

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Pension Fund Panel and Board
Date:	10 December 2021
Title:	Pension Fund Business Plan
Report From:	Director of Corporate Operations

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Purpose of this Report

1. For the Pension Fund Panel and Board to approve the business plan and budget for the Pension Fund for 2022/23 to 2024/25. and receive projections for 2022/23.

Recommendations

2. That the business plan and budget for the Pension Fund for 2022/23 to 2024/25 are approved.

Background

3. The Myners principles require pension funds to draw up a forward-looking business plan, including a training plan for both the trustees and officers involved in their management and administration.
4. Following a review of the Pension Fund's approach to reporting its Business Plan, the report has been expanded to include a number of other reports, such as the training plan and risk register, to produce a more consolidated document that links the Pension Fund's activities to its budget.
5. The Business Plan has also been expanded to importantly reflect that the majority of the Fund's activity is its business-as-usual, as well the more one-off, project-based activities that are captured in the traditional business plan.

6. The Pension Fund continues to categorises its expenditure for the management of the Pension Fund according to CIPFA's definitions; investment management, administration, and governance.

2022/23 to 2024/25 Business Plan

7. The new Business Plan for the Pension Fund is included in Annex 1. To better present the additional information and as part of the Fund's aim to communicate better with scheme members, the Business Plan has been professionally designed to be more appealing and digestible for prospective readers.
8. The Business Plan includes the key priorities for the Pension Fund, including:
 - The 2022 Actuarial Valuation and subsequent review of the Pension Fund's investment strategy.
 - Continuing to function as a Responsible Investor and manage the risk of Climate Change for the Fund's investments.
 - Implementing the necessary changes for Guaranteed Minimum Pension (GMP) reconciliation and McCloud.
 - Implementing the approach to cyber security.

2022/23 to 2024/25 Budget

9. Investment management costs are forecast based on estimated future asset values multiplied by the percentage fees charged by the Fund's investment managers. The budget for investment management costs has been revised to £63m for 2021/22 to reflect the current increase in the market value of the Fund.
10. The two key expenses for pension administration are staff and IT costs – predominantly the Civica UPM system. 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 up to £15 by 2024/25, which is one of the lowest across LGPS funds.
11. Governance costs are expected to be relatively static for the next 3 years and includes the external services required by the Pension Fund of: internal and external audit, investment consultancy, actuarial services, independent advice to the Panel and Board, and internal and external legal support.

12. The 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 high 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.

Climate Change Impact Assessments

13. Hampshire County Council utilises two decision-making tools to assess the carbon emissions and resilience of its projects and decisions. These tools provide a clear, robust, and transparent way of assessing how projects, policies and initiatives contribute towards the County Council's climate change targets of being carbon neutral and resilient to the impacts of a 2°C temperature rise by 2050. This process ensures that climate change considerations are built into everything the Authority does.
14. The Pension Fund itself has a negligible carbon footprint, but it recognises that the companies and other organisations that it invests in will have their own carbon footprint and a significant role to play in the transition to a lower carbon economy. Therefore the Pension Fund recognises the risk that environmental, social and governance (ESG) factors including the impact of climate change can materially reduce long-term returns. The Pension Fund has a role to play as an investor, in ensuring that its investment managers are suitably considering the impact and contribution to climate change in their investment decisions and acting as a good steward to encourage these companies to play their part in reducing climate change. This is explained further in the Pension Fund's Responsible Investment (RI) policy [InvestmentStrategyStatementincludingRIpolicy.pdf \(hants.gov.uk\)](#).
15. The Pension Fund's Business Plan sets out how it will continue its activities as a Responsible Investor, including monitoring and reporting the carbon exposure of its investments and working with its investment managers to reduce this exposure whilst continuing to make the investment returns required to meet the Fund's obligations to pay pensions.

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.)

DocumentLocation

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 disproportionately 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.