

HAMPSHIRE PENSION FUND
ANNUAL REPORT AND ACCOUNTS

2020/2021



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We hope you find this annual report informative and useful. There is a glossary of terms at page 93.

If you have any comments on the annual report, please call 01962 845588, email budget@hants.gov.uk or write to:

Pension Fund Annual Report
Pensions, Investments & Borrowing
Corporate Services
Hampshire County Council
The Castle
Winchester SO23 8UB

A larger-print version of this annual report is available from the above address.

Foreword

Welcome to the Hampshire Pension Fund annual report for 2020/21.



When writing to you in July of last year, I reflected on the terrible impact of the coronavirus pandemic and expressed hope that we would have returned to some form of normality when I wrote to you next. A year later and the pandemic continues to take its toll across the globe, the lives of an almost unimaginable number of people lost as a consequence. My thoughts continue to be with everyone affected and I sincerely hope that the incredible efforts to develop and deploy multiple vaccines mean we will soon be able to move past this very difficult time in our history.

Of course, the pandemic is not the only challenge facing the people of our planet. I am pleased to report that the Pension Fund Panel and Board has continued to make what I feel is excellent progress in further developing our approach to Responsible Investment (RI) this year, including in relation to climate change. This has been aided by the additional capacity afforded to us by our RI Sub-Committee and details of our responsible investment activity can be found on page 44 of this report. I hope you find this of interest and would welcome your thoughts and views.

As responsible investors we continue to believe in the importance of stewardship and engagement and have submitted reports as signatories to the UN Principles for Responsible Investment (PRI) and UK Stewardship Code 2020 this year as well as reporting based on the recommendations of the Task Force for Climate-related Financial Disclosures (TCFD). We have also taken further steps to actively limit the carbon emissions from our investments by making changes to two more of our global equities portfolios. I have been pleased to see the way that our investment managers have been willing and able to help us to set this up whilst also providing assurance that investment returns will not be negatively affected.

This is an important balance to strike when delivering long term returns for the benefit of our scheme members, who now number over 183,000.

These scheme members have been served exceptionally well again this year by our Pension Services team, who have continued to work incredibly hard to deliver the excellent level of service our members deserve. I am very proud of their achievements, consistently hitting targets for key performance indicators despite the challenges presented by the pandemic and once again receiving a very positive report from their Customer Service Excellence review. Similar praise is also due to the Investments and Borrowing team, who continue to manage relationships with the Fund's investment managers and who ensure the Pension Fund is represented in the ongoing development of the ACCESS (A Collaboration of Central, Eastern and Southern Shires) investment pool alongside our colleagues from the 10 other partner Local Government Pension Scheme funds.

Investment pooling has continued to be a focus for the Fund and we have made further good progress this year, transferring two global equities portfolios to the pool. This means that all of our listed equity investments and our index linked bonds portfolio are managed through pooled arrangements, which equates to about two thirds of our investments, an excellent achievement. I have been honoured to continue to serve as the Chairman of the ACCESS pool's Joint Committee and look forward to providing you with a further update on our progress next year, when I hope to be able to report that further assets have been successfully pooled. A full update on investment pooling is provided on page 24.

Investment pooling has helped us to deliver savings in the costs we pay to our investment managers, but such savings are only meaningful if the Fund's investments perform to expectations and deliver the returns we need to meet the Fund's liabilities. After financial markets across the globe fell in March 2020 in response

to the pandemic, we have seen a significant positive recovery and I am pleased to say the Pension Fund is now worth over £9bn. Our investment managers delivered returns of over 25% in 2020/21 and, while we cannot expect similar returns every year, this is a fantastic achievement and puts the Pension Fund in a strong position.

The Pension Fund continues to invest in a diversified range of assets to mitigate investment risks, including those related to Environmental, Social and Governance issues (ESG). As members of the Panel and Board we must ensure we continue to develop and maintain our skills and knowledge to provide successful oversight of the Fund and are fortunate to have once again received several excellent bespoke in-house training sessions this year. The pandemic has also meant that many more external training sessions and conferences have been delivered online, which has significantly increased the range of training to which individual members have had access. Training continues to be given high priority and more details can be found on page 16.

Finally, I would like to thank the members of the Pension Fund Panel and Board for their valuable input and dedication during 2020/21 and the role they play in the robust governance of the Fund. We will bid farewell to several members this year due to the end of the Administration's term following the local elections and I would also therefore like to take this opportunity to thank those members for their service to the Pension Fund. I am looking forward to working with the remaining and new members over the coming year. Full details of the membership of the Panel and Board during the year covered by our Annual Report can be found on page 9.

I hope you find the following report helpful.

Councillor Mark Kemp-Gee

Chairman, Pension Fund Panel and Board, July 2021

Summary Report

The Hampshire Pension Fund is part of the Local Government Pension Scheme (LGPS) and has over 183,000 members. It makes investments so that it can pay pensions to these members when they reach retirement age. Some members will already be retired and receiving their pensions, whereas others will just be starting out in their careers.

Governance

Hampshire County Council is the local authority responsible for administering the Hampshire Pension Fund, known as the Administering Authority. In this capacity, the County Council has delegated responsibility for the governance and management of the Pension Fund to the Pension Fund Panel and Board.

The Panel and Board meets regularly and has 15 members, made up of 9 County Councillors, 3 scheme member representatives and 3 employer representatives. These membership arrangements have been designed to allow all key stakeholders to have the opportunity to be represented on the committee. The only change to the membership during the year was Cllr Cal Corkery becoming the Unitary Authority (Southampton and Portsmouth City Councils) employer representative, replacing Cllr Stephen Barnes-Andrews as part of the regular annual rotation of unitary members.

The Panel and Board's mission is to provide an efficient and effective pension scheme for all of the employees and pensioners of all eligible employers in Hampshire, in accordance with the requirements of the legislation for the Local Government Pension Scheme (LGPS).

During 2020/21 the Panel and Board oversaw its normal schedule of business, albeit meetings were held virtually due to the coronavirus pandemic. This included agenda items related to the governance of the Fund, updates on administration and investment performance, and presentations from the Fund's investment managers. There was a particular focus on the Fund's approach to Responsible Investment (RI) during the year, which was further developed through the RI Sub-Committee, resulting in actions to reduce the Fund's carbon emissions without impacting investment performance. This activity was supplemented by a comprehensive programme to meet training needs identified by members. Further details can be found in the Board Report on page 12.

Investment pooling

In 2015 the Department of Communities and Local Government issued guidance which set out how the government expected LGPS funds to pool their investment assets, delivering:

- benefits of scale,
- strong governance and decision making,
- reduced costs and excellent value for money,
- an improved capacity and capability to invest in infrastructure.

The Hampshire Pension Fund is a member of the ACCESS pool (A Collaboration of Central, Eastern and Southern Shires) with 10 other LGPS Administering Authorities.

Over recent years the Pension Fund has worked with its ACCESS colleagues to transfer its investment assets to the pool, and as at 31 March 2021 has pooled £6.0bn (66.7%) of its investments. This is an increase in comparison to the position reported at 31 March 2020, due to the transfer of the Pension Fund's remaining Global Equities investment portfolios to the pool.

During 2020/21 the Pension Fund's investment management has cost the Fund £50.8m, which as a proportion of the value of the total investment assets is 0.60%. The pooled investments cost 0.14% as a proportion of the total value of pooled investments, and by comparison, the non-pooled investments cost 1.15% as a proportion of the total value of non-pooled investments. The investment management costs of pooled investments are disproportionately lower because the assets that have not been pooled attract significantly higher costs, but these assets are held to ensure the Pension Fund's investment strategy is suitably diversified.

The action of pooling has already saved the Pension Fund £1.4m since pooling began, as the savings achieved on investment management fees have outweighed the costs of setting up and maintaining the pool, as well as the transition of moving investment assets into the pool. More details can be found on page 24 of this annual report.

An annual report is also produced by the ACCESS pool, which can be found on its website:

<https://www.accesspool.org>

Summary Report (continued)

Investments

The Pension Fund employs a specialist (known as an actuary) to work out how much money will be needed to pay the pensions of all active, deferred and pensioner members of the scheme. This indicates what investment returns are likely to be needed and how much scheme members and their employers need to contribute to the Fund each year. The actuary's report can be found on page 58.

The Pension Fund sets an Investment Strategy with the aim of achieving the required investment returns. It also maintains a Funding Strategy Statement, which sets out how employers' pension liabilities can be best met and the approach to employers' contributions. These two strategies can be found on the Pension Fund's website:

Under the Investment Strategy, money is invested across different types of investments (known as asset classes) so that the Fund's investments are diversified, limiting exposure to any single asset or risk. The Panel and Board has appointed external specialists in each asset class to manage these investments. These specialists are called investment managers. By using a number of different investment managers the Pension Fund achieves further diversification.

Many economic commentators have noted that financial markets and national economies have in some ways reacted in opposite ways to the coronavirus pandemic. National economies have been negatively affected by lockdowns and restrictions, but financial markets have performed strongly in aggregate, even though there have been winners and losers amongst individual companies.

In 2020/21 the value of the Pension Fund grew by over £2bn (about 30%). It is now valued at just over £9bn. This was mostly because of the performance of the Pension Fund's investments, although some employers paid their pension contributions in advance which also increased the value of the Fund.

Each of the Pension Fund's investments is measured against a benchmark. The average benchmark return in 2020/21 (weighted to reflect the relative sizes of the Pension Fund's different investments) was 18.3%. The Pension Fund's investments achieved returns of 25.1% and so performed better than the benchmarks on average. More details can be found in the Investment Performance Report on page 30.

Responsible Investment

The Pension Fund believes that investing responsibly is an important part of achieving its objectives, as Environmental, Social and Governance (ESG) factors can have a positive or negative impact on the Pension Fund and its investments. The Pension Fund is a signatory to both the UK Stewardship Code and the UN Principles for Responsible Investment and has produced a report in line with the recommendations of the Task Force for Climate-related Financial Disclosures. It expects its investment managers to demonstrate strong stewardship and engagement on the Fund's behalf.

The Panel and Board's Responsible Investment (RI) Sub-Committee met twice during 2020/21 and the RI Policy was updated to include recommendations made by specialist consultants MJ Hudson Spring. Where data is available, the carbon footprint of the Pension Fund's investments is lower than for companies on average. The Fund has also changed the objectives for two of its active global equities (shares) portfolios during the year so they will target lower carbon emissions without sacrificing returns. This follows making a similar change to its passive global equities portfolio last year. The Pension Fund is also now using specialist RI benchmarking (GRESB) for its property portfolio. More details on the Pension Fund's approach to RI and its activity during 2020/21 can be found in the section starting on page 44 of this annual report.

Administration

The Hampshire Pension Fund provides pensions for employees of Hampshire County Council, the unitary authorities of Southampton and Portsmouth and the 11 district / borough councils in the county area. These are 'scheduled bodies', which means their employees have a statutory right to be in the Scheme. Other scheduled bodies include the Office of the Police and Crime Commissioner and the Chief Constable for Hampshire, Hampshire Fire and Rescue Authority, the University of Portsmouth, Southampton Solent University and other colleges that were part of the County Council. Town and parish councils that have opted to join the Fund are known as resolution bodies.

Summary Report (continued)

There are also admission bodies which include voluntary organisations that the County Council has admitted to the Scheme under its discretionary powers. Other admission bodies include employees of contractors for jobs transferred from scheduled bodies.

Responsibility for the administration of the Pension Fund is delegated to Pension Services, part of the Corporate Resources department of the County Council. Administration of the scheme includes administering all casework, handling all member queries, paying pensioners, working with employers (including new and exiting employers) and providing employer training and support. Pension Services perform these aspects to an extremely high standard, complying with the requirements for the national standard for excellence in customer service (CSE) and have held and retained the CSE standard since 2009, with compliance plus passes in five areas.

Pension Services monitor their administration performance against service standards for key case work and achieved 100% against service standards for all key processes during 2020/21. In addition to this annual benefit statements were produced for over 99% of active members and for over 100% of deferred members by the statutory deadline, and Pensions Savings Statements were all produced in line with that statutory deadline. The annual internal audit opinion concluded that Pension Services have a sound framework of internal control in place, which is operating effectively. No risks to the achievement of system objectives were identified.

Further information on the administration of the Hampshire Pension Fund can be found starting on page 49 of this annual report.

Financial performance and Pension Fund accounts

The Pension Fund's costs are managed in line with a budget which is agreed each year by the Pension Fund Panel and Board. Net additions from dealings with members was £28.3m greater than forecast, which was a result of a combination of higher than forecast employer and employee contributions received and lower than forecast benefits paid.

Management expenses, which are made up of investment management fees, administrative costs, and oversight and management fees were lower than forecast. Further information can be found of page 56 of this annual report.

The Pension Fund is required to produce its financial statements each year, showing the Fund's assets and liabilities as measured at 31 March, and accounting for the income and expenditure activity during the financial year from 1 April to 31 March. The Pension Fund's financial statements can be found starting on page 62 of this annual report.

Who's Who

Administering authority and scheme manager

Hampshire County Council

Treasurer

Carolyn Williamson, Deputy Chief Executive and Director of Corporate Resources

Independent adviser

Carolan Dobson

Investment managers



Asset pool

ACCESS

Pool operator

Link Fund Solutions

Custodian

JP Morgan

Actuary

Aon

Bankers

The National Westminster Bank plc

External auditor

EY

AVC providers

Zurich, Prudential, Utmost

County Council contacts

Head of Pensions, Investments & Borrowing: Andy Lowe, 01962 845588

Legal adviser: Paul Hodgson

Governance of the Hampshire Pension Fund

DRAFT

Pension Fund Panel and Board

Membership as at 31 March 2021

County Council members



Cllr Mark Kemp-Gee
(Chairman)
16 years' membership



Cllr Tom Thacker
(Vice-Chairman)
12 years' membership



Cllr Christopher Carter
12 years' membership



Cllr Alan Dowden
4 years' membership



Cllr Jonathan Glen
4 years' membership



Cllr Andrew Gibson
9 years' membership



Cllr Andrew Joy
8 years' membership



Cllr Peter Latham
7 years' membership



Cllr Bruce Tennent
12 years' membership

County Council deputies

Cllr Derek Mellor
Cllr Keith House
Cllr Michael White
Cllr Roger Price

Employer representatives



Cllr Cal Corkery
Unitary Council
representative
2 years' membership



Cllr Paul Taylor
District Council
representative
2 years' membership



Liz Bartle
Other employer
representative
2 years' membership



Cllr Stephen Barnes-Andrews
Substitute employer
representative
2 years' membership

Member representatives



Neil Wood
Active scheme
member representative
5 years' membership



Lindsay Gowland
Deferred
scheme member
representative
2 years' membership



Cliff Allen
Pensioner
scheme member
representative
8 years' membership



Sarah Manchester
Substitute scheme
member representative
3 years' membership

Pension Fund Panel and Board (continued)

The Pension Fund Panel and Board is responsible for the governance and management of the Pension Fund. Its mission is to provide an efficient and effective pension scheme for all employees and pensioners of all eligible employers in Hampshire, in accordance with the requirements of the legislation for the Local Government Pension Scheme (LGPS).

The Panel and Board's objectives are:

- To achieve a 100% funding level over the long term, which means that all current and future fund liabilities can be met.
- To maintain a stable employers' contribution rate in the long term.
- To respond promptly to legislative changes affecting the LGPS and pension provision generally.
- To comment fully on consultation papers dealing with pension matters in the interests of the Fund's participating employers and members within the deadlines set.
- To make sure that the Fund follows best practice as recommended by the Government, the Scheme Advisory Board, the Pensions Regulator, the Local Government Pensions Committee (LGPC), the Chartered Institute of Public Finance and Accountancy (CIPFA) and other organisations specialising in pensions.
- To keep abreast of all developments affecting the LGPS by undertaking training and/or taking advice from external investment managers, external consultants and County Council officers as appropriate.
- To make arrangements for keeping the Fund's participating employers and members fully informed about matters affecting them.

More detail can be found in the Business Plan:

Membership of the Panel and Board

The Pension Fund Panel and Board has 15 full members and 6 substitute or deputy members and is supported by an independent adviser and officers of the Pension Fund.

The Panel and Board's membership arrangements have been designed to allow all key stakeholders to have the opportunity to be represented on the committee. The arrangements have the endorsement of the Ministry of Housing, Communities and Local Government (MHCLG).

The Panel and Board's full members include 9 County Council elected members, 3 employer representatives and 3 scheme member representatives. The employer representatives represent the Southampton and Portsmouth unitary authorities, Hampshire's district authorities, and other scheme employers respectively. The 3 scheme member representatives cover active contributors to the scheme, members with deferred pension rights, and members currently in receipt of their pension.

All full members of the Panel and Board have voting rights. Substitute or deputy members may attend all meetings and will have voting rights when other members for whom they are substitutes are not present. An independent adviser to the Panel and Board attends all Panel and Board meetings but does not have voting rights.

The unitary employer representative position alternates on an annual basis between representatives from Southampton City Council and Portsmouth City Council. As a result, Cllr Cal Corkery moved from the substitute role to take over from Cllr Stephen Barnes-Andrews as a full member of the Panel and Board, with Cllr Barnes-Andrews fulfilling the substitute role. There were no other changes to the composition of the Panel and Board during 2020/21.

The Panel and Board also operates a dedicated sub-committee focused on responsible investment. The membership of this sub-committee is drawn from the full members of the Panel and Board and is reviewed annually. Membership comprises 4 County Councillors, 1 scheme member representative and 1 employer representative.

During 2020/21 Cllr Thacker, Cllr Corkery, Cllr Joy and Neil Wood replaced Cllr Glen, Cllr Latham, Cllr Barnes-Andrews and Dr Allen on the Responsible Investment (RI) Sub-Committee as part of the annual review and rotation of membership.

There were 6 meetings of the Panel and Board during 2020/21 and 2 of the RI sub-committee. 1 further meeting of the Panel and Board was cancelled in June 2020 due to the coronavirus pandemic.

All Panel and Board members take part in a full training programme covering the range of knowledge and skills required for their membership of the Panel and Board. The Training and Development Report provides more details on page 16.

Pension Fund Panel and Board (continued)

Attendance at Panel and Board meetings, RI Sub-Committee meetings, internally organised training events, and other external training opportunities in 2020/21 is shown in the table below. It should be noted that internal training sessions, including sessions provided by ACCESS, have greater weight as they cover topics on which the most Panel and Board members have identified a training need.

Panel and Board member	Pension Fund Panel and Board	Responsible Investment Sub Committee	Internal training sessions	External training sessions
Cllr Kemp-Gee	5/6	2/2	11	1
Cllr Thacker	6/6	2/2	3	0
Cllr Carter	6/6		2	0
Cllr Dowden	5/6		4	1
Cllr Gibson	6/6		5	3
Cllr Glen	6/6		6	48
Cllr Joy	5/6	1/2	5	0
Cllr Latham	6/6		2	0
Cllr Tennent	6/6	2/2	5	3
Cllr Corkery	6/6	2/2	1	1
Cllr Taylor	4/6		1	0
Dr Liz Bartle	6/6		3	9
Dr Cliff Allen	6/6		6	0
Lindsay Gowland	6/6		4	8
Neil Wood	6/6	1/2	6	2
Sarah Manchester (Substitute)	6/6		6	15
Cllr Barnes-Andrews (Substitute)	2/6		1	0
Cllr Mellor (Substitute)	3/6		4	2

For Pension Fund Panel and Board and Responsible Investment Sub-Committee meetings, the number of meetings attended is shown against the number of possible meetings for that member.

Conflicts of interest have been managed in accordance with the County Council's standing orders:

<http://democracy.hants.gov.uk/ieListDocuments.aspx?CId=620&Mid=3642&Ver=4&Info=1>

Details of the Pension Fund's approach to conflicts of interest in relation to responsible investment and stewardship are set out in the Responsible Investment Policy, which can be found in the Investment Strategy Statement.

Panel and Board report

Hampshire Pension Fund has the endorsement of the Ministry of Housing, Communities and Local Government (MHCLG) for the arrangement of managing the Fund with a joint Panel and Board.

This efficient governance model was developed to ensure effective oversight whilst avoiding unnecessary duplication across two committees.

Board issues are dealt with under separate governance agenda items. Items that have been considered in 2020/21 are as follows:

Meeting	Agenda
19 June 2020	Meeting cancelled due to Covid-19
24 July 2020	<ul style="list-style-type: none"> • Annual internal audit report and opinion • Internal audit plan • Responsible Investment Sub-Committee appointments • Administration performance update • Exit credits • Funding Strategy Statement • Employer Policy • Administration Strategy • Pension Fund Annual Report • Risk Register review • Pension Fund investment management costs • Cash management • Investment update
25 September 2020	<ul style="list-style-type: none"> • ACCESS Joint Committee minutes • Training in 20/21 • Actuary contract extension • Investment update • Alternative investments portfolio update • Environmental, Social and Governance (ESG) assessment by MJ Hudson Spring

Meeting	Agenda
20 November 2020	<ul style="list-style-type: none"> • Responsible Investment (RI) Sub-Committee minutes • Exit payment reforms • Baillie Gifford Global Alpha portfolio change • Investment update
4 December 2020	<ul style="list-style-type: none"> • ACCESS Joint Committee minutes • Administration performance update • Communication Policy Statement • Pension Fund budget • Good Governance in the LGPS update report • Review of the Statutory Statements • Governance Policy Statement • Governance Compliance Statement • Representation Policy • Training Policy • Business Plan • Investment Strategy Statement including RI Policy • Administration Strategy • Funding Strategy Statement • Employer Policy • Risk Register • Cash monitoring report and annual cash investment strategy

Meeting	Agenda
12 February 2021	<ul style="list-style-type: none"> • ACCESS Joint Committee minutes • Internal audit progress report • Internal audit plan • ACCESS business plan • RI Sub-Committee Terms of Reference • Trade Union representation • Custodian update • Fiduciary duty • Investment update
26 March 2021	<ul style="list-style-type: none"> • RI Sub-Committee minutes • ACCESS Joint Committee minutes • Draft Policy on Employer Flexibility Regulations • Calendar of Panel and Board meetings • Custodian performance report • Acadian Managed Volatility portfolio changes • Alternative investments portfolio update

Panel and Board Report (continued)

In addition, during these meetings the Panel and Board received 6 virtual presentations from its investment managers providing the opportunity to scrutinise the performance and approach adopted by these managers. It also received 3 deputations from scheme members, all of which related to climate change.

The Pension Fund's dedicated Responsible Investment Sub-Committee of the Panel and Board met twice during 2020/21 and considered the following items:

- Scheme member communication
- Shareholder voting and engagement
- MJ Hudson Spring ESG assessment
- Changes to Baillie Gifford's Global Alpha portfolio
- Annual Responsible Investment update for scheme members
- Task Force on Climate-related Financial Disclosures
- Changes to Acadian's Managed Volatility portfolio

The RI Sub-Committee also received 1 deputation from a scheme member related to climate change and the Pension Fund's investments.

The Panel and Board receives regular updates on investment pooling and the performance of assets managed within the pool, providing oversight as part of the effective governance of pooling arrangements. These arrangements have been set up to ensure each administering local authority may exercise proper democratic accountability and continue to meet fiduciary responsibilities. The Chairman of the Panel and Board is a member of the ACCESS pool's Joint Committee and was elected as Chairman of the Joint Committee during 2019/20. Officers represent the administering authority in various officer groups.

