROL McFARLAND
Cowesfield Lodge
Romsey Road
Whiteparish
Salisbury SP5 2QY

www.romseyextra-pc.org.uk
Telephone: 01794-884826
Email: clerk@ romseyextra-pc.org.uk

Chairman of Council
JOHN PARKER
Cornerways
Highwood Lane
Romsey
Hants SO51 9AF

Telephone: 07825 514348
E-mail: parkerjsxx@aol.com

RUSHMOOR
BOROUGH COUNCIL

Council Offices, Farnborough Road,
Farnborough, Hants. GU14 7JU
Tel: (01252) 398 399

Website: www.rushmoor.gov.uk

Your reference

Our reference

Contact David Stanley

Telephone 01252 398440

Email david.stanley@rushmoor.gov.uk

Hampshire Pension Fund
Pensions Services
The Castle
Winchester
Hampshire
SO23 8UB

Date 01 July 2019

Proposed changes to the structure of the Hampshire Pension Fund

I am writing to you providing the formal response from Rushmoor Borough Council (RBC) to the proposed changes on the Hampshire Pension Fund.

As a Council, we broadly welcome and support the proposal to unwind the current grouping arrangements within the scheduled body group (SBG). It is our view that this promotes

- improved governance across the pension fund
- recognises the diversification within the SBG over the last few years
- provides greater clarity to each local authority on their pension liabilities, costs and will lead to improved local decision making

I recognise that the proposed changes to the structure will lead to winners and losers, but I believe that the changes will promote an improved long-term position for the fund with each local authority within the SBG being accountable for its own pension cost and funding decisions.

Given the improvement in the deficit position over the last 3 years, this would seem a sensible point to make the proposed changes. I am aware that there may be an adverse impact on the level of contributions from RBC to the pension fund.

Furthermore, the changes would allow for the setting of individual authority funding rates that could consider affordability (subject to agreement with the actuary and pension fund). The option for local authorities to make additional pension fund contributions or prepayments over the 3-year funding cycle are also welcomed.

Subject to proper accounting practice and agreement with the pension fund, actuary and auditors, I would welcome a flexible approach to prepayments – for example:

- Prepayment of 3-year 'lump-sum' at start of the funding period (i.e. 01 April 2020)
- Prepayment of 3-year 'lump-sum' during the first year of the funding period (i.e. 4 equal instalments during 2020/21 financial year).

Therefore, in conclusion, RBC supports the proposed changes to the structure of the Hampshire Pension Fund.

Yours sincerely

DG Stanley

David Stanley
Executive Head of Finance (Section 151 Officer)

FINANCE AND COMMERCIALISATION
Southampton City Council
Civic Centre
Southampton
SO14 7LY

SOUTHAMPTON CITY COUNCIL

Carolyn Williamson
Hampshire Pension Fund
The Castle
Winchester

Please ask for: Steve Harrison
Direct dial: 023 8083 4153
Email: steve.harrison@southampton.gov.uk
Our ref:

Dear Carolyn

RE: Proposed changes to the structure of Hampshire Pension Fund

Thank you for your letter, outlining the proposed changes to the Fund and treatment of employers within the Fund.

The presentation made by the actuary, supported by your officers Andrew Lowe and Lois Downer was also extremely helpful in providing the background and rationale to the proposal.

The proposal to have an individual contribution rate for each major employer, rather than a pooled arrangement is consistent with that adopted by other funds. Smaller employers will still be able to benefit from a pooled arrangement.

There is a risk when disaggregating the pool arrangement, as highlighted in the briefing, that any 'cross subsidy' is effectively 'crystalised', and new contribution rates will take this into account. This is because the employer rate is currently determined by the whole pool, with assets and deficits not individually allocated. However, we understand that there is mitigation for any employer impacted, namely:

- Any contribution rate changes will be phased in, in accordance with the Funding Strategy Statement, and
- The revaluation itself is anticipating a helpful outcome, which will cushion any adverse changes (though we do appreciate this cannot be guaranteed), and
- No changes are being made that are retrospective in nature.

On this basis, we therefore consider that the time is right to disaggregate the pool and calculate appropriate employer specific contribution rates. It will also allow greater flexibility with each employer, such as being able to make an early lump sum payment into the Fund, and potentially benefit from assumptions around the rate of return on investments. We would be interested in exploring the option of this as a flexibility, whilst acknowledging that lump sum investment also has risks and appropriate advice would be required from the actuary for such a proposal, including advice on the risks to an employer from such an approach.

Yours sincerely

Steve Harrison

FINANCE AND COMMERCIALISATION
Southampton City Council
Civic Centre
Southampton
SO14 7LY

SOUTHAMPTON
CITY COUNCIL

Downer, Lois

From: K Robinson <k.robinson@thornden.hants.sch.uk>
Sent: 18 June 2019 10:01
To: Pensions Employer Services
Subject: Changes to Hants Pension Fund - Academies

Comments/Views from Thornden School

As with other academies, certainty around future deficit payments would be welcome as there is so much uncertainty around budgets. It would also be of benefit to Academies for this change to take effect from Sept 2020 rather than April in line with our financial year, and negating changes to next years budget.

Many thanks,

Kelly Robinson

School Business Manager

Thornden School
Winchester Road, Chandlers Ford,
Eastleigh, Hants, SO532DW
t: 02380 246542

www.thornden.hants.sch.uk

Downer, Lois

From:	laura.cooke@westend-pc.gov.uk
Sent:	26 June 2019 14:00
To:	Pensions Employer Services
Subject:	RE: Proposed changes in the Hampshire Pension Fund - Town and Parish Councils

Response to Proposed Changes in the Hampshire Pension Fund – West End Parish Council

West End Parish Council does not support the proposals regarding changes to the way in which employers are grouped together for funding purposes in the Hampshire Pension Fund.

West End Parish Council is concerned that the parish council group membership would be too small to sustain itself. The other option to be stand-alone employer may be more beneficial providing the Council is intending to remain in the LGPS but membership is costly to employers and many parish & town councils probably chose cheaper schemes when auto enrolment was introduced, resulting in a drop in membership. West End Parish Council has encouraged younger members of staff to join the LGPS so will be making contributions into the scheme for many years, so would be concerned if the long term intention is to close the scheme to parish & town councils.

WEPC feels very strongly that parish and town councils are part of local government and there should be a group for all local councils. Parish & town councils should not be isolated and therefore making it less advantageous for them to stay in the scheme. Membership by parish and town councils should be encouraged as it strengthens the partnership between the tiers of local government, giving confidence to the smaller parish councils' employees that they are considered part of their local government.

Regards,
Laura

Laura Cooke
Clerk to West End Parish Council
The Parish Centre
Chapel Road,
West End,
Southampton SO30 3FE

Tel : 023 80462371
www.westend-pc.gov.uk

From: Pensions Employer Services [mailto:pensions.employer@hants.gov.uk]
Sent: 12 June 2019 13:03
Subject: Proposed changes in the Hampshire Pension Fund - Town and Parish Councils

Dear Colleague,

Thank you to those that were able to attend the recent workshops held by the Fund Actuary to help you understand how the proposals regarding changes to the way in which employers are grouped together for funding purposes in the Hampshire Pension Fund, would affect Town and Parish Councils (TPCs).

We are now pleased to attach copies of the slides used on the day, as well as a link to the filmed session for those who were not able to attend or perhaps would like to remind themselves of some of the points made. We have also attached a copy of the Grouping Briefing Note that was previously sent.

Town and Parish Councils Filmed workshop - https://youtu.be/4V5exlc_V2U

Background and discussion from the session
Although we recognise that contributions are likely to have come down had the Scheduled Bodies Group (SBG) remained as is, it is also true to say that the existing cross subsidies within the group would remain; this consultation is seeking to address the point that such cross subsidies are no longer sustainable or justifiable. The much-improved funding position provides an opportunity to make changes without negative impacts on Town or Parish Councils (TPCs).

Under a grouped arrangement, every employer pays the average future service cost for employees in the group and a share of the group's deficit (currently based on the proportion of the group's payroll in 2010). Grouped arrangements therefore mean that employers are cross subsidising each other (e.g. some may have an older than average membership and therefore benefit from paying the group average, some may have a younger than average membership and therefore the group average is higher than they would otherwise pay).

However, these cross subsidies are generally accepted within a group of very similar employers in return for the benefits of sharing risks across a larger number of members, as this results in more stable contributions.

The costs of ill health retirements and death in service have been shared across all employers in the Fund since 2016, and this will continue to be the case regardless of the outcome of the consultation.

The proposal is for the main scheduled bodies (such as the district, unitaries and County Council) to be removed from the group and become stand alone employers in the Fund, paying a future service rate based on their own profile of members and deficit contributions in line with their own liabilities (pensions promised/in payment to deferred and pensioner members).

The town and parish councils are considered to be have a similar profile to each other and therefore it was assumed that they would benefit from remaining as a group, accepting the cross subsidies in return for continuing to share risks and have the resulting stability of contributions. However, it is recognised that TPCs are likely to exit the Fund at different times and so within the group, TPCs would have their own recovery periods for paying off their deficit allowing them to receive the direct benefit of deficit contributions rather than these being shared across all the members of the group.

The administering authority is committed to ensuring stability of contributions for TPCs as smaller employers and has therefore undertaken that that TPCs will be no worse off following the 2019 valuation (i.e. will pay no more, and may pay less) than they would have done based on their current position in the SBG.

At the workshop there was a suggestion that TPCs pool with the relevant council (instead if all TPCs together), however we would also have to consider the views of those councils, noting this is not a proposal which has been put to them. If TPCs believe agreement can be gained with a relevant council to pool together, we would consider this request.

It was summarised that we would welcome comments on views of TPCs on:

- Being part of a TPC group, as proposed, and
- Being treated as individual employers for funding purposes (not sharing experience with other TPCs)

Consultation Feedback
We would like to remind you that we are inviting feedback regarding these proposed changes and we would be grateful for comments to be sent to pensions.employer@hants.gov.uk **no later than 5pm on Wednesday 26 June**, to allow the responses to be collated for a report to be considered by the Pension Fund Panel and Board at their meeting on 12 July.

*Please note that all slides and filmed sessions are now available on the Hampshire Pension Services Website under 'Employer News' - https://www.hants.gov.uk/hampshire-services/pensions/local-government/employers/news/hampshire-news

Kind regards

Hampshire Pension Services
Tel: 01962 845588 | **Fax:** 01962 834537
E-mail: pensions@hants.gov.uk | **Web:** www.hants.gov.uk/pensions

Hampshire Pension Services, The Castle, Winchester, SO23 8UB

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For more information please visit http://www.symanteccloud.com

Downer, Lois

From: DKennedy@winchester.gov.uk
Sent: 24 June 2019 09:27
To: Pensions Employer Services
Cc: JCann@winchester.gov.uk; JHolmes@winchester.gov.uk
Subject: RE: Proposed changes in the Hampshire Pension Fund - Scheduled Body Employers

Dear Pension Fund Panel

Thank you for arranging the May workshop which gave us clarity on the changes being proposed for effect from April 2020.

We would like to confirm our support for these proposals which will help to ensure that organisations are making fair contributions to the pension fund into the future. We understand that there will be changes to our current contribution percentage and past service fixed contribution rate to reflect our individual forecast liability and that these will also be affected by the triennial review, with the aim of at keeping within existing contribution levels wherever possible.

We particularly support the ability to make advance past service contributions, both up-front in-year payments and also fixed contribution payments to reduce our outstanding past service deficit (thereby reducing our annual past service deficit contribution). We will be considering our options further once there is clarity on the impact of these advance payments which we understand is the next step once the proposed changes have been agreed.

Kind regards
Darren Kennedy

Darren Kennedy
Finance Manager (Strategic Finance)
Tel: 01962 848464 (ext. 2464)
Mob: 07824 102759

From: Pensions Employer Services [mailto:pensions.employer@hants.gov.uk]
Sent: 10 June 2019 12:18
Subject: Proposed changes in the Hampshire Pension Fund - Scheduled Body Employers

Dear Colleague,

Thank you to those that were able to attend the recent workshops held by the Fund Actuary to help you understand how the proposals regarding changes to the way in which employers are grouped together for funding purposes in the Hampshire Pension Fund, would affect scheduled body employers.

We are now pleased to attach copies of the slides used on the day, as well as a link to the filmed session for those who were not able to attend or perhaps would like to remind themselves of some of the points made. We have also attached a copy of the Grouping Briefing Note that was previously sent.

Scheduled Body Group Filmed workshop - https://youtu.be/4V5exlc_V2U

Webex recording - Play recording *Please note sound will need to be turned up

Pre-payment

In relation to pre-payment options, we confirmed the administering authority would only want to offer some limited options, and not to give employers the freedom to make unusual/bespoke requests. We would ask for requests early in the process (e.g. before January 2020) since this would need to be reflected in the final certificate.

Standard options may include:

- Payment on 1 April in the certification year for a 'discount', rather than paid monthly (future service rate)
- Payment of all deficit contributions that would have been certified (2,3 or 5 years, to be confirmed) in year 1
- Payment of a voluntary additional contribution amount before 31 March 2020 to reduce the rates certified over the certification period.

Any additional actuary costs for an employer request to make a pre-payment, would need to be met by the individual scheme employer.

Employers are welcome to suggest payment terms that they would like to be offered as part of their consultation response.

We also mentioned that employers should ask their auditors how any pre-payment would be accounted for, and if there is any particular presentation within the Rates and Adjustments Certificate which is needed. We understand that most Councils use the same audit firm (EY) which is helpful and should lead to consistency.

Consultation Feedback

We would like to remind you that we are inviting feedback regarding these proposed changes and we would be grateful for comments to be sent to pensions.employer@hants.gov.uk no later than **5pm on Wednesday 26 June**, to allow the responses to be collated for a report to be considered by the Pension Fund Panel and Board at their meeting on 12 July.

*Please note that all slides and filmed sessions will shortly be available on the Hampshire Pension Services Website under 'Employer News' - https://www.hants.gov.uk/hampshire-services/pensions/local-government/employers/news/hampshire-news

Kind regards

Hampshire Pension Services
Tel: 01962 845588 | **Fax:** 01962 834537
E-mail: pensions@hants.gov.uk | **Web:** www.hants.gov.uk/pensions

Hampshire Pension Services, The Castle, Winchester, SO23 8UB

How are we doing? Click here to let us know.

From: Pensions Employer Services
Sent: 30 April 2019 11:18
Subject: Proposed changes in the Hampshire Pension Fund and workshop invite Wednesday 29th May 2019 (pm) **requires action**

This email contains important information which concerns all employers who are part of the Scheduled or Admitted body groups in the Hampshire Pension Fund and has been sent to you as a high level or finance pensions contact.

Dear Colleague,

Please see the attached letter from Carolyn Williamson, Director of Corporate Resources and Deputy Chief Executive of Hampshire County Council, regarding proposed changes to the way in which employers are grouped together for funding purposes in the Hampshire Pension Fund.

We are inviting your feedback on these proposals and I would be grateful if you could provide your comments to pensions.employer@hants.gov.uk no later than 5pm on Wednesday 26 June, to allow the responses to be collated for a report to be considered by the Pension Fund Panel and Board at their meeting on 12 July.

You are invited to attend a workshop session led by the Fund Actuary from **1.30pm – 3.30pm on Wednesday 29 May** to understand how these proposals would affect scheduled body employers.

The session will be recorded and the video and presentation slides will be shared with employers after the workshop has been held.

Places are limited to one per organisation but we will operate a waiting list for additional places once numbers are known.

Please can you reply to this email by 10 May with the name, job title, email address and telephone number of the person who will be attending this session on behalf of your

organisation. If you would like us to add a further name onto the waiting list then please can you also include their details in your reply.

We will confirm the details of the workshop in an email to the named participant by 21 May.

