

Public Document Pack



NOTICE OF MEETING

Meeting	Hampshire Pension Fund Panel and Board
Date and Time	Friday, 2nd March, 2018 at 10.00 am
Place	Mitchell Room, EII Podium, 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 15 December 2017.

4. CHAIRMAN'S ANNOUNCEMENTS

To receive any announcements the Chairman may wish to make.

5. REPORTING OF ACCESS JOINT COMMITTEE MINUTES (NON EXEMPT ITEMS) 13 DECEMBER 2017 (Pages 9 - 16)

To receive the ACCESS Joint Committee minutes for 13 December 2017.

6. GOVERNANCE: INTERNAL AUDIT PROGRESS REPORT (Pages 17 - 28)

To consider a report from the Director of Corporate Resources-Corporate Services providing the Pension Fund Panel and Board with an overview of the internal audit work completed in accordance with the approved plan.

7. GOVERNANCE: INTERNAL AUDIT 2018/19 PLAN (Pages 29 - 40)

To receive a report from the Director of Corporate Resources-Corporate Services providing the Pension Fund Panel and Board with the Internal Audit Plan 2018/19 for Pension Services.

8. GOVERNANCE: FUNDING STRATEGY STATEMENT AND EMPLOYER POLICY (Pages 41 - 82)

To consider a report from the Director of Corporate Resources-Corporate Services seeking approval from the Panel and Board for changes to the Funding Strategy Statement and Employer Policy.

9. GOVERNANCE: TRAINING PLAN 2018/19 (Pages 83 - 126)

To consider a report from the Director of Corporate Resources-Corporate Services setting out proposals for the training arrangements for members of the Pension Fund Panel and Board in 2018/19.

10. 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.

11. CONFIRMATION OF THE MINUTES OF THE PREVIOUS MEETING
(Pages 127 - 128)

To confirm the exempt minutes of the meeting held on 15 December 2017.

12. REPORTING OF ACCESS JOINT COMMITTEE EXEMPT MINUTES FOR 2 OCTOBER AND 13 DECEMBER 2017 (Pages 129 - 144)

To receive the exempt minutes of the ACCESS Joint Committee for 2 October and 13 December 2017.

13. INVESTMENT: CUSTODIAN PERFORMANCE (Pages 145 - 154)

To consider an exempt report from the Director of Corporate Resources- Corporate Services providing a review of custody services provided in 2018/18 and an update on the Pension Fund's tax claims and class actions.

14. INVESTMENT - INVESTMENT UPDATE (Pages 155 - 218)

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 15 December 2017.

15. INVESTMENTS - ALTERNATIVE INVESTMENTS PORTFOLIO UPDATE (Pages 219 - 266)

To consider the exempt report of the Director of Corporate Resources - Corporate Services updating the Pension Fund Panel and Board on the progress of the alternative investments portfolio.

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.

Public Document Pack Agenda Item 3

AT A MEETING of the Hampshire Pension Fund Panel and Board of HAMPSHIRE COUNTY COUNCIL held at Mitchell Room, EII Podium, Winchester on Friday, 15th December, 2017

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

Employer Representatives (Co-opted members):

a Councillor P. Giddings (Test Valley Borough Council)
a Councillor M. Chaloner (Southampton City Council)
p Mr D. Robbins (Churchers College)
p Councillor H. Mason (Portsmouth City Council) (substitute for Cllr Giddings and Cllr Chaloner)

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)

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.

55. APOLOGIES FOR ABSENCE

Cllrs Kemp-Gee, Giddings, Tennent and Chaloner sent their apologies.

56. 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.

57. CONFIRMATION OF MINUTES (NON-EXEMPT)

The minutes of the Pension Fund Panel and Board held on 3 November 2017 were confirmed.

58. CHAIRMAN'S ANNOUNCEMENTS

There were no announcements.

59. GOVERNANCE - PENSIONS ADMINISTRATION UPDATE

The Panel and Board received a report from the Director of Corporate Resources (Item 5 in the Minute Book) on the administration of the Pension Fund. The Panel and Board had approved at its last meeting that the Fund's employers were consulted on updates to the Administration Strategy. One response was received in the consultation period which resulted in a change to the employer service standards. A further change was made to the consultation draft with an amendment to the approval level for the delegation to approve the Administering Authority's discretion in relation to deciding to whom a death grant is paid.

Pensions Services met its service standards for the first 2 quarters of 2017/18 and met the statutory deadline for the production of over 50,000 annual member benefit statements.

Pension Services have been approached by a number of the Fund's employers who have asked if they can sign the TUC's 'Dying to Work' charter, which includes the principle that employers will continue to employ staff who are terminally ill, so that their families can benefit from death in service benefits, rather than the employee taking ill health retirement. The charter will be highlighted to employers to confirm that they can sign up to it. Ill health costs and death in service costs are shared across all employers in the Fund and it is not expected that the charter will increase costs to the Pension Fund, but it will also be highlighted to employers that the actuary can certify additional contributions if a particular employer's experience is materially out of line with the rest of the Fund.

RESOLVED:

- (a) The updated Administration Strategy is published.
- (b) Employers may sign the 'Dying to Work' Charter if they wish to.
- (c) That the performance information for the first 2 quarters of 2017/18 was noted.

60. GOVERNANCE - EMPLOYER POLICY AND FUNDING STRATEGY STATEMENT

The Panel and Board received a report from the Director of Corporate Resources (Item 6 in the Minute Book) proposing updates to the Pension Fund's Funding Strategy Statement and Employer Policy. Several employers have approached Pensions Services to understand the implications if they were to setup wholly own companies. The Funding Strategy and Employer Policy need to be amended to establish a higher contribution rate for wholly owned companies due to the greater risk presented to the Fund and/or requiring the controlling employer to be the guarantor.

The Fund actuary has recommended a change in the approach to setting funding targets for admitted bodies so that tax raising authorities are required to provide a subsumption commitment to their associated admitted body to address the emerging funding gap between funding from the ongoing orphan target and the low risk gilts exit position.

RESOLVED:

That the updated Funding Strategy Statement and Employer Policy are published for consultation.

61. GOVERNANCE - STATUTORY STATEMENTS

The Panel and Board received a report from the Director of Corporate Resources (Item 6 in the Minute Book) proposing updates to the Pension Fund's Funding Strategy Statement and Employer Policy. Several employers have approached Pensions Services to understand the implications if they were to setup wholly own companies. The Funding Strategy and Employer Policy need to be amended to establish a higher contribution rate for wholly owned companies due to the greater risk presented to the Fund and/or requiring the controlling employer to be the guarantor.

The Fund actuary has recommended a change in the approach to setting funding targets for admitted bodies so that tax raising authorities are required to provide a subsumption commitment to their associated admitted body to address the emerging funding gap between funding from the ongoing orphan target and the low risk gilts exit position.

RESOLVED:

That the updated Funding Strategy Statement and Employer Policy are published for consultation.

62. INVESTMENTS - CASH INVESTMENTS STRATEGY

The Panel and Board considered a report of the Director of Corporate Resources (item 8 in the Minute Book) on the Pension Fund's cash balances and the Annual Investment Strategy for those cash balances for 2018/19. The Annual Investment Strategy had been prepared taking into account advice from the County Council's treasury management advisers, Arlingclose.

RESOLVED:

- (a) That the Annual Investment Strategy for 2018/19 be approved.
- (b) That the Annual Investment Strategy be implemented from the date of this meeting for the remainder of 2017/18.
- (c) That the Director of Corporate Resources be authorised to manage the Fund's cash balances in accordance with the policy set out in the report.

63. 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 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.

64. CONFIRMATION OF THE EXEMPT MINUTES OF THE PREVIOUS MEETING

The exempt minutes of the Pension Fund Panel and Board held on 3 November 2017 were confirmed.

65. INVESTMENTS - CASH INVESTMENTS STRATEGY - EXEMPT APPENDIX

The Panel and Board considered the exempt appendix from the Director of Corporate Resources (Item 11 in the Minute Book) supporting the Pension Fund's Annual Cash Investment Strategy. [SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT INFORMATION]

66. INVESTMENT - INVESTMENT UPDATE

The Panel and Board received an exempt report from the Director of Corporate Resources (Item 12 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]

Chairman,

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Hampshire Pension Fund Panel and Board
Date:	2 March 2018
Title:	Minutes of ACCESS Joint Committee meeting – 13 December 2017
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 13 December 2017 as attached at Appendix 1.

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.)

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:

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.

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ACCESS JOINT COMMITTEE

MINUTES of a meeting of the ACCESS Joint Committee held at Committee Room 1, Camden Town Hall, Judd Street, Kings Cross, WC1H 9JE on Wednesday, 13th December, 2017.

PRESENT: Cllr A Reid (Chairman), Cllr S Barker, Cllr V Churchman (substitute for Cllr A Axford), Cllr Gerard Fox (Substituting for Cllr R Stogdon), Mr J Hunt, Cllr C Jordan, Cllr G Lawman, Cllr T Rogers, Mr C Simkins, Cllr T Thacker (Substitute for Cllr M Kemp-Gee) and Cllr D Williams

OFFICERS: Andrew Boutflower, Joel Cook, Glenn Cossey, Paul Finbow, John Lynch, Nicola Mark, Alison Mings, Kevin McDonald, Ola Owolabi, Jo Thistlewood, Patrick Towey, Paul Tysoe, Mark Whitby

UNRESTRICTED ITEMS

28. Apologies/Substitutes.
(Item. 1)

Apologies were received from:

Cllr Adrian Axford, for whom Cllr Vanessa Churchman (Isle of Wight) was substituting; Cllr Mark Kemp-Gee, for whom Cllr Tom Thacker (Hampshire) was substituting and Cllr Richard Stogden, for whom Cllr Gerald Fox was substituting (East Sussex).

29. Declaration of interests in items on the agenda.
(Item. 2)

No Declarations of Interest were received.

30. Motion to Exclude the Press and Public.
(Item. 3)

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.

31. Minutes of the meeting held on 2 October 2017.
(Item. 4)

RESOLVED that the minutes of the meeting held on 2 October 2017 be agreed as a correct record and that they be signed by the Chairman.

32. DCLG Update - Feedback on Autumn Progress Report 11:20 - 11:30.
(Item. 5)

1. Kevin McDonald (Essex) provided a further update on engagement with the Department for Communities and Local Government (DCLG).

RESOLVED that the update be noted; and that a letter be drafted by the Officer Working Group (OWG) for sending by the Chairman, on behalf of the Committee, to the DCLG requesting clarification on the reporting requirements and confirming the appropriate contact process between the Minister, the Department, and the funding pool.

33. Governance 11:30 - 12:30.
(Item. 6)

1. Muse Advisory, contracted to undertake a governance review of ACCESS, delivered a presentation on the work completed so far.

RESOLVED that;

- a) the Muse Advisory Governance presentation be noted,
- b) that Muse continue with its review and that they provide a further Governance Review update at the 29 January 2018 meeting.
- c) that the OWG offer a briefing meeting to s.151 Officers and Monitoring Officers to bring them up to speed with developments on the Joint Committee and Pooling arrangements.

34. Operator Procurement Award Recommendation Report 12:30 - 13:00.
(Item. 7)

1. Terry Hazlewood (KCC) provided an update on the outcome of the evaluation and procurement process for the Operator.

RESOLVED that the successful provider be awarded the contract to deliver Operator Services and that the Section 151 Officers of each of the 11 Fund Authorities participating in ACCESS take relevant action to sign and seal the contract.

35. Work Planning and Budget (incl. progress to date / third party resource costs) 13:30 - 14:00.
(Item. 8)

(Hymans and Muse Advisory left the room for this item)

1. Kevin McDonald (Essex) provided an update on overall spend since the inception of ACCESS, with estimated future spend in light of the necessary Operator procurement. Mr McDonald commented on the hard work undertaken by Sharon Tan, Rachel Wood and Alison Mings in relation to developing the workplan and budget.

RESOLVED that the report be noted, that the budget be approved and that a further update be provided at the 29 January 2018 meeting.

36. Passive Management - UBS Presentation 14:00 - 14:30 To Follow.
(Item. 9)

(Hymans and Muse re-joined the meeting for this item)

1. Miles Illingworth (UBS Director) provided a presentation on the Passive Index Management service ACCESS would be receiving from UBS.

RESOLVED that the presentation be noted and that UBS be thanked for the useful presentation.

37. Sub Fund Seeding Arrangements 14:30 - 14:40.
(Item. 10)

1. Andy Bouflower (Hampshire) provided an update on Initial Sub-Fund Seeding Arrangements.

RESOLVED that the criteria developed by the OWG be approved, subject to the inclusion of 5% variance on the £500m Assets Under Management (AUM) criterion, and authority be delegated to the OWG to review and update the approved list of investment mandates in line with the approved criteria prior to the sub-fund seeding being implemented.

38. Officials Indemnity Insurance Cover 14:40 - 14:50.
(Item. 11)

1. Paul Finbow (Suffolk) updated the Committee on developments in relation to arrangements for indemnity cover for the activities of ACCESS.

RESOLVED that the Indemnity update be noted.

39. Contract Manager - Update on Recruitment & Interim Arrangements 14:50 - 15:00.
(Item. 12)

1. Nicola Mark (Norfolk) provided an update on the development of the ACCESS Support function and the associated interim contract management resource.

RESOLVED that

- (a) the update be noted;
- (b) the recruitment process for long term contract management be agreed;
- (c) the ACCESS support function specification and interim arrangements be agreed and
- (d) a further update on incorporating contract management functions within the additional interim arrangements be provided at the January 2018 meeting for further review and decision.

40. Communications Update - Development of Communications Strategy / ACCESS Website 15:00 - 15:10.

(Item. 13)

1. Nicola Mark (Norfolk) presented an update with a request for the Committee to agree interim communication protocols for implementation. She advised the Committee that progress had been made on a range of communications work streams; the website had been built to a functional level and was ready for use, though further consideration was required to decide appropriate content.

RESOLVED that the update be noted and the continued use of the current process for development and issuing of press releases on behalf of ACCESS be agreed.

41. Risk Summary 15:10 - 15:20.

(Item. 14)

1. John Wright (Hymans) provided an update on the risk register.

RESOLVED that the risk register update be noted.

42. Update on SAB Consultation on Cross Pool Members Forum 15:20 - 15:30 Verbal update.

(Item. 15)

1. Kevin McDonald (Essex) provided an update on the Scheme Advisory Board consultation regarding the pooling of LGPS funds. He advised the Committee that of 89 funds contacted, only 17 responded. The views expressed by the funds varied.

RESOLVED that the report be noted and that consideration be given at the 29 January meeting to whether ACCESS should nominate a representative from the Committee for Scheme Advisory Board activity.

43. Date of Next Meeting.

(Item. 16)

RESOLVED that the date of the next meeting, Monday 29 January 2018, be noted.

