

**HAMPSHIRE**  
PENSION FUND

# **Business Plan**

2021–2024



# Contents

<p><b>3</b> Background</p>	<p><b>8</b> Business as usual</p>	<p><b>10</b> Business Plan 2021/22 to 2023/24</p>
<p><b>14</b> 2022/23 Budget</p>	<p><b>16</b> Risk Register</p>	<p><b>25</b> Training Policy and Plan 2021/22</p>

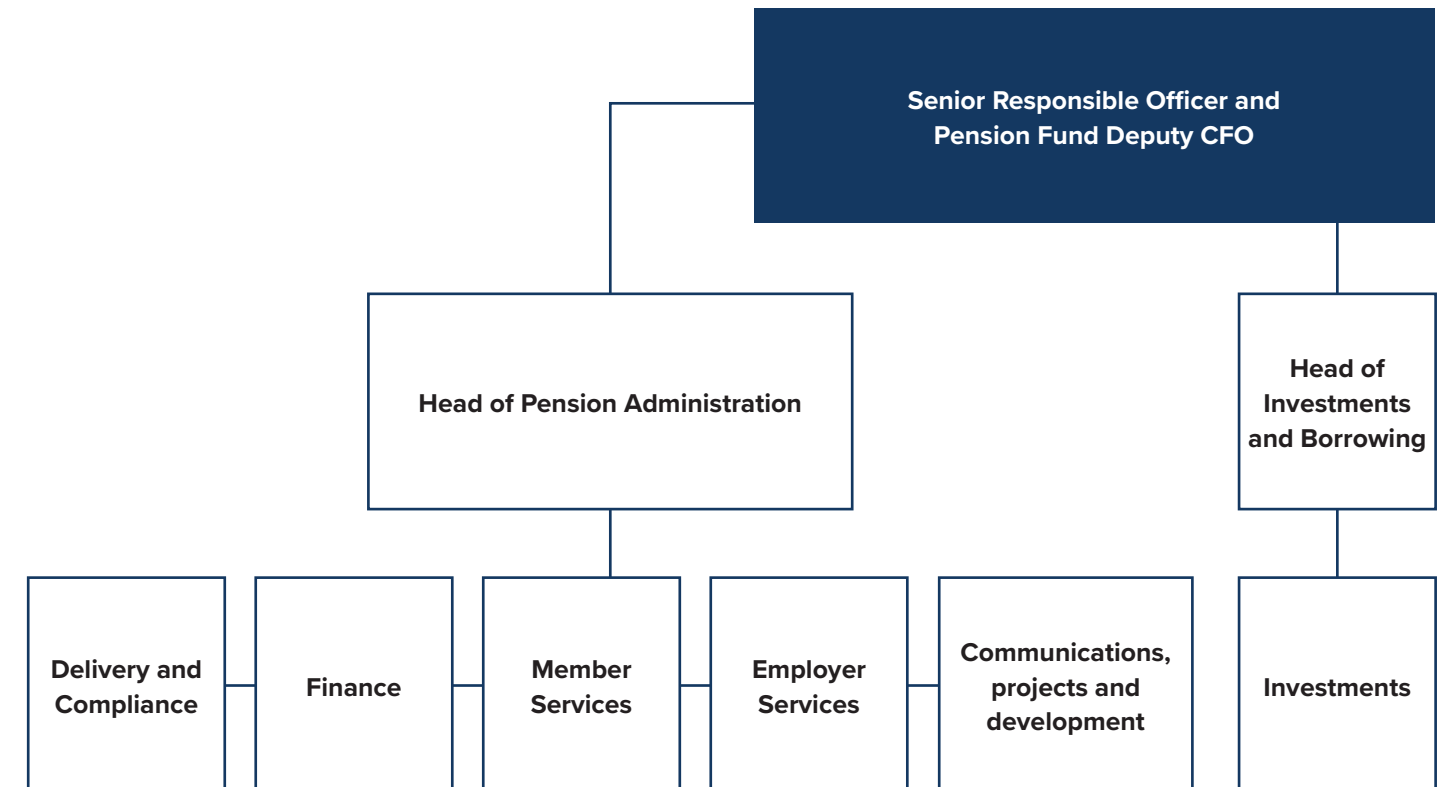
# Background

This is the Business Plan for the Hampshire Pension Fund, which is part of the Local Government Pension Scheme (LGPS) and has over 183,000 members, including over 45,000 members in receipt of a pension. It makes investments so that it can pay pensions to these members when they reach retirement age. At its last financial year end – 31 March 2021, these investments were valued at £9.07bn.

Hampshire County Council is responsible for administering the Hampshire Pension Fund. It has delegated responsibility for this to the Pension Fund Panel and Board who are charged with the governance and management of the Pension Fund. 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 Treasurer of the Pension Fund (Section 151 Officer of the County Council) is the most senior officer responsible for the management and administration. Hampshire Pension Services carry out the day-to-day administration of the Fund. There are 59 full time equivalent (FTE) staff involved in the administration and governance of the Pension Fund, with the majority of these in the Member and Employer Services team.