Kind regards,

Hampshire Pension Services
Tel: 01962 845588 | **Fax:** 01962 834537
E-mail: pensions@hants.gov.uk | **Web:** www.hants.gov.uk/pensions

Hampshire Pension Services, The Castle, Winchester, SO23 8UB

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HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Hampshire Pension Fund Panel and Board
Date:	12 July 2019
Title:	Minutes of ACCESS Joint Committee meeting – 12 March 2019
Report From:	Director of Corporate Resources – Corporate Services

Contact name: Andrew Boutflower

Tel: 01962 847407 **Email:** andrew.boutflower@hants.gov.uk

1. Recommendations

1.1 That the Pension Fund Panel and Board receive and note the minutes of the ACCESS Joint Committee meeting from the 12 March 2019.

CORPORATE OR LEGAL INFORMATION:

Links to the Strategic Plan

Hampshire maintains strong and sustainable economic growth and prosperity:	yes
People in Hampshire live safe, healthy and independent lives:	yes
People in Hampshire enjoy a rich and diverse environment:	yes
People in Hampshire enjoy being part of strong, inclusive communities:	yes

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 disproportionally low.

1.2. **Equalities Impact Assessment:**

A high level Equalities Impact Assessment has been undertaken. The grants are intended to have a positive impact and advance equality.

2. Impact on Crime and Disorder:

2.1 Not applicable.

3. Climate Change:

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

Not applicable.

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

Not applicable.

ACCESS JOINT COMMITTEE

MINUTES of a meeting of the ACCESS Joint Committee held at Committee Room 4 - Islington Town Hall on Monday, 18th March, 2019.

PRESENT: Cllr Andrew Reid - Chairman (Suffolk CC), Cllr Richard Stogdon (East Sussex CC), Cllr Susan Barker (Essex CC), Cllr Vanessa Churchman – substitute (Isle of Wight), Cllr Jeremy Hunt (West Sussex), Cllr Mark Kemp-Gee (Hampshire CC), Cllr Graham Lawman (Northamptonshire CC), Cllr Adam Mitchell – substitute (Hertfordshire), Cllr Terry Rogers (Cambridgeshire CC), Cllr Charlie Simkins (Kent CC) and Cllr Judy Oliver (Norfolk)

ALSO PRESENT: Mark Paget (ASU), Clifford Sims (Squire Patton Boggs), John Wright (Hymans Robertson)

OFFICERS: Andrew Boutflower (Hampshire), Nicola Mark (Norfolk), Kevin McDonald (Essex), Alison Mings (Kent), Ola Owolabi (East Sussex), Patrick Towey (Hertfordshire), Paul Finbow (Suffolk), Sharon Tan (Suffolk) Jo Thistlewood (Isle of Wight), Mark Whitby (Northamptonshire), Rachel Wood (West Sussex), and Joel Cook (Kent - Clerk)

UNRESTRICTED ITEMS

121. Minutes of the meeting held on 10 December 2018.
(Item. 3)

RESOLVED that the minutes of the meeting on 10 December 2018, subject to the correction of a minor error in paragraph 110, were a correct record and that they be signed by the Chairman.

122. 2019/20 Business Plan & Budget [11:10 - 11:30].
(Item. 4)

1. Alison Mings (Kent) provided an update on the business plan and current budget.

2. Members suggested that Sub-Fund Tranche 3a should be better distinguished from Tranche 3 in the Strategic Business Plan.

3. Members were also presented with the 2019-20 Budget for consideration and approval. The proposed budget had been reviewed by ACCESS s151 Officers in advance of the meeting.

4. Members requested that the cost of professional advice related to possible new structures (e.g. illiquid structures) be separated from the overall

Strategic and Technical costs budget line or be accompanied by a budget note.

5. In response to a question about auditing the accounts, it was explained that the host authority, Kent County Council, sought assurance from their auditors regarding record keeping. In future, the ASU would be audited by Essex's auditor. Individual Authorities were responsible for auditing their share of the costs. Historically, Kent's auditors had not provided formal assurance around record keeping as they had not deemed the costs to be significant, but the Joint Committee asked that this be requested in future.

6. In response to a question about the line of communication between the s151 Officers and the Joint Committee, Kevin McDonald (Essex) confirmed that the OWG was the conduit for communication, and also the expectation was that a s151 officer would be in attendance at future Joint Committee meetings (apologies had been received for this meeting).

RESOLVED that

- the updated business plan and 2018/19 forecast spend be noted;
- the business plan be recommended to the administering authorities; and
- The 2019/20 budget be agreed.

123. Motion to Exclude the Press and Public.
(Item. 5)

RESOLVED that under Section 100A of the Local Government Act 1972 the press and public be excluded from the meeting for the following business on the grounds that it involves the likely disclosure of exempt information as defined in paragraphs 3 & 5 of part 1 of Schedule 12A of the Act.

124. Pooling Guidance Consultation [11:30 - 12:30].
(Item. 6)

1. Andrew Boutflower (Hampshire) updated the Committee on the new draft investment pooling guidance from MHCLG along with a proposed response by ACCESS.

2. The draft pooling guidance would replace the 2015 version. It was published on 3rd January 2019 to a limited group of parties with a response timeframe of 12 weeks (i.e. 28 March 2019).

3. Elements of the draft guidance had raised concern within the industry. For example, the Joint Committee felt the guidance was unclear around the fiduciary obligation of Pension Committee members.

4. In light of these concerns, ACCESS authorities had sought legal advice, and Norfolk CC had also taken their own legal advice through a QC. Clifford Sims (Squire Patton Boggs) gave a brief overview of the advice and confirmed that the two professional opinions were not in conflict.

5. The Joint Committee suggested that Norfolk's legal advice was also considered and taken into account in ACCESS' final response to the consultation. Cllr Oliver was in agreement.

6. It was noted that in addition to ACCESS submitting its collective response by 28 March 2019, individual administering authorities were still able to submit their own consultation response as well.

RESOLVED that

- the consultation that was published by MHCLG be noted;
- The cost of additional legal advice commissioned by Norfolk County Council be shared between administering authorities as a 'shared cost'; and
- Authority be delegated to Andrew Boutflower (Hampshire), in consultation with the Chairman, Vice-Chairman and Cllr Oliver (Norfolk), to amend ACCESS' draft response in line with the additional legal advice and to submit the final version on behalf of ACCESS by the deadline of 28 March 2019.

125. ACS Implementation update - Phase 1 & 2 and Illiquid Investment [12:30 - 12:45].
(Item. 7)

1. Andrew Boutflower updated the Joint Committee on the progress of launching the ACS, the sub-funds that would be created within it and investigation into pooling illiquid investments.

RESOLVED that

- The progress in launching the ACS investment sub-funds be noted;
- The progress in identifying options of pooling illiquid investments be noted.

126. Contract Management Update [12:45 - 13:00].
(Item. 8)

1. Mark Paget updated the Joint Committee on the first three months activity of the Authorised Contractual Scheme (ACS).

2. The contract for the provision of Operator Services for the Authorised Contractual Scheme (ACS) was awarded to Link Fund Solutions (LFS) in March 2018, with a Contracts Manager commencing in December 2018. Some areas had been identified for improvement and these were being addressed.

3. Members requested that Link Fund solutions, the provider of ACCESS' ACS, attend the next meeting to provide an update on their activity.

RESOLVED that the establishment of management protocols with the supplier and the activity that has taken place since the appointment of the Contracts Manager be noted.

127. ACCESS Support Unit update [13:30 - 14:00].
(Item. 9)

1. Kevin McDonald and Mark Paget provided an update on the developments regarding the ACCESS Support Unit (ASU).

2. Following the update from the previous meeting, Essex County Council had appointed a specialist recruiter to assist in the recruitment of the Director post (previously titled "Programme Director"). The selection process was underway, with the expectation the Chairman and Vice-Chairman of the Joint Committee would participate in the final interviews in late March.

3. The roles of Technical Lead Officers had been filled by LGPS staff from ACCESS Member authorities.

4. The role of the ASU Support Officer had also been filled and was due to commence during April.

RESOLVED that the updates be noted.

128. Governance update [14:00 - 14:15].
(Item. 10)

1. Nicola Mark (Norfolk) provided an update on Phase 3 of the Governance work, following the consultation with Section 151 Officers during January 2019.

2. Terms of Reference had been written for Section 151 Officers, setting out their responsibilities and a definition of their relationship with Joint Committee members.

3. It was clarified that the Terms of Reference for the Officer Working Group would be removed from the IAA (a static document) and included in the Governance Manual (a working document), which would allow their role to be adapted in future, once the ASU was fully implemented.

4. The need for training was reiterated, and officers advised this would take place around June time, though the detail was still being finalised.

5. The IAA had also been under review, to reflect necessary changes that had occurred since the pool was formed.

6. It was anticipated that the final documents for the IAA and Governance Manual would be sent to each authority's Monitoring Officer in late April for approval. The Joint Committee could expect to see the final versions of the documents at their next meeting, subject to approval.

RESOLVED that

- The actions taken to address feedback following the Section 151 meeting be noted;
- The revised timetable for completion of phase 3 governance deliverables be noted.

129. Communications Plan [14:15 - 14:30].
(Item. 11)

1. Responding to an identified need for clear communications to external parties, Sharon Tan (Suffolk) presented the Key Messages for ACCESS document, which had been written following a communications workshop hosted by Hymans and consultation with the OWG.

2. The internal, working document was created to aid ACCESS members answer questions, in order to promote greater clarity and ensure consistency. An updated document would be taken to the Joint Committee on a quarterly basis.

3. Members would be offered media training during April 2019.

4. A Member commented that the key messages could be quite complex to understand for LGPS members, who may not even be aware of the existence of ACCESS. It was clarified that individual authorities were responsible for communicating with their staff about ACCESS, though could of course use the key messages document as an aide memoir.

5. Members requested that an overall statement regarding policy changes be written that they could use if required.

6. A member requested that the use of the word "funds" was clarified, making it clear that the document was referring to "pension funds of administering authorities".

RESOLVED that the Key Messages document be approved, subject to the addition of a policy change statement and clarification of the word "funds".

130. Responsible Investment [14:30 - 14:45].
(Item. 12)

1. Alison Mings (Kent) updated members of the Joint Committee on the status of the Responsible Investment Policies of each administering authority in the ACCESS pool.

2. A brief review of the authorities' policies had shown that they were all broadly aligned with the existing ACCESS policy. Authorities would be undertaking an investment strategy review during 2019, so it was agreed that the subject be added to a future agenda of the Joint Committee.

RESOLVED that the content of the report is noted, and that an update be considered at a future meeting.

131. Items for information or advice from the Committee [14:45 - 15:00].
(Item. 13)

There were no additional items for information or advice.

132. Date of next meeting.
(Item. 14)

1. In response to comments from Members regarding future dates, the Clerk agreed to review plans and update Members in due course.

RESOLVED that it be noted the next meeting would be held on Tuesday 11 June 2019.

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Pension Fund Panel and Board
Date:	12 July 2019
Title:	Governance: ACCESS business plan
Report From:	*Director of Corporate Resources – Corporate Services*

Contact name: Andrew Boutflower

Tel: 01962 847407 **Email:** andrew.boutflower@hants.gov.uk

Purpose of this Report

1. To present the 2019/20 ACCESS business plan for approval by the Panel and Board.

Recommendations

2. That the Panel and Board approves the ACCESS business plan for 2018/19 and the share of costs that the Hampshire Pension Fund will pay.

Executive Summary

3. The Pension Fund Panel and Board has received a number of reports on the progress of forming the ACCESS pool and in addition receives the minutes of the ACCESS Joint Committee meetings.

4. Hampshire is a member of the ACCESS pool alongside the following ten other LGPS funds:

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

5. According to the terms of the ACCESS Inter-Authority Agreement (IAA) the ACCESS Joint Committee is required to agree a business plan for the forthcoming year which it recommends to the individual ACCESS authorities for their agreement.

6. The 2018/19 business plan was agreed by the ACCESS Joint Committee for recommendation to the member authorities at its meeting in March 2019 and is contained in Appendix 1. The business plan sets out ACCESS' workplan of activities for the current year and the estimated budget to complete the work which is a total of £1.2m, of which Hampshire's one eleventh share would be £109,000.

2018/19 activities

7. ACCESS has continued to establish itself and move into a business as usual phase. The key activities completed in 2018/19 were:

   - Access Support Unit (ASU) – contract manager and support officer recruited.
   - ASU functions were mainly undertaken by third parties with contract management transferred to permanent staff in Q1 2019
   - Tranche 1 and 2 sub funds launched by Link (8 sub-funds with over £8bn of assets, of which Hampshire is invested in 3)

8. Actual costs in 2018/19 were £1.25m, £0.18m lower that the approved revised budget. The charge to each ACCESS authority for 2018/19 was £113,409.

2019/20 business plan

9. The main activities for ACCESS in 2019/20 will be:

   - Completion of the ASU recruitment, including the appointment to the Director role.
   - ASU functions mainly undertaken by ASU officers and technical leads following transfer from commissioned third parties.
   - Review the IAA and any required changes are approved by member authorities.
   - Continuation of the launch of sub-funds by Link, with tranches 3, 4 and 5 planned
   - Consideration of the best means of pooling illiquid (alternative) assets.

10. Work is also planned to bring forward the business planning and budge setting cycle within ACCESS to enable the member authorities to approve the business plan prior to the start of the financial year.

REQUIRED CORPORATE AND 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: For the ongoing management of the Hampshire Pension Fund.	

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	

EQUALITIES IMPACT ASSESSMENT:

1. Equality Duty

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 by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

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

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

2. Equalities Impact Assessment:

Equality objectives are not considered to be adversely affected by the proposals in this report as the proposals do not directly affect scheme members.

ACCESS
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Appendix 1

ACCESS Strategic Business Plan		
Key Milestone	**2018/19**	**Anticipated 2019/20**
Consider Legal Entity Consider the benefits and drawback of legal entity model for ACCESS pool.	Completed	N/A
Complete Governance Manual Work with external advisers to reflect decision making principles, communication strategy, policies and procedures, code of conduct etc in the Governance Manual	Substantially Completed	Will have residual cost relating to training.
Complete Review of Inter Authority Agreement Work with external advisers to reflect any changes resulting from the completion of the Governance Manual and review	Initial redrafting undertaken	Further redrafting required to reflect changes; mainly to the current operational elements of the Pool
Agree and establish ACCESS Support Unit Identify ASU resource requirements, roles and responsibilities for activities, scope and run recruitment activity and appoint	Third party providers appointed as interim ASU	ASU functions will be mainly undertaken by ASU Officers and Technical Leads
ASU Operation and BAU ASU Operation plus professional advice and support	Third party providers of interim ASU Contract manager recruited	ASU functions will be mainly undertaken by ASU Officers and Technical Leads ASU support officer recruited ASU Director to be appointed
Determination of Reporting Framework Reflecting investments within the sub-funds work with Link to ensure that reporting meets Authority, Pool, CIPFA and Government requirements		Work to be undertaken by the ASU officers and Technical Leads
Development of Reporting for the Joint Committee in respect of funds in the ACS - Quarterly investment performance - Information on investment and operational costs including the annual review of investment manager costs		Work to be undertaken by the ASU officers and Technical Leads
Agreement to joint policies Including communication, environmental social and governance and responsible investment.	N/A	Work to be undertaken by the ASU Officers and technical Leads
Approval and launch of Tranche 1 Sub-Fund	Completed with overspend on legal due diligence and	N/A

Ensure sub-fund meets Link's due diligence requirements and ACCESS Authorities' value for money criteria (including transition activity). Work with Link to submit application to the FCA for approval of the ACCESS ACS and sub-fund set-up. Launch.	consultancy advice	
Approval and launch of Tranche 2 Sub-Funds As above	Completed	N/A
Approval and launch of Tranche 3 Sub-Funds As above	Substantially completed	2 sub-funds - transition activity Q1. Other sub-funds - some further due diligence required.
Establish Stock Lending Programme for ACCESS ACS Commission work from third party experts on the appropriate balance between risk and income for Link to implement for the ACCESS ACS sub-funds	Completed following appointment of Mercer. Programme in place.	N/A
Determine, approve and launch tranche 4 Sub-Funds As above and to include WSPF Baillie Gifford balanced mandate		Further due diligence required
Determine, approve and launch tranche 5 Sub-Funds As above but to also include manager search and selection activity by Russell.	Work commissioned from Russell	Further due diligence required
Consideration of approach to illiquid investments Consideration of requirements and implementation options for ACCESS Authorities' current and proposed investments in illiquid asset classes, including infrastructure.	Joint Committee agreed initial scope of work to be undertaken by Officers	Work to be undertaken by the ASU and Technical Leads using third party suppliers as required
Communication with MCHLG Providing updates to Government and responding to consultations	Completed	Work to be undertaken by the ASU using third party suppliers as required
Pool Wide Activities Professional support in relation to ACCESS Governance Structure includes JC, S151 and OWG and workstream meetings	Work commissioned from Hymans	Work to be undertaken by the ASU using third party suppliers as required

Appendix 1

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HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Panel:	Pension Fund Panel and Board
Date:	12 July 2019
Title:	Governance: Administration performance update
Report From:	Director of Corporate Resources

Contact name: Lois Downer, Deputy Head of Pension Services

Tel: 01962 847600 **Email:** lois.downer@hants.gov.uk

Purpose of this Report

1. The purpose of this report is to update the Panel and Board on administration performance for 2018/19, and to share the proposed response to the current consultation on changes to the local valuation cycle and management of employer risk.

