

# Public Document Pack



## NOTICE OF MEETING

<b>Meeting</b>	Hampshire Pension Fund Panel and Board
<b>Date and Time</b>	Friday, 12th February, 2021 at 10.00 am
<b>Place</b>	Remote Meeting
<b>Enquiries to</b>	members.services@hants.gov.uk

John Coughlan CBE  
Chief Executive  
The Castle, Winchester SO23 8UJ

## FILMING AND BROADCAST NOTIFICATION

This meeting is being held remotely and will be recorded and broadcast live via 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 - 12)**

To confirm the Minutes of the meeting held on 4 December 2020.

**4. DEPUTATIONS**

To receive any deputations notified under Standing Order 12.

**5. CHAIRMAN'S ANNOUNCEMENTS**

To receive any announcements the Chairman may wish to make

**6. ACCESS MINUTES - 12 NOVEMBER 2020** (Pages 13 - 18)

To receive the minutes of the ACCESS Joint Committee meeting held on 12 November 2020.

**7. GOVERNANCE - INTERNAL AUDIT PROGRESS REPORT** (Pages 19 - 28)

To receive 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.

**8. GOVERNANCE - INTERNAL AUDIT PLAN - 2021/22 - 2023/24** (Pages 29 - 40)

To consider a report from the Director of Corporate Resources-Corporate Services to the Pension Fund Panel and Board seeking approval for the Internal Audit Plan 2021/22 – 2023/24 for Pension Services.

**9. ACCESS 2021/22 BUSINESS PLAN** (Pages 41 - 52)

To consider a report from the Director of Corporate Resources-Corporate Services presenting the 2021/22 ACCESS business plan for approval by the Panel and Board.

**10. GOVERNANCE: PENSION FUND RESPONSIBLE INVESTMENT SUB-COMMITTEE TERMS OF REFERENCE - SUBSTITUTES** (Pages 53 - 58)

To consider a report from the Director of Corporate Resources-Corporate Services seeking the agreement of the Panel and Board to amend the Terms of Reference of the Responsible Investment Sub-Committee to allow substitute members to attend Sub-Committee meetings.

**11. TRADE UNION REPRESENTATION** (Pages 59 - 66)

To consider a report from the Director of Corporate Resources-Corporate Services regarding a request from trade unions that the Panel and Board creates a new seat on the committee specifically for trade union representation.

**12. 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.

**13. CONFIRMATION OF THE MINUTES OF THE PREVIOUS MEETING**  
(Pages 67 - 70)

To confirm the exempt minutes of the meeting held on 4 December 2020.

**14. PENSION FUND CUSTODIAN UPDATE** (Pages 71 - 82)

To consider the exempt report of the Director of Corporate Resources-Corporate Services providing a review of custody services since the last report in December 2019 and an update on the Pension Fund's tax claims and class actions.

**15. FIDUCIARY DUTY** (Pages 83 - 92)

To receive a report from the Director of Corporate Resources-Corporate Services sharing legal advice commissioned by the ACCESS pool on the fiduciary duties within the Local Government Pension Scheme (LGPS) and pension committees of LGPS Administering Authorities.

**16. INVESTMENT - INVESTMENT UPDATE** (Pages 93 - 178)

To consider the exempt report of the Director of Corporate Resources - Corporate Services updating the Panel and Board on the progress of the Pension Fund's investments since the last meeting of the Pension Fund Panel and Board on 4 December 2020.

**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 observe the public sessions of the meeting via the webcast.**

# Agenda Item 3

AT A MEETING of the PENSION FUND PANEL AND BOARD of the County Council held at The Castle, Winchester on Friday 4 December 2020.

Chairman:

\*Councillor M. Kemp-Gee

Vice-Chairman:

\* Councillor T. Thacker

Elected members of the Administering Authority (Councillors):

\* C. Carter

\* A. Dowden

\* A. Gibson

\* B. Tennent

\* A. Joy

\* P. Latham

\* J. Glen

Employer Representatives (Co-opted members):

\* Councillor C. Corkery (Portsmouth City Council )

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

\* Dr L Bartle (University of Portsmouth)

\* Councillor S. Barnes-Andrews (Southampton City Council, substitute employer representative)

Scheme Member Representatives (Co-opted members):

Dr C. Allen (pensioners' representative)

\* Mr N. Wood (scheme members representative)

\* Ms L. Gowland (deferred members' representative)

\* Mrs S. Manchester (substitute scheme member representative)

Independent Adviser:

\* C. Dobson

\*present

## **BROADCASTING ANNOUNCEMENT**

The Chairman asked for the broadcast of the meeting to begin. Those remaining at the meeting were consenting to being filmed and recorded.

### 286. **APOLOGIES FOR ABSENCE**

Dr Allen sent his apologies.

### 287. **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.

288. **CONFIRMATION OF MINUTES**

The minutes of the Pension Fund Panel and Board held on 20 November 2020 were confirmed.

It was agreed that an update on Item 280 from the previous meeting (Exit Cap Reforms) would be received under the exempt part of the agenda because it involved the discussion of legal advice received on this matter.

289. **DEPUTATIONS**

No deputations were received.

290. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman reminded members that the Panel and Board's first virtual internal training session will be held on 9 December 2020 and will be delivered by Royal London Asset Management on the subject of index linked gilts. Cllr Glen asked if it would be possible to record the training and officers agreed to investigate and provide an update to members prior to the training session.

The Chairman also reminded members of the annual treasury management briefing from the County Council's treasury advisors Arlingclose Ltd on 8 December 2020 as well as the virtual investor day for the ACCESS pool on 17 December 2020.

Cllr Corkery asked if the Good Governance in the LGPS Update Report agenda item (item 9 in the Minute Book) including the Pension Fund's Representation Policy could be delayed until the next meeting, to allow a deputation from a trade union. The Chairman explained that the Representation Policy reflects the representation agreed after a series of consultations and negotiations with DCLG several years ago that enabled the Panel and Board to be constituted as it is, and that it is therefore not in the Panel and Board's gift to amend this quickly or unilaterally. The Deputy Chief Executive and Director of Corporate Resources explained that the Pension Fund's statutory statements, including the Governance Policy Statement and Governance Compliance Statement covered under agenda item 9, are reviewed and

approved on an annual basis by the Panel and Board, and that this review cannot be postponed until a later date as that would mean that the Panel and Board had not met its obligation to review at least annually. However, approval today would not preclude the Panel and Board from revisiting later in the year if required. If a written submission from the union is received ahead of the next meeting of the Panel and Board in February 2021, any points raised can be addressed and a further paper can be brought back to the Panel and Board in due course if necessary.

291. **ACCESS MINUTES – 7 SEPTEMBER 2020**

The minutes of the ACCESS Joint Committee meeting held on 7 September 2020 were received.

292. **GOVERNANCE – ADMINISTRATION PERFORMANCE UPDATE**

The Panel and Board noted a report of the Deputy Chief Executive and Director of Corporate Resources (item 7 in the Minute Book) updating the Pension Fund Panel and Board on administration performance in the first six months of 2020/21 and other administrative issues.

Administration performance against key service standards is measured each month and in the first six months of 2020/21 Pension Services have delivered a 100% success rate against all standards. The Chairman noted that the cost per scheme member is also one of the lowest figures in the country and congratulated the Pension Services team on their achievements.

Employer year end returns are submitted to Pension Services and the data is then used to update pension records and produce annual benefit statements. Employers are measured for timeliness, financial control and data quality and any who are highlighted as a concern or who receive a red rating for data quality are required to complete a data validation exercise. Employers have continued to improve the quality and timeliness of the data they provide.