## Background continued



The management and administration of the Pension Fund is carried out in conjunction with a number of key suppliers, in particular the Fund's actuary — Aon, its bank — NatWest, custodian of the Fund's investment — JP Morgan and the administration software supplier — Civica. More details of the Pension Fund's suppliers, including its arrangements for investment management are contained in its Annual Report **HampshirePensionFund2021.pdf** ([hants.gov.uk](https://www.hants.gov.uk)).

Hampshire is a member of the ACCESS pool (A Collaboration of Central, Eastern and Southern Shires) with 10 other Local Government Pension Scheme funds to meet the requirements of the requirements of the Government's LGPS: Investment Reform Criteria and Guidance (2015), which set objectives for asset pooling in the LGPS. As of 31 March 2021, Hampshire had pooled 67% of its investments with ACCESS.

The ACCESS pool has agreed its own business plan for the development of the pool, including a pipeline allowing the authorities to pool more investments and further strengthening the governance and management of the pool.

A key concern of the Pension Fund Panel and Board is that the Pension Fund acts as a good steward of its investments and with the principles of a responsible investor. The Pension Fund is a signatory of the Stewardship Code 2020, Principles of Responsible Investment (PRI) and has adopted the principles of the Taskforce for Climate Related Financial Disclosure (TCFD).





# Introduction

The Fund’s overarching aims are set as follows:

**Governance:** To put stakeholders at the centre of everything we do, act with integrity and be accountable for decisions made. This will be achieved through a robust, and well based governance framework which considers risk management, compliance and appropriate resourcing.

**Investments and Funding:** To make the best use of our resources and minimise the long-term cash contributions which employers need to pay to the Fund. This will be achieved through recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return.

**Administration and Communication:** To continue to deliver a high-quality administration service to all stakeholders. This will be done through working closely with our partners and the continual review of processes and procedures to ensure that the Fund receives all income due and payments are made to the right people at the right time, there is clear communication with all stakeholders and robust accounting and reports.

The Business Plan is an important document which sets out the aims and objectives of the Fund over the coming few years and the outcomes the Panel and Board want to achieve for its stakeholders. The Business Plan is one of a number of documents that govern how the Pension Fund is managed, these are:

- Funding Strategy Statement
- Investment Strategy Statement (including Responsible Investment Policy)
- Administration Strategy
- Communication Policy
- Employer Policy
- Conflicts Policy
- Business Plan (including Risk Register, Budget and Training Plan)
- Training Policy
- Governance Policy Statement and Governance Compliance Statement
- Representation Policy
- Cyber Compliance Statement

All of these policies are published on the Pension Fund’s website **Policies | Hampshire County Council (hants.gov.uk)** and are reviewed at least once a year, in December, by the Pension Fund Panel and Board.

The key actions and areas of focus in the business plan are grouped into the areas of governance, funding and investments, and administration; the objectives for these are summarised below.

## Governance

- Act in the best interests of the Fund’s members and employers
- Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies
- Ensure the Pension Fund is managed, and its services delivered, by people who have the appropriate knowledge and expertise
- Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based
- Understand and monitor risk
- To make sure that the Fund follows best practice as recommended by the Government, the Scheme Advisory Board (SAB), the Pensions Regulator (TPR), the Local Government Pensions Committee (LGPC), the Chartered Institute of Public Finance and Accountancy (CIPFA) and other organisations involved in the oversight in pensions.
- Comment fully on consultation papers dealing with pension matters in the interests of the Fund’s participating employers and members within the deadlines set.
- Clearly articulate our objectives and how we intend to achieve those objectives through business planning, and continually measure and monitor success
- Ensure the confidentiality, integrity and accessibility of the Fund’s data, systems and services is protected and preserved.

## Investments and Funding

- To achieve a 100% funding level over the long term, which means that all current and future Fund liabilities can be met.

- Determine employer contribution requirements, whilst recognising the constraints on affordability and strength of employer covenant, with the aim being to maintain stable employers’ contribution rates in the long term.
- Strike the appropriate balance between long-term consistent investment performance and the funding objectives
- Ensure net cash outgoings can be met as/ when required
- Ensure that the Fund’s appointed investment managers are implementing the Fund’s Responsible Investment policy.

## Administration

- Provide a high quality, professional, proactive, timely and customer focussed administration service to the Fund's stakeholders
- Administer the Fund in a cost effective and efficient manner utilising technology appropriately to obtain value for money
- Ensure the Fund's employers are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of the administration functions of the Fund
- Communicate in a clear, concise manner using the most appropriate means of communication, taking into account the different needs of different stakeholders, but with a default of using electronic communications where efficient and effective to do so.
- Regularly evaluate the effectiveness of communications and shape future communications appropriately.



# Business as usual

The business plan highlights the key priorities for the next three years. This focusses on areas of change and project like tasks which are in addition to day to day “business as usual” duties. On a day to day basis our focus is on the following key elements of Fund management.

Managing the Fund on a day to day basis involves a wide range of processes and procedures, some of which are outlined below and all of which have been designed around achieving our Fund’s objectives as outlined in our strategies and policies. The management of the Fund is significant, complex and highly regulated. As such, these processes and procedures require expert knowledge and experience from both officers and external advisors in several diverse areas as illustrated below.

