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AT A MEETING of the Hampshire Pension Fund Panel and Board of
HAMPSHIRE COUNTY COUNCIL held virtually via Microsoft Teams on Friday
24th July, 2020

Chairman:

* Councillor Mark Kemp-Gee

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|---------------------------------|----------------------------|
| * Councillor Tom Thacker | * Councillor Jonathan Glen |
| * Councillor Christopher Carter | * Councillor Andrew Joy |
| * Councillor Alan Dowden | * Councillor Peter Latham |
| * Councillor Andrew Gibson | * Councillor Bruce Tennent |

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

246. APOLOGIES FOR ABSENCE

Cllr Barnes-Andrews sent his apologies.

247. 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.

248. CONFIRMATION OF MINUTES (NON-EXEMPT)

The minutes of the Pension Fund Panel and Board held on 14 February 2020 were confirmed.

249. DEPUTATIONS

In accordance with Standing Order 12, the Panel and Board received a deputation from Chris Holloway who reiterated her points from her delegation to the Panel and Board on 12 July 2019 on the risk of investment in fossil fuels, including:

- The urgency of the climate crisis and that Hampshire County Council's declaration of a Climate Emergency should commit the Pension Fund to disinvest from fossil fuel companies.
- That taking money out of fossil fuels is not only a moral issue but just as much a financial issue.
- Asking the Panel and Board to agree to explore what Pension Fund members actually think. The leaflet on Responsible Investment (RI) for pensioners was difficult to understand, but did at least ask for views, and there should be a report to the RI sub-committee on the feedback that was received.
- Asking that the Pension Fund reports back on the points raised today and previously by Winchester Action on Climate Change.

Ms Holloway concluded by stating that the Pension Fund was not taking Climate Change seriously enough.

250. CHAIRMAN'S ANNOUNCEMENTS

The Chairman informed members that representation from unitary authorities had switched back to Portsmouth City Council, and he welcomed Cllr Corkery.

The Chairman invited members to update the committee on any training they had attended:

- Cllr Glen highlighted a number of online seminars he had attended and the prominence of Environmental, Social and Governance (ESG) issues in the agenda.
- Ms Gowland reported back on Schroders online seminars which were very accessible.
- Cllr Gibson had also attended Schroders and ESG events.

251. GOVERNANCE - ANNUAL INTERNAL AUDIT REPORT & OPINION 2019/20

The Panel and Board received and noted a report of the Director of Corporate Resources (item 6 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.

252. GOVERNANCE - INTERNAL AUDIT PLAN 2020/21 - 2022/23

The Panel and Board received a report of the Director of Corporate Resources (item 7 in the Minute Book) providing the Pension Fund Panel and Board with the Internal Audit Plan 2020/21 – 2022/23 for Pension Services. The plan for 2020/21 includes five audits taking 100 staff days to complete. 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.

RESOLVED:

- (a) That the Internal Audit Plan 2020/21 – 2022/23 for Pension Services was approved.

253. GOVERNANCE: RESPONSIBLE INVESTMENT SUB-COMMITTEE APPOINTMENTS

The Panel and Board considered a report of the Director of Corporate Resources (item 8 in the Minute Book) for appointments to be made to the Pension Fund's Responsible Investment sub-committee.

RESOLVED:

- (a) That Cllrs Corkery, Joy, Kemp-Gee, Tennent, Thacker and Mr Wood were appointed to the Responsible Investment sub-committee.

254. GOVERNANCE: ADMINISTRATION PERFORMANCE UPDATE

The Panel and Board received and noted a report from the Director of Corporate Resources (Item 9 in the Minute Book) on the administration of the Pension Fund in 2019/20. Pensions Services have performed well against the four key measures for good administration in 2019/20. The team has been able to maintain its service despite the Covid-19 situation. Pensions Services retained the Customer Service Excellence award following an interim assessment in April 2020, with compliance plus passes in nine areas. The Chairman thanked the Administration and the Investments & Borrowing teams for all their hard work undertaken throughout 2019/20.