The pension administration system, UPM, provided by Civica, was purchased in 2013 and the contract was due to expire in November 2020. The system has been re-procured for an initial 5 year term with the option to extend for a further two years to 2027.

The Pension Regulator (TPR) requires schemes to complete an annual return providing details of the contributing employers and governance arrangements. Pension Services have demonstrated an improvement in both the common and conditional data scores which are reported annually to The Pension Regulator. Work has also started on tracing the addresses of approximately 8,000 members with whom the Fund has lost contact. Cllr Carter congratulated the Pensions Services team on

progress made to date in locating these members.

A response to the MHCLG consultation on implementing the McCloud remedy in the LGPS was submitted in October 2020 and focussed on the huge administrative burden that the proposed approach will place on both Pension Services and Scheme Employers.

Work on improving the online offer for members and employers has continued during 2020/21. An estimate facility was implemented earlier in the year and members can now also complete their retirement declaration form online. The new Employer Hub has been installed and a plan is in place to roll this out. The Communication Policy Statement has been updated to reflect the focus on the Member Portal and Employer Hub.

RESOLVED:

That the draft Communication Policy Statement was approved.

293. **GOVERNANCE: PENSION FUND BUDGET**

The Panel and Board received a report of the Deputy Chief Executive and Director of Corporate Resources (item 8 in the Minute Book) presenting the proposed budget for 2021/22 and projections for 2022/23. The budget is categorised according to CIPFA's definitions of investment management, administration, and governance.

The budget for 2021/22 has been prepared to reflect 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 budget does not at this stage include costs associated with GMP equalisation or the McCloud remedy, but the new developments and initiatives that are included in the Fund's Business Plan are included in the budget.

Members discussed whether to add an amount to the budget for specialist communications resource. The meeting was adjourned to agree an amended recommendation and the Panel and Board then agreed to add £20,000 per annum to the budget for communications from the 2019/20 financial year onwards to allow the Pension Fund to further develop communication with stakeholders.

RESOLVED:

- a) That the budget as shown in Appendix 1 for the Pension Fund for 2021/22 was approved.
- b) That the Pension Fund Panel and Board agreed to add an additional amount of £20,000 to the Pension Fund's governance budget to



fund additional communication activity in 2021/22 and also agreed an additional £20,000 within the current year's budget to make progress within the current financial year.

294. **GOVERNANCE: GOOD GOVERNANCE IN THE LGPS UPDATE REPORT**

The Pension Fund Panel and Board noted a report of the Deputy Chief Executive and Director of Corporate Resources (item 9 in the Minute Book) providing an update on the review of governance structures in the LGPS being conducted by Hymans Robertson on behalf of the Scheme Advisory Board (SAB).

Since 2019, there have been two phases of the review, leading to the production of a series of recommendations. The third phase was delayed due to the impact of Covid-19 but is currently underway.

The Pension Fund has reviewed its current governance arrangements against the recommendations from the Phase II report and largely meets the proposed requirements with some opportunities for enhancements. As a result, the Pension Fund will now publish a Training Policy and Representation Policy on its website. Both policies contain documentation that has already been agreed and published at previous times. The Panel and Board agreed that minor amendments would be made to the Representation Policy to reflect the timing of the appointment of the Unitary Authority Representative. In response to a question from Sarah Manchester additional wording will also be added to clarify that Substitute Members may still attend meetings when they are not substituting, but in an observer capacity. Officers will circulate the updated document to members prior to publication.

The Pension Fund also maintains a Governance Policy Statement and Governance Compliance Statement in line with the Local Government Pension Scheme Regulations.

**RESOLVED:**

- a) The Governance Policy Statement and Governance Compliance Statement were approved
- b) The Training Policy was approved.
- c) The Representation Policy was approved

295. **GOVERNANCE: REVIEW OF THE PENSION FUND'S STATUTORY STATEMENTS**

The Panel and Board received a report from the Deputy Chief Executive and Director of Corporate Resources (Item 10 in the Minute Book) to review the Pension Fund's Business Plan, Investment Strategy Statement, Administration Strategy Statement, Funding Strategy Statement, Employer Policy and Risk Register.

The Business Plan includes planned activity to comply with the requirements of the UK Stewardship Code and UN Principles for Responsible Investment (PRI).

The Investment Strategy Statement has been updated to reflect the Fund's current investment management arrangements as well as other minor changes and includes its Responsible Investment Policy.

Changes to the Administration Strategy Statement, Funding Strategy Statement and Employer Policy were all last approved by the Panel and Board in July 2020 and no further changes have been made.

The Investment Risk Register was previously included as an appendix to the Investment Strategy Statement. The Pension Fund's Risk Register (including the Investment Risk Register) is approved each summer as part of the Annual Report. The Risk Register will also now be published as a standalone document on the Pension Fund's website.

RESOLVED:

- (a) Progress on the Business Plan actions was noted and the updated Business Plan was approved
- (b) The Investment Strategy Statement was approved
- (c) The Administration Strategy Statement was approved
- (d) The Funding Strategy Statement was approved
- (e) The Employer Policy was approved
- (f) The Risk Register was approved

296. **INVESTMENT: PENSION FUND CASH MONITORING REPORT AND ANNUAL CASH INVESTMENT STRATEGY 2021/22**

The Panel and Board considered a report of the Deputy Chief Executive and Director of Corporate Resources (Item 11 in the Minute Book) on the Pension Fund's cash balances and the Annual Cash Investment Strategy for those balances in 2021/22. The Annual Cash Investment Strategy for has been prepared taking advice from the County Council's treasury management advisors Arlingclose into account.

RESOLVED:

- (a) The Annual Cash Investment Strategy for 2021/22 was approved
- (b) The Annual Cash Investment Strategy for 2021/22 will be implemented from the date of this meeting for the remainder of 2020/21
- (c) The Director of Corporate Resources is authorised to manage the Fund's cash balance in accordance with the policy set out in the report

297. **EXCLUSION OF 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 Paragraph 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.

Following the resolution the Chairman asked for the broadcasting of the meeting to end.

298. **MINUTES OF PREVIOUS MEETINGS (EXEMPT)**

The exempt minutes of the Pension Fund Panel and Board held on 20 November 2020 were confirmed.

299. **INVESTMENT: CASH MONITORING AND ANNUAL CASH INVESTMENT STRATEGY 2021/22 – EXEMPT APPENDIX**

The Panel and Board received an exempt appendix from the report of the Deputy Chief Executive and Director of Corporate Resources (Item 14 in the Minute Book) on the Pension Fund's cash monitoring and annual cash investment strategy 2021/22. [SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT INFORMATION]

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## ACCESS JOINT COMMITTEE

MINUTES of a meeting of the ACCESS Joint Committee held virtually on Thursday, 12th November, 2020.

PRESENT: Cllr Mark Kemp-Gee - Chair (Hampshire CC), Cllr Susan Barker - Vice-Chair (Essex CC), Cllr Vanessa Churchman (Isle of Wight), Cllr Jonathan Ekins (Northamptonshire CC), Cllr Gerrard Fox (East Sussex CC), Cllr Terry Rogers (Cambridgeshire CC), Cllr Judy Oliver (Norfolk CC), Cllr Ralph Sangster (Hertfordshire CC), Cllr Charlie Simkins (Kent CC) and Cllr Karen Soons (Suffolk CC).

