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AT A MEETING of the Hampshire Pension Fund Panel and Board of
HAMPSHIRE COUNTY COUNCIL held virtually on Friday, 26th March, 2021

Chairman:

*Councillor M. Kemp-Gee

Vice-Chairman:

* Councillor T. Thacker

Elected members of the Administering Authority (Councillors):

* C. Carter
* A. Dowden
* A. Gibson
* B. Tennent

* A. Joy
* P. Latham
* J. Glen

Employer Representatives (Co-opted members):

* Councillor C. Corkery (Portsmouth City Council)
* Councillor P. Taylor (District Councils - Rushmoor Borough Council)
* Dr L Bartle (University of Portsmouth)
Councillor S. Barnes-Andrews (Southampton City Council, substitute employer representative)

Scheme Member Representatives (Co-opted members):

* Dr C. Allen (pensioners' representative)
* Mr N. Wood (scheme members representative)
* Ms L. Gowland (deferred members' representative)
* Mrs S. Manchester (substitute scheme member representative)

Independent Adviser:

* C. Dobson

*present

BROADCASTING ANNOUNCEMENT

The Chairman asked for the broadcast of the meeting to begin. Those remaining at the meeting were consenting to being filmed and recorded.

316. **APOLOGIES FOR ABSENCE**

Cllr Barnes-Andrews sent his apologies.

Cllrs Carter and Taylor had to leave the meeting after item 13.

317. **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.

Carolan Dobson reminded the committee that she is a member of the board of Aberdeen Standard Fund Managers, in relation to Aberdeen Standard's presentation to this meeting, although her role on the Board does not cover the investment manager's institutional products.

318. **CONFIRMATION OF MINUTES (NON-EXEMPT)**

The minutes of the Pension Fund Panel and Board held on 12 February 2021 were confirmed.

319. **DEPUTATIONS**

None.

320. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman remarked that this was the final meeting of the Pension Fund Panel and Board in the Council's 4 year term, prior to the local elections in May. The Chairman highlighted the following key events in the committee's 4 year term:

- ***The ACCESS pool was only getting going 4 years ago, and now has pooled over half of the combined £55bn of assets under management. It has been a very positive experience working with the other 10 authorities in ACCESS.***
- ***This 4 year term has seen considerable developments in the Pension Fund's approach to Responsible Investment (RI). Whilst the changes may not have yet gone far enough for some, the Chairman was confident that Hampshire was taking a reasonable and professional approach for managing a large pension fund.***
- ***Significantly and for the first time, the Pension Fund has moved into a funding surplus during this period. Whilst there is still much work to be done the Pension Fund's investment strategy places it in a strong position.***

The Chairman thanked the officers of the Pension Fund, led by the Deputy Chief

Executive and Director of Corporate Resources, who have seamlessly continued to manage the Pension Fund, making good decisions and in particular continuing to pay its pensioners, throughout the pandemic.

Finally the Chairman thanked the Panel and Board Members for their participation and continued dedication to training, as well as the Audit Committee for their support and in particular the late Cllr Evans. It was highlighted that this was the final meeting for a number of members who were not re-standing at the forthcoming local elections and individual members reflected positively on their experiences of serving on the Pension Fund Panel and Board.

321. MINUTES OF THE PENSION FUND RESPONSIBLE INVESTMENT SUB-COMMITTEE ON 5 MARCH 2021

The minutes of the RI sub-committee meeting held on 5 March 2021 were received.

322. MINUTES OF THE ACCESS JOINT COMMITTEE ON 13 JANUARY 2021

The minutes of the ACCESS Joint Committee meeting held on 13 January 2021 were received.

323. GOVERNANCE: DRAFT POLICY ON EMPLOYER FLEXIBILITY REGULATIONS

The Panel and Board received a report of the Deputy Chief Executive and Director of Corporate Resources (item 8 in the Minute Book) providing the Pension Fund Panel and Board with information about the changes to the LGPS Regulations which allow greater flexibility for employers who are likely to exit the Fund. In September 2020, the LGPS 2013 Regulations were amended to allow for greater flexibilities for employers who were likely to exit from the Fund. These new regulations provide for:

- a review of employer contributions between Fund valuations
- the spreading of exit payments
- allowing employers to continue to pay contributions after their last active member has left, and for those contributions to be revised at future valuations (known as Deferred Debt Agreements).

The regulations state that Funds can only make use of these new flexibilities if the Fund's policy is documented in the Funding Strategy Statement (FSS). Accordingly the FSS has been updated with a draft policy on the three new powers. The policy is deliberately written to allow each case to be considered on its own merits but the process is described to allow for transparency. The overriding principle of the policy is to ensure that the Fund only agrees to the use of these new provisions if it is in the interests of the Fund as a whole.