Employers are required to provide an annual return by 30 April containing details of all employees who contributed during the year. Whilst the majority of employers provide their returns on time, there were 11 returns received in June, covering 103 members. The main cause of these delays was the effect of Covid-19. Of more significant concern is Southampton City Council (SCC), which failed to provide a return by either the 30 April deadline, or its own anticipated deadline of 30 June. These matters have been escalated to the Chief Executive at SCC, with SCC formally now in special measure with Pensions Services.

The Director reported that there are currently 6,162 members with deferred benefits and 2,016 members who have a frozen refund for whom no current address is held. With the improvements to the Member Portal, a one-off project to trace them and request them to register is now viable as members now have the tools to update their address easily online. The tracing exercise would be carried out by a professional tracing service. The costs of the exercise will depend on how easily members can be traced. The Panel and Board are asked to approve this additional spend of up to £60,000, and delegate authority to the Director of Corporate Resources for approval of any variation.

RESOLVED:

- (a) That the additional expenditure to carry out an address tracing exercise, and delegation to the Director of Corporate Resources to agree any variation to the Pension Fund's budget was approved.
- (b) That a letter is written on behalf of the Pension Fund Panel and Board to Southampton City Council expressing their concern about the delay in members' data being sent to Pensions Services.
- (c) That the remainder of the report including the strong performance of Pension Services in 2019/20 and the concerns raised over employers who have not provided returns was noted.

255. GOVERNANCE: EXIT CREDITS

The Panel and Board received a report from the Director of Corporate Resources (Item 10 in the Minute Book) on the Pension Fund's policy on the payment of exit credits, which has been updated following regulation changes. The LGPS regulations were amended in May 2018 to require the Fund to repay any surplus on exit to the employer leaving the Fund, however following responses to a further government consultation the regulations on exit credits have recently been changed again. The new regulations mean that each exit will have to be considered on its own merits, but in the interests of transparency, it is recommended that a default approach is set out in the Funding Strategy Statement and Employer Policy following discussions with the Fund Actuary and consultation with employers.

RESOLVED:

- (a) That the new policy on exit credits and the consequential changes made to the Funding Strategy Statement, Employer Policy and Administration Strategy were approved.

256. GOVERNANCE - ANNUAL REPORT, RISK REGISTER, PENSION FUND COSTS AND CASH MANAGEMENT 2019/20

The Panel and Board received a report from the Director of Corporate Resources (Item 11 in the Minute Book) introducing the 2019/20 draft Pension Fund Annual Report, including the Fund's updated Risk Register, analysis of the

Fund's costs and management of the Fund's cash balance. The Annual Report includes the latest updates to the Pension Fund's Risk Register, including amendments to operational, investment, and administrative risks. 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 Director reported the total cost of managing the Pension Fund in 2019/20 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 2019/20, Hampshire's involvement in ACCESS moved from a net cumulative cost to a net cumulative saving.

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 13 December 2019, and has been complied with.

RESOLVED:

- (a) That the contents of the draft Annual Report for 2019/20, including the amendments to the Risk Register, was noted and it was approved for publication.
- (b) That authority was delegated to the Director of Corporate Resources to make any necessary minor amendments to the Annual Report prior to publication.
- (c) That the outturn report on the Pension Fund's cash management in 2019/20 was approved.
- (d) That the remainder of the report, including the total cost of managing the Fund, was noted.

257. **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.

258. CONFIRMATION OF THE MINUTES OF THE PREVIOUS MEETING

The exempt minutes of the Pension Fund Panel and Board held on 14 February 2020 were confirmed.

259. GOVERNANCE: PENSION FUND INVESTMENT MANAGEMENT COSTS 2019-20 AND PENSION FUND CASH MANAGEMENT 2019-20 APPENDIX

The Panel and Board considered and noted the exempt appendix from the Director of Corporate Resources (Item 14 in the Minute Book) supporting the Pension Fund's Annual Report and Annual Cash Investment Strategy.

260. INVESTMENT - INVESTMENT UPDATE

The Panel and Board received an exempt report from the Director of Corporate Resources (Item 15 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,