ALSO PRESENT: Kevin McDonald (ASU), Mark Paget (ASU), Dawn Butler (ASU), Clifford Sims (Squire Patton Boggs) and John Wright (Hymans Robertson)

OFFICERS: Andrew Boutflower (Hampshire), Glenn Cossey (Norfolk), Jody Evans (Essex), Paul Finbow (Suffolk), Sian Kunert (East Sussex), Alison Mings (Kent), Sharon Tan (Suffolk), Jo Thistlewood (Isle of Wight), Patrick Towey (Hertfordshire), Paul Tysoe (Cambridgeshire), Mark Whitby (Northamptonshire), Rachel Wood (West Sussex), and Joel Cook (Kent - Clerk).

### UNRESTRICTED ITEMS

**220. Apologies/Substitutes.**  
(Item. 1)

1. Apologies were received from Cllr Adrian Axford (Isle of Wight) and Cllr Jeremy Hunt (West Sussex). Cllr Vanessa Churchman substituted for Cllr Axford.

RESOLVED that the apologies and substitutes be noted.

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

1. No declarations of interest were made.

**222. Chair's remarks.**  
(Item. 3)

1. The Chair confirmed that interviews for Communications/public relations partner had taken place on 9 November with Cllr Soons joining the Chair and Vice Chair on the panel. In thanking Cllr Soons and Cllr Barker for their involvement he highlighted that a report on the matter appeared later in the agenda.

2. The Chair assured Members that the development of new workstreams would involve the input of other members of the Joint Committee.
3. It was confirmed that training with public relations advisors would be made available to members of the Joint Committee.

RESOLVED that the Chair's remarks be noted.

**223. Minutes of the meeting held on 7 September 2020.**  
*(Item. 4)*

RESOLVED that the minutes of the meeting on 7 September 2020 were a correct record and that they be signed by the Chair.

**224. Business Plan.**  
*(Item. 5)*

1. Kevin McDonald (ASU Director) provided an update on the Business Plan and Risk Register. He confirmed that further budget information would be made available at the Joint Committee's January meeting. Mr McDonald stated that the risk profile remained unchanged, though assured Members that the profile was under constant review.
2. Mr McDonald outlined developments which had occurred since the publication of the agenda. He introduced a proposal which had been received from the Border to Coast Pensions Partnership pool, to commission research into the performance, structure and use of overseas pension pools. Mr McDonald noted that the proposal had been made due to the maturity of many overseas pools in comparison to those within the UK and that a majority consensus had been received from other pools within England and Wales to commission the research. In regard of timescale Mr McDonald estimated that the project from commissioning to completion would be 6 months.
3. Mr McDonald advised that the total cost implication for the ACCESS pool had been estimated at £20,000.
4. Members queried the MHCLG involvement in the project and whether any risks had been identified in terms of future relationships between the Ministry and participating pools. Mr McDonald assured the Joint Committee that MHCLG would be interested in the outcome of the research and no relevant risks had been identified.

RESOLVED that the Joint Committee:

- a) note the Business Plan update;
- b) note summary Risk Register; and
- c) agree to ACCESS' involvement in the research report and the associated spend.

**225. Communications.**  
*(Item. 6)*

*Consideration of Item 6 was moved to after consideration of Item 7 – to allow for transition into exempt for the remainder of the meeting (Part II items as per published agenda).*

1. Mr McDonald outlined the progress made regarding the public relations arrangement and engagement terms which had been formed with Bloom in conjunction with advice from Squire Patton Boggs.
2. Mr McDonald noted that Hymans Robertson had been involved in the shortlisting of service providers from Bloom's category list and had identified two potential suppliers. John Wright (Hymans Robertson) confirmed that providers had been evaluated against a service specification and weighted scoring matrix.
3. The Chair congratulated Bloom and Hymans Robertson for their involvement in the sourcing and delivery of high-quality interviews.

**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.**

*The Committee moved into exempt session during consideration of Item 6.*

4. Mr McDonald introduced the supplementary report and outlined the timetable of actions taken to facilitate a well governed procurement.
5. Cllr Soons informed the Joint Committee that she had asked both interviewed agencies the same set of questions and that she had been impressed with the responses of the successful candidate in terms of the depth of understanding, experience and enthusiasm. The Chair concurred with these sentiments.
6. The Chair said he would value Cllr Soons' involvement in future workshops delivered by the public relations advisors.
7. Mr McDonald highlighted the cost of the advice on a year one and two cost basis, though reminded Members that the contract was for two years.

RESOLVED that the Joint Committee:

- a) note the report;
- b) note the outcome of the procurement process; and
- c) agree the appointment of Engine MHP to provide external communications support for a period of 2 years.

## **226. ESG / RI Position Statement.**

*(Item. 7)*

1. Mark Whitby (Cambridge & Northamptonshire) provided an update on ESG and RI developments. He confirmed that the task and finish group for the procurement of ESG advice had been formed and that a two-stage

procurement had been planned, which comprised the implementation of guidelines and comprehensive information reporting.

2. It was noted that the task and finish group were due to meet next on 13 November 2020.
3. Members discussed proposals for the membership of the ESG advice selection interview panel.
4. Cllr Ekins agreed to substitute for members of interview panel if required.

RESOLVED that the Joint Committee:

- a) note the content of the report; and
- b) determine that the Chair, Vice-Chair and Cllr Fox represent the Joint Committee on the selection interview panel.

**227. Motion to Exclude the Press and Public.**

*(Item. 8)*

Motion to Exclude passed during consideration of Item 6 – Communications.

**228. Contract Management.**

*(Item. 9)*

1. Mark Paget provided a verbal overview of the report and confirmed that negotiations had concluded successfully with Link regarding the addition of updated KPIs and the agreement to amend the level of Links Insurance cover.
2. Mr Paget informed the Joint Committee that a virtual Investor Day event was scheduled on 17 December between 1300-1500, that Northern Trust were been due to present and that a recording would be made available.
3. Mr Paget outlined the insurance agreement covering Link's services and confirmed that insurance advice had been provided on contractual basis.
4. Mr McDonald confirmed to the Joint Committee that the ASU had been internally audited by Essex County Council and that the results of the audit would be brought to the January committee meeting.

RESOLVED that the Joint Committee matters highlighted within the report, the activity that has taken place and forthcoming plans be noted.

**229. Sub-fund Implementation.**

*(Item. 10)*

1. Andrew Bouflower (Hampshire) updated the Joint Committee on the launch of the ACS investment sub-funds. He affirmed that the launch had to that point progressed as planned. The different tranches and progress of each individual sub-fund were outlined to Members.



2. It was confirmed that the agreement of all ACCESS member authorities had been required to launch the sub-funds.
3. Mr McDonald agreed to circulate figures with the Joint Committee subsequent to the launch of the sub-funds.
4. Planned sub-funds were highlighted.

RESOLVED that the Joint Committee note the progress in launching the ACS investment sub-funds.

**230. ACCESS illiquid asset pooling approach.**

*(Item. 11)*

*Sam Gervaise-Jones of bFinance was in attendance for this item.*

1. Alex Younger (Norfolk) provided a verbal overview of the illiquid asset pooling approach report. Real estate, private equity, private debt and infrastructure were highlighted as the primary categories of illiquid asset held by member authorities, Mr Younger stressed that these assets were long term investments.
2. Mr Younger confirmed that future new money investments in illiquid assets would be pooled and that it was economically inefficient to transfer or sell long term private market assets at the time of the meeting.
3. Sam Gervaise-Jones (bFinance) gave a summary of bFinance's engagement with member authorities. He noted that different approaches were required across each asset class. Mr Gervaise-Jones recommended the use of an Implementation Advisor and Allocator to consult and assist member authorities in the creation of common definitions for asset types and further private equity partnerships. He outlined the advantages an Allocator would have for the pool within the field of global real estate investment.
4. Mr Gervaise-Jones reassured the Joint Committee that investments were still able to be multi-classed and that there was no need to tightly define all illiquid assets during phase one.
5. Mr McDonald outlined the timeline for phase one of the illiquid asset pooling approach project and noted that the proposed developments were to be taken to Section 151 Officers prior to further consideration from the Joint Committee at its January meeting.

