

Public Document Pack

AT A MEETING of the Hampshire Pension Fund Panel and Board of HAMPSHIRE COUNTY COUNCIL held at Ashburton Hall, Elizabeth II Court, Winchester on Tuesday, 27th July, 2021

PRESENT

Chairman:

* Councillor Mark Kemp-Gee

Vice-Chairman:

* Councillor Tom Thacker

* Councillor Alan Dowden

Councillor Jonathan Glen

* Councillor Dominic Hiscock

Councillor Andrew Joy

* Councillor Peter Latham

Councillor Derek Mellor

* Councillor Rob Mocatta

*Present

Co-opted members

Cllr Cal Corkery, Employer Representative - Portsmouth City Council

Councillor John Hannides, Employer Representative - Southampton City Council

Cllr Paul Taylor, Employer Representative - HLOWLGA

* Liz Bartle, Employer Representative - Other Employer

* Dr Clifford Allen, Scheme Member Representative - Pensioner Member

Sarah Manchester, Scheme Member Representative Substitute

* Neil Wood, Scheme Member Representative - Active Member

* Lindsay Gowland, Scheme Member Representative - Deferred Member

Independent Adviser:

C Dobson

BROADCASTING ANNOUNCEMENT

The Chairman announced that the press and members of the public were permitted to film and broadcast the meeting. Those remaining at the meeting were consenting to being filmed and recorded, and to the possible use of those images and recording for broadcasting purposes.

1. APOLOGIES FOR ABSENCE

Councillors Mellor, Joy, Glen, Hannides and Corkery and Mrs Manchester and Ms Dobson sent their apologies.

2. 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 Personal interest in a matter being considered at the meeting they considered whether such interest should be declared, and having regard to Part 5, Paragraph 4 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.

3. **CONFIRMATION OF MINUTES (NON-EXEMPT)**

The minutes of the previous meeting on 26 March 2021 were confirmed.

4. **DEPUTATIONS**

In accordance with Standing Order 12, the Panel and Board received a deputation from Ms Jenny Stables, a County Council pensioner, representing the Dirty Money campaign, focusing on whether investments will contribute to a better future.

Ms Stables stated that temperature increases need to be held to 1.5C, but markets reflect a 4C degree increase. Therefore being better than benchmark isn't enough.

Ms Stables highlighted the examples of Larry Fink from Blackrock calling for public and private collaboration to avert climate chaos and John Kerry who has said we need a war-time-like mobilisation of all our capacity and resources to decarbonise, to get off fossil fuels, and to enable developing economies to leapfrog to the new renewables-powered economy.

Ms Stables asserted that the Hampshire Pension Fund's investment strategy was not backing true climate solutions. It was still funding fossil fuel companies and other polluters on the basis that society needs fossil fuels. However, the International Energy Agency has just said to guard a 1.5C temperature increase, or as close as we can get to that now, 'beyond projects already committed as of 2021 there is no room for any new oil and gas fields; no new coal mines or mine extensions are required'.

Ms Stables quoted Sir David King that the 'window of opportunity for action' to hold near a 1.5C temperate increase is 'still open but only just'. And she sighted the positive examples of investors that had joined the Net Zero Asset Owner Alliance and the Institutional Investor Group on Climate Change (IIGCC), such as Cornwall, Devon and Oxfordshire Pension Funds and the Northern LGPS Pool.

Ms Stables finished by stating that Private investors can't do this alone and governments still aren't doing enough and that the Dirty Money campaign calls on the Hampshire Pension Fund to:

1. Produce a position statement on managing its portfolios to align with the Paris agreement of limiting our temperature increase to 1.5C.

2. Create a strategy and timetable for achieving this alignment
3. Report, consult and be advised by its members on its investment principles and how they are achieved
4. Call on members of the ACCESS Pool to become members of a 1.5 degrees Celsius-focused asset owner alliance or initiative such as the Net-Zero Asset Owner Alliance or the IIGCC's Net-Zero Investment Framework. This is the action taken in recent weeks by the Wiltshire Pension Fund committee and other funds in its pool.

5. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman welcomed new Members of Committee.

The Chairman stressed to the committee the importance of training for Members, particularly given Hampshire's approach of a Joint Panel and Board. The Chairman reminded Members that Training Needs Analysis forms (TNAs) will shortly be sent to Members for their completion to identify the training requirements for the committee for the coming years. Cllr Kemp-Gee invited Members to volunteer to attend the Local Government Chronicle Investment and Pensions Summit on 9 and 10 September 2021 for which the Pension Fund has three places.