Other Business

The Chairman wished it noted that ACCESS had made excellent progress, particularly over the previous 6 months. He and the Committee expressed thanks to the OWG and to Alison Mings and Terry Hazlewood from KCC Procurement for their work on the operator procurement process.

The Committee also noted that John Lynch (Kent), Clerk to the Committee, was retiring, and thanked him for his work, wishing him well on his retirement.

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Pension Fund Panel and Board
Date:	02 March 2018
Title:	Governance - Internal Audit Progress Report – February 2018
Report From:	<i>Director of Corporate Resources – Corporate Services</i>

Contact name: Neil Pitman; Chief Internal Auditor

Tel: 01962 845139

Email: Neil.pitman@hants.gov.uk

1. Recommendation(s)

1.1. That the Pension Fund Panel and Board note the progress of internal audit work for the period ending 13 February 2018.

2. Executive Summary

2.1. The purpose of this paper is to provide the Pension Fund Panel and Board with an overview of the internal audit work completed in accordance with the approved plan.

3. Contextual information

3.1. At the request of the Pension Fund Panel and Board, the Chief Internal Auditor has provided a progress report against internal activity on the pension fund summarising:

- The status of 'live' internal audit reports;
- An update on progress against the annual audit plan;
- A summary of internal audit performance, planning and resourcing issues; and
- A summary of significant issues that impact on the Chief Internal Auditor's annual opinion.

3.2. Appendix 1 summarises internal activity for the period ending 13 February 2018.

CORPORATE OR 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:	
Accounts and Audit (England) Regulations 2015.	

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:

Equality objectives are not considered to be adversely affected by the proposals within this report.

2. Impact on Crime and Disorder:

2.1. The proposals in this report are not considered to have any direct impact on the prevention of crime, however internal audit work has provided to ensure that controls are in place to minimise the risk of fraud and corruption against the County Council.

3. Climate Change:

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

No specific changes

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

No specific proposals affecting adaption to climate change

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Internal Audit Progress Report

February 2018

Pension Services

Hampshire Pension Services

**Southern Internal
Audit Partnership**

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Assurance through excellence
and innovation

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1. Role of Internal Audit

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

‘Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.’

The standards for ‘proper practices’ are laid down in the Public Sector Internal Audit Standards [the Standards – updated 2017].

The role of internal audit is best summarised through its definition within the Standards, as an:

‘Independent, objective assurance and consulting activity designed to add value and improve an organisations operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.

The County Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The County Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisations objectives.

2. Purpose of report

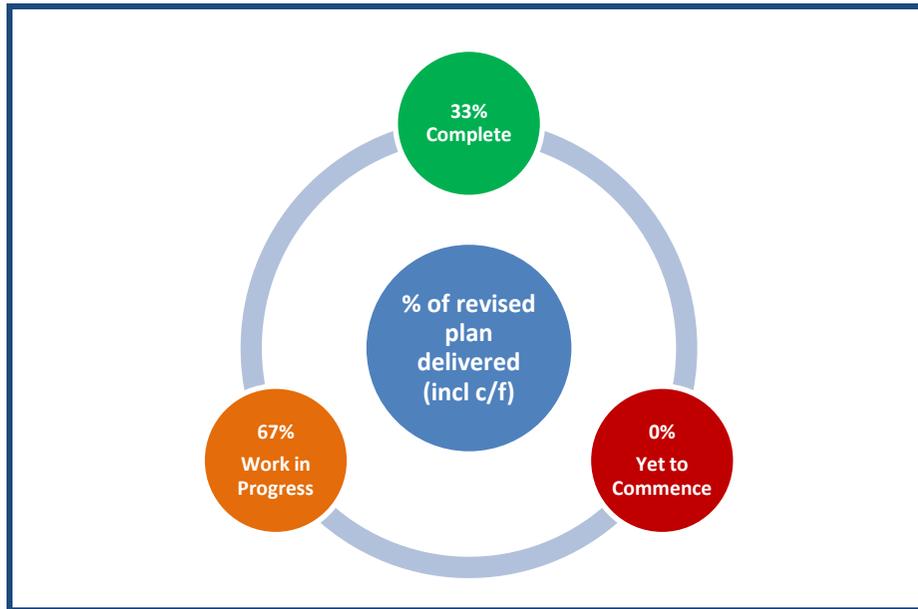
In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to ‘Senior Management’ and ‘the Board’, summarising:

- The status of ‘live’ internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor’s annual opinion.

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. Assurance opinions are categorised as follows:

Substantial	A sound framework of internal control is in place and operating effectively. No risks to the achievement of system objectives have been identified
Adequate	Basically a sound framework of internal control with opportunities to improve controls and / or compliance with the control framework. No significant risks to the achievement of system objectives have been identified
Limited	Significant weakness identified in the framework of internal control and / or compliance with the control framework which could place the achievement of system objectives at risk
No	Fundamental weaknesses identified in the framework of internal control or the framework is ineffective or absent with significant risk to the achievement of system objectives

3. Performance dashboard



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Compliance with Public Sector Internal Audit Standards / Local Government Application Note



An 'External Quality Assessment' of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2015. The report concluded:

*'It is our view that the Southern Internal Audit Partnership 'generally conforms' (top grading) to **all** of the principles contained within the International Professional Practice Framework (IPPF); Public Sector Internal Audit Standards (PSIAS); and the Local Government Application Note (LAGN).*

In accordance with PSIAS, a further self assessment was completed in April 2017 concluding that the Southern Internal Audit Partnership continues to comply with all aspects of the IPPF, PSIAS and LGAN.

4. Status of 'Live' Reports

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions ('High Priority')				
				Reported	Not Accepted	Pending	Cleared	Overdue
Pensions payroll and benefit calculations	22.03.17	CR	Substantial (LGPS & Police) Adequate (Fire)	1 (0)	0 (0)	0 (0)	1 (0)	0 (0)

5. Executive Summaries of new reports published concluding a 'Limited' or 'No' assurance opinion

There have been no reviews that have concluded with a 'limited' or 'no assurance' opinion since the last report.

6. Fraud and Irregularities

In accordance with the Local Government Transparency Code 2015 there is a requirement on local authorities to publish the following information with regard counter fraud work:

Local Government Transparency Code 2015	01.04.17 – 13.02.18
Part 2 Requirements - Fraud	
Number of occasions powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers have been used	Nil
Total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud	2 fte*
Total number (absolute and full time equivalent) of professionally accredited counter fraud specialists	4 fte*
Total amount of time spent by the authority on the investigation and prosecution of fraud	1 day
Total number of fraud cases investigated	0 **

*relates to internal audit staff across the wider SIAP only (does not include other areas of the Council that may affect reported figures i.e. legal, HR, Trading Standards, departmental investigating officers etc.)

**the definition of fraud is as set out by the Audit Commission in *Protecting the Public Purse - 'the intentional false representation, including failure to declare information or abuse of position that is carried out to make gain, cause loss or expose another to the risk of loss.'*

7. Planning & Resourcing

The internal audit plan for 2017-18 was discussed and agreed with Officers and the plan remains fluid to provide a responsive service that reacts to the changing needs of the Council. Progress against the plan is detailed within section 8

8. Rolling Work Programme

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Pensions payroll and benefit calculations	CR	✓	✓	✓	✓			✓	
Pension refunds	CR	✓	✓	✓	✓	✓	Substantial	✓	
Accounting for assets / custodian services includes pension fund shareholding	CR	✓	✓	✓				✓	

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Pension Fund Panel and Board
Date:	02 March 2018
Title:	Governance: Internal Audit Plan 2018/19
Report From:	<i>Director of Corporate Resources – Corporate Services</i>

Contact name: Neil Pitman; Chief Internal Auditor

Tel: 01962 845139

Email: Neil.pitman@hants.gov.uk

1. Recommendation(s)

1.1. That the Pension Fund Panel and Board note the Internal Audit Plan for 2018/19.

2. Executive Summary

2.1. The purpose of this paper is to provide the Pension Fund Panel and Board with the Internal Audit Plan 2018/19 for Pension Services (Appendix 1).

2.2. The aim of internal audit's work programme is to provide independent and objective assurance to management, in relation to the business activities, systems or processes under review that:

- the framework of internal control, risk management and governance is appropriate and operating effectively; and
- risks to the achievement of the Council's objectives are identified, assessed and managed to a defined acceptable level.

2. Contextual information

2.1. The Internal Audit Plan provides the mechanism through which the Chief Internal Auditor can ensure most appropriate use of internal audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements.

2.2. The plan will remain fluid and subject to on-going review, and amended in consultation with the relevant officers, to ensure it continues to reflect the needs of the Council. Amendments to the plan will be identified through the Chief Internal Auditor's continued contact and liaison with those responsible for the governance of the Council.

2.3. The Council's 'internal audit charter' ensures the Chief Internal Auditor has sufficient resource necessary to fulfil the requirements and expectations to

deliver an internal audit opinion. Significant matters that jeopardise the delivery of the plan, or require changes to the plan will be identified, addressed and reported to the Management Team.

CORPORATE OR 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:	
Accounts and Audit (England) Regulations 2015.	

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:

Equality objectives are not considered to be adversely affected by the proposals within this report.

2. Impact on Crime and Disorder:

2.1. The proposals in this report are not considered to have any direct impact on the prevention of crime, however internal audit work has provided to ensure that controls are in place to minimise the risk of fraud and corruption against the County Council.

3. Climate Change:

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

No specific changes.

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

No specific proposals affecting adaptation to climate change.

Internal Audit Plan

2018-19

Hampshire Pension Services

Hampshire Pension Services

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**Southern Internal
Audit Partnership**

Assurance through excellence
and innovation

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Introduction

The role of internal audit is that of an:

'Independent, objective assurance and consulting activity designed to add value and improve an organisations operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'.

Hampshire Pension Services is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising Hampshire Pension Services that these arrangements are in place and operating effectively.

Hampshire Pension Services response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of objectives.

The aim of internal audit's work programme is to provide independent and objective assurance to management, in relation to the business activities, systems or processes under review that:

- the framework of internal control, risk management and governance is appropriate and operating effectively; and
- risk to the achievement of objectives is identified, assessed and managed to a defined acceptable level.

The internal audit plan provides the mechanism through which the Chief Internal Auditor can ensure most appropriate use of internal audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements.

Internal Audit focus should be proportionate and appropriately aligned. The plan will remain fluid and subject to on-going review and amendment, in consultation with the relevant Audit Sponsors, to ensure it continues to reflect the needs of the service. Amendments to the plan will be identified through the Southern Internal Audit Partnership's continued contact and liaison with those responsible for the governance of Hampshire Pension Services.

Your Internal Audit Team

Your internal audit service is provided by the Southern Internal Audit Partnership. The team will be led by Neil Pitman, Head of Southern Internal Audit Partnership, supported by Antony Harvey, Strategic Lead and Liz Foster, Audit Manager.

Conformance with internal auditing standards

The Southern Internal Audit Partnership service is designed to conform to the Public Sector Internal Audit Standards (PSIAS). Under the PSIAS there is a requirement for audit services to have an external quality assessment every five years. In September 2015 the Institute of Internal Auditors were commissioned to complete an external quality assessment of the Southern Internal Audit Partnership against the PSIAS, Local Government Application Note and the International Professional Practices Framework.

In considering all sources of evidence the external assessment team concluded:

*'It is our view that the Southern Internal Audit Partnership (SIAP) service generally conforms to **all** of these principles. **This performance is within the top decile of EQA reviews we have performed.** This is a notable achievement given the breadth of these Standards and the operational environment faced by SIAP.'*

*There are **no instances** across these standards where we determined a standard below "generally conforms", and 4 instances where the standard is assessed as "not applicable" due to the nature of SIAP's remit.'*

Conflicts of Interest

We are not aware of any relationships that may affect the independence and objectivity of the team, and which are required to be disclosed under internal auditing standards.

Developing the internal audit plan 2018/19

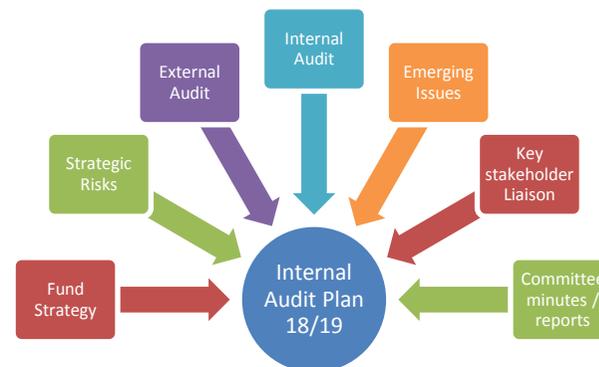
We have used various sources of information and discussed priorities for internal audit with the following groups:

- Carolyn Williamson – Director of Corporate Resources;
- Andrew Lowe – Head of Pensions, Investments and Borrowing;
- Lois Downer – Deputy Head of Pensions.

Based on these conversations with key stakeholders, review of key corporate documents and our understanding of the organisation the Southern Internal Audit Partnership have developed an annual audit plan for the forthcoming year (2018 – 2019).

The Hampshire Pension Fund Panel & Board are reminded that internal audit is only one source of assurance and through the delivery of our plan we will not, and do not seek to cover all risks and processes within the organisation.

We will however continue to work closely with other assurance providers to ensure that duplication is minimised and a suitable breadth of assurance is obtained.



Internal Audit Plan 2018-19

Audit	Risk	Scope	Proposed Timing
Pensions payroll and benefit calculations	Systems and process do not support the accurate, complete and timely administration of pension calculations and payments.	Annual review of the processes and controls to support: <ul style="list-style-type: none"> • accuracy and appropriateness of pension benefit calculations; • completeness / timeliness of payroll runs; and • ensuring all payments are recorded accurately. 	Qtr 3-4
Pension starters	The new starter process does not support the prompt, complete and accurate creation of new member records.	Cyclical review of the control framework to support appropriate, complete and prompt admission of new starters to the pension fund.	Qtr 2
Pension leavers	Ineffective process that does not ensure all members leaving the various schemes are administered promptly and in line with the relevant regulations.	Cyclical review of the control framework to support appropriate, complete and prompt administration of leavers from the pension fund.	Qtr 2
Governance arrangements	The governance arrangements for managing the Pension Fund are ineffective resulting in poor management, decision making and potential losses.	Review of the governance arrangements for pension services and the pension fund, including changes in management and the pension Panel and Board.	Qtr 3

Audit	Risk	Scope	Proposed Timing
Fund pooling arrangements	There are inadequate governance arrangements in place to effectively manage the new fund pooling arrangements.	Establish the governance and audit arrangements for the new fund pooling arrangements.	Qtr 3
Management	Planning, liaison, reporting, audit committee, external audit, advice		
Total Days			100

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HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Pension Fund Panel and Board
Date:	2 March 2018
Title:	Governance: Funding Strategy Statement and Employer Policy
Report From:	Director of Corporate Resources

Contact name: Lois Downer

Tel: 01962 847600

Email: lois.downer@hants.gov.uk

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 changes to the Funding Strategy Statement (FSS) and Employer Policy in relation to the treatment of wholly owned companies and funding targets for new admission bodies.