RESOLVED that the Joint Committee note the report.

**231. Fiduciary Duties - Q&A update.**

*(Item. 12)*

1. Clifford Sims (Squire Patton Boggs – Legal Advisor) provided a verbal update and overview of the report, which outlined the Q&A document produced by Norfolk County Council. He confirmed that contact had been made with the LGA on behalf of the Scheme Advisory Board.
2. Mr Sims suggested that further legal comments be presented at a subsequent Joint Committee meeting, in order that legal advice be consolidated and exhaustive.
3. It was confirmed that the draft document could be shared with ACCESS authority pension committees on a confidential basis as the document was still subject to further legal expert review.

RESOLVED that the Joint Committee note the report and thanked Norfolk County Council for developing and sharing the Q&A document.

## HAMPSHIRE COUNTY COUNCIL

### Decision Report

<b>Decision Maker</b>	Pension Fund Panel and Board
<b>Date:</b>	12 February 2021
<b>Title:</b>	Governance - Internal Audit Progress Report – January 2021
<b>Report From:</b>	Director of Corporate Resources – Corporate Services

**Contact name:** Neil Pitman; Chief Internal Auditor

**Tel:** 07719 417233

**Email:** Neil.pitman@hants.gov.uk

#### Purpose of this Report

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

#### Recommendation

2. That the Pension Fund Panel and Board note the progress of internal audit work for the period ending 31 January 2021.

#### Contextual Information

3. 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.
4. Appendix 1 summarises internal activity for the period ending 31 January 2021.

**REQUIRED CORPORATE AND LEGAL INFORMATION:**

**Links to the Strategic Plan**

<b>Hampshire maintains strong and sustainable economic growth and prosperity:</b>	No
<b>People in Hampshire live safe, healthy and independent lives:</b>	No
<b>People in Hampshire enjoy a rich and diverse environment:</b>	No
<b>People in Hampshire enjoy being part of strong, inclusive communities:</b>	No
<b>OR</b>	
<b>This proposal does not link to the Strategic Plan but, nevertheless, requires a decision because:</b>	
Accounts and Audit (England) Regulations 2015.	

<b>Section 100 D - Local Government Act 1972 - background documents</b>	
<p><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></p>	
<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 this report.

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## Internal Audit Progress Report (January 2021)

### Pension Services

Hampshire Pension Services

**Contents:**

1.	Role of Internal Audit	3
2.	Purpose of report	4
3.	Performance dashboard	5
4.	Analysis of 'Live' audit reviews	6
5.	Executive summaries 'Limited' and 'No' assurance opinions	6
6.	Planning and resourcing	6
7.	Rolling work programme	6



## 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:

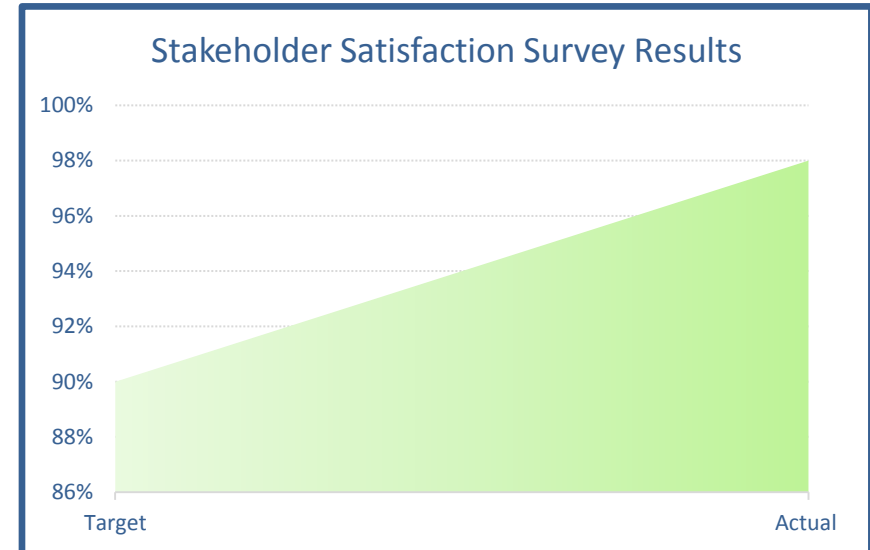
- The status of ‘live’ internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor’s annual opinion.

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.

CIPFA have recently released a paper which examined the case for standardising the terminology and definitions used in internal audit engagements across the whole of the public sector and has subsequently recommended a standard set of opinions and supporting definitions for internal audit service providers to use. To ensure we continue to conform to the best practice principles, we will be adopting the standard definitions for our 2020-21 work and moving forwards. The assurance opinions are categorised as follows:

<b>Substantial</b>	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
<b>Reasonable</b>	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
<b>Limited</b>	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
<b>No</b>	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

### 3. Performance dashboard



#### Compliance with Public Sector Internal Audit Standards

An External Quality Assessment of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2020. The report concluded:

*'The mandatory elements of the IPPF include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles.*

*It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles.*

*We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN).*

*We are pleased to report that SIAP conform with all relevant, associated elements.'*

#### 4. Analysis of ‘Live’ audit reviews

All actions arising from audit reviews have been completed/implemented. There are no pending or overdue actions to report.

#### 5. Executive Summaries of reports published concluding a ‘Limited’ or ‘No’ assurance opinion

There have been no ‘Limited’ or ‘No’ assurance opinion reports issued as part of the 2020-21 audit work.

#### 6. Planning & Resourcing

The internal audit plan for 2020-21 was discussed and agreed with Officers and approved by the Hampshire Pension Fund Panel and Board on 24 July 2020. Whilst the plan remains fluid to provide a responsive service that reacts to the changing needs of Hampshire Pension Services, there have been no adjustments to the plan for 2020-21.

Progress against the plan is outlined below in section 7.

#### 7. Rolling Work Programme

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Pension Refunds	CR	✓	✓	✓	Nov 20	Jan 21	Substantial	
Pensions Payroll and Benefit Calculations	CR	✓	✓	✓				
Fund Management, Investments and Accounting for Assets	CR	✓	✓	✓	Oct 20	Nov 20	Substantial	
UPM Application Review	CR	✓	✓	✓				

## HAMPSHIRE COUNTY COUNCIL

### Decision Report

<b>Decision Maker</b>	Pension Fund Panel and Board
<b>Date:</b>	12 February 2021
<b>Title:</b>	Governance - Internal Audit Plan 2021/22 – 2023/24
<b>Report From:</b>	Director of Corporate Resources – Corporate Services

**Contact name:** Neil Pitman; Chief Internal Auditor

**Tel:** 07719 417233

**Email:** Neil.pitman@hants.gov.uk

### Purpose of this Report

1. The purpose of this paper is to provide the Pension Fund Panel and Board with the Internal Audit Plan 2021/22 – 2023/24 for Pension Services (Appendix 1).
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.

### Recommendation

3. That the Pension Fund Panel and Board approve the Internal Audit Plan 2021/22 – 2023/24 for Pension Services.

### Contextual Information

4. 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.

5. 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.
6. 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.