More detail on the governance of the Pension Fund is provided in the Governance Policy Statement:

and the Governance Compliance Statement on page 20 of this annual report.

Further information on the governance arrangements for the ACCESS pool can be found on the pool's website:

<https://www.accesspool.org/>

Scheme member reports

The County Council has appointed a combined Pension Fund Panel and Board for Hampshire that has 15 full members and has the endorsement of MHCLG. The Panel and Board's membership includes 3 scheme member representatives, representing active, deferred and pensioner members respectively.

The scheme member representatives play an important role in the governance of the Pension Fund, representing the views of scheme members. This involves two-way communication with scheme members to understand their views and pass on relevant information about the Pension Fund whilst also participating in decision making on behalf of all scheme members and for the benefit of the Pension Fund overall. They are appointed for a 4 year term and are supported by a substitute representative, with further details set out in the Pension Fund's Representation Policy:

Neil Wood
(Active scheme member representative)

nwood@fareham.gov.uk



The past 15 months under COVID-19 rules have been interesting from a Pension Fund Panel and Board viewpoint. The coronavirus pandemic has seen many changes in all our lives but for the Panel and Board we have joined in with meetings taking place virtually meaning members having to get to grips with voting buttons, unmuting laptops and raising electronic hands.

In spite of the global pandemic the Fund has grown from strength to strength with valuations reaching just over £9bn and continuing to grow. In line with the ACCESS pool more assets are being transferred to the pooled funds meaning the ACCESS pool will continue to grow.

The Fund has seen a big movement on the Environmental, Social and Governance (ESG) front in the last couple of years and the Responsible Investment (RI) policy plays a big part in our funding decisions. In line with the Fund's annual review and rotation policy I have spent the last year on the RI Sub-Committee whose role is to shape future investment policies that incorporate the wider issues of climate change as well as other areas covered by the ESG umbrella.

The next year will see the return of face to face meetings as well as a change to how the meetings are run, as meetings with investment managers will continue to be held virtually to assist with reducing the Fund's carbon footprint.

If you have any queries regarding the fund or LGPS, please do not hesitate to contact me.

Lindsay Gowland
(Deferred scheme member representative)

clerklindsay@yahoo.co.uk



This year has continued to be busy and the Hampshire Pension Fund Panel & Board has continued to meet and carry out its functions fully in these unprecedented times, albeit virtually. Whilst this has not been without its challenges, it has also had benefits. We have been able to attend a wide number of virtual training events – far more than we would have been able to if they had been face to face. Good training ensures that we are able to challenge the officers and investment managers appropriately, which is a key part of our role. Meetings have also continued with ample scope for debate and discussion, despite not being in the same room. We have paid particular attention to Environmental, Social and Governance issues this year and have received a number of deputations pertaining to these issues especially in light of the Climate Emergency declared by Hampshire County Council.

The number of deferred members of the Pension Fund as at 31 March 2021 was 78,834 which is an increase on last year's total of 75,920. Regardless of how small your deferred pension is with Hampshire, its stewardship is secure and the Administration team achieved a 100% success rate of dealing with deferred pension issues and answering queries within the set key service standards. I would encourage everyone to register with the Member Portal and ensure that their details are up to date.

The Hampshire Pension Fund Panel and Board currently meet 7 times a year but moving forward, we will be trialling a reduction in face to face meetings to 4 per year.

Scheme Member Reports (continued)

Presentations by investment managers (which are not open to the public) will take place virtually 6 to 7 times a year in addition, instead of forming part of the main meetings. The Members do not believe this will lead to any drop in effectiveness but will review the situation next year. If you have any concerns about these changes, please do not hesitate to contact me.

Dr Cliff Allen
(Pensioner scheme member representative)

cliffallen203@aim.com



It is remarkable that despite the recent prolonged Covid 19 pandemic the Pension Fund has performed exceptionally well. Other parts of this annual report will give details of our financial position and show how well placed the Investment Portfolio is for the future. There are a number of factors contributing to the Pension Fund success. Contributing factors include the hard work of leadership and management, administration, the investment strategy group and the Panel and Board. During a period of high CoVid19 infection rates and intermittent lockdown episodes Pension Services have worked tirelessly to process and pay pensions, collect contributions and deal with pensioner enquiries. Pension Services has dealt with many thousands of transactions doing an excellent job in a period when illness and death rates among the elderly have been devastatingly high.

Leadership and management through introducing technology have enabled the work of the Panel and Board to continue uninterrupted. Progress with policy development, financial strategy, monitoring performance, working with eleven County Councils on the ACCESS pool and all the professional work of the Panel and Board have been maintained and developed to the highest standards.

A full programme of personal development and training has enabled progress in decision making, professional investment, skills and knowledge to continue. Training and development are essential activities because the world of investment and, environmental, social and governance factors continually increases in complexity. The Pension Fund has developed its Responsible Investment (RI) policy, has set up an RI Sub-Committee, has asked a specialist RI consultant to review the Fund's investment portfolios, has become a signatory to the United Nations Principles for Responsible Investment, and is now also a signatory to the UK Stewardship code.

During a very difficult time a tremendous amount of work has produced many successful achievements for the benefit of all our pensioners. It's not easy to communicate comprehensively with all our members and the public we serve. We are putting more effort into improving our communications and have set up a project that will report in the coming year.

Training and Development Report

Training Policy

As an administering authority of the Local Government Pension Scheme (LGPS), Hampshire County Council recognises the importance of ensuring that all officers and members charged with financial management and decision making for the pension scheme are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them.

It therefore seeks to appoint individuals who are both capable and experienced and will provide and arrange training for relevant officers and members. This training is designed to enable officers and members to acquire and maintain an appropriate level of expertise, knowledge, and skills. A formal training plan is prepared each year to identify and meet the training needs of the Pension Fund Panel and Board, both as a group and as individuals, and is based upon the recommendations of the Chartered Institute of Public Finance and Accountancy (CIPFA) Pensions Finance Knowledge and Skills Framework.

The Deputy Chief Executive and Director of Corporate Resources at the County Council is responsible for ensuring that policies and strategies are implemented.

Further details of the Panel and Board's Training Policy are available on the Pension Fund's website:

Training received in 2020/21

During the year four internal training sessions were arranged by the Hampshire Pension Fund for Panel and Board members and officers and held virtually. The topics covered in these sessions were focused on delivering training to increase knowledge based on the Panel and Board members' self-assessment of their training requirements, as well as to enhance the Panel and Board's knowledge of index linked gilts and the link to the Retail Prices Index (RPI) following the Government's confirmation that RPI will be expected to be calculated in line with CPIH, another methodology, from 2030.

Date	Topic	Provider
December 2020	Index linked gilts	Royal London Asset Management
February 2021	The role of audit and assurance, and auditing standards	Southern Internal Audit Partnership
March 2021	LGPS pooling update	ACCESS / Hampshire Pension Fund officers
March 2021	Growth investing	Baillie Gifford

These training sessions were supplemented by a training session on treasury management, which was open to all County Councillors as well as the Pension Fund Panel and Board members and officers, and was provided by Arlingclose, the County Council's advisers on treasury management.

The internal training sessions followed a similar programme of in-house training in previous years which has been designed to cover the full range of knowledge and skills required by Panel and Board members and staff, however virtually. The coronavirus pandemic gave the Panel and Board the opportunity to try things differently and completed all of their internal training sessions online in succinct sessions that allowed more members of Panel and Board to take part, as the sessions were more accessible than in person meetings.

In addition, Panel and Board members and officers attended training sessions arranged by ACCESS. The topics covered by these sessions were as follows:

Date	Topic	Provider
July 2020	Communications	Engine MHP
November 2020	Business as usual (BAU) evaluation	Hymans Robertson
December 2020	ACCESS Investor Day	LINK Asset Services
January 2021	Communications	Engine MHP

Training and Development Report (continued)

Individual Panel and Board members and officers virtually attended a range of training events in 2020/21 provided by the Pension Fund's investment managers and other external organisations, as follows:

Training Provider	Events
Baillie Gifford	<ul style="list-style-type: none"> • Costs disclosure and transparency • Global Alpha: the importance of looking forward • Global Alpha strategy webinar • LGPS growth investing: future proofing for a new world order • Reflecting on an extraordinary year • Responsible investment breakfast briefing
Barclays	<ul style="list-style-type: none"> • LGPS webinar
DG Publishing	<ul style="list-style-type: none"> • DB strategic investment forum • Investing for pensions live • Private and public pensions summit
European Pension Fund Investment Forum	<ul style="list-style-type: none"> • EPFIF UK open forum • Pension Trustees Circle • PFIF and private markets investment forum • The pension trustees circle virtual seminar • With government bonds probably crossed off your Christmas list, what alternatives are you hoping to find in your stocking?
Hymans Robertson	<ul style="list-style-type: none"> • LGPS administration: tackling the LGPS administrative challenge • Responsible investment in the LGPS – making progress and demanding accountability

Training Provider	Events
Informa	<ul style="list-style-type: none"> • Local government pension investment forum
Insight Investment	<ul style="list-style-type: none"> • Addressing the funding challenge
JP Morgan	<ul style="list-style-type: none"> • Asia growth and income investment • Emerging markets investment • European smaller companies investment • Global growth and income • US smaller companies investment • US election
LAPF	<ul style="list-style-type: none"> • LAPF strategic investment forum
Local Government Association	<ul style="list-style-type: none"> • Applying behavioural change techniques to the COVID-19 and climate emergency responses • Fundamentals
LGC Investment	<ul style="list-style-type: none"> • Investing for the climate emergency and managing climate risk
Mallowstreet	<ul style="list-style-type: none"> • Mallowstreet digital summit
Mercer	<ul style="list-style-type: none"> • Fit for the future
Old Mutual Wealth and Quilter Cheviot	<ul style="list-style-type: none"> • ESG and sustainable investing
Pension Fund Investment Forum	<ul style="list-style-type: none"> • Climate change scenarios – implications for public and private markets and your investment strategy • Covid-19 impact on fund managers – challenges for pension funds in selecting and monitoring managers
Pension and Lifetime Savings Association	<ul style="list-style-type: none"> • Covid-19's impact on the LGPS and the regulator's response

Training Provider	Events
River and Mercantile	<ul style="list-style-type: none"> • UK micro cap investment • Infrastructure • UK equity income
Scheme Advisory Board / DG Publishing	<ul style="list-style-type: none"> • LGPS Live
Schroders	<ul style="list-style-type: none"> • Trustee training
SPS Virtual	<ul style="list-style-type: none"> • Adding value through credit and high yield investing for pension funds • Current investment issues for pension funds • Fiduciary management and investment governance for pension funds • Investment strategies for pension funds – addressing today's challenges and finding opportunities in 2021 • LGPS investors – focus on ESG, responsible and sustainable investing
T. RowePrice	<ul style="list-style-type: none"> • What will a new era bring for Japan
UBS	<ul style="list-style-type: none"> • The green finance revolution – in conversation with Mark Carney and Axel A Weber
UCITS and AIFMD and European sustainable investment summit London 2020	

Training and Development Report (continued)

Evaluation of training

Training logs for each member of the Panel and Board are completed on an on-going basis and are used to record the training undertaken during the year. The training logs include details of all relevant training courses, seminars and events attended, along with an assessment of whether each training event has fulfilled the need it was intended to meet. This information is used to help design the training plan for the following year.

Each individual officer's training needs are assessed annually, and training plans prepared for each section and department within the County Council. The actual training provided is evaluated each year to assess its effectiveness against the aims and objectives identified prior to the training event. In addition, professional finance staff in the Corporate Resources Directorate are required by the accountancy bodies to maintain their levels of Continuing Professional Development.

Training in 2021/22

During the early part of 2021/22, individual members of the Panel and Board will be reviewing their knowledge and skills against a Training Needs Analysis. The purpose of this exercise is to allow Panel and Board members to consider their existing level of knowledge and areas where additional training is likely to be beneficial.

The Training Needs Analysis is designed around the CIPFA Pensions Finance Knowledge and Skills Framework for Elected Representatives and Non-Executives in the Public Sector, and the CIPFA Technical Knowledge and Skills Framework for Local Pension Boards and helps to ensure the Panel and Board meet the requirements set out in the guidance referenced in the regulations. The Training Needs Analysis is also completed by all new Panel and Board members to enable them to identify any training requirements.

The training plan for 2021/22 is due to be approved by the Pension Fund Panel and Board in September 2021 based on the Training Needs Analysis. Proposed training includes further in-house training sessions, external training events, use of online learning tools, briefing information in reports to the Panel and Board from officers, and background reading as appropriate.

Relevant internal training sessions will be arranged for 2021/22 and 2022/23 based on the Training Needs Analysis.

Risk Management Report

The management of risk is part of the control framework managed by the Deputy Chief Executive and Director of Corporate Resources officers with assurance provided through the work of Hampshire County Council's internal audit function.

The aims of the Pension Fund are published in the Funding Strategy Statement, which is reported to the Pension Fund Panel & Board annually. Risks are identified by analysing what may interfere with the achievement of these aims, including risks associated with investment pooling arrangements.

An assessment of each risk is conducted by the staff of the Deputy Chief Executive and Director of Corporate Resources with assistance from the Fund Actuary. This involves assessing the likelihood and impact of each risk, then identifying appropriate mitigation to manage these risks.

Risks are categorised as follows:

Categorisation	Description
Employer risks	These risks arise because of the large number of employer bodies within the scheme, 337 of which had active members at 31 March 2021.
Operational risks	Operational risks exist where the activities of the Pension Fund may be disrupted due to issues such as the loss of staff, premises or key IT capabilities of the Fund or its suppliers

Categorisation	Description
Administration risks	The Pensions Regulator identifies key risk areas around how the Pension Fund is administered on a day to day basis
Investment risks	All investments come with a degree of risk. This includes risks relating to investment performance, security, and liquidity, as well as regulation and the risk of targeting the wrong level of returns. ESG risks are also considered here.
Liability risks	Changes that affect the Pension Fund's liabilities and affect the funding ratio. For example demographics, inflation and interest rates.
Funding risk	Is the Pension Fund going to remain solvent?
Regulatory and compliance risk	Regulatory risks relate to changes in LGPS regulations, including national pensions legislation and HM Revenue and Customs rules.
Governance risk	That decision making and control of the Pension Fund is lacking or inappropriate or undertaken by persons without suitable knowledge or experience.

Categorisation	Description
Pooling risk	That the investment pool which Hampshire has joined does not function effectively and provide the investments that Hampshire requires in order to implement its Investment Strategy.
Contractual risk	The contractual arrangements between the County Council (on behalf of the Pension Fund) and its suppliers are challenged as unlawful.

The risk register is reported to the Pension Fund Panel & Board annually and the full register is published on the Pension Fund's website:

Control assurance reports from investment managers and the custodian (JP Morgan) are received by the Pension Fund and are also used to provide assurance over third party operations.

Governance Compliance Statement

This statement shows how Hampshire County Council as the administering authority of the Hampshire Pension Fund complies with guidance on the governance of the Local Government Pension Scheme (LGPS) issued by the Secretary of State for Communities and Local Government in accordance with the Local Government Pension Scheme (Administration) Regulations 2008.

Ref.	Principles	Compliance	Comments
A	Structure		
a.	That the management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Full compliance.	Hampshire County Council's constitution sets out the functions of the Joint Pension Fund Panel and Board.
b.	That representatives of participating LGPS employers, admission bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Full compliance.	The Joint Pension Fund Panel and Board includes representatives of the other local authorities in the Fund, and pensioner and contributor members.
c.	That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Full compliance.	A Responsible Investment (RI) Sub-committee has been established that reports to the Joint Pension Fund Panel and Board
d.	That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	Full compliance.	The RI sub-committee is made up of members of the Joint Pension Fund Panel and Board

Ref.	Principles	Compliance	Comments
B	Representation		
a.	That all key stakeholders have the opportunity to be represented within the main or secondary committee structure These include: <ul style="list-style-type: none"> • employing authorities (including non-scheme employers, e.g. admission bodies) • scheme members (including deferred and pensioner scheme members) • where appropriate, independent professional observers, and • expert advisers (on an ad-hoc basis). 	Full compliance.	The Joint Pension Fund Panel and Board includes representatives of the other local authorities in the Fund, and pensioner and contributor members. The Fund's independent adviser attends Joint Pension Fund Panel and Board meetings. Independent professional observers are not regarded as appropriate.
b.	That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers, meetings, and training and are given full opportunity to contribute to the decision-making process, with or without voting rights.	Full compliance.	Equal access is provided to all members of the Joint Pension Fund Panel and Board.
C	Selection and role of lay members		
a.	That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	Full compliance.	

Governance Compliance Statement (continued)

Ref.	Principles	Compliance	Comments
D	Voting		
a.	That the individual administering authorities on voting rights are clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Full compliance.	All representatives on the Joint Pension Fund Panel and Board have full voting rights, but the Panel and Board works by consensus without votes often being required.
E	Training/facility time/expenses		
a.	That in relation to the way in which the administering authority takes statutory and related decisions, there is a clear policy on training, facility time and reimbursement of expenses for members involved in the decision-making process.	Full compliance.	Full training and facilities are made available to all members of the Joint Pension Fund Panel and Board.
b.	That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Full compliance.	
c.	That the administering authority considers adopting annual training plans for committee members and maintains a log of all such training undertaken.	Full compliance.	A training plan has been prepared for the Joint Pension Fund Panel and Board, and training logs are maintained for individual Panel and Board members.
F	Meetings (frequency/quorum)		
a.	That an administering authority's main committee or committees meet at least quarterly.	Full compliance.	

Ref.	Principles	Compliance	Comments
b.	That an administering authority's secondary committee or panel meets at least twice a year and is synchronised with the dates when the main committee sits.	Full compliance.	The RI sub-committee meets twice a year.
c.	That an administering authority that does not include lay members in its formal governance arrangements must provide a forum outside of those arrangements to represent the interests of key stakeholders.	Full compliance.	The Joint Pension Fund Panel and Board includes lay members. An Annual Employers Meeting of the Pension Fund is held and road shows are arranged for employers.
G	Access		
a.	That, subject to any rules in the County Council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that are due to be considered at meetings of the main committee.	Full compliance.	Equal access is provided to all members of the Joint Pension Fund Panel and Board.
H	Scope		
a.	That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	Full compliance.	The Joint Pension Fund Panel and Board deals with fund administration issues as well as fund investment.
I	Publicity		
a.	That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in how the scheme is governed can say they want to be part of those arrangements.	Full compliance.	The County Council's Governance Policy Statement is published in the Pension Fund's Annual Report and on its website.

The Pension Fund's statutory statements

Hampshire Pension Fund maintains a number of statutory statements, as follows:

- Business Plan
- Funding Strategy Statement
- Investment Strategy Statement including Responsible Investment Policy
- Governance Policy Statement
- Governance Compliance Statement
- Communication Policy Statement
- Administration Strategy
- Employer Policy

These statements were last reviewed and approved at meetings of the Pension Fund Panel and Board during 2020/21:

<http://democracy.hants.gov.uk/ieListMeetings.aspx?CId=189&Year=0>

All of the statutory statements are available on the Pension Fund website at the following link and form part of the Annual Report.

<https://www.hants.gov.uk/hampshire-services/pensions/joint-pension-fund-panel/policies>

The Pension Fund also publishes the following documents on this webpage:

- Training Policy
- Representation Policy
- Risk Register
- Panel and Board Terms of Reference
- RI Sub-Committee Terms of Reference

Investment pooling

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Progress on Investment Pooling

In 2015 the Department of Communities and Local Government (DCLG as it then was) issued LGPS: Investment Reform Criteria and Guidance which set out how the government expected funds to establish asset pooling arrangements. The objective was to deliver:

- Benefits of scale
- Strong governance and decision making
- Reduced costs and excellent value for money
- An improved capacity and capability to invest in infrastructure.

The Hampshire Pension Fund is a member of the ACCESS pool (A Collaboration of Central, Eastern and Southern Shires) with 10 other Local Government Pension Schemes (LGPS) Administering Authorities: Cambridgeshire, East Sussex, Essex, Hertfordshire, Isle of Wight, Kent, Norfolk, Northamptonshire, Suffolk, and West Sussex. The following paragraphs describe Hampshire's individual pooling progress. ACCESS' annual report, highlighting the progress of the pool overall is contained in the following section.

Value of pooled and non-pooled investments

	2019/20		2020/21	
	£'000	%	£'000	%
Equities	1,366,327	19.8	2,793,703	30.8
Passive investments	2,521,958	36.5	3,254,406	35.9
Pooled subtotal	3,888,285	56.3	6,048,109	66.7
Equities	734,497	10.6	0	0.0
Bonds	921,425	13.3	1,415,873	15.6
Property	509,548	7.4	543,685	6.0
Alternative assets	645,310	9.3	935,896	10.3
Cash and other assets	211,415	3.1	129,252	1.4
Non-pooled subtotal	3,022,195	43.7	3,024,706	33.3
Total	6,910,480	100.0	9,072,815	100.0

The proportion of the Pension Fund's investments held under the ACCESS pool increased to two thirds by the end of 2020/21 following the transfer of Hampshire's final two remaining global equities portfolios to the ACCESS pool.

ACCESS's business plan for 2021/22 includes the creation of sub-funds to enable Hampshire to transfer its Multi-asset Credit portfolios, as well as continuing to develop options for pooling Alternative assets that will ultimately provide options for Hampshire for pooling new Alternative assets.

Progress on investment pooling (continued)

Pooled costs and savings

Hampshire Pension Fund's investment management costs of £50.8m are also reported in the Fund's accounts. The data is based on data provided by the Pension Fund's investment managers who have completed the Cost Transparency Initiative template. The Fund's investment management costs shown in the table below are broken down into the following categories:

- Direct fees – that are invoiced to the Pension Fund by its investment managers.
- Indirect fees – are charged directly against the Fund's investments within investment vehicles such as pooled funds within the ACCESS pool and held outside, as well as the alternative investment funds that the Pension Fund invests in directly.
- Transaction costs – such as broker commission paid in the purchase and sale of investments, costs within the alternative investment funds, as well as the costs of maintaining the Fund's directly held property.
- Custody and other costs – the fees paid to the Fund's custodian for the safe custody and administration of the Fund's investments and consultancy costs where they specifically relate to investments.

	Pooled		Non-pooled		Total	
	£000	%	£000	%	£000	%
Direct fees	771	0.02	7,411	0.19	8,182	0.10
Indirect fees	3,512	0.07	5,671	0.15	9,183	0.11
Transaction costs	2,544	0.05	30,776	0.80	33,320	0.39
Custody and other costs	–	0.00	114	0.00	114	0.00
Total	6,827	0.14	43,972	1.15	50,799	0.60

The investment management costs of pooled investments are disproportionately lower because the assets that have not been pooled, specifically property and alternative assets, attract significantly higher costs, but these assets are held to ensure the Pension Fund's investment strategy is suitably diversified. The costs of the Pension Fund's investments are considered by the Pension Fund Panel and Board in considering investment returns on a net of costs basis when evaluating investment performance and options.

Cumulative pooling costs and savings

	£000
Pool setup and on-going costs*	459
Transition costs	539
Investment management fee savings	-2,421
Net saving of pooling to date	-1,423

*The breakdown of pool costs is detailed in the ACCESS Annual Report

The investment performance of both the Pension Fund's pooled and non-pooled investments are shown in the Investment Performance section of the Annual Report.

ACCESS Annual Report

The ACCESS Annual Report is published on the ACCESS pool's website.

The report provides more details on ACCESS and the progress that has been made in pooling in 2020/21.