Recommendation(s)

2. It is recommended that the Panel and Board:
   - note the strong performance of Pension Services in 2018/19
   - approve the proposed response to the valuation cycle and employer risk consultation.

Executive Summary

3. Pension Services have performed well against the four key measures of good administration in 2018/19. There has been a dip in performance in the first part of 2019/20 due to much higher than anticipated number of member queries relating to the new partnership with West Sussex County Council. However performance was back on track by the second week in June and the team are now delivering to the agreed service standards.

4. The Ministry for Housing, Communities and Local Government (MHCLG) has published a policy consultation setting out proposals to transition the local valuation cycle for the LGPS from triennial to quadrennial. The case for this change is not made in the consultation document and therefore the response

sets out the view that no change should be made to the timing of local LGPS valuations.

Administration performance

5. As at 31 March 2019, there were 338 employers paying into the Hampshire Pension Fund, and a total of 171,819 members. The table below provides a detailed breakdown of the membership by employer type:

		Member type		
Employer Type	**Employers**	**Active members**	**Deferred members**	**Pensioner members**
Scheduled	180	56,210	69,927	39,178
Resolution	58	290	183	190
Admitted	62	1,382	959	1,021
Community admitted	17	79	337	340
Transferee admitted	21	94	278	220
Councillors (no active members)	10	0	96	126
Ceased (no active members)	52	0	270	639
Total	**400**	**58,055**	**72,050**	**41,714**

6. Pensions Services administer the Hampshire LGPS and have performed well against the four key measures of good administration in 2018/19:

   - Cost per member
   - Internal and external audit
   - Customer Service Excellence
   - Performance against service standards

   These are covered in more detail in the following sections of this report.

Cost per member

7. One of the key external measures of administration performance is cost per member. The 2018/19 administration cost per member was £14.07. This is an increase in cost per member as it includes the one off cost for the GMP reconciliation exercise, which is explained in more detail in paragraph 17 of this report. The comparative cost per member excluding this one off expense was £12.11 (£11.96 in 2017/18).

8. Comparative costs for all LGPS Funds are reported annually in the Sf3 return, and Hampshire is always reasonable for the size of the Fund. The latest available Sf3 data is for 2017/18 on which Hampshire was the 5th largest Fund by membership and, at £15.23, had the second lowest combined

administration and governance cost per member out of the 89 English and Welsh Funds. The average cost per member across all Funds was £29.80.

Audit reports

9. The annual internal audit opinion for Pensions will be presented to the Panel and Board at the meeting on 26 July. Pensions have received good reports during the year with substantial assurance given for the annual pensions payroll and pension starters reviews, and adequate assurance for the pension leavers review. There were no formal action plans required for the administration of LGPS pensions.

Customer Service Excellence

10. Pensions Services comply with the requirements for the national standard for excellence in customer service (CSE), which considers how the service delivers against over 50 criteria in five key areas:

- Customer insight
- Culture of the organisation
- Information and access
- Delivery
- Timeliness and quality of service

11. Pensions Services have held the Customer Service Excellence (CSE) standard since 2009, and retained the award following an interim assessment in April 2019, with compliance plus passes in seven areas (up from five areas in 2018):

- There is corporate commitment to putting the customer at the heart of service delivery and leaders in our organisation actively support this and advocate for customers.
- We empower and encourage all employees to actively promote and participate in the customer focused culture of our organisation.
- We can demonstrate how customer-facing staffs' insight and experience is incorporated into internal processes, policy development and service planning.
- We use reliable and accurate methods to measure customer satisfaction on a regular basis.
- We have challenging standards for our main services, which take account of our responsibility for delivery of national and statutory standards and targets.

- We make our services easily accessible to all customers, through the provision of a range of alternative channels.
- We monitor and meet our standards, key departmental and performance targets, and we tell our customers about our performance.

Performance against service standards (KPIs)

12. The KPIs for Pensions evidence the strong performance in 2018/19. As reported to the Panel and Board in December 2018, 6 divorce cases missed the 15 day standard in the first 6 months of the year, but Pension Services were back to 100% performance for the rest of the year. The tables below show the achievement against service standards for the last six months of the year.

All casework was measured against a 15 day standard in 2018/19, apart from deaths and refunds which had a 20 day standard, and deferred benefits which had a 40 day standard.

Q3

	Time to Complete (working days)							% completed
Type of Case	**0 – 5**	**6 – 10**	**11-15**	**16 – 20**	**21 – 30**	**31 - 40**	**Total**	**on time**
Active Retirement	62	57	123	0	0	0	**242**	100.00%
Deferred Retirement	51	55	236	0	0	0	**342**	100.00%
Estimates	67	121	145	0	0	0	**333**	100.00%
Deferred Benefits	57	32	81	109	962	891	**2,132**	100.00%
Transfers In & Out	14	4	19	0	0	0	**37**	100.00%
Divorce	26	12	73	0	0	0	**111**	100.00%
Refunds	53	230	153	11	0	0	**447**	100.00%
Rejoiners	9	3	53	259	0	0	**324**	100.00%
Interfunds	18	10	16	0	0	0	**44**	100.00%
Death Benefits	195	20	4	5	0	0	**224**	100.00%
Grand Total	**552**	**544**	**903**	**384**	**962**	**891**	**4,236**	**100.00%**

Q4

	Time to Complete (working days)							% completed
Type of Case	**0 – 5**	**6 – 10**	**11 -15**	**16 – 20**	**21 – 30**	**31 - 40**	**Total**	**on time**
Active Retirement	67	37	69	0	0	0	**173**	100.00%
Deferred Retirement	61	74	179	0	0	0	**314**	100.00%
Estimates	111	138	308	0	0	0	**557**	100.00%
Deferred Benefits	106	53	49	98	898	599	**1,803**	100.00%
Transfers In & Out	6	2	16	0	0	0	**24**	100.00%
Divorce	14	16	65	0	0	0	**95**	100.00%
Refunds	93	148	111	35	0	0	**387**	100.00%
Rejoiners	11	24	79	158	0	0	**272**	100.00%
Interfunds	9	3	32	0	0	0	**44**	100.00%
Death Benefits	161	33	18	7	0	0	**219**	100.00%
Grand Total	**639**	**528**	**926**	**298**	**898**	**599**	**3,888**	**100.00%**

13. However, there has been a dip in performance in the first two months of 2019/20, which was caused by the impact of a much larger than anticipated volume of member queries relating to West Sussex, following the go-live of the new administration partnership in March 2019. 262 cases (8% of the total casework) did not hit their SLA. There have been two complaints as a result of these delays.

14. 100% achievement against the service standards was achieved from the second week in June and it is not anticipated that there will be any further effect on the team's ability to deliver the required level of service to Hampshire members. The table below shows the performance for the first quarter of 2019/20.

Q1 2019/20

	Time to complete (working days)							% completed
Type of Case	**0 – 5**	**6 – 10**	**11-15**	**16 – 20**	**21 – 30**	**31 - 40**	**Total**	**on time**
Active Retirement	148	53	20	0	1	0	**222**	99.55%
Deferred Retirement	178	111	82	4	1	0	**376**	98.67%
Estimates	69	52	477	38	5	6	**647**	92.43%
Deferred Benefits	61	21	21	22	894	107	**1,126**	90.50%
Transfers In & Out	28	5	14	4	10	5	**66**	71.21%
Divorce	11	10	41	15	17	1	**95**	65.26%
Refunds	27	68	158	0	0	0	**253**	100.00%
Rejoiners	18	13	40	89	13	1	**174**	91.95%
Interfunds	4	1	40	2	19	5	**71**	63.38%
Death Benefits	129	33	26	6	2	0	**196**	95.92%
Grand Total	**582**	**302**	**795**	**165**	**817**	**125**	**3,226**	
Cases that failed SLAs				**69**	**68**	**125**	**262**	**8.12%**

15. Of the cases that were outside the SLA, 107 (41%) were deferred benefits which should have been processed within the new 30 day service standard from 1 April 2019 but instead were processed within the previous 40 day standard.

Partnership with West Sussex

16. The project to onboard West Sussex pension administration was completed in March 2019 with a successful go-live of the service on 12 March. During the onboarding, it became evident that the data held by the previous administrators was of worse quality than anticipated and West Sussex have acknowledged that there will need to be a large data cleansing exercise to bring their data up to the level of that for Hampshire.

17. However the short term priority has been to ensure that data is present to allow the bulk processes for annual pension increases and the valuation

extracts to be run, so as not to disadvantage any pensioner member and to meet the requirements of the West Sussex actuary for the valuation timetable.

18. As described above, the poor data quality and service provided by the previous administrator has impacted across the workloads of Pension Services, unfortunately affecting the team's ability to deliver work within the normal timescales. This was due to the much higher than anticipated query volumes in April and May, with an over 300% increase in contacts from members.

19. Casework for Hampshire members is now back at 100% against service standards, and the team is prioritising those West Sussex cases which result in a payment (retirements and refunds).

20. Despite the transitional issues, the team has received a high number of compliments from West Sussex members and employers regarding the level of service they have received.

Launch of Member Portal

21. During the year, Pension Services implemented the new look Member Portal, through which members can log on and view their pension information. The Member Portal has increased functionality and offers an improved look and feel over the previous web access module and has had a lot of positive feedback from members. Approximately 26,886 members have registered so far.

22. Member Portal was successfully relaunched to members of the Hampshire Pension Fund in January, and then to members of the West Sussex Pension Fund in April. Firefighters are also now able to use the online service, which is being rolled out to Police officers in the summer.

GMP reconciliation

23. The GMP reconciliation work has been carried out on behalf of the Fund by Intellica, who are contractors for the system's supplier Civica. This project is now nearing completion, within the original budget of £336,000:

- All 64,000 queries identified at the beginning of the project have been sent to HMRC and we are waiting on a response to 2,500 of these
- All 2,760 individual investigations identified at the start of the project have been completed, using bulk resolutions where possible
- A sample of 1,931 investigations were completed to determine the next steps for the remaining queries and subsequent challenge queries based on findings have been submitted to HMRC for clerical review

24. The last stage of the GMP reconciliation project is for Intellica to receive and load all the outstanding queries and assign a final reconciliation status to every member before uploading this onto UPM.

25. In tandem with the reconciliation process, HMRC have been finalising scheme positions in relation to the payment of CEPs (which have been removed since the ending of contracting out in April 2016). As a result, the Hampshire Pension Fund was deemed to be in surplus and has received a repayment of £423,736 from HMRC.

Response to consultation

26. The Ministry for Housing, Communities and Local Government (MHCLG) has published a policy consultation setting out proposals to transition the local valuation cycle for the LGPS from triennial to quadrennial. The consultation also asks for responses to the proposals to introduce greater flexibility for exiting employers, give HE and FE colleges the option to choose whether or not to admit new employees to the LGPS, and to improve the exit credit provisions to reflect experience since 14 May 2018.

27. MHCLG do not appear to have made a valid case for changing the local valuation cycle. The consultation states that the move will deliver greater stability in employer contribution rates and reduce costs, but does not give any supporting evidence for this view. Stability of employer contributions is one of the main objectives of the Hampshire Pension Fund and this objective has been consistently delivered over many years, despite significant volatility of markets and changes to the LGPS benefit structure. It is the view of the Fund Actuary that moving to a four year valuation cycle will actually increase employer costs and uncertainty over contribution rates and this view is reflected in the proposed response to the consultation.

28. The consultation ends on 31 July. The consultation document and proposed response is set out in Appendix 1.

REQUIRED CORPORATE AND 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 the Pension Fund Panel and Board need to approve a consultation response on behalf of the administering authority.	

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	

EQUALITIES IMPACT ASSESSMENT:

1. **Equality Duty**

   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 by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
   - Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
   - Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

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

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

2. **Equalities Impact Assessment:**

Equality objectives are not considered to be adversely affected by the information in this report as it affects all scheme members.

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Local Government Pension Scheme: Changes to the Local Valuation Cycle and the Management of Employer Risk

Response from Hampshire County Council as Administering Authority for the Hampshire LGPS Fund

We welcome the opportunity to respond to this consultation as the Administering Authority for the Hampshire LGPS fund.

We do not agree that changes are required to the local valuation cycle to deliver the stated objective of greater stability of employer contribution rates and reduce costs. The Hampshire Pension Fund has been able to achieve stable employer contributions despite market volatility and significant changes to the LGPS benefit structure over the last decade. Moving to a four year cycle will increase employer costs and could lead to material changes to rates at each valuation.

Question 1: Do you agree that LGPS fund valuations should also move from a triennial to a quadrennial valuation cycle?

No – we do not feel that the case has been made for this change, and it is incorrect to assume this change is necessary simply because the scheme valuation is now on a four year cycle. We do not see that it will result in efficiencies but rather will increase costs to employers (as for example a four year cycle is unlikely to satisfy audit requirements for annual accounts, therefore requiring employers to pay more fees to get interim information).

We do not see that having local fund valuations in line with the scheme valuation will result in greater stability of employer contribution rates – nor that there is currently a level of volatility that is unacceptable to employers – so we disagree that there is a problem that needs resolving.

A four year cycle could negatively impact employers as having a less frequent review of the investment strategy may mean that opportunities to refine it are missed, leading to a greater cost.

Question 2: Are there any other risks or matters you think need to be considered, in addition to those identified above, before moving funds to a quadrennial cycle?

As above, we believe that this change would increase employer costs. We are currently able to estimate costs for new employers who join the scheme between valuations, and a longer period between valuations will result in a higher risk that the amount will require a material adjustment at the following valuation.

Question 3: Do you agree that the local fund valuation should be carried out at the same date as the scheme valuation?

No – we do not agree that the scheme valuation needs to be aligned with the local fund valuation.

Question 4: Do you agree with our preferred approach to transition to a new LGPS valuation cycle?

Although our preference is for no change, if this proposal goes ahead, we do agree with the preferred approach to transition.

Question 5: Do you agree that funds should have the power to carry out an interim valuation in addition to the normal valuation cycle?

Yes, we agree that there should be the power to carry out interim valuations in addition to the normal valuation cycle even if this remains as a triennial valuation.

Question 6: Do you agree with the safeguards proposed?

Yes we agree that the safeguards offer a sensible way of ensuring that an interim valuation cannot be used by employers to take advantage of short term market conditions.