2.2. Employers were consulted on the proposed changes between 8 January and 9 February 2018. There were two responses requesting further information on how the policy would affect current plans to create companies, but these employers did not comment on the policy itself. Following legal advice, minor changes have been made to the Employer Policy (paragraphs 6.9, 6.17 and 7.2) to clarify the way in which the Fund will seek to achieve a scheme employer guarantee.

2.3. The final version of the Funding Strategy Statement and Employer Policy for approval by the Panel and Board are attached as appendices 1 and 2.

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 needed updating so that they clearly set out the treatment of wholly owned companies in the Fund. Additionally, the Fund actuary advised that a change was needed in the approach used to set funding targets for new short term admitted bodies because of inconsistencies between the calculation of the contribution rate and the exit valuation.

3. Consultation feedback

- 3.1. The Funding Strategy Statement and Employer Policy were updated for the treatment of new designating bodies (known as wholly owned companies). The approach taken ensures that other employers in the Fund are not affected by the decision by employers to set up companies, particularly if the intention is to move their employees to that company as a way of restricting or removing access to the LGPS.
- 3.2. Employers were consulted on the proposed policy and no comments on the proposals were received. The employers who responded to the consultation did so to check the impact of the policy on their own organisation's plans. In both of these cases, the intention is for the employer to put new employees into a wholly owned company and not allow access to the LGPS. The impact of this is to effectively close the existing scheduled employer and is covered by paragraphs 6.11 and 6.12 of the revised Employer Policy.
- 3.3. Following legal advice, the wording in the Employer Policy was amended from the original version. A minor change has been made to paragraphs 6.9, 6.17 and 7.2 in the Employer Policy to clarify the approach which will be taken to ensure there is a guarantee from the existing scheme employer. The regulations do not place the controlling employer as guarantor so whilst this is the Fund's preferred option, the policy cannot enforce it.
- 3.4. No comments were received on the proposed change to the FSS which requires tax raising authorities to provide a subsumption commitment to their associated admitted bodies.

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.

1.1. Equalities Impact Assessment:

1.2. Equality objectives are not considered to be adversely affected by the proposals in this report.

2. Impact on Crime and Disorder:

2.1. The proposals in this report are not considered to have any direct impact on the prevention of crime.

3. Climate Change:

3.1. How does what is being proposed impact on our carbon footprint / energy consumption?

No specific impact.

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

No specific impact.

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

No specific impact

Funding Strategy Statement

Introduction

The Local Government Pension Scheme Regulations 2013 require the Fund to prepare and publish a Funding Strategy Statement (FSS). The Fund's Actuary must have regard to this statement when setting employers' contribution rates.

As required by 2013 Regulation 58, the Statement has been reviewed (and where appropriate revised) having regard to guidance published by CIPFA in September 2016.

This FSS should be read in the context of the Fund's Investment Strategy Statement (ISS) which sets out in detail the Fund's investment arrangements and strategy. The current version of this is attached for information. The administering authority has had regard to the ISS in preparing this FSS.

Consultation

In accordance with Regulation 58, all Fund employers have been consulted on the contents of this FSS and their views have been considered in formulating it. However, the FSS describes a single strategy for the Fund as a whole.

The Fund's Actuary, Aon Hewitt Limited, has also been consulted on the content of this FSS.

Purpose of the Funding Strategy Statement

The purposes of this FSS are to set out the processes by which the administering authority:

- Establishes a clear and transparent funding strategy, that will identify how employers' pension liabilities are best met going forward.
- Supports the desirability of maintaining as nearly constant a primary contribution rate as possible, as defined in Regulation 62(5) of the LGPS Regulations 2013.
- Ensures that the regulatory requirements to set contributions so as to ensure the solvency and long-term cost efficiency of the Fund are met.
- Takes a prudent longer-term view of funding those liabilities.

Aims of the Fund

The Fund has three main aims:

- To manage the employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due
- To enable primary contribution rates to be kept nearly constant as possible (subject to the administering authority not taking undue risk) at reasonable cost to the taxpayers, scheduled, resolution and admitted bodies, while

achieving and maintaining fund solvency and long-term cost efficiency, which should be assessed in light of the risk profile of the Fund and employers, and the risk appetite of the administering authority and employers alike.

- Seek returns on investment within reasonable risk parameters.

The main aims of the Fund are explained in more detail below.

To manage the employers' liabilities effectively

Hampshire County Council as administering authority makes sure that the Fund's liabilities are managed effectively. This is achieved by commissioning actuarial valuations every three years as required by law. These determine the employers' contribution rates required to make sure liabilities can be managed effectively. The administering authority also commissions additional work in relation to the specific issues described below.

The Fund's primary aim is long-term solvency. Accordingly, employers' contributions will be set to ensure that 100% of the liabilities can be met over the long term.

The Fund is deemed to be solvent when the assets held are equal to 100% of the Solvency Target.

The administering authority will make sure that the Fund always has enough cash available to pay pensions, transfer values to other pension funds, and other costs and expenses. Such expenditure will normally be met from incoming contributions from employees and employers and investment income, to avoid the cost of selling any of the Fund's investments. The position is reviewed every three months to make sure enough cash is available to meet the Fund's obligations.

The administering authority operates a group funding framework. Many employers are grouped for the purpose of determining employers' contributions in respect of the liabilities and more details are given later in this statement.

The administering authority publishes an Employer Policy which explains in more detail the funding policies for certain categories of employer on admission and exit.

Exiting the fund - subsumed liabilities

Where an employer is leaving the Fund and will no longer have any contributing members, another employer, or group of employers, in the Fund may agree to provide future funding in respect of any emerging deficiencies. On exit the non-active liabilities of admission bodies in paragraph 1(d)(i) of Schedule 2 Part 3 which commenced in the Fund on or after 1 April 2018 will be attributed to (i.e. assumed to be subsumed by) the relevant Scheme employer as defined in the regulations.

In such circumstances the liabilities are known as subsumed liabilities, as responsibility for them is subsumed by the accepting employer or group. For subsumed liabilities the exit valuation will be calculated using a funding target (and hence assumptions) consistent with that used to set ongoing contributions

for the employer. This will be the ongoing orphan funding target for employers admitted under paragraph 1(d)(i) of Schedule 2 where the relevant Scheme Employer is an academy. For all other employers the administering authority will assume that the investments held in respect of those liabilities will be the same as those held for the rest of the liabilities of the accepting employer or group. Generally this will mean assuming continued investment in more risky investments than Government bonds.

Exiting the fund - orphan liabilities

Where an employer is leaving the Fund and will no longer have any contributing members, and the residual liabilities are not subsumed, the administering authority will act on the basis that it will have no further access for funding from that employer once any exit valuation, carried out in accordance with Regulation 64, has been completed and any sums due have been paid. Residual liabilities of employers from whom no further funding can be obtained are known as orphan liabilities.

The administering authority will seek to minimise the risk to other employers in the Fund of having to make good any deficiency arising on the orphan liabilities. To achieve this, the administering authority will seek sufficient funding from the outgoing employer to match the liabilities with low risk investments, generally Government fixed-interest and index-linked bonds.

Where the administering authority considers that it is possible that an employer may leave the Fund at some point in the future and the employer would leave orphan liabilities on its exit from the Fund, an ongoing funding target (the "ongoing orphan funding target") will, unless the circumstances dictate otherwise, be used to determine the employer's ongoing contributions at the triennial valuation. The ongoing orphan funding target anticipates the approach which will be taken to valuing the employer's liabilities on exit. It will generally be calculated using a discount rate or rates set by reference to the yield on long-dated government bonds on the valuation date. Allowance may be made, at the administering authority's discretion and on the advice of the Fund's Actuary, for some out-performance of the Fund's assets relative to gilts in determining the discount rate which applies to the period during which the employees are assumed to remain active members and for future expected increases in gilt yields in determining the discount rate which applies to pensioner and deferred liabilities and for active members in the period after they are assumed to have left service.

Exiting the fund – valuations

Where an admission body exits the fund, an exit valuation will be carried out in accordance with Regulation 64. That valuation will take account of any activity as a consequence of exiting the fund regarding any existing contributing members (for example any bulk transfer payments due) and the status of any liabilities that will remain in the Fund.

In particular, the exit valuation will distinguish between residual liabilities which will become orphan liabilities, and liabilities which will be subsumed by other employers or otherwise continue to be funded to the satisfaction of the Administering Authority

For orphan liabilities the funding target in the exit valuation will anticipate investment in low risk investments such as Government bonds. For subsumed liabilities the exit valuation will take account of a number of other factors such as the funding target used to calculate the initial asset transfer where the exiting employer is a short term admission body under paragraph 1(d)(i) of Schedule 2; the funding target used to calculate the ongoing contributions for the employer; whether the exiting employer is a going concern or is ceasing to exist, and whether there is a Guarantor.

Regardless of whether the residual liabilities are orphan liabilities or subsumed liabilities, the departing employer (or Guarantor if the employer is unable to pay) will generally be expected to make good the funding obligation revealed in the exit valuation. In other words, the fact that liabilities may become subsumed liabilities does not necessarily remove the possibility of an exit payment being required.

For those employers who are grouped with other employers for funding purposes, the exit valuation may also include allowance for any cross subsidies anticipated from other employers with which it is grouped. This would allow the employer to take immediate credit for contributions expected to be paid over the long term from other group employers in respect of the outgoing employer's share of any group deficiency.

Interim reviews for employers

Regulation 64(4) provides the administering authority with the power to carry out valuations in respect of admission bodies and other employers which are expected to cease at some point in the future, and for the Fund's Actuary to certify revised contribution rates, between triennial valuation dates.

The administering authority's overriding objective at all times is that, where possible, the funding target for that body is clear, and that contribution rates payable are appropriate for that funding target. However, this is not always possible as any date of exit may be unknown (for example, participation may be assumed at present to be indefinite), and because market conditions change daily.

The administering authority's general approach in this area is as follows:

- Where the date of exit is known, and is more than three years away, or is unknown and assumed to be indefinite, interim valuations will generally not be required by the administering authority.
- For paragraph 1(d)(i) bodies (2013 Regulations – Schedule 2 Part 3) falling into the above category, the administering authority sees it as the responsibility of the Relevant Scheme Employer to instruct it if an interim valuation is required. Such an exercise would be at the expense of the Relevant Scheme Employer unless otherwise agreed.
- A material change in circumstances, for example the date of exit becoming known, material membership movements or material financial information coming to light may cause the administering authority to review the situation informally and subsequently request a formal interim valuation.
- Where an employer is due to leave the Fund within the next three years, the

administering authority will monitor developments and may see fit to request an interim valuation at any time in order to try to effect a smoother transition to exit.

In addition, the administering authority reserves the right to request an interim valuation of any employer at any time in accordance with Regulation 64(4).

Inter-valuation funding valuations

In order to monitor developments, the administering authority may from time to time request informal valuations or other calculations. Generally, in such cases the calculations will be based on an approximate update of the asset and liability values, and liabilities calculated using assumptions consistent with the latest valuation. It is unlikely that the liabilities would be calculated using individual membership data, or that the demographic assumptions would be reviewed.

Guarantors

Some employers may participate in the Fund by virtue of the existence of a Guarantor. The administering authority maintains a list of employers and their Guarantors. For any new admission body wishing to join the Fund, the administering authority will require a Guarantor. The administering authority, unless notified otherwise, sees the role of a Guarantor to include the following:

- If an employer leaves the Fund and defaults on any of its financial obligations to the Fund, the Guarantor is expected to provide the Fund with the amount certified by the Fund's Actuary as due, including any interest payable.
- If the Guarantor is also an employer in the Fund and is judged by the administering authority to have suitable financial security, the Guarantor may clear some of the financial liability by subsuming the residual liabilities into its own pool of Fund liabilities. In other words, it agrees to be a source of future funding in respect of those liabilities should future deficiencies emerge.

During the period of participation of the employer a Guarantor may at any time agree to the future subsumption of any residual liabilities of that employer. That action may reduce the funding target for the employer, which may, in turn, lead to reduced contribution requirements.

The Guarantor will be permitted to subsume all assets and liabilities of an employer including the inheritance of any deficiency. However, where the Guarantor is a grouped employer, the administering authority will insist upon the Guarantor meeting the contributions required to clear the deficiency inherited by the Guarantor (whether immediately or over an appropriate period), to protect the other employers in the Guarantor's group from this element of the group's deficiency.

Bonds and other securitisation

Paragraph 7 of Part 3 of Schedule 2 of the 2013 Regulations creates a requirement for a new admission body to carry out to the satisfaction of the administering authority (and the Relevant Scheme Employer in the case of paragraph 1(d)(i) bodies admitted under Schedule 2 Part 3 of the 2013

Regulations), an assessment taking account of actuarial advice of the level of risk on premature termination by reason of insolvency, winding up or liquidation.

Where the level of risk identified by the assessment is such as to require it the admission body shall enter into an indemnity or bond with an appropriate party. Where it is not desirable for an admission body to enter into an indemnity or bond, the body is required to secure a guarantee in a form satisfactory to the administering authority from an organisation who either funds, owns or controls the functions of the admission body.

The administering authority's approach in this area is as follows:

- In the case of paragraph 1(d)(i) bodies admitted under Schedule 2 Part 3 of the 2013 Regulations, and other admission bodies with a Guarantor, so long as the administering authority judges the Relevant Scheme Employer or Guarantor to have suitable financial security, any bond exists purely to protect the Relevant Scheme Employer against default of the admission body. It is entirely the responsibility of the Relevant Scheme Employer or Guarantor to arrange any risk assessments and decide the level of required bond. The administering authority can supply some standard calculations provided by the Fund's actuary to aid the Relevant Scheme Employer or Guarantor, but this should in no way be taken as advice on this matter. Levels of required bond cover can fluctuate and the administering authority recommends that Relevant Scheme Employers review required cover regularly, at least once a year.
- In the case of paragraph 1(d)(i) bodies admitted under Schedule 2 Part 3 of the 2013 Regulations, where the administering authority does not judge the Relevant Scheme Employer to have suitable financial security, the administering authority must be involved in assessing the required level of bond to protect the Fund. Admission can only proceed once the administering authority has agreed the level of bond cover. Levels of required bond cover can fluctuate and the administering authority will require the Relevant Scheme Employer to review required cover jointly with it regularly, at least once a year.
- In the case of bodies other than paragraph 1(d)(i) bodies admitted under Schedule 2 Part 3 of the 2013 Regulations, the administering authority must be involved in assessing the required level of bond to protect the Fund. Admission can only proceed once the administering authority has agreed the level of bond cover. Levels of required bond cover can fluctuate and the administering authority will review required cover regularly, at least once a year.