6. **APPOINTMENTS TO THE RESPONSIBLE INVESTMENT SUB-COMMITTEE**

The Panel and Board considered a report of the Director of Corporate Operations (item 6 in the Minute Book) for appointments to be made to the Pension Fund's Responsible Investment Sub-Committee.

RESOLVED:

- (a) That Cllrs Kemp-Gee, Thacker, Mellor, and Dowden, Ms Gowland and Dr Bartle were appointed to the Responsible Investment Sub-Committee.
- (b) That Cllrs Latham, Hiscock, and Taylor and Mr Wood were appointed as deputies to the Responsible Investment Sub-Committee.

7. **INTERNAL AUDIT ANNUAL OPINION**

The Panel and Board received and noted a report of the Director of Corporate Operations (item 7 in the Minute Book) providing the Pension Fund Panel and Board with the Chief Internal Auditor's opinion on the adequacy and effectiveness of internal control of the Pension Fund. 'Substantial Assurance' can be placed on Pension Services' framework of governance, risk management and management control and audit testing has demonstrated controls to be working in practice.

8. PENSION FUND ADMINISTRATION UPDATE

The Panel and Board received a report from the Director of Corporate Operations (Item 8 in the Minute Book) on the administration of the Pension Fund in 2020/21. Pension Services have performed well against the four key measures for good administration in 2020/21 with 100% achievement against service standards for all key processes. The team has been able to maintain its service despite the continuing Covid-19 situation. Pension Services retained the Customer Service Excellence award following an interim assessment in April 2021, with compliance plus passes in five areas.

The Pension Fund's contract for Actuarial Services with Aon was let via the LGPS National Framework in 2014 and the intention was that in advance of the expiry of the current contract in December 2020 a new contract would be let through the next iteration of the LGPS National Framework. Unfortunately due to the pandemic, the new framework was delayed by a year and the existing contract was extended for a further year to 31 December 2021. The new LGPS National Framework for Actuarial, Benefits and Governance Consultancy Services is now live and the Panel and Board are asked to delegate authority to the Director of Corporate Operations to use this framework to procure actuarial services for the Fund by way of a mini competition between the four providers for Lot 1 on the framework.

The Pension Fund's Communication Policy Statement has been updated to more accurately reflect the ways in which Pension Services communicate with stakeholders including giving a year's notice that pensioners will no longer be automatically sent a paper payslip and P60 in March/April each year. This change is part of the overall move towards increasing online communications; there has been really good take up for those parts of the membership where an opt out rather than opt in approach is already in place.

Although it was clear in the newsletter that pensioners can continue to receive paper copies of their annual payslip and P60s by opting out of electronic communication, the announcement understandably has generated some concern. These concerns have been responded to on an individual basis, either through supporting the pensioner to access the Member Portal or accepting a request to opt out of electronic communications. A quarter of pensioners already have access to the Member Portal with 11,099 pensioners registered by 30 June 2021. Since announcing the move to electronic payslips 459 pensioners have requested that they retain their paper payslips. An exercise to write to any pensioner who have not either registered or opted out is planned to start in January 2022, to ensure that all pensioners will be able to access their end of year payslips and P60s in 2022 either electronically or by receiving a paper copy.

Dr Allen raised concerns on behalf of pensioners and their Trade Union representatives, that for a number of pensioners receiving electronic payslips and requesting in writing to retain a paper payslip was not appropriate. The Head of Pensions, Investments and Borrowing undertook to review the level of take-up of pensioners registering for the Member Portal or requesting to retain paper payslips and will review the move to electronic payslips after the first year of

operation. The Head of Pensions, Investments and Borrowing also reiterated that any pensioner who wishes to continue to receive a paper payslip and P60 can request to do so.

RESOLVED:

- (a) That approval was delegated to the Director of Corporate Operations to use the National LGPS Frameworks framework for Actuarial, Benefits and Governance Consultancy Services to procure actuarial services for the Pension Fund.
- (b) The updated Communication Policy statement was approved for publication.
- (c) That the strong performance of Pension Services in 2020/21 was noted.

9. **PENSION FUND COMMUNICATION REVIEW**

The Panel and Board received and noted a report from the Director of Corporate Operations (Item 9 in the Minute Book) on changes that have been made to the Pension Fund's website for scheme members and improvements to communications on the Fund's Responsible Investment (RI) activities. The changes have been made following the Pension Fund Panel and Board and RI Sub-Committee identifying the potential for the Pension Fund to improve its communication on RI.