The report can be found here: <https://www.accesspool.org/>

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Hampshire Pension Fund investments

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Investment Policy including Responsible Investment

The Pension Fund Panel and Board is responsible for determining at a strategic level how investments will be made by the Pension Fund, with the objective of achieving the investment return required to meet the target calculated by the Fund's actuary without exposing the Fund to excessive risk.

The Investment Strategy Statement sets out the Pension Fund's strategic asset allocation and has been designed to achieve this objective by ensuring the Pension Fund can meet 100% of pension liabilities over the long term by investing within reasonable risk parameters whilst also ensuring primary contribution rates are kept affordable and steady.

Investment Strategy: Understanding cost, risk and return

The Pension Fund's investments are grouped into three categories in the Investment Strategy Statement: growth, income and protection. Holding different types of investments helps the Fund to achieve diversification, which means the required investment returns are not heavily dependent on the performance of one economy, sector, or asset class. The Pension Fund uses different fund managers so that returns are not reliant on how well a single fund manager performs. These fund managers all manage diversified portfolios, the most concentrated of which holds around 30 stocks, whilst the most diverse will hold many hundreds of securities.

Different asset classes bring different levels of risk and uncertainty. The Pension Fund therefore invests in assets across multiple classes, aiming to ensure the profile of returns will not be completely correlated, for example by investing in assets that deliver an income stream as well as those held to deliver capital growth. Where investments are in riskier asset classes, such as equities, the aim is to ensure that the return achieved more than compensates for the risk taken.

In line with its investment beliefs, the Pension Fund holds passive investments, which are low cost and are designed simply to track a given market, and actively managed investments, where a premium is paid to an investment manager to select the right investments to outperform the comparative market. The Pension Fund's investment managers have all completed the Cost Transparency Initiative templates which allow the Pension Fund to better understand the costs associated with its investment portfolio and the relationship between investment management costs and investment returns.

Responsible Investment Policy and ESG considerations

The Hampshire Pension Fund believes in the importance of Responsible Investment (RI) and is a signatory to both the UK Stewardship Code and the UN Principles for Responsible Investment (PRI). It also supports the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD).

The Pension Fund's investment principles include:

- i) that it has a long-term focus, and
- ii) a belief in the importance of Responsible Investment, including consideration of social, environmental and corporate governance (ESG), which can both positively and negatively influence investment returns.

The UN PRI provides the following examples of ESG factors:

- Environmental – climate change – including physical risk and transition risk, resource depletion, including water, waste and pollution, deforestation
- Social – working conditions, including slavery and child labour, local communities, including indigenous communities, conflict, health and safety, employee relations and diversity
- Governance – executive pay, bribery and corruption, political lobbying and donations, board diversity and structure, tax strategy

These factors are not exhaustive but provide a baseline when considering ESG issues as part of the Pension Fund's overall investment strategy.

The Hampshire Pension Fund Panel and Board has created a dedicated Responsible Investment Sub-Committee that meets at least twice a year to consider emerging ESG issues and support the implementation of the Responsible Investment Policy.

Investment Policy including Responsible Investment (continued)

The Pension Fund delegates its investment decisions to appointed investment managers, then engages in responsible stewardship with these investment managers by reviewing and monitoring the investments being made. The Pension Fund will act to challenge its investment managers where it is difficult to see how an underlying investment can avoid a net negative contribution to a sustainable society, while engaging in dialogue about investments that will deliver a positive contribution to understand what the Fund can learn from these investments.

In all situations the Pension Fund expects its investment managers to engage with the companies they have invested in. It sets out its expectations for different types of investment manager in its Responsible Investment Policy, which can be found in full on the Responsible Investment webpage:

Passive investment managers and quantitative investment managers are expected to engage on ESG issues with companies within their index and to exercise voting rights. Active investment managers are required to pro-actively consider how all relevant factors, including those relating to ESG, will influence the long-term value of each investment.

Where investments are made in closed-ended limited partnerships, investment managers are required to integrate ESG considerations into their selection of these funds. The Pension Fund also holds directly owned UK property and the investment manager is required to consider improving the environmental impact of these properties as part of the investment case.

The Panel and Board will consider disinvestment from particular stocks or sectors, or the investment in specific 'social' investments, where it believes the decision would be supported by a significant majority of scheme members and employers, so long as it does not result in significant financial detriment to the Pension Fund.

Investment managers are expected to work actively with companies they are invested with to ensure they achieve the best possible outcomes for the Pension Fund and are instructed to exercise the Fund's responsibility to vote on company resolutions wherever possible. The Responsible Investment Policy provides guidelines for investment managers when casting their votes, and investment managers who do not follow these guidelines must report to the Pension Fund to explain why.



Custody of assets

The Pension Fund's global custodian, JP Morgan, provides a wide variety of services that underpin the work of the officers of the Pension Fund and its investment managers in managing the Pension Fund's assets. The performance of the global custodian is reported to the Panel and Board on an annual basis.

The custody services provided by JP Morgan to the Fund include:

- tax reclamation services
- filing of US-based class action lawsuits
- foreign exchange settlement to enable the Pension Fund to buy and sell assets in foreign currencies
- reporting on the value of the Pension Fund's assets and the investment performance of the Fund's investment managers.

Pooled investments are managed by the pool operator (Link Asset Services) and are held in custody by Northern Trust, the custodian appointed by Link. JP Morgan did have custody of all of the Pension Fund's non-pooled active equity portfolios, but during the year all remaining active equity investment portfolios were transferred to the ACCESS pool, and therefore JP Morgan no longer hold any Pension Fund assets in custody. All other assets are held in pooled funds by the Pension Fund. JP Morgan reports on the performance of the entire portfolio.

Matters relating to implementation of the Funding Strategy Statement

Employers paid the rates certified for the first year from the 2019 triennial valuation in 2020/21. No bonds or other secured funding arrangements were entered into during the year.

All admission bodies were managed in accordance with the Funding Strategy Statement and Employer Policy, which can be found on the Pension Fund's website:

Investment Performance Report

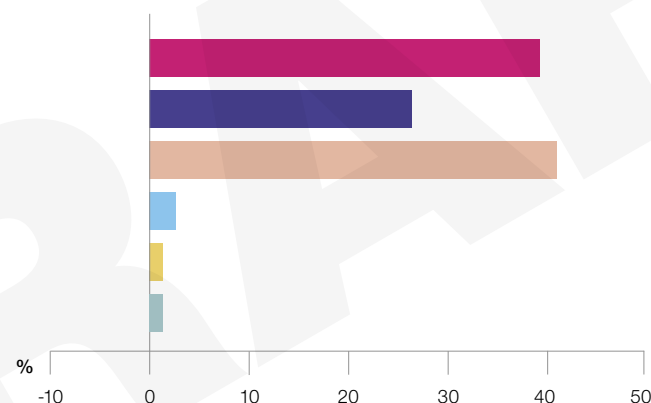
Economic context

The global coronavirus pandemic had a significant impact on financial markets at the end of 2019/20, however stock markets then rebounded throughout 2020/21. This rebound initially came from sectors of the market and individual companies that benefited from changes in the way people lived their lives due to lockdowns and restrictions, with other areas such as travel and hospitality struggling badly. The news of successful vaccine trials then had a far wider positive effect, boosting the fortunes for many more companies and leading to increases in share prices more generally.

Having fallen 6.22% the previous year, global stock markets rose by 39.58% over the 12 months to 31 March 2021. The UK stock market lagged this return, but still produced positive returns of 26.71% after declining 18.45% the previous year. UK index-linked bonds delivered modest positive returns of 2.23% for the year, after having returned a gain of 1.98% the previous year including the impact of the pandemic, while the UK commercial property market returns were slightly lower at 1.20%. By comparison, the return on cash using LIBOR as the measure was approximately 0.14%.

Market returns in 2020/21

	%
Global equities	39.58
UK equities	26.71
Emerging market equities	40.50
UK index-linked bonds	2.23
UK property	1.20
LIBOR (cash)	1.20



Investment Performance Report (continued)

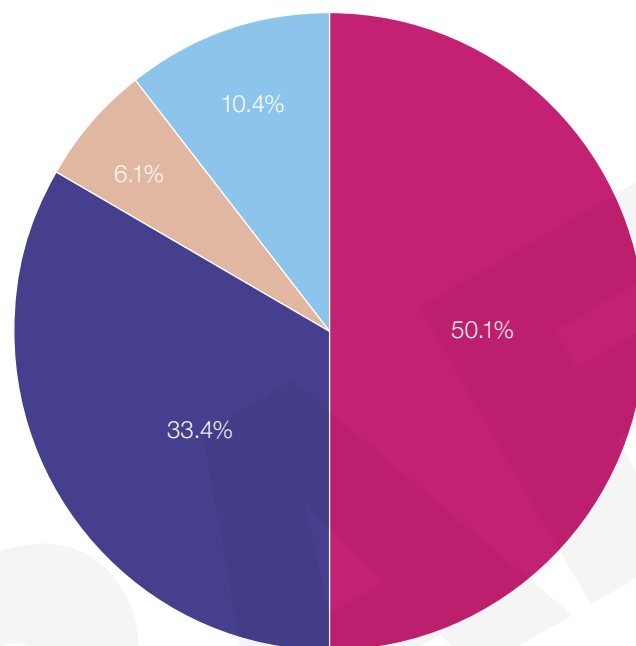
The Hampshire Pension Fund's investment portfolio

The Pension Fund holds a portfolio of investments that has been constructed in line with its Investment Strategy. This strategy includes the belief that investing across a range of asset classes will provide diversification benefits by reducing volatility and improving the Fund's risk-return characteristics.

The majority of the Fund's investments are through pooled investment vehicles, both inside and outside of the ACCESS investment pool. The Fund also owns directly held property assets as well as investments in private equity, infrastructure and private debt through its portfolio of alternative investments.

Breakdown of the Hampshire Pension Fund's investments on 31 March 2021*

	%
Pooled funds – Equities	50.1
Pooled funds – Fixed income	33.4
Property	6.1
Alternatives	10.4
Total	100.0

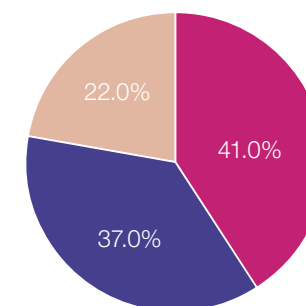


* Based on Note 11 of the Pension Fund's accounts showing total investment assets.

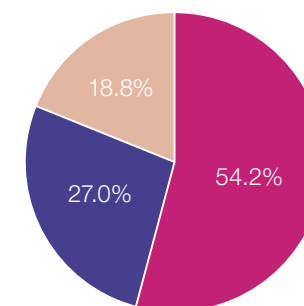
The Fund's Investment Strategy has been set to ensure that the Fund invests in assets with different characteristics. The maximum and minimum amounts allowed within the strategy and the current target and actual allocations at 31 March 2021 are shown in the table. More details can be found in the Investment Strategy Statement.

	Minimum	Maximum	Target	Actual
Growth	40%	70%	41%	54.2%
Income	10%	45%	37%	27.0%
Protection	10%	30%	22%	18.8%

Target



Actual



Investment Performance Report (continued)

The Fund has appointed investment managers responsible for specialist portfolios with the aim of delivering the objectives set out in the Investment Strategy. The target portfolio size for each investment manager is shown alongside the actual size of each portfolio at the start and end of the year. The relevant performance benchmark for each manager is shown as well as the outperformance target where applicable. Two thirds of the Fund's assets are now invested through the ACCESS pool.

Pension Fund investment management structure

	Target Portfolio size %	Actual allocation at 31 March 2020** %	Actual allocation at 31 March 2021** %	Benchmark	Annual target performance gross/net of fees	ACCESS pool?
Growth						
UK equities						
LF ACCESS UK Equity Fund (Schroders)	0.0	4.5	0.0*	FTSE All Share	+1.25% gross	Y
High-performance global equities (pooled)						
LF ACCESS Managed Volatility (Acadian)	6.5	6.5	5.9	MSCI World	+1.5% to 2.5% net	Y
LF ACCESS Global Alpha (Baillie Gifford)	5.0	4.2	7.5	MSCI All Countries World	+1.5% to 2.5% net	Y
LF ACCESS Long Term Global Growth Fund (Baillie Gifford)	7.0	9.1	10.1	MSCI All Countries World	+1.5% to 2.5% net	Y
LF ACCESS Global Stock Fund (Dodge & Cox)	6.5	6.2	7.2	MSCI All Countries World	+1.5% to 2.5% net	Y
Passive equities (pooled)						
UBS (UK equities)*	0.0	4.1	2.7	FTSE All Share Index	–	Y
UBS (global equities)	3.0	4.8	7.6	FTSE All World Equity Index	–	Y
UBS (alternative beta)	8.0	5.4	8.3	MSCI All Countries World	–	Y
Private equity and other alternatives						
Aberdeen Standard Investments	5.0	4.4	4.9	–	+9.0% to 11.5% net	N
Hedge funds						
Morgan Stanley	0.0	0.1	0.0*	–	+5.5% to 8.0% net	n/a

* portfolio no longer forms part of the Investment Strategy

** as per Note 11b in the Pension Fund's accounts

Investment Performance Report (continued)

	Target Portfolio size %	Actual allocation at 31 March 2020** %	Actual allocation at 31 March 2021** %	Benchmark	Annual target performance gross/net of fees	ACCESS pool?
Income						
Multi-asset Credit						
Alcentra	5.5	4.6	5.1	3 month GBP LIBOR	+3.0%	N
Barings	4.5	3.7	4.3	3 month GBP LIBOR	+3.0%	N
Asset Backed Securities						
Insight	1.0	2.5	3.1	3 month GBP LIBOR	+2.0%	N
TwentyFour	1.0	2.6	3.1	3 month GBP LIBOR	+2.0%	N
Private debt						
JP Morgan	5.0	1.9	2.4	3 month GBP LIBOR	+4.0%	N
Infrastructure						
GCM Grosvenor	10.0	3.0	3.0	–	+7.5% to 10.0% net	N
European property						
Aberdeen Standard Investments	0.0	0.0	0.0*	Eurozone Harmonised Index of Consumer Prices (HICP)	+5% gross	n/a
UK property						
CBRE Global Investors	10.0	7.4	6.0	Retail Prices Index (RPI)	+3.5% net	N

* portfolio no longer forms part of the Investment Strategy

** as per Note 11b in the Pension Fund's accounts

Investment Performance Report (continued)

	Target Portfolio size %	Actual allocation at 31 March 2020** %	Actual allocation at 31 March 2021** %	Benchmark	Annual target performance gross/net of fees	ACCESS pool?
Protection						
Passive index-linked bonds						
UBS	22.0	22.1	17.4	FT British Government Over Five Years Index-Linked Gilts Index	–	Y
Other						
Cash and other net assets	0.0	3.0	1.4	–	–	N/A
TOTAL	100	100	100			

The most significant changes in actual allocations over the course of the year are largely related to the relative performance of different asset classes, as well as the decision to fully divest from the LF ACCESS UK Equity Fund (Schroders). The Pension Fund's alternative and property investment managers are continuing to build out their portfolios in these more illiquid asset classes and it will take time for funds to be fully deployed. The Pension Fund's global equities portfolios with Baillie Gifford (Global Alpha) and Acadian successfully transitioned to the ACCESS pool during 2020/21.

* portfolio no longer forms part of the Investment Strategy

** as per Note 11b in the Pension Fund's accounts

Investment Performance Report (continued)

The value of the investments held by each of the Fund's managers on 31 March 2021 is shown in the following table.

Manager	Value of investments on 31 March 2021** £m
Growth	
LF ACCESS Managed Volatility (Acadian)	537
LF ACCESS Global Alpha (Baillie Gifford)	681
LF ACCESS Long Term Global Growth Fund (Baillie Gifford)	918
LF ACCESS Global Stock Fund (Dodge & Cox)	657
UBS (passive UK equities portfolio)	242
UBS (passive global equities portfolio)	688
UBS (passive alternative beta portfolio)	752
Aberdeen Standard (private equity and other alternatives)	447
Income	
Alcentra (Multi-asset Credit)	463
Barings (Multi-asset Credit)	389
Insight (ABS)	285
TwentyFour (ABS)	279
JP Morgan Alternative Asset Management (private debt)	219
GCM Grosvenor (infrastructure)	270
CBRE (UK property)	544
Protection	
UBS (index-linked bond portfolio)	1,572
Cash and other net assets	129
Total	9,073

** as per Note 11b in the Pension Fund's accounts

Monitoring the performance of the investment managers

All the Pension Fund's investment managers have been set performance targets, with the expectation that these targets will be achieved over any three to five-year period. The performance of managers investing in listed equities is benchmarked against the relevant global, local or specialist index. Active managers are set targets to outperform a benchmark index, whereas passive managers should track the index. Managers in asset classes other than listed equities are given targets relevant to both their asset class and the level of risk the Pension Fund considers appropriate to achieve its investment objectives.

The Pension Fund Panel and Board will continue to monitor the investment managers' performance against their targets on a rolling three and five-year basis.

Investment Performance Report (continued)

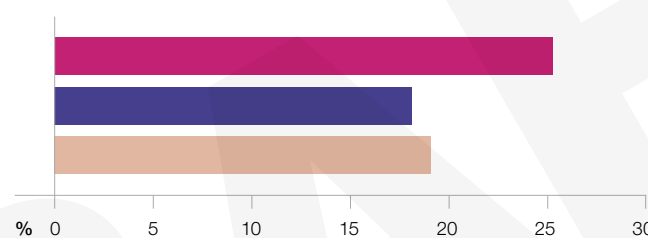
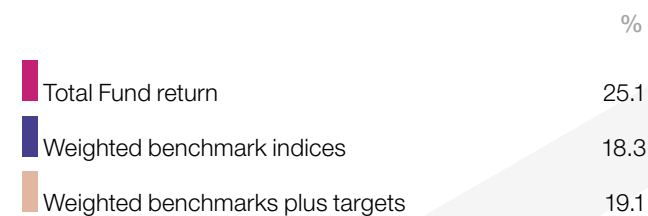
Investment performance of the overall Pension Fund

Total investment returns for the Hampshire Pension Fund were strong in 2020/21 delivering a return of 25.1% against a weighted benchmark return of 18.3%. The weighted benchmark return is the average return for the relevant benchmarks of the Pension Fund's investments, weighted to reflect the relative size of each portfolio.

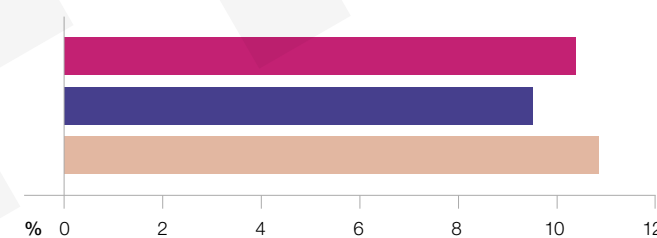
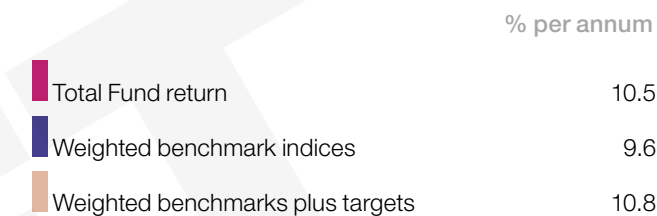
The strongest performer relative to the relevant benchmark over this period was the LF ACCESS Long Term Global Growth investment (Baillie Gifford), which has been an exceptional performer for the Pension Fund since first investing in 2016. The LF ACCESS Global Alpha fund (Baillie Gifford) and LF ACCES Global Stock fund (Dodge & Cox) both also performed strongly, as did the Multi-Asset Credit portfolios managed by Alcentra and Barings. The weakest performers were the LF ACCESS Managed Volatility fund (Acadian) and the Pension Fund's property portfolio. The market did not favour managed volatility strategies during 2020/21 while the performance of the property portfolio reflects a challenging year for the UK commercial property market. All investment managers delivered positive returns in 2020/21.

The Fund's investment return was 9.3% per annum over the three years to March 2021, and 10.5% per annum over the five years to March 2021. The 3-year return has been lower than the 5-year return because the impact of the pandemic weighs more heavily on performance over the shorter timeframe. Over the five-year period to 31 March 2021 the Fund has achieved total returns greater than the weighted benchmark but below the weighted targets set for its investment managers. All performance figures are net of fees.

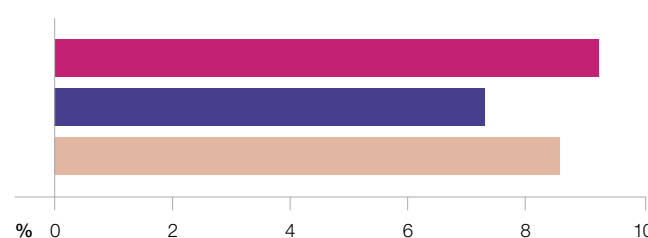
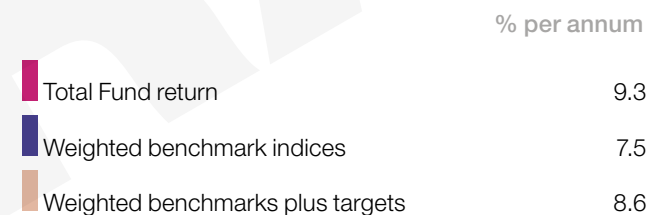
Total investment returns for the Fund 12 months to 31 March 2021



Total investment returns for the Fund Five years to 31 March 2021



Total investment returns for the Fund Three years to 31 March 2021



Investment Performance Report (continued)

Global equities

The Pension Fund invests in global equities through a combination of passive and actively managed mandates. The four actively managed mandates are all invested through the ACCESS pool managed by Link Fund Solutions. The passive mandates are managed by UBS, the ACCESS pool's passive manager.