To enable primary contribution rates to be kept as nearly constant as possible

Achieving nearly constant primary contribution rates requires stability of employers' active membership profile and use of assumptions which are relatively constant over time. The administering authority has no control over employers' active membership although the methodology used to calculate the future service rate does vary according to whether or not the employer admits new members to

the Fund. In relation to the assumptions, the administering authority believes that the same assumptions should be used to determine the past service liabilities (and hence the solvency target) as are used to determine employers' primary contribution rates.

The demographic assumptions are reviewed by the Actuary on a triennial basis and updated as required to allow for recent Fund experience and other national factors as required. It is not expected that material changes would be made to these assumptions from one valuation to the next.

In relation to the financial assumptions, these can vary quite materially from one valuation to the next as market conditions alter. A substantial proportion of the Fund's investments are held in asset classes such as shares and property, with the aim of increasing investment returns and keeping costs to employers reasonable. However, the expected returns on these asset classes can be quite volatile and so the real discount rate can change materially from one triennial valuation to the next, leading to a material change in employers' primary contribution rates.

Where justified, and as long as it doesn't run counter to the main aims of ensuring solvency and long-term cost efficiency, the administering authority will permit a stepping in of changes to employers' primary contribution rates over a period of up to four years. Care needs to be taken in relation to admission bodies and other employers which participate in the Fund for a fixed period (for example, non-local authority employers awarded contracts to provide local authority services), where use of stepping to smooth primary contribution rate changes is less appropriate.

The administering authority recognises that a balance needs to be struck regarding the financial demands made of admission bodies. On the one hand, the administering authority requires all admission bodies to be fully self funding (either on a grouped or an individual basis), such that other employers in the Fund are not subject to expense as a consequence of the participation of those admission bodies. On the other hand, requiring contributions to target full funding at all times, without further smoothing, may cause failure of the body in question in periods of extreme economic conditions, leading to significant costs for other participating employers.

Employers within the Admission Body Group where there is no subsumption commitment from a long-term secure employer such as one of the Councils, or the Scheduled Body Group as a whole, should in theory pay contributions to target solvency on the ongoing orphan funding target. However, to enable contributions to remain affordable for them in the short term, the funding target adopted for the Admission Body Group has been relaxed and is the same as that adopted for the Scheduled Body Group. This is a temporary measure to enable contributions to remain affordable in the short-term than would otherwise be permitted. However should a body in the Admission Body Group leave the Fund during the relaxation period, that body would be required to make good its funding deficiency including any underpayment on account of contributions having been relaxed. Only if that body is unable to meet any exit deficiency and there is no Guarantor would other solutions to the ongoing funding of the body's liabilities be sought (such as the Scheduled Body funding group providing future funding for any deficiency which cannot be met by the outgoing community admission body).

The Admission Body Group will be re-assessed in advance of the 2019 valuation with a view to moving admission bodies with no subsumption commitment onto the ongoing orphan funding target.

Seek returns on investment within reasonable risk parameters

Returns should be higher over the long term than those from index-linked stocks by investing in other asset classes such as shares, property and alternative investments.

Risk parameters are controlled by restricting investment to asset classes generally recognised as appropriate for UK pension funds. From time to time the administering authority reviews the potential risks of investing in the various asset classes, with help from the Fund's Actuary and its investment managers.

The Fund's funding strategy requires the assets to deliver a long-term return of above the discount rate of 4.5%, the fund actuary's best estimate for the Fund's average return is 5.7% as at March 2016. An investment management structure has been developed and managers appointed to deliver a long-term return in excess of returns on cash and gilt investments within an acceptable level of risk. Details of the structure and managers are in the Investment Strategy Statement.

Purpose of the Fund

The purpose of the Fund is to:

- receive monies in respect of contributions, transfer values and investment income.
- pay out monies in respect of scheme benefits, transfer values costs, charges and expenses, as defined in the Local Government Pension Scheme Regulations 2013 and as required in the Local Government Scheme (Management and Investment of Funds) Regulations 2016.

Responsibilities of the key parties

The three main parties with obligations to the Fund are the County Council as administering authority, the other employers in the Fund, and the Fund's Actuary. The administering authority delegates responsibility for fulfilling its obligations to the Panel and Board.

The County Council as administering authority is required to:

- Operate a pension fund
- Collect employer and employee contributions, investment income and other amounts due to the Pension Fund as stipulated in LGPS Regulations.
- Pay from the Fund the relevant entitlements as stipulated in LGPS Regulations.
- Invest surplus monies in accordance with LGPS Regulations
- Ensure that cash is available to meet liabilities as and when they fall due.

- Take measurers as set out in the regulations to safeguard the Fund against the consequences of employer default.
- Manage the valuation process in consultation with the Fund's Actuary.
- Prepare and maintain a Funding Strategy Statement and an Investment Strategy Statement, both after proper consultation with interested parties.
- Monitor all aspects of the Fund's performance and funding, and amend the FSS/ISS accordingly.
- Effectively manage any potential conflicts of interest arising from its dual role as both administering authority and as a Scheme Employer.
- Enable the Pension Fund Panel and Board to review the valuation process.

The individual employer is required to:

- Deduct contributions from employees' pay correctly.
- Pay all ongoing contributions, including employer contributions determined by the actuary, promptly by the due date.
- Develop a policy on certain discretions and exercise discretions as permitted within the regulatory framework.
- Make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits and early retirement strain.
- Notify the administering authority promptly of all changes to active membership that affect future funding.
- Pay any exit payments on ceasing participation in the Fund.

The Fund actuary should:

- Prepare valuations including the setting of employers' contribution rates at a level to ensure fund solvency and long-term cost efficiency after agreeing assumptions with the administering authority and having regard to the FSS and the LGPS Regulations.
- Prepare advice and calculations in connection with bulk transfers and the funding aspects of individual benefit-related matters such as pension strain costs, ill health retirement costs, compensatory added years costs, etc.
- Provide advice and valuations on the exiting of employers from the Fund.
- Provide advice to the administering authority on bonds or other forms of security against the financial effect on the Fund of employer default.
- Assist the administering authority in assessing whether employer contributions need to be revised between valuations as permitted or required by the regulations.
- Ensure that the administering authority is aware of any professional guidance or other professional requirements that may be of relevance to his or her role in advising the fund.

Funding Strategy

Risk based approach

The Fund utilises a risk based approach to funding strategy.

A risk based approach entails carrying out the actuarial valuation on the basis of the assessed likelihood of meeting the funding objectives, rather than relying on a 'deterministic' approach which gives little idea of the associated risk. In practice, three key decisions are required for the risk based approach:

- what the Solvency Target should be (the funding objective - where the administering authority wants the Fund to get to),
- the Trajectory Period (how quickly the administering authority wants the Fund to get there), and
- the Probability of Funding Success (how likely the administering authority wants it to be now that the Fund will actually achieve the Solvency Target by the end of the Trajectory Period).

These three choices, supported by risk modelling carried out by the Fund's actuary, define the discount rate (investment return assumption) to be adopted and, by extension, the appropriate employer contributions payable. Together they measure the riskiness (and hence also the degree of prudence) of the funding strategy.

These three terms are considered in more detail below.

Solvency Target and Funding Target

Solvency and 'funding success'

The administering authority's primary aim is long-term solvency. Accordingly, employers' contributions will be set to ensure that 100% of the liabilities can be met over the long term. The Solvency Target is the amount of assets which the Fund wishes to hold at the end of the Trajectory Period (see later) to meet this aim, and is the value of the Fund's liabilities evaluated using appropriate actuarial methods and assumptions.

The Fund is deemed to be solvent when the assets held are equal to or greater than 100% of the Solvency Target. The Administering Authority believes that its funding strategy will ensure the solvency of the Fund because employers collectively have the financial capacity to increase employer contributions should future circumstances require, in order to continue to target a funding level of 100%. For Scheduled Bodies, and certain other bodies of sound covenant whose participation is indefinite in nature, appropriate actuarial methods and assumptions are taken to be measurement by use of the Projected Unit method of valuation, and using assumptions such that, if the Fund's financial position continued to be assessed by use of such methods and assumptions, and contributions were paid in accordance with those methods and assumptions, there would be a better than evens chance that the Fund would continue to be 100% funded after a period of 25 years. The level of funding implied by this is the Solvency Target. For the purpose of this Statement, the required level of chance

is defined as the Probability of Maintaining Solvency. The administering authority will generally assume indefinite investment in a broad range of assets of higher risk than risk-free assets for scheduled bodies and certain other bodies.

For certain Admission Bodies, bodies closed to new entrants and other bodies whose participation in the Fund could potentially be of limited duration through known constraints or reduced covenant, and for which no access to further funding would be available to the Fund after exit, the required Probability of Maintaining Solvency will be set at a more prudent level dependent on circumstances.

For such bodies the administering authority will normally adopt a funding target which:

- in the case of admission bodies, particularly those which do not admit new members, anticipates the approach to valuing the liabilities on exit – the "ongoing orphan funding target" as defined earlier in this statement;
- in the case of scheduled bodies without a government guarantee which are deemed to be of weaker covenant than the local authorities, produces a higher chance of achieving solvency/funding success through adoption of a lower discount rate than adopted for the local authorities.

Probability of Funding Success

The administering authority deems funding success to have been achieved if the Fund, at the end of the Trajectory Period, has achieved the Solvency Target. The Probability of Funding Success is the assessed chance of this happening based on the level of contributions payable by members and employers.

Consistent with the aim of enabling employers' primary contribution rates to be kept as nearly constant as possible, the required chance of achieving the Solvency Target at the end of the relevant Trajectory Period for each employer or employer group can be altered at successive valuations within an overall envelope of acceptable risk.

The administering authority will not permit contributions to be set following a valuation that have an unacceptably low chance of achieving the Solvency Target at the end of the relevant Trajectory Period.

Funding Target

The Funding Target is the amount of assets which the Fund needs to hold at the valuation date to pay the liabilities at that date as indicated by the chosen valuation method and assumptions. The valuation calculations, including the future service contributions and any adjustment for surplus or deficiency, set the level of contributions payable and dictate the chance of achieving the Solvency Target at the end of the Trajectory Period (defined below).

Consistent with the aim of enabling employers' primary contribution rates to be kept as nearly constant as possible:

- Contribution rates are set by use of the Projected Unit valuation method for most employers. The Projected Unit method is used in the actuarial valuation to determine the cost of benefits accruing to the Fund as a whole

and for employers who continue to admit new members. This means that the future service contribution rate is derived as the cost of benefits accruing to employee members over the year following the valuation date expressed as a percentage of members' pensionable pay over that period.

- For employers who no longer admit new members, the Attained Age valuation method is normally used. This means that the future service contribution rate is derived as the average cost of benefits accruing to members over the period until they die, leave the Fund or retire.
- For bodies closed to new entrants and other bodies whose participation in the Fund could potentially be of limited duration through known constraints or reduced covenant, the administering authority will take into account the potential for participation to cease, the potential timing of such exit, and any likely change in investment strategy regarding the assets held in respect of the admission body's liabilities at the date of exit.

Recovery and Trajectory periods

The Trajectory Period in relation to an employer is the period between the valuation date and the date which solvency is targeted to be achieved. A Trajectory Period of 25 years has been adopted at the 2016 valuation.

When an actuarial valuation shows that the Fund is in deficiency, employers' contribution rates will be adjusted to achieve a 100% funding ratio over a period of years (the Recovery Period), while ensuring that the probability of achieving solvency over the Trajectory Period remains acceptable. In consultation with the Fund's actuary, the administering authority has set a common maximum recovery period of 19 years for all employers in the Fund. The actual recovery period within this maximum of 19 years is determined at each actuarial valuation by balancing the Fund's solvency requirements against the financial strength of the Fund's main scheduled employers.

The Fund's liabilities mostly take the form of benefit payments over long periods of time. The main scheduled employers in the Fund are financed through central and local taxation and can be viewed as very financially secure. As these employers ultimately underwrite the Fund's finances, the administering authority has agreed a recovery period of 19 years for scheduled bodies in the 2016 actuarial valuation.

Grouping of Employers

In some circumstances it is desirable to group employers within the Fund together for funding purposes (i.e. to calculate employer contribution rates). Reasons might include reducing the volatility of contribution rates for employers, facilitating situations where employers have a common source of funding or accommodating employers who wish to share the risks related to their participation in the Fund.

Employers may be grouped entirely, such that all of the risks of participation are shared, or only partially grouped such that only specified risks are shared.

All employers in the Fund are grouped together regarding the risks associated with payment of ill health pensions and partner's pensions and lump sum benefits on death in service. The cost of such benefits is shared across the employers in

the Fund. This is because the administering authority, in view of the size of the Fund, does not see it as cost effective or necessary to insure these benefits externally.

Group Funding Framework

Within the Fund there are two groups of employers for funding purposes; the Scheduled Body Group and the Admission Body Group. Employers within a group share all risks of participation, with the exception of liability for ill health pensions, partner's pensions and lump sum benefits payable on death in service, with other employers in the group. A small, but increasing, number of employers sit outside of the groups.

Scheduled Body Group

The Scheduled Body Group includes:

- Scheduled bodies listed in Part 1 of Schedule 2 of the Regulations, excepting those employers (or category of employers) who in the view of the Administering Authority:
 - Are deemed by central government to be private sector organisations, or
 - Receive a significant proportion of their income from either non-government sources or otherwise are not considered to have a central or local government guarantee, or
 - Are otherwise considered by the Administering Authority to be less financially secure than the principal councils to the extent that there is a perceived (or potential) covenant risk to the Fund.
- Town and Parish Council employers under Part 2 (paragraph 2) of Schedule 2 of the Regulations who, due to their unique size and transience as active participating bodies, would benefit significantly from being able to share risks with a wider pool (and where the risk to that wider pool is deemed negligible)
- Paragraph 1(d)(i) bodies admitted under Schedule 2 Part 3 of the 2013 Regulations where
 - the employer was admitted to the Group before 4 March 2016
 - there is a pass through arrangement with an employer which is itself a grouped scheduled body, and
 - that body and letting authority (as appropriate) adheres to any mechanisms as required by the Administering Authority to protect other grouped employers from the additional and unique risks which that body contributes to the Group.

With effect from 31 March 2016, the following category of employers have ceased to participate in the Scheduled Body Group to become ungrouped employers in the Fund:

- Bodies in the Higher Education and Further Education sector (including post-92 Colleges and Universities)

The Administering Authority will keep under review the funding arrangements of all employers and may remove additional employers from the grouping arrangements should their situations change.

Admission Body Group

The Administering Authority views the purpose of the Admission Body Group to be primarily to smooth contributions for charities and other not-for-profit organisations which would otherwise be exposed to the potential of volatile contributions. For historic reasons other admission bodies have participated in the Group. With effect from 31 March 2016, the following category of employers have ceased to participate in the Admission Body Group to become ungrouped employers in the Fund:

- Bodies in the Higher Education and Further Education sector (including pre-92 Universities and independent schools). These bodies will become ungrouped employers, consistent with the treatment of other post-92 Universities and colleges.
- Housing Associations. These are closed employers with no subsumption commitment.