Question 7: Do you agree with the proposed changes to allow a more flexible review of employer contributions between valuations?

Yes we agree that each Fund should set out in their FSS the circumstances under which a review could take place, but that opportunities for employers to request a review should be limited to avoid potential for them to take advantage of short term market conditions (as per the proposed safeguards around interim valuations).

Question 8: Do you agree that Scheme Advisory Board guidance would be helpful and appropriate to provide some consistency of treatment for scheme employers between funds in using these new tools?

We think that it would be appropriate for there to be national guidance on the way in which these tools can be used, but that policies should continue to be set at the local level, taking into account the local needs of employers within each Fund. This guidance should be included as part of the guidance for the FSS rather than being separate guidance, potentially from a separate body.

Question 9: Are there other or additional areas on which guidance would be needed? Who do you think is best place to offer that guidance?

As above, guidance would be helpful to ensure consistency of process but not necessarily outcome. Whoever is providing the guidance should have sufficient understanding of local Fund issues.

Question 10: - Do you agree that funds should have the flexibility to spread repayments made on a full buy-out basis and do you consider that further protections are required?

Yes we would be happy to see this option set out formally in the regulations but with the flexibility for the administering authority to agree such payment terms as it deems reasonable, based on the circumstances of the exiting employer. In some cases this may be that the exiting employer pays off the debt by continuing to pay, in cash terms, what they were paying when they had an active member.

However the first option should always be that the employer pays the amount due if they can afford to do so.

Question 11: Do you agree with the introduction of deferred employer status into LGPS?

No, we disagree with this proposal as we believe that the same outcome can be achieved through spreading the exit payment over a suitable period. Deferred employer status builds in more uncertainty as there is never a defined point of exit whereas if a final exit payment is calculated, it is just the terms of payment that need to be agreed.

Question 12: Do you agree with the approach to deferred employer debt arrangements set out above? Are there ways in which it could be improved for the LGPS?

We do not see that there is a case to have deferred employer debt arrangements. However if regulation changes are bought in to allow these, there should be adequate protection for the Fund (i.e. Funds should not have to agree to a request, nor terms that would benefit the individual employer over the interests of the employers remaining in the Fund).

Question 13: Do you agree with the above approach to what matters are most appropriate for regulation, which for statutory guidance and which for fund discretion?

It would be helpful to have a consistent approach across Funds but the detail of any arrangement should rest with the local Fund, taking into account its own circumstances.

Question 14: Do you agree options 2 and 3 should be available as an alternative to current rules on exit payments

No, we agree that option 2 should be an alternative (spreading an exit payment) but that option 1 should always apply if possible. However we do not agree with the introduction of option 3 (deferred employer debt approach).

Question 15: Do you consider that statutory or Scheme Advisory Board guidance will be needed and which type of guidance would be appropriate for which aspects of these proposals?

If deferred employer debt is brought in, there should be statutory guidance as to its application.

Question 16: Do you agree that we should amend the LGPS Regulations 2013 to provide that administering authorities must take into account a scheme employer's exposure to risk in calculating the value of an exit credit?

We agree that the introduction of the exit credit regulations caused unintended consequences whereby the letting authority retained the pension risk but the contractor received the surplus which arose in the period of the contract. This impact was particularly caused by the retrospective application of the regulation to existing outsourcings, where employers had not considered the possibility of an exit credit in their agreement with their contractors.

However, we do not believe that administering authorities should be involved in assessing risk sharing between the letting authority and the contractor. Rather the letting authority should be required to consider the possibility of an exit credit when entering into an outsourcing arrangement.

The unintended consequence of the previous regulation change could be resolved by amending the regulation to say that no exit credit is payable for agreements entered into before the date of the new change, allowing scheme employers to build the possibility of an exit credit into any new contracts.

Question 17: Are there other factors that should be taken into account in considering a solution?

We feel strongly that the administering authority should not be involved in side agreements between a letting authority and the contractor.

Question 18: Do you agree with our proposed approach?

We agree that HE/FE establishments should not have to offer the LGPS to new members, but that existing members should retain the right to be in the scheme. However we would want to see clear information provided to any employer considering stopping LGPS membership which explained that this may increase their costs in the short/medium term as closing the scheme will change the way in which their liabilities (and therefore their employer contributions) are calculated.

Question 19: Are you aware of any other equalities impacts or of any particular groups with protected characteristics who would be disadvantaged by the proposals contained in this consultation?

We are not aware of any other equalities impacts or of any particular groups with protected characteristics who would be disadvantaged by the proposals contained in this consultation.

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Pension Fund Panel and Board
Date:	12 July 2019
Title:	Governance: Pension Fund Panel and Board Training in 2019/20
Report From:	Director of Corporate Resources

Contact name: Mike Chilcott

Tel: 01962 847411 **Email:** Mike.chilcott@hants.gov.uk

Purpose of this Report

1. The purpose of this report is to set out proposals for the training arrangements for members of the Pension Fund Panel and Board in 2019/20.

Recommendations

2. That the proposed training arrangements are noted, and Panel and Board members consider any other topics for training that would be beneficial.

3. That the Training Plan for 2019/20 be approved.

4. That the remainder of the report be noted.

Executive Summary

5. This report sets out proposals for the training arrangements for members of the Pension Fund Panel and Board in 2019/20.

6. The report takes into account the Training Needs Analyses completed by Panel and Board members in 2019. The report also includes proposals for the Panel and Board's training half days in 2019/20 and 2020/21.

7. This report includes the proposed Training Plan for 2019/20 for approval which is based on the Public Service Pension Act 2013 requirement for board members to have the knowledge and understanding that is appropriate for the

purposes of enabling the individual properly to exercise the functions of a member of the pension board.

Background

8. Members of the Pension Fund Panel and Board are asked to complete a Training Needs Analysis, which was designed around the CIPFA Pensions Finance Knowledge and Skills Framework for Elected Representatives and Non-Executives in the Public Sector, and the CIPFA Technical Knowledge and Skills Framework for Local Pension Boards, in order to ensure the Panel and Board meet the requirements set out in the guidance referenced in the regulations.

9. The aim of completing the Training Needs Analysis is to identify members' individual training needs and enable the Training Plan for 2019/20 to be prepared, setting out how these training needs would be met and to give priority to any needs that are shared by a number of the Panel and Board Members.

10. It is a legal requirement, as set out under section 248A of the Pensions Act 2004, that every individual who is a member of a Local Pension Board must:

    be conversant with:

    - the rules of the scheme, in other words the Regulations and other regulations governing the LGPS (including the Transitional Regulations, earlier regulations and the Investment Regulations); and
    - any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme; and

    have knowledge and understanding of:

    - the law relating to pensions; and
    - such other matters as may be prescribed.

Training Needs Analysis

11. The Training Needs Analysis forms have been provided to members for their completion, and the majority of responses have now been received. It is important that all members return a completed form, and the template form is attached as Appendix 2.

12. The following summary is based on the completed Training Needs Analyses. The training areas for which the largest numbers of Panel and Board members requested training are listed in Table 1 below.

Table 1 – Categories of training identified by the Training Need Analyses

	Number of Panel and Board members
Investment strategies and investment markets	11
Public Procurement (UK and EU)	10
Pensions administration strategy and taxation	8
Actuarial valuations	8
Performance and advisors	7

13. As well as assessing themselves against the topics included in CIPFA's Knowledge and Skills Framework, Panel and Board members were also invited to propose additional ideas for training which they think could benefit the Panel and Board. So far, suggestions have been received to cover Brexit, volatility and EU/UK rules and an ACCESS Governance update.

Proposals

14. The following paragraphs include suggestions for ways in which training can be provided to meet the needs identified in Table 1.

Investment strategies and investment markets

15. These areas include risk and return characteristics of the main asset classes (equities, bonds, property), and the role of these asset classes in long-term pension fund investing. Also, within investment markets is a requirement for a broad understanding of the workings of the financial markets and of the investment vehicles available to the pension fund and the nature of the associated risks.

16. An understanding of the different asset classes is something that newer members will gain over time from reading reports to the Panel and Board on investment matters, from investment manager presentations, and from asking questions of the investment managers. In addition, members who wish to improve their knowledge in this area could use the Pension Regulator Trustee Toolkit website, particularly in the module on "Introduction to Investment". This module covers investing in a pension scheme, types of assets, risk, reward, economic cycles, active and passive management, diversification and managing investments. The Trustee Toolkit website can be found at:

https://trusteetoolkit.thepensionsregulator.gov.uk/

Public procurement

17. The requirements of the Public Procurement regulations, which apply to all Local Government procurement, including that associated with pension funds. The requirement for procurement for the pension fund will significantly diminish now that investments are pooled, and Hampshire's investments will be available via ACCESS. Training on the procurement regulations was provided in 2014 and the slides remain available on the Training Library.

Actuarial valuations

18. The Pension Fund is required to carry out an actuarial valuation of the Fund's liabilities to pay future pension commitments, which will calculate the extent to which these liabilities are matched by the Fund's assets. The current requirement is for a formal valuation every 3 years (with the current valuation being undertaken as at 31 March 2019) although this timing is now being consulted on. Training was provided by the Pension Fund's actuary (Aon) at the time of the last valuation 2016/17 but it is proposed that this is refreshed to provide context for the 2019 valuation.

Pensions administration strategy and taxation

19. The administration of the payment of pensions and the receipt of contributions is governed by the 2014 LGPS Regulations in addition to general Revenue and Customs requirements for personal tax associated with pensions. The administration of LGPS pensions is covered in the *Fundementals* training course and the summary session delivered by Tim Hazelwood in 2017. These slides will be recirculated to the committee and if members feedback that they would like further training options to deliver this will be considered. In addition Pensions Services report twice a year to the Panel and Board on the performance of the administration of the Pension Fund.

Performance and advisors

20. A key role of the Panel and Board is the evaluation of the Pension Fund's investments, including the setting of appropriate return targets and the use of benchmarks. The requirements of the 2016 LGPS Investment Regulations include seeking appropriate investment advice. The Pension Fund received training from its advisors and investment managers in 2017 when setting the revised investment strategy and considering investments in new asset classes. It is proposed that further training will be provided in conjunction with the Panel and Board's next review of the investment strategy due in 2020/21.

Training sessions in 2019/20 and 2020/21

21. The Panel and Board has agreed that the equivalent of two in-house training half-days should be arranged for Panel and Board members each year, split between sessions held prior to Panel and Board meetings, where this is relevant to a decision to be made at the meeting, or stand-alone sessions, as appropriate.

22. The proposals in Table 2 below set out a suggested programme for 2019 and 2020 for the Panel and Board's comments.

Table 2 – Proposals for the Panel and Board's training sessions in 2019/20 and 2020/21

	Topics
2019/20	ESG/Low Carbon (UBS)
	Private Debt (JP Morgan)
	Role of the global custodian (JP Morgan)
	Actuarial valuation (Aon Hewitt)
2020/21	Internal audit update (Neil Pitman)
	Governance/ACCESS
	Investment Strategies and financial markets
	Growth investing (Baillie Gifford)

23. In addition to the proposals above any suggestions for training would be welcomed.

Training plan for 2019/20

24. The Panel and Board has fully supported the principle that Panel and Board members and officers should have access to training on Pension Fund matters to be able to fulfil their duties to the appropriate standard. To that

end, a Training Plan is prepared each year and agreed by the Panel and Board. The proposed Plan for 2019/20 is attached as Appendix 1.

25. The Training Plan is an important part of demonstrating from a governance perspective that proper training in Pension Fund matters is made available to, and undertaken by, Panel and Board members.

26. Changes from last year's Plan have been highlighted in Appendix 1. No major changes have been made, although the Plan has been updated for the training sessions in 2019/20 and 2020/21, and the budget for 2019/20.

Training budget

27. Table 3 below provides a summary of the training budget and actual expenditure for 2018/19, as well as a proposed budget for 2019/20.

28. The budget for 2019/20 includes three places at the LGC investment summit, and provision for four members of the Panel and Board to attend the Fundamentals course. The budget also includes two places at the LGC investment seminar at Chester (with the possibility of an additional free place), in line with attendance in previous years.

29. Training costs are met from the governance costs of the Pension Fund. Re-allocation of planned places at courses within the budget is possible, should the Panel and Board feel it would meet training needs better to give priority to different events.

Table 3 – Training budget

	2018/19 Budget £	2018/19 Actuals £	2019/20 Budget £
Attendance at Conferences / Seminars etc.			
LGC Investment Summit (Celtic Manor, September)	2,850	3,000	2,850
LGC Investment Seminar (Chester, March)	1,200	0	1,200
LG Employers Fundamentals Course	2,760	0	2,760
Other conferences	0	0	0
	6,810	3,000	6,810
In-house training sessions			
Fees paid to trainers	0	0	0
Other costs	160	360	160
	160	360	160
Total training budget	**6,970**	**3,360**	**6,970**

Expenses

30. The training request form, a template of which can be found in Annex 1 to Appendix 1 of this report, clarifies the Pension Fund's position on expenses for training. Panel and Board members are asked to provide an estimate of any expenses that a training event may incur. Estimated expenses should include all costs of attendance, i.e. travel, hotel, and any admission fee. Please note that hotel costs cannot be expensed if the event is held in normal office hours and is within reasonable reach of Winchester, which includes London.

31. It will not be possible to claim expenses for an event where there is a fee, or where travel costs are in excess of standard travel costs to London, if there is an equivalent event which is more local and/or complimentary. If Panel and Board members feel that such an event would be beneficial to their training needs, they should contact officers to allow them to help find the best solution to meet those training needs.

Online Training Library

32. While the internally arranged training days are intended to provide training on topics which will benefit the majority of Panel and Board members, individual members may find that they have additional areas on which they may require training or perhaps on which they wish to refresh their knowledge.

33. With this in mind, officers have developed an online training library, so that members can log in and access training materials at their own convenience and can select the materials on topics they feel would most benefit their own training needs. The training library is currently in the process of being transferred to Sharepoint and more details of how to access it will be provided to members once the project is completed.

34. The library contains slides (and supplementary materials, where appropriate) for all the internal training sessions carried out since 2009, which cover a wide range of topics. There are also other useful documents available to download which can help fill any knowledge gaps, as well as template forms and links to the Pension Fund's annual report, statutory statements, and latest actuarial valuation. There is also information on and a link to the Pensions Regulators Trustee Toolkit – a valuable online learning resource.

Other training resources and information

External training courses

35. If members would like to attend an external training course or conference, please complete the first half of the training request and evaluation form available at Annex 1 to Appendix 1 and return to investments@hants.gov.uk.

Training logs for 2018/19

36. Training logs are maintained by Director of Corporate Resources' staff for each member of the Panel and Board based upon members' input, in order to record the training undertaken during the year. Training logs for 2018/19 to date have been circulated to Panel and Board members for review, and include details of all relevant training courses, seminars and events attended by each member.

37. The training logs also include an assessment of whether each training event has fulfilled the need it was intended to meet.

38. Panel and Board members are also encouraged to complete a short evaluation form after each training event in order to share feedback about events, and report on whether an event was useful and well delivered. These comments will be used to inform members' decisions regarding attendance at future events.

Annual Employers Meeting 2019

39. The Annual Employers Meeting will be held in Ashburton Hall in Winchester on 18 October 2019 starting at 10:00 am, and Panel and Board members are encouraged to attend the Annual Employers Meeting if they are available.

REQUIRED 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 of the ongoing management of the Hampshire Pension Fund.	