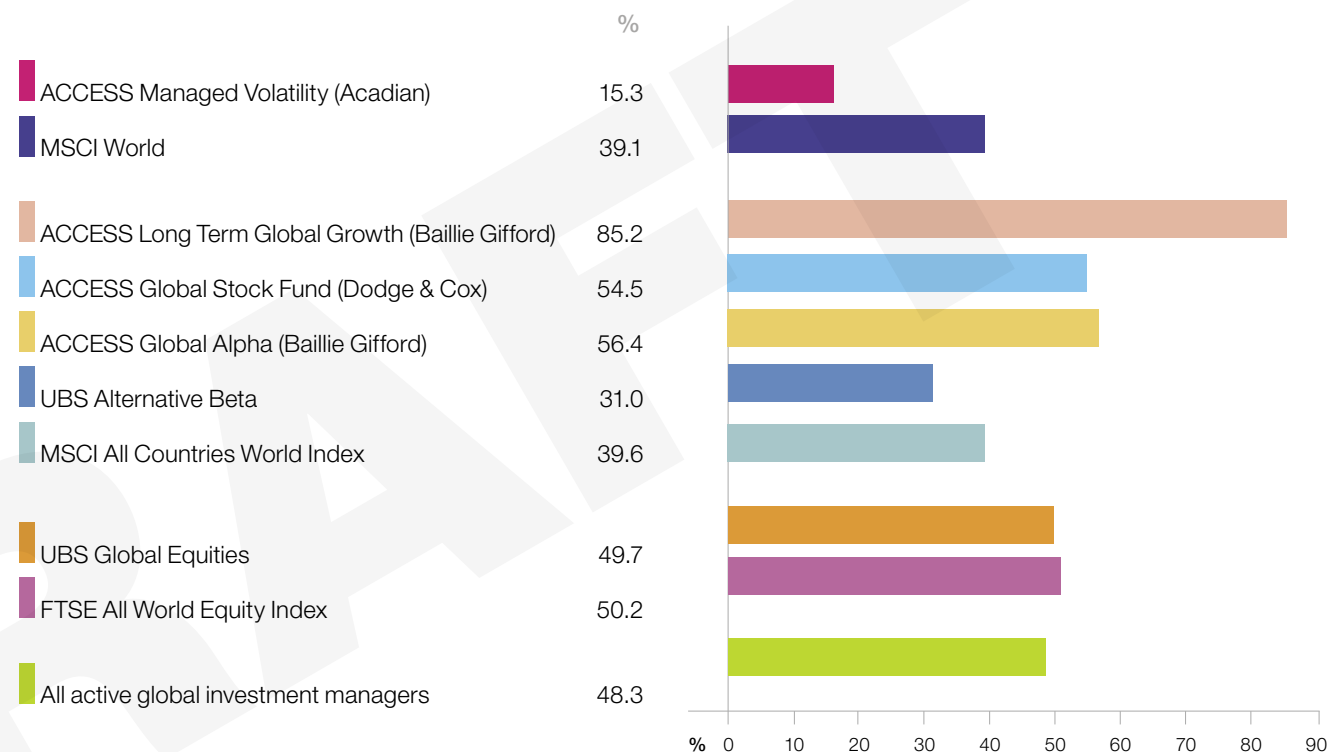
Full details of the investment management arrangements are on page 32 and performance data is only shown where meaningful data is available.

Global stock markets gained 39.58% in 2020/21, as measured by the MSCI All Countries World Index (ACWI), and 39.09% when emerging market stocks were excluded (MSCI World).

The Baillie Gifford Long Term Global Growth fund greatly outperformed the index. This was due to a concentrated portfolio of growth stocks that was well positioned to benefit from the shift in behaviours brought about by the pandemic as well as other longer-term trends. The less concentrated Baillie Gifford Global Alpha fund also performed well for similar reasons, while the Dodge and Cox Global Stock Fund benefited from being well positioned to take advantage of the wider market rebound that followed the positive vaccine news in November 2020. In aggregate, the Fund's active global equity managers outperformed the MSCI ACWI benchmark, returning 48.33% compared with the 39.58% gain for the index.

Global equities

12 months to 31 March 2021

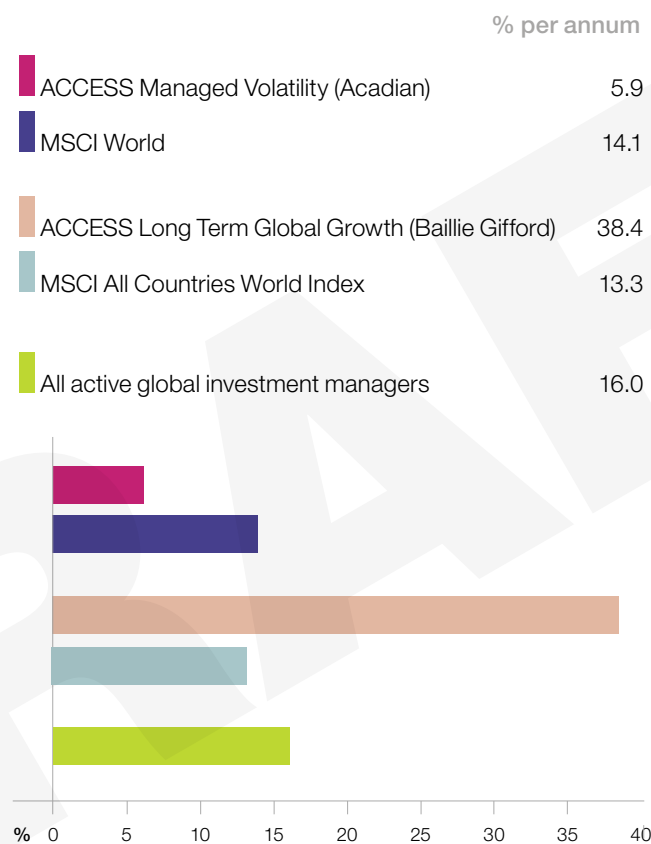


Investment Performance Report (continued)

Two of the Pension Fund's current global equity managers have a track record of three years and their performance is shown in the adjacent table against their respective benchmarks. The table also shows the aggregate performance of all the Pension Fund's active equity managers over three years, including those where the Pension Fund has now disinvested. The Fund's active equity managers have outperformed the wider market in aggregate.

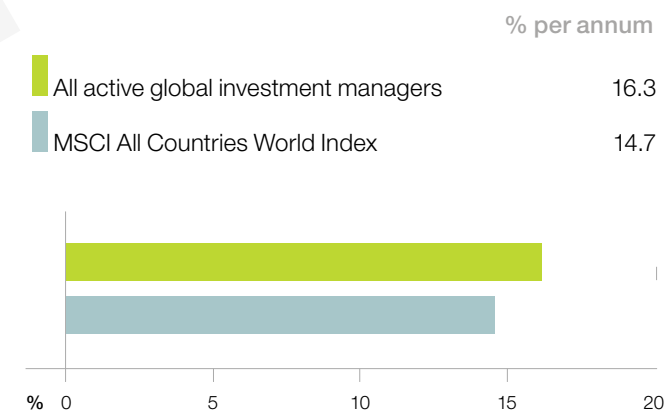
The Baillie Gifford Long Term Global Growth Fund has achieved very strong returns over this period, significantly outperforming the benchmark. This has been because of a concentrated portfolio of growth stocks that have benefited from disruption and change. The Acadian portfolio has underperformed the benchmark because the strategy focuses on low volatility stocks and there has not been significant volatility in the market for the majority of the three year period.

Global equities Three years to 31 March 2021



None of the Pension Fund's current active global equity managers have a track record of five years. The table below shows the aggregate performance of the Fund's active global equity managers over the last 5 years including the Fund's previous managers and shows the Fund's managers have outperformed the benchmark. The investment managers are set a target to outperform the benchmark by 1.5% to 2.5% and the outperformance is within this range.

Global equities Five years to 31 March 2021



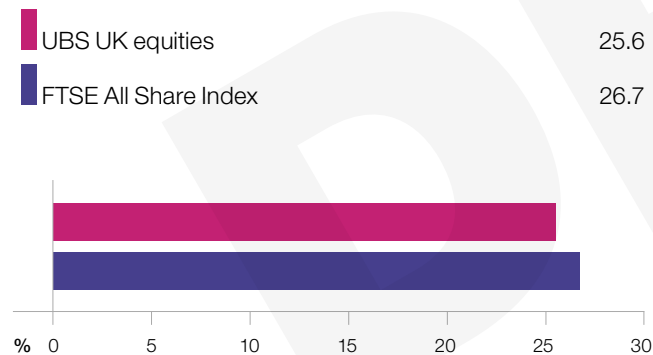
Investment Performance Report (continued)

UK equities

The UK stock market experienced positive gains during 2020/21 as the FTSE All Share index returned 26.7% over the year after losing 18.5% the previous year. The UK stock market has however lagged the global benchmark significantly over recent years and the Pension Fund has now fully divested from its actively managed portfolio of UK equities. The Fund also no longer maintains an allocation to passively managed UK equities within its investment strategy, although it temporarily continues to hold an actual allocation pending the deployment of these funds through its other investment managers. This passively managed portfolio has marginally underperformed the benchmark over the 1, 3 and 5 year time periods as measured by the Pension Fund's custodian.

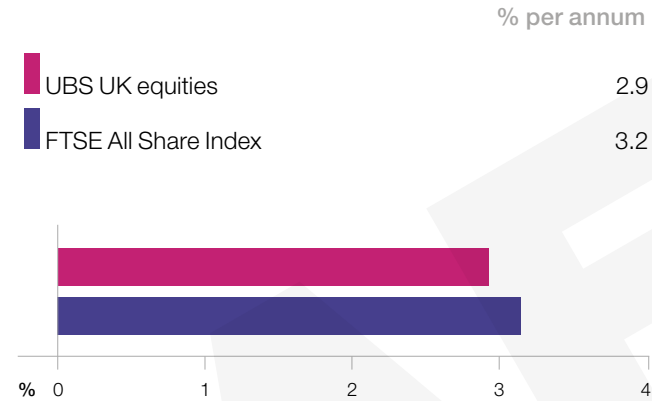
UK equities

12 months to 31 March 2021



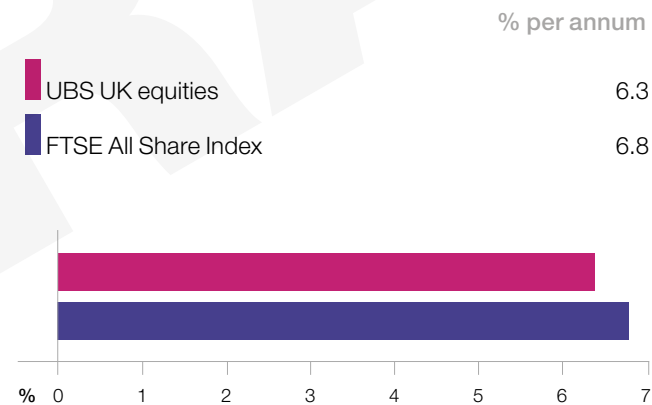
UK equities

Three years to 31 March 2021



UK equities

Five years to 31 March 2021



Investment Performance Report (continued)

Fixed income

The FTSE British Government Over Five Years Index-Linked Gilts Index returned 2.23% during 2020/21 and UBS delivered returns of 2.96%. Over 5 years the portfolio performance has mirrored the benchmark at 6.42% per annum.

The Pension Fund appointed Alcentra and Barings as its two Multi-Asset Credit (MAC) investment managers during 2019. Both investment managers predominantly invest directly in bonds and loans and have been given a target to deliver returns of 3% per annum above the 3 month average LIBOR rate. The value of both portfolios fell significantly as markets reacted to the global coronavirus pandemic but have delivered strong positive returns in 2020/21, gaining 22.9% and 27.0% respectively.

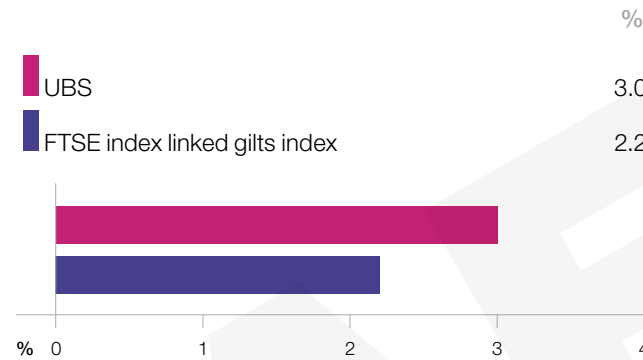
Two new investment managers were appointed during 2019/20 to manage investments in Asset Backed Securities (ABS), Insight and TwentyFour, and both managers have performed above their performance target of LIBOR +2% over the past 12 months, delivering returns of 7.9% and 8.0% respectively.

The outperformance of the MAC and ABS portfolios came as markets more widely rebounded from the initial impact of the pandemic.

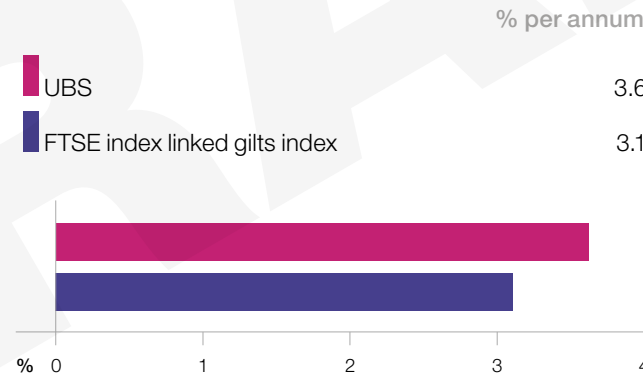
The Fund's investments in private debt through JP Morgan Alternative Asset Management are covered under the section on alternative investments on page 42.

None of the Fund's current actively managed fixed income portfolios have a track record of three years or more.

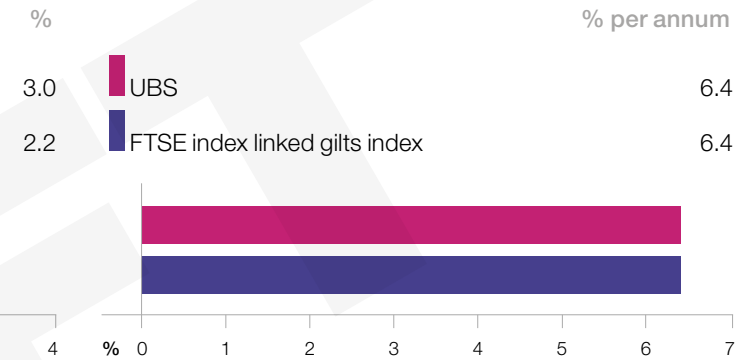
**Index linked gilts
12 months to 31 March 2021**



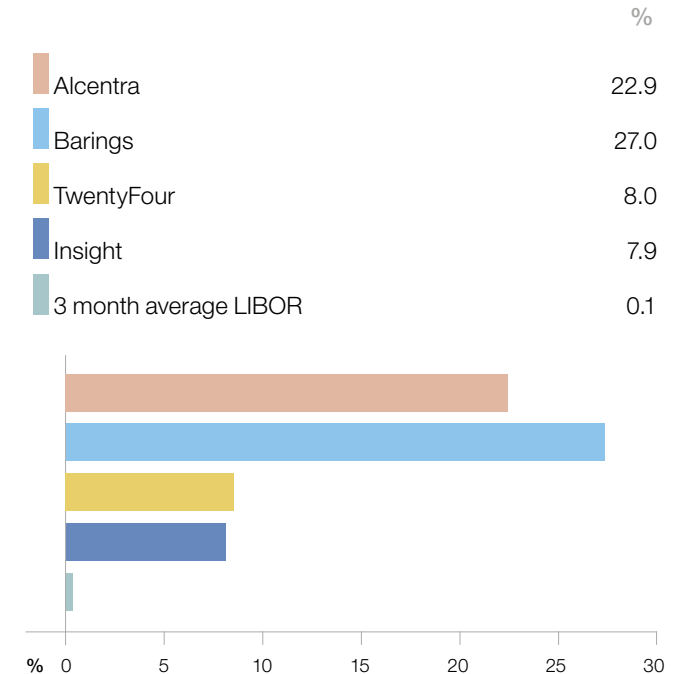
**Index linked gilts
Three years to 31 March 2021**



**Index linked gilts
Five years to 31 March 2021**



**Actively managed fixed income
12 months to 31 March 2021**



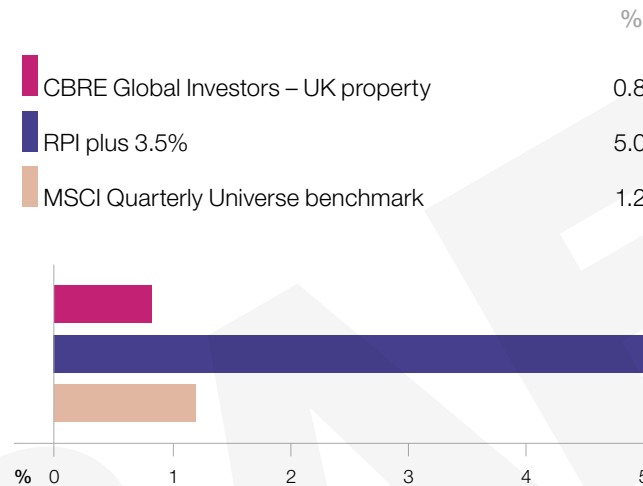
Investment Performance Report (continued)

Property

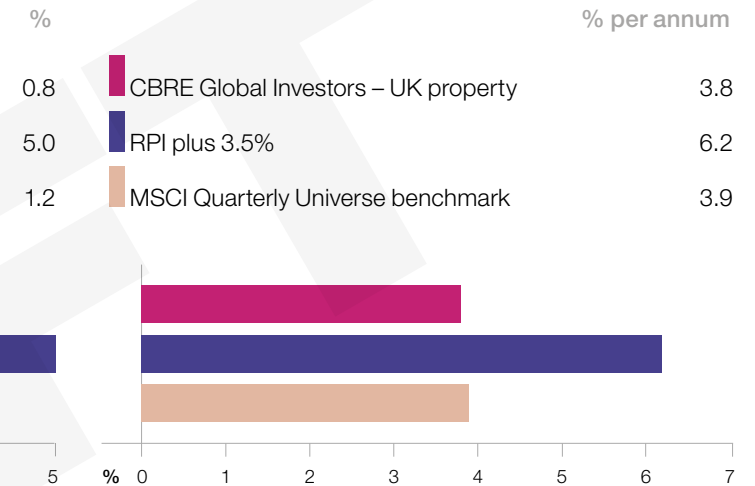
CBRE Global Investors manage a portfolio of UK properties, with a performance target of the Retail Price Index (RPI) plus 3.5% over 7 to 10 years. CBRE Global Investors' performance return of 0.76% in 2020/21 was below their target and reflects a challenging year for the UK commercial property market as a result of the pandemic. CBRE Global Investors have underperformed their RPI plus 3.5% target over the last 3 and 5 year period but have outperformed over the 7 to 10 year periods on a gross of fees basis.

CBRE Global Investors have slightly underperformed the MSCI Quarterly Universe property benchmark over the 1, 3 and 5 year periods. This benchmark reflects the returns achieved by similarly sized property portfolios but is not the performance target for this portfolio.

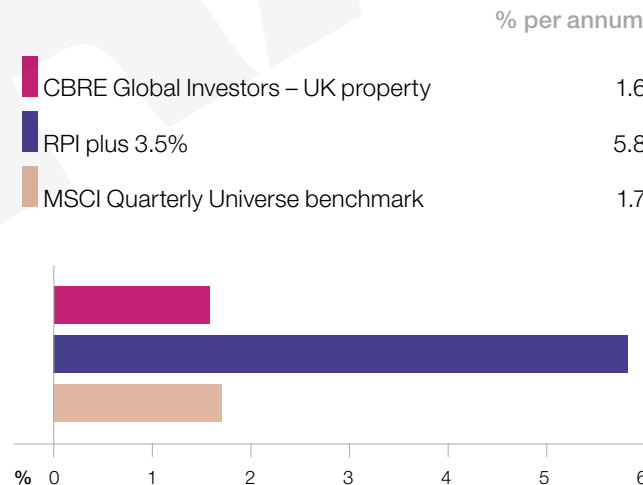
Property 12 months to 31 March 2021



Property Five years to 31 March 2021



Property Three years to 31 March 2021



Investment Performance Report (continued)

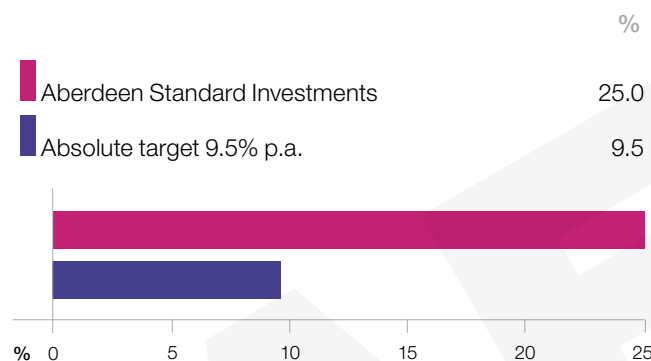
Alternative investments

The Pension Fund's private equity, infrastructure and private debt portfolios are managed by Aberdeen Standard Investments, GCM Grosvenor and JP Morgan Alternative Asset Management respectively. These investments are relatively illiquid and investments in the infrastructure portfolio in particular should be considered long-term investments. By being able to take a long-term view and being prepared to hold illiquid investments, the Pension Fund believes it can benefit from greater returns.

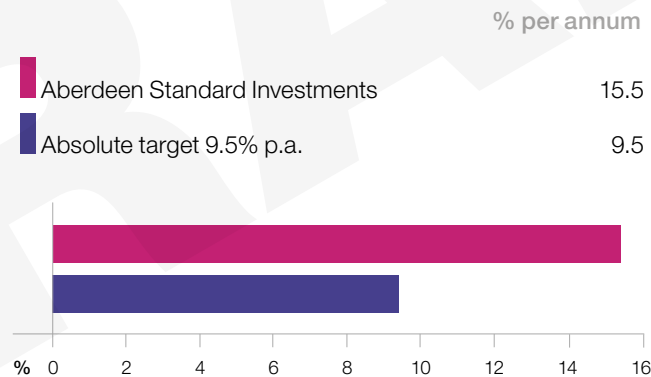
The performance of the private equity and infrastructure portfolios is measured using the Internal Rate of Return (IRR), which gives an annualised effective interest rate for the investment, taking account of the timing of the cashflows.

The private debt portfolio has been in place since 2019 and therefore performance data is not available for the 3 or 5 year periods.

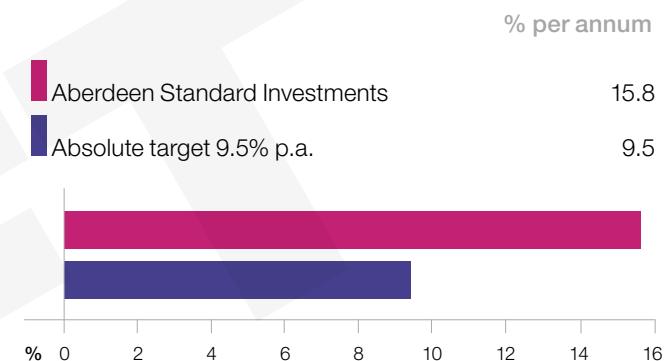
Private equity and other 12 months to 31 March 2021



Private equity and other Three years to 31 March 2021

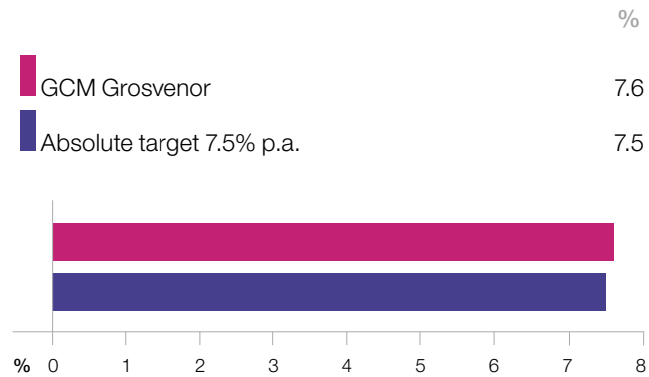


Private equity and other Five years to 31 March 2021

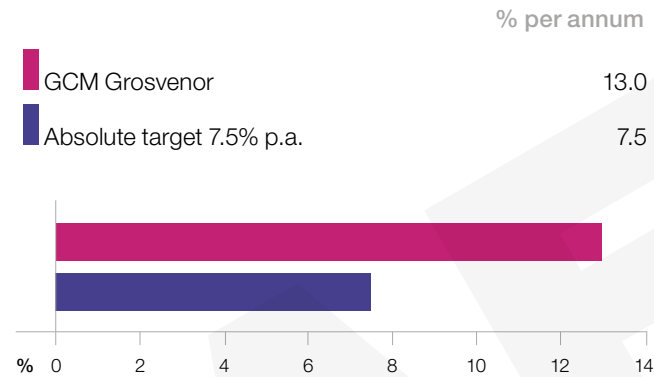


Investment Performance Report (continued)

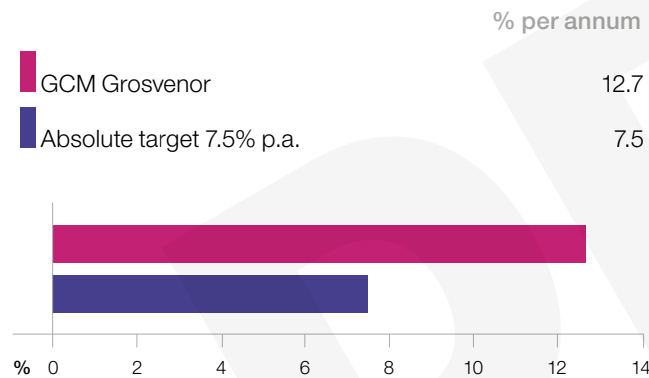
Infrastructure 12 months to 31 March 2021



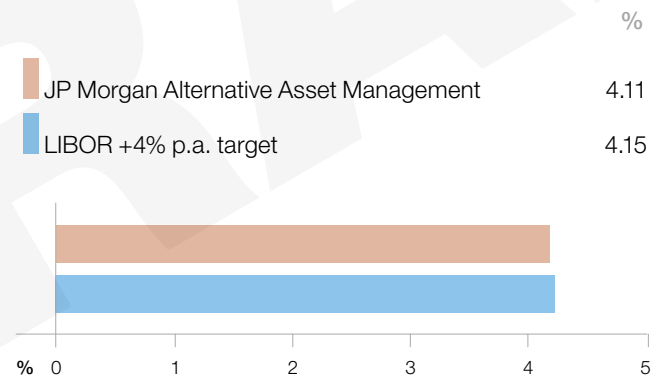
Infrastructure Five years to 31 March 2021



Infrastructure Three years to 31 March 2021



Private debt 12 months to 31 March 2021



Responsible Investment Activity 2020/21

The Pension Fund believes that an important part of responsible investment is being transparent about its Responsible Investment (RI) Policy and the RI activity of the Fund. This report provides an update on the Pension Fund's RI activity.