New funding groups would be considered by the Administering Authority, but only with the consent of the employers involved.

Funding principles applying to grouped employers

Common employers' contribution rates are set for each of these groups, instead of individual contribution rates for each employer. The Administering Authority accepts that this can give rise to cross-subsidies between employers. However, employers in the Fund are required to make upfront contributions determined by the Fund's Actuary to cover the costs of unreduced early retirements, which is a major distinction between employers over time. The Administering Authority and the Fund's Actuary periodically review whether separate rates for individual employers or groups of employers are required.

Within each group, employers share risk according to a set of clearly defined principles which are as follows:

- The group exists to produce a common primary contribution rate for employers in the group
- Only the group funding target is relevant when producing a common primary contribution rate, and
 - An employer's cash contribution depends on its level of payroll when a stream of deficit contributions is being set, and any special arrangements put in place in relation to being a Relevant Scheme Employer for a grouped paragraph 1(d)(i) body admitted under Schedule 2 Part 3 of the 2013 Regulations,
 - While an employer has contributing members in the Fund, the employer will share a responsibility to contribute towards any emerging deficiency within the relevant funding group, or will benefit from an emerging surplus within the relevant funding group through a deduction against previous deficiency obligations.

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- Unless it is a paragraph 1(d)(i) body admitted under Schedule 2 Part 3 of the 2013 Regulations, or as otherwise agreed between the administering authority and the employer, the employer is assumed to belong to the group indefinitely
 - As an employer can always be called upon to pay its share of any group deficiency, a flow of new entrants to the employer is required to finance this
 - Funding targets used to assess ongoing contributions at the triennial valuation are set using an ongoing actuarial basis that assumes participation is indefinite
- Employers are liable to fund deficiencies emerging at each valuation in proportion to their own payroll at the time of the valuation. Relevant Scheme Employers in relation to a grouped paragraph 1(d)(i) body admitted under Schedule 2 Part 3 of the 2013 Regulations will also be liable in respect of payroll transferred to the paragraph 1(d)(i) body, to the extent that the contributions are not fully covered by those made by the paragraph 1(d)(i) body.
- Streams of deficiency contributions, once certified at a valuation will normally remain in place for the duration of the relevant recovery period. New streams of such contributions may be certified at subsequent valuations in respect of new surplus or deficiency emerging at the relevant valuation. In certain circumstances, contribution streams set at a previous valuation may be modified at subsequent valuations if the administering authority and the Fund's actuary agree.
- Employers will pay a common future service contribution rate. Relevant Scheme Employers in relation to a grouped paragraph 1(d)(i) body will also be liable in respect of any increased rate payable in respect of the paragraph 1(d)(i) body by virtue of the admission agreement being a closed agreement.
- When employers exit the Fund they will be assumed to leave the group. The funding target adopted at that time will be assessed in light of the employer's circumstances and, in particular whether its liabilities will be subsumed (i.e. another employer or group will be responsible for the future funding of those liabilities) or will become orphan (where the Fund has no access to any future funding for those liabilities).

For most purposes, such as for the purpose of calculating an exit valuation or calculations under FRS102/IAS19, each employer in a group is assumed to have the same funding level as the group as a whole, based on the value of benefits accrued to date for the group as a whole and notional assets held in respect of the group. The funding level of the group is expressed as a percentage and calculated as:

notional assets held in respect of the group divided by value of benefits accrued to date for the group as a whole.

However, where circumstances dictate otherwise (e.g. to protect the remaining employers in a group), and it is necessary to allocate a notional value of assets to an employer in a group, this may be calculated as the value of the liabilities less the present value of the employer's stream of deficiency contributions.

Further aspects of funding strategy that may be relevant from time to time are

described below:

Notional sub-funds

In order to establish contribution rates for individual employers or groups of employers it is convenient to subdivide the Fund notionally between the employers, as if each employer had its own notional sub-fund.

This subdivision is for funding purposes only. It is purely notional and does not imply any formal subdivision of assets, nor ownership of any particular assets or groups of assets by any individual employer or group.

Roll forward of sub-funds

The notional sub-fund allocated to each employer or group will be updated allowing for all cashflows associated with that employer's or group's membership, including contribution income, benefits paid, transfers in and out and investment income allocated as set out below.

In some cases there is insufficient information to complete these calculations. In these circumstances:

- Where, in the opinion of the Fund's Actuary, the unavailable cashflow data is of low materiality, estimated cashflows will be used.
- Where, in the opinion of the Fund's Actuary, the unavailable cashflow data is material, the Fund's Actuary will use an analysis of gains and losses to update the notional sub-fund. This method is less precise than using cashflows, and involves calculating gains and losses to the surplus or deficiency shown at the previous valuation to determine an expected surplus or deficiency at this valuation. This is compared with the liabilities evaluated at this valuation to calculate an implied notional asset holding.

Attribution of investment income

Where the Administering Authority has agreed with a scheme employer that the scheme employer will have a tailored asset portfolio notionally allocated to it, the assets notionally allocated to that employer will be credited with a rate of return appropriate to the agreed allocation.

Where the employer has not been allocated a tailored notional portfolio of assets, the assets notionally allocated to that employer will be credited with the rate of return earned by the Fund assets as a whole, adjusted for any return credited to those employers for whom a tailored notional asset portfolio exists.

Phasing in of new contribution rates

At each actuarial valuation, the Administering Authority will consider whether changes to employers' contribution rates should be payable immediately, or be phased in. The Administering Authority discusses with the Fund's actuary the risks of adopting such an approach. The current policy is to phase in changes to the primary rate of employers' contributions over a maximum of four steps. However, phasing in of increases to deficit recovery contributions may be permitted if unusual and difficult budgetary constraints make this necessary, or if other changes, such as changes to the funding target, justify this approach.

Whenever contribution changes are being phased in, this can only be achieved if the regulatory requirements of setting employer contributions to ensure the solvency and long-term cost efficiency of the Fund would still be met.

Fund maturity

To protect the Fund, and individual employers, from the risk of increasing maturity producing unacceptably volatile contribution adjustments as a percentage of pay the administering authority will normally require defined capital streams from employers in respect of any disclosed funding surplus or deficiency.

Identification of risks and counter measures

The administering authority recognises that future events and investment income cannot be predicted with certainty. Instead, there is a range of possible outcomes, and different assumed outcomes will lie at different places within that range.

The more optimistic the assumptions made, the more that outcome will sit towards the 'favourable' end of the range of possible outcomes, the lower will be the probability of events actually matching or being more favourable than the assumed events, and the lower will be the Funding Target calculated using those assumptions.

The administering authority's overall policy on risk is to identify all risks to the Fund and to consider the position both in aggregate and at individual risk level. Risks to the Fund will be monitored and action taken to limit them as soon as possible. The main risks are as follows:

Investment risk

The risk of investments not performing (income) or increasing in value (growth) as forecast. Examples of specific risks would be:

- assets not delivering the required return (for whatever reason, including manager underperformance)
- systemic risk with the possibility of interlinked and simultaneous financial market volatility
- insufficient funds to meet liabilities as they fall due
- inadequate, inappropriate or incomplete investment and actuarial advice is taken and acted upon
- counterparty failure

The specific risks associated with assets and asset classes are:

- equities – industry, country, size and stock risks
- fixed income - yield curve, credit risks, duration risks and market risks
- alternative assets – liquidity risks, property risk, alpha risk
- money market – credit risk and liquidity risk

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- currency risk
- macroeconomic risks

The administering authority reviews each investment manager's performance quarterly and annually considers the asset allocation of the Fund by carrying out an annual review meeting with its Investment Advisers, Fund Managers and Fund's Actuary. The administering authority also annually reviews the effect of market movements on the Fund's overall funding position.

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Employer risk

Those risks that 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.

The administering authority will put in place a FSS which contains sufficient detail on how funding risks are managed in respect of the main categories of employer (e.g. scheduled and admission bodies) and other pension fund stakeholders.

The administering authority maintains a knowledge base on their 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.

Liquidity and maturity risk

The LGPS is going through a series of changes, each of which will impact upon the maturity profile of the LGPS and have potential cash flow implications:

- The increased emphasis on outsourcing and other alternative models for service delivery may result in active members leaving the LGPS,
- transfer of responsibility between different public sector bodies,
- scheme changes which might lead to increased opt-outs
- spending cuts and their implications

All of these may result in workforce reductions that would reduce membership, reduce contributions and prematurely increase retirements in ways that may not been taken into account in previous forecasts.

The administering authority's policy is to require regular communication between itself and employers and to ensure reviews of maturity at overall Fund and employer level where material issues are identified.

Liability risk

Inflation, life expectancy and other demographic changes, and interest rate and wage and salary inflation will all impact upon future liabilities.

The administering authority will make sure the Fund's Actuary investigates these matters at each valuation, or more often if necessary. The Fund's Actuary will report to the administering authority as appropriate. The administering authority will then agree with the Fund's actuary any necessary changes to the assumptions used in assessing solvency.

If significant liability changes become apparent between valuations, the administering authority will notify all participating employers of the likely effect on their contributions after the next full valuation, and consider whether any bonds that are in place for admission bodies require review.

Regulatory and Compliance risk

Occupational pensions in the UK are heavily regulated. Both general and LGPS-specific legislation must be complied with.

The administering authority will keep abreast of all proposed changes and, whenever possible, comment on the Fund's behalf during consultation periods. The administering authority will ask the Fund's Actuary to assess the effect of any changes on employers' contribution rates.

The administering authority will then notify employers of how these rule changes are likely to affect their contribution rates at the next valuation, if they are significant.

Governance risk

This covers the risk of unexpected structural changes in the Fund's membership (for example, if an employer closes their scheme to new entrants or if many members withdraw or groups of staff retire), and the related risk of an employer failing to notify the administering authority promptly.

To limit this risk, the administering authority requires the other participating employers to communicate regularly with it on such matters. The administering authority also undertakes to inform the Fund's Actuary promptly of any such matters.

Recovery period

Allowing surpluses or deficiencies to be eliminated over a recovery period of up to 19 years means there is a risk that too little will be done to restore solvency between successive actuarial valuations. The associated risk is reviewed with the Fund's actuary as part of the three-yearly valuation process, to ensure as far as possible that enough is done to restore solvency and that deficit contributions are compared to the amount of interest accruing on the deficit.

Stepping

Increasing employers' contribution rates in annual steps rather than immediately introduces a risk that too little will be done to restore solvency in the early years of the process or, in relation to the primary rates of contributions, that employers are not paying enough to meet the cost of benefits being accrued in future. The administering authority's policy is to limit the number of permitted steps to four. In addition, it accepts that a slightly higher final rate may be necessary at the end of the stepping process to help make up the shortfall.

Links to investment policy set out in the Fund's Investment Strategy Statement

The administering authority has produced this Funding Strategy Statement having taken an overall view of the level of risk in the investment policy set out in the Investment Strategy Statement (available from the Pension Fund's [website](#)).

Both documents are subject to regular review.

Future monitoring

The administering authority plans to review this FSS as part of the three-yearly actuarial valuation process unless circumstances arise that require earlier action.

The administering authority and the Fund's Actuary will monitor the Fund's solvency position at regular intervals between valuations. Discussions will be held with the Fund's Actuary to establish whether any changes are significant enough to require further action, such as informing employers of the need for different employers' contribution rates after the next valuation.

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Hampshire Pension Fund – Employer Policy

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1. Background

- 1.1. This policy explains the Fund's policies and procedures in the treatment of employers including the admission and exit of employers in the Hampshire Pension Fund. Hampshire Pension Fund is administered by Hampshire County Council.
- 1.2. The purpose of this policy is to ensure that, as the Administering Authority of the Hampshire Pension Fund, we will minimise the risk that any employer places on the Fund before agreeing to admit any new employers to the Fund. It is also intended to provide clarity on the decisions made by the Fund and provide consistency in the way types of employers are dealt with.
- 1.3. This policy should be read in conjunction with the Fund's Funding Strategy Statement (FSS).
- 1.4. The policy will be reviewed from time to time and at least every three years in line with the FSS. It will also be reviewed following changes in the regulations relating to employers in the Fund.
- 1.5. It should be noted that this statement is not exhaustive and individual circumstances may be taken into consideration where appropriate.
- 1.6. Where the information relates to a particular type of employer, this will be explained. If no type of employer is indicated the information relates to all employers in the Fund.

2. Aims

- 2.1. Our aim is to minimise risk to the Fund by ensuring that the employers participating in the Fund are managed in a way that ensures they are able to adequately fund the liabilities attributable to them and, in particular to pay any deficit due when leaving the Fund. In managing this risk we will have regard to the aims of the FSS:
 - to manage the employer's liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due,
 - to enable primary contribution rates to be kept as nearly constant as possible (subject to the administering authority not taking undue risk) at reasonable cost to the taxpayers, scheduled, resolution and admitted bodies
- 2.2. The Administering Authority has an obligation to pursue all liabilities owed so that this deficit does not fall on other employers.

3. Principles

- 3.1. For funding purposes, the Administering Authority will treat employers in different ways depending on how they participate in the Fund and its views on their financial strength.
- 3.2. As set out in the FSS Scheduled body employers under Part 1 of Schedule 2 of the Regulations which are deemed to be secure public sector bodies, and Town and Parish Councils under paragraph 2 of Part 2 of Schedule 2, will be part of the Scheduled body group. Decisions made by employers in the group must be in accordance with the group behaviours as set out in paragraph 4.1 below. Employers in the group will pay the same future service rate and share the funding risks of the group as set out in the FSS.
- 3.3. Some existing Admitted bodies may be part of the Scheduled body group on the understanding that, where considered appropriate, a formal agreement will be put in place to protect the other grouped employers from the actions of the admission body and the effect of the admission agreement being closed to new entrants. The Administering Authority may remove those employers from the Group if satisfactory agreement cannot be reached or the terms of any agreement are not adhered to by the employers concerned.
- 3.4. Some existing Admitted body employers may be part of the Admitted body group.
- 3.5. Some employers will be in neither group and will be set an individual employer contribution.
- 3.6. Employers who are part of a group need to act in accordance with the group behaviours. The Fund will monitor the funding / membership experiences of the employers from time to time. If the Fund considers an employer is not acting in accordance with the group behaviours it will consider taking appropriate action which may include requiring the employer to pay additional contributions so the impacts of the decisions made by the employer do not adversely affect other employers in the group.
- 3.7. Regardless of whether they are grouped or ungrouped individual employers will pay for any legal and actuarial costs incurred on their behalf.

4. Responsibilities of employers in the Fund

- 4.1. We will expect all employers in the Fund to take into consideration the effect of their behaviours on the group, for example when considering;
- Discretions policies
 - Outsourcing decisions
 - Salary increases

Employers should have regard to the Fund's administration strategy at all times.

