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AT A MEETING of the Hampshire Pension Fund Panel and Board of
HAMPSHIRE COUNTY COUNCIL held at Mitchell Room, EII Podium,
Winchester on Friday, 13th December, 2019

PRESENT

Chairman:

* Councillor Mark Kemp-Gee

Vice-Chairman:

* Councillor Tom Thacker

Elected members of the Administering Authority (Councillors):

* C. Carter

* A. Joy

* A. Dowden

* P. Latham

* A. Gibson

* B. Tennent

* J. Glen

Employer Representatives (Co-opted members):

Councillor P. Taylor (District Councils - Rushmoor Borough Council)

Councillor S. Barnes-Andrews (Southampton City Council)

* Mr D. Robbins (Churchers College)

Councillor C. Corkery (Portsmouth City Council substitute employer representative)

Scheme Member Representatives (Co-opted members):

Dr C. Allen (pensioners' representative)

* Mr N. Wood (scheme members representative)

* Mrs V. Arrowsmith (deferred members' representative)

* Mrs S. Manchester (substitute scheme member representative)

Independent Adviser:

* C. Dobson

*present

218. APOLOGIES FOR ABSENCE

Councillors Taylor, Barnes-Andrews, Corkery and Dr Allen sent their apologies.

219. 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.

220. CONFIRMATION OF MINUTES (NON-EXEMPT)

The minutes of the Pension Fund Panel and Board held on 18 November 2019 were confirmed.

221. DEPUTATIONS

No deputations were received.

222. CHAIRMAN'S ANNOUNCEMENTS

The Chairman informed the Panel and Board that he had been elected Chairman of the ACCESS Joint Committee and he was congratulated by the rest of the committee.

223. GOVERNANCE - INTERNAL AUDIT PROGRESS REPORT

The Panel and Board received and noted a report from the Director of Corporate Resources (Item 6 in the Minute Book) on the progress of the delivery of Internal Audit's annual workplan. The Director reported that 80% of the internal audit work for the year was either complete or in progress. There were no completed internal audit reports that had concluded there were limited or no assurance with regard to the internal controls in place. The audit of 'Accounting for Pension Receipts' had been concluded and found that 'substantial' assurance can be placed in the controls of the process.

224. ACCESS MINUTES - 9 SEPTEMBER 2019

The Panel and Board received and noted the minutes of the ACCESS Joint Committee meeting (Item 7 in the Minute Book) held on 9 September 2019.

225. GOVERNANCE - PENSIONS ADMINISTRATION UPDATE

The Panel and Board received and noted a report from the Director of Corporate Resources (Item 8 in the Minute Book) on the administration of the Pension Fund. In the first six months of 2019/20 Pension Services have continued their exceptional performance and met the service standards for the majority of the casework following improvements after the initial dip in service standards following the launch of the new administration partnership with West Sussex Pension Fund. Annual benefit statements for almost 100% of active and deferred members were produced on time. Membership data was supplied ahead of schedule to the Fund Actuary in order that the 2019 valuation calculations could be completed, and initial whole of Fund results shared with employers at the Annual Employer Meeting in October.

A plan to increase the take up of the Member Portal, and to provide all employers with access to the Employer Hub has been put in place and will be rolled out over the next eighteen months, to promote online access as a key way of communicating with members and employers.

The Scheme Advisory Board (SAB) have issued further information about how the McCloud judgement will be applied in the LGPS. It is likely that the remedy will involve the extension of some form of underpin to members in scope who are not currently offered protection from the change to CARE in April 2014. However the SAB have confirmed that they do not expect to see any remedy in place before the end of the financial year 2020/21.

Following the Panel and Board's approval at its September 2019 meeting the votes of members of Equitable Life 'with profits' pensions were split according to their views of the transfer to Utmost Life and Pensions. The vast majority supported the transfer, which was in line with the overall membership and the process will now move to the High Court for formal approval of the transfer.

226. PENSION FUND BUDGET

The Panel and Board received a report from the Director of Corporate Resources (Item 9 in the Minute Book) proposing a budget for the management of the Pension Fund in 2020/21 and projected costs for 2021/22 and 2022/23. The budget was categorised according to CIPFA's definitions of investment management, administration and governance. The 2020/21 budget reflected the costs of delivering the Pension Fund's statutory responsibilities for the administration of the scheme and management of investments. The resources contained within the budget are sufficient to meet the Fund's regulatory requirements and deliver at the standards for administration that are reported to the Panel and Board. The new developments and initiatives that are included in the Fund's Business Plan are also included in the budget.

RESOLVED:

That the budget for the Pension Fund for 2020/21 was approved.

227. GOVERNANCE - DRAFT FUNDING STRATEGY STATEMENT AND EMPLOYER POLICY

The Panel and Board received a report from the Director of Corporate Resources (Item 10 in the Minute Book) providing an updated on the progress of the 2019 Actuarial Valuation and the related necessary changes to the Pension Fund's Funding Strategy Statement (FSS) and Employer Policy. Pension Services have provided data to the actuary for the 2019 Valuation ahead of schedule and draft individual employer contribution results were provided for a majority of employers by the end of November.

The draft Funding Strategy Statement and Employer Policy were shared with employers following the Annual Employers Meeting on 18 October for a 5 week consultation. Five employers responded to the consultation and no changes were required as a result of the comments received.

