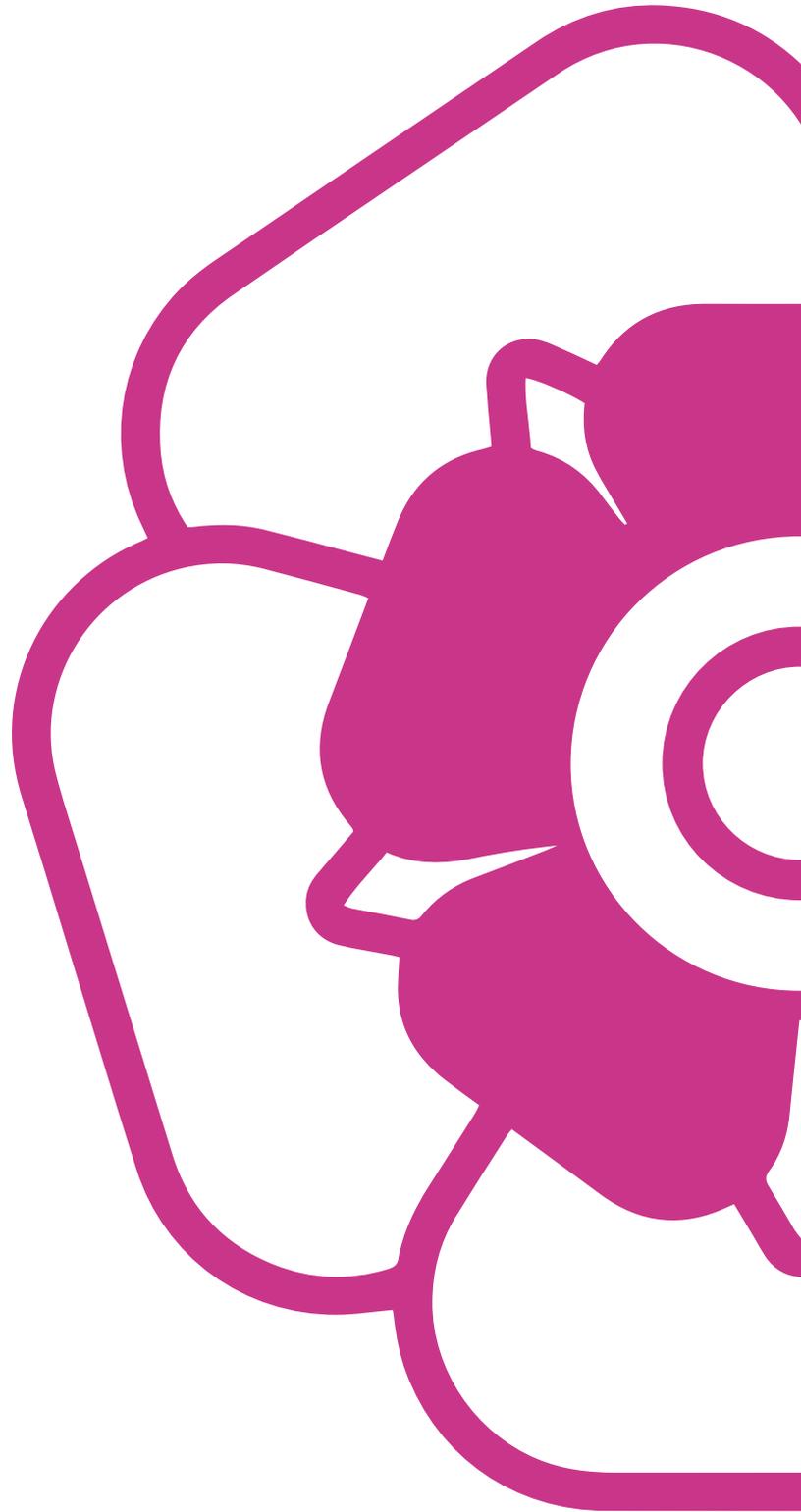




HAMPSHIRE
PENSION FUND

Business Plan

2023/24 – 2026/27



Hampshire
County Council

Contents

<p>3 Background</p>	<p>6 Introduction</p>	<p>10 Progress on the 2023/24 Business Plan</p>
<p>16 2023/24 Budget</p>	<p>18 Risk Register</p>	<p>24 Training Plan for 2023/24</p>