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	

EQUALITIES IMPACT ASSESSMENTS:

1. Equality Duty

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 by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

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

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

2. **Equalities Impact Assessment:**

See guidance at http://intranet.hants.gov.uk/equality/equality-assessments.htm

*Insert in full your **Equality Statement** which will either state:*

(a) why you consider that the project/proposal will have a low or no impact on groups with protected characteristics or

(b) will give details of the identified impacts and potential mitigating actions

Hampshire Pension Fund

Pension Fund Panel and Board

Training Plan 2019/20

Background

1. Hampshire County Council as the administering authority for the Hampshire Pension Fund has delegated responsibility for the management of the Pension Fund to the Pension Fund Panel and Board.
2. The Pension Fund Panel and Board fully supports the principle that Panel and Board members and officers have a duty to undertake all training on pension fund matters that is necessary to be able to fulfil their duties to the appropriate standard. Opportunities are made available to members and officers to attend training courses and seminars when necessary and appropriate.
3. This training plan has been prepared for the Pension Fund Panel and Board for 2019/20. As the Panel and Board's responsibilities include both investment management of the Pension Fund and pensions administration, the training plan also covers both areas.
4. This training plan has been updated to reflect training requirements identified by the completion of the detailed Training Needs Analyses carried out by members of the Pension Fund Panel and Board in early 2019.

The regulatory and governance context for the training plan

5. It is a legal requirement, as set out under section 248A of the Pensions Act 2004, that every individual who is a member of a Local Pension Board must:

   be conversant with:

   - the rules of the scheme, in other words the Regulations and other regulations governing the LGPS (including the Transitional Regulations, earlier regulations and the Investment Regulations); and
   - any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme; and

   have knowledge and understanding of:

   - the law relating to pensions; and
   - such other matters as may be prescribed.

6. The Myners principles codify the best practice in investment decision-making for pension fund management. The principles require pension fund trustees to consider how the principles apply to their own fund and report

on a 'comply or explain' basis. Training is a key factor within Principle 1 which covers effective decision-making:

- trustees should ensure that decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to take them effectively and monitor their implementation
- trustees should have sufficient expertise to be able to evaluate and challenge the advice they receive and manage conflicts of interest.

7. The Government also requires Local Government Pension Scheme (LGPS) funds to publish a Governance Policy Statement which includes a section on Training. A Governance Compliance Statement is also required which sets out the Pension Fund's compliance with the following principle on Training, Facility Time and Expenses:

    - 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
    - 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
    - that the administering authority considers adopting annual training plans for committee members and maintains a log of all such training undertaken.

8. The Chartered Institute of Public Finance and Accountancy (CIPFA) published a guide to the requirements for the Governance Compliance Statements in the context of the CIPFA/SOLACE publication 'Delivering Good Governance in Local Government: Framework (2007)'. The CIPFA guide links the principle in paragraph 6 above to the Framework's principles of:

    - performing effectively in clearly defined functions and roles, and
    - developing the capacity and capability of the governing body to be effective.

9. The CIPFA guide includes the further comment that the principle in paragraph 6 is aimed at making sure that all those serving on committees, sub-committees and panels receive levels of training that are appropriate to their needs and that suitable arrangements are made to ensure that this is properly resourced in terms of both time and finance.

10. The Pension Fund Panel and Board fully endorse the importance placed on training in these principles. With this training plan and the training logs maintained by all Panel and Board members, the Hampshire Pension Fund is in full compliance with this principle.

11. CIFPA have also published a Code of Practice on Public Sector Pensions Finance Knowledge and Skills, which Hampshire Pension Fund has adopted. This requires policies and procedures to be in place for the

effective acquisition and retention of the relevant knowledge and skills for those in the organisation responsible for financial administration and decision making.

12. The policies and procedures will be guided by reference to the CIPFA Pensions Finance Knowledge and Skills Framework, which gives technical guidance for elected representatives and officers on the knowledge required.

13. The Code of Practice also requires an annual statement on how these policies and procedures have been put into practice, from 2012/13 onwards. A disclosure was included in the Annual Report and Accounts 2012/13 and will continue going forward.

Pension Fund Panel and Board

14. There are 21 members of the Pension Fund Panel and Board, as listed in Table 1. The table shows the experience of Panel and Board members in terms of their length of service on the Pension Fund Panel and Board.

Table 1	Membership of the Pension Fund Panel and Board
County councillors:	
Mark Kemp-Gee (Chairman)	14 years
Tom Thacker (Vice Chairman)	10 years
Christopher Carter	10 years
Alan Dowden	2 year with previous membership on the Pension Fund Panel
Jonathan Glen	2 year
Andrew Gibson	7 years
Andrew Joy	6 years
Peter Latham	3 years
Bruce Tennent	10 years
County council deputies:	
Keith House	5 years
Derek Mellor	2 year
Michael White	1 year
Roger price	1 year
City councils' representative:	
Stephen Barnes-Andrews	New member
Jeanette Smith	New member
District councils' representative:	
Trevor Cartwright MBE	New member
Other employers' representative:	
David Robbins	3 years
Pensioners' representative	
Cliff Allen	5 years
Deferred members' representative:	

Table 1	Membership of the Pension Fund Panel and Board
Valerie Arrowsmith	3 years
Employees' representative:	
Neil Wood	3 years
Sarah Manchester	New member

15. The Panel and Board has a mixture of experienced members, who have served at least one full four-year term as members of the Panel and Board, and more recently appointed members. Panel and Board members also have a range of relevant experience from their working lives which includes, in some cases, the financial services industry and the City of London.

Access to training

16. Training opportunities are made available equally to all members of the Pension Fund Panel and Board, including the co-opted representatives of the city councils, district councils, pensioners and contributors as well as the county councillors. The full cost of attending training is met by the Pension Fund, including course fees, reasonable travel and accommodation costs.

17. The Panel and Board have considered making attendance at training courses compulsory for Pension Fund Panel and Board members. This suggestion reflected the increasing complexity and profile of pension matters and the need for Panel and Board members to keep up to date with current developments at a time of heightened scrutiny. However, whilst it is important that Panel and Board members prepare themselves properly to fulfil their responsibilities, it would not be practical to make attendance at training events a condition of Panel and Board membership. The suitability and fitness of members for their role is best left to the Panel and Board itself to monitor.

18. Each year, in order to ensure compliance with the CIPFA Code of Practice, Panel and Board members complete a detailed individual Training Needs Analysis. The purpose of this exercise is to allow Panel and Board members to consider their current level of knowledge and identify the topics on which they would like to have additional training. The Training Needs Analysis was designed around the CIPFA Pensions Finance Knowledge and Skills Framework for Elected Representatives and Non-Executives in the Public Sector, and the CIPFA Technical Knowledge and Skills Framework for Local Pension Boards, in order to ensure the Panel and Board meet the requirements set out in the guidance referenced in the regulations. The outcome of the Training Needs Analysis for 2019/20 will be discussed by the Panel and Board at this meeting. As a result, eight training sessions have been planned for 2019 and 2020 which directly relate to the training needs identified.

19. The Director of Corporate Resources' staff have developed an online library of training resources, which Panel and Board members will be able to refer to in order to obtain more information about areas where they have a specific training need, in addition to the Panel and Board-wide training proposals outlined above. The library contains slides (and supplementary materials, where appropriate) for all the internal training sessions carried out since 2009, which cover a wide range of topics. There are also other useful documents available to download which can help fill any knowledge gaps, as well as template forms and links to the Pension Fund's annual report, statutory statements, and latest actuarial valuation. There is also information on and a link to the Pensions Regulators Trustee Toolkit – a valuable online learning resource. The library will be updated whenever new material is available. Panel and Board members have been provided with a link to the library and login details.

Online learning opportunities

20. A number of online training facilities on pension fund matters have been developed by various organisations in recent years. Examples include the Trustee Toolkit which is available for free from the Pension Regulator at the following website: http://www.trusteetoolkit.thepensionsregulator.gov.uk. This toolkit provides an introduction to pension scheme investing, running a pension scheme, the role of the trustee, pension law etc. It was designed to meet the requirements of trustee knowledge and understanding required under the Pensions Act 2004. In early 2015, the Pensions Regulator released an on-line training resource to assist those involved in Public Sector Schemes. This is accessed via the Trustee Toolkit and comprises an additional seven modules covering the key themes in the Code of Practice on governance and administration of public service schemes.

Officer Training

21. Each individual officer's training needs are assessed annually and training plans prepared for each section and department within the County Council. The actual training provided is evaluated each year to assess its effectiveness against the aims and objectives identified prior to the training event. In addition, professional finance staff in the Corporate Resources Directorate are required by the accountancy bodies to maintain their levels of Continuing Professional Development.

Proposed training in 2019/20

22. This training plan for 2019/20 has been designed to cater for the needs of the recently elected Panel and Board members as well as providing an opportunity to update and refresh the knowledge of the more experienced members of the Panel and Board.

23. The Panel and Board has agreed that the equivalent of two in-house training half-days should be arranged for Panel and Board members each year, split between sessions held prior to Panel and Board meetings, where this is relevant to a decision to be made at the meeting, or stand-

alone sessions, as appropriate. Table 2 below sets out the programme for 2019 and 2020, which has been formulated based upon key learning points from the Training Needs Analysis, and recommendations from Panel and Board members.

Table 2 – Proposals for the Panel and Board's training sessions in 2019/20 and 2020/21

	Topics
2019/20	ESG/Low Carbon (UBS)
	Private Debt (JP Morgan)
	Role of the global custodian (JP Morgan)
	Actuarial valuation (Aon Hewitt)
2020/21	Internal audit update (Neil Pitman)
	Governance/ACCESS
	Investment Strategies and financial markets
	Growth investing (Baillie Gifford)

24. These training sessions will also be useful for the Audit Committee in carrying out their role to receive and consider audit reports relating to the Pension Fund Panel and Board, as stated in the Hampshire County Council Constitution.

25. These bespoke training sessions will be complimented by a range of other training opportunities which will be made available to Panel and Board members during the year. These include many seminars and courses on pension fund matters provided each year by various organisations. Some are specifically tailored for LGPS funds, such as the Local Government Chronicle's annual investment summit held in September each year. The Pension Fund's investment managers hold annual client conferences and the Fund's actuary Aon Hewitt also provides training events. The Director of Corporate Resources will continue to circulate details of these training opportunities to members.

26. If new members are appointed to the Panel and Board, the training proposed is as follows:

- Attending the "Fundamentals" course held by the Local Government Employers, which specifically covers the basics for the LGPS.

- Attending the training sessions to be held during 2019.
- Completing the Training Needs Analysis for Panel and Board members, to help identify any additional training requirements.
- Informing new members of any external conferences and training opportunities in the future, along with the rest of the Panel and Board.

27. Reports to the Panel and Board by the officers on new developments in pension fund matters will continue to include background briefing information and this will provide another means by which Panel and Board members can keep up-to-date and develop their knowledge.

28. Panel and Board members will also be able to undertake background reading on pension fund matters and this too can contribute to meeting their training needs.

Training budget

29. Table 3 below shows the training budget for 2018/19, with the actuals for comparison, together with the proposed budget for 2019/20.

30. The budget for 2019/20 includes three places at the LGC investment summit, and provision for four members of the Panel and Board to attend the Fundamentals course. The budget also includes two places at the LGC Investment Seminar (with the possibility of an additional free place).

    Training costs are met from the administration costs of the Pension Fund. "Virement" between courses within the budget is possible, should the Panel and Board feel it would meet training needs better to prioritise different events.

Table 3 – Training budget

	2018/19 Budget £	2018/19 Actuals £	2019/20 Budget £
Attendance at Conferences / Seminars etc.			
LGC Investment Summit (Celtic Manor, September)	2,850	2,850	2,850
LGC Investment Seminar (Chester, March)	1,200	0	1,200
LG Employers Fundamentals Course	2,760	260	2,760
Other conferences	0	0	0
	6,810	3,110	6,810
In-house training sessions			
Fees paid to trainers	0	4,525	0
Other costs	160	340	160
	160	4,865	160
Total training budget	**6,970**	**7,975**	**6,970**

Training logs

31. Training logs are maintained by each member of the Panel and Board to provide evidence of the Panel and Board's commitment to training. They record the actual training undertaken during the year, including details of all relevant training courses, seminars and events attended by each member. The training logs include an assessment of whether each training event has fulfilled the need it was intended to meet.

Evaluation

32. The actual training undertaken by Panel and Board members in 2018/19 will be evaluated using the training logs to assess whether it has fulfilled the training need identified at the outset. In addition, Panel and Board members complete a short evaluation form after each training event in order to share feedback about events, and report on whether an event was useful and well delivered. A template evaluation form is attached as Annex 2 to this Training Plan. This information will be used to design the training plan for the following year.

Training Request Form

To be completed before the Training Activity

Please return this form electronically for approval prior to booking the training activity to investments@hants.gov.uk

Panel member's name	
Training event / activity (including provider)	
Date	
Location	
Estimated expense of attendance*	
Summary of topics	
Training needs which this event is expected to meet (where relevant, refer to needs identified in your Training Needs Analysis)	
Other comments	

*Estimated expenses should include all costs of attendance, i.e. travel, hotel, and any admission fee. Please note that hotel costs cannot be expensed if the event is held in normal office hours and is within reasonable reach of Winchester, which includes London.

It will not be possible to claim expenses for an event where there is a fee, or where travel costs are in excess of standard travel costs to London, if there is an equivalent event which is more local and/or complimentary. If you feel that such an event would be beneficial to your training needs, please contact officers to allow them to help you find the best solution to meet your training needs.

Training Evaluation – to be completed after the Training Activity

Panel member's name	
Training event / activity (including provider)	
Date	
Were the training needs identified in the Training Request Form met?	
Aspects of the training needs that were not met	
Is further training required to meet the training needs identified in the Training Request Form?	
Comments	
Would you recommend attendance next time/year? Why?	

Please return the completed form electronically, after the Training activity, to investments@hants.gov.uk

Training Needs Analysis - Pensions Knowledge and Skills Framework (2019)

Name: Date:

Key to rating of whether knowledge is Essential or Desirable

	General awareness of the topic required
	Good understanding but not at the level of Pensions or Investment practioners
	Full detailed knowledge required

Key	Training need	Training required? Yes/no	Possible sources of information, including training provided previously
1.	**Pensions legislative and governance context**		
1.1	**General pensions framework** A general awareness of the pensions legislative framework in the UK. - brief history of the development of pensions provision in the UK - defined benefit and defined contribution schemes - final salary and career average revalued earnings (CARE) schemes - State pensions and occupational pensions		Training session provided by Tim Hazelwood on 20 September 2013 and 24 November 2017, and Schroders Trustee Training 2014
1.2	**Scheme-specific legislation** An overall understanding of the legislation specific to the LGPS scheme and the main features relating to benefits, administration and investment. - the role of central Government , including the Department for Communities and Local Government - how the LGPS has developed, from 1922 - the scheme before April 2008 - the 'New Look' scheme from April 2008		Training session provided by Tim Hazelwood on 20 September 2013 and 24 November 2017 plus training session on Duties and Responsibilities by Paul Hodgson in September 2018.