10. **RISK REGISTER**

The Panel and Board received a report from the Director of Corporate Operations (Item 10 in the Minute Book) introducing the Pension Fund's Risk Register. The risks for employer insolvency, member communications, regulatory change and investment pooling have been amended in the Risk Register. The Risk Register will be published in the Pension Fund's Annual Report.

RESOLVED:

- (a) That the amendments to the Risk Register were approved.

11. **FIDUCIARY DUTY - ACCESS PAPER**

The Panel and Board received and noted a report from the Director of Corporate Operations (Item 11 in the Minute Book) introducing 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. The advice was produced following the Ministry for Housing Community & Local Government's (MHCLG) informal pooling consultation and the Scheme Advisory Board's (SAB) consultation on draft Responsible Investment Guidance, responses for both of which were made based on the

opinion of Paul Newman QC. Squire Patton Boggs have produced the advice for pensions committees based on the opinion of Mr Newman.

12. **CASH OUTTURN REPORT**

The Panel and Board received a report from the Director of Corporate Operations (Item 12 in the Minute Book) on the management of the Pension Fund's cash balances in 2020/21. The Pension Fund receives cash each month from contributions made by employees and employers, and from investment income. The Pension Fund requires a cash balance to be able to pay pensions and other costs. There are rigorous procedures in place to ensure the security of all cash deposits which are managed by the County Council in separate investment accounts for the Pension Fund. These include criteria for the quality of counterparties and limits on the amount that can be placed with any one counterparty as set out in the Pension Fund's Annual Investment Strategy for 2020/21 for cash, which was approved by the Pension Fund Panel and Board on 4 December 2020 and has been complied with.

RESOLVED:

- (a) That the outturn report on the Pension Fund's cash management in 2020/21 was approved.

13. **PENSION FUND ANNUAL REPORT**

The Panel and Board received a report from the Director of Corporate Operations (Item 13 in the Minute Book) introducing the 2020/21 draft Pension Fund Annual Report. The Pension Fund's accounts are included in the Annual Report. The accounts are subject to audit and it may therefore be necessary to make minor changes to the Annual Report at the conclusion of the audit. The Annual Report includes details of the Fund's governance, administration, and investments, as well as the Fund's accounts. The annual report now also includes additional information on pooling, including:

- details of the ACCESS pool's annual report
- an update on progress with investment pooling, and
- updates to sections of the report including investment.

The Director reported the total cost of managing the Pension Fund in 2020/21 which was presented based on CIPFA's guidance, which includes additional requirements for the Fund's Annual Report to report on investment management costs for pooled and non-pooled investments. The investment management costs of pooled investments are disproportionately lower than the non-pooled investments because of the different assets in each category. During 2020/21, Hampshire's net cumulative saving from pooling with ACCESS increased to £1.4m.

RESOLVED:

- a) That the contents of the draft Annual Report for 2020/21 was noted and approved for publication.

- b) That authority was delegated to the Director of Corporate Operations to make any necessary minor amendments to the Annual Report prior to publication.
- c) That the remainder of the report, including the total cost of managing the Fund, was noted.

14. **EXCLUSION OF THE PRESS AND PUBLIC**

RESOLVED:

That the public be excluded from the meeting during the following items of business, as it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the public were present during these items there would be disclosure to them of exempt information within Paragraphs 3 of Part 1 of Schedule 12A to the Local Government Act 1972, and further that in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, for the reasons set out in the reports.

15. **CONFIRMATION OF THE MINUTES OF THE PREVIOUS MEETING**

The exempt minutes of the Pension Fund Panel and Board held on 26 March 2021 were confirmed.

16. **GOVERNANCE: PENSION FUND INVESTMENT MANAGEMENT COSTS 2020-21**

The Panel and Board considered and noted the exempt appendix from the Director of Corporate Operations (Item 16 in the Minute Book) containing details of the Pension Fund's investment management costs.
[SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT INFORMATION]

17. **FIDUCIARY DUTY EXEMPT APPENDIX (LEGAL ADVICE)**

The Panel and Board considered and noted the exempt appendix from the Director of Corporate Operations (Item 17 in the Minute Book) containing legal advice on the Pension Fund and committee's fiduciary duty.
[SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT INFORMATION]

18. **INVESTMENT - INVESTMENT UPDATE**

The Panel and Board considered the exempt report from the Director of Corporate Operations (Item 18 in the Minute Book) updating the Panel and Board on the performance of the Pension Fund's investments.
[SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT INFORMATION]

Chairman,

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

Document is Restricted

This page is intentionally left blank