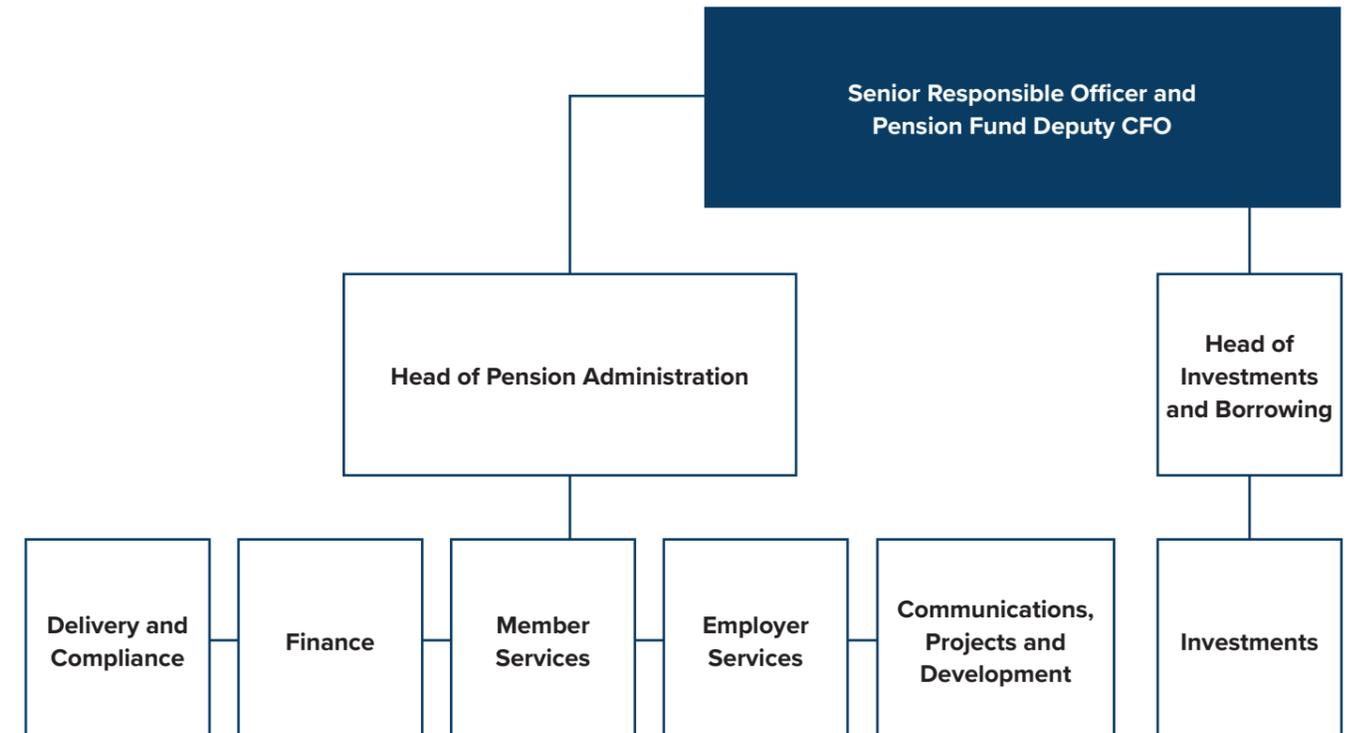
Background

This is the Business Plan for the Hampshire Pension Fund, which is part of the Local Government Pension Scheme (LGPS) and has over 201,000 members, including over 52,000 members in receipt of a pension. It makes investments so that it can pay pensions to these members when they reach retirement age. At its last financial year end – 31 March 2023, these investments were valued at £8.96bn.

Hampshire County Council is responsible for administering the Hampshire Pension Fund. It has delegated responsibility for this to the Pension Fund Panel and Board who are charged with the governance and management of the Pension Fund. The Panel and Board meets regularly and has 15 members, made

up of 9 County Councillors, 3 scheme member representatives and 3 employer representatives. These membership arrangements have been designed to allow all key stakeholders to have the opportunity to be represented on the committee.

The Chief Financial Officer (CFO) of the Pension Fund (Section 151 Officer of the County Council) is the most senior officer responsible for the management and administration. Hampshire Pension Services carry out the day-to-day administration of the Fund. There are 59.5 full time equivalent (FTE) staff involved in the administration and governance of the Pension Fund, with the majority of these in the Member and Employer Services team.



Background continued



The management and administration of the Pension Fund is carried out in conjunction with a number of key suppliers, in particular the Fund's actuary, Hymans Robertson, its bank, NatWest, the Fund's custodian bank, Northern Trust and the administration software supplier, Civica. More details of the Pension Fund's suppliers, including its arrangements for investment management are contained in its Annual Report (available at: [Hampshire-Pension-Fund-Annual-Report-22-23.pdf \(hants.gov.uk\)](https://www.hants.gov.uk/annual-report-22-23)).

Hampshire is a member of the ACCESS pool (A Collaboration of Central, Eastern and Southern Shires) with 10 other Local Government Pension Scheme (LGPS) funds to meet the requirements of the requirements of the Government's LGPS: Investment Reform Criteria and Guidance (2015), which set objectives for asset pooling in the LGPS. As of 31 March 2023, Hampshire had pooled 59% of its investments with ACCESS.

The ACCESS pool has agreed its own business plan for the development of the pool, including a pipeline allowing the authorities to pool more investments and further strengthening the governance and management of the pool.

A key concern of the Pension Fund Panel and Board is that the Pension Fund acts as a good steward of its investments and with the principles of a responsible investor. The Pension Fund is a signatory of the Stewardship Code 2020, Principles of Responsible Investment (PRI) and has adopted the principles of the Taskforce for Climate Related Financial Disclosure (TCFD).



Introduction

The Fund’s overarching aims are set as follows:

Governance: To put stakeholders at the centre of everything we do, act with integrity and be accountable for decisions made. This will be achieved through a robust, and well based governance framework which considers risk management, compliance and appropriate resourcing.

Investments and Funding: To make the best use of our resources and minimise the long-term cash contributions which employers need to pay to the Fund. This will be achieved through recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return.

Administration and Communication: To continue to deliver a high-quality administration service to all stakeholders. This will be done through working closely with our partners and the continual review of processes and procedures to ensure that the Fund receives all income due and payments are made to the right people at the right time, there is clear communication with all stakeholders and robust accounting and reports.

The Business Plan is an important document which sets out the aims and objectives of the Fund over the coming few years and the outcomes the Panel and Board want to achieve for its stakeholders. The Business Plan is one of a number of documents that govern how the Pension Fund is managed, these are:

- Funding Strategy Statement
- Investment Strategy Statement (including Responsible Investment Policy)
- Administration Strategy
- Communication Policy
- Employer Policy
- Conflicts of Interest Policy
- Business Plan (including Risk Register, Budget and Training Policy)
- Governance Policy Statement and Compliance Statement
- Representation Policy
- Cyber Compliance Statement.¹

All public policies are published on the Pension Fund’s website **Policies | Hampshire County Council (hants.gov.uk)** and are reviewed at least once a year, in December, by the Pension Fund Panel and Board.

The key actions and areas of focus in the business plan are grouped into the areas of governance, funding and investments, and administration; the objectives for these are summarised as follows:

¹ Confidential policy

Governance

- Act in the best interests of the Fund’s members and employers.
- Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies.
- Ensure the Pension Fund is managed, and its services delivered, by people who have the appropriate knowledge and expertise.
- Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based.
- Understand and monitor risk.
- To make sure that the Fund follows best practice as recommended by the Government, the Scheme Advisory Board (SAB), the Pensions Regulator (TPR), the Local Government Pensions Committee (LGPC), the Chartered Institute of Public Finance and Accountancy (CIPFA) and other organisations involved in the oversight of pensions.
- Comment fully on consultation papers dealing with pension matters in the interests of the Fund’s participating employers and members within the deadlines set.
- Clearly articulate our objectives and how we intend to achieve those objectives through business planning, and continually measure and monitor success.
- Ensure the confidentiality, integrity and accessibility of the Fund’s data, systems and services is protected and preserved.