## Governance

- Setting the agenda, reporting and presenting to the Pension Fund Panel and Board and Responsible Investment sub-committee
- Implementing and monitoring the achievement of other governance areas such as training policy, conflict of interest policy, risk register, and compliance against The Pension Regulator’s Code of Practice
- Ensuring we adhere to Council and legal requirements for procurement, health & safety and data protection
- Assisting internal and external audit in their role
- Replying to Freedom of Information requests

- Participation at the Joint Governance Committee and Officer Working Group of the ACCESS pool
- Preparing and publishing the Fund’s Annual Report and Statement of Accounts
- Preparing and monitoring of the Pension Fund’s Budget
- Preparation of statutory and non-statutory returns as required
- Maintaining the Pension Fund’s cashflow forecast
- Quarterly invoicing of employers for pensions strain and added years
- Running an Annual Meeting for employers.

## Investments and Funding

- Arranging through the Actuary data required by the Government Actuary's Department (“GAD”)
- Implementing and checking the appropriateness of the Investment Strategy every three years
- Appointing, monitoring and dismissing of fund managers including within a pooling environment
- Quarterly monitoring and reporting on investment performance and the funding position
- Working with other LGPS funds in the ACCESS pool through the Joint Governance Committee and Officer Working Group
- Ensuring investment costs are fully disclosed in line with the Cost Transparency Initiative
- Monitoring and reporting on the Fund’s Responsible Investment Policy.



## Administration

- Maintaining accurate and up to date scheme member records
- Calculating and notifying entitlement to pension and death benefits
- Providing estimates of retirement benefits including any additional costs to employers
- Calculating and paying monthly pensions to all pensioners and beneficiaries
- Producing Annual Benefit Statements for all active and deferred scheme members and payslips and P60s for pensioner members and making these documents available on the secure Portal
- Providing ongoing information to scheme members and their beneficiaries as they join, leave or change their status in the Fund
- Answering ad-hoc enquiries received by phone, email, letter or secure Portal message
- Maintaining the Fund’s website and the Member Portal and Employer Hub
- Provide new employers with information about their Fund responsibilities
- Providing ongoing training and technical updates to employers
- Processing bulk updates to data such as annual pensions increases and year end employer returns
- Administering the Fund’s Internal Dispute Resolution Procedure
- Providing information to the Fund’s actuary as required
- Monitoring the employers’ funding positions and covenants including their ability to pay contributions and managing any employers who wish to join or leave the Fund
- Completing statutory reporting requirements and other provision of information to stakeholders, including reporting against KPIs
- Maintaining and updating the pensions software system



# Business plan

2021/22 to 2023/24

Item	Context	Action	2021/22	2022/23	2023/24	2024/25
<b>Governance</b>						
<b>Good Governance</b>	The SAB has approved Phase 3 of its Good Governance Review that may now go forward to become Statutory Guidance and new Regulations	Implement the outcomes of the SAB Good Governance Review	•	•		
<b>TPR's new Code of Practice</b>	The Regulator has consulted on a new single code of practice which is expected to come into force in summer 2022	Assess the Fund's compliance against the new code		•		
<b>Pooling Guidance</b>	Central Governance published its original pooling guidance in 2015. The Ministry for Communities, Housing and Local Government MHCLG consulted on amendments in January 2019 but no further amendments have since been made	Respond to further consultation on LGPS pooling guidance which is now expected	•	•		
<b>Panel and Board Roles</b>	The terms of the Panel and Board representatives will expire as follow: <ul style="list-style-type: none"> <li>deputy scheme member representative – May 2022</li> <li>pensioner representative – May 2023</li> <li>active and deferred scheme member representative, other employer representative – February 2024</li> </ul>	Advertise for volunteers and manage a process to select a deputy scheme member representative and pensioner representative for the Panel and Board		•	•	
<b>New Knowledge and Skills Framework</b>	CIPFA have published a new Knowledge and Skills Framework for members of Pension Fund committees	The new Knowledge and Skills Framework will be the basis of the Panel and Board's Learning Needs Analysis and Training Plan in 2022		•		
<b>New Actuary Contract</b>	The Pension Fund's contract expires on 31 March 2023	A new contract will be tendered from the National Framework		•		
<b>Consultations responses</b>	The Pension Fund will respond to all relevant consultations produced by Government and other regulatory bodies	Consultations are expected for changes to the local valuation cycle, management of employer risk, Fair Deal, Academies and adoption of TCFD principles, although exact timings aren't yet known.	•	•	•	•

