

AT A MEETING of the Hampshire Pension Fund Panel and Board of
HAMPSHIRE COUNTY COUNCIL held at the castle, Winchester on Friday, 28th
July, 2023

Chairman:

* Councillor M. Kemp-Gee

Vice-Chairman:

* Councillor T. Thacker

Elected members of the Administering Authority (Councillors):

* M. Cooper	* A. Crawford
* T. Davies	J. Glen
* D. Hiscock	* A. Joy
* R. Mocatta	* D. Drew

Employer Representatives (Co-opted members):

Councillor S. Leggett (Southampton City Council)
* Councillor P. Taylor (District Councils - Rushmoor Borough Council)
Ms F. Hnatow (University of Portsmouth)
* Councillor J. Smyth (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)

Independent Adviser:

* C. Dobson

*Present

Also present with the agreement of the Chairman: Councillor Davies as an
observer

130. APOLOGIES FOR ABSENCE

Councillors Glen and Leggett and Ms Hnatow sent their apologies.

131. 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.

No declarations were made.

132. CONFIRMATION OF MINUTES OF PREVIOUS MEETING (PUBLIC)

The minutes of the Pension Fund Panel and Board held on 24 March 2023 were confirmed as a correct record and signed by the Chairman.

133. DEPUTATIONS

No deputations were received by the Panel and Board on this occasion.

134. CHAIRMAN'S ANNOUNCEMENTS

The Chairman and the committee thanked and congratulated Dr Cliff Allen for his service to the Pension Fund at the last meeting of his term as the pensioner representative on the Panel and Board. An advertisement has now been published for a new representative and the Director of Corporate Operations will hold interviews in September 2023.

The Chairman confirmed for the committee that the unitary representative has transferred from Portsmouth to Southampton City Council for the new municipal year, with Cllr Leggett being the current representative and Cllr Smyth the deputy employer representative.

Cllr Kemp-Gee highlighted to the committee that the Government is consulting on 'Next steps on investment' including proposals on investment pooling and local investment. The consultation was shared with Members by the Director. The consultation closes on 2 October 2023. It is expected that draft consultation responses will be on the Panel and Board's agenda for the next meeting on 29 September 2023.

135. GOVERNANCE: RESPONSIBLE INVESTMENT SUB-COMMITTEE APPOINTMENTS

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. The terms of reference for a Responsible Investment (RI) sub-committee specify that the sub-committee's membership will be reviewed annually by the Panel and Board 'following the principle that appointments will rotate annually where practical and taking proportionality requirements into account'.

RESOLVED:

That Cllrs Kemp-Gee, Thacker, Davies, and Hiscock, Ms Gowland were appointed to the Responsible Investment Sub-Committee with the employer representative to be confirmed later.

136. **ACCESS JOINT COMMITTEE MINUTES - 6 MARCH 2023 (PUBLIC)**

The Panel and Board received the (non-exempt) minutes of the ACCESS Joint Committee on 6 March 2023.

137. **GOVERNANCE: INTERNAL AUDIT OPINION 2022/23**

The Panel and Board received and noted a report of the Director of Corporate Operations (item 8 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 the Pension Fund's framework of governance, risk management and management control and audit testing has demonstrated controls to be working in practice.

138. **GOVERNANCE: PENSION ADMINISTRATION AND FUND ACTUARY INTRODUCTION**

The Panel and Board received and noted a report from the Director of Corporate Operations (Item 9 in the Minute Book) on the administration of the Pension Fund in 2022/23. Pension Services have performed well against the four key measures for good administration in 2022/23. The 2022/23 administration cost per member was £13.83 (£12.82 in 2021/22). The increase in cost from the previous year was due to the work on the McCloud remedy for which the Fund's share was £104,000 (51p per member). There will be further costs in relation to Pension Services current key projects the McCloud remedy, Guaranteed Minimum Pensions (GMP) rectification and Pension Dashboards over the next two years.

The Director provided an update on key business as usual work and planned projects:

- Over 87,500 members have now registered for the Member Portal.
- The Government has recently closed its consultation on draft regulations for McCloud. Legislation is expected before the effective date of 1 October 2023 but there remains a number of issues to be resolved.
- Work to prepare data for the Pension Dashboards programme has continued despite the Government announcing a delay to the overall project.
- The rectification stage of the GMP reconciliation project has started with the aim of correcting any under or over paid pension payments over the next six months.
- Employers have provided their annual returns which provided information on active members and is used to produce annual benefit statements and valuation data. All these returns have been uploaded onto the pension administration system, although there has continued to be a decline in timeliness and quality this year due in part to employers experiencing resourcing pressures.