Investments and Funding

- To achieve a 100% funding level over the long term, which means that all current and future Fund liabilities can be met.

- Determine employer contribution requirements, whilst recognising the constraints on affordability and strength of employer covenant, with the aim being to maintain stable employers’ contribution rates in the long term.
- Strike the appropriate balance between long-term consistent investment performance and the funding objectives.
- Ensure net cash outgoings can be met as and when required.
- Ensure that the Fund’s appointed investment managers are implementing the Fund’s Responsible Investment policy including the Fund’s commitment to the aim for its investments to have net-zero greenhouse gas emissions (which includes Scope 1, 2 and 3 emissions) by 2050 at the latest.

Administration

- Provide a high quality, professional, proactive, timely and customer focussed administration service to the Fund’s stakeholders.
- Administer the Fund in a cost effective and efficient manner utilising technology appropriately to obtain value for money.
- Ensure the Fund’s employers are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of the administration functions of the Fund.
- Communicate in a clear, concise manner using the most appropriate means of communication, taking into account the different needs of different stakeholders, but with a default of using electronic communications where efficient and effective to do so.
- Regularly evaluate the effectiveness of communications and shape future communications appropriately.

Business as usual

The business plan highlights the key priorities for the next three years. This focusses on areas of change and project tasks which are in addition to day to day “business as usual” duties. On a day to day basis our focus is on the following key elements of Fund management.

Managing the Fund on a day to day basis involves a wide range of processes and procedures, some of which are outlined below and all of which have been designed around achieving our Fund’s objectives as outlined in our strategies and policies. The management of the Fund is significant, complex and highly regulated. As such, these processes and procedures require expert knowledge and experience from both officers and external advisors in several diverse areas as illustrated below.

Governance

- Setting the agenda, reporting and presenting to the Pension Fund Panel and Board and Responsible Investment sub-committee.
- Implementing and monitoring the achievement of other governance areas such as training policy, conflict of interest policy, risk register, and compliance against The Pension Regulator’s Code of Practice.
- Ensuring we adhere to Council and legal requirements for procurement, health & safety and data protection.
- Assisting internal and external audit in their role.
- Replying to Freedom of Information requests.
- Participation at the Joint Governance Committee and Officer Working Group of the ACCESS pool.

- Preparing and publishing the Fund’s Annual Report and Statement of Accounts.
- Preparing and monitoring of the Pension Fund’s Budget.
- Preparation of statutory and non-statutory returns as required.
- Maintaining the Pension Fund’s cashflow forecast.
- Quarterly invoicing of employers for pensions strain and added years.
- Running an Annual Meeting for employers.

Investments and Funding

- Arranging through the Actuary data required by the Government Actuary’s Department (“GAD”)
- Implementing and checking the appropriateness of the Investment Strategy every three years.
- Selecting, monitoring and dismissing of investment managers including within a pooling environment.
- Quarterly monitoring and reporting on investment performance and the funding position.
- Working with other LGPS funds in the ACCESS pool through the Joint Governance Committee and Officer Working Group.
- Ensuring investment costs are fully disclosed in line with the Cost Transparency Initiative.
- Monitoring and reporting on the Fund’s Responsible Investment Policy including reporting in line with the UK Stewardship Code, Principles of Responsible Investment (PRI) and Task Force for Climate Related Financial Disclosure (TCFD).



Administration

- Maintaining accurate and up to date scheme member records.
- Calculating and notifying entitlement to pension and death benefits.
- Providing estimates of retirement benefits including any additional costs to employers.
- Calculating and paying monthly pensions to all pensioners and beneficiaries.
- Producing Annual Benefit Statements for all active and deferred scheme members, Pensions Savings Statements for active members who exceed the annual allowance and payslips and P60s for pensioner members and making these documents available on the secure Portal.
- Providing ongoing information to scheme members and their beneficiaries as they join, leave or change their status in the Fund.
- Answering ad-hoc enquiries received by phone, email, letter or secure Portal message.
- Maintaining the Fund’s website and the Member Portal and Employer Hub.
- Provide new employers with information about their Fund responsibilities.
- Providing ongoing training and technical updates to employers.
- Processing bulk updates to data such as annual pensions increases and year end employer returns.
- Administering the Fund’s Internal Dispute Resolution Procedure.
- Providing information to the Fund’s actuary as required.
- Monitoring the employers’ funding positions and covenants including their ability to pay contributions and managing any employers who wish to join or leave the Fund.
- Completing statutory reporting requirements and other provision of information to stakeholders, including reporting against key performance indicators.
- Maintaining and updating the pensions software system.