Changes/mergers

- 4.2. All employers, whether Admission or Scheduled bodies, need to inform the Fund of any changes to the organisation that will impact on their participation in the Fund. This includes change of name or constitution, mergers with other organisations, or other decisions which will or may materially affect the employer's Fund membership.

Admission agreements

- 4.3. All employers must inform the Fund of any outsourcings and allow sufficient time for an admission agreement to be completed prior to the contract start date.

5. Managing risk

- 5.1. Our aim is to minimise employer related risk to the Fund across all the employers in the Fund.
- 5.2. There must be no significant additional risk to the Fund from any outsourcing by a scheme employer or admission of any other new body for which a scheme employer is guarantor. We would want to ensure that the decisions made by an employer when outsourcing services or providing a guarantee have no adverse impact on the Fund or on other employers in the Fund. We would look to protect both the Fund and other employers in these circumstances.
- 5.3. In particular, where Scheduled body employers under Part 1 of Schedule 2 outsource services, there will be a presumption that the Scheduled body has agreed to subsume any assets and liabilities attributable to the new admission on its exit from the Fund (excluding any assets and liabilities transferring to another employer in the Fund).
- 5.4. Scheme employers must be prepared to manage any pension risk of an outsourcing.

6. New employers in the Hampshire Pension Fund

Admission bodies

- 6.1. Each Admitted body will be a stand alone body in the Fund with its own contribution rate.
- 6.2. Employers considering outsourcing any services should have regard to, and adhere to the requirements of the Fair Deal Policy/Best Value direction. They should also advise the Administering Authority at the earliest opportunity, and before any transfer of staff, so that the necessary paperwork and calculations can be completed in advance of the new body being admitted. More information on the process is available from the Fund.
- 6.3. The Administering Authority will have discretion to amend the contribution the scheme employer pays where they make decisions to outsource services if it is considered that there will be significant or material number of employee members moving from the scheme employer to a new employer, relative to the size of the scheme employer. The aim will be to ensure the transfer does not increase the risk to the Fund or the Scheduled body group.
- 6.4. The costs in terms of the contribution the new employer pays and the fees in relation to the solicitor and actuary costs will depend on the decisions made under this section. In particular, the funding target appropriate to the new employer will reflect the perceived strength of covenant of the scheme employer (including the existence or otherwise of a government guarantee) and whether or not the scheme employer has agreed to guarantee the new employer's participation and subsume its assets and liabilities in the Fund should that employer exit the Fund in future. The fees will depend on the legal and actuarial information required but an estimate will be provided prior to work being commissioned.

All outsourcings

- 6.5. The Administering Authority will have discretion to amend the contribution the scheme employer pays where they make decisions to outsource services if it is considered that there will be significant or material number of employee members moving from the scheme employer to a new employer, relative to the size of the scheme employer. The aim will be to ensure the transfer does not increase the risk to the Fund or the Scheduled body group. Unless the circumstances dictate otherwise, the change in the scheme employer's contribution will generally be implemented as part of the next triennial valuation of the Fund when new contributions for all employers will be implemented.

Paragraphs 5 & 6, Part 2, Schedule 2 bodies

- 6.6. To be an employer under paragraph 5 of part 2 of Schedule 2, the new employer would be connected with scheme employer, where connected means:
- it is an entity other than the local authority; and
 - according to proper practices in force at that time, financial information about the entity must be included in the local authority's statement of accounts for the financial year in which that time falls.
- 6.7. To be an employer under paragraph 6 of part 2 of Schedule 2, the new employer would be "under the control of" the scheme employer, where under the control of has the same meaning as in section 68 or, as the case may be, 73 of the Local Government and Housing Act 1989.
- 6.8. For the purposes of this policy, paragraphs 5 and 6 Part 2 Schedule 2 bodies are referred to as 'wholly owned companies'.
- 6.9. Unless any of the situations listed below apply, the default arrangement will be for the wholly owned company to be a stand alone employer subject to the ongoing orphan funding target. On exit, unless a subsumption commitment is in place, a low risk ("gilts") basis will be used to value the liabilities in accordance with the Funding Strategy Statement. ~~In all cases any liabilities which the outgoing employer is unable to meet on exit will be assumed to pass to the related scheme employer, i.e. the scheme employer setting up the wholly owned company must provide a guarantee in relation to the liabilities of the wholly owned company.~~
- 6.10. If a wholly owned company is set up by a tax raising authority in the Scheduled Body Group, that employer can provide a subsumption commitment which will allow the company to be set up with the Scheduled Body Group funding target. The company will still be a stand alone employer with its own contribution rate.
- 6.11. If a wholly owned company is set up by an ungrouped Part 1 Schedule 2 employer the Fund will accept the scheme employer being pooled with its wholly owned company, provided the bodies share the same financial covenant and attributes, and the arrangement does not materially increase the risk to the Fund. This will allow the company to have the same funding target as the scheme employer. A parent company guarantee and subsumption agreement will need to be put in place for pooling to be acceptable to the Fund and the Administering Authority will reserve the right to review the contributions for the pool on the establishment of the wholly owned company.
- 6.12. If a scheme employer has a stronger financial covenant than the wholly owned company (i.e. a MAT/academy with a DfE guarantee that does not extend to the company) then the company will have to be a stand alone employer subject to the ongoing orphan funding target regardless of whether or not a subsumption commitment is in place.

- 6.13. Contribution rates for closed employers will be calculated using the attained age methodology (closed contribution rate) with a recovery period equal to future working life. This approach may also be taken for those employers where, in the opinion of the Administering Authority, access to the LGPS is being restricted. The Administering Authority will monitor the number of active members and in particular the number of new entrants in forming this opinion. If the scheme employer enters into a pooling arrangement with the wholly owned company under 6.11 above, but one of either the scheme employer or the wholly owned company is closed (or restricts access), the default position for the pool will be to use the attained age methodology with a recovery period equal to the future working lifetime. A period of transition or other easement may be agreed where the number of active members is expected to reduce only slowly over time and new entrants are still expected to be admitted to the group and, where in the Administering Authority's view, such period of transition or easement does not constitute a material risk to the Fund/other employers.
- 6.14. The Administering Authority will reserve the right to amend the contribution paid by the scheme employer if it is considered that there will be significant or material number of employee members moving to the wholly owned company, relative to the size of the scheme employer. This assessment will take place as part of the triennial valuation.
- 6.15. Employers considering outsourcing any services to a wholly owned company should also advise the Administering Authority at the earliest opportunity and before any transfer of staff so that the necessary paperwork and calculations can be completed in advance of the new body being admitted. More information on the process is available from the Fund.
- 6.16. The Fund actuary will determine the employer contribution payable for such a body as an ungrouped employer (or for the group where the employer is grouped with the relevant Part 1 Schedule 2 body) and if necessary revise the contributions payable by the scheme employer outsourcing or otherwise transferring staff to a Part 2 Schedule 2 body with the aim of ensuring the transfer does not increase the risk to the Fund or the Scheduled body group. Unless the circumstances dictate otherwise, the change in the scheme employer's contribution will generally be implemented as part of the next triennial valuation of the Fund when new contributions for all employers will be implemented.
- 6.17. As with Admission bodies, the costs in terms of the contribution the new employer pays and the legal and actuarial fees will depend on the decisions made under this section. In particular, the funding target appropriate to the new employer will reflect the perceived strength of covenant of the new employer and the scheme employer, and whether or not the scheme employer has agreed to guarantee the new employer's participation and subsume its assets and liabilities in the Fund should that employer exit the Fund in future and, where relevant, whether the new employer

has a government guarantee. Should a guarantee and subsumption commitment not be given by the scheme employer, the Administering Authority may need to take a more prudent approach to setting contribution rates for the new employer to take account of any perceived increased risk to the Fund. The fees will depend on the legal and actuarial information required but an estimate will be provided prior to work being commissioned.

Town and Parish Councils

- 6.18. Town and Parish Councils joining the Fund will automatically join the Scheduled body group.
- 6.19. When a Town or Parish Council designates to join an employee to the Fund, they have no current active members and are not currently subject to a suspension notice (see section 12 below), a standard employer rate equal to the prevailing future service rate of the Scheduled body group (currently 16.9% of pay) will be payable until the contributions from the next triennial valuation come into force.

Academies

- 6.20. Schools and colleges converting to academy status will retain the position in the Fund held by the former establishment. This means that an academy created from the conversion of an LEA school will be part of the Scheduled body group. An academy created from a 6th form college, or where there is no former establishment, will be a standalone employer in the Fund. A new free school will also become a standalone employer in the Fund.
- 6.21. Similarly new multi academy trusts (MATs) will become standalone employers in the Fund unless at the point of creation they wholly consist of former LEA schools (in which case the MAT will stay in the Scheduled body group). Academies which join a MAT will become part of that MAT. An exception may be made for a former LEA school which joins a MAT which is a standalone employer. The MAT can choose for the LEA school to remain part of the Scheduled body group. This will mean that the school continues to share the experience of the Scheduled body group and may pay a different contribution rate to the rest of the MAT.
- 6.22. The DfE guarantee extends to all academies and free schools, including those created from 6th form colleges. While this guarantee is in force, contribution rates for all academies will be set using the same risk basis as for the Scheduled body group, even if the academy or MAT is a standalone employer.
- 6.23. A MAT which participates in the Scheduled Body Group will be treated as a single employer in the Group and will receive a single contribution rate and fixed

contribution amount. A single report will be provided for IAS19 and will not be split between the academies which are part of the MAT.

- 6.24. New academies that are formed from an LEA school will also be asked to take responsibility for a portion of the local education authority's deficit contributions in line with the proportion of pensionable payroll which is transferring from the local education authority to the academy. If an academy moves to a MAT, the MAT will become responsible for those deficit contributions in addition to its own.
- 6.25. Where academies **outsource services or set up a wholly owned company** and the new admission body or **new Part 2 Schedule 2 body** is not backed by a guarantee from the Department for Education or the Local Education Authority, the new employer will be treated as an ungrouped employer subject to the ongoing orphan funding target as set out in the Funding Strategy Statement.

7. Bonds and guarantors

Guarantor

- 7.1. A guarantor takes responsibility for the assets and liabilities of the Fund which are attributable to the admission body **or wholly owned company**. In the event that liabilities of the admission body **or wholly owned company** remain unpaid, the Fund will seek payment from the guarantor.
- 7.2. Under The Local Government Pension Scheme Regulations 2013¹ every employer who outsources services becomes an ultimate guarantor for the pension liabilities of the new employer. **It is the Administering Authority's preferred approach that all wholly owned companies which participate in the Fund as Part 2 Schedule 2 bodies are guaranteed by the Part 1 Schedule 2 employer to which they are related. Should a guarantee not be provided, the contribution rate of the Part 2 Schedule 2 bodies will be set at a level to take account of any perceived increased risk to the Fund (see section 6.17).**
- 7.3. In some circumstances, where the letting authority is not a tax raising authority the Fund will require a bond to be put in place to cover certain funding risks to the Fund on the advice of the Fund actuary.
- 7.4. The admission agreement ends if the new employer becomes an exiting employer². The Fund will arrange for a valuation of the assets and liabilities of the exiting employer and, where appropriate, a revised rates and adjustment certificate.

¹ Schedule 2, Part 3, 1(d)

² The Local Government Pension Scheme Regulations 2013 Part 2 , 64

- 7.5. Payment of the outstanding liabilities must be made by the exiting scheme employer. If the exiting scheme employer fails to make this payment and if there is a bond in place we will call on this in the first instance.
- 7.6. If there is no bond in place and the scheme employer fails to pay the outstanding liability we will pursue payment from the guarantor. If there is no guarantor the liability will fall to the letting authority who arranged for admission body status for the exiting employer.
- 7.7. Charitable bodies seeking admission to the Fund will need a tax raising authority to act as guarantor.
- 7.8. Any employer acting as guarantor will need to complete a guarantor agreement. The Fund will provide a template document for completion.

Bond

- 7.9. A bond is a way of insuring against the potential cost of the admission body failing by reason of insolvency, winding up or liquidation and being unable to meet its obligations to the Fund.
- 7.10. The Local Government Pension Scheme regulations provide that the risk assessment for bond cover must be carried out by the admission body. However, we will ask the Fund actuary to calculate the minimum risk to the Fund for any outsourcing. This information will be shared with the scheme employer but not with the admission body. However, it will not constitute advice for either the scheme employer or admission body, who should take their own actuarial advice as required.
- 7.11. Where there is a guarantor, the bond will be largely for that scheme employer's protection, in which case the scheme employer must decide if the admitted body will be required to provide a higher bond than that calculated by the Fund actuary.
- 7.12. The Administering Authority will require a bond or indemnity to be in place for any outsourcings that are arranged by scheme employers that do not have tax-raising powers. Where there is no bond the Fund will require the letting employer to sign a guarantee agreement.
- 7.13. The scheme employer needs to be aware of and manage the ongoing risks.
- 7.14. The scheme employer should review the bond cover annually.
- 7.15. In the event of an admitted body failing and there being insufficient bond cover, any outstanding liability will fall to the scheme employer.

8. Open or closed admission agreements

Open agreement

- 8.1. An open agreement allows any person employed in connection with the contract to join the LGPS.
- 8.2. The Fund will consider an open agreement for an outsourcing. It is for the scheme employer/admission body to ensure only those eligible are admitted to the Fund.

Closed agreement

- 8.3. A closed agreement relates to a fixed group of employees. Only the employees or roles that transfer to the admission body from the scheme employer can remain or be members of the Scheme.
- 8.4. Unless advised otherwise, we will assume the admission agreement is closed and there will be a default joining window of 6 months.
- 8.5. A scheme employer arranging an outsourcing may agree to vary from this position but they must be aware of their obligations under Best Value or recommendations of Fair Deal.

Designating employers

- 8.6. Part 2 Schedule 2 employers are "designating" employers in that they can designate which staff or posts are eligible for membership of the LGPS. Where a Part 1 Schedule 2 employer establishes a wholly owned company which participates in the Fund as a Part 2 Schedule 2 employer, it must advise the Administering Authority of its intentions as regards the eligibility of the company's current and future employees. This will enable the Administering Authority to determine whether the wholly owned company should be treated as an open or closed employer.

9. Funding targets

- 9.1. The funding target relates to what happens to the liabilities for the members being outsourced at the end of the contract, on termination of the admission agreement or other exit of an employer, and may also take into account the administering authority's view on the strength of the scheme employer's covenant.
- 9.2. The presumption will be that the scheme employer will provide a "subsumption commitment" (i.e. be responsible for the future funding of the liabilities post-exit). This will automatically apply to the non-active liabilities of admission bodies in Part 3 paragraph 1(d)9i) of Schedule 2 which commenced in the Fund after 15 December

2017, i.e. these liabilities and any associated assets will be subsumed by the relevant Scheme employer. This should be confirmed in all other cases.

