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AT A MEETING of the Hampshire Pension Fund Panel and Board of HAMPSHIRE COUNTY COUNCIL held at Ashburton Hall, Ell Court, Winchester on Friday, 10th December, 2021

Chairman:

*Councillor M. Kemp-Gee

Vice-Chairman:

* Councillor T. Thacker

Elected members of the Administering Authority (Councillors):

* A. Crawford	A. Dowden
* J. Glen	* D. Hiscock
A. Joy	* D. Mellor
* R. Mocatta	* T. Davies (as an observer)
* D. Drew	

Employer Representatives (Co-opted members):

Councillor R. Harwood (Southampton City Council)

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

* Dr L Bartle (University of Portsmouth)

Councillor C. Corkery (Portsmouth City Council)

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.

35. APOLOGIES FOR ABSENCE

Councillors Dowden, Corkery, Harwood, and Joy and Mrs Manchester sent their apologies.

36. 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.

37. CONFIRMATION OF MINUTES (NON-EXEMPT)

The minutes of the previous meeting held on 28 September 2021 were confirmed.

38. DEPUTATIONS

The Panel and Board received a deputation from Mr Tony Langridge a deferred member, speaking on agenda item 9, the Pension Fund's Business Plan, representing the Dirty Money Campaign.

Mr Langridge stressed that we are all living in a climate emergency and individuals often feel powerless, however the Pension Fund has power that individuals lack, and therefore it would be wonderful if it showed leadership in this area rather than appearing to be reluctant to seriously consider divestment. The Dirty Money Campaign would like the Fund's investments to help meet, not undermine, the world's goal to limit global heating to 1.5 degrees Celsius.

Mr Langridge highlighted that it had been reported that the Pension Fund has an estimated £136m directly invested in the fossil fuels industry. He described these investments as dirty money and asserted that these could soon become stranded assets. He highlighted examples of sustainable investments that had achieved strong recent returns.

Mr Langridge stated that the Pension Fund's Business Plan reflects a lack of urgency in this whole area, and despite this, the last Annual Report identified climate change as 'a systemic risk and thus a material long term financial risk' but he couldn't see in the Business Plan any direction to urgently address this risk. He suggested that the Fund's investment managers should not be just required to consider Environmental, Social and Governmental factors but directed to reduce all investment in companies with carbon intensive operations.

Mr Langridge highlighted the good practice of a number of investors having formally adopted the 1.5 degrees C alignment as a core commitment and are the members of the Net-Zero Asset Owner Alliance; these investors were hailed at COP26 as a gold standard of what financial institutions of all sizes should be doing. Mr Langridge stated that it would be good to see an ambition from Hampshire to be the best in this area, such as joining the Institutional Investor Group on Climate Change's Net Zero Investment Framework. This group has 360 members including a number of local authority pension funds including West Midlands, West Yorkshire, Tayside, Lothian, Islington, Newham and more locally Wiltshire.

Mr Langridge noted the potential risks of Climate Change, for example large areas of Hampshire are at risk of rising sea levels and coastal flooding by 2030. Mark Carney has said investors should stay with polluting companies and support them to transition, however Mr Langridge believes this is a dangerous approach as it ignores that for most companies profit maximisation comes before the future of the planet, and so the Pension Fund needs to look for commitment from those companies it invests the members money in; the Fund needs companies and investment funds that demonstrably commit to guarding the 1.5 degree C goal.

Mr Langridge concluded by pointing to the Glasgow Climate Pact which showed the goal of a 1.5 degrees C limit written clearly for all to see and asked if the Pension Fund would;

- acknowledge it,
- act on it without further delay, and
- take a leading rather than passive approach.

Cllr Kemp-Gee thanked Mr Langridge for his deputation.

39. CHAIRMAN'S ANNOUNCEMENTS

The Chairman thanked the Members who attended the ACCESS virtual investor day, which he commended as a very useful event for Members and invited Members to report back on any other training events they had attended:

- Dr Bartle, Cllrs Taylor and Hiscock – all reported that they had attended the LGPS Fundamentals course and that they felt it was beneficial.
- Ms Gowland recommended the Public and Private Pensions Summit as one of the best events she had attended.