**REQUIRED CORPORATE AND LEGAL INFORMATION:**

**Links to the Strategic Plan**

<b>Hampshire maintains strong and sustainable economic growth and prosperity:</b>	No
<b>People in Hampshire live safe, healthy and independent lives:</b>	No
<b>People in Hampshire enjoy a rich and diverse environment:</b>	No
<b>People in Hampshire enjoy being part of strong, inclusive communities:</b>	No
<b>OR</b>	
<b>This proposal does not link to the Strategic Plan but, nevertheless, requires a decision because:</b>	
Accounts and Audit (England) Regulations 2015.	

<b>Section 100 D - Local Government Act 1972 - background documents</b>	
<p><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></p>	
<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 this report.



## Internal Audit Plan 2021-22 to 2023-24

### Pension Services

Hampshire Pension Services

**Contents**

Introduction ..... 3-4

Your Internal Audit Team ..... 4

Conformance with Internal Audit Standards ..... 4

Conflicts of Interest ..... 4

Developing the internal audit plan 2021-22 ..... 5

Internal Audit Plan 2021-22 to 2023-24 ..... 6-7

## Introduction

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.

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 the 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 Antony Harvey, Deputy Head of Southern Internal Audit Partnership supported by Melanie Weston, 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 2020 the Institute of Internal Auditors (IIA) completed an external quality assessment of the Southern Internal Audit Partnership. The report concluded:

*'The mandatory elements of the International Professional Practices Framework (IPPF) include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles.*

*It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles.*

*We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN).*

*We are pleased to report that SIAP conform with all relevant, associated elements.'*

### **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 2021-22

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

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

Based on these conversations with key stakeholders, review of key corporate documents and our understanding of the service, the Southern Internal Audit Partnership have developed an annual audit plan for the forthcoming year (2021-22) together with an indicative plan for 2022-23 and 2023-24.

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 2021-22 to 2023-24

Audit Review	Indicative scope	21 -22	22-23	23-24
Pensions payroll and benefit calculations	Annual review to provide assurance that systems and controls ensure that:- <ul style="list-style-type: none"> <li>• Lump sum and on-going pension payments are calculated correctly, are valid and paid to the correct recipients;</li> <li>• All changes to on-going pensions are accurate and timely;</li> <li>• Pension payroll runs are accurate, complete, timely and secure with all appropriate deductions made and paid over to the relevant bodies.</li> </ul>	✓	✓	✓
Pension starters	Review of the control framework to support appropriate, complete and prompt admission of new starters to the various pension schemes administered by Hampshire Pension Services (HPS).	✓		
Pension leavers	Audit of the controls to ensure accurate, prompt and complete administration of pension leavers including the production of on-going annual benefit statements within agreed timescales.	✓		
Transfers (including Notionals)	To provide assurance over the processes and controls to support the accuracy and timeliness of transfers in and out of the schemes managed by HPS.		✓	
Pension refunds	To assess that there are appropriate arrangements to ensure all refunds are valid, accurate and are paid promptly to the correct recipients following a validated request to withdraw from the schemes administered by HPS.			✓
Member deaths	To provide assurance that systems and processes ensure that any payments related to deceased members are calculated correctly and paid promptly to the correct recipient, with the risk of overpayments minimised.		✓	
Accounting for pension receipts	Review of the control framework to ensure that all funds due from employers are received promptly, are accounted for correctly and are reconciled to annual returns.		✓	

Audit Review	Indicative scope	21 -22	22-23	23-24
Governance arrangements	Review of the governance arrangements for Hampshire Pension Services and Hampshire Pension Fund Panel and Board and assurance over compliance with the arrangements.	✓		
	<i>*This review is currently scheduled for Q4. The aim is to undertake the review following the recommendations of the Scheme Advisory Board's Good Governance Phase 3 project. If the timing of the release of the Phase 3 requirements does not allow sufficient time for the PFPB to fully implement the proposals, the audit will be pushed back into 2022-23, and will be substituted by bringing forward an audit from the 2022-23 plan.</i>			
Fund management, investments and accounting for assets	Assurance over the development & approval of the Pension Fund Investment Strategy, compliance with the Strategy and that all assets are accounted for, held securely and all dividends/interest etc due is received.			✓
Fund pooling arrangements	Review of the governance arrangements for pooling investments and assurance that all investments are appropriate and approved.		✓	
UPM Application Review	Review of the UPM application including cyber security & access controls.			✓
Management	Planning, liaison, reporting, audit committee, external audit, advice	✓	✓	✓
Total Days		<b>100</b>		

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## HAMPSHIRE COUNTY COUNCIL

### Decision Report

<b>Decision Maker:</b>	Pension Fund Panel and Board
<b>Date:</b>	12 February 2021
<b>Title:</b>	Governance: ACCESS business plan
<b>Report From:</b>	<i>Deputy Chief Executive and Director of Corporate Resources – Corporate Services</i>

**Contact name:** Andrew Bouflower

**Tel:** 01962 847407

**Email:** andrew.bouflower@hants.gov.uk

#### Purpose of this Report

1. To present the 2021/22 ACCESS business plan for approval by the Panel and Board.

#### Recommendations

2. That the Panel and Board approves the ACCESS business plan for 2021/22 and the share of costs that the Hampshire Pension Fund will pay.

#### Executive Summary

3. The Pension Fund Panel and Board has received a number of reports on the progress of forming the ACCESS pool and in addition receives the minutes of the ACCESS Joint Committee meetings.
4. Hampshire is a member of the ACCESS pool alongside the following ten other LGPS funds:

Cambridgeshire	Kent
East Sussex	Norfolk
Essex	Northamptonshire
Hertfordshire	Suffolk
Isle of Wight	West Sussex
5. According to the terms of the ACCESS Inter-Authority Agreement (IAA) the ACCESS Joint Committee is required to agree a business plan for the

forthcoming year which it recommends to the individual ACCESS authorities for their agreement.

6. The 2021/22 business plan was agreed by the ACCESS Joint Committee for recommendation to the member authorities at its meeting on 13 January 2021 and is contained in Annex 1. The business plan sets out ACCESS' workplan of activities for the current year and the estimated budget to complete the work which is a total of £1.25m, of which Hampshire's one eleventh share would be £113,000.

### **2020/21 activities**

7. ACCESS has continued its work to transfer assets to the pooled Authorised Contractual Scheme (ASC) managed by Link, and has provided the necessary governance and other support for pooled investments. The key activities completed in 2020/21 were:
  - Increasing the size of the ACS to £20.4bn (and now including sub-funds for all of Hampshire active equity investments).
  - Putting in place arrangements for jointly scrutinising the investment managers in the pool and Link.
  - Agreeing proposals for pooling illiquid investments.
  - Appointment of an Environmental, Social and Governance (ESG) adviser to develop ACCESS's approach to ESG and a Communications adviser to assist with the pool's communications and public relations.
  - Completion of a review and update of the Inter-Authority Agreement (IAA), which has been agreed by all 11 member authorities.
8. Actual costs in 2020/21 are estimated at £0.97m (£88,000 per authority), £0.11m lower than the approved budget.

### **2021/22 business plan**

9. The main activities for ACCESS in 2021/22 will be:
  - Two additional posts being filled in the ACCESS Support Unit (ACS) to reflect the additional workload to deliver investment pooling and ensure sufficient capacity and resilience.
  - Continuation of the launch of sub-funds by Link, with tranches 5 and 6.
  - Implementation of the solution for pooling illiquid investments.
  - Continuing monitoring and engagement with UBS, ACCESS' passive investment manager.
  - Implementation of a new communications plan.
  - Review of ACCESS ESG guidelines.

