

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Pension Fund Panel and Board
Date:	15 November 2018
Title:	Governance: Funding Strategy Statement and Employer Policy
Report From:	Director of Corporate Resources

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1. Recommendation(s)

1.1. It is recommended that the Panel and Board approve the changes to the Funding Strategy Statement and Employer Policy.

2. Executive Summary

- 2.1. The purpose of this paper is to seek approval from the Panel and Board for proposed changes to the Funding Strategy Statement (FSS) and Employer Policy in relation to the payment of exit credits.
- 2.2. Employers were consulted on the proposed changes during October 2018, and following feedback received as part of this consultation, further amendments have been made to the Employer Policy to provide more detail on the payment of exit credits and the specific circumstances in which an exit credit will not be paid to an exiting employer.

2. Contextual information

- 2.1. The Funding Strategy Statement (FSS) describes the Fund's processes by which employer's pension liabilities are met and contribution rates are set. The Fund must keep this statement under review and, after consultation with appropriate people, make revisions to reflect any material changes in policy.
- 2.2. The purpose of the Employer Policy is to set out the Fund's policies and procedures in the treatment of employers including the admission and exit of employers, and is designed to be read in conjunction with the FSS.
- 2.3. Both of these documents need to be updated so that they comply with the new requirement to repay any surplus to an employer who exits the Fund (i.e. if they no longer have an active members paying contributions).

3. Exit credits

- 3.1. Under the LGPS (Amendment) Regulations 2018, funds are now required to repay a surplus to an exiting employer, if the exit valuation shows a surplus of assets over liabilities. The regulation states that any exit credit must be paid within three months of the date of exit, or such longer period as is agreed between the exiting employer and the Fund.
- 3.2. As set out in the paper to the Panel and Board in September 2018, it was recommended that a pragmatic policy was codified in the Employer Policy whereby any exit credit would be paid within three months of the Fund receiving all the necessary information to make the payment. This would allow for circumstances where the employer exit is not made known to the Fund well in advance (i.e. on early termination of a contract or a sudden change of circumstances such as an ill health retirement for an employer with only one active member).
- 3.3. However, following feedback from one employer during the consultation revised wording is now recommended in paragraph 12.7 of the Employer Policy which makes the agreement of a likely payment date part of the process for each exit rather than having a default policy in place. The Fund Actuary has recommended that a caveat is added alongside this change which will allow them to use more prudent assumptions if there is no agreement from an Employer to accept a later payment date, even where the Employer is late in providing the required information.
- 3.4. The wording in paragraph 12.9 has also been altered slightly to make it clearer that it is only in very specific and limited circumstances that the Fund will not pay an exit credit to an exiting employer. The revised Employer Policy is attached as Appendix 1.
- 3.5. The FSS has been amended on pages 3 and 4 to reflect the wording of the regulation itself and to remove the default policy of payment within three months of receiving all the necessary information. The revised FSS is attached as Appendix 2.

4. Next steps

- 4.1. If the Panel and Board agree the changes to the Employer Policy and FSS recommended in this report, it is not proposed that there is a further employer consultation. There will be other revisions to both the Employer Policy and FSS in the lead up to the valuation in 2019 and so employers will be consulted further on these documents at this point.

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 an action is required by the Pension Fund Panel and Board as the Administering Authority for 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.)

DocumentLocation

None

IMPACT ASSESSMENTS:

1. Equality Duty

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

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

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

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

1.2. Equalities Impact Assessment:

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

*Inset 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*

2. Impact on Crime and Disorder:

2.1.

3. Climate Change:

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

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