Introduction

The Pension Fund:

- Has an RI policy, which is part of its investment strategy. This explains how Economic, Social and Governance (ESG) factors will be considered when making investment decisions for different asset classes and how the Pension Fund expects its investment managers to talk to companies about ESG issues and take part in shareholder voting.
- Conducted a significant consultation exercise with stakeholders and engaged Dr Rupert Younger (Chair of Oxford University's SRI Committee) in drafting this RI Policy in 2018 and 2019.
- Has set up a group to focus on RI. The RI Sub-Committee was formed in September 2019 and is made up of members of the Pension Fund Panel and Board and makes recommendations to the Panel and Board.
- Is a signatory to the UN Principles for Responsible Investment (PRI) which sets out six principles for responsible investors to follow.
- Is a signatory to the UK Stewardship Code which is about how investors should act when making and owning investments.

- Appointed the specialist RI consultants MJ Hudson Spring in April 2020 to review the Fund's investments. This has given the Panel and Board an independent opinion on the effectiveness of its current investment managers and suggestions for how to challenge them to do more on RI.
- Provides training for the Panel and Board on RI to ensure members have relevant and up-to-date knowledge and understanding of this topic.
- Has produced two annual updates to report to scheme members specifically on RI activity.

Responsible Investment Sub-Committee

The following items were considered by the RI Sub-Committee during 2020/21:

- Scheme member communication
- Shareholder voting and engagement
- MJ Hudson Spring ESG assessment
- Baillie Gifford Global Alpha portfolio changes
- Annual Responsible Investment update for scheme members
- Task Force on Climate-related Financial Disclosure
- Changes to Acadian's Managed Volatility portfolio

The Pension Fund Panel and Board agreed to make changes to the Baillie Gifford Global Alpha and Acadian portfolios to target lower carbon emissions without impacting investment returns following the recommendations of the RI Sub-Committee.

Addressing climate change concerns

With climate change set to have a large impact on all of us over time, the Pension Fund must make sure this is reflected in how it invests.

The Pension Fund:

- Holds its portfolio of global passive shares (that track world stock markets) in a Climate Aware Fund, which skews its investments towards companies in each sector that have the best environmental credentials.
- Has a carbon footprint for its largest actively managed equity (shares) portfolio that is only 3% of the benchmark average for world companies.
- Has agreed to change its Baillie Gifford Global Alpha actively managed equity portfolio so that it is aligned with the climate change goals of the Paris Agreement, without affecting the performance target.
- Has agreed to change its Acadian Managed Volatility actively managed equity portfolio so that its investments will be kept at a maximum of 50% of the carbon intensity of the portfolio's benchmark, without impacting the performance target.
- Is talking to its other investment managers about greener options for their funds.
- Continues to challenge all its investment managers to improve their reporting on carbon emissions and to justify their decisions.

Responsible Investment Activity 2020/21 (continued)

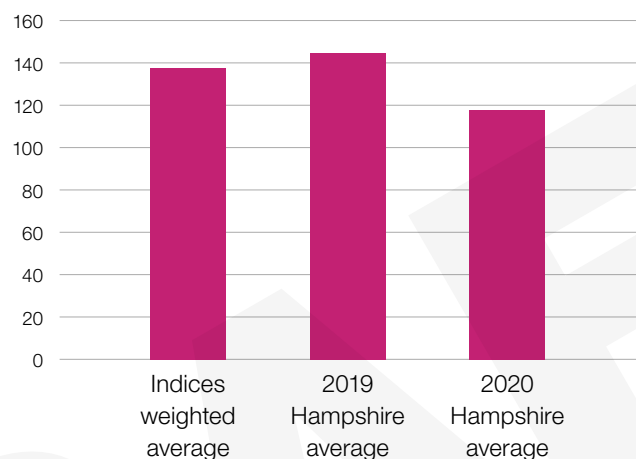
- Has agreed to use a global property ESG benchmark (GRESB) to assess its property portfolio.
- Holds a global infrastructure portfolio where 14% of commitments are to renewable energy investments.
- Supports the recommendations of the Task Force for Climate-related Financial Disclosures (TCFD) and produced a TCFD report.
- Can measure the carbon emissions of 53% of its investments (50% last year).
- Has lower than average carbon emissions for these investments when compared with the carbon footprint and carbon intensity of companies on average (based on the most relevant benchmark indices).

The impact on emissions can be measured either as the CO₂ emissions relative to the size of companies (carbon footprint) or CO₂ emissions relative to how much revenue companies generate (carbon intensity). Emissions are measured in tonnes of CO₂ per £1m and data comes from the Pension Fund's investment managers and relevant benchmarks and covers Scope 1 and Scope 2 emissions. Scope 1 and Scope 2 emissions are those directly created by companies in the power generation or its own operations. It does not include supply chain emissions (Scope 3) where reliable data is not currently available.

Investment decisions will not be made solely on the basis of carbon emissions, but the data will be used as a baseline to enable the Panel and Board to monitor the actions of its investment managers and as a useful way to help these managers to target their engagement with companies on the reduction of carbon emissions.

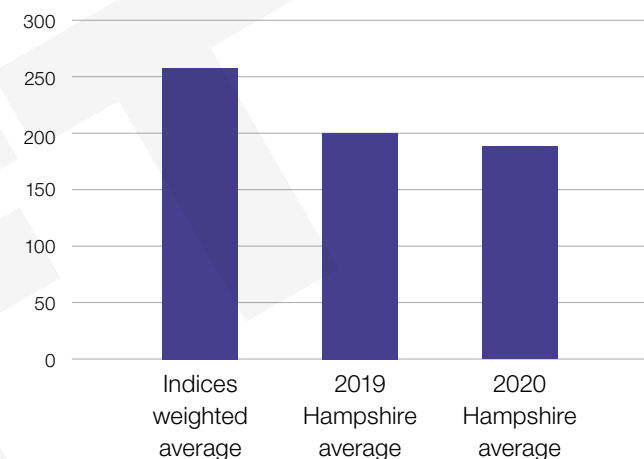
Carbon Footprint (tCO₂e/£m invested)

31 December 2020



Carbon Intensity (tCO₂e/£m invested)

31 December 2020



Further actions

Other actions that the Pension Fund is taking as a responsible investor include:

- Reporting on RI activity on its website and improving reporting and transparency.
- Regularly reviewing shareholder voting and company engagement conducted by its investment managers and asking its investment managers to report on the outcomes of this activity.
- Challenging its investment managers to give concrete examples of how they are considering ESG factors when making decisions.
- Publishing its statement of compliance with the updated UK Stewardship Code 2020.

- Completing its first submission to the UN Principles for Responsible Investment.
- Reporting its approach to climate related risks under the Task Force for Climate-related Financial Disclosures (TCFD) framework.

Responsible Investment Activity 2020/21 (continued)

Engagement and shareholder voting

The Pension Fund's investment managers' engagement and shareholder voting continues to be a key feature of the Fund's RI policy and is regularly reviewed. The Fund's investment managers have reported that key themes they have covered are:

- good governance, including board composition and executive pay,
- diversity, inclusion, and the quality of company workforces, including reporting on the gender pay gap, and
- sustainability and climate change including reporting on efforts to eliminate deforestation and integrating ESG metrics into executive compensation programmes.

Analysis of votes cast by the Pension Fund's investment managers during 2020/21 show that the majority of votes cast against company management were for the following reasons:

- nominees for company directors being not sufficiently independent,
- remuneration policies where the level of pay was felt to be excessive
- to improve the empowerment of investors, and
- the appointment of auditors where the incumbent audit firm has been in place too long or the disclosure of non-audit fees to the company was not clear.

It is the Panel and Board's aim to ensure that all voting rights are exercised in accordance with the Pension Fund's voting policy, which allows for investment managers to explain if they have felt it appropriate not to follow the policy as an exception. Exceptions are reported to the Pension Fund Responsible Investment Sub-Committee with an explanation from the investment manager.

Detailed reports on votes cast at shareholder meetings by the Pension Fund's investment managers can be found on the Fund's RI website:

Feedback

We would love to hear your thoughts on how we are doing as a responsible investor and how we are acting on your behalf as scheme members. Please email us at

responsible.investment@hants.gov.uk

or write to Responsible Investment, Hampshire Pension Services, The Castle, Winchester, Hampshire, SO23 8UB.

More information can be found via the Pension Fund's Responsible Investment website:

Summary Task Force on Climate-related Financial Disclosures Report 2021

The Hampshire Pension Fund supports the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). TCFD provides a global framework to enable stakeholders to understand the financial system's exposure to climate-related risks particularly affecting organisations most likely to experience climate-related financial impacts from transition and physical risks. The TCFD has been endorsed by over 1,000 companies and financial institutions representing a combined market capitalisation of over US\$12 trillion and nearly US\$118 trillion assets under management. The Fund has committed to reporting on its approach to climate risk using the TCFD framework for asset owners which is published here:

Responsible Investment Activity 2020/21 (continued)

The following paragraphs summarise Hampshire's TCFD report.

The Hampshire Pension Fund Panel and Board is responsible for agreeing investment objectives, strategy and structure and for developing and agreeing the Responsible Investment (RI) Policy. All of the Hampshire Pension Fund's investments are managed by specialist external investment managers. The Panel and Board receive regular reports from the Fund's investments managers, which includes their management of responsible investment. As confirmed by the Pension Fund's specialist RI consultant, all but one of the Fund's investment managers are Principles for Responsible Investment (PRI) signatories. The Pension Fund strongly encourages managers to become signatories and to adhere to the principles.

The Hampshire Pension Fund has a global investment strategy widely diversified by geography, asset class, sector and investment manager. The Hampshire Pension Fund believes that Climate Change is a systemic risk and thus, a material long-term financial risk for any investor that must meet long-term obligations. Given the diversified nature of the Fund's strategy it will be exposed to all of the risks identified in the TCFD analysis, though the degree and timing of the impact cannot be accurately gauged. The Fund continues to encourage greater levels of climate-related disclosures through its discussions with its investment managers and their engagement and voting with the companies they invest in to address this issue.

The largest allocation in the Pension Fund's investment strategy is to equities, therefore the Fund's primary concern is that its investment managers and the management of the companies in which they invest have fully assessed climate-related risks and the potential impact on asset valuations, in particular from:

- obsolescence, impairment or stranding of assets;
- changing consumer demand patterns; and
- changing cost structures including increased emissions pricing, insurance and investment in new technologies.

The TCFD recommendations call for asset owners to disclose a weighted average carbon footprint, which the Hampshire Pension Fund has done and included in the full TCFD report. The Pension Fund is not currently using quantitative targets for the carbon output of its investments, as part of its Responsible Investment Policy but is committed to continuing to monitor the carbon footprint and intensity of its investments and working with its investment managers to identify opportunities to improve environmental outcomes that also correlate with positive investment performance.

Administration of the Hampshire Pension Fund

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Scheme Administration Report

Who belongs to the Hampshire Pension Fund?

The Hampshire Pension Fund provides pensions for employees of Hampshire County Council, the unitary authorities of Southampton and Portsmouth and the 11 district / borough councils in the Hampshire county area. These are 'scheduled bodies', which means their employees have a statutory right to be in the Scheme. Other scheduled bodies include the Office of the Police and Crime Commissioner and the Chief Constable for Hampshire, Hampshire Fire and Rescue Authority, the University of Portsmouth, Southampton Solent University and other colleges that were part of the County Council. Town and parish councils that have opted to join the Fund are known as resolution bodies.

There are also admission bodies which include voluntary organisations that the County Council has admitted to the Scheme under its discretionary powers. Other admission bodies include employees of contractors for jobs transferred from scheduled bodies.

Teachers, police officers and firefighters have separate non-funded pension arrangements. Under the Pensions Act 2011, all employers are obliged to automatically enrol eligible employees into a qualifying pension scheme, and re-enrol anyone who opts out of the scheme every three years.

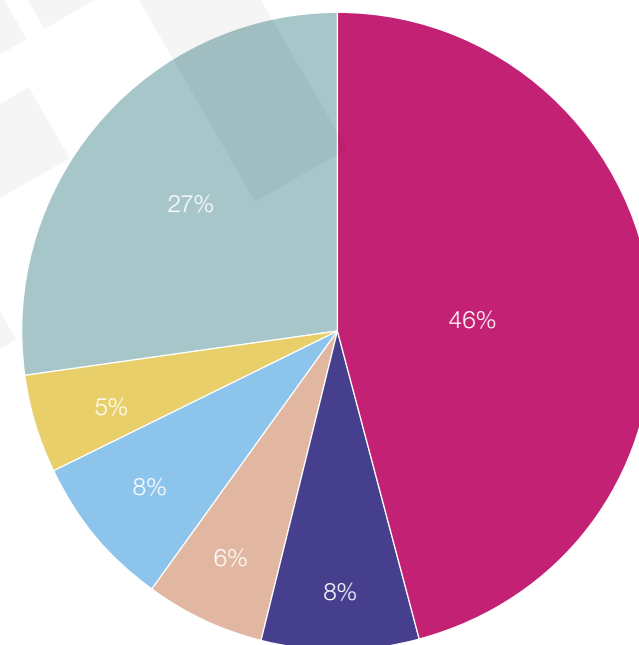
The LGPS is a qualifying scheme under the automatic enrolment regulations, and can be used as such by Fund employers.

Further information on automatic enrolment can be found on the Pensions Regulator website

www.thepensionsregulator.gov.uk

On 31 March 2021 there were 45,576 pensioners, 78,834 deferred members, and 59,000 contributors, a total of 183,410 Scheme members.

	Number of contributors	%
Hampshire County Council	27,234	46
Portsmouth City Council	4,632	8
Southampton City Council	3,304	6
District and Borough councils	4,962	8
Office of Police and Crime Commissioner and Chief Constable	2,667	5
Other organisations	16,201	27
Total	59,000	100.0



Scheme Administration Report (continued)

The following table shows a summary of employers in the fund analysed by type.

Employer Type	Employers	Active members	Deferred members	Pensioner members
Scheduled	184	57,459	76,596	42,840
Resolution	59	291	207	223
Admitted	62	1,107	1,113	1,128
Community admitted	13	64	307	377
Transferee admitted	19	79	279	240
Councillors (no active members)	10	0	89	132
Ceased (no active members)	52	0	243	636
Total	399	59,000	78,834	45,576

How the service is delivered

Responsibility for the administration of the Hampshire Pension Fund is delegated to Pension Services, part of the Corporate Resources department of the County Council. Pension Services use UPM, a Civica system, to provide all aspects of pensions administration including pensioner payroll and employer web access. Members can access their pension information online via the Member Portal.

There are 53 full time equivalent members of staff involved in the administration of the scheme for Hampshire, split into two main teams, supported by finance, projects and systems staff:

- a single Member Services team responsible for administering all casework, handling all member queries and paying pensioners
- an Employer Services team, responsible for all employer work including new and exiting employers, training and employer support.

Assurance over the effective and efficient operation of the administration is provided by internal audit, who carry out assurance and consultancy in accordance with an annual, risk based, programme. An annual opinion concludes on the overall adequacy and effectiveness of the Pension Services framework of governance, risk management and control.

In addition, Pension Services comply with the requirements for the national standard for excellence in customer service (CSE).

The CSE assessment considers how Pension Services deliver against over 50 criteria in five key areas:

- Customer insight
- Culture of the organisation
- Information and access
- Delivery
- Timeliness and quality of service

The assessment is carried out by a qualified external assessor, with a full on-site review every third year and annual interim reviews. As well as viewing documentation, and observing working practices, the assessor speaks to customers, staff and partners to review Pension Services' approach, along with details of their customer focussed initiatives and performance.

Pension Services have held the Customer Service Excellence (CSE) standard since 2009, and retained the award following a full triennial assessment in April 2021, with compliance plus passes in five areas:

- We can demonstrate how customer facing staff insights, and experiences are incorporated into internal processes, policy development and service planning.
- We make our services easily accessible to all customers through a provision of a range of alternative channels.
- We monitor and meet our standards, meet departmental and performance targets and we tell our customers about our performance.
- We have developed and learned from best practice identified within and outside our organisation, and we publish our examples externally where appropriate.
- We identify any dips in performance against our standards and explain these to customers, together with action we are taking to put things right and prevent further recurrence.

Pension Services ran 12 remote training events in the year which were attended by 151 people representing 60 employers, and two Employer Focus Group meetings. The Annual Employers Meeting was held as a virtual meeting in November 2020 and was attended by representatives from

Scheme Administration Report (continued)

121 employers. In addition Pension Services staff attended various employer liaison meetings throughout the year, as well as the regional payroll officer's group.

Scheme information for members is provided on the Pension Services website. Members can view their own record including their annual benefit statement via member self-service, as well as update personal details and run estimates. 68,614 members had registered for the Member Portal by 30 April 2021 (45,993 by 30 April 2020).

Key performance data

Pension Services' administration performance against service standards for key casework is measured each month, and is used internally to improve processes.

Achievement against service standards was at 100% for all key processes during the year.

Annual benefit statements were produced for 99.73% of active members and for 100% of deferred members by the statutory deadline of 31 August 2020. Of the 161 active members who did not have a statement by the deadline, 114 were produced by December 2020 once employers had provided the outstanding information.

Pension Savings Statements (PSS) were produced by the statutory deadline of 6 October for the 98 members who were identified as breaching the annual allowance limit in 2019/20. Of these 19 had a tax charge.

The annual internal audit opinion concluded that Pension Services have a sound framework of internal control in place, which is operating effectively. No risks to the achievement of system objectives were identified.

Area of work	Service standard	Number of cases	% cases completed against service standard			
			Q1 – 20/21	Q2 – 20/21	Q3 – 20/21	Q4 – 20/21
Retirement	15 days	1,001	100	100	100	100
Deferred Retirement	15 days	1,494	100	100	100	100
Estimate	15 days	1,660	100	100	100	100
Deferred	30 days	6,140	100	100	100	100
Transfers In and Out	15 days	281	100	100	100	100
Divorce	15 days	315	100	100	100	100
Refund	15 days	1,037	100	100	100	100
Rejoiners	20 days	562	100	100	100	100
Interfunds	15 days	490	100	100	100	100
Death benefits	15 days	946	100	100	100	100

Timeliness of contributions

All employer contributions due for 2020/21 have been received. The last contribution payment was received on 10 May 2021.

A total of £0.591m was paid late (£3.845m in 2019/20) which was 0.12% of the total contributions received. The average delay on all late payments received during 2020/21 was 9 days (11 days in 2019/20). Receipt of contributions is reviewed monthly to determine if any action is required. No late payment interest was charged for 2020/21.

Mortality screening and National Fraud Initiative

Pension Services run a monthly mortality screen to ensure that all deaths are reported promptly to the Fund and to minimise overpayments of pension. Overpayments are recovered by the Fund by invoice to the estate, or, with permission from the beneficiary, from a death grant or dependant pension. The table below shows the breakdown of how overpayments were recovered by the Fund.

Recovered from	Number	Total value
Death Grant	50	£9,935.77
Dependant Pension	224	£94,096.81
Invoice	357	£142,252.80
Write Off	99	£2,953.99
Total	730	£249,239.37

The Fund also participates in the bi-annual National Fraud Initiative (NFI). The 2021 NFI exercise identified four deaths with a total potential recovery of £1,634.

Scheme Administration Report (continued)

Cost benchmarking

The Fund benchmarks its administrative costs against the SF3 data collected annually by the Ministry for Housing, Communities and Local Government. The most recent data is that for the financial year 2019/20 and is summarised in the following table:

	2019/20		2018/19	
	Hampshire	All Funds	Hampshire	All Funds
Administration cost per member	£12.30	£23.50	£14.07	£22.28
Governance cost per member	£4.04	£12.21	£3.68	£10.39
Investment cost per member	£267.62	£209.71	£236.44	£222.27

Administration costs were higher in 2018/19 partly due to the investment in the new Member Portal.

Value for money statement

Hampshire Pension Services deliver an efficient and effective administration service as demonstrated by:

- delivery against service levels
- internal audit assurance on sound control framework
- retention of Customer Service Excellence award
- low administration cost per member

Work has continued in the year to improve data quality, with a focus on working with employers to improve the timeliness and quality of the information they provide.

Summary of activity in 2020/21

As well as the focus on processing casework, Pension Services also completed a number of projects.

- Added an online estimate facility within the Member Portal for active and deferred members, as well as ability to complete starter and leaver forms online.
- Upgraded the Employer Web facility to offer better user experience.
- Updated over 4,300 addresses following a tracing exercise.
- Implemented a new call handling system to allow better contact with members.

Common and conditional data scores were reported to the Pensions Regulator in December 2020. The results of this provided a score for conditional data of 95% (94% in 2019/20). The score for common data was measured as 93% (92% in 2019/20). An exercise to trace a large number of deferred members for whom we do not hold an up to date address was started in November 2020 and has resulted in over 4,000 records being updated with current addresses. This should feed through to an improvement in the 2021 scores which will be reported to the Pensions Regulator in November 2021.

What does membership cost and what are the benefits?