40. ACCESS JOINT COMMITTEE MINUTES - 6 SEPTEMBER 2021

The minutes of the Access Joint Committee held on 6 September 2021 were received.

41. GOVERNANCE - INTERNAL AUDIT PROGRESS REPORT

The Panel and Board noted a report of the Director of Corporate Operations (item 7 in the Minute Book) updating the Pension Fund Panel and Board on the progress of the Internal Auditors' work programme for 2021/22. An audit has been completed on the administration of new members of the Pension Fund, showing substantial assurance in the controls in place. Further work is in progress for reviewing members leaving the Pension Fund, pensions payroll and benefit calculations, UPM (the pension administration software) and the Fund's governance.

42. GOVERNANCE - PENSION FUND ADMINISTRATION UPDATE

The Panel and Board noted a report of the Director of Corporate Operations (item 8 in the Minute Book) updating the Pension Fund Panel and Board on administration performance in the first six months of 2021/22 and other administrative issues.

Administration performance against key service standards is measured each month and in the first six months of 2021/22 Pension Services have delivered a 100% success rate against all standards and administration work has continued to be unaffected by the Covid-19 pandemic.

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. Overall there has been a continued improvement in Employer performance for the Annual Returns process.

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.

The McCloud remedy project work has continued in 2021/22. Data is required from all of the Pension Fund's 337 employers, of which 24 remain outstanding and excellent progress has been made in contacting all outstanding employers with the result being that all employers are now engaged and are aware of what they need to provide. The actual McCloud remedy and the accompanying legislation has yet to be confirmed. It is anticipated that significant further work will be required once the remedy and accompanying legislation are in place.

43. **GOVERNANCE - PENSION FUND BUSINESS PLAN**

The Panel and Board received a report of the Director of Corporate Operations (item 9 in the Minute Book) presenting the proposed business plan and budget for 2022/23 to 2024/25. Following a review of the Pension Fund's approach to reporting its Business Plan, the report has been expanded to include a number of other reports, such as the training plan and risk register, to produce a more consolidated document that links the Pension Fund's activities to its budget. The Business Plan has also been expanded to importantly reflect that the majority of the Fund's activity is its business-as-usual, as well the more one-off, project-based activities that are captured in the traditional business plan.

The budget for 2022/23 to 2024/25 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.

RESOLVED:

- a) That the business plan and budget for 2022/23 to 2024/25 are approved.

44. **GOVERNANCE - GOOD GOVERNANCE REVIEW UPDATE**

The Pension Fund Panel and Board received a report of the Director of Corporate Operations (item 10 in the Minute Book) providing an update on progress against the recommendations of the Scheme Advisory Board's (SAB) Good Governance Review including the Fund's documents for review that fulfil the requirements of the Good Governance review.

Since 2019, there have been three phases of the review, leading to the production of a series of recommendations. Phase 3 of the reporting was agreed in February 2021 and built on the recommendations agreed in 2019 with further input from a range of scheme stakeholders and an action plan for the SAB and MHCLG (as was). The recommendations to date have not yet been translated into statutory guidance by Government, however the Pension Fund has taken the opportunity to continue to review its current governance arrangements in line with the outcome of the Good Governance review.

The Good Governance Review has introduced the concept of a Senior Responsible Officer for each LGPS fund. The Senior Responsible Officer is responsible for the delivery of the LGPS function in its entirety, and be close enough to the running of the fund to have sight of all aspects of its business and be able to identify the necessary resources to deliver the business to the required standard. Following the changes to the Council's senior management structure, the Deputy Chief Finance Officer to the Pension Fund will be the Senior Responsible Officer for the Pension Fund. This role does not change the responsibilities of the CFO of the Pension Fund, which remains with the Director of Corporate Operations.

