

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

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1. Recommendation(s)

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

2. Executive Summary

2.1. The purpose of this paper is to seek approval from the Panel and Board for 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