Business Plan

Progress on the 2023/24 Business Plan

Item	Context	Action	Progress
Governance			
Good Governance	The SAB has approved Phase 3 of its Good Governance Review that may now go forward to become Statutory Guidance and new Regulations.	Implement the outcomes of the SAB Good Governance Review.	On Hold – DLUHC has not yet published consultation on Statutory Guidance but the Fund continues to compare itself to the recommendations of the Good
TPR's new Code of Practice	The Regulator has consulted on a new single code of practice which is expected to come into force in summer 2022.	Assess the Fund's compliance against the new code.	On Hold – Compliance against draft code assessed. Still waiting for the Code to come into force.
Pooling Guidance	Central Governance published its original pooling guidance in 2015. The Ministry for Communities, Housing and Local Government (MHCLG) consulted on amendments in January 2019 but no further amendments have since been made.	Respond to further consultation on LGPS pooling guidance which is now expected.	Complete – DLUHC published its consultation Local Government Pension Scheme (England and Wales); Next steps on investments in July 2023, which ran to 2 October 2023. The ACCESS pool submitted its response to the consultation and Hampshire also submitted its response to the consultation which was written in support of ACCESS's response. Hampshire continues to play a full part in the ACCESS pool and has further portfolios scheduled to transfer
Panel and Board Roles	The terms of the Panel and Board representatives will expire as follow: <ul style="list-style-type: none"> • pensioner representative – May 2023 • active and deferred scheme member representative, other employer representative – February 2024. 	Advertise for volunteers and manage a process to select a pensioner representative, active and deferred scheme member representative and other employer representative for the Panel and Board.	In Progress – A new pensioner representative and other employer representative have been appointed to the Panel and Board. An advert will shortly be issued by the Pension Fund with a process taking place in 2024 to appoint active and deferred scheme member representatives.
New Actuary Contract	The Pension Fund's contract expires on 31 March 2023.	The new contract will be implemented.	Complete – Hymans Robertson have been contracted to provide actuarial and benefits consultancy services following a mini-competition from the LGPS National Framework.
Consultations responses	The Pension Fund will respond to all relevant consultations produced by Government and other regulatory bodies.	Consultations are expected for changes to the local valuation cycle, management of employer risk, Fair Deal, Academies and adoption of TCFD principles, although exact timings aren't yet known.	On Hold – No consultations received.

Item	Context	Action	Progress
Funding and investment			
Investment Strategy review	The Fund's current Investment Strategy was agreed by the Panel and Board in February 2020.	Review the Investment Strategy following the latest Actuarial Valuation and implement any necessary changes.	In Progress – Investment consultancy advice was commissioned to review the Investment Strategy, and the Panel and Board approved changes to the Investment Strategy on 24 March 2023. Officers are now working to implement the changes to the Investment Strategy.
Custodian contract	The Fund's current custodian contract expires in August 2022 and a new contract has been arranged from the LGPS National Framework.	Transition to the new contract by August 2023.	Complete – The Pension Fund transitioned to the new custodian, Northern Trust, on 1 September 2023.
Climate Change risk	The Pension Fund has agreed its RI Policy which sets out how it expects its investment managers to consider the impact of Climate Change amongst of environmental, social and governance (ESG) factors in their investment decisions.	Conduct initial scenario analysis on the risk of the impact of Climate Change on the Fund's investments to be developed in future years.	Complete – Scenario analysis was included as part of the 2023 actuarial valuation.
Pooling Alternative Investments	The ACCESS pool will develop options for the partner authorities to invest in alternative investments.	To consider the options available for transferring Hampshire's uncommitted allocations to alternative investments to the ACCESS pool.	In Progress – Hampshire officers are working as part of the ACCESS pool to develop the approach to go to market to procure Private Equity and Private Debt allocators.

Business Plan continued

Progress on the 2023/24 Business Plan

Item	Context	Action	Progress
Administration			
Guaranteed Minimum Pension (GMP) reconciliation	Ensure scheme records agree with those of the National Insurance Contribution Office (NICO, part of HMRC).	Complete the rectification stage of the GMP reconciliation project.	In Progress – The project is on track.
McCloud	Removal of the age discrimination which was introduced when the scheme was reformed in 2014.	Receive and upload the required information from employers in anticipation of new regulations in 2023.	In Progress – Regulations are in place, business as usual calculations include the remedy and work is continuing to load data.
Communications Strategy	Continue to offer members a variety of methods of communication but use electronic by default.	Implement planned enhancements to the Member Portal and Employer Hub and continue working to promote these to members and employers.	Complete – Enhancements have been delivered and further communications issued to promote the online offering to members.
UPM development roadmap	Implementation of agreed improvements to the pension administration system.	Deliver the planned improvements and roll these out to members, employers and staff.	In Progress – Agreed improvements have been delivered and the roadmap for 2023/24 agreed.
Cyber security	The Fund has to ensure it has a comprehensive cyber security plan in place which is regularly reviewed and tested.	Complete annual assessment of external facing portals (Member and Employer) and resolve any identified issues. Review and issue cyber statement and annual performance report.	In Progress – Implemented twice yearly vulnerability testing. Cyber statement and reporting twice a year, with the next due to Panel and Board in December.
Pension Dashboard Programme	National initiative involving all UK pension schemes to create a single site for members to access information about all their pension benefits.	Engage with an ISP to provide connectivity with the dashboard. Start assessment of data to ensure compliance can be achieved by staging date of September 2024.	In Progress – Agreed ISP (integrated service provider) and work continuing to prepare data. DWP announced delay to staging dates from September 2024, with details to be announced later.

Business Plan 2024/25 to 2026/27

Item	Context	Action	2024/25	2025/26	2026/27
Governance					
Good Governance	The SAB has approved Phase 3 of its Good Governance Review that may now go forward to become Statutory Guidance and new Regulations.	Implement the outcomes of the SAB Good Governance Review.	●		
TPR's new Code of Practice	The Regulator consulted on a new single code of practice which was expected to come into force in summer 2022.	Demonstrate the Fund's compliance against the new code when it comes into force.	●		
Pooling Guidance	The Department for Levelling-Up Homes and Communities (DLUHC) published the policy consultation 'LGPS Next steps on investments' in 2023.	Respond to further consultation on LGPS pooling.	●	●	●
Independent advisor contract	The Pension Fund's current contract for an independent advisor expires in Dec 2024.	Re-let the contract following procurement regulations.	●		
Panel and Board Roles	The terms of the Panel and Board representatives will expire as follow: <ul style="list-style-type: none"> deferred member representative – Feb 2024 active member representative – Feb 2024 other employer representative – February 2027 pensioner representative – Sept 2027. 	Advertise for volunteers and manage a process to select a deputy scheme member representative and pensioner representative for the Panel and Board.			●
Consultation responses	The Pension Fund will respond to all relevant consultations produced by Government and other regulatory bodies.	Consultations are expected for changes to the local valuation cycle, management of employer risk, Fair Deal, Academies and adoption of TCFD principles, although exact timings aren't yet known.	●	●	●