Key	Training need	Training required? Yes/no	Possible sources of information, including training provided previously
	- the LGPS 2014 scheme from April 2014 - Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 - Local Government Pension Scheme (Administration) Regulations 2008 - councillors' pension scheme - auto enrolment - the Hutton Review of Public Sector Pensions - proposals for cost sharing between employers and employees, under LGPS 2014 - scheme guides for employees, employers, councillors		Covered in more detail under section 1.3 below Covered in more detail under section 1.4 below Presentation by Andrew Fleming of The Pensions Regulator at the Annual Employers Meeting 31 October 2011 Reports to the Panel in 2010 and 2011 Available from Pension Services section and website
1.3	An awareness of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 and their main features. - the 'New Look' scheme from April 2008 - employee contribution rates - employer contribution rates - accrual rates - age at which pensions are payable - lump sums - widows and widowers' pensions, dependants' pensions, civil partners, co-habiting partners - ill health retirement - early retirement - death in service and in retirement - part-time staff - early retirement - rule of 85 - opting in to membership, or not		Training session provided by Tim Hazelwood on 20 September 2013 and 24 November 2017

Key	Training need	Training required? Yes/no	Possible sources of information, including training provided previously
	- vesting period, during which employee contributions are repayable if the employee ceases to be a member of the Pension Fund - deferred pensioners - additional voluntary contributions (AVCs) - pensions increases for inflation each April, including the use of CPI instead of RPI - discretionary benefits - other non-LGPS legislation affecting pensions and HR policies		
1.3 cont	An awareness of the Local Government Pension Scheme (Administration) Regulations 2008 and their main features. - the New Look scheme from April 2008 (as above) - who can be a member, eg, not teachers, police officers, firefighters who have separate pension schemes - employees contributions including additional voluntary contributions (AVCs) - Accounts and audit - Annual Report - Funding Strategy Statement - actuarial valuations and certificates - Pension Administration Strategy - Communication Policy Statement - annual benefit statements - transfers to and from other pension funds - other non-LGPS legislation affecting pensions and HR policies		Training session provided by Tim Hazelwood on 20 September 2013 and 24 November 2017
1.3 cont	An awareness of the changes introduced by the LGPS 2014 scheme from April 2014 - change from a Final Salary scheme to a Career Average Revalued Earnings (CARE) scheme - accrual rate of 1/49th - 50/50 option for employees		Training session provided by Tim Hazelwood on 20 September 2013 and 24 November 2017

Key	Training need	Training required? Yes/no	Possible sources of information, including training provided previously
1.4	An appreciation of LGPS discretions and how the formulation of the discretionary policies impacts on the pension fund, employers and local taxpayers. A regularly updated appreciation of the latest changes to the scheme rules. - discretions which the Pension Fund can apply - discretions which employers can apply		Training session provided by Tim Hazelwood on 20 September 2013 and 24 November 2017
1.5	Knowledge of the role of the administering authority in relation to the LGPS. - 89 LGPS funds in England and Wales - each with an "administering authority", such as Hampshire County Council - size of the LGPS nationally - statistics - size of the Hampshire Pension Fund – fund value, number of employers, contributors, pensioners, deferred pensioners - administering authority's responsibility to maintain, administer and invest the Pension Fund - role of the administering authority in respect of all the employers in the Pension Fund (including the County Council) - administering authority's powers in the LGPS regulations, and under general 'vires' powers of local authorities		Training session provided by Tim Hazelwood on 20 September 2013 and 24 November 2017 Training session provided by Paul Hodgson on 11 December 2015
1.6	**Pensions regulators and advisors** An understanding of how the roles and powers of the Pensions Regulator, the Pensions Advisory Service and the Pensions Ombudsman relate to the workings of the scheme. - the Pensions Regulator - the Pensions Advisory Service - the Pensions Ombudsman - any other relevant bodies		Training session provided by Paul Hodgson on 11 December 2015

Key	Training need	Training required? Yes/no	Possible sources of information, including training provided previously
	- dispute resolution procedures		
1.7	**General constitutional framework** Broad understanding of the role of the Pension Fund Panel and Board in relation to the fund, administering authority, employing authorities, scheme members and taxpayers. - Hampshire County Council's constitution in relation to the Pension Fund, and the powers delegated to the Pension Fund Panel and Board - terms of reference of the Pension Fund Panel and Board - membership of the Pension Fund Panel and Board - co-opted representatives of other employers, pensioners and contributors - voting rights of Pension Fund Panel and Board members - the 'informal' sub-group of Panel and Board members - Pension Fund's Business Plan - Pension Board, to be introduced following the Public Service Pensions Act 2013 - role of the Scheme Advisory Board nationally		Through membership of the Pension Fund Panel and Board, reports to the Panel and Board and the Training session provided by Tim Hazelwood on 20 September 2013 and 24 November 2017, Legal Services session November 2014, and training session provided by Paul Hodgson on 11 December 2015
1.8	Awareness of the role and statutory responsibilities of the treasurer and monitoring officer. - treasurer to the Pension Fund - monitoring officer		Training session provided by Tim Hazelwood on 20 September 2013 and 24 November 2017
1.9	**Pension scheme governance** An awareness of the LGPS main features. - the Governance Policy Statement		Reviewed each autumn by the Panel and Board and

Key	Training need	Training required? Yes/no	Possible sources of information, including training provided previously
	- the Governance Compliance Statement		Published in the Pension Fund's Annual Report
1.10	Knowledge of the Myners principles and associated CIPFA and SOLACE guidance. - the Myners principles - CIPFA's guide to the Application of the Myners Principles, published in 2009, including the six principles of: - Effective decision making - Clear objectives - Risk and liabilities - Performance assessment - Responsible ownership - Transparency and reporting - CIPFA/SOLACE Code of Corporate Governance in Local Authorities, published in 2007 - CIPFA's Guide to Delivering Good Governance in Local Government Pension Funds, published in 2009		Reflected in the Pension Fund's statutory documents reviewed by the Panel and Board each autumn and published in the Annual Report
1.11	A detailed knowledge of the duties and responsibilities of Pension Fund Panel and Board members. - Pension Fund Panel and Board - representatives on the Panel and Board of other employers - representatives on the Panel and Board of pensioners and contributors - Hampshire County Council's Members Code of Conduct - declarations of interest - conflicts of interest in the roles of Panel and Board members - role of the Independent Adviser		Through membership of the Pension Fund Panel and Board, and from training session provided by Paul Hodgson on 11 December 2015 Considered during the appointment of the Independent Adviser in 2011
1.12	Knowledge of the stakeholders of the pension fund and the nature of their interests.		Training session provided by Tim Hazelwood on 20 September 2013 and 24 November 2017

Key	Training need	Training required? Yes/no	Possible sources of information, including training provided previously
	- the employers, including scheduled bodies, admitted bodies, resolution bodies, community admission bodies, transferee admission bodies - Hampshire County Council as the administrative authority - employees - pensioners - deferred pensioners - council tax payers		
1.13	Knowledge of consultation, communication and involvement options relevant to the stakeholders. - the Pension Fund's Communication Policy Statement - Annual Employers Meeting - Annual Report - Annual leaflet for pensioners and contributors - Employee's guides - Employer manuals - Training for employers - Pension Services website - Annual benefit statements - Pensioners' newsletters		Reviewed by the Panel and Board annually in the autumn and published in the Annual Report Available on Pension Services' website
1.14	Knowledge of how pension fund management risk is monitored and managed - Risk Management Report		The Risk Management Report is published in the Pension Fund's annual report
1.15	Understanding how conflicts of interest are identified and monitored		Training session provided by Paul Hodgson on 11 December 2015

Key	Training need	Training required? Yes/no	Possible sources of information, including training provided previously
1.16	Understanding how breaches in law are reported		Training session provided by Paul Hodgson on 11 December 2015 Module on breaches in the Trustee Toolkit online learning resource
2.	**Pensions accounting and auditing standards**		
2.1	Awareness of the Accounts and Audit Regulations and legislative requirements relating to the role of the committee (ie, the Pension Fund Panel and Board) and individual members in considering and signing off the accounts and annual report. - Accounts and Audit Regulations - CIPFA/LASAAC Code of Practice on Local authority Accounting in the UK - CIPFA's Example Accounts and Disclosure Checklist for LGPS Fund Accounts 2011/12 - role of the Audit Committee - role of the Pension Fund Panel and Board - role of the Director of Corporate Resources		Reflected in the Pension Fund's Statement of Accounts published each year Neil Pitman session 28 February 2014
2.2	Awareness of the role of both internal and external audit in the governance and assurance process. - Internal Audit - external Independent Audit, currently provided by Ernst & Young		Neil Pitman session 28 February 2014 Reports to the Panel and Board by the Chief Internal Auditor. Independent Auditor's report included in the Statement of Accounts.
2.3	An understanding of the role played by third party assurance providers		Training session for the Panel and Board provided by Nick Weaver in November 2016

Key	Training need	Training required? Yes/no	Possible sources of information, including training provided previously
3.	**Financial services procurement and relationship management**		
3.1	**Understanding public procurement** Understanding of the background to current public procurement policy and procedures, and of the values and scope of public procurement and the roles of key decision makers and organisations. - CIPFA guide to procuring efficiency in public sector pensions administration, published in 2011		As incorporated in the procurement processes over the years for investment managers and other service providers, and Procurement training session July 2014.
3.2	A general understanding of the main public procurement requirements of UK and EU legislation. - EU procurement procedures and thresholds - the County Council's procurement policies and procedures - the roles of officers and Panel and Board members in procurement decisions - applying those procurement procedures to the Pension Fund's contracts - use of framework contracts and other techniques to reduce the cost of externally-sourced services - the terms of appointment of the Pension Fund's investment managers and other external providers		As above
3.3	**Supplier risk management** Understanding of the nature and scope of risks for the pension fund and of the importance of considering risk factors when selecting third parties. - procurement procedures - risk assessments in connection with using consultants and external fund managers - investment performance cannot be guaranteed - what to look for when selecting an investment manager		Procurement training session July 2014

Key	Training need	Training required? Yes/no	Possible sources of information, including training provided previously
3.4	An understanding of how the pension fund monitors and manages the performance of their outsourced providers. - external printing - tracing agency - external legal advisers - software providers		Training session for the Panel and Board provided by Nick Weaver in November 2016 Reports to the Panel and Board on pension administration
4	**Investment performance and risk management**		
4.1	**Total fund** Understanding of the importance of monitoring asset returns relative to the liabilities and a broad understanding of ways of assessing long-term risks. - the LGPS Management and Investment of Funds Regulations - triennial actuarial valuations of the Pension Fund's liabilities - regular reviews of the Pension Fund's investment strategy taking account of liabilities, in conjunction with the Fund actuary, eg following the triennial actuarial valuations - reviewing the Pension Fund's asset allocation on a tactical or medium-term basis - monitoring investment returns of individual managers and the Pension Fund as a whole		Reflected in the regular reports considered by the Panel and Board on investment matters. Training session provided by Steve Lee on 20 September 2013
4.2	**Performance of advisors** Awareness of the Myners principles of performance management and the approach adopted by the committee (ie, the Pension Fund Panel and Board). - the Myners principle - performance of investment managers		Reflected in the regular reports considered by the Panel and Board on investment matters

Key	Training need	Training required? Yes/no	Possible sources of information, including training provided previously
	- how to assess the performance of fund managers, including what questions to ask - performance benchmarks, including market indices such as FTSE and MSCI, and 'absolute' measures such as RPI or LIBOR - outperformance targets - basis for fees, including ad valorem fees and performance fees - transaction costs		Schroders training session July 2014
4.3	**Performance of the Pension Fund Panel and Board** Awareness of the Myners principles and the need to set targets for the Pension Fund Panel and Board and to report against them.		The Statement of Investment Principles is reviewed annually (at the Panel and Board meeting in December) and published in the Pension Fund's Annual Report
	- compliance with the Myners Principles is set out in the Pension Fund's Statement of Investment Principles		
	- Panel and Board members' self-assessment of their performance, in accordance with Good Practice Guidance on Trustees' Self-assessment published by the National Association of Pension Funds in 2006		
4.4	**Performance of support services** Awareness of the range of support services, who supplies them and the nature of the performance monitoring regime. Support services - in-house staff - Director of Corporate Resources - Finance staff – Investments - Finance staff – Pensions Services - Chief Internal Auditor - Legal Services - Monitoring officer - Business Advice and Members Support - Human Resources External providers		Regular reports to the Pension Fund Panel and Board on investment performance, administration and on internal audit

Key	Training need	Training required? Yes/no	Possible sources of information, including training provided previously
	- investment managers and advisers - custodian - investment performance measurement services - transition manager, if appointed to implement changes of investment managers - banker - actuary - independent adviser - investment consultants, such as Inalytics - specialist lawyers - Axise - Pensions Services' software provider - independent property valuer Assessment of Third Party Providers - Good Practice Guidance on Assessment of Third Party Providers published by the National Association of Pension Funds in 2006		
5.	**Financial markets and products knowledge**		
5.1	**Investment strategy** Awareness of the risk and return characteristics of the main asset classes (equities, bonds, property). Understanding of the role of these asset classes in long-term pension fund investing. - asset allocation - shorter term or tactical asset allocation - risks and returns - diversification - correlations - asset classes, including: - equities, both UK and overseas		Training sessions for the Panel and Board on investment strategies etc provided by Aon Hewitt in November 2009 and July 2014, and regular reports to the Panel and Board by investment managers. Training sessions on Alternative Beta/Factoring investments from UBS and Acadian in September and December 2018

Key	Training need	Training required? Yes/no	Possible sources of information, including training provided previously
	- bonds, both Government and corporate - index linked bonds - property, direct and indirect funds - alternative investments, including private equity, hedge funds and other categories - exchange traded funds (ETFs) - cash - currencies, and whether or not to hedge currency exposure back to Sterling		Training session for the Panel and Board on multi asset credit provided by Western in October 2017 Training session for the Panel and Board on UK property investing provided by Aberdeen in July 2015 Training session for the Panel and Board on infrastructure investing provided by GCM in November 2016 and private debt provided by Aberdeen in October 2017
5.2	**Financial markets** Understanding of the primary importance of the investment strategy decision. - formulating the investment strategy, in conjunction with the Fund actuary - asset/liability studies - reviewing the Pension Fund's investment strategy, as in 2011 - tactical asset allocation - liability driven investment (LDI)		Training session for the Panel on investment strategies by Aon Hewitt in July 2014. Training sessions for the Panel on LDI by Schroders in June and November 2011
5.3	A broad understanding of the workings of the financial markets and of the investment vehicles available to the pension fund and the nature of the associated risks. - the asset classes listed in section 5.1 above - segregated or pooled investments		

Key	Training need	Training required? Yes/no	Possible sources of information, including training provided previously
	- active or passive (index tracking) management - shareholdings, partnerships, direct investments - tax and Pension Fund investments - investment styles, including “growth” and “value” managers etc - risk assessment in investment decisions - stock lending		
5.4	An awareness of the limits placed by regulation on the investment activities of local government pension funds. - limits on investment matters in the LGPS Management and Investment of Funds Regulations - discretions permitted by the LGPS Management and Investment of Funds Regulations - cases where the Pension Fund has exercised these discretions - fiduciary duty of administering authorities and Pension Fund Panel and Board members - social, environmental and ethical considerations - exercising the rights attached to investments		Training session for the Panel by Legal Services November 2014 Training session for the Panel on social, environmental and ethical investment provided by Newton in November 2011
5.5	LGPS Management and Investment of Funds Regulations - categories of investments permitted by the Regulations - restrictions on the engagement of investment managers - investment managers’ terms of appointment - reporting arrangements for investment managers - reviews of investment managers’ performance and appointments - powers to borrow - separate bank accounts - Statement of Investment Principles		
5.6	An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to investments		Updates on tax reclaims are reported annually in Panel and Board papers

Key	Training need	Training required? Yes/no	Possible sources of information, including training provided previously
	- Pension Fund's tax status - Tax reclaims		
6.	**Actuarial methods, standards and practices**		
6.1	An understanding of the role of the fund actuary		Reports to the Panel and Board on the actuarial valuation Training sessions for the Panel provided by Aon Hewitt in November 2009, and in July 2014 Presentation from Aon Hewitt at the 2015 AEM
6.2	**Valuations** Knowledge of the valuation process, including developing the funding strategy in conjunction with the fund actuary, and intervaluation monitoring. - actuarial valuation process - arrangements for the grouping of employers in the Hampshire Pension Fund for valuation and other purposes – the Group Funding Framework - Funding Strategy Statement - how employer contribution rates are calculated for future service – as a percentage of pensionable pay - how employer contribution rates are calculated for the past service deficit – as a cash lump sum - arrangements for employers' contribution rates for past service and for future service - recovery of the deficit over an appropriate period, eg 25 years - monitoring the position between the triennial valuations - impact of increasing longevity		See 6.1