The Scheme operates tiered employee contribution rates set by Government. Employees pay a rising percentage depending on their pay band. The rates that apply from 1 April 2021 are set out in the following table:

Band	Actual salary	Contribution rate per year	
		Main section	50:50 section
1	Up to £14,600	5.50%	2.75%
2	£14,601 to £22,900	5.80%	2.90%
3	£22,901 to £37,200	6.50%	3.25%
4	£37,201 to £47,100	6.80%	3.40%
5	£47,101 to £65,900	8.50%	4.25%
6	£65,901 to £93,400	9.90%	4.95%
7	£93,401 to £110,000	10.50%	5.25%
8	£110,001 to £165,000	11.40%	5.70%
9	£165,000 and more	12.50%	6.25%

Every three years the Fund's actuary, Aon, completes an actuarial valuation. This involves looking at the Fund's investments, future contributions from employees and commitments to decide the future level of employers' contributions. The most recent actuarial valuation of the Fund was undertaken at 31 March 2019. The actuarial position of the Fund is explained in more detail on page 58.

Scheme Administration Report (continued)

Following the 2010 valuation, the employer contribution rate was split into two elements. This approach has continued with the subsequent valuations:

- a percentage of contributor's pay for future service (primary contribution rate).
- a fixed cash amount based on a percentage of employer payroll for past service (secondary contributions).

At the 2019 valuation for the Fund as a whole, the primary contribution rate was 17.8% and secondary contributions required to remove the past service shortfall over a recovery period of 16 years from 1 April 2020 are £1.3m per annum (increasing at 3.1% per annum).

Prior to 1 April 2019 all the secure scheduled bodies in the Fund participated in a grouped funding arrangement called the 'Scheduled Body Group'. With effect from 1 April 2019 the Scheduled Body Group was disbanded, with the main employers instead having their contributions assessed on an individual basis.

At this valuation, an Academies pool was created, as well as a Town and Parish Council pool. In addition a small Admitted Body Group remains consisting mainly of small charitable bodies. Within these groups, employers pay the same future service contribution.

In 2020/21 employers paid the contributions certified for the first year in the 2019 valuation. At this valuation, the Funding Strategy Statement was amended to allow employers to pre-pay their certified contributions and receive a discount to reflect the earlier payment to the Fund. Pre payment could be for the full three year period covered by the valuation, or for one year (with a further election being allowed for the subsequent two years). The table below shows the breakdown of pre-payments.

Prepayment Election	Number of employers	Contributions paid (£m)
Primary only: 3 Years	7	305.8
Secondary only: 3 Years	1	4.3
Primary only: 1 year	7	36.4
Primary and Secondary: 1 Year	1	0.7
Total	16	347.2

Benefits

The normal retirement age for all members is the later of age 65 or their state pension age. At retirement, members will receive:

- a pension of 1/80th of their final year's pay for each year of membership before 1 April 2008, and
- a lump sum of 3/80ths of their final year's pay for each year of membership before 1 April 2008, and
- a pension of 1/60th of their final year's pay for each year of membership after 31 March 2008 until 31 March 2014, and
- a pension of 1/49th of their actual pay for each year of membership after 1 April 2014.

In addition to the lump sum for membership before 1 April 2008, each member can exchange part of their pension pot for a lump sum and will receive £12 for every £1 of pension given up. However, the total lump sum is limited to 25% of their pension pot's value.

HM Revenue and Customs (HMRC) values retirement benefits in defined benefit schemes like the Hampshire Scheme at £20 for each £1 of pension, whatever the person's age. For all pensions already in payment, the value will be £25 for each £1 of pension.

The average annual pension paid in 2019/20 was £5,042 (£5,038 in 2020/21).

Retirement age

The normal retirement age for members under the Scheme is the later of age 65 or their state pension age, but members can choose to retire from age 55 and receive their benefits immediately, although these may be reduced for early payment.

A total of 2,514 Scheme members retired during 2020/21, with an average retirement age of 62 years. Of this number, 1,689 (or 67.2%) took some form of early retirement including 123 ill health retirements and 933 members choosing to take a reduced pension.

Scheme Administration Report (continued)

Additional voluntary contributions

Scheme members can pay additional voluntary contributions (AVCs) if they wish to supplement their pension or get an extra tax-free retirement lump sum. The AVCs are invested separately from the Fund's main assets and are used to buy extra pension benefits on retirement.

The Fund has two AVC providers, Prudential and Zurich. Members with existing AVCs with Equitable Life transferred to Utmost Life and Pensions in January 2020, following the positive vote by shareholders.

Membership information

A full listing of contributing employers to the Hampshire Pension Fund is available at:

Year ending 31 March	No. of contributors	No. of deferred	No. of pensioners
2013	46,319	48,970	33,449
2014	50,551	52,417	33,286
2015	54,679	55,787	34,364
2016	57,815	59,857	36,519
2017	57,781	64,060	38,216
2018	57,877	69,503	39,796
2019	58,055	72,050	41,714
2020	58,913	75,920	43,706
2021	59,000	78,834	45,576

The number of contributors has increased slightly in the year. The number of pensioners and deferred members in the Fund have increased in line with the general trend.

Complaints

If you have a complaint about the service, Pension Services staff will do their best to put things right. If you are still dissatisfied, you can write to the Complaints Officer at:

The Complaints Officer
Corporate Services
Hampshire County Council
The Castle
Winchester
SO23 8UB

There were nine formal complaints made in 2020/21. These were all investigated and changes were made to processes where appropriate.

Appeals

The LGPS regulations provide a two stage formal appeal process for members. For stage one it will either be heard by the employer, if the appeal is against a decision made by the employer, or by the Hampshire County Council Director of Finance if it is against Pension Services.

In either case, if the member is still dissatisfied, they can make a second stage appeal, which will be considered by the Hampshire County Council Monitoring Officer. After this second stage, if the member wishes, the matter can be investigated by the Pensions Ombudsman.

The Fund considered two stage one Internal Dispute Resolution Procedure (IDRP) appeals against the Pension Fund during 2019/20. These were not upheld and proceeded to stage two of the IDRP process. In both cases the stage two decision was for the Fund to reconsider the case.

There was one stage two appeal against an employer decision on ill health retirement. This was not upheld.

Financial performance and Pension Fund accounts

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Financial Performance Report – Budget Commentary

Shown below is the Pension Fund's budget for 2020/21 compared to actual expenditure, and the budget for the years 2021/22 and 2022/23.

The budget for 2020/21 was agreed by the Pension Fund Panel and Board at its meeting of 13 December 2019.

	Budget 2020/21 £000	Actuals 2020/21 £000	Budget 2021/22 £000	Budget 2022/23 £000
Contributions received – Employers - normal	397,910	413,577	92,540	95,520
Contributions received – Employers - deficit	6,300	10,230	6,500	6,800
Contributions received – Employers - total	404,210	423,807	99,040	102,320
Contributions received - Members	70,400	73,431	72,600	74,900
Transfer values	0	-882	0	0
Benefits paid	-277,200	-270,665	-282,700	-288,400
Net additions/withdrawals from dealings with members	197,410	225,691	-111,060	-111,180
Investment management fees	52,090	50,799	58,323	61,545
Staff	1,762	1,756	1,804	1,847
Premises	61	61	62	63
IT	285	352	300	306
Supplies & Services	223	130	214	217
Other	0	7	0	0
Administrative Costs	2,331	2,306	2,380	2,433
Staff	385	396	395	405
Premises	5	5	5	5
IT	5	5	5	5
Supplies & Services	335	355	325	345
Other	5	5	5	5
Oversight & Governance Costs	735	766	735	765
Management Expenses	55,002	53,871	61,284	64,586

Financial Performance Report – Budget Commentary (continued)

Dealings with members

Net additions from dealing with members was £28.3m greater than forecast. This was a result of a combination of higher than forecast employer and employee contributions being received as a result of a higher than forecast pay increase, and lower than forecast benefits paid due to a lower than forecast increase in the value of pensions paid.

Management expenses

The Pension Fund pays its investment managers a percentage fee based on the value of investments. Investment management fees were lower than forecast as a result of an overestimate of the value of investments that investment managers fees would be based on.

Staff costs make up the majority of the administrative costs though investment in technology has produced more efficient processes and a reduction in budgeted printing and postage costs. Other expenditure shows the net change in the Pension Fund's bad debt provision. This provision is made on debts owed to the Fund, including any outstanding contributions.

Oversight and governance costs were higher than forecast due to additional expenditure on consultancy costs for advice on the Pension Fund's investment strategy and responsible investment policy.

The 2021/22 expenditure on the administration and governance of the Pension Fund reflect the costs of delivering the Fund's statutory responsibilities for the administration of the scheme and management of investments. The level of resource has ensured that the Fund has met its regulatory requirements and delivered at the standards for administration that are expected, which have been reported to the Pension Fund Panel and Board.

Statement of the Actuary

for the year ended 31 March 2021

Introduction

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the Hampshire Pension Fund (the Fund) is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2019 by Aon, in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

Actuarial Position

1. The valuation as at 31 March 2019 showed that the funding level of the Fund had increased since the previous valuation with the market value of the Fund's assets as at 31 March 2019 (of £7,181.9m) covering 98.9% of the liabilities allowing, in the case of pre- 1 April 2014 membership for current contributors to the Fund, for future increases in pensionable pay, and for other membership for future pension revaluation and increases.
2. The valuation also showed that the aggregate level of contributions required to be paid by participating employers with effect from 1 April 2020 was:
 - 17.8% of pensionable pay. This is the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date (the primary rate),

Plus

- an allowance of 0.9% of pay for McCloud and cost management – see paragraph 9 of this statement, and monetary amounts to restore the assets to 100% of the liabilities in respect of service prior to the valuation date over a recovery period of 16 years from 1 April 2020, which together comprise the secondary rate
3. In practice, each individual employer's or group of employers' position is assessed separately and contributions are set out in Aon's report dated 31 March 2020 (the "actuarial valuation report"). In addition to the contributions certified, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

Total contributions payable by all employers over the three years to 31 March 2023 are estimated to be:

Year from 1 April	% of pensionable pay	Plus total contribution amount (£m)
2020	18.6%	7.2
2021	18.6%	7.5
2022	18.6%	7.8*

*increasing at 3.1% p.a.

Some employers are permitted by the Administering Authority to bring forward the payment of employer contributions in exchange for a discount for early payment. The terms of this option were outlined in the Rates and Adjustments Certificate attaching to the actuarial valuation report.

4. The funding plan adopted in assessing the contributions for each employer is in accordance with the Funding Strategy Statement. Different approaches were adopted in relation to the calculation of the primary contribution rate, stepping of contribution increases and individual employers' recovery periods as agreed with the Administering Authority and reflected in the Funding Strategy Statement, reflecting the employers' circumstances.
5. The valuation was carried out using the projected unit actuarial method for most employers and the main financial actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

Discount rate for periods in service	
Secure scheduled body employers *	4.40% p.a.
Intermediate funding targets	
– Low risk	3.90% p.a.
– Medium risk	3.75% p.a.
– High risk	3.55% p.a.
Ongoing Orphan employers	3.55% p.a.

Statement of the Actuary (continued)

Discount rate for periods after leaving service	
Secure scheduled body employers *	4.40% p.a.
Intermediate funding targets	
– Low risk	3.90% p.a.
– Medium risk	3.75% p.a.
– High risk	3.55% p.a.
Ongoing Orphan employers	1.60% p.a.
Rate of pay increases	3.10% p.a.
Rate of increase to pension accounts	2.10% p.a.
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.10% p.a.

* The appropriate secure scheduled body or intermediate discount rate was also used for employers whose liabilities will be subsumed after exit by an employer subject to that funding target.

In addition, the discount rate for already orphaned liabilities (i.e. where there is no scheme employer responsible for funding those liabilities and employer has exited the Fund) was 1.3% p.a.

The assets were valued at market value.

Further details of the assumptions adopted for the valuation, including the demographic assumptions, are set out in the actuarial valuation report.

6. The key demographic assumption was the allowance made for longevity. The post retirement mortality assumption adopted for the actuarial valuation was in line with standard self-administered pension scheme (SAPS) S2N mortality tables with appropriate scaling factors applied based on an analysis of the Fund's pensioner mortality experience using Aon's Demographic Horizons™ longevity model, and included an allowance for improvements based on the 2018 Continuous Mortality Investigation (CMI) Projections Model (CMI2018), with a smoothing parameter SK of 7.5%, an A parameter of 0.0% and long term annual rate of improvement in mortality rates of 1.5% p.a. The resulting average future life expectancies at age 65 (for normal health retirements) were:

	Men	Women
Current pensioners aged 65 at the valuation date	22.9	25.4
Current active members aged 45 at the valuation date	24.6	27.1

7. The valuation results summarised in paragraphs 1 and 2 above are based on the financial position and market levels at the valuation date, 31 March 2019. As such the results do not make allowance for changes which have occurred subsequent to the valuation date. The Administering Authority, in conjunction with the Actuary, monitors the funding position on a regular basis.

8. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2020 to 31 March 2023 were signed on 31 March 2020. Other than as agreed or otherwise permitted or required by the Regulations and reflected in the Funding Strategy Statement where appropriate, employer contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2022 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

9. There are a number of uncertainties regarding the Scheme benefits and hence liabilities:

– Increases to Guaranteed Minimum Pensions (GMPs):

The 2019 valuation allows for the extension of the 'interim solution' for public service schemes to pay full inflationary increases on GMPs for those reaching State Pension Age (SPA) between 6 April 2016 and 5 April 2021. On 23 March 2021, the Government published a response to its consultation on the longer term solution to achieve equalisation for GMPs as required by the High Court judgement in the Lloyds Bank case. The response set out its proposed longer term solution, which is to extend the interim solution further to those reaching SPA after 5 April 2021.

The results of the 2019 valuation do not allow for the impact of this proposed longer term solution. Based on approximate calculations, at a whole of fund level, the impact of providing full pension increases on GMPs for those members reaching State Pension Age after 5 April 2021 is an increase in past service liabilities of between 0.1% to 0.2% across the Fund as a whole.

Statement of the Actuary (continued)

– Cost Management Process and McCloud

judgement:

Initial results from the Scheme Advisory Board 2016 cost management process indicated that benefit improvements / member contribution reductions equivalent to 0.9% of pay would be required. However, the cost management process was paused following the Court of Appeal ruling that the transitional arrangements in both the Judges' Pension Scheme (McCloud) and Firefighters' Pension Scheme (Sargeant) constituted illegal age discrimination. Government confirmed that the judgement would be treated as applying to all public service schemes including the LGPS (where the transitional arrangements were in the form of a final salary underpin) and a consultation on changes to the LGPS was issued in July 2020.

The employer contributions certified from 1 April 2020 as part of the 2019 valuation include an allowance of 0.9% of pay in relation to the potential additional costs of the McCloud judgement / cost management process. This was a simplified approach which didn't take account of different employer membership profiles or funding targets and may be more or less than the assessed cost once the details of the LGPS changes arising from the McCloud judgement and 2016 cost management process have been agreed.

Work on the 2020 cost management process has now been started, and it is possible that further changes to benefits and/or contributions may ultimately be required under that process, although the outcome is not expected to be known for some time.

– Goodwin

An Employment Tribunal ruling relating to the Teachers' Pension Scheme concluded that provisions for survivor's benefits of a female member in an opposite sex marriage are less favourable than for a female in a same sex marriage or civil partnership, and that treatment amounts to direct discrimination on grounds of sexual orientation. The chief secretary to the Treasury announced in a written ministerial statement on 20 July 2020 that he believed that changes would be required to other public service pension schemes with similar arrangements, although these changes are yet to be reflected in LGPS regulations. We expect the average additional liability to be less than 0.1%, however the impact will vary by employer depending on their membership profile.

10. This Statement has been prepared by the Actuary to the Fund, Aon, for inclusion in the accounts of the Fund. It provides a summary of the results of their actuarial valuation which was carried out as at 31 March 2019. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

This Statement must not be considered without reference to the formal actuarial valuation report which details fully the context and limitations of the actuarial valuation.

Aon does not accept any responsibility or liability to any party other than our client, Hampshire County Council, the Administering Authority of the Fund, in respect of this Statement.

11. The report on the actuarial valuation as at 31 March 2019 is available on the Fund's website at the following address:

Aon Solutions UK Limited

May 2021

Financial statements

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Pension Fund Accounts

Fund Account	See Note	2019/20 £000	2020/21 £000
Dealings with members, employers and others directly involved in the Fund			
Contributions	7	340,141	497,238
*Transfers in from other pension funds		18,715	13,748
		358,856	510,986
Benefits	8	(264,906)	(270,665)
*Payments to and on account of leavers		(21,856)	(14,630)
		(286,762)	(285,295)
Net additions from dealings with members		72,094	225,691
Management expenses	9	(50,698)	(53,871)
Net additions inc. fund management expenses		21,396	171,820
Returns on investments			
Investment income	10	103,557	102,410
Taxes on income		870	(350)
Profits and losses on disposal of investments and changes in the market value of investments	11a	(397,224)	1,888,455
Net return on investments		(292,797)	1,990,515
Net increase in the net assets available for benefits during the year		(271,401)	2,162,335
Opening net assets of the scheme		7,181,881	6,910,480
Closing net assets of the scheme		6,910,480	9,072,815

Pension Fund Accounts (continued)

Net Assets Statement for the year ending 31 March 2021	See Note	31 March 2020 £000	31 March 2021 £000
Investment assets		6,739,972	8,938,561
Cash deposits		105	26
Investment liabilities		0	0
Total net investments	11	6,740,077	8,938,587
Long term debtors	20	1,521	0
Current assets	18	178,471	140,155
Current liabilities	19	(9,589)	(5,927)
Net assets of the Fund available to fund benefits at the period end		6,910,480	9,072,815

Note: The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the end of the period end. The actuarial present value of promised retirement benefits is disclosed at Note 17.

* 2019/20 figures for Transfers in from other pension funds and Payments to and on account of leavers (published as £31.080m and £34.221m) have been amended to remove the impact of leavers and joiners within the Hampshire Fund. There is no impact on the net additions to the Pension Fund in 2019/20.

Notes to Pension Fund Accounts

1. Description of Fund

The Hampshire Pension Fund (the 'Fund') is part of the Local Government Pension Scheme and is administered by Hampshire County Council. The County Council is the reporting entity for this Pension Fund.

The following description of the Fund is a summary only. For more detail, reference should be made to the Hampshire Pension Fund Annual Report 2020/21 and the underlying statutory powers underpinning the Scheme.

a) General

The Scheme is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended).

It is a contributory defined benefit pension scheme administered by Hampshire County Council to provide pensions and other benefits for pensionable employees of Hampshire County Council, Portsmouth and Southampton

City Councils, the 11 district councils in Hampshire, and a range of other scheduled and admitted bodies within the county area. Teachers, police officers and firefighters are not included as they come within other national pension schemes.

The Fund is overseen by the Hampshire Pension Fund Panel and Board, which is a committee of Hampshire County Council.

b) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the Scheme, remain in the Scheme or make their own personal arrangements outside the Scheme.

Organisations participating in the Hampshire Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund
- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There are 337 employer organisations within the Hampshire Pension Fund including the County Council itself, as detailed below:

Hampshire Pension Fund	31 March 2020	31 March 2021
Number of employers with active members	342	337
Number of employees in Scheme		
County Council	27,610	27,234
Other employers	31,303	31,766
Total	58,913	59,000
Number of pensioners		
County Council	18,929	19,813
Other employers	24,777	25,763
Total	43,706	45,576
Deferred pensioners		
County Council	37,485	39,019
Other employers	38,435	39,815
Total	75,920	78,834
Total members in the Pension Fund	178,539	183,410

Notes to Pension Fund Accounts (continued)

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with The LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay in the Main Section, and 2.75% to 6.25% of pensionable pay in the 50/50 Section, for the financial year ending 31 March 2021. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last valuation was at 31 March 2019. Employer contribution rates for most employers were a range from 16.1% to 18.6% of pensionable pay plus a past service deficit contribution.

d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service.

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Price Index.

There are a range of other benefits provided under the Scheme including early retirement, disability pensions and death benefits. For more details, please refer to the Hampshire Pension Fund's website:

<https://www.hants.gov.uk/hampshire-services/pensions>

2. Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2020/21 financial year and its position at year end at 31 March 2021. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2020/21* which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis.

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. IFRS 16, introduced on 1 January 2019, is due to be adopted by the Code for accounting periods commencing on or after 1 April 2022. This new accounting standard largely removes the distinction between operating and finance leases by introducing an accounting model that requires lessees to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. This will bring assets formerly off-Balance Sheet onto the Balance Sheet of lessees. Implementation of IFRS 16 is not expected to have a material impact on the pension fund because it does not hold any assets as a lessee.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits that fall due after the end of the financial year nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The Pension Fund has opted to disclose this information in Note 17.

3. Summary of significant accounting policies

Fund Account – revenue recognition

a) Contribution income

Normal contributions are accounted for on an accruals basis as follows:

- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes which rise according to pensionable pay.
- Employer contributions are set at the percentage rate recommended by the fund actuary for the period to which they relate.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

b) Transfers to and from other schemes

Transfers in and out relate to members who have either joined or left the Fund.

Individual transfers in/out are accounted for when received/paid. Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see section n below) to purchase Scheme benefits are accounted for on a receipts basis and are included in Transfers In.

Notes to Pension Fund Accounts (continued)

Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement.

c) Investment income

- i) Interest income is recognised in the Fund Account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.
- ii) Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.
- iii) Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.
- iv) Rental income from operating leases on properties owned by the Fund is recognised in the fund account when it is paid by the tenant according to the terms of the lease.

Contingent rents based on the future amount of a factor that changes other than with the passage of time, such as turnover rents, are only recognised when contractually due.
- v) Changes in the value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund Account – expense items

d) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities, providing that the payment has been approved.

e) Management expenses

The Fund discloses its management expenses in line with the CIPFA guidance *Accounting for Local Government Pension Scheme Management Costs* (2016), as shown below. All items of expenditure are charged to the Fund on an accruals basis as follows.

Administrative expenses

All staff costs of the pensions administration team are charged direct to the Fund. Council recharges for management, accommodation and other overhead costs are also accounted for as administrative expenses to the Fund.

Oversight and governance costs

All costs associated with governance and oversight are separately identified, apportioned to this activity and charged as expenses to the Fund.

Investment management expenses

Investment fees are charged directly to the fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted off returns by investment managers, these expenses are grossed up to increase the income receivable.

Investment fees of the external investment managers and custodian are set out in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under management and therefore increase or reduce as the value of these investments change.

Where an investment manager's fee note has not been received by the balance sheet date, an estimate based upon the market value of their mandate at the end of the year is used for inclusion in the Fund account. In 2020/21 £3.4 million of fees is based on such estimates (2019/20 £2.1 million).

f) Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

Income and expenditure exclude VAT, as all VAT collected is payable to HM Revenue and Customs (HMRC), and all VAT paid is recoverable from HMRC.

Notes to Pension Fund Accounts (continued)

Net Assets Statement

g) Financial assets

All investment assets are included in the Net Assets Statement on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. Any amounts due or payable in respect of trades entered into but not yet complete at 31 March each year are accounted for as financial instruments held at amortised cost and reflected in the reconciliation of movements in investments and derivatives in Note 11a. Any gains or losses on investment sales arising from changes in the fair value of the asset are recognised in the fund account.