Orphan (gilts) funding target

- 9.3. Outstanding liabilities of employers from whom no further funding can be obtained are known as orphan liabilities.
- 9.4. The Fund will seek to minimise the risk to other employers in the Fund of having to make good any deficiency arising on the orphan liabilities.
- 9.5. To achieve this, as set out in the Funding Strategy Statement, when an exiting employer would leave orphaned liabilities, the administering authority will seek sufficient funding from the outgoing employer to match the liabilities with low risk investments, generally Government fixed-interest and index-linked bonds.
- 9.6. Where an admission body is admitted and there is no subsumption commitment from a tax raising employer or the Administering Authority determines that the scheme employer which would subsume the assets and liabilities on the admission body's exit is not of sufficiently strong covenant, the new employer will be **set ongoing contributions calculated to meet the 'ongoing'** orphan funding target. This funding target takes account of the approach taken to value orphan liabilities on exit and will be reviewed at each triennial valuation on the advice of the actuary. Where **the 'ongoing'** orphan funding target applies the value of the transferring liabilities, and hence notional asset transfer sufficient (where a fully funded transfer applies) will be higher than using a subsumption basis. Similarly, the contribution rate payable by the admission body will be higher than payable by the scheme employer, potentially materially so. Whilst this approach does not guarantee that there will be no exit payment due, it should materially reduce this risk.
- 9.7. **The exit valuation for admission bodies under paragraph 1(d)(i) of Schedule 2 Part 3 which commenced in the Fund after 1 April 2018 and where the ongoing orphan funding target was used to determine the transferring assets on commencement, will be undertaken on the ongoing orphan funding target, notwithstanding the presumption that the scheme employer will subsume the non-active liabilities and associated assets on exit**

Scheduled Body Group funding target

- 9.8. Where an employer is leaving the Fund another employer or group of employers may agree to provide future funding for any liability.
- 9.9. In that case, any funding deficit arising in future in relation to the exited employer's liabilities will be subsumed by the accepting employer or group.

- 9.10. Where the subsuming employer is a tax raising body or is deemed to be of similar covenant to a tax raising body the Administering Authority will assume that the investments held in respect of those liabilities will be the same as those held for the rest of the liabilities of the accepting employer or group. Generally this will mean assuming continued investment in more risky investments than Government bonds. In other cases a more prudent funding target will apply, for example in relation to admission bodies following an outsourcing by an academy or other educational establishment where the admission body is not subject to a guarantee from the Department for Education or Local Education Authority, as set out in paragraph 6.22 above.

Intermediate funding target

- 9.11. The actuary also has the option to place an employer on an intermediate funding target if they deem it appropriate. In the case of scheduled bodies without a government guarantee which are deemed to be of weaker covenant than the local authorities, the administering authority will normally adopt a funding target which produces a higher chance of achieving solvency/funding success through adoption of a lower discount rate than adopted for the local authorities.
- 9.12. Where an employer subject to the intermediate funding target outsources services under 1(d)(i) of Schedule 2 Part 3 or transfers employees to a wholly owned company with a commitment to subsume the liabilities of the company on exit, the funding target for the new employer will be the same as that applicable to the scheme employer, (i.e. will be the scheme employer's intermediate funding target) unless the ongoing orphan funding target is considered by the Administering Authority to be more appropriate to the circumstances.

10. Pass-through

- 10.1. A scheme employer may agree a pass-through arrangement with an admitted body. In this case the employer contribution is still calculated by the Fund actuary and the admitted body will be expected to pay this to the Fund. Any arrangement to share the cost of this rate will be between the scheme employer and the admitted body.
- 10.2. New Admitted bodies will not be included in the scheduled body or admitted body group even if there is a pass-through arrangement in place between the letting authority and the admitted body.

11. Fully funded or share of fund

Fully funded

- 11.1. When a new employer starts in the Fund, they will usually start as fully funded. This means that any past deficit for the members who are transferring to the new employer remains with the scheme employer and does not transfer to the new employer.
- 11.2. This applies even where there is an onward outsourcing from an existing body. The new employer will start fully funded and the existing admission body will pay any deficit (unless specified otherwise in their contract with the scheme employer).
- 11.3. Where the funding target for the new employer is higher than that for the scheme employer, the Fund actuary will revise the contributions for the scheme employer to take this into account. Unless the circumstances dictate otherwise, the change in the scheme employer's contribution will generally be implemented as part of the next triennial valuation of the Fund when new contributions for all employers will be implemented.

Share of fund

- 11.4. In exceptional circumstances and only where agreed between the employers the Fund may consider starting a new employer with a share of fund. The Fund will only agree to this where it doesn't increase the risk to the Fund.

12. Exit from the Fund (terminations)

- 12.1. If an exit is triggered, the employer will be responsible for all costs (including any deficit).
- 12.2. An exit valuation will be carried out when an employer becomes an "exiting employer", i.e. it :
 - ceases to be a Scheme employer (including ceasing to be an admission body participating in the Scheme), or
 - no longer has an active member contributing towards the Fund
- 12.3. For admission bodies, this includes the following scenarios:
 - an outsourcing contract ends or,
 - for a closed agreement, when the last member leaves if it is before the contract end date, or
 - the admission body becomes insolvent, is wound up or goes into liquidation.

- 12.4. For exits of a body admitted to the fund under Schedule 2 Part 3 paragraph 1(d) (or earlier regulations) or where a scheme employer is acting as guarantor, the scheme employer should notify the Administering Authority as soon as it knows the admission agreement is likely to be terminated.
- 12.5. The Fund will instruct the actuary to carry out an exit valuation. The costs of this will be added to the final exit valuation
- 12.6. The Administering Authority will pursue all liabilities owing to the Fund. We will support employers to develop a strategy to exit the Fund where required and it is in the interests of the Fund to do so
- 12.7. The Fund will pursue the body, any insurer providing a bond or any guarantor as appropriate but ultimately, if unsuccessful, the scheme employer will become liable for any outstanding costs. If there is no scheme employer (e.g. in relation to community admission bodies whose participation pre-dates the requirement for a guarantor), depending upon the circumstances the Scheduled Body Group may subsume the assets and liabilities, failing which they will fall to be funded by all employers in accordance with Regulation 64 (3)(b).

Town and Parish Councils

- 12.8. Under the Regulations an exit is triggered when the last active member leaves the Fund.
- 12.9. Given the unique nature of a Town or Parish Council, the Fund will not request an exit valuation immediately when the last member leaves as it may take some time to replace a member of staff and the Parish Council may wish to admit the new employers into the scheme. The Local Government Pension Scheme (Amendment) Regulations 2013 specifically introduced the power to suspend a demand for an exit payment for up to 3 years where the administering authority believes that the employer is likely to have one or more active members contributing to the fund within the period specified in the suspension notice. The Administering Authority considers that it would be appropriate to exercise that discretion in relation to Town and Parish Councils.
- 12.10. The Fund will issue written notice of the period of the suspension notice. The employer must continue to pay any deficit payments and the actuary will recalculate any deficit at the next valuation.

³ Provision 22

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HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Pension Fund Panel and Board
Date:	2 March 2018
Title:	Governance: Pension Fund Panel and Board Training in 2018/19
Report From:	Director of Corporate Resources – Corporate Services

Contact name: Jennifer Devine

Tel: 01962 847054

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1. Recommendations

- 1.1. That the proposed training arrangements are noted, and Panel and Board members consider any other topics for training that would be beneficial.
- 1.2. That the Training Plan for 2018/19 be approved.
- 1.3. That the remainder of the report be noted.

2. Executive Summary

- 2.1. This report sets out proposals for the training arrangements for members of the Pension Fund Panel and Board in 2018/19.
- 2.2. The report takes into account the Training Needs Analyses completed by Panel and Board members in 2018. The report also includes proposals for the Panel and Board's training half days in 2018/19 and 2019/20.
- 2.3. This report includes the proposed Training Plan for 2018/19 for approval.

3. Background

- 3.1. 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.
- 3.2. The aim of completing the Training Needs Analysis is to identify members' individual training needs and enable the Training Plan for 2018/19 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.

3.3. 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.

4. Training Needs Analysis

4.1. The Training Needs Analysis forms have been provided to members for their completion, and a number of responses have been received to date. It is important that all members return a completed form in due course, and the template form is attached as Appendix 2. This report is based on analysis of forms received to date, and if on receipt of the remaining forms the analysis changes significantly then an update report will be tabled at the next Panel and Board meeting.

4.2. 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
Management and Investment of Funds regulations	12
Procurement	11
Investment strategies and investment markets	11
Taxation relating to investments	11
Taxation relating to benefits administration	11
Duties and responsibilities of Panel members	10

- 4.3. 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 a suggestion has been received to cover cyber security, and how this could impact the Pension Fund and its operations, and several requests were made for an update session on pooling.

5. Proposals

- 5.1. 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

- 5.2. 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.
- 5.3. 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/>

Procurement

- 5.4. Procurement was originally covered at a training session by Paul Hodgson in July 2014. It is proposed that as part of the session on pooling mentioned in 5.9 below, that an update on how procurement is changing as a result of pooling. In the meantime the slides from the previous session are available in the online training library.

Panel and Board duties and responsibilities

- 5.5. It is proposed that Paul Hodgson is invited to provide a session to update and refresh Panel and Board members on this area.

Management and Investment of Funds regulations

- 5.6. It is proposed that officers provide a training session on this topic area, as part of the pooling update set out in 5.9 below.

Investments and taxation

- 5.7. Matters regarding taxation reclaims are reported annually to the Panel and Board, and the report is included on the agenda for this meeting. Additional background information about the Pension Fund's tax status has been added to the relevant report in order to provide Panel and Board members with the level of knowledge required regarding investments and taxation.

Taxation and benefits administration

- 5.8. Pensions Services will be offering a separate training session for scheme members covering the relevant areas of taxation and benefits administration, and the invitation to this event will be extended to Panel and Board members. The event will also be recorded and will be available online afterwards. Some relevant documents will also be uploaded so Panel and Board members can access all the information they need on this topic area in one place. More details will be circulated when available.

Pooling

- 5.9. Panel and Board members are kept up to date with developments in the ACCESS pool through regular reports, however a full training session on pooling has not been delivered since July 2016, therefore it is proposed that Andrew Boutflower be invited to provide another session to ensure all members are up to date with this topic area. In the meantime, the slides from the previous session are available via the online training library.

6. Training sessions in 2018/19 and 2019/20

- 6.1. 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.

The proposals in Table 2 below set out a suggested programme for 2018 and 2019 for the Panel and Board's comments.

Table 2 – Proposals for the Panel and Board’s training sessions in 2018/19 and 2019/20

	Topics
2018	<p>Pooling and investment regulations, to include procurement (Andrew Bouflower)</p> <p>Duties and responsibilities of Panel and Board members (Paul Hodgson)</p> <p>Baillie Gifford – growth investing</p> <p>Multi-asset credit follow up training</p>
2019	<p>Cyber security and the impact on the Pension Fund and Role of the global custodian (JP Morgan)</p> <p>Internal audit update (Neil Pitman)</p> <p>Actuarial valuation (Aon Hewitt)</p> <p>Smart beta/factor investing</p>

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

7. Training plan for 2018/19

7.1. 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 2018/19 is attached as Appendix 1.

7.2. 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.

7.3. 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 2018/19 and 2019/20, and the budget for 2018/19.

8. Training budget

8.1. Table 3 below provides a summary of the training budget and actual expenditure for 2017/18, as well as a proposed budget for 2018/19.

8.2. The budget for 2018/19 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.

- 8.3. The £4,525 amount of fees paid to trainers is made up of £2,700 paid to Hymans Robertson for the strategic asset allocation training, and £1,825 paid to Tim Hazelwood for LGPS fundamentals training.

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

	2017/18 Budget £	2017/18 Actuals £	2018/19 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
	<u>6,810</u>	<u>3,110</u>	<u>6,810</u>
In-house training sessions			
Fees paid to trainers	2,700	4,525	0
Other costs	160	340	160
	<u>2,860</u>	<u>4,865</u>	<u>160</u>
Total training budget	9,670	7,975	6,970

Expenses

- 8.4. The training request form, a template of which can be found in Annex 1 to Appendix 1 of this report, has been updated to clarify 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.
- 8.5. 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.
- 8.6. Please note that the training request form and training evaluation form will shortly be converted into web forms rather than continuing as a word

document, in order to make it easier for Panel and Board members to access and complete the forms. Full details will be circulated when available.

9. Online Training Library

- 9.1. 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.
- 9.2. 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 link to the training library and the login details have been provided to members of the Panel and Board, and can be emailed out again as a reminder on request.
- 9.3. 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.

10. Other training resources and information

External training courses

- 10.1. 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 Jennifer Devine (jennifer.devine@hants.gov.uk).

Training logs for 2017/18

- 10.2. 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 2017/18 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.
- 10.3. The training logs also include an assessment of whether each training event has fulfilled the need it was intended to meet.
- 10.4. 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.

11. Annual Employers Meeting 2018

- 11.1. The Annual Employers Meeting will be held in Ashburton Hall in Winchester on 12 October 2018 starting at 10:00 am, and Panel and Board members are encouraged to attend the Annual Employers Meeting if they are available.

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: 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

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:

Equality objectives are not considered to be adversely affected by the proposals in this report.

2. Impact on Crime and Disorder:

The proposals in this report are not considered to have any direct impact on the prevention of crime.

3. Climate Change:

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

No specific impact

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

No specific impact

Hampshire Pension Fund

Pension Fund Panel and Board

Training Plan 2018/19

1. Background

- 1.1. 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.
- 1.2. 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.
- 1.3. This training plan has been prepared for the Pension Fund Panel and Board for 2018/19. 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.
- 1.4. 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 2018.

2. The regulatory and governance context for the training plan

- 2.1. 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.
- 2.2. 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.

2.3. 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.

2.4. 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 2.2 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.

2.5. The CIPFA guide includes the further comment that the principle in paragraph 2.2 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.

2.6. 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.

2.7. 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.

- 2.8. 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.
- 2.9. 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.

3. Pension Fund Panel and Board

- 3.1. There are 17 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)	13 years
Tom Thacker	9 years
Christopher Carter	9 years
Alan Dowden	1 year with previous membership on the Pension Fund Panel
Jonathan Glen	1 year
Andrew Gibson	6 years
Andrew Joy	5 years
Peter Latham	2 years
Bruce Tennent	9 years
County council deputies:	
Keith House	4 years
Derek Mellor	1 year
City councils' representative:	
Hugh Mason	4 years
District councils' representative:	
Peter Giddings	10 years
Other employers' representative:	
David Robbins	2 years
Pensioners' representative	
Cliff Allen	4 years
Deferred members' representative:	
Valerie Arrowsmith	2 years
Employees' representative:	
Neil Wood	2 years

- 3.2. 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.

4. Access to training

- 4.1. 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.
- 4.2. 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.
- 4.3. 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 2018/19 will be discussed by the Panel and Board at this meeting. As a result, eight training sessions have been planned for 2018 and 2019 which directly relate to the training needs identified.
- 4.4. 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

- 4.5. 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.com/arena/index.cfm>. 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.