Key	Training need	Training required? Yes/no	Possible sources of information, including training provided previously
	- FRS17 / IAS19 information for employers' statements of accounts (Financial Reporting Standard 17 and International Accounting Standard 19)		
6.3	Awareness of the importance of monitoring early and ill health retirement strain costs. - the Pension Fund's policy for the relevant employers to meet the cost to the Fund of strain costs		Training session for the Panel and Board provided by Nick Weaver in July 2015
6.4	A broad understanding of the implications of including new employers into the fund and of the cessation of existing employers. - new admission bodies, including transferee admission bodies - cessation of employers, including the recovery of any deficits - Hampshire Pension Fund's Group Funding Framework - Hampshire Pension Fund's Policy on Cessation Contributions		Training session for the Panel and Board provided by Nick Weaver in July 2015
6.5	**Outsourcing** A general awareness of the relevant considerations in relation to outsourcings and bulk transfers. - Hampshire Pension Fund's policy on Outsourcing and Pass-Through Arrangements for small admission bodies		Training session for the Panel and Board provided by Nick Weaver in July 2015
6.6	A general understanding of the importance of the employer covenant and the relative strengths of the covenant across the fund employers		Report to the Panel and Board on the draft employer policy in December 2015
7.	**Pensions Administration**		
7.1	An understanding of best practice in pensions administration		Training session for the Panel and Board provided by Nick Weaver in November 2016

Key	Training need	Training required? Yes/no	Possible sources of information, including training provided previously
	- Performance - Cost measures		
7.2	Understanding of the required and adopted scheme policies and procedures relating to: - Member data maintenance and record-keeping processes - Internal dispute resolution - Contributions collection - Scheme communications and materials		Training session for the Panel and Board provided by Nick Weaver in November 2016 The communication policy statement is published each year in the Pension Fund annual report
7.3	Knowledge of how discretionary powers operate		Training session for the Panel and Board provided by Nick Weaver in November 2016
7.4	Knowledge of the pensions administration strategy and delivery - Use of third party supplies - Selection of third party suppliers - Performance management and assurance processes		Training session for the Panel and Board provided by Nick Weaver in November 2016 The administration strategy is published each year in the Pension Fund annual report
7.5	An understanding of how the Pension Fund interacts with the taxation system in the UK and overseas in relation to benefits administration		
7.6	An understanding of what additional voluntary contribution arrangements exist and the principles relating to the operation of those arrangements - Choice of investments to be offered to members - The provider's investment and fund performance report - The payment schedule for such arrangements		

Key	Training need	Training required? Yes/no	Possible sources of information, including training provided previously

Please add list below any additional topics on which training would be helpful

Even if it is not possible to attend a training session it would be helpful for opies of slides / materials to be made available to all.

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Pension Fund Panel and Board
Date:	12 July 2019
Title:	Governance: Responsible Investment Policy
Report From:	*Director of Corporate Resources – Corporate Services*

Contact name: Andrew Boutflower

Tel: 01962 847407 **Email:** andrew.boutflower@hants.gov.uk

Purpose of this Report

1. To recommend an updated Responsible Investment Policy and terms of reference for a Responsible Investment sub-group of the Panel and Board, following consultation with the Pension Funds scheme members and employers.

Recommendations

2. That the contents of the report including the consultation responses are noted.

3. That the revised Responsible Investment Policy is approved.

4. That the Terms of Reference for the Responsible Investment Sub-Committee are approved and that the committee appoints members to it, noting that for the four politically proportionate Hampshire County Council members this should currently be on the basis of three Conservatives and one Liberal Democrat.

Executive Summary

5. At its December 2018 meeting the Panel and Board agreed to consult on a redrafted Responsible Investment Policy. The Pension Fund received 29 consultation responses. The Pension Fund's Responsible Investment Policy, with amendments following the consultation, is presented for the Panel and Board's approval.

6. The redrafted Responsible Investment Policy includes the creation of a Responsible Investment Sub-Committee. A terms of reference for the new sub-committee is attached to this report for approval and the Panel and Board are asked to appoint the initial members.

Responsible Investment Policy consultation

7. As approved by the Pension Fund Panel and Board in December 2018 a consultation ran from 27 March 2019 to 17 May 2019 including:

   - A specific Responsible Investment section on the Pension Fund's website where the new draft policy would be published, with an explanatory note.
   - Inclusion in the employers' newsletter requesting that employers publicise the consultation to their members (Hampshire posted an article on the frontpage of Hantsnet, on Yammer and in a blog update from the Deputy Chief Executive and Director of Corporate Resources, which received 559, 476 and 217 views respectively).
   - An email to a sample of 500 deferred scheme members that Pensions Services hold email addresses for.
   - Inclusion in the newsletter that accompanies the pensioners' annual payslip.
   - Writing to Hampshire's Director of Public Health
   - Writing to the Pension Fund's investment managers to ask their views on the draft policy.
   - Sharing the draft policy with the other members of the ACCESS pool.

8. In total the Pension Fund received 29 responses from scheme members and employers as follows:

   - 2 employers
   - 1 group (representing 20 scheme members)
   - 3 pensioners
   - 17 active members (including 14 identifying themselves as employees of the Administering Authority)
   - 6 scheme members where it was not possible to identify the group that the member belonged to.

9. In summary the consultation responses can be summarised as follows:

	The draft policy goes too far – investment decisions should be solely focused on financial returns, regardless of how they are generated.	**Satisfied with the draft policy**	**The draft policy does not go far enough** – the policy should be more specific on the implementation of responsible investment, including disinvestment or promotion in particular areas.
Employers	1		1 (Fossil fuels - 1) (Armaments – 1) (Tobacco / alcohol / gambling – 1)
Groups			1 (Fossil fuels/ climate change – 1)
Scheme members	1	7	18 (Fossil fuels / climate change – 12) (Armaments – 7) (Tobacco – 3) (Equal pay – 1) (Human rights / modern slavery– 3) (Unethical / gambling / pornography – 3)

10. The consultation responses highlighted a number of areas where the policy could go further in better defining Environmental, Social and Governance (ESG) factors and the factors that the Pension Fund expects active investment managers to consider in assessing the long term financial returns of a company. The draft policy contained in Annex 1 for approval has been updated to reflect these changes.

11. There is a clear majority in the responses from the consultation from responders that would like the Pension Fund's policy to go further, including disinvesting or promoting a variety of sectors. However the overall number of responses represents a tiny fraction of the Pension Fund's overall membership (over 170,000 scheme members and 300 employers). Therefore in terms of discharging the Fund's responsibilities this does not represent the sufficient

weight of evidence that the Fund would need to demonstrate that a majority of members would support disinvestment.

12. This highlights the continued need for the Pension Fund to improve engagement with its membership, to articulate its fiduciary duty and the steps required in order to support any decision to disinvest. This links to the mandate for the new Responsible Investment sub-committee; the introduction of which was welcomed by a number of responders.

13. The Director of Public Health for Hampshire has responded to the consultation. Changes have been made to the draft policy to include language to account for ‘health inequalities’. The Director of Public Health’s response includes requesting ‘that the Hampshire Pension Fund Panel and Board include the exclusion of tobacco companies within the Responsible Investment policy under the Stock/Sector Exclusions and Social Impact investments section. This is due to the fact that there is a fundamental contradiction between the duty of Hampshire County Council to promote public health and the general wellbeing of local populations under the Health and Social Care Act 2012, and our pension investments in the tobacco industry.’

14. A number of positive responses to the draft policy were received from the Pension Fund’s Investment Managers, including observations on the level of consideration that had gone into the revised draft. Following the comments received amendments have been made to clarify the Fund’s long-term investment aim and the reporting and monitoring expected for investment managers. The wording of the draft policy has also been expanded to incorporate the distinct characteristics of the Pension Fund’s investments in closed end partnerships and direct property.

15. Sharing the Fund’s updated draft Responsible Investment policy with its partners in ACCESS has initiated a review of the initial ESG guidelines that were developed by the pool, which is planned for the coming year. Hampshire’s new draft policy goes beyond and is more detailed than many of the other ACCESS funds and the current ACCESS guidelines. New ACCESS guidelines would need to be agreed in order for the investment managers that have been contracted by Link to have to comply with any updated requirements. But Hampshire’s additional focus on the investment decision making process demonstrating consideration of ESG factors is already being considered in the pool’s reporting expectations for investment managers.

Responsible Investment sub-committee

16. Following-on from the working group of the Panel and Board that was responsible for recommending the initial amendments to the Responsible Investment Policy, the new policy includes making this arrangement a permanent on-going feature through the creation of a sub-committee of the Panel and Board. Terms of reference for the Responsible Investment Sub-

Committee are attached in Annex 2 to this report, including the sub-committee's appointments process. The Panel and Board are asked to approve the terms of the reference and make the initial appointments to the sub-committee. For 2019/20 the County Council's proportionality requires that the County Councillors appointed should be three Conservative members and one Liberal Democrat member.

REQUIRED CORPORATE AND 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: For the ongoing management of the Hampshire Pension Fund.	

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	

EQUALITIES IMPACT ASSESSMENT:

1. Equality Duty

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 by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

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

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

2. Equalities Impact Assessment:

Equality objectives are not considered to be adversely affected by the proposals in this report as the proposals do not directly affect scheme members.

DRAFT Responsible Investment Policy

The Pension Fund's investment principles include:

i) that it has a long term focus and must make investment returns to meet pensions liability (currently calculated by the Fund's actuary as 4.5%pa), and

ii) a belief in the importance of Responsible Investment, including consideration of **social, environmental and corporate governance (ESG),** which can both positively and negatively influence investment returns.

The Pension Fund's approach to Responsible Investment, includes consideration of the Principles for Responsible Investment (PRI), ") a set of six principles that provide a global standard for responsible investing as it relates to ESG. The PRI provides the following examples of ESG factors:

- **Environmental** - climate change – including physical risk and transition risk, resource depletion, including water, waste and pollution, deforestation,
- **Social** - working conditions, including slavery and child labour, local communities, including indigenous communities, conflict, health and safety (including health inequalities), employee relations and diversity
- **Governance** - executive pay, bribery and corruption, political or religious lobbying and donations, board diversity and structure, unjustifiable tax strategy

These factors, whilst not exhaustive, provide a baseline of ESG factors to be taken into account as part of the Pension Funds overall investment strategy.

<u>Responsible Investment Sub-Committee</u>
The Pension Fund Panel and Board (PFPB) take their responsibilities for Responsible Investing and the consideration of ESG issues very seriously, and have established a Responsible Investment sub-committee, which meets at least twice a year, to review ESG issues and support implementation of the Responsible Investment Policy..

The Terms of Reference of the sub-committee are as follows:

To make recommendations to the PFPB on ESG issues having completed the following activities:

to review regularly the Pension Fund's Responsible Investment Policy (contained in its Investment Strategy Statement), and practices relating to it, to ensure that ESG issues are adequately reflected;

a. to provide a forum for considering representations to change this Policy and/or the Pension Fund's responsible investment practices relating to it;

b. to engage in responsible stewardship with its investment managers and to provide a forum for the review and monitoring of investments in the context of the Policy;
c. to receive any relevant training on ESG issues;
d. to review investment managers' company engagement and voting decisions and when necessary engage directly and indirectly with investment managers (and where possible directly with companies the Pension Fund is invested in) to make representations concerning ESG as appropriate;
e. to engage directly and indirectly with scheme members and employers to hear representations concerning ESG as appropriate;
f. to report annually on the Pension Fund's Responsible Investment activities to demonstrate progress to the Pension Fund's stakeholders

Consideration of ESG in Investment Decisions

The Pension Fund delegates its investment decisions to its current and future appointed investment managers, who are a combination of specialist external active investment managers and passive investment managers. The PFPB engages in responsible stewardship with its investment managers and will review and monitor investments in the context of this Policy as follows:

Passive investment managers

These managers are employed to mirror the stocks in various indices, and the PFPB accept that in making investments for the Pension Fund through an index, passive managers are unable to actively take ESG factors into account.

However, the PFPB does expect its passive investment managers to act in the best interests of the Pension Fund to enhance the long-term value of investments and support and encourage sound practices in the boardroom. As such the PFPB expects its passive investment managers to engage with companies within the index on areas of concern related to ESG issues and to also exercise voting rights particularly with regard to ESG factors, in a manner that will most favourably impact the economic value of the investments (see separate section below on Exercising Voting rights).

Active investment managers

The PFPB delegates responsibility for making individual investment decisions (non passive) to its active investment managers.

In delivering their service to the Pension Fund, the PFPB requires its active investment managers to pro-actively consider how all relevant factors, including ESG factors, will influence the long term value of each investment.

To ensure that ESG factors are considered in investment decisions, the PFPB uses the following framework of questions, which it requires its investment managers to be able to answer and uses these as a basis to scrutinise them.

For each investment has the investment manager assessed and concluded that the overall expected long-term financial return is mitigated from the risk of:

- Detrimental social impacts or increasing health inequalities from the company's products/services, such as armaments or tobacco.
- Negatively contributing to Climate Change or other environmental issues, such as pollution and the use of plastic.
- The impacts of Climate Change.
- Poor corporate governance, systems of control and a lack of transparency.
- A senior management pay structure that is biased towards managers making short-term decisions that aren't in the company's and investors long-term interests.
- The detrimental treatment of the company's workforce or workers in the company's supply chain on issues such as health and safety, gender equality and pay.
- Dangerous business strategies, such as the creation of monopolies, that may expose the company or wider economy to unacceptable risk.
- Any outcome damaging to human rights.
- Reputational damage to the company, the Pension Fund in relation to its beneficiaries, Hampshire residents, or the general principles of the UK Corporate Governance Code; as a result of its approach to any ESG issue.

If the PFPB do not receive satisfactory responses to these questions they may undertake further engagement with investment managers (and possibly directly with investments) and/or consider directing the investment manager to not invest in the company/sector in question.

Closed-ended limited partnerships

The Pension Fund invests in closed ended limited partnerships and has let a number of discretionary contracts to investment managers for investments in private equity and infrastructure in these types of investments. The Pension Fund requires that its investment managers to integrate ESG considerations into their selection of these investments, which it believes will improve the long-term risk adjusted returns. Whilst the Pension Fund expects its investment managers to be able to influence the investment decisions of these partnerships, it accepts that once it has committed its investment it cannot control the investments that are made.

Direct property

The Pension Fund has made a strategic allocation to invest in UK commercial property, and therefore recognises that as a landlord it has an opportunity to affect to quality of the buildings that it owns. As part of the investment management contract that the Pension Fund has let for the discretionary management of its property portfolio, the Pension Fund expects its investment manager to consider improving the environmental impact of each of the properties it owns as part of the investment case for owning each property.

Stock/Sector Exclusions and Social Impact investments

The PFPB may also consider disinvestment from a particular stock, the exclusion of a particular type of stock or investment in specific ‘social’ investments where, based on an evaluation of ESG factors, it believes that the decision would be supported by a significant majority of scheme members and employers; the PFPB may take this approach so long as it does not result in significant financial detriment to the Pension Fund.

Exercise of rights attaching to investments

Each of the Pension Fund’s investment managers is asked to work in a consistent and transparent manner with companies they are invested in to ensure they achieve the best possible outcomes for the Pension Fund, including forward-looking ESG standards. This includes requiring investment managers to exercise the Fund’s responsibility to vote on company resolutions wherever possible.

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 stakeholders including 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.

The Pension Fund’s investment managers (both active and passive) are required to report to the Pension Fund on their engagement with company management and voting recording, highlighting any instances that they voted against company management or did not follow these guidelines. The reports of the investment managers on their consideration of ESG factors, company engagement and shareholder voting will be viewed by the Pension Fund’s officers, the Responsible Investment Sub-Committee and Pension Fund Panel and Board.

Hampshire Pension Fund Responsible Investment Sub-Committee - Terms of Reference

Introduction

Hampshire Pension Fund Panel and Board has created a Responsible Investment sub-committee to further consider how Environmental Social and Governance (ESG) factors are taken into account in investment decisions and the views of scheme members and employers on this topic.