Business Plan continued

Business Plan 2024/25 to 2026/27

Item	Context	Action	2024/25	2025/26	2026/27
Funding and investment					
Investment Strategy review	The Fund's current Investment Strategy was agreed by the Panel and Board in February 2023.	Review the Investment Strategy following the 2025 Actuarial Valuation and implement and necessary changes.			•
Investment Strategy implementation	The 2023 Investment Strategy revised some of the Fund's allocations to listed investments.	Commission a review of the Pension Fund's allocation to listed investments (active equities and multi-asset credit) with consideration of the options in the ACCESS pool.	•		
Climate Change risk	The Pension Fund has agreed its RI Policy which sets out how it expects its investment managers to consider the impact of Climate Change amongst of environmental, social and governance (ESG) factors in their investment decisions.	Maintain scenario analysis on the risk of the impact of Climate Change on the Fund's investments and liabilities.	•	•	•
Responsible Investment (RI)	Following the approval of a RI policy in July 2019 the Pension Fund commissioned a specialist RI consultant to review its investment managers and the ESG exposure in their portfolios.	Repeat the RI review with the Pension Fund's current investment managers and portfolios.	•		•
Pooling Alternative Investments	The ACCESS pool will develop options for the partner authorities to invest in alternative investments.	To consider the options available for transferring Hampshire's uncommitted allocations to alternative investments to the ACCESS pool.	•	•	
Actuarial Valuation	The Fund's next Actuarial Valuation is due on 31 March 2025.	Consider the results of the valuation.		•	
Pre-payments	Subject to the terms of their participation in the Fund, employers are permitted to pre-pay contributions in return for a discount.	Agree the terms for prepayments following the 2025 Valuation.		•	
Stewardship	Maintain and improve the Fund's approach to good stewardship.	Further develop the Fund's approach to stewardship including taking into account the views of scheme members and employers as appropriate.	•	•	•

Item	Context	Action	2024/25	2025/26	2026/27
Administration					
Guaranteed Minimum Pension (GMP) reconciliation	Ensure scheme records agree with those of the National Insurance Contribution Office (NICO, part of HMRC).	Complete the rectification stage of the GMP reconciliation project.	•		
McCloud	Removal of the age discrimination which was introduced when the scheme was reformed in 2014.	Receive and upload the required information from employers to be able to produce required information on 2025 benefit statements.	•	•	
Actuarial Valuation	Ensure that accurate scheme data is provided to allow the Fund Actuary to conduct the triennial valuation.	Communicate with employers to ensure prompt return of accurate data and upload this into the administration system prior to producing the valuation extracts.		•	
Communications Strategy	Continue to offer members a variety of methods of communication but use electronic by default.	Implement planned enhancements to the Member Portal and Employer Hub and continue working to promote these to members and employers.	•		
UPM development roadmap	Implementation of agreed improvements to the pension administration system.	Deliver the planned improvements and roll these out to members, employers and staff.	•		
Cyber security	The Fund has to ensure it has a comprehensive cyber security plan in place which is regularly reviewed and tested.	Complete twice yearly assessment of external facing portals (Member and Employer) and resolve any identified issues. Review and issue cyber statement and annual performance report.	•	•	•
Exit cap	It was expected that DLHUC will come forward with new proposals for a cap on exit payments in 2021/2022.	Ensure any calculation routines and communications with employers and members are updated to reflect the new requirements. Review the associated strain cost factors as appropriate.	•		
Goodwin	Removal of gender discrimination in relation to partners' pensions – DHLUC is expected to come forward with amending regulations to implement this.	Ensure any calculations and communications are updated to comply with any new requirements and consider any historic cases (if the changes are backdated).	•		
Pension Dashboard Programme	National initiative involving all UK pension schemes to create a single site for members to access information about all their pension benefits.	Test the ISP connectivity with the dashboard. Start assessment of data to ensure compliance can be achieved by staging date (TBC but latest October 2026).	•	•	•

2023/24 Budget

The Pension Fund categorises its expenditure for the management of the Pension Fund according to CIPFA's definitions; investment management, administration, and governance, which include the following:

- **Investment management** – the cost of managing the Fund's assets, which includes fees paid to the Fund's investment managers and its custodian. This includes the fees that are not paid directly for pooled and other investments, such as sub-funds managed by Link as part of the ACCESS pool and alternative investments like Infrastructure and Private Equity.
- **Administration** – all activities the Administering Authority must perform to administer entitlements and provide members with scheme and benefit entitlement information.
- **Governance** – the costs of accounting for and monitoring the Pension Fund, plus the additional professional advice and support that is required by the Fund.

The 2023/24 budget that has been prepared reflects the costs of delivering the Pension Fund's statutory responsibilities for the administration of the scheme and management of investments. The resources contained within the budget are sufficient to meet the Fund's regulatory requirements and deliver at the standards for administration that are reported to the Panel and Board. The new developments and initiatives that are included in the Fund's Business Plan are also included in the budget.

Investment management

Investment management costs are derived from the percentage fees charged by the Fund's investment managers, applied to the market value of the portfolios that they manage. Future years market values have been calculated based on the expected annual increases that the Fund's Actuary has used in the 2022 Valuation applied to the investment management contracts that the Fund has in place. Actual investment management costs may be more or less than the budget depending on the market values each year.

Administration

The two key expenses for pension administration are staff and IT costs. Pension Services use the Civica UPM system which continues to drive efficiency savings allowing the service to be delivered in a cost effective way despite increasing pressures and growth in workloads.

The budget for administration remains well within the 0.3% of pensionable payroll for the Fund assumed by the Fund's Actuary, and results in a cost per member of around £15 which is one of the lowest across LGPS funds. The budget has an allowance in both staff and IT costs for the implementation of the McCloud remedy. Allowance has been made in the budget for the costs of GMP rectification work and for the implementation of the Pension Dashboard Programme (from 2024/25 onwards).