The values of investments as shown in the Net Assets Statement have been determined in accordance with the requirements of the Code and IFRS13 (see Note 13). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in *Practical Guidance on Investment Disclosures* (PRAG/ Investment Association, 2016).

h) Freehold and leasehold properties

Properties are valued annually as at the year-end date by an independent external valuer, Mark White, BSc MRICS of Colliers International, on a fair value basis in accordance with the *Royal Institute of Chartered Surveyors' Valuation – Current Global Standards*; see Note 13 for more details.

i) Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, overseas investments and purchases and sales outstanding at the end of the reporting period.

j) Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes (see Note 12).

k) Cash and cash equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the Fund's external managers. All cash balances are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

l) Financial liabilities

A financial liability is recognised in the net asset statement on the date the fund becomes legally responsible for that liability. The fund recognises financial liabilities relating to investment trading at fair value and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the fund account as part of the change in value of investments.

Other financial liabilities classed as amortised cost are carried in the net asset statement at the value of the outstanding principal at 31 March each year

m) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the Scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (Note 17).

n) Additional voluntary contributions

The fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. The Fund has appointed Prudential and Zurich as its AVC providers. AVCs can also be paid to Utmost, but only by legacy contributors (closed to new members).

AVCs are not included in the accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (see Note 21).

Notes to Pension Fund Accounts (continued)

o) Contingent assets and contingent liabilities

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by future events. A contingent liability arises where an event has taken place prior to the year end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the Net Assets Statement but are disclosed by way of narrative in the notes.

4. Critical judgements in applying accounting policies

Unquoted alternative investments

It is important to recognise the subjective nature of determining the fair value of alternative investments: private equity, infrastructure and private debt. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equity and infrastructure investments are valued by the investment managers using guidelines set out by the *International Private Equity and Venture Capital Valuation Guidelines*. The value of unquoted private equity investments was £443 million and infrastructure investments was £269 million at 31 March 2021 (£301 million and £206 million respectively at 31 March

2020). There is no standard for the valuation of private debt, but most general partners of private debt funds will base their valuations on a 3rd party valuer, such as Duff & Phelps. The value of unquoted private debt investments at 31 March 2021 was £220 million (£136 million at 31 March 2020).

Pension fund liability

The pension fund liability is recalculated every three years by the appointed actuary, with updates in the intervening years. The methodology used is in line with accepted guidelines. This estimate is subject to significant variances based on changes to the underlying assumptions, which are agreed with the actuary and are summarised in Note 16.

These actuarial revaluations are used to set future employer contribution rates and underpin the Fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/return.

Directly held property

The Fund's property portfolio includes a number of directly owned properties, which are leased commercially to various tenants with rental periods from less than a month to 117 years (based on current leases). The Fund has determined that these contracts all constitute operating lease arrangements under the classification permitted by IAS7 and the Code, therefore the properties are retained on the net asset statement at fair value. Rental income is recognised in the fund account when it is paid by the tenant according to the terms of the lease.

Wholly owned companies

The Pension Fund's investments include two companies that it owns that have been specifically created to hold the Pension Fund's investments. These companies have no other purpose and therefore the value of the companies is equal to value of the investments.

The Pension Fund accounts for these investments according to the types of investments held by the companies, in line with the rest of the Pension Fund's accounting and reporting.

5. Assumptions made about the future and other major sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the year end date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

Notes to Pension Fund Accounts (continued)

The items in the Net Assets Statement at 31 March 2021 for which there is a significant risk of adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 17)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of approximately £1,023 million. A 0.25% increase in assumed earnings inflation would increase the value of liabilities by approximately £47 million, and a one-year increase in assumed life expectancy would increase the liability by approximately £372 million.
Private equity (Note 13)	Private equity investments are valued at fair value in accordance with the <i>International Private Equity Venture Capital Valuation Guidelines</i> . These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £443 million. The investment manager recommends a tolerance of 10% around the net asset value (+/-£44m)
Infrastructure (Note 13)	Infrastructure investments are valued at fair value in accordance with the <i>International Private Equity Venture Capital Valuation Guidelines</i> . These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total infrastructure investments in the financial statements are £269 million. The investment managers recommends a tolerance of 10% around the net asset value (+/-£27m)
Private debt (Note 13)	There is no standard for the valuation of private debt, but most general partners of private debt funds will base their valuations on a 3rd party valuer, such as <i>Duff & Phelps</i> . These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private debt investments in the financial statements are £220 million. The investment managers recommends a tolerance of 5% around the net asset value (+/-£11m)

Notes to Pension Fund Accounts (continued)

6. Events after the reporting date

The Ministry for Housing, Communities and Local Government published a written statement on 13 May 2021 confirming the key changes to scheme regulations that will be made to remove age discrimination from the LGPS as a result of the McCloud and Sargeant legal cases. The financial impact of the remedy remains difficult to determine and no adjustments to these accounts have been made as a result.

7. Contributions receivable

By category	2019/20 £000	2020/21 £000
Employees' contributions	69,558	73,431
Employers' contributions		
Normal contributions	179,290	413,577
Deficit recovery contributions	91,293	10,230
Total employers' contributions	270,583	423,807
Total	340,141	497,238
By authority	2019/20 £000	2020/21 £000
Administering authority	128,829	262,158
Scheduled bodies	193,120	222,631
Admitted bodies	18,192	12,449
Total	340,141	497,238

Employers contributions increased in 2020/21 as a number of employers in the Fund choose to pre-pay their contributions for the 2020/21 to 2022/23 actuarial period, as set out in the Fund Actuary's Rates and Adjustments Certificate in the 2019 Actuarial Valuation report

8. Benefits payable

By category	2019/20 £000	2020/21 £000
Pensions	220,205	229,754
Commutation and lump sum retirement benefits	38,865	35,498
Lump sum death benefits	5,836	5,413
Total	264,906	270,665
By authority	2019/20 £000	2020/21 £000
Administering authority	97,738	103,091
Scheduled bodies	154,627	154,467
Admitted bodies	12,541	13,107
Total	264,906	270,665

9. Management expenses

By category	2019/20 £000	2020/21 £000
Administrative costs	2,196	2,306
Investment management expenses	47,780	50,799
Oversight and governance costs	722	766
Total	50,698	53,871

This analysis of the costs of managing the Hampshire Pension Fund during the period has been prepared in accordance with CIPFA guidance.

In addition to these costs, implicit costs are incurred through the bid-offer spread on investment sales and purchases. These are reflected in the cost of investment acquisitions and in the proceeds from the sales of investments (see Note 11a).

Notes to Pension Fund Accounts (continued)

9a) Investment Management Expenses

2020/21	Management fees £000	Transaction costs £000	Total £000
Bonds	0	0	0
Equities	1,598	1,716	3,314
Pooled investments*	9,757	940	10,697
Pooled property investments	52	112	164
Property	964	6,833	7,797
Alternatives	24,970	3,742	28,712
Cash	0	11	11
	37,341	13,354	50,695
Custody and other investment costs			104
Total			50,799

*includes £3.93m and £1.19m paid to Link and UBS respectively as part of the ACCESS pool

2019/20	Management fees £000	Transaction costs £000	Total £000
Bonds	0	1	1
Equities	1,933	415	2,348
Pooled investments*	8,850	2,401	11,251
Pooled property investments	115	0	115
Property	1,183	5,497	6,681
Alternatives	26,637	311	26,948
Cash	0	49	49
	38,719	8,674	47,393
Custody and other investment costs			387
Total			47,780

*includes £6.41m and £1.40m paid to Link and UBS respectively as part of the ACCESS pool.

Notes to Pension Fund Accounts (continued)

10. Investment income

	2019/20 £000	2020/21 £000
Income from bonds	0	0
Income from equities	13,957	17,464
Pooled property investments	1,651	261
Pooled investments – unit trusts and other managed funds	41,696	26,334
Rents from property	25,064	27,985
Interest on cash deposits	1,177	188
Alternative investment income	18,227	29,207
Stock lending	135	60
Other	1,650	911
Total before taxes	103,557	102,410

11. Investments

	31 Mar 2020 £000	31 Mar 2021 £000
Investment Assets		
Bonds	0	0
Equities	721,741	0
Pooled funds		
– Fixed income unit trusts	2,518,963	2,987,605
– Unit trusts	2,351,748	4,476,377
	4,870,711	7,463,982
Other investments		
Pooled property investments	54,268	72,435
Alternative investments	645,310	932,407
Property	455,280	471,250
Derivative contracts:		
– Forward currency contracts	4	73
	1,154,862	1,476,165
Cash deposits	105	26
Total investment assets	6,747,419	8,940,173

Notes to Pension Fund Accounts (continued)

11a) Reconciliation of movements in investments and derivatives

Period 2020/21	Market value 1 April 2020	Purchases and derivative payments	Sales and derivative receipts	Change in value during the year	Market value 31 Mar 2021
	£'000	£'000	£'000	£'000	£'000
Equities	721,741	31,970	(996,537)	242,826	0
Pooled investments	4,870,711	2,185,617	(1,057,932)	1,465,586	7,463,982
Pooled property investments	54,268	20,712	(593)	(1,952)	72,435
Alternative investments	645,310	228,392	(120,298)	179,003	932,407
Property	455,280	32,323	(8,222)	(8,131)	471,250
	6,747,310	2,499,014	(2,183,582)	1,877,332	8,940,074
Derivative contracts:					
– Forward foreign exchange	(7,338)	11,029	(22,661)	17,457	(1,513)
	(7,338)	11,029	(22,661)	17,457	(1,513)
Other investment balances:					
– Cash deposits	105			(6,335)	26
Net investment assets	6,740,077			1,888,454	8,938,587

Notes to Pension Fund Accounts (continued)

11a) Reconciliation of movements in investments and derivatives

Period 2019/20	Market value 1 April 2019	Purchases and derivative payments	Sales and derivative receipts	Change in value during the year	Market value 31 Mar 2020
	£'000	£'000	£'000	£'000	£'000
Bonds	159	1,411	(1,652)	82	0
Equities	755,114	406,533	(347,542)	(51,364)	762,741
Pooled investments	5,208,539	517,914	(602,619)	(294,123)	4,829,711
Pooled property investments	51,160	11,134	(4,316)	(3,710)	54,268
Alternative investments	585,565	196,893	(111,688)	(25,460)	645,310
Property	487,255	3,604	(15,392)	(20,187)	455,280
	7,087,792	1,137,489	(1,083,209)	(394,762)	6,747,310
Derivative contracts:					
– Forward foreign exchange	0	14,753	(17,911)	(4,180)	(7,338)
	0	14,753	(17,911)	(4,180)	(7,338)
Other investment balances:					
– Cash deposits	86			1,718	105
Net investment assets	7,087,878			(397,224)	6,740,077

Purchases and sales of derivatives are recognised in Note 11a above as follows:

- Futures – on close out or expiry of the futures contract the variation margin balances held in respect of unrealised gains or losses are recognised as cash receipts or payments, depending on whether there is a gain or loss.
- Options – premiums paid and received are reported as payments or receipts together with any close out costs or proceeds arising from early termination.
- Forward currency contracts – forward foreign exchange contracts settled during the period are reported on a gross basis as gross receipts and payments.

Notes to Pension Fund Accounts (continued)

11b) Investments analysed by fund manager

	Market value 31 March 2020		Market value 31 March 2021	
	£000	%	£000	%
Investments part of the ACCESS pool				
ACCESS Pooled investments managed by Link				
Acadian	0	0	536,778	5.9
Baillie Gifford	631,642	9.1	1,599,468	17.7
Dodge & Cox	426,046	6.2	657,457	7.2
Schroders	308,639	4.5	0	0.0
ACCESS Pooled investments managed by UBS	2,521,958	36.5	3,254,406	35.9
	3,888,285	56.3	6,048,109	66.7
Investments held outside of the ACCESS pool				
Acadian	447,506	6.4	0	0.0
Alcentra	314,917	4.6	463,141	5.1
Baillie Gifford	286,991	4.2	0	0.0
Barings	252,305	3.7	388,622	4.3
CBRE Global Investors	508,671	7.3	543,487	6.0
Insight	175,362	2.5	284,849	3.1
Twenty-four Asset Management	178,841	2.6	279,261	3.1
	2,164,593	31.3	1,959,360	21.6
Other investments	649,710	9.4	936,094	10.3
Other net assets	207,892	3.0	129,252	1.4
Total	6,910,480	100.0	9,072,815	100.0

All the companies named above are registered in the United Kingdom.

The Pension Fund has no investment in a single company/asset that exceeds 5% of the net assets available for benefits.

Notes to Pension Fund Accounts (continued)

11c) Stock lending

Following the transfer of the Pension Fund's remaining directly held equity portfolios into pooled funds as part of the ACCESS pool, the Fund no longer has its own stock to enter into a stock lending programme. At the year end, the value of quoted stock on loan was £0 million (£67.7 million 2019/20). As at 31 March 2021, the custodian bank held collateral at fair value of £0 million (£74.8 million 2019/20). Collateral consists of acceptable securities and government debt.

Stock lending commissions earned in 2020/21 prior to the transfer of investments to the ACCESS pool, were remitted to the Fund via the custodian bank. During the period the stock was on loan the voting rights of the loaned stock pass to the borrower.

There are no liabilities associated with the loaned assets.

11d) Property holdings

There are no restrictions on the realisability of the property or the remittance of income or proceeds on disposal and the Fund is not under any contractual obligations to purchase or sell any of these properties. The Pension Fund is required to meet the cost of repairs, maintenance or enhancements necessary to maintain the investment income of its property assets.

The future minimum lease payments receivable by the Fund are as follows.

	Year ending 31 March 2020 £000	Year ending 31 March 2021 £000
Within one year	22,842	18,816
Between one and five years	66,997	61,038
Later than five years	166,381	157,336
Total future lease payments due under existing contracts	256,220	237,190

The above disclosures have been reduced by a credit loss allowance of 20% for 2021/22 to effect the ongoing impact of the Coronavirus pandemic and a 4.5% per annum thereafter, reflecting the Fund's expected loss from late or non-recovery of rents from tenants. This has been based on the Fund's own historic experience but also information on similar properties received from the Fund's property investment manager. In accordance with paragraphs 7.2.9.1 and 7.2.9.2 of the Code the loss allowance has been calculated based on the estimated lifetime loss allowance for all current tenancies.

12. Analysis of derivatives

Objectives and policies for holding derivatives

Investments in forward currency contracts were to hedge exposures to reduce risk in the Fund by removing the exposure to foreign (non-Sterling) currency. The forward foreign currency contracts are all OTC (over the counter) contracts whereby two parties agree to exchange two currencies on a specified future date at an agreed rate of exchange.

Notes to Pension Fund Accounts (continued)

Open forward currency contracts

At 31 March 2021, the Fund had open forward currency contracts in place with a net unrealised loss of £1.5 million.

Settlements	Currency bought	Local value	Currency sold*	Local value	Asset value	Liability value
		000		000	£000	£000
Less than 1 month	EUR	473	GBP	(405)	0	(3)
1 to 6 months	GBP	215,684	USD	(299,742)	60	(1,579)
1 to 6 months	USD	956	GBP	(696)	0	(4)
1 to 6 months	GBP	2,831	EUR	(3,303)	13	0
Open forward currency contracts at 31 March 2021					73	(1,586)
Net forward currency contracts at 31 March 2021						(1,513)

Prior year comparative

Settlements	Currency bought	Local value	Currency sold*	Local value	Asset value	Liability value
		000		000	£000	£000
1 to 6 months	GBP	144,170	USD	(188,104)	0	(7,331)
1 to 6 months	GBP	882	EUR	(1,008)	0	(11)
1 to 6 months	EUR	412	GBP	(361)	4	0
Open forward currency contracts at 31 March 2020					4	(7,342)
Net forward currency contracts at 31 March 2020						(7,338)

* List of currencies

EUR = Euro

GBP = British Pound

USD = United States Dollar

Notes to Pension Fund Accounts (continued)

13. Fair value – basis of valuation

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Description of asset	Valuation hierarchy – level	Basis of valuation	Observable and unobservable inputs	Key sensitivity affecting the valuation provided
Market quoted investments	1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Spot foreign exchange contracts	1	Market exchange rates at the year end	Not required	Not required
Exchange traded pooled investments	1	Closing bid value on published exchanges	Not required	Not required
Unquoted bonds	2	Average of broker prices	Evaluated price feeds	Not required
Forward foreign exchange derivatives	2	Market forward exchange rates at the year end	Exchange rate risk	Not required
Pooled investments – fixed income	2	Closing price on the final day of the accounting period	NAV-based pricing set on forward pricing basis	Not required
Pooled investments – property funds	2	Closing price on the final day of the accounting period	NAV-based pricing set on forward pricing basis	Not required
Freehold and leasehold properties	2	Valued at fair value at the year end using the investment method of Mark White, BSc MRICS of Colliers International in accordance with the RICS Valuation – Current Global Standards	Comparable recent market transactions on arm's-length terms	Not required
Alternative Investments – Hedge funds	3	Closing price on the final day of the accounting period	NAV-based pricing set on forward pricing basis	Valuations could be affected by material events occurring between the date of the financial statement provided and the Pension Fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts
Alternative Investments – Private equity, infrastructure and private debt	3	Comparable valuation of similar companies in accordance with International Private Equity Venture Capital Valuation Guidelines where appropriate or use of third-party valuers such as Duff & Phelps.	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium Loan to value multiple	Valuations could be affected by material events occurring between the date of the financial statement provided and the Pension Fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts

Notes to Pension Fund Accounts (continued)

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with the Fund's investment managers, the Fund has determined that the valuation methods described above are likely to be accurate within the following ranges and has set below the consequent potential impact on the closing value of investments held at 31 March 2021.

	Assessed valuation range (+/-)	Value at 31 March 2021 £000	Value on increase £000	Value on decrease £000
Alternative Investments – Hedge funds	5%	26	27	24
Alternative Investments – Private debt	5%	220,386	231,406	209,367
Alternative Investments – Infrastructure	10%	269,038	295,943	242,134
Alternative Investments – Private equity	10%	442,957	487,253	398,661

13a) Fair value hierarchy

Assets and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair value. Transfers between levels are recognised in the year in which they occur.

Level 1

Assets and liabilities at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as Level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Level 2

Assets and liabilities at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value.

Level 3

Assets and liabilities at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

The following table provides an analysis of the financial assets and liabilities of the Pension Fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

Values at 31 March 2021	Quoted market price	Using observable inputs	With significant unobservable inputs	
Financial assets	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets at fair value through profit and loss	6,612,218	924,271	932,407	8,468,896
Non-financial assets at fair value through profit and loss	0	471,250	0	471,250
Financial liabilities at fair value through profit and loss	(2)	(1,583)	0	(1,585)
Net investment assets	6,612,216	1,393,938	932,407	8,938,561

Values at 31 March 2020	Quoted market price	Using observable inputs	With significant unobservable inputs	
Financial assets	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets at fair value through profit and loss	4,971,229	621,227	699,578	6,292,034
Non-financial assets at fair value through profit and loss	0	0	455,280	455,280
Financial liabilities at fair value through profit and loss	0	(7,342)	0	(7,342)
Net investment assets	4,971,229	613,885	1,154,858	6,739,972

The table includes only assets measured at fair value. Other assets included in the net assets statement valued at amortised cost are not included.

Notes to Pension Fund Accounts (continued)

14b) Net gains and losses on financial instruments

31 March 2020 £'000		31 March 2021 £'000
	Financial assets	
(372,857)	Fair value through profit and loss	1,879,128
	Financial liabilities	
(4,180)	Fair value through profit and loss	17,457
(377,037)	Total	1,896,585

The Administering Authority has not entered into any financial guarantees that are required to be accounted for as financial instruments.

15. Nature and extent of risks arising from financial instruments

Risk and risk management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Pension Fund manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Pension Fund Panel and Board. Risk management policies are established to identify and analyse the risks faced by the Pension Fund's operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

15a) Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Pension Fund and its investment advisers undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund manages these risks in two ways:

- the exposure of the Fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels
- specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

Equity futures contracts and exchange traded option contracts on individual securities may also be used to manage market risk on equity investments. It is possible for over-the-counter equity derivative contracts to be used in exceptional circumstances to manage specific aspects of market risk.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short are unlimited.

The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Pension Fund to ensure it is within limits specified in the Fund investment strategy.

Notes to Pension Fund Accounts (continued)

Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, the Pension Fund has determined the following movements in market price risk for the 2020/21 reporting period based on a one standard deviation movement in the value of the Fund's investments. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Asset type	Potential market movements (+/-)
UK equities	16.11%
Overseas equities	15.66%
UK bonds	11.40%
Overseas bonds	9.14%
Property	2.36%
Alternative investments	5.65%
Cash	0.11%

The potential price changes disclosed above are broadly consistent with a one standard deviation movement in the value of the assets. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Had the market price of the Fund investments increased/decreased in line with the previous table, the change in the net assets available to pay benefits in the market price would have been as follows (the prior year comparator is shown below):

Asset type	Value at 31 March	Potential market movement	Value on increase	Value on decrease
	£000	£000	£000	£000
Total assets 2021	8,938,587	1,076,231	10,014,818	7,862,356
Total assets 2020	6,740,077	689,884	7,429,961	6,050,193

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's interest rate risk is routinely monitored by the Pension Fund in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

The Fund's direct exposure to interest rate movements as at 31 March 2021 and 31 March 2020 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Interest rate risk sensitivity analysis

The Pension Fund recognises that interest rates can vary and can affect both income to the Fund and the carrying value of Fund assets, both of which affect the value of the net assets available to pay benefits. A 1% movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a 1% change in interest rates. The Pension Fund's fixed interest investment manager has applied their market experience to the Fund's portfolio of investments to calculate the effect of a change in interest rates. The figures below for Fixed Interest Securities do not include the Fund's pooled investment in Index Linked Gilts. This better reflects the Fund's approach to the management of investment risk and how this analysis is applied to the Fund's different investments.

Notes to Pension Fund Accounts (continued)

Assets exposed to interest rate risk	Value as at 31 March 2021	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£000	£000	£000	£000
Cash & cash equivalents	103,042	0	103,042	103,042
Cash deposits	26	0	26	26
Bonds	0	0	0	0
Total	103,068	0	103,068	103,068

Assets exposed to interest rate risk	Value as at 31 March 2020	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£000	£000	£000	£000
Cash & cash equivalents	145,159	0	145,159	145,159
Cash deposits	105	0	105	105
Bonds	0	0	0	0
Total	145,264	0	145,264	145,264

Income exposed to interest rate risk	Amount receivable as at 31 March 2021	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£000	£000	£000	£000
Cash deposits / cash & cash equivalents	194	1,242	1,436	(1,048)
Bonds	0	0	0	0
Total	194	1,242	1,436	(1,048)

Income exposed to interest rate risk	Amount receivable as at 31 March 2020	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£000	£000	£000	£000
Cash deposits / cash & cash equivalents	1,177	1,018	2,195	159
Bonds	0	0	0	0
Total	1,177	1,018	2,195	159

Changes in interest rates do not impact on the value of cash/cash equivalent balances but they will affect the interest income received on those balances. Changes to both the fair value of assets and the income received from investments impact the net assets available to pay benefits.

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (GB pounds). The Fund holds both monetary and non-monetary assets denominated in currencies other than GB pounds.

The Fund's currency rate risk is routinely monitored by the Pension Fund in accordance with the Fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

Currency risk – sensitivity analysis

Following analysis of historical data, the Pension Fund considers the likely volatility associated with foreign exchange rate movements to be 5.9% (as measured by one standard deviation).

A 5.9% fluctuation in the currency is considered reasonable based on the Pension Fund's analysis of long-term historical movements in the month-end exchange rates over a rolling 36-month period. This analysis assumes that all other variables, in particular interest rates, remain constant.