The Pension Fund's framework of governance documents now includes a Conflicts Policy following the best practice recommendations of the Good Governance Review. The proposed draft policy will require Pension Fund Panel and Board members and officers to complete a declaration of interest form each year.

Under the existing Funding Strategy Statement (FSS) and Employer Policy, 24 closed employers are on the Ongoing Orphan Funding Target (OOFT). These employers will leave orphan liabilities in the Fund when their last active member leaves as there is no ongoing employer to pay for those liabilities in the future. The Funding Strategy Statement, Investment Strategy Statement and Employer Policy have all been amended to reflect the review of the Fund's Actuary, Aon, who have reviewed funding target for employers on the OOFT.

RESOLVED:

The Pension Fund Panel and Board noted the Fund's progress against the SAB's Good Governance review in the Shadow Governance Compliance Statement and approved the following documents that form the Fund's Governance Framework:

- Conflicts of Interest Policy
- Funding Strategy Statement
- Employer Policy
- Administration Strategy Statement – including Decision Matrix

- Business Plan, including the Fund's Budget, Risk Register and Training Plan (included in item 9)
- Investment Strategy Statement
- Representation Policy
- Communication Policy Statement
- Governance Policy and Compliance Statement

45. **INVESTMENT - PENSION FUND CASH MONITORING REPORT AND ANNUAL CASH INVESTMENT STRATEGY 2022/2023**

The Panel and Board considered a report of the Director of Corporate Operations (Item 11 in the Minute Book) on the Pension Fund's cash balances and the Annual Cash Investment Strategy for those balances in 2022/23. The Annual Cash Investment Strategy has been prepared taking advice from the County Council's treasury management advisors Arlingclose into account.

As agreed by the Pension Fund Panel and Board on 12 February 2021, the Director of Corporate Operations reviews the Pension Fund's asset allocation to Protection assets on a quarterly basis, which is made up of Index-linked Gilts and cash. If the value of Index-linked Gilts is outside of the long-term strategic allocation of 22% by 5% (i.e. above 27% or below 17% of the total value of the Fund), the Pension Fund rebalances by adding to maintain the asset allocation to Protection assets. Since this change to the approach was agreed the actual allocation to Index Linked Gilts has remained above 17% of the Fund.

Officers recently approached Hymans Robertson for updated advice regarding this policy. As the Fund is approaching another actuarial valuation in 2022, there will be an opportunity at that time to review funding and investment plans. Hymans are of the opinion that taking potential actions now could potentially reduce the expected level of returns on the Fund's assets ahead of the valuation and any strategic review. Therefore, Hymans have recommended to suspend the rebalancing on index-linked gilts until the 2022 Actuarial Valuation has been completed or there is a marked improvement in long term inflation pricing.

RESOLVED:

- (a) The Annual Cash Investment Strategy for 2022/23 was approved.
- (b) The Annual Cash Investment Strategy for 2022/23 will be implemented from the date of this meeting for the remainder of 2021/22.
- (c) The Director of Corporate Operations is authorised to manage the Fund's cash balance in accordance with the policy set out in the report.
- (d) That the current policy on rebalancing Index-linked gilts be suspended.

46. **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.

47. **CONFIRMATION OF THE EXEMPT MINUTES OF THE MEETING HELD ON 28 SEPTEMBER 2021**

The exempt minutes of the Pension Fund Panel and Board held on 28 September 2021 were confirmed.

48. **GOVERNANCE - CYBER SECURITY AND BUSINESS CONTINUITY**

The Panel and Board received an exempt report of the Director of Corporate Operations (Item 14 in the Minute Book) on the controls in place to ensure the security of the pension data held by the Hampshire Pension Fund. [SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT INFORMATION]

49. **INVESTMENT - INVESTMENT UPDATE**

The Panel and Board received an exempt report of the Director of Corporate Operations (Item 15 in the Minute Book) on the progress on the Pension Fund's investments. [SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT INFORMATION]

Chairman,

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