Governance

Governance costs fall into three main areas:

- The internal costs of providing the administration and accounting function for the Pension Fund, managing its investment management contracts and providing the governance support to the Pension Fund Panel and Board.
- The ongoing costs of setting up and running the ACCESS pool.
- The external services required by the Pension Fund: internal and external audit, investment consultancy, actuarial services, independent advice to the Panel and Board, and internal and external legal support.

Budget

	Budget 2023/24 £000	Budget 2024/25 £000	Budget 2025/26 £000	Budget 2026/27 £000
Investment management fees	75,466	78,543	81,811	85,125
Staff	2,236	2,329	2,343	2,413
Premises	65	66	66	68
IT	503	357	357	371
Supplies & Services	288	288	288	297
Administrative Costs	3,092	3,040	3,054	3,149
Staff	521	646	660	677
Premises	5	5	5	5
IT	5	5	5	5
Supplies & Services	470	494	568	547
Oversight & Governance Costs	1,001	1,149	1,238	1,233
Management Expenses	79,559	82,733	86,103	89,507

Risk Management

Risks are identified and considered by officers with the assistance of the Fund Actuary. The impact of each risk is considered and scored in three areas; finance, business and reputation, and the highest of the three scores is multiplied by the likelihood to give an overall score for each risk.

	1	2	3	4	5
	Negligible	Minor	Moderate	Major	Catastrophic
Finance	<£10m	£10m-£100m	£100m-£500m	£500m-£1bn	>£1bn
Business/ Service	Barely noticeable reduction in scope or quality. Very little or no impact on service delivery. All business objectives achieved. No impact on pension fund members.	Minor reduction in service delivery, minimal disruption. Business objectives are minimally affected. Low level impact on pension fund members.	Moderate disruption to service delivery. Obvious reduction in scope of quality. Business objectives adversely affected. Moderate level impact on pension fund members.	Major disruption to service delivery. Failure to meet secondary business objectives. Elements of non-compliance with statutory requirements. Major impact on pension fund members.	Major service disruption. Inability to achieve primary business objectives and/or comply with statutory requirements. Adverse long-term or lasting impact on pension fund members with significant serious consequences.
Reputation	Very low level of public concern (e.g. few complaints, negative media activity). Overall trust/ confidence remains high.	Some elements of service expectations not being met. Local negative media coverage and complaints. Short-term reduction in trust/ confidence but expected to return to normal.	Increasing numbers of service expectations not being met. Local negative media coverage. Increasing complaints. Reduction in trust/ confidence pension fund members. Partner/ supplier relationships are likely to be affected but not significantly.	Service expectation well below reasonable expectation. High level of complaints. National negative media coverage. Significant loss of trust/ confidence of pension fund members. Ability to maintain partner/ supplier relationships is of serious concern and may have long-term impact.	Service expectation is significantly below expectation. National negative media coverage and significant number of complaints. Total loss of trust/confidence. Complete inability to maintain key partnerships and deliver services.



Pension Fund Risk Heatmap

	Impact				
Likelihood	Negligible	Minor	Moderate	Major	Catastrophic
Almost Certain		1			
Likely					
Possible			2	3	2
Uncertain		3	11	2	
Rare		3	2	1	

Key

Likelihood score	1	2	3	4	5
Occurrence	Rare 0-5%	Unlikely 6-20%	Possible 21-50%	Likely 51-80%	Almost certain 81-100%

Pension Fund Risk Register

Ref No.	Name of risk	Description	Score
1	Quality of governance and control	Turnover in Pension Fund Panel and Board Members and/or senior officers; or lack of training and development could lead to decision making and control of the Pension Fund lacking or being inappropriate or undertaken by persons without suitable knowledge or experience. Could result in a failure of governance arrangements to meet statutory requirements and recommended best practice leading to ineffective working relationships, financial loss and reputational damage.	3
2	Reporting	Failure of accounting and reporting processes and systems cause a failure to disclose material facts, or the disclosure of incorrect or incomplete information in the Annual Report and Accounts or during the audit, leading to reputational damage and financial loss.	4
3	Staffing	The failure of officers to maintain sufficient levels of competence and/or resource to discharge their duties could lead to retention of inefficient staff, therefore, relying on key officers impacting on the wellbeing of staff and a reduced work rate for the Pension Fund.	2
4	Conflicts of interest	Failure to recognise, disclose, monitor and prevent conflicts would lead to conflicts of interest resulting in ineffective governance processes, reputational damage and financial loss.	3
5	Contract management	Due to insufficient knowledge, there could be a failure of effectively letting or managing contracts for the supply of services to the Pension Fund, leading to reputational damage, potential legal challenge, disruption of services and financial loss.	2
6	Risk Management	Failure to implement a policy to identify risks and arranged for these to be managed or mitigated and have sufficient internal controls results in issues impacting the function of the Pension Fund.	2
7	Regulatory change	Non-compliance with regulations caused by lack of knowledge by staff, changes in government policy/Local Government Pension Scheme (LGPS) reforms and systems not kept up-to-date, leading to reputational damage and financial loss.	6

Ref No.	Name of risk	Description	Score
8	External incident	The impact of external events cause a failure to undertake business as usual service resulting in loss of service provision.	6
9	Cybercrime	Due to cybercrime activities impacting on integrity, there is a risk of inability to carry out day-to-day business functions, which would result in reputational damage and financial loss.	15
10	IT failure	A failure of Hampshire or partners IT systems that results in the Pension Fund unable to carry out day-to-day work including processing and payment of pensions and other financial transactions.	6
11	Investment underperformance	Investment management underperformance – from the Fund's investment managers failing to outperform their benchmark returns for prolonged periods of time resulting in a decrease in the Pension Fund's funding level.	12
12	Investment service providers	Ineffective monitoring of 3rd party service providers could lead to their failure to maintain their obligations in respect of investments which could result in potential loss of return or liquidity or ability to access or control investment.	6
13	Investment market performance	Assets do not grow sufficiently to meet pensions liabilities as a result of: <ul style="list-style-type: none"> • fluctuations in market prices (which is particularly relevant for investments in equities) • Interest rates (which can affect the prices of investments that pay a fixed interest rate) • fluctuations in prices of financial instruments that are denominated in any currency other than the functional currency of the Fund (GB pounds) • as a result of 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. 	12
14	Investment pooling	Due to failure of external providers appointed by the ACCESS pool or delays in the implementation of decisions and the availability of suitable solutions within the ACCESS Pool, there is a risk of reduction in the effectiveness of the decision, which would result in loss of potential return or access to investments. Or a change in pooling regulation mandates a solution that limits Hampshire in implementing and managing its Investment strategy.	12