Item	Context	Action	2021/22	2022/23	2023/24	2024/25
<b>Funding and investment</b>						
<b>Actuarial Valuation</b>	The Fund's next Actuarial Valuation is due on 31 March 2022	Consider the results of the valuation		•		
<b>Pre-payments</b>	Subject to the terms of their participation in the Fund, employers are permitted to pre-pay contributions in return for a discount	Agree the terms for prepayments following the 2022 Valuation		•		
<b>Investment Strategy review</b>	The Fund's current Investment Strategy was agreed by the Panel and Board in February 2020	Review the Investment Strategy following the latest Actuarial Valuation and implement and necessary changes		•	•	
<b>Custodian contract</b>	The Fund's current custodian contract expires in August 2022 and a new contract has been arranged from the LGPS National Framework	Transition to the new contract by August 2023			•	
<b>Climate Change risk</b>	The Pension Fund has agreed its RI Policy which sets out how it expects its investment managers to consider the impact of Climate Change amongst of environmental, social and governance (ESG) factors in their investment decisions	Conduct initial scenario analysis on the risk of the impact of Climate Change on the Fund's investments to be developed in future years.	•	•	•	•
<b>Responsible Investment (RI)</b>	Following the approval of a RI policy in July 2019 the Pension Fund commissioned a specialist RI consultant to review its investment managers and the ESG exposure in their portfolios	Repeat the RI review with the Pension Fund's current investment managers and portfolios		•		•
<b>Asset-backed securities (ABS)</b>	The Pension Fund first made a small investment in ABS pooled funds in October 2019. Due to amendments in the Fund's medium-term and strategic asset allocations the values of these investments has since grown	Consider whether the Pension Fund's investment in ABS should be held in segregated accounts prior to potentially transferring to the ACCESS pool	•	•		
<b>Pooling Alternative Investments</b>	The ACCESS pool will develop options for the partner authorities to invest in alternative investments	To consider the options available for transferring Hampshire's uncommitted allocations to alternative investments to the ACCESS pool		•	•	•

# Business plan continued

2021/22 to 2023/24

Item	Context	Action	2021/22	2022/23	2023/24	2024/25
<b>Administration</b>						
<b>Guaranteed Minimum Pension (GMP) reconciliation</b>	Ensure scheme records agree with those of the National Insurance Contribution Office (NICO, part of HMRC)	Complete the rectification stage of the GMP reconciliation project		•	•	
<b>McCloud</b>	Removal of the age discrimination which was introduced when the scheme was reformed in 2014	Receive and upload the required information from employers in anticipation of new regulations in 2023		•	•	•
<b>Actuarial Valuation</b>	Ensure that accurate scheme data is provided to allow the Fund Actuary to conduct the triennial valuation	Communicate with employers to ensure prompt return of accurate data and upload this into the administration system prior to producing the valuation extracts			•	
<b>Communications Strategy</b>	Continue to offer members a variety of methods of communication but use electronic by default	Implement planned enhancements to the Member Portal and Employer Hub and continue working to promote these to members and employers		•	•	•
<b>UPM development roadmap</b>	Implementation of agreed improvements to the pension administration system	Deliver the planned improvements and roll these out to members, employers and staff		•	•	•
<b>Cyber security</b>	The Fund has to ensure it has a comprehensive cyber security plan in place which is regularly reviewed and tested	Complete annual assessment of external facing portals (Member and Employer) and resolve any identified issues. Review and issue cyber statement and annual performance report		•	•	•

Item	Context	Action	2021/22	2022/23	2023/24	2024/25
<b>Exit cap</b>	It is expected that DLUHC will come forward with new proposals for a cap on exit payments in 2021/2022	Ensure any calculation routines and communications with employers and members are updated to reflect the new requirements. Review the associated strain cost factors as appropriate	•	•		
<b>Goodwin</b>	Removal of gender discrimination in relation to partners' pensions – DHLUC is expected to come forward with amending regulations to implement this	Ensure any calculations and communications are updated to comply with any new requirements and consider any historic cases (if the changes are backdated)		•		



# 2022/23 Budget

The Pension Fund categorises its expenditure for the management of the Pension Fund according to CIPFA's definitions; investment management, administration, and governance, which include the following:

- **Investment management** – the cost of managing the Fund's assets, which includes fees paid to the Fund's investment managers and its custodian. This includes the fees that are not paid directly for pooled and other investments, such as sub-funds managed by Link as part of the ACCESS pool and alternative investments like Infrastructure and Private Equity.
- **Administration** – all activities the Administering Authority must perform to administer entitlements and provide members with scheme and benefit entitlement information.
- **Governance** – the costs of accounting for and monitoring the Pension Fund, plus the additional professional advice and support that is required by the Fund.

The 2022/23 budget that has been prepared reflects the costs of delivering the Pension Fund's statutory responsibilities for the administration of the scheme and management of investments. The resources contained within the budget are sufficient to meet the Fund's regulatory requirements and deliver at the standards for administration that are reported to the Panel and Board. The new developments and initiatives that are included in the Fund's Business Plan are also included in the budget.

## Investment management

Investment management costs are derived from the percentage fees charged by the Fund's investment managers, applied to the market value of the portfolios that they manage. Future years market values have been calculated based on the expected annual increases that the Fund's Actuary has used in the 2019 Valuation applied to the investment management contracts that the Fund has in place. Actual investment management costs may be more or less than the budget depending on the market values each year.

The budget for investment management costs has been revised to £63.0m in 2021/22 to reflect the increase in the market value of the Fund and an increasing allocation to alternative investments (property, infrastructure, private equity and private debt), which incur higher fees than listed investments, as set out in the Fund's Investment Strategy Statement.

## Administration

The two key expenses for pension administration are staff and IT costs. Pension Services use the Civica UPM system which continues to drive efficiency savings allowing the service to be delivered in a cost effective way despite increasing pressures and growth in workloads.

The budget for administration remains well within the 0.3% of pensionable payroll for the Fund assumed by the Fund's Actuary, and results in a cost per member of around £15 which is one of the lowest across LGPS funds.