Notes to Pension Fund Accounts (continued)

A 5.9% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Asset type	Value at 31 March	Potential market movement	Value on increase	Value on decrease
	£000	£000	£000	£000
Total assets 2021	4,333,409	254,950	4,588,359	4,078,459
Total assets 2020	2,629,780	206,050	2,835,830	2,423,730

15b) Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

In essence, the Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment or receipt that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

Credit risk on OTC derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised ratings agency.

Deposits are not made with banks and financial institutions unless they are rated independently and meet the Pension Fund's credit criteria. The Pension Fund has also set limits as to the maximum percentage of the deposits placed with any one class of financial institution. In addition, the Pension Fund invests an agreed percentage of its funds in the money markets to provide diversification. The money market funds chosen all have AAA rating from a leading ratings agency.

The Pension Fund has managed its exposure to credit risk and has had no experience of default or uncollectable deposits over the past five years. The Fund's cash holding under its treasury management arrangements at 31 March 2021 was £97.75 million (31 March 2020: £186.305 million). This was held with the following institutions:

	Rating as at 31 March 2021	Balance as at 31 March 2020	Balance as at 31 March 2021
		£000	£000
Money market funds			
Aberdeen Standard	AAAm	18,000	5,200
Blackrock	AAAm	18,000	0
DWS (formerly Deutsche)	AAAm	11,110	2,590
Federated Investors UK	AAAm	18,000	4,800
Insight	AAAm	4,950	0
JP Morgan	AAAm	18,000	0
Bank deposits			
DZ Bank AG	AA-	10,000	0
HSBC	A+	21,000	0
Lloyds	A	1,000	8,670
NatWest	A	200	3,490
Nordea Bank AB	AA-	15,000	0
Landesbank Baden-Wuerttemberg	A	0	12,000
Handelsbanken	AA-	18,000	0
Treasury bills			
UK Government	AA-	33,045	5,000
Local Authority deposits			
Local Authority deposits	n/a	0	56,000
Total		186,305	97,750

Notes to Pension Fund Accounts (continued)

15c) Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Pension Fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments.

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. As at 31 March 2021 the value of illiquid assets was £1,436million, which represented 16.1% of the total fund assets (31 March 2020: £1,127 million, which represented 16.7% of the total fund assets).

Periodic cash flow forecasts are prepared to understand and manage the timing of the Fund's cash flows. All financial liabilities at 31 March 2021 are due within one year.

Refinancing risk

The key risk is that the Pension Fund will be bound to replace on maturity a significant proportion of its financial instruments at a time of unfavourable interest rates. However, the Pension Fund does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategy.

16. Funding arrangements

In line with The Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place at 31 March 2019 and the results are published on the Pension Fund's website

The next valuation will take place at 31 March 2022.

The key elements of the funding policy are:

- to ensure that the regulatory requirements to set contributions so as to ensure the solvency and long-term cost efficiency of the Fund are met and that sufficient funds are available to meet all pension liabilities as they fall due for payment
- to ensure that employer contribution rates are as stable as possible
- to minimise the long-term cost of the Scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return
- to reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a period of 16 years from 1 April 2020 and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Solvency is achieved when the value of assets held are equal to 100% of the Solvency Target as defined in the Funding Strategy Statement.

At the 2019 actuarial valuation, the Fund was assessed as 99% funded (81% at the March 2016 valuation). This corresponded to a deficit of £78 million (2016 valuation: £1,240 million) at that time.

The aggregate employer contributions were certified as 18.6% of Pensionable Pay, plus an additional total contribution amount of £7.2 million over 2020/21, £7.5 million over 2021/22 and £7.8 million over 2022/23.

The Fund operates three funding groups (or pools) in which participating employers share risks and pay a common primary contribution rate. All academies participate in the Academy Pool; all Town and Parish Councils participate in the Town and Parish Council Pool, and many of the charitable community admission bodies continue to participate in the Admission Body Group. Further information on these funding arrangements is contained within the Funding Strategy Statement. All other employers' liabilities and contribution rates are assessed individually.

Notes to Pension Fund Accounts (continued)

Contribution schedules for the period to 31 March 2023 have been agreed for all employers. The contributions for employers reflect the profiles of their membership (or profile of the group in which they participate); the approach taken to value the liabilities on exit; the covenant of the employer and take into account the recovery of any surplus or deficiency relating to their participation over an appropriate period. Where annual contribution amounts have been certified to an employer to remove a deficit these are expected to increase by approximately 3.1% p.a. until 31 March 2036 (or an earlier date in some cases depending on the employer's circumstances).

The valuation of the Fund has been undertaken using the projected unit method for most employers, under which the salary for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service.

Financial assumptions

Full details of the assumptions used by the Fund's actuary are set out in the 2019 actuarial valuation report and summarised in the Statement of the Actuary.

Generally, a common set of assumptions is adopted for all employers in the Fund with the exception of the discount rate (assumption for future investment returns) which is dependent on the circumstances of the employer. In setting the discount rate the actuary takes into account the financial risk of the employer and, if the employer is expected to exit the Fund in the future, will have regard to the funding target that will be used in an exit valuation under Regulation 64.

The main actuarial assumptions that were used for the secure scheduled bodies in the March 2019 actuarial valuation were as follows:

Financial Assumptions	
Discount rate	4.4% a year
Rate of general pay increases	3.1% a year
Rate of increase to pension accounts and deferred pension increases	2.1% a year
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.1% a year

The assets were valued at market value.

Demographic assumptions:

A 65 year old male pensioner retiring in normal health in 2019 was assumed on average to live to 87.9 (rather than 89.1 under the assumptions adopted at the previous valuation). A 65 year old female pensioner retiring in normal health in 2019 was assumed on average to live to 90.4 (rather than 92.3).

Commutation assumption:

Each member was assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre 2008 service) is 70% of the permitted maximum.

50:50 option:

All active members were assumed to remain in the Scheme they were in at the valuation date.

17. Actuarial present value of promised retirement benefits

In addition to the triennial funding valuation, the Fund's Actuary also undertakes a valuation of the Pension Fund's liabilities, on an IAS 19 basis, using the same base data as the funding valuation. This valuation is not carried out on the same basis as that used for setting the Fund's contribution rates and the Fund Accounts do not take account of liabilities to pay pensions and other benefits in the future.

In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 16). The actuary has also valued ill health and death benefits in line with IAS 19.

The actuarial present value of promised retirement benefits at 31 March 2019 was £10,141million (31 March 2016: £7,595 million). The Fund Accounts do not take account of liabilities to pay pensions and other benefits earned after the valuation date.

As noted above the liabilities above are calculated on an IAS 19 basis and therefore differ from the results of the 2019 triennial funding valuation (see Note 16) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates and the circumstances of employers.

The principal financial assumptions used by the Fund's actuary for the March 2019 IAS 19 calculation were:

Discount rate: 2.5%

CPI inflation / pension increase rate assumption: 2.1%

Salary increase rate: 3.1%

Notes to Pension Fund Accounts (continued)

18. Current assets

	31 March 2020	31 March 2021
	£000	£000
Debtors:		
– Contributions due: employees	25	369
– Contributions due: employers	23,661	19,894
– Transfer values receivable (joiners)	1,521	1,521
– Tax	3,157	3,187
– Sundry debtors	4,948	12,142
Cash balances	145,159	103,042
Total	178,471	140,155
Analysis of debtors	31 March 2020	31 March 2021
	£000	£000
Central government bodies	5,258	6,176
Other local authorities	18,225	14,634
Other entities and individuals	9,829	16,303
Total	33,312	37,113

18. Current liabilities

	31 March 2020	31 March 2021
	£000	£000
Sundry creditors	8,737	4,570
Transfer values payable (leavers)	0	0
Benefits payable	114	495
Tax	738	862
Total	9,589	5,927
Analysis of creditors	31 March 2020	31 March 2021
	£000	£000
Central government bodies	738	862
Other local authorities	906	745
Other entities and individuals	7,945	4,320
Total	9,589	5,927

20. Long term debtors

With effect from 1 April 2005, the Magistrates Courts Service (a body participating in the Hampshire Pension Fund) became part of the Civil Service. Terms have been agreed for the transfer of liabilities from all Local Government Pension Schemes (LGPS) to the Principal Civil Service Pension Scheme (PCSPS). Each affected LGPS fund's actuary has determined the value of the pensioner and deferred liabilities remaining with the LGPS and calculated the requirement for sufficient retained assets to match these liabilities.

The actuary determined that as insufficient assets remain to cover the remaining liabilities, a balancing payment of £15.213 million was required to the Fund by the Civil Service (Her Majesty's Courts Service) to be spread over 10 instalments commencing April 2012. The total amount of the remaining debt is £1.521 million, which is classified as a debt repayable in one year. There is therefore no long-term debtor in 2020/21.

	31 March 2020	31 March 2021
	£000	£000
Magistrates Courts – due from central government body	1,521	0
Total	1,521	0

21. Additional voluntary contributions

	Market value 31 March 2020	Market value 31 March 2021
	£000	£000
Prudential	13,817	18,527
Zurich	5,221	5,800
Utmost	961	852
Total	19,999	25,179

During the year, AVCs of £2.309 million were paid directly to Prudential (2019/20: £4.292 million), £0.263 million to Zurich (2019/20: £0.279 million), and £0.006 million to Utmost (2019/20: £0.007 million).

Notes to Pension Fund Accounts (continued)

22. Related party transactions

The Hampshire Pension Fund is administered by Hampshire County Council. Consequently, there is a strong relationship between the County Council and the Pension Fund. The County Council is also the single largest employer of members of the Pension Fund and contributed £233.465 million to the Fund in 2020/21 (2019/20 £128.829 million).

During the reporting period, the County Council incurred costs of £2.983 million (2019/20: £2.778 million) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses.

The key management personnel of the Fund are the Deputy Chief Executive and Director of Corporate Resources of Hampshire County Council, acting as Treasurer to the Fund, and the Head of Pensions, Investments and Borrowing. Both of these officers charge a proportion of their time to the Hampshire Pension Fund as part of the County Council's charge for the administration of the Fund above. Details of the salary of the Director of Corporate Resources can be found in the main accounts of Hampshire County Council.

Part of the Pension Fund's cash holdings are invested on the money markets by the treasury management operations of Hampshire County Council. During the year to 31 March 2021, the Fund had an average cash balance of £158.602 million (year to 31 March 2020: £159.138 million), earning interest of £0.194 million (2019/20 £1.157 million) on these funds.

23. Contingent liabilities and contractual commitments

Outstanding capital commitments (investments) at 31 March 2021 totalled £539.490 million (31 March 2020: £629.438 million). These commitments relate to outstanding call payments due on unquoted alternative investment and property limited partnership funds held in the alternative investments and property parts of the Fund. The amounts 'called' by these funds are irregular in both size and timing over a period of between four and six years from the date of each original commitment.

In December 2018 the Court of Appeal ruled against the Government in the McCloud and Sargeant cases, that the underpin protections for those within 10 years of retirement is age discrimination. The underpin was a protection that was put in place when the scheme changed on 1 April 2014 and applied to members who were an active member on 31 March 2012 and were within 10 years of their normal retirement age (usually 65). The Ministry for Housing, Communities and Local Government published a written statement on 13 May 2021 confirming the key changes to scheme regulations that will be made to remove age discrimination from the LGPS. The financial impact of the remedy remains difficult to determine, but it is a potential future liability for the Fund. We expect draft regulations to be published later this year.

24. Contingent assets

The Fund had no contingent assets on 31 March 2021.

25. Impairment losses

During 2020/21, the Fund has recognised an impairment loss for bad and doubtful debt of £0.009 million (2019/20: £0.037 million) for possible non-recovery of pensioner death overpayments, and there were no potential non-payment of cessation values where the employer is not backed up by a guarantee on 31 March 2021. An Expected Credit Loss has been recognised of £0.008 million (2019/20: £0.061m) for cash investments held at amortised cost.

Statement of Responsibilities for the Hampshire Pension Fund Accounts

DRAFT

Independent Auditors' Report

to the members of Hampshire County Council

To follow when report received from auditors



DRAFT

Other useful resources

DRAFT

Useful websites and document links

ACCESS pool website:

<https://www.accesspool.org>

Hampshire County Council Constitution:

Hampshire Pension Fund useful information:

- Responsible Investment Policy:
<https://www.hants.gov.uk/hampshire-services/pensions/responsible-investment>
- Task Force on Climate-related Financial Disclosures Report:
<https://www.hants.gov.uk/hampshire-services/pensions/responsible-investment>
- All policies:
- Contributing employers to the Hampshire Pension Fund:
- The report on the actuarial valuation at 31 March 2019:
- Meetings of the Pension Fund Panel and Board:
<http://democracy.hants.gov.uk/ieListMeetings.aspx?CId=189&Year=0>

LGPS Scheme Advisory Board website:

<http://www.lgpsboard.org>

Principles for Responsible Investment (PRI) website:

<http://www.unipri.org>

Task Force on Climate-related Disclosures website:

<http://www.fsb-tcfd.org>

UK Stewardship Code (FRC) website

<http://www.frc.org.uk>

Glossary

ACCESS pool

The Pension Fund is one of 11 LGPS members of ACCESS (A Collaboration of Central, Eastern and Southern Shires). The pool was established in response to the 2015 DCLG (now MHCLG) guidance on LGPS investment reform criteria. The aim was to deliver benefits of scale; strong governance and decision making; reduced costs and excellent value for money; and an improved capacity and capability to invest in infrastructure.

Actuary

A person or firm that analyses the assets and future liabilities of a pension fund and calculates the level of employers' contributions needed to keep the Fund solvent.

Added-years

An additional period of membership purchased within the LGPS by an employee or employer. The facility for employees to purchase added years was withdrawn on 1 April 2008, although existing contracts remain valid.

Administering Authority

A body required to maintain a pension fund under the LGPS regulations. For Hampshire Pension Fund this is Hampshire County Council.

Admission bodies

Employers who have been allowed into the Fund at the County Council's discretion. These can be Community or Transferee admission bodies.

Alternative investments

Less traditional investments where risks can be greater but potential returns higher over the long term, for example investments in private equity partnerships, hedge funds, commodities, foreign currency and futures.

Asset Backed Securities

An investment such as a bond that is backed by another financial asset that provides security in the event of default.

AVCs

Additional voluntary contributions – paid by a contributor who decides to supplement his or her pension by paying extra contributions to the scheme's AVC providers (Prudential, Zurich and Utmost).

Benchmark asset allocation

The allocation of the Fund's investments to the different investment sectors; this is expected to enable the Fund to meet its long-term liabilities with the minimum of disruption to employers' contributions.

Bonds

A debt investment in which an investor loans money to an entity (corporate or governmental) that borrows the funds for a defined period of time at a fixed interest rate.

Bulk transfer

A transfer of a group of members agreed by and taking place between two pension schemes.

Cessation valuation

A calculation carried out by the actuary when an employer leaves the Fund, which may result in a final deficit payment becoming due to the Fund.

Community admission bodies

Organisations that provide a public service other than for the purpose of gain and have sufficient links with a scheme employer to be regarded as having community interest.

Commutation

The conversion of an annual pension entitlement into a lump sum on retirement.

Contingent liability

A possible loss, subject to confirmation by an event after the balance sheet date, where the outcome is uncertain in terms of cost.

DCLG

Department for Communities and Local Government which has now been succeeded by MHCLG, the Ministry for Housing, Communities and Local Government.

Deferred member

A Pension Fund member who no longer contributes to the Fund but has not yet retired.

Glossary (continued)

Derivatives

Financial instruments that are based on the movements of underlying assets. They allow exposures to markets and individual assets to be adjusted, thereby altering the risk characteristics of a fund. Common types of derivatives include forward contracts, futures, options, and swaps. Derivatives may be traded on an exchange, or over the counter.

Discretionary

Allowable but not compulsory under law.

Dividends

Income to the Fund on its holdings of UK and overseas shares.

Economic exposure

This term relates specifically to a derivative futures contract. It represents the value of the equivalent amount of physical securities that would need to be bought or sold to get the same market exposure as that provided by the derivative futures contract.

Emerging markets

The financial markets of developing economies.

Equities

Shares in UK and overseas companies.

ESG

Environmental, Social and Governance factors

Full Funding

100% of the Funding Target chosen.

Funding Principle

The basis on which the Fund is financed. It ensures there are funds available to pay all benefits promised.

Funding Success

Reaching the Aspirational Funding Target by the end of the recovery period.

Funding Target

The amount of assets which the Fund needs to hold at any point in time to meet the Funding Principle.

FT

Financial Times – publishers of the FTSE-100 index and other indices. The FTSE-100 covers the 100 largest stocks in the UK stock market.

Gilt-edged securities (or Gilts)

Fixed-interest stocks issued by the UK Government.

Global custodian

A bank that looks after the Fund's investments, implements investment transactions as instructed by the Fund's managers and provides reporting, performance and administrative services to the Fund.

GMP

The Guaranteed Minimum Pension (GMP) is the minimum pension which a United Kingdom occupational pension scheme has to provide for those employees who were contracted out of the State Earnings-Related Pension Scheme between 6 April 1978 and 5 April 1997

Gross of fees

The percentage investment return delivered by an investment manager before the deduction of fees and expenses

Guarantors

A body which guarantees to pay for an Admission Body's liabilities in case of default. For any new admission body wishing to join the Fund, the administering authority will require a Guarantor.

Hedge fund

A specialist fund that seeks to generate consistent returns in all market conditions by exploiting opportunities resulting from inefficient markets.

Income yield

Annual income on an investment divided by its price and expressed as a percentage.

Index

A measure of the value of a stock market based on a representative sample of stocks.

Glossary (continued)

Index linked

Investments which generate returns in line with an index.

Index return

A measure of the gain or loss achieved in a year based on a representative sample of stocks and expressed as a percentage. It includes both income received and gains and losses in value.

Informal valuations

Valuations where the calculations are based on an approximate update of the asset and liability values, and liabilities calculated using assumptions consistent with the latest formal valuation updated for changes in market conditions.

Interim valuations

Actuarial valuations carried out in between the triennial valuations.

LIBOR

The benchmark London Interbank Offered Rate interest rate at which large banks lend to one another.

LGPS

Local Government Pension Scheme – a nationwide scheme for employees working in local government or working for other employers participating in the scheme and for some councillors.

MSCI ACWI

The Morgan Stanley Capital International (MSCI) All Countries World Index (ACWI) is used by the Hampshire Pension Fund to measure global stock markets.

MHCLG

The Ministry for Housing, Communities and Local Government

Myners

Paul Myners, author of the Myners Report into institutional investment in the UK, published in March 2001.

Multi-Asset Credit

A flexible and diversified approach to investing in credit (debt) across different asset classes such as loans and bonds. The diversification allows the targeting of higher returns than a traditional fixed income strategy focused on government debt and investment grade credit.

Net of Fees

The percentage investment return delivered by an investment manager after the deduction of fees and expenses

Notional sub-funds

A subdivision of assets for funding purposes only. It does not imply any formal subdivision of assets, nor ownership of any particular assets of groups of assets.

Orphan liabilities

Residual liabilities of employers from whom no further funding can be obtained.

Pooled investment vehicle

A collective investment scheme that works by pooling money from different individual investors.

Private equity

Mainly specialist pooled partnerships that invest in private companies not normally traded on public stock markets – these are often illiquid (i.e., not easily turned into cash) and higher-risk investments that should provide high returns over the long term.

Private debt

Specialist pooled partnerships that invest in debt (also referred to as credit) of companies that is not publicly traded. These investments are often described as illiquid as it is more difficult to sell the debt instruments and turn the investment back into cash. Expected returns are therefore often higher than for the equivalent publicly traded debt instruments due to this illiquidity risk.

Projected unit actuarial method

A method of calculation of an actuarial valuation, where an allowance is made of projected earnings on accrued benefits. The contribution rate required is that necessary to cover the cost of all benefits accrued up to the date used in the valuation, but based on earning projected to the date of retirement.

Glossary (continued)

Quartile

Three points that divide data into four equal groups, each representing a quarter. The lower quartile consists of the bottom quarter of all data, whilst the upper quartile consists of the top quarter of all data.

Recovery period

Timescale allowed (up to a maximum of 40 years) over which surpluses or deficiencies to the Fund can be eliminated.

Relaxation period

Temporarily relaxing the contribution pattern required to target funding for community admission bodies under economic circumstances which the administering authority judges to be extreme.

Relevant Scheme Employer

The local authority which has outsourced the service to a Transferee Admission Body.

Responsible Investment

The PRI (Principles for Responsible Investment) defines responsible investment as a strategy and practice to incorporate environmental, social and governance (ESG) factors in investment decisions and active ownership

Resolution bodies

Employees have the right to be members of the LGPS, as long as their employing Council has resolved to allow membership.

Roll forward

The process of updating an employer's notional sub-fund and/or value of liabilities to account for all cashflows associated with that employer's membership, accrual of new benefits, and changes in economic conditions.

Rolling three-year periods

Successive periods of three years, such as years one to three, followed by years two to four. Performance is often measured over longer periods than a single year to eliminate the short-term effects of volatile changes in stock markets.

Scheduled bodies

Organisations that have a right to be in the Fund. These bodies are listed in Schedule 2 of the Local Government Pension Scheme (Administration) Regulations 2008.

Scheme Advisory Board (SAB)

The Local Government Pension Scheme Advisory Board is a body set up under Section 7 of the Public Service Pensions Act 2013 and The Local Government Pension Scheme Regulations 110-113. It seeks to encourage best practice, increase transparency and coordinate technical and standards issues

Smoothing adjustment

An adjustment to the Fund's market value of assets to level out market fluctuations over a certain period of time up to the valuation date.

Soft commission

A soft commission arrangement is when an investment manager agrees to do a minimum amount of business with a broker in exchange for free research and information services. The Fund has no soft commission arrangements with any of its managers.

Solvency

When the Fund's assets are greater than or equal to 100% of the Funding Target.

Standard lifetime allowance

The limit on the value of retirement benefits that an individual can accumulate over their lifetime before tax penalties apply.

Statutory

Controlled by the law.

Subsumption

A process by which a Scheduled Body or the Scheduled Bodies funding group provide future funding for any resulting deficiency where an admission body leaves the Fund.

TCFD

Task Force on Climate-related Disclosures (TCFD). The Financial Stability Board created the TCFD to improve and increase reporting of climate-related financial information:

Task Force on Climate-Related Financial Disclosures
<http://www.fsb-tcfd.org>

Glossary (continued)

Transfer value

A cash sum representing the value of a member's pension rights which can be paid to another pension scheme only.

Transferee admission body

Typically private sector companies or charities, which have taken on staff from a local authority as a result of an outsourcing of services and the transferring employees had a right to remain in the LGPS or a "broadly equivalent" scheme.

Triennial valuation

The valuation carried out by the Actuary every three years.

UN Principles for Responsible Investment

The PRI is an organisation that works to understand the investment implications of environmental, social and governance (ESG) factors and to support its international network of investor signatories in incorporating these factors into their investment and ownership decisions. Six principles for responsible investment have been developed:

<https://www.unpri.org/pri/about-the-pri>

UK Stewardship Code

The UK Stewardship Code sets expectations of those investing money on behalf of UK savers and pensioners and establishes a benchmark for stewardship as the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society:

<https://www.frc.org.uk/investors/uk-stewardship-code>

Weighted benchmark

A combination of the benchmarks of the individual investment managers, weighted according to the value of assets held by each manager as a percentage of the total Fund assets.