Pension Fund Risk Register continued

Ref No.	Name of risk	Description	Score
15	Environmental, Social and Governance (ESG) risk	Due to insufficient knowledge and/or resources could lead to a lack of consideration of all financial and non-financial risks relating to Environmental, Social and Governance (ESG) issues, including the risk of Climate Change, resulting in poor investment returns, increased employer contribution rates and reputational damage.	8
16	Climate change	The systematic risk of climate change leading to extreme weather, flooding, power loss or other natural disasters resulting in a disruption of the Pension Fund's business and the wider economy and the value of investments.	15
17	Funding Strategy	Due to a failure to set and collect contributions, there is a risk of there not be sufficient to achieve a fully funded ongoing position in the timescales determined by the Funding Strategy Statement, which could cause financial loss or reputational damage.	6
18	Demographics	Failure to monitor the demographic experience of Fund's population is not in line with actuarial assumptions as in the Funding Strategy Statement and could result in increases required in Employer contributions which could cause complaints and damage to reputation.	6
19	Employer covenant	Due to failure to apply or lack of accurate information, and demonstrate fairness in the differentiated treatment of different fund employers by reference to their own circumstances and covenant could lead to underpayments or employers unable to meet their obligations and, therefore, financial loss and under-investment.	9
20	Inflation	Due to the nature of actuarial assumptions, there is a risk that pay and price inflation are significantly different, which would result in increases due from to employers' contributions.	9
21	Investment Strategy	There is a risk that failure to monitor and align the Funding strategy with the Investment strategy could lead to over or underfunding, resulting in reputational damage or financial loss.	6
22	Cashflow	Due to ineffective monitoring of the Fund's cashflow, resulting in the failure to set aside sufficient funds each month to pay pensioners or meet other obligations, which could lead to extreme hardship for pensioners and reputational damage to the Fund.	4
23	GAD assessment	As a result of failing to adopt or implement a funding strategy, there is a risk that this results in the Fund failing any of the Government Actuary's Department (GAD) s13 tests or be named in the GAD s13 report would cause reputational damage.	6

Ref No.	Name of risk	Description	Score
24	Administration service	Due to failure to administer the scheme correctly in line with all relevant Regulations and policies owing to circumstances such as, but not limited to: <ul style="list-style-type: none"> • lack of regulatory clarity; • system issues; • insufficient resources would result in reputational damage and the possible risk that pensions are not paid at the right time to the right people and/or contributions are not collected.	8
25	Complaints	Due to lack of training and/or experience, there is a risk of failing to deal with concerns, complaints and Internal Dispute Resolution Procedures (IDRPs) appropriately, resulting in poor customer satisfaction, further time spent resolving issues, potential compensation payments and reputational impact, particularly if escalated to the Pensions Ombudsman.	3
26	Communications	Failure to administer the scheme correctly due to circumstances such as, but not limited to: <ul style="list-style-type: none"> • Poor employer data; • Unable to clearly articulate what is required from employers; and • Unable to clearly articulate what is required from the Fund itself in order to deliver the Fund's administrative functions could cause the fund reputational damage and financial loss Poor data could result in pensions being incorrectly calculated or the data available to the Fund's Actuary being inaccurate.	6
27	Employer	Due to the ever-changing mix of employers, from short-term and ceasing employers, and the potential for a shortfall in payments and/or orphaned liabilities. <p>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.</p>	6
28	Pensions Dashboards	Failure to meet the statutory deadlines for connectivity to the Pensions Dashboard and unable to provide required information to members.	6
29	McCloud remedy	Engagement with DLUHC/ LGA through attendance at technical meetings and keeping up to date with published information. Engagement with system provider to ensure system is developed in line with legislation and delivered to time/budget.	6
30	GMP rectification	Inability to complete the GMP reconciliation and rectification project leading to reputational damage and potential ongoing under and over payment of pension amounts.	4

Training Plan for 2023/24

Background

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.

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.

This training policy and plan has been prepared for the Pension Fund Panel and Board for 2023/24. As the Panel and Board's responsibilities include both investment management of the Pension Fund and pensions administration, the training policy and plan also covers both areas.

This training policy and plan has been updated to reflect training requirements identified by the completion of the detailed Training Needs Analyses carried out by members of the Panel and Board in 2023.

Training Policy

As an administering authority of the Local Government Pension Scheme (LGPS), Hampshire County Council recognises the importance of ensuring that all officers and members charged with financial management and decision making for the pension scheme are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them.

It therefore seeks to appoint individuals who are both capable and experienced and will provide

and arrange training for relevant officers and members. The training is designed to enable officers and members to acquire and maintain an appropriate level of expertise, knowledge, and skills.

A formal training plan is prepared each year to identify and meet the training needs of the Panel and Board, both as a group and as individuals, and is based upon the recommendations of the CIPFA Pensions Finance Knowledge and Skills Framework.

The Director of Corporate Operations of the County Council is responsible for ensuring that policies and strategies are implemented. Pension Fund Panel and Board members training is evaluated, recorded and reported as part of the Fund's Annual Report each year.

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.

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.

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.

The Government also requires 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.

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 11 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.

Training Plan for 2023/24 continued



The CIPFA guide includes the further comment that the principle in paragraph 11 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.

The 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.

CIPFA 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.

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.

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

There are 22 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.

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.