Composition

The sub-committee will be made up of the following full members of the Pension Fund Panel and Board:

- 4 County Councillors of the Pension Fund Panel and Board (to be appointed according to the proportionality of the County Council)
- 2 Co-opted members of the Pension Fund Panel and Board (1 Scheme Member representative, 1 Employer representative)

At its first meeting following the County Council's Annual General Meeting (AGM) each year, the Pension Fund Panel and Board will review the membership of the sub-committee following the principle that appointments will rotate annually where practical and taking proportionality requirements into account.

The sub-committee will annually appoint a Chairman and Vice-Chairman from amongst its membership at its first meeting following the County Council's AGM.

Role of the sub-committee

The sub-committee shall make recommendations to the Pension Fund Panel and Board on Responsible Investment issues having completed the following activities:

a. to regularly review the Pension Fund's Responsible Investment Policy (contained in its Investment Strategy Statement), and practices relating to it, to ensure that ESG issues are adequately reflected;
b. to provide a forum for considering representations to change this Policy and/or the Pension Fund's responsible investment practices relating to it;
c. to receive any relevant training on ESG issues;
d. to engage in responsible stewardship with its investment managers and to provide a forum for the review and monitoring of investments in the context of the Policy;
e. to review investment managers' company engagement and voting decisions and when necessary engage directly and indirectly with investment managers (and where possible directly with companies the Pension Fund is invested in) to make representations concerning ESG as appropriate;
f. to engage directly and indirectly with scheme members and employers to hear representations concerning ESG as appropriate.

g. to report annually on the Pension Fund's Responsible Investment to demonstrate progress to the Pension Fund's stakeholders.

The sub-committee may receive advice or ask to meet with the Pension Fund’s investment managers.

Meetings

The sub-committee will meet at least twice a year at the County Council offices in Winchester.

Quorum

The quorum of the sub-Committee shall be three members of the sub-committee, of which at least two must be County Councillors.

Publication of information

The sub-committee’s agenda, papers and minutes will be published on the County Council’s website in accordance with the County Council’s Constitution.

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Pension Fund Panel and Board
Decision:	12 July 2019
Title:	Governance: Pension Fund Risk Management
Report From:	Director of Corporate Resources – Corporate Services

Contact name: Andrew Boutflower

Tel: 01962 847407 **Email:** andrew.boutflower@hants.gov.uk

Purpose of this report

1. This report provides a summary of the Pension Fund's approach to risk management and the Risk Register for review by the Pension Fund Panel and Board. In accordance with guidance the Fund's Risk Register is reported annually as part of the Annual Report.

Recommendation

2. That the Panel and Board note the contents of this report, in particular the risks identified to the Pension Fund and the activities planned and carried out to mitigate those risks.

Risk Management Process

3. The first step in the risk management process is the identification of risk. Risks are identified through the analysis of the Pension Fund's aims and those issues that might interfere with achieving those aims. The aims of the Pension Fund are published in its Funding Strategy Statement, which is reported annually to the Pension Fund Panel and Board, and are as follows:
   - To manage the employers' liabilities effectively.
   - To enable employers' contribution rates to be kept as stable as possible and affordable for the Fund's employers.
   - To maximise the income from investments within reasonable risk parameters.
4. The risks to the Pension Fund of not achieving these aims are captured in the Fund's Funding Strategy Statement. The Director of Corporate Resources' staff with the assistance of the Fund Actuary have assessed these risks and documented the mitigation in place, which is recorded in the Fund's Risk Register shown in Appendix 1.

5. In accordance with guidance, the Pension Fund publishes its Risk Register as part of its Annual Report. In addition the investment risks are also published in the Investment Strategy Statement.

Risk Management Activities

6. The management of risk is part of the control framework that is managed by the Director of Corporate Resources' staff. The following table summarises the major activities that have been undertaken and are planned by the Director of Corporate Resources' staff and the Pension Fund Panel and Board.

Risk	**2018/19 activities completed**	**New or ongoing activities**	**Person responsible**	**Date due**
Investment risk	Monitoring of the Fund's investments and performance of the Fund's investment managers and reporting to the Pension Fund Panel and Board. Change of investment managers where investment performance was unsatisfactory	Ongoing	Director of Corporate Resources and the Pension Fund Panel and Board	Ongoing
	Implementation of the Investment Strategy - appointment of investment managers for Multi-asset Credit and Private Debt	None	Director of Corporate Resources and the Pension Fund Panel and Board	Completed
	Full engagement in the process of investment pooling	Ongoing	Director of Corporate Resources and the Pension Fund Panel and Board	Ongoing
	Management of the Fund's cash balance to ensure cash is available to meet liabilities as they fall.	Ongoing	Deputy Investments and Borrowing Manager	Ongoing

Risk	2018/19 activities completed	New or ongoing activities	Person responsible	Date due
Investment risk (continued)	Monitoring of the ongoing cash surplus/deficit position and reporting to the Pension Fund Panel and Board.	Ongoing (annually)	Deputy Investments and Borrowing Manager	July 2019
Employer risk	Agreement of updates to the Funding Strategy Statement and amendments to the Fund's employer groups to reflect the characteristics of different employers	Monitoring of the existing employers in the Fund and new employers based on the new Employer Policy. Consideration of the ongoing suitability of the Fund's grouping mechanism	Head of Pensions, Investments and Borrowing, Director of Corporate Resources and the Pension Fund Panel and Board	Ongoing
Administration risk	Reporting key areas of employer performance, monitoring of trends and proposal of escalation mechanisms to the Panel & Board as necessary	Ongoing	Head of Pensions, Investments and Borrowing	Ongoing
Liability risk and funding risk	Received updates from the Fund Actuary on the Fund's interim funding position. Preparation for the 2019 Actuarial Valuation	2019 Actuarial Valuation	Director of Corporate Resources and the Fund Actuary	March 2020
Regulatory and compliance risk	Pensions Services' processes are maintained in accordance with the latest LGPS regulations	Ongoing	Head of Pensions, Investments and Borrowing	Ongoing
Governance risk	Completion of Training Needs Analysis and	Ongoing	Pension Fund Panel and Board	Ongoing

Risk	2018/19 activities completed	New or ongoing activities	Person responsible	Date due
	appropriate training by Panel and Board Members			

REQUIRED CORPORATE AND 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: For the ongoing management of the Hampshire Pension Fund.	

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.)

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None	

EQUALITIES IMPACT ASSESSMENT:

1. Equality Duty

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 by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

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

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

2. Equalities Impact Assessment:

Equality objectives are not considered to be adversely affected by the proposals in this report as the proposals do not directly affect scheme members.

Pension Fund Risk Register

Risk	Description	Likelihood	Impact	Mitigation
Employer risk	These risks arise from the ever-changing mix of employers, from short-term and ceasing employers, and the potential for a shortfall in payments and/or orphaned liabilities. These events could cause the risk of unexpected structural changes in the Fund's membership and the related risk of an employer failing to notify the administering authority promptly.	M	H	The Administering Authority requires the other participating employers to communicate regularly with it on such matters. The Pension Fund Panel and Board have approved a Funding Strategy Statement that details how funding risk is mitigated for different employer types. The Administering Authority maintains a knowledge base on scheme employers, their basis of participation and their legal status (e.g. charities, companies limited by guarantee, group/subsidiary arrangements) and uses this information to inform the Funding Strategy Statement. . The Fund's Employer Policy outlines how the Administering Authority will deal with any situation resulting from a change in any Fund employer's circumstances or new employers entering the Fund. The Administering Authority monitors the status of the employers in the Fund and discusses any changes, including any necessary changes to the Funding Strategy Statement, with the Fund's Actuary.
	That an employer becomes insolvent and is no longer able to meet their obligations to the Fund.			The Pension Fund's Funding Strategy Statement reflects that most of the employers in the Fund have a degree of Central Government

Risk	Description	Likelihood	Impact	Mitigation
				support. Where this is not the case the Funding Strategy Statement sets out how this will be taken into account to manage the risk. The Employer Policy requires new employers to have a guarantor who would be called on in the event of an insolvency, and all charitable admission bodies now have a subsumption commitment from their associated local authority which helps to reduce any exit debt.
Operational risk	That the activities of the Pension Fund are disrupted due to the loss of premises, staff or IT (for example as a result of a cyber attack), either effecting the Pension Fund directly or one of its key suppliers.	L	M	Pension Services follow the Administering Authority's Disaster Recovery policy that ensures that processes are in place to manage in the event of the loss of key resources. Part of the selection process for the Pension Fund's key suppliers includes an assessment of their own disaster recovery capabilities.
Administration risk	The Pensions Regulator identifies the risks being around:	M	M	
	- Employer contribution monitoring: are employers paying the right amount of contributions on time?			Employer contributions are set out in the triennial valuation and the deadline for payment is set by Regulation as 22nd of the month. Contributions are monitored and any late payments are reported to the Pension Fund Panel and Board. Any issues of 'material significance' will be reported to the Regulator
	- Record-keeping: how comfortable are			The Administration Strategy is the

Risk	Description	Likelihood	Impact	Mitigation
Administration risk (continued)	you that your records are complete and accurate?			agreement between the Hampshire Pension Fund and all participating Bodies, in which all parties commit to certain principles, including: - to provide a high quality pension service to members - to take responsibility to provide accurate and timely information - that the results are reported to the Panel & Board twice a year. The annual returns exercise is completed each year and employer performance is monitored with processes in place to help improve this where necessary. The Compliance and Delivery Manager is responsible for ensuring that data is complete and accurate in line with TPR requirements and that any actions on the data improvement plan are implemented. The Administering Authority has implemented a data analysis tool which provides daily management information on potential data issues.
	- Internal controls: has the Fund put in practice a policy to identify risks and arranged for these to be managed or mitigated?			Both Internal Audit and External Audit carry out work to assess the internal controls and this is reported to the Panel & Board.
	- Member communication: are these always accurate, timely and clear?			There is a Communications Policy and Customer Charter on the Pensions Services website, which

Risk	Description	Likelihood	Impact	Mitigation
				details the service our scheme members can expect.
	- Internal disputes: do these indicate wider problems in the Fund?			The full complaint process, going all the way though to the Pensions Ombudsman, is detailed on the Pension Services website. All complaints are fully investigated and the outcome at each stage of the process reported in the Accounts.
	- Resourcing: conflicting priorities with servicing other partners.			Resourcing plans are in place to ensure services can be delivered to each partner. Project plans are in place that identify the requirements of each partner, including the on-boarding of new partners.
Investment risk	Investment management underperformance – from the Fund's investment managers failing to outperform their benchmark returns for prolonged periods of time	M	H	The Fund's investment managers' performance is reviewed regularly by the Fund's officers and reported regularly to the Panel and Board. 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.
Investment risk (continued)	Market risk – from fluctuations in market prices, which is particularly relevant for investments in equities			The Panel and Board have set a diversified asset allocation which limits exposure to any one particular market. 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

Risk	Description	Likelihood	Impact	Mitigation
Investment risk (continued)				as much freedom as possible, in order to manage market conditions as they see fit.
	Interest rate risk – which can affect the prices of investments that pay a fixed interest rate			The Fund contracts with specialist external investment managers and as a general principle aims to set mandates for investment managers that give them as much freedom as possible, in order to manage risks such as changes in interest rates.
	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 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. Where investment returns in particular asset classes are at risk of disproportionate currency effects (such as Multi-asset Credit and Private Debt) the investments are hedged back to Sterling. In addition having taken advice to mitigate the overall currency impact on the Pension Fund, the passive global equity

Risk	Description	Likelihood	Impact	Mitigation
				investments is hedged back to Sterling.
	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 Panel and Board have set a diversified asset allocation which limits exposure to any particular investment, with further limits set in the Investment Strategy Statement to limit the Fund's exposure to particular vehicles or assets. The Pension Fund's stock lending programme is protected by collateral managed by the Fund's custodian.
	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 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.
Investment risk (continued)	Custody risk – losing economic rights to Fund assets, when held in custody or being traded.			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 liabilities are not accurately calculated resulting in the return target			The County Council as the Fund's Administering Authority will ensure that the Fund's Actuary investigates the main

Risk	Description	Likelihood	Impact	Mitigation
	being too low and employers' contributions having to rise.			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.
	Environmental, social and governance (ESG) factors – that these factors materially reduce long-term returns.			As set out in the Fund's Responsible Investment Policy, the Fund's external investment managers are required to consider ESG factors in their investment decisions and 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 Board's fiduciary duty.			The Fund will be proactive in engaging with the Government, including responding to consultation, on any issues affecting the management and investment of Pension Fund monies.
	Illiquidity – that the Fund is unable to meet its immediate liabilities			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.

Risk	Description	Likelihood	Impact	Mitigation
Liability risk	The main risks include interest rates, pay and price inflation, life expectancy, changing retirement patterns and other demographic risks that will impact on the Actuary's calculation of the Fund's liabilities and reduce the Fund's funding ratio.	M	M	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.
Funding risk	The Government Actuary's Department (GAD) has been appointed by the Ministry of Housing, Communities and Local Government (MHCLG) to provide a report under Section 13 of the Public Service Pensions Act 2013 when an actuarial valuation of the LGPS has been carried out. Their report must cover: - whether the fund's valuation is in accordance with the scheme regulations - whether the fund's valuation has been carried out in a way which is not inconsistent with the other fund valuations within the LGPS - whether the rate of employer contributions is set at an appropriate level to ensure the solvency of the	M	H	Any relevant measures and scores will be regularly reported to the Pension Fund Panel and Board. Appropriate financial assumptions were agreed with the Fund Actuary for the 2016 valuation. The Section 13 report will be reviewed and amber or red flags will be reviewed with the Fund's actuary and reported to the Pension Fund Panel and Board with proposed mitigations.

Risk	Description	Likelihood	Impact	Mitigation
Funding risk (continued)	pension fund and the long-term cost-efficiency of the scheme, so far as relating to the pension fund. These requirements will have statutory force with effect from the 2016 valuations in England and Wales. Funds will be assessed against a number of measures and scored as: Red – potentially a material issue that might contribute to a recommendation for remedial action to ensure solvency Amber – highlights a possible risk Green – no material issue that might contribute to a recommendation for remedial action to ensure solvency. GAD will then engage with Funds with any amber or red flags.			
Regulatory and compliance risk	Regulatory risks relate to changes in LGPS regulations, including national pensions legislation and HM Revenue and Customs rules.	L	M	The Administering Authority will keep abreast of proposed changes to the LGPS, taking the necessary legal, actuarial or investment advice necessary to interpret the changes. Any resulting changes in policy will be reported to the Pension Fund Panel and Board for approval.
Governance risk	That decision making and control of the Pension Fund is lacking or inappropriate or	M	L	The Pension Fund Panel and Board has documented Terms of Reference and Operating Procedures.

Risk	Description	Likelihood	Impact	Mitigation
	undertaken by persons without suitable knowledge or experience.			The Panel and Board will consider all items that are material to the management of Hampshire Pension Fund and are supported by suitably qualified officers. Members of the Pension Fund Panel and Board complete a Training Needs Analysis based on CIPFA's Knowledge and Skills Framework and undertake identified training activities as necessary.
Pooling risk	That the investment pool which Hampshire has joined does not function effectively and provide the investments that Hampshire requires in order to implement its Investment Strategy	L	M	The Chairman of the Panel and Board supported by the Pension Fund's officers take an active part in the operation of the ACCESS pool to ensure its continued effectiveness. The Panel and Board and officers will continue to monitor the suitability of the Pension Fund's investments and where necessary consider appropriate alternatives available via ACCESS.
Contractual risk	The contractual arrangements between the County Council (on behalf of the Pension Fund) and its suppliers are challenged as unlawful	L	H	The Pension Fund receives advice from the County Council's Legal and Procurement staff about the most appropriate contractual arrangements to put in place to meet its legal obligations.

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Agenda Item 15

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