5. Officer Training

- 5.1. 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.

6. Proposed training in 2018/19

- 6.1. This training plan for 2018/19 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.
- 6.2. 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 2018 and 2019, 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 2018/19 and 2019/20

	Topics
2018	<p>Pooling and investment regulations, to include procurement (Andrew Bouflower)</p> <p>Duties and responsibilities of Panel and Board members (Paul Hodgson)</p> <p>Baillie Gifford – growth investing</p> <p>Multi-asset credit follow up training</p>
2019	<p>Cyber security and the impact on the Pension Fund and Role of the global custodian (JP Morgan)</p> <p>Internal audit update (Neil Pitman)</p> <p>Actuarial valuation (Aon Hewitt)</p> <p>Smart beta/factor investing</p>

- 6.3. 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.
- 6.4. 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.
- 6.5. 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 2018.
 - 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.

- 6.6. 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.
- 6.7. 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.

7. Training budget

- 7.1. Table 3 below shows the training budget for 2017/18, with the actuals for comparison, together with the proposed budget for 2018/19.
- 7.2. The budget for 2018/19 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), even though in recent years it has clashed with a Panel and Board meeting and has been challenging to attend.

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

	2017/18 Budget £	2017/18 Actuals £	2018/19 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	2,700	4,525	0
Other costs	160	340	160
	2,860	4,865	160
Total training budget	9,670	7,975	6,970

8. Training logs

- 8.1. 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.

9. Evaluation

- 9.1. The actual training undertaken by Panel and Board members in 2017/18 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 for approval prior to booking the training activity to Jennifer Devine, Investments and Borrowing, Corporate Services (jennifer.devine@hants.gov.uk, telephone 01962 847054)

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, after the Training activity, to Jennifer Devine, Investments and Borrowing, Corporate Services (jennifer.devine@hants.gov.uk, telephone 01962 847054)

Training Needs Analysis - Pensions Knowledge and Skills Framework (2018/19)

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 practitioners
	Full detailed knowledge required

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Key	Training need	Training required? Yes/no	Possible sources of information, including training provided previously
1.	Pensions legislative and governance context		
1.1	<p>General pensions framework A general awareness of the pensions legislative framework in the UK.</p> <ul style="list-style-type: none"> - 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

Key	Training need	Training required? Yes/no	Possible sources of information, including training provided previously
1.2	<p>Scheme-specific legislation An overall understanding of the legislation specific to the LGPS scheme and the main features relating to benefits, administration and investment.</p> <ul style="list-style-type: none"> - 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 - 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 <ul style="list-style-type: none"> - the Hutton Review of Public Sector Pensions - proposals for cost sharing between employers and employees, under LGPS 2014 - scheme guides for employees, employers, councillors 		<p>Training session provided by Tim Hazelwood on 20 September 2013 and 24 November 2017</p> <p>Covered in more detail under section 1.3 below Covered in more detail under section 1.4 below</p> <p>Presentation by Andrew Fleming of The Pensions Regulator at the Annual Employers Meeting 31 October 2011 Reports to the Panel in 2010 and 2011</p> <p>Available from Pension Services section and website</p>
1.3	An awareness of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 and their main features.		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
	<ul style="list-style-type: none"> - 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 - 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	An awareness of the Local Government Pension Scheme		Training session provided by Tim

Key	Training need	Training required? Yes/no	Possible sources of information, including training provided previously
cont	<p>(Administration) Regulations 2008 and their main features.</p> <ul style="list-style-type: none"> - 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 		Hazelwood on 20 September 2013 and 24 November 2017
1.3 cont	<p>An awareness of the changes introduced by the LGPS 2014 scheme from April 2014</p> <ul style="list-style-type: none"> - 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
1.4	An appreciation of LGPS discretions and how the formulation of		Training session provided by Tim

Key	Training need	Training required? Yes/no	Possible sources of information, including training provided previously
	the discretionary policies impacts on the pension fund, employers and local taxpayers. A regularly updated appreciation of the latest changes to the scheme rules. <ul style="list-style-type: none"> - discretions which the Pension Fund can apply - discretions which employers can apply 		Hazelwood on 20 September 2013 and 24 November 2017
1.5	<p>Knowledge of the role of the administering authority in relation to the LGPS.</p> <ul style="list-style-type: none"> - 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 		<p>Training session provided by Tim Hazelwood on 20 September 2013 and 24 November 2017</p> <p>Training session provided by Paul Hodgson on 11 December 2015</p>
1.6	Pensions regulators and advisors		Training session provided by Paul Hodgson

Key	Training need	Training required? Yes/no	Possible sources of information, including training provided previously
	<p>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.</p> <ul style="list-style-type: none"> - the Pensions Regulator - the Pensions Advisory Service - the Pensions Ombudsman - any other relevant bodies - dispute resolution procedures 		on 11 December 2015
1.7	<p>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.</p> <ul style="list-style-type: none"> - 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 		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

Key	Training need	Training required? Yes/no	Possible sources of information, including training provided previously
	<ul style="list-style-type: none"> - Pension Fund's Business Plan - Pension Board, to be introduced following the Public Service Pensions Act 2013 - role of the Scheme Advisory Board nationally 		
1.8	<p>Awareness of the role and statutory responsibilities of the treasurer and monitoring officer.</p> <ul style="list-style-type: none"> - treasurer to the Pension Fund - monitoring officer 		Training session provided by Tim Hazelwood on 20 September 2013 and 24 November 2017
1.9	<p>Pension scheme governance An awareness of the LGPS main features.</p> <ul style="list-style-type: none"> - the Governance Policy Statement - the Governance Compliance Statement 		Reviewed each autumn by the Panel and Board and Published in the Pension Fund's Annual Report
1.10	<p>Knowledge of the Myners principles and associated CIPFA and SOLACE guidance.</p> <ul style="list-style-type: none"> - the Myners principles - CIPFA's guide to the Application of the Myners Principles, published in 2009, including the six principles of: <ul style="list-style-type: none"> - Effective decision making - Clear objectives - Risk and liabilities - Performance assessment 		Reflected in the Pension Fund's statutory documents reviewed by the Panel and Board each autumn and published in the Annual Report

Key	Training need	Training required? Yes/no	Possible sources of information, including training provided previously
	<ul style="list-style-type: none"> - 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 		
1.11	<p>A detailed knowledge of the duties and responsibilities of Pension Fund Panel and Board members.</p> <ul style="list-style-type: none"> - 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 		<p>Through membership of the Pension Fund Panel and Board, and from training session provided by Paul Hodgson on 11 December 2015</p> <p>Considered during the appointment of the Independent Adviser in 2011</p>
1.12	<p>Knowledge of the stakeholders of the pension fund and the nature of their interests.</p> <ul style="list-style-type: none"> - the employers, including scheduled bodies, admitted bodies, resolution bodies, community admission bodies, 		<p>Training session provided by Tim Hazelwood on 20 September 2013 and 24 November 2017</p>

Key	Training need	Training required? Yes/no	Possible sources of information, including training provided previously
	<p>transferee admission bodies</p> <ul style="list-style-type: none"> - Hampshire County Council as the administrative authority - employees - pensioners - deferred pensioners - council tax payers 		
1.13	<p>Knowledge of consultation, communication and involvement options relevant to the stakeholders.</p> <ul style="list-style-type: none"> - 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 		<p>Reviewed by the Panel and Board annually in the autumn and published in the Annual Report</p> <p>Available on Pension Services' website</p>
1.14	<p>Knowledge of how pension fund management risk is monitored and managed</p> <ul style="list-style-type: none"> - Risk Management Report 		<p>The Risk Management Report is published in the Pension Fund's annual report</p>

Key	Training need	Training required? Yes/no	Possible sources of information, including training provided previously
1.15	Understanding how conflicts of interest are identified and monitored		Training session provided by Paul Hodgson on 11 December 2015
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. <ul style="list-style-type: none"> - 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		Neil Pitman session 28 February 2014

Key	Training need	Training required? Yes/no	Possible sources of information, including training provided previously
	governance and assurance process. - Internal Audit - external Independent Audit, currently provided by Ernst & Young		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
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		As above

Key	Training need	Training required? Yes/no	Possible sources of information, including training provided previously
	<ul style="list-style-type: none"> - 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 		
3.3	<p>Supplier risk management</p> <p>Understanding of the nature and scope of risks for the pension fund and of the importance of considering risk factors when selecting third parties.</p> <ul style="list-style-type: none"> - 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
3.4	<p>An understanding of how the pension fund monitors and manages the performance of their outsourced providers.</p> <ul style="list-style-type: none"> - external printing - tracing agency 		<p>Training session for the Panel and Board provided by Nick Weaver in November 2016</p> <p>Reports to the Panel and Board on pension administration</p>

Key	Training need	Training required? Yes/no	Possible sources of information, including training provided previously
	<ul style="list-style-type: none"> - external legal advisers - software providers 		
4.	Investment performance and risk management		
4.1	Total fund		
	<p>Understanding of the importance of monitoring asset returns relative to the liabilities and a broad understanding of ways of assessing long-term risks.</p> <ul style="list-style-type: none"> - 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 		<p>Reflected in the regular reports considered by the Panel and Board on investment matters.</p> <p>Training session provided by Steve Lee on 20 September 2013</p>
4.2	Performance of advisors		
	<p>Awareness of the Myners principles of performance management and the approach adopted by the committee (ie, the Pension Fund Panel and Board).</p> <ul style="list-style-type: none"> - the Myners principle - performance of investment managers 		<p>Reflected in the regular reports considered by the Panel and Board on investment matters</p>

Key	Training need	Training required? Yes/no	Possible sources of information, including training provided previously
	<ul style="list-style-type: none"> - 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	<p>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.</p> <ul style="list-style-type: none"> - 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 		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
4.4	<p>Performance of support services Awareness of the range of support services, who supplies them and the nature of the performance monitoring regime. Support services</p> <ul style="list-style-type: none"> - in-house staff - Director of Corporate Resources 		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
	<ul style="list-style-type: none"> - Finance staff – Investments - Finance staff – Pensions Services - Chief Internal Auditor - Legal Services - Monitoring officer - Business Advice and Members Support - Human Resources <p>External providers</p> <ul style="list-style-type: none"> - 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 <p>Assessment of Third Party Providers</p> <ul style="list-style-type: none"> - 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		

Key	Training need	Training required? Yes/no	Possible sources of information, including training provided previously
5.1	<p>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.</p> <ul style="list-style-type: none"> - asset allocation - shorter term or tactical asset allocation - risks and returns - diversification - correlations - asset classes, including: <ul style="list-style-type: none"> - equities, both UK and overseas - 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 		<p>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</p> <p>Training session for the Panel and Board on multi asset credit provided by Western in October 2017</p> <p>Training session for the Panel and Board on UK property investing provided by Aberdeen in July 2015</p> <p>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</p>

Key	Training need	Training required? Yes/no	Possible sources of information, including training provided previously
	back to Sterling		
5.2	<p>Financial markets Understanding of the primary importance of the investment strategy decision.</p> <ul style="list-style-type: none"> - 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) 		<p>Training session for the Panel on investment strategies by Aon Hewitt in July 2014.</p> <p>Training sessions for the Panel on LDI by Schroders in June and November 2011</p>
5.3	<p>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.</p> <ul style="list-style-type: none"> - the asset classes listed in section 5.1 above - segregated or pooled investments - 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 		

Key	Training need	Training required? Yes/no	Possible sources of information, including training provided previously
5.4	<p>An awareness of the limits placed by regulation on the investment activities of local government pension funds.</p> <ul style="list-style-type: none"> - 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 <p>- exercising the rights attached to investments</p>		<p>Training session for the Panel by Legal Services November 2014</p> <p>Training session for the Panel on social, environmental and ethical investment provided by Newton in November 2011</p>
5.5	<p>LGPS Management and Investment of Funds Regulations</p> <ul style="list-style-type: none"> - 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 		

Key	Training need	Training required? Yes/no	Possible sources of information, including training provided previously
5.6	An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to investments <ul style="list-style-type: none"> - Pension Fund's tax status - Tax reclaims 		Updates on tax reclaims are reported annually in Panel and Board papers
6.	Actuarial methods, standards and practices		
6.1	An understanding of the role of the fund actuary		<p>Reports to the Panel and Board on the actuarial valuation</p> <p>Training sessions for the Panel provided by Aon Hewitt in November 2009, and in July 2014</p> <p>Presentation from Aon Hewitt at the 2015 AEM</p>
6.2	Valuations Knowledge of the valuation process, including developing the funding strategy in conjunction with the fund actuary, and intervaluation monitoring. <ul style="list-style-type: none"> - actuarial valuation process - arrangements for the grouping of employers in the Hampshire Pension Fund for valuation and other purposes <ul style="list-style-type: none"> – the Group Funding Framework - Funding Strategy Statement 		See 6.1

Key	Training need	Training required? Yes/no	Possible sources of information, including training provided previously
	<ul style="list-style-type: none"> - 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 - FRS17 / IAS19 information for employers' statements of accounts (Financial Reporting Standard 17 and International Accounting Standard 19) 		
6.3	<p>Awareness of the importance of monitoring early and ill health retirement strain costs.</p> <ul style="list-style-type: none"> - 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	<p>A broad understanding of the implications of including new employers into the fund and of the cessation of existing employers.</p> <ul style="list-style-type: none"> - new admission bodies, including transferee admission bodies - cessation of employers, including the recovery of any deficits 		Training session for the Panel and Board provided by Nick Weaver in July 2015

Key	Training need	Training required? Yes/no	Possible sources of information, including training provided previously
	<ul style="list-style-type: none"> - Hampshire Pension Fund's Group Funding Framework - Hampshire Pension Fund's Policy on Cessation Contributions 		
6.5	<p>Outsourcing</p> <p>A general awareness of the relevant considerations in relation to outsourcings and bulk transfers.</p> <ul style="list-style-type: none"> - 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	<p>An understanding of best practice in pensions administration</p> <ul style="list-style-type: none"> - Performance - Cost measures 		Training session for the Panel and Board provided by Nick Weaver in November 2016
7.2	Understanding of the required and adopted scheme policies		Training session for the Panel and Board

Key	Training need	Training required? Yes/no	Possible sources of information, including training provided previously
	and procedures relating to: <ul style="list-style-type: none"> - Member data maintenance and record-keeping processes - Internal dispute resolution - Contributions collection - Scheme communications and materials 		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 <ul style="list-style-type: none"> - 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		

Key	Training need	Training required? Yes/no	Possible sources of information, including training provided previously
7.6	An understanding of what additional voluntary contribution arrangements exist and the principles relating to the operation of those arrangements <ul style="list-style-type: none"> - Choice of investments to be offered to members - The provider’s investment and fund performance report - The payment schedule for such arrangements 		

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

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