Member	Membership of the Pension Fund Panel and Board
County Councillors:	
Mark Kemp-Gee (Chairman)	18 years
Tom Thacker (Vice Chairman)	14 years
Tim Davies	2 years
David Harrison	New Member
Dominic Hiscock	2 years
Jonathan Glen	6 years
Rob Mocatta	2 years
Andrew Joy	10 years
Alex Crawford	2 years
County Council deputies:	
David Drew	2 years
Derek Mellor	6 years
Kim Taylor	1 year
Jacky Tustain	1 year
Keith House	New Member
City Councils' representative:	
Steve Leggett	1 year
Judith Smyth (substitute representative)	1 year
District Councils' representative:	
Paul Taylor	3 years
Other employers' representative:	
Fiona Hnatow	New Member
Pensioners' representative	
Phillip Reynolds	New Member
Deferred members' representative:	
Lindsay Gowland	3 years
Employees' representative:	
Neil Wood	7 years
Substitute scheme member representative:	
Paul Barber	New Member

Training Plan for 2023/24 continued

Access to training

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.

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.

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 2023/24 was discussed by the Panel and Board at the September 2023 meeting. As a result, five training sessions have been planned for 2023/24 which directly relate to the training needs identified.

The Director of Corporate Operations' staff have developed a collection 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 collection of training resources contains slides and supplementary materials, where appropriate, (and more recently recordings) for all the internal training sessions carried out since 2009, which cover a wide range of topics. There are also other useful documents available 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. The collection of training resources will be updated whenever new material is available. The officers are exploring what the best possible IT solution is to transfer the training materials to an online library to allow members to log in and access as required; details will be provided to Panel and Board members once the project is complete.

Minimum training requirement

In addition to their own independent training and learning, which can include the attendance at external online or in-person training events provided by third parties such as investment managers and conference providers, the Panel and Board are recommended to complete the following:

- For new Members; the **LGA Fundamentals course** which provides background on LGPS legislation and governance, and for all Members;
- **The Hymans Aspire modules** – described in more detail below, and
- **Internal briefing sessions** designed to cover areas highlighted from Members TNAs and matters arising from the Pension Fund's Business Plan.

Hymans Aspire modules - Two years ago the Panel and Board agreed to subscribe to Hyman's Robertson's Aspire online learning for the LGPS. At the time it was outlined to Members that this was a new offering from Hymans, with an initial sign-up period of 2 years, following which time Hymans would refresh the content of the modules. This has now taken place and the number of modules has expanded from six to eight as follows:

- Committee role and pensions legislation
- Pensions governance
- Pensions administration
- Pensions accounting and audit
- Procurement and relationship management
- Investment performance and risk
- Financial markets and product knowledge
- Actuarial methods standards and practices

The training remains specifically designed for those involved in the governance of the LGPS and therefore is considered an essential foundation for all Panel and Board members, to be repeated biennially to ensure that all Panel and Board members have the same core level of understanding. The modules remain about an hour in length and have a short assessment at the end of each module to enable users to check their understanding. The scores of each assessment will not form part of the Pension Fund's reporting.

It is recommended that the Panel and Board recommit to the completion of the Hymans Aspire modules in the next 12 months. To guarantee progress as a minimum Members are asked to complete two modules a quarter, by the month prior to the following Panel and Board meeting e.g. the first two modules should be completed by the end of November prior to the December Panel and Board meeting to allow reporting. Any instances where Members are not meeting this minimum completion rate will be followed up by the Director, Monitoring Officer and the respective Group Leader (for County Councillors). The following is available for Members to assist in their completion of the modules if they wish to request it:

- Support from the Director's team for Members in accessing the system either individually or as a group.
- Pre-arranged on-line meetings to go through the modules as a group.

Other online learning opportunities

In addition, the Trustee Toolkit is available for free from the Pension Regulator at the following website: <https://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.

Training Plan for 2023/24 continued

Internal training programme

This training plan for 2023/24 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.

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 as stand-alone sessions. Table 2 sets out the programme for 2023/24, which has been formulated based upon key learning points from the Training Needs Analysis, and recommendations from Panel and Board members.

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.

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 webinars, 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 and Pensions Summit held in September each year. The Pension Fund's investment managers hold annual client conferences and the Fund's actuary Aon also provides training events. The Director of Corporate Operations' staff will continue to circulate details of these training opportunities to members.

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

Table 2: 2023/24 Internal training programme

Topic	Presenter
Timberland investment	Stafford Capital
Pension investment pooling and the current consultation	Andrew Boutflower
Cyber security	Andy Lowe and Lois Downer
Investment cost benchmarking	CEM
Pension investment pooling for illiquid investments	Andrew Boutflower

- Attending the LGA Fundamentals course held by the Local Government Association, which specifically covers the basics for the LGPS.
- Attending the training sessions to be held during 2023/24.
- Complete the Hymans Aspire modules
- 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.

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.

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

Table 3 shows the training budget for 2022/23, with the actuals for comparison, together with the proposed budget for 2023/24.

Table 3: Training budget

	2022/23 Budget (£)	2022/23 Actuals (£)	2023/24 Budget (£)
Attendance at Conferences / Seminars etc.			
LGC Investment & Pensions Summit (Leeds, September)	2,000	3,147	3,000
LGC Investment Seminar	0	620	1,000
LG Employers Fundamentals Course	4,000	0	4,000
Hymans Learning Academy	5,000	5,241	5,500
Hymans Knowledge Assessment	4,000	0	3,000
Other conferences	0	0	0
	15,000	9,008	16,500
In-house training sessions			
Fees paid to trainers	3,000	0*	3,000
Other costs	200	0	200
	3,200	0	3,200
Total training budget	18,200	9,008	19,700

The budget for 2023/24 includes three places at the LGC Investment & Pensions Summit. The budget also includes the provision for four members of the Panel and Board to attend the LGA Fundamentals course. This assumption has also been built in to the 2023/24 budget.

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.

Training logs

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

The actual training undertaken by Panel and Board members in 2023/24 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. This information will be used to design the training plan for the following year.

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