**REQUIRED CORPORATE AND LEGAL INFORMATION:****Links to the Strategic Plan**

<b>Hampshire maintains strong and sustainable economic growth and prosperity:</b>	no
<b>People in Hampshire live safe, healthy and independent lives:</b>	no
<b>People in Hampshire enjoy a rich and diverse environment:</b>	no
<b>People in Hampshire enjoy being part of strong, inclusive communities:</b>	no
<b>OR</b>	
<b>This proposal does not link to the Strategic Plan but, nevertheless, requires a decision because:</b> For the ongoing management of the Hampshire Pension Fund.	

**Section 100 D - Local Government Act 1972 - background documents**

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

DocumentLocation

None

## **EQUALITIES IMPACT ASSESSMENT:**

### **1. Equality Duty**

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

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

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

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

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

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

2021/22

Business Plan  
& Budget

## Introduction

ACCESS has its origins in 2016 when eleven Local Government Pension Scheme (LGPS) Authorities agreed to begin working collectively to address the requirements of the Government’s agenda for pooling LGPS investments.

The following strategic objectives are in place:

- enable participating Authorities to execute their fiduciary responsibilities to LGPS stakeholders, including scheme members and employers, as economically as possible;
- provide a range of asset types necessary to enable Authorities to execute their locally-determined investment strategies as far as possible;
- enable participating Authorities to achieve the benefits of pooling investments, preserve the best aspects of what is currently done locally, and create the desired level of local decision making and control.

In order to achieve these objectives, the participating Authorities have established a set of governing principles. Furthermore, the Joint Committee recommends an annual business plan to the ACCESS Authorities.

The governing principles are set out below, and the annual business plan for 2021/22 is on the following pages.

Collaborative	Risk management	Objective evidence based decisions
Equitable voice in governance	Professionalism	Equitable cost sharing
No unnecessary complexity	Evolution and innovation	Value for money

Implicit within the above principles is the democratic accountability and fiduciary duty of LGPS Authorities.

## Context

Significant progress continued during 2020/21 in pooling active listed assets, and key groundwork took place in identifying and establishing the pool's approach to illiquid assets.

During 2020/21 the Joint Committee appointed both a Communications partner and an ESG/RI adviser.

In early 2021, as part of ongoing collaborative working, a joint procurement for global custody services is scheduled for completion.

It is anticipated that 2021/22 will see key activities within the following themes:

***Actively managed listed assets:*** the completion of pooling active listed assets within the Authorised Contractual Scheme (ACS).

***Alternative / non-listed assets:*** the implementation of pooled alternative assets will commence.

***Passive assets:*** ongoing monitoring and engagement with UBS.

***Governance:*** the application of appropriate forms of governance throughout ACCESS.

***ACCESS Support Unit (ASU):*** the completion of the implementation of the increased ASU.

## Business Plan

Each theme within the business plan includes milestones planned for the year. The strategic nature of ACCESS's objectives means that a number of the 2021/22 milestones build on work previously undertaken and will in turn provide the foundation for further milestones in subsequent years.

On a day-to-day basis, the work will be co-ordinated by the ACCESS Support Unit to deliver each milestone with a series of workstreams to support additional requirements. The work is steered/reviewed by meetings of the *Officer Working Group*. The milestones will indicate where third-party providers may be required. Oversight by *s151 Officers* will be via periodic meetings.

The *Joint Committee* will receive updates on the milestones at each meeting.

## Budget

A budget totalling **£1.247m** to support the business plan is included at the end of this paper.

Theme	Milestone	2021/22 activity
<b>Actively managed listed assets</b>	Launch of Tranche 5b	Anticipated June 2021
	Launch of Tranche 6	Anticipated July 2021
	Determine, approval & launch of Tranche 7	Timing for approval & launch TBC
	<i>Ensure sub-funds meet Link's due diligence requirements and ACCESS Authorities' Value for Money criteria (including transition activity). Manager search and selection activity where required. Work with Link to submit applications to the FCA for approval of the set-up of sub-funds. Launch. A process for transitioning between sub-funds is established.</i>	
	Scheduled BAU evaluation	Implement outcomes of Scheduled BAU evaluation
<b>Alternative / non-listed assets</b>	Implementation of approach to pool illiquid assets.  <i>Following work undertaken in 2020/21 to consider the needs and implementation options.</i>	The implementation of pooled alternative assets will commence in 2021/22.  The work undertaken, and



Theme	Milestone	2021/22 activity
<b>Alternative / non-listed assets (contd.)</b>		potentially aspects of any training, will use third-party providers as required.
<b>Passively managed assets</b>	<p>Ongoing monitoring of assets managed on a passive basis.</p> <p><i>This follows the migration of passive assets held by ACCESS Authorities to UBS in early 2018.</i></p>	Engagement with UBS will continue throughout the year.
<b>Governance</b>	<p>Meetings and oversight</p> <p>Operational protocols</p> <p>Engagement with HM Government</p>	<p>Arrangements will be made to support meetings of the Joint Committee (usually each quarter). Meetings of s151 Officers will also be held. Where required training will be provided, this may involve third party providers.</p> <p>Further development of protocols around key processes associated with the Pool's day-to-day operation will take place during the year. Third-party providers will be used where required.</p> <p>ACCESS will liaise with the Scheme Advisory Board as appropriate.</p> <p>Periodic reports will be provided to MHCLG as required.</p>

Theme	Milestone	2021/22 activity
	Joint Policies & guidelines.	<p>The Pool will actively participate with any Cabinet Officer / MHCLG pooling-related consultations.</p> <p>The Communications plan will be implemented.</p> <p>The review of joint guidelines on ESG / RI will be completed.</p>
ACCESS Support Unit (ASU)	ACCESS Support Unit	The implementation of the increased ASU will be completed.

A separate risk register measures the risk of the strategic objectives and milestones not being achieved and the resultant impact.

## Budget 2021/22

The budget for 2021/22 is detailed below.

	Draft Budget 2021/2022 £
<b>ASU</b>	
Interim ASU Support	-
ASU Salaries (incl. on cost)	460,261
ASU Operational	20,580
ASU Host Authority Recharge	64,087
Technical Lead Recharge Costs	40,000
<b>ASU Total</b>	<b>584,928</b>
<b>Professional Costs</b>	
<i>Internal Professional Costs</i>	
JC Secretariat	21,761
Procurement	45,000
<i>Internal Professional Costs</i>	66,761
<i>External Professional Costs</i>	
Strategic & Technical	433,000
Legal & Governance	162,330
<i>External Professional Costs</i>	595,330
<b>Professional Costs Total</b>	<b>662,091</b>
<b>Total</b>	<b>1,247,020</b>
<i>Check</i>	<i>(129,257)</i>
<b>Cost Per Authority</b>	<b>113,365</b>

The key assumptions contained within the budget are outlined overleaf.

### **Key budget assumptions**

A full year effect on an ASU increased in size from three to five full time members of staff (as detailed in section 4 of the cover report).

Joint Committee Secretariat services remaining with Kent County Council for the duration of 2021/22;

External consultancy on a range of matters including:

- the establishment of pooled arrangements for alternative assets, along with associated procurements and technical advice;
- the development and implementation of pool Environmental, Social and Governance (ESG) / Responsible Investment (RI) guidance along with associated required reporting;
- pool communications and communications strategy.

External legal advice.