The policy has been drafted with significant input from the Fund actuary and in accordance with both the statutory guidance from MHCLG and the further guidance from the Scheme Advisory Board on the use of these provisions. In

making these changes to the FSS, the opportunity to update the format of the document has been taken.

It was proposed that, subject to the Panel and Board's approval, scheme employers will be consulted on the draft employer flexibilities policy contained within the FSS, as well as the amended Administration Strategy. It is anticipated that the consultation will run for 8 weeks from 29 March until 21 May. The Panel and Board were asked to delegate authority to the Deputy Chief Executive and Director of Corporate Resources to approve the final versions of the FSS and Administration Strategy following the close of the consultation period. However, if the statements require material changes following the employer feedback, these would instead be brought back to the Panel and Board for approval.

RESOLVED:

The Panel and Board:

- (a) Agreed in principle to allow the use of the employer flexibilities regulations.
- (b) Approved the draft FSS and Administration Strategy for consultation with Scheme Employers
- (c) Agreed to delegate authority to the Deputy Chief Executive and Director of Corporate Resources for approval of the statements following the end of the consultation period.

324. **GOVERNANCE: PENSION FUND PANEL AND BOARD MEETINGS**

The Panel and Board received a report of the Deputy Chief Executive and Director of Corporate Resources (item 9 in the Minute Book) on changes to the calendar of meetings for the Panel and Board, starting from the 2021/22 municipal year. The Deputy Chief Executive and Director of Corporate Resources highlighted that the Pension Fund Panel and Board has met seven times a year but there continues to be a pressure from the number of items on some agendas, including hearing presentations from its investment managers.

Starting for the 2021/22 municipal year it is intended that Panel and Board meetings should specifically focus on reports on the necessary governance and investment issues required for the management of the Pension Fund. The number of Panel and Board meetings will therefore reduce to four per year, once a quarter. To enable the Panel and Board to fulfil their role of scrutinising the Pension Fund's investment managers, specific briefings will be arranged for Members to hear presentations and receive training from investment managers. There will be a programme of six to seven briefings a year for Members to see the Pension Fund's full roster of investment managers. It is intended that Members' briefings with investment managers will continue to be virtual. This will reduce travelling for both Members and the Fund's investment managers, many of whom are not based in the UK.

Following questions and comments from a number of the Members on whether there would be any implications on the level of transparency or the ability for engagement from scheme members following the change in meetings, Cllr Kemp-Gee proposed an additional recommendation, that was seconded, that a

paper is brought back to the Panel and Board reviewing the effectiveness of the new meeting cycle after it has been in operation for a year.

RESOLVED:

(a) That the Panel and Board note the changes to Panel and Board meetings starting for the 2021/22 municipal year.

(b) That a paper is brought back to the Panel and Board reviewing the effectiveness of the new meeting cycle after it has been in operation for a year

(c) That the Panel and Board recommends to County Council that its Terms of Reference are amended as shown in Annex 1, and approves that corresponding changes are made to the Pension Fund's Representation Policy.

325. EXCLUSION OF THE 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 Paragraph 3 and 5 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.

Following the resolution the Chairman asked for the broadcasting of the meeting to end.

326. CONFIRMATION OF THE EXEMPT MINUTES OF THE PREVIOUS MEETING

The exempt minutes of the Pension Fund Panel and Board held on 12 February 2021 were confirmed.

327. EXEMPT MINUTES OF THE PENSION FUND RESPONSIBLE INVESTMENT SUB-COMMITTEE ON 5 MARCH 2021

The exempt minutes of the RI sub-committee meeting held on 5 March 2021 were received.

328. INVESTMENTS: HAMPSHIRE PENSION FUND CUSTODIAN PERFORMANCE REPORT

The Panel and Board received an exempt report from the Deputy Chief Executive and Director of Corporate Resources (Item 13 in the Minute Book) updating the Panel and Board on the performance of the Pension Fund's custodian. [SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT INFORMATION]

329. INVESTMENT: ACADIAN'S MANAGED VOLATILITY PORTFOLIO

The Panel and Board received an exempt report from the Deputy Chief Executive and Director of Corporate Resources (Item 14 in the Minute Book) on Acadian's Managed Volatility portfolio. [SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT INFORMATION]

330. INVESTMENTS - ALTERNATIVE INVESTMENTS PORTFOLIO UPDATE

The Panel and Board received an exempt report from the Deputy Chief Executive and Director of Corporate Resources (Item 15 in the Minute Book) updating the Panel and Board on the performance of the Pension Fund's alternative investments. [SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT INFORMATION]

Chairman,

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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