The Funding Strategy Statement has been updated to reflect the changes made as part of the 2019 valuation to the way in which employers were grouped for funding purposes, as well as to update the assumptions used by the Actuary in this valuation. As agreed by the Panel and Board at their meeting on 27 September 2019, the FSS has been updated to make reference to the approach that the Actuary will take to allow for the costs of McCloud prior to the final determination of the remedy. The draft FSS sets out the policy allowing employers to pre-pay contributions in return for a discount. Eligible employers will be contacted so that they can make an election to prepay either annually or triennially in advance, once the policy is approved.

The changes to the way in which employers are grouped for funding purposes at the 2019 valuation have also been reflected in the draft amended Employer Policy. The amended Employer Policy states that all employers will have their own contribution rate unless they participate in one of the three groups created as part of the 2019 valuation (Town and Parish Councils, Academies and Admission Bodies).

RESOLVED:

- (a) That the progress on the 2019 valuation was noted.
- (b) That the amended Funding Strategy Statement was approved for publication.
- (c) That the amended Employer Policy Statement was approved for publication.

228. **GOVERNANCE - REVIEW OF PENSION FUND'S STATUTORY STATEMENTS**

The Panel and Board received a report from the Director of Corporate Resources (Item 11 in the Minute Book) to review the Pension Fund's Business Plan, Investment Strategy Statement, Governance Policy and Governance Compliance Statement, Administration Strategy Statement and Communication Policy Statement.

The Director reported that the Fund's Business Plan has been updated for the Pension Fund continuing to play an active part in investment pooling, responding to any relevant consultations and tendering contracts before they reach their current end dates.

The Pension Fund's Investment Strategy Statement included the Fund's latest Responsible Investment Policy.

The Fund's Governance Policy has been rewritten to address the emerging areas of focus from the Scheme Advisory Board's (SAB) 'Good Governance' review, which was produced with consultancy advice from Hymans Robertson. The output of the review is still being finalised and further changes may be required next year.

A minor change was made to the Administration Strategy Statement to the policy on Voluntary Scheme Pays (VSP), which is the method by which the Administering Authority can pay an Annual Allowance tax charge on behalf of a member. The change extends the VSP option to include employees who incur a tax charge of more than £1,000 in relation to a tapered Annual Allowance.

The Communication Policy Statement had a minor addition to clarify that the long-term aim is for the majority of communications with scheme members and employers to be routed through the online portal.

RESOLVED:

- (a) Progress on the Business Plan's actions were noted and the updated Business Plan was approved.
- (b) The updated Investment Strategy Statement was approved.
- (c) The updated Governance Policy and Governance Compliance Statements were approved.
- (d) The Administration Strategy Statement was approved.
- (e) The Communication Strategy Statement was approved.

229. **COMPETITION AND MARKETS AUTHORITY (CMA) ORDER - INVESTMENT CONSULTANCY**

The Panel and Board considered a report of the Director of Corporate Resources (item 12 in the Minute Book) covering requirements of the CMA for the Pension Fund to establish aims and objectives for its investment consultants, Hymans Robertson and MJ Hudson Allenbridge. Aims and objections have been drafted and shared with both Hymans Robertson and MJ Hudson Allenbridge who have confirmed that they are appropriate.

RESOLVED:

- (a) That the strategic objectives for investment consultants were approved with the additional inclusion that it is clarified that the Pension Fund's investment strategy includes its Responsible Investment policy.

230. **SCHEME ADVISORY BOARD GUIDANCE ON RESPONSIBLE INVESTMENT**

The Panel and Board considered a report of the Director of Corporate Resources (item 13 in the Minute Book) introducing the first of two parts of guidance on RI from the SAB. The aim of the first part is 'to assist and help investment decision makers to identify the parameters of operation within scheme regulations, statutory guidance, fiduciary duty and the general public law'. The guidance has been published as draft for consultation (contained in Annex 1), which closes on 11 January 2020, although the SAB has not asked any consultation questions.

RESOLVED:

- (a) That authority is delegated to the Director of Corporate Resources in consultation with the Chairman of the Panel and Board to respond to the SAB's consultation.

231. INVESTMENTS: PENSION FUND CASH MONITORING REPORT AND ANNUAL CASH INVESTMENT STRATEGY 2020/21

The Panel and Board considered a report of the Director of Corporate Resources (item 14 in the Minute Book) on the Pension Fund's cash balances and the Annual Investment Strategy for those cash balances for 2020/21. The Annual Investment Strategy had been prepared taking into account advice from the County Council's treasury management advisers, Arlingclose. The Strategy contains the provision for the Pension Fund to temporarily invest cash received from employers on 1 April 2020 who have elected to pay their employers' pension contributions in advance.

RESOLVED:

- (a) That the Annual Investment Strategy for 2020/21 be approved.
- (b) That the Annual Investment Strategy be implemented from the date of this meeting for the remainder of 2019/20.
- (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.

232. 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 and 4 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.

233. CONFIRMATION OF THE EXEMPT MINUTES OF THE PREVIOUS MEETING

The exempt minutes of the Pension Fund Panel and Board held on 8 November 2019 were confirmed.

234. INVESTMENT - CASH STRATEGY (EXEMPT APPENDIX)

The Panel and Board considered the exempt appendix from the Director of Corporate Resources (Item 17 in the Minute Book) supporting the Pension Fund's Annual Cash Investment Strategy.

235. INVESTMENTS: PENSION FUND'S CUSTODIAN PERFORMANCE REPORT

The Panel and Board received an exempt report from the Director of Corporate Resources (Item 18 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,

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

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