

# HAMPSHIRE COUNTY COUNCIL

## Decision Report

<b>Decision Maker</b>	Pension Fund Panel and Board
<b>Date:</b>	29 March 2019
<b>Title:</b>	Governance: Change to Funding Strategy Statement
<b>Report From:</b>	Director of Corporate Resources

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### Purpose of this Report

1. The purpose of this report is to ask for the Panel and Board's approval for a technical change to the Funding Strategy Statement (FSS) and to seek approval for the Director of Corporate Resources to consult with employers on potential changes to the grouping mechanism, prior to bringing a draft plan to the Panel and Board in June.

### Recommendation(s)

2. It is recommended that the Panel and Board:
  - approve the proposed technical changes to the Funding Strategy Statement
  - delegate authority to the Director for Corporate Resources to consult with employers on proposals to change the way in which they are grouped for funding purposes.

### Executive Summary

3. This report seeks approval for a technical change to the Funding Strategy Statement (FSS) which will allow the Fund Actuary to use the new Investment Strategy and revised calculation of Capital Market Assumptions in calculations for new and exiting employers prior to the 2019 valuation.
4. The Panel and Board are also asked to delegate authority to the Director of Corporate Resources to consult with employers on potential options for changing the way in which they are grouped for funding purposes. A draft

revised Funding Strategy Statement will then be brought to the Panel and Board meeting for approval before a period of formal consultation with employers as part of the 2019 valuation.

## **Funding Strategy Statement**

5. 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.

### Technical change

6. The Fund Actuary has recommended a technical change to the FSS which will allow the current investment strategy to be used in the calculation of employer exit valuations and new contribution rates from 31 March 2019. The proposed changes are on pages 8 – 11 of the FSS which is attached as Appendix A to this report.
7. Under the current market conditions there is minimal impact of this change on the discount rate used for employer calculations, but by updating the FSS, the Fund Actuary will be able to reflect the updated investment strategy in her calculations.
8. It is not proposed that employers are consulted on this change to the FSS because it is a technical one, driven by changes to the Investment Strategy which were agreed by the Panel and Board in November 2018. The revised FSS will be communicated to employers following approval by the Panel and Board.

### Grouping mechanism

9. Pages 13-16 of the FSS detail the group funding framework currently operated in the Hampshire Pension Fund. Hampshire is unique amongst local government pension funds in retaining this level of employer grouping, and the mechanism is therefore kept under review to ensure it still enables the delivery of the Fund's aims for stable contribution rates, fund solvency and long term cost efficiency.
10. A significant amount of work has been carried out since the 2016 valuation to stabilise the groups in light of increased pressures on employers, including removing 6<sup>th</sup> form colleges and some other educational institutes from the scheduled body group, and obtaining a subsumption commitment from local authorities for smaller, charitable bodies in the admitted body group. However the Fund Actuary has advised that further changes should be considered as part of the 2019 valuation.
11. These changes may include creating new smaller groups of similar employers (such as town and parish councils or academies) as well as reviewing the

overall effectiveness of retaining the scheduled and admitted body groups in their current form.

12. The Actuary is bringing a discussion paper to a meeting with the Director of Corporate Resources on 3 April outlining her proposals for a review of the grouping mechanism. Following this meeting it is proposed that employers are engaged and informal feedback on the potential changes is sought, prior to drafting changes to grouping mechanism in the FSS.
13. Approval is therefore sought from the Panel and Board for delegated authority to be given to the Director of Corporate Resources to consult with employers on potential options for change, prior to changes to the grouping mechanism in the FSS being drafted. The updated draft FSS will be brought to the June meeting for the Panel and Board's consideration and approval before a period of formal consultation with employers.

**REQUIRED CORPORATE AND LEGAL INFORMATION:**

**Links to the Strategic Plan**

<b>Hampshire maintains strong and sustainable economic growth and prosperity:</b>	yes/no
<b>People in Hampshire live safe, healthy and independent lives:</b>	yes/no
<b>People in Hampshire enjoy a rich and diverse environment:</b>	yes/no
<b>People in Hampshire enjoy being part of strong, inclusive communities:</b>	yes/no
<b>OR</b>	
<b>This proposal does not link to the Strategic Plan but, nevertheless, requires a decision because the Pension Fund Panel and Board are requested to delegate authority to the Director of Corporate Resources for consulting with employers on proposals for reviewing the grouping mechanism:</b>	

<b>Section 100 D - Local Government Act 1972 - background documents</b>	
<b>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.)</b>	
<u>Document</u>	<u>Location</u>
None	

## **EQUALITIES IMPACT ASSESSMENT:**

### **1. Equality Duty**

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

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

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

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

### **2. Equalities Impact Assessment:**

Equality objectives are not considered to be adversely affected by the proposals in this report as the proposals do not directly affect scheme members.