No allowance has been made in the budget for the costs of GMP rectification work or for the implementation of the McCloud remedy which will be separately costed once the full scope of this work is known.

## Governance

Governance costs fall into three main areas:

- The internal costs of providing the administration and accounting function for the Pension Fund, managing its investment management contracts and providing the governance support to the Pension Fund Panel and Board.

- The ongoing costs of setting up and running the ACCESS pool.
- The external services required by the Pension Fund: internal and external audit, investment consultancy, actuarial services, independent advice to the Panel and Board, and internal and external legal support.

Governance costs are expected to be relatively static for the next 2 years. There are additional costs projected in 2022/23 for the next Actuarial Valuation as at 31 March 2022.

## 2022/23 Budget

	Budget 2021/22 £000	Budget 2022/23 £000	Budget 2023/24 £000	Budget 2024/25 £000
<b>Investment management fees</b>	62,978	65,478	68,086	70,805
<b>Staff</b>	1,743	1,874	2,014	2,111
<b>Premises</b>	62	64	65	66
<b>IT</b>	300	310	317	320
<b>Supplies &amp; Services</b>	275	282	288	297
<b>Administrative Costs</b>	<b>2,380</b>	<b>2,530</b>	<b>2,684</b>	<b>2,794</b>
<b>Staff</b>	410	430	452	471
<b>Premises</b>	5	5	5	5
<b>IT</b>	5	5	5	5
<b>Supplies &amp; Services</b>	365	375	385	395
<b>Oversight &amp; Governance Costs</b>	<b>785</b>	<b>815</b>	<b>847</b>	<b>876</b>
<b>Management Expenses</b>	<b>66,143</b>	<b>68,823</b>	<b>71,617</b>	<b>74,475</b>



# Risk register

Risk	Description	Likelihood	Impact	Mitigation
<b>Employer risk</b>	<p>These risks arise from the ever-changing mix of employers, from short-term and ceasing employers, and the potential for a shortfall in payments and/or orphaned liabilities.</p> <p>These events could cause the risk of unexpected structural changes in the Fund's membership and the related risk of an employer failing to notify the administering authority promptly.</p>	M	M	<p>The Administering Authority requires the other participating employers to communicate regularly with it on such matters.</p> <p>The Pension Fund Panel and Board have approved a Funding Strategy Statement that details how funding risk is mitigated for different employer types. The Administering Authority maintains a knowledge base on scheme employers, their basis of participation and their legal status (e.g. charities, companies limited by guarantee, group/subsidiary arrangements) and uses this information to inform the Funding Strategy Statement. The Fund's Employer Policy outlines how the Administering Authority will deal with any situation resulting from a change in any Fund employer's circumstances or new employers entering the Fund. The Administering Authority monitors the status of the employers in the Fund and discusses any changes, including any necessary changes to the Funding Strategy Statement, with the Fund's Actuary.</p>
	<p>That an employer becomes insolvent and is no longer able to meet their obligations to the Fund.</p>			<p>The Pension Fund's Funding Strategy Statement reflects that most of the employers in the Fund have a degree of Central Government support. Where this is not the case the Funding Strategy Statement sets out how this will be taken into account to manage the risk. The Employer Policy requires new employers to have a guarantor who would be called on in the event of an insolvency, and all charitable admission bodies now have a subsumption commitment from their associated local authority which helps to reduce any exit debt.</p> <p>The Administering Authority has a written policy on how it would exercise its discretion to defer pension contributions in exceptional circumstances.</p>

Risk	Description	Likelihood	Impact	Mitigation
<b>Operational risk</b>	<p>That the activities of the Pension Fund are disrupted due to the loss of premises, staff or IT (for example as a result of a cyberattack or pandemic disease), either affecting the Pension Fund directly or one of its key suppliers.</p>	H	M	<p>Pension Services follow the Administering Authority's Disaster Recovery policy that ensures that processes are in place to manage in the event of the loss of key resources. This includes the ability continue to deliver key services remotely, should this be necessary.</p> <p>Part of the selection process for the Pension Fund's key suppliers includes an assessment of their own disaster recovery capabilities.</p>
<b>Cyber risk</b>	<p>That the systems used by the Pension Fund are breached intentionally or accidentally resulting in unauthorised access to data.</p>	M	H	<p>Pension Fund IT systems sit within the County Council's IT platforms and are subject to the corporate security controls and accreditations. Additional external security testing of the Member Portal and Employer Hub is conducted annually and vulnerabilities identified and fixed.</p> <p>Accesses to systems are controlled with passwords and other security measures. Staff are required to comply with data handling procedures.</p>
<b>Administration risk</b>	<p>The Pensions Regulator identifies the risks being around:</p>	M	M	
	<p><b>Employer contribution monitoring:</b> are employers paying the right amount of contributions on time?</p>			<p>Employer contributions are set out in the triennial valuation and the deadline for payment is set by Regulation as 22nd of the month.</p> <p>Contributions are monitored and any late payments are reported to the Pension Fund Panel and Board. Any issues of 'material significance' will be reported to the Regulator.</p>

# Risk register continued

Risk	Description	Likelihood	Impact	Mitigation
<b>Administration risk</b> continued	<b>Record-keeping:</b> how comfortable are you that your records are complete and accurate?	M	M	<p>The Administration Strategy is the agreement between the Hampshire Pension Fund and all participating Bodies, in which all parties commit to certain principles, including:</p> <ul style="list-style-type: none"> <li>• to provide a high quality pension service to members</li> <li>• to take responsibility to provide accurate and timely information</li> <li>• that the results are reported to the Panel &amp; Board twice a year.</li> </ul> <p>The annual returns exercise is completed each year and employer performance is monitored with processes in place to help improve this where necessary.</p> <p>The Compliance and Delivery Manager is responsible for ensuring that data is complete and accurate in line with TPR requirements and that any actions on the data improvement plan are implemented. The Administering Authority has implemented a data analysis tool which provides daily management information on potential data issues.</p>
	<b>Internal controls:</b> has the Fund put in practice a policy to identify risks and arranged for these to be managed or mitigated?	M	M	Both Internal Audit and External Audit carry out work to assess the internal controls and this is reported to the Panel & Board.
	<b>Member communication:</b> are these always accurate, timely, clear and provide the information members are interested in?	M	M	There is a Communications Policy and Customer Charter on the Pension Services website, which details the service our scheme members can expect. The Fund's website and Member Portal are being reviewed to increase the information available to members, including on Responsible Investment and the activities of the Panel and Board.

Risk	Description	Likelihood	Impact	Mitigation
<b>Administration risk</b> continued	<b>Internal disputes:</b> do these indicate wider problems in the Fund?	M	M	<p>The full complaint process, going all the way through to the Pensions Ombudsman, is detailed on the Pension Services website.</p> <p>All complaints are fully investigated and the outcome at each stage of the process reported in the Accounts.</p>
	<b>Resourcing:</b> conflicting priorities with servicing other partners.	M	M	Resourcing plans are in place to ensure services can be delivered to each partner. Project plans are in place that identify the requirements of each partner, including the on-boarding of new partners.
<b>Investment risk</b>	<b>Investment management underperformance</b> – from the Fund's investment managers failing to outperform their benchmark returns for prolonged periods of time.	M	H	<p>The Fund's investment managers' performance is reviewed regularly by the Fund's officers and reported regularly to the Panel and Board.</p> <p>All of the Fund's contracts for investment management contain the provision that the Fund can cancel the contract with 1 month's notice in the event of poor investment performance.</p>
	<b>Market risk</b> – from fluctuations in market prices, which is particularly relevant for investments in equities.	M	H	<p>The Panel and Board have set a diversified asset allocation which limits exposure to any one particular market.</p> <p>The Fund contracts with specialist external investment managers and as a general principle aims to invest globally and set mandates for investment managers that give them as much freedom as possible, in order to manage market conditions as they see fit.</p>
	<b>Interest rate risk</b> – which can affect the prices of investments that pay a fixed interest rate.	M	H	The Fund contracts with specialist external investment managers and as a general principle aims to set mandates for investment managers that give them as much freedom as possible, in order to manage risks such as changes in interest rates.



# Risk register continued

Risk	Description	Likelihood	Impact	Mitigation
Investment risk continued	<b>Currency risk</b> – the risk of fluctuations in prices of financial instruments that are denominated in any currency other than the functional currency of the Fund (GB pounds)	M	H	As a UK Pension Fund the Panel and Board consider that the Pension Fund should have a significant proportion of its assets denominated in Sterling, thereby removing the currency risk.  The Panel and Board keep their view of the long term nature of currency movements under review and will seek specialist advice if they believe that this might change or there is likely to be an event that might crystallise the effect of particular currency movements. Where investment returns in particular asset classes are at risk of disproportionate currency effects (such as Multi-asset Credit and Private Debt) the investments are hedged back to Sterling. In addition having taken advice to mitigate the overall currency impact on the Pension Fund, the passive global equity investments is hedged back to Sterling.
	<b>Credit risk</b> – 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. This includes the risk of loss in the Stock Lending programme which Hampshire participates in via the ACCESS pool.			The Panel and Board have set a diversified asset allocation which limits exposure to any particular investment, with further limits set in the Investment Strategy Statement to limit the Fund's exposure to particular vehicles or assets. The ACCESS pool's stock lending programme is protected by collateral managed by the Fund's custodian.
	<b>Refinancing risk</b> – that the Pension Fund could be bound to replace on maturity a significant proportion of its financial instruments at a time of unfavourable interest rates.			The Fund contracts with specialist external investment managers and as a general principle aims to make their portfolios 'ever-green' so that income and maturing investments can be reinvested, allowing investment managers to build portfolios that do not have a concentration of investments with a particular maturity date.

Risk	Description	Likelihood	Impact	Mitigation
Investment risk continued	<b>Custody risk</b> – losing economic rights to Fund assets, when held in custody or being traded.	M	H	The Panel and Board and the Fund's officers regularly monitor the performance of the Fund's custodian and have the power to replace the provider should serious concerns exist.
	<b>Liability risk</b> – that the Fund's liabilities are not accurately calculated resulting in the return target being too low and employers' contributions having to rise.			The County Council as the Fund's Administering Authority will ensure that the Fund's Actuary investigates the main factors that determine the Fund's liabilities, such as interest rates, inflation, life expectancy and other demographics. The Fund's Actuary will report and agree with the Administering Authority any necessary changes to their assumptions.
	<b>Environmental, social and governance (ESG) factors</b> , including the impact of climate change – that these factors materially reduce long-term returns.			As set out in the Fund's Responsible Investment Policy, the Fund's external investment managers are required to consider ESG factors in their investment decisions, including any negative contribution to climate change and the overall risk from the impact of climate change, and to exercise the Fund's responsibility to vote on company resolutions wherever possible. They have also been instructed to intervene in companies that are failing, thus jeopardising the Fund's interests, by voting or by contacting company management directly.
	<b>Regulatory risk</b> – that inhibits the Pension Fund Panel and Board's fiduciary duty.			The Fund will be proactive in engaging with the Government, including responding to consultation, on any issues affecting the management and investment of Pension Fund monies.
	<b>Illiquidity</b> – that the Fund is unable to meet its immediate liabilities.			The Fund maintains a cashflow forecast to ensure that it can plan suitably in advance to ensure that it has sufficient cash available.  The Fund's asset allocation is set to achieve a balance between liquid and illiquid investments.

# Risk register continued

Risk	Description	Likelihood	Impact	Mitigation
<b>Liability risk</b>	The main risks include interest rates, pay and price inflation, life expectancy, changing retirement patterns and other demographic risks that will impact on the Actuary's calculation of the Fund's liabilities and reduce the Fund's funding ratio.	M	M	The County Council as the Fund's Administering Authority will ensure that the Fund's Actuary investigates the main factors that determine the Fund's liabilities, such as interest rates, inflation, life expectancy and other demographics.  The Fund's Actuary will report and agree with the Administering Authority any necessary changes to their assumptions and the resulting impact on the Fund's employers' contributions.
<b>Funding risk</b>	The Government Actuary's Department (GAD) has been appointed by the Ministry of Housing, Communities and Local Government (MHCLG) to provide a report under Section 13 of the Public Service Pensions Act 2013 when an actuarial valuation of the LGPS has been carried out. Their report must cover: <ul style="list-style-type: none"> <li>• whether the fund's valuation is in accordance with the scheme regulations</li> <li>• whether the fund's valuation has been carried out in a way which is not inconsistent with the other fund valuations within the LGPS</li> <li>• whether the rate of employer contributions is set at an appropriate level to ensure the solvency of the pension fund and the long-term cost-efficiency of the scheme, so far as relating to the pension fund.</li> </ul> <p>These requirements have statutory force with effect from the 2016 valuations in England and Wales.</p>	M	H	Any relevant measures and scores will be regularly reported to the Pension Fund Panel and Board. Appropriate financial assumptions were agreed with the Fund Actuary for the 2019 valuation. The Section 13 report will be reviewed and amber or red flags will be reviewed with the Fund's actuary and reported to the Pension Fund Panel and Board with proposed mitigations.

Risk	Description	Likelihood	Impact	Mitigation
<b>Funding risk continued</b>	Funds are assessed against a number of measures and scored as: <p><b>Red</b> – potentially a material issue that might contribute to a recommendation for remedial action to ensure solvency</p> <p><b>Amber</b> – highlights a possible risk</p> <p><b>Green</b> – no material issue that might contribute to a recommendation for remedial action to ensure solvency.</p> <p>GAD will then engage with Funds with any amber or red flags.</p>	M	H	Any relevant measures and scores will be regularly reported to the Pension Fund Panel and Board. Appropriate financial assumptions were agreed with the Fund Actuary for the 2019 valuation. The Section 13 report will be reviewed and amber or red flags will be reviewed with the Fund's actuary and reported to the Pension Fund Panel and Board with proposed mitigations.
<b>Regulatory and compliance risk</b>	Regulatory risks relate to changes in LGPS regulations, including national pensions legislation and HM Revenue and Customs rules.	M	M	The Administering Authority will keep abreast of proposed changes to the LGPS, taking the necessary legal, actuarial or investment advice necessary to interpret the changes. Any resulting changes in policy will be reported to the Pension Fund Panel and Board for approval.



# Risk register continued

Risk	Description	Likelihood	Impact	Mitigation
<b>Governance risk</b>	That decision making and control of the Pension Fund is lacking or inappropriate or undertaken by persons without suitable knowledge or experience.	M	L	The Pension Fund Panel and Board has documented Terms of Reference and Operating Procedures. The Panel and Board will consider all items that are material to the management of Hampshire Pension Fund and are supported by suitably qualified officers. Members of the Pension Fund Panel and Board complete a Training Needs Analysis based on CIPFA's Knowledge and Skills Framework and undertake identified training activities as necessary.
<b>Pooling risk</b>	That the investment pool which Hampshire has joined does not function effectively, including due to underperformance by a supplier appointed by the pool, such as the Authorised Contractual Scheme Operator, and provide the investments that Hampshire requires in order to implement its Investment Strategy.	M	M	The Chairman of the Panel and Board supported by the Pension Fund's officers take an active part in the operation of the ACCESS pool to ensure its continued effectiveness.  The Panel and Board and officers will continue to monitor the suitability of the Pension Fund's investments and where necessary consider appropriate alternatives available via ACCESS.
<b>Contractual risk</b>	The contractual arrangements between the County Council (on behalf of the Pension Fund) and its suppliers are challenged as unlawful.	L	H	The Pension Fund receives advice from the County Council's Legal and Procurement staff about the most appropriate contractual arrangements to put in place to meet its legal obligations.

# Training Policy and Plan

2021/22

## Background

Hampshire County Council as the administering authority for the Hampshire Pension Fund has delegated responsibility for the management of the Pension Fund to the Pension Fund Panel and Board.

The Pension Fund Panel and Board fully supports the principle that Panel and Board members and officers have a duty to undertake all training on pension fund matters that is necessary to be able to fulfil their duties to the appropriate standard. Opportunities are made available to members and officers to attend training courses and seminars when necessary and appropriate.

This training policy and plan has been prepared for the Pension Fund Panel and Board for 2021/22. As the Panel and Board's responsibilities include both investment management of the Pension Fund and pensions administration, the training policy and plan also covers both areas.

This training policy and plan has been updated to reflect training requirements identified by the completion of the detailed Training Needs Analyses carried out by members of the Panel and Board in 2021.

## 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. The 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 Panel and Board, both as a group and as individuals, and is based upon the recommendations of the CIPFA Pensions Finance Knowledge and Skills Framework.

The Director of Corporate Operations of the County Council is responsible for ensuring that policies and strategies are implemented. Pension Fund Panel and Board members training is evaluated, recorded and reported as part of the Fund's Annual Report each 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 Operations Directorate are required by the accountancy bodies to maintain their levels of Continuing Professional Development.



# Training Policy and Plan continued

2021/22



It is a legal requirement, as set out under section 248A of the Pensions Act 2004, that every individual who is a member of a Local Pension Board must be conversant with:

- the rules of the scheme, in other words the Regulations and other regulations governing the LGPS (including the Transitional Regulations, earlier regulations and the Investment Regulations); and
- any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme; and
- have knowledge and understanding of:
  - the law relating to pensions; and
  - such other matters as may be prescribed.

The Myners principles codify the best practice in investment decision-making for pension fund management. The principles require pension fund trustees to consider how the principles apply to their own fund and report on a 'comply or explain' basis. Training is a key factor within Principle 1 which covers effective decision-making:

- trustees should ensure that decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to take them effectively and monitor their implementation

- trustees should have sufficient expertise to be able to evaluate and challenge the advice they receive and manage conflicts of interest.

The Government also requires LGPS funds to publish a Governance Policy Statement which includes a section on Training. A Governance Compliance Statement is also required which sets out the Pension Fund's compliance with the following principle on Training, Facility, Time, and Expenses:

- 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
- 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
- that the administering authority considers adopting annual training plans for committee members and maintains a log of all such training undertaken.

The Chartered Institute of Public Finance and Accountancy (CIPFA) published a guide to the requirements for the Governance Compliance Statements in the context of the CIPFA/SOLACE publication 'Delivering Good Governance in Local Government: Framework (2007)'. The CIPFA guide links the principle in paragraph 11 above to the Framework's principles of:

- performing effectively in clearly defined functions and roles, and
- developing the capacity and capability of the governing body to be effective.

The CIPFA guide includes the further comment that the principle in paragraph 11 is aimed at making sure that all those serving on committees, sub-committees and panels receive



levels of training that are appropriate to their needs and that suitable arrangements are made to ensure that this is properly resourced in terms of both time and finance.

The Panel and Board fully endorse the importance placed on training in these principles. With this training plan and the training logs maintained by all Panel and Board members, the Hampshire Pension Fund is in full compliance with this principle.

CIPFA have also published a Code of Practice on Public Sector Pensions Finance Knowledge and Skills, which Hampshire Pension Fund has adopted. This requires policies and procedures to be in place for the effective acquisition and

retention of the relevant knowledge and skills for those in the organisation responsible for financial administration and decision making.

The policies and procedures will be guided by reference to the CIPFA Pensions Finance Knowledge and Skills Framework, which gives technical guidance for elected representatives and officers on the knowledge required.

The Code of Practice also requires an annual statement on how these policies and procedures have been put into practice, from 2012/13 onwards. A disclosure was included in the Annual Report and Accounts 2012/13 and will continue going forward.



# Training Policy and Plan continued

2021/22

## Pension Fund Panel and Board

There are 19 members of the Pension Fund Panel and Board, as listed in Table 1. The table shows the experience of Panel and Board

members in terms of their length of service on the Pension Fund Panel and Board.

**Table 1**

Member	Membership of the Pension Fund Panel and Board
<b>County Councillors:</b>	
Mark Kemp-Gee (Chairman)	16 years
Tom Thacker (Vice Chairman)	12 years
Dominic Hiscock	New Member
Alan Dowden	4 years with previous membership on the Pension Fund Panel
Jonathan Glen	4 years
Rob Mocatta	New Member
Andrew Joy	8 years
Alex Crawford	New Member
Derek Mellor	4 years
<b>County Council deputies:</b>	
David Drew	New Member
Tim Davies	New Member
Kim Taylor	New Member
Jacky Tustain	New Member
<b>