Representatives of Hymans Robertson – the Pension Fund's new actuary attended the meeting to introduce themselves to the committee.

139. **INVESTMENT: CASH OUTTURN REPORT**

The Panel and Board received a report from the Director of Corporate Operations (Item 10 in the Minute Book) on the management of the Pension Fund's cash balances in 2022/23. 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 2022/23 for cash, which was approved by the Pension Fund Panel and Board on 16 December 2022 and has been complied with.

The Pension Fund can confirm its net position from dealing with members at the end of 2022/23, the end of the three-year triennial valuation period which shows net additions of £53.9m over 3 years. As reported to the Panel and Board in March 2023 as part of the consideration of the revised investment strategy, the Fund is forecast to move into a cashflow deficit in the new triennial period as the inflationary increase to benefits paid outstrips contributions. The forecast shortfall from dealing with members is £28m p.a. The revised investment strategy agreed in March 2023 included changes to take income from more of the Fund's portfolios to help mitigate this shortfall.

RESOLVED:

That the outturn report on the Pension Fund's cash management in 2022/23 was approved.

140. **GOVERNANCE: RISK MANAGEMENT**

The Panel and Board received a report from the Director of Corporate Operations (Item 11 in the Minute Book) introducing the Pension Fund's Risk Register. The Risk Register continues to use Hampshire County Council's risk scoring methodology, with the exception that the financial values have been revised to reflect the size of the Pension Fund. Further consideration will be given to how the respective categories are mapped to the Pension Fund.

Since it was last reported to the Panel and Board in the Fund's Business Plan in December 2022, one risk has been amended. The scope of investment pooling risk has been widened to include the risk of an unfavourable outcome as a result of further regulation. The likelihood of this risk has also been increased following the consultation published after the Chancellor's Mansion House speech in July 2023.

RESOLVED:

That the amended Risk Register was approved.

141. **GOVERNANCE: ANNUAL REPORT**

The Panel and Board received a report from the Director of Corporate Operations (Item 12 in the Minute Book) introducing the 2022/23 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. As the Pension Fund accounts are part of the County Council's accounts, the Pension Fund's accounts cannot be signed off until the audit of the County Council's accounts is complete. As the 2021/22 audit of the Council's accounts has not yet been completed the Pension Fund Annual Report and Accounts 2021/22 remain in draft.

The Annual Report includes details of the Fund's governance, administration, and investments, as well as the Fund's accounts. The annual report also includes additional information on pooling, including:

- details of the ACCESS pool's annual report
- an update on progress with investment pooling.

The Director reported the total cost of managing the Pension Fund in 2022/23 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 2022/23, Hampshire's net cumulative saving from pooling with ACCESS increased to £4.8m.

RESOLVED:

- That the contents of the draft Annual Report for 2022/23 was noted and approved for publication.
- That authority was delegated to the Director of Corporate Operations to make any necessary minor amendments to the Annual Report prior to publication. Any significant changes will be reported back to the Panel and Board at a future meeting.
- That the remainder of the report, including the total cost of managing the Fund, was noted.

142. **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.

143. CONFIRMATION OF THE MINUTES OF THE PREVIOUS MEETING (EXEMPT)

The exempt minutes of the Pension Fund Panel and Board held on 24 March 2023 were confirmed as a correct record and signed by the Chairman.

144. ACCESS JOINT COMMITTEE MINUTES (EXEMPT) 6 MARCH 2023

The Panel and Board received the (exempt) minutes of the ACCESS Joint Committee on 6 March 2023.

145. GOVERNANCE: ANNUAL REPORT - EXEMPT APPENDIX

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.

146. GOVERNANCE: CYBERSECURITY UPDATE

The Panel and Board considered the exempt report from the Director of Corporate Operations (Item 17 in the Minute Book) updating the Panel and Board on the cybersecurity of the Pension Fund.

(Summary of an exempt minute)

147. INVESTMENTS: CUSTODIAN 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 custodian.

(Summary of an exempt minute)

148. INVESTMENTS: INVESTMENT UPDATE

The Panel and Board considered the exempt report from the Director of Corporate Operations (Item 19 in the Minute Book) updating the Panel and Board on the performance of the Pension Fund's investments.

(Summary of an exempt minute)