## HAMPSHIRE COUNTY COUNCIL

### Decision Report

<b>Decision Maker:</b>	Pension Fund Panel and Board
<b>Date:</b>	12 February 2021
<b>Title:</b>	Governance: Responsible Investment Sub-Committee Terms of Reference - Substitutes
<b>Report From:</b>	<i>Deputy Chief Executive and Director of Corporate Resources</i>

**Contact name:** Andrew Bouflower

**Tel:** 03707 796896

**Email:** andrew.bouflower@hants.gov.uk

### Purpose of this Report

1. To ask the Panel and Board to agree to amend the Terms of Reference of the Responsible Investment (RI) Sub-Committee to allow substitute members to attend the sub-committee meetings.

### Recommendation

2. That amended Terms of Reference for the RI Sub-Committee shown in Annex 1 are agreed.
3. That the Panel and Board appoints substitute members to the RI Sub-Committee from this point forward, beginning with the remainder of the 2020-21 municipal year.

### Responsible Investment sub-committee

4. At the previous meetings of the RI Sub-Committee and Panel and Board, members have observed the benefits of adding substitute members to the RI Sub-Committee. The Terms of Reference, as shown in Annex 1 with the appropriate tracked changes, have now been amended to reflect this proposal.
5. It is recommended that where possible, for continuity substitute members are drawn from the previous year's members of the RI Sub-Committee that have rotated off.
6. Notwithstanding that any Member, or member of the public, may observe sub-committee meetings, except where a resolution has been passed to

exclude the press or public, it is recommended that substitute members only attend the RI sub-committee when required to substitute for a Member who is absent. This ensures that when considering recommendations of the sub-committee, a majority of Panel and Board Members have not been part of the previous sub-committee discussion and for that majority there cannot be any suggestion of pre-determination. In this context it should also be noted that the sub-committee concept was for a small group that could efficiently consider issues in depth and formulate recommendations to the Panel and Board. This in turn supports the Panel and Board to effectively reach informed decisions.

**REQUIRED CORPORATE AND LEGAL INFORMATION:****Links to the Strategic Plan**

<b>Hampshire maintains strong and sustainable economic growth and prosperity:</b>	no
<b>People in Hampshire live safe, healthy and independent lives:</b>	no
<b>People in Hampshire enjoy a rich and diverse environment:</b>	no
<b>People in Hampshire enjoy being part of strong, inclusive communities:</b>	no
<b>OR</b>	
<b>This proposal does not link to the Strategic Plan but, nevertheless, requires a decision because:</b> For the ongoing management of the Hampshire Pension Fund.	

**Section 100 D - Local Government Act 1972 - background documents**

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

DocumentLocation

None

## **EQUALITIES IMPACT ASSESSMENT:**

### **1. Equality Duty**

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

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

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

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

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

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



## **Hampshire Pension Fund Responsible Investment Sub-Committee - Terms of Reference**

### **Introduction**

Hampshire Pension Fund Panel and Board has created a Responsible Investment sub-committee to further consider how Environmental Social and Governance (ESG) factors are taken into account in investment decisions and the views of scheme members and employers on this topic.

### **Composition**

The sub-committee will be made up of the following full members of the Pension Fund Panel and Board:

- 4 County Councillors of the Pension Fund Panel and Board (to be appointed according to the proportionality of the County Council)
- 2 Co-opted members of the Pension Fund Panel and Board (1 Scheme Member representative, 1 Employer representative)

Substitutes members should be appointed where possible, for continuity substitute members are drawn from the previous year's members of the RI Sub-Committee that have rotated off.

Notwithstanding that any Member, or member of the public may observe sub-committee meeting, except where a resolution has been passed to exclude the press or public, substitute members should only attend the RI sub-committee when required to substitute for a Member who is absent.

At its first meeting following the County Council's Annual General Meeting (AGM) each year, the Pension Fund Panel and Board will review the membership of the sub-committee following the principle that appointments will rotate annually where practical and taking proportionality requirements into account.

The sub-committee will annually appoint a Chairman and Vice-Chairman from amongst its membership at its first meeting following the County Council's AGM.

### **Role of the sub-committee**

The sub-committee shall make recommendations to the Pension Fund Panel and Board on Responsible Investment issues having completed the following activities:

- a. to regularly review the Pension Fund's Responsible Investment Policy (contained in its Investment Strategy Statement), and practices relating to it, to ensure that ESG issues are adequately reflected;
- b. to provide a forum for considering representations to change this Policy and/or the Pension Fund's responsible investment practices relating;
- c. to receive any relevant training on ESG issues;

- d. to engage in responsible stewardship with its investment managers and to provide a forum for the review and monitoring of investments in the context of the Policy;
- e. to review investment managers' company engagement and voting decisions and when necessary engage directly and indirectly with investment managers (and where possible directly with companies the Pension Fund) to make representations concerning ESG as appropriate;
- f. to engage directly and indirectly with scheme members and employers to hear representations concerning ESG as appropriate.
- g. to report annually on the Pension Fund's Responsible Investment to demonstrate progress to the Pension Fund's stakeholders.

The sub-committee may receive advice or ask to meet with the Pension Fund's investment managers.

### **Meetings**

The sub-committee will meet at least twice a year at the County Council offices in Winchester.

### **Quorum**

The quorum of the sub-Committee shall be three members of the sub-committee, of which at least two must be County Councillors.

### **Publication of information**

The sub-committee's agenda, papers and minutes will be published on the County Council's website in accordance with the County Council Constitution.

## HAMPSHIRE COUNTY COUNCIL

### Decision Report

<b>Decision Maker:</b>	Pension Fund Panel and Board
<b>Date:</b>	12 February 2021
<b>Title:</b>	Governance – Trade Union representation
<b>Report From:</b>	<i>Deputy Chief Executive and Director of Corporate Resources</i>

**Contact name:** Andrew Boutflower

**Tel:** 0370 779 6896

**Email:** andrew.boutflower@hants.gov.uk

### Purpose of this Report

1. The Chairman of the Panel and Board has received a request from trade unions that the Panel and Board creates a new seat on the committee specifically for trade union representation. The request is appended to this paper alongside a recommendation from the Deputy Chief Executive and Director of Corporate Resources.

### Recommendation

2. It is recommended that the Panel and Board;
3. Note the request that has been received for an additional specific trade union representative on the Panel and Board and that any changes to the composition of the Panel and Board would require the approval of the Secretary of State.
4. Agrees that the current composition of the Panel and Board, as approved by the Secretary of State, is most efficient and effective for the governance of the Pension Fund and continues to offer equality of opportunity to be a representative on the committee to all scheme members, including trade union members.

### Current form of the Panel and Board

5. The Joint Pension Fund Panel and Board was created in 2015 following amendments to the Local Government Pension Scheme (LGPS regulations), requiring each Administering Authority to form a Local Pension Board. In order to have a joint panel and board, regulation 106 required the Secretary

of State to give approval in writing. It is understood that Hampshire was one of only two LGPS authorities to gain the specific Secretary of State approval to combine its pension committee with the Local Pension Board. It is a requirement of Pension Boards that they have an equal number of scheme member and employer representatives. The form of the Hampshire Pension Fund Panel and Board as approved by the Secretary of State is;

- 9 Administering Authority representatives (County Councillors)
  - 3 Employer representatives (unitary councils, district councils and other employers)
  - 3 Scheme member representatives (pensioners, deferred members and active scheme members).
6. The basis of Hampshire's case to the Secretary of State to combine the functions of Pension Fund Panel and Local Pensions Board, which have subsequently been demonstrated, were that it:
- Gave greater weight to the combined committee with responsibility for the management and governance of the Pension Fund.
  - Provided the most engaging role for those charged with the management and oversight of the Pension Fund.
  - Ensured the deepest understanding of all Pension Fund matters and the most effective decision making by exposing the members of the joint Panel and Board to the full operation of the Pension Fund.
  - Avoided any duplication and confusion in roles between a separate Panel and Board, ensuring that the Fund's stakeholders have clarity.
  - Provided an efficient solution by removing the additional administrative burden of supporting a separate Board.

### **Request for trade union representation**

7. The request that the Panel and Board creates a new seat on the committee specifically for trade union representation is contained in Appendix 1. The request for an additional representative is based on improving representation, governance and communication for the Pension Fund. In respect of communication, the Pension Fund's approach to member communications is described in its Communications Policy and the Pension Fund's main means of communications is its website and the Members' Portal. The correspondence from Unison cites the recent deputations that the Panel and Board have received on Responsible Investment (RI) as a trigger for the Fund needing to improve its communication. At its last meeting the Panel and Board agreed additional budget for the Pension Fund to add to its efforts on communication, especially with regard to RI. It is unclear how an additional trade union representative will be of benefit to the Fund's communications with its members. The Pension Fund's aim is to communicate directly with all its scheme members. Communication material is and will continue to be

available to all of the trade unions, so that they can include it in their own communications if they wish to do so.

8. It is considered that the current construct of the Joint Pension Fund Panel and Board provides very strong and effective governance for the Pension Fund, which is supported by Internal Audit reports. The Joint Panel and Board gives scheme member representatives full access and voting rights on all issues, including governance, administration and investment of the Pension Fund. In this respect Hampshire has been well ahead of the recommendations of the Scheme Advisory Board's Good Governance recommendations. This applies equally to the oversight and scrutiny of the ACCESS pool, where the ACCESS Business Plan, minutes of all ACCESS Joint Committee meetings, and any other pertinent matters in relation to pooling, are reported to the Panel and Board, including all scheme member representatives.
9. The trade union's assertion that there are nine County Councillors and three employer representatives representing the employers in the Hampshire Pension Fund is incorrect. As shown in paragraph 5, the Panel and Board has 9 County Councillors that are representatives of the Administering Authority, and an equal number of (3) scheme member and (3) employer representatives in line with the statutory requirements in respect of Pension Boards. Careful consideration was given in the current formation of the Panel and Board, balancing the representation of the Administering Authority, which has the legal responsibility for the management of the Pension Fund, with scheme member and employer representation. This format, which was approved by the Secretary of State, allows scheme member and employer representatives to have substantive involvement in decision making about wider aspects of the administration of the Pension Fund. This is felt to be considerably better than reverting to a pensions committee of just County Councillors and a separate Pension Board (with any number of representatives), which could have much-reduced oversight of some governance and administration issues.
10. As shown above in the current composition of the Panel and Board, seats were specifically allocated across all membership groups of scheme members (active, deferred and pensioners), to ensure full and broad representation. All scheme members (with the exception of Hampshire County Council employees, as set out in the Council's constitution) are able to apply for the representative roles, which are allocated based on criteria set-out in the Representation Policy. All three roles (plus the substitute) are open to trade union members, and indeed the Panel and Board's first active scheme member representative was a trade union member. Therefore the current three scheme member representative roles are open to all scheme members, including trade union members as they have been in the past, with an equal opportunity of appointment.

11. In conclusion it is worth remembering that Hampshire had to go to considerable effort and make a strong case to the Secretary of State to form the Joint Panel and Board. It is recommended that the current composition of the Panel and Board is the most efficient and effective for the governance of the Pension Fund enabling joined up pension administration when compared to a separate committee and pension board. The current approach continues to offer the equal opportunity to be a representative on the committee to all scheme members including trade union members. Any request to make changes to the Pension Fund Panel & Board governance would need the approval of the Secretary of State and full County Council. On the basis that Hampshire's arrangements are considered to be far more efficient and effective than reverting to a traditional pensions committee and Pension Board and is one of only two such arrangements nationally, it is felt that there is little to be gained by re-opening this matter with Government. Doing so could cause a wider review with a risk that approval for the joint panel and board is withdrawn by the Secretary of State.

**REQUIRED CORPORATE OR LEGAL INFORMATION:****Links to the Strategic Plan**

<b>Hampshire maintains strong and sustainable economic growth and prosperity:</b>	no
<b>People in Hampshire live safe, healthy and independent lives:</b>	no
<b>People in Hampshire enjoy a rich and diverse environment:</b>	no
<b>People in Hampshire enjoy being part of strong, inclusive communities:</b>	no
<b>OR</b>	
<b>This proposal does not link to the Strategic Plan but, nevertheless, requires a decision because of the ongoing management of the Hampshire Pension Fund.</b>	

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### **Equalities Impact Assessment:**

All pension scheme members (other than employees of Hampshire County Council) have an equal opportunity to apply to be one of the three scheme member representatives'.



Dear Cllr Kemp-Gee

I am writing on behalf of UNISON, UNITE and the GMB to formally request that the Hampshire Pension Fund Panel and Board (HPFP&B) create an additional scheme member representative role to be filled by one of our representatives.

As you know, Regulation 107(1) gives complete discretion to the administering authority on the membership, the manner of appointment and the terms of appointment of pension boards providing an equal number of employer and member reps are appointed. It is within this regulation that we are making our request.

In doing so, we are seeking to increase the representation of members and enhance governance of the scheme. It will also aid better communication to members through our network of branches that can easily communicate with active, deferred and retired members. In addition, I should make it clear that we also represent the interests of all scheme members and not just those who are members of a trade union.

Communication is in fact an important area in which the trade unions could assist the fund. We are aware that there have been two deputations made to the last two meetings of the fund by outside bodies, both of which raised concerns around the perceived lack of action and communication by the fund, especially regarding climate change investments. It is our view that the addition of an additional scheme member representative will help to communicate with these and other bodies. For example, through our extensive networks and facilities we are able to contact and poll a wide range of members on any matters regarding the fund.

Furthermore, it would be timely to make this addition to the governance of the fund as the Governance Policy is due for review. Also, when the joint Hampshire Pension Fund Panel and Board was given approval, it was before the Pooling of funds was put into place. The addition of an additional scheme member representative will enable increased governance and also allow for scrutiny to be made of the investments made in the ACCESS group. Of the most local Pension Funds to Hampshire who are in the ACCESS group UNISON, for example, already has scheme member representatives on the East Sussex, West Sussex,

Kent and the Isle of Wight Pension Boards. All union scheme member representatives receive training provided nationally over and above what is offered by their local pension funds. They also meet regularly to network, exchange ideas and receive training at a regional level, as well as receiving reports and advice from trade union representatives on the national Scheme Advisory Board.

We also believe there is a clear rationale for increasing representation. There are nine Hampshire County Councillor representatives and three other Councillors representing 404 employers. Yet there are currently only three scheme members and one substitute representing 179,000 scheme members. The Hampshire Pension Fund is a very large one and the adding of an additional scheme member representative can therefore only improve its governance.

I should also make it clear that if the Hampshire Pension Fund Panel and Board were to agree to our request, the trade unions will instigate an open process for selecting the right candidate that will ensure the most suitable individual, including in terms of their knowledge, expertise and experience will be successful. In line with the fund rules, they would of course serve for the same term as all other member representatives.

Finally, I know that in the past you have publicly expressed the view that representation is best achieved at a local level, and therefore I hope you will see that this request would help achieve a greater transparency and involvement with the scheme's members.

I look forward to receiving the panel's response.

Yours sincerely

LGPS Forum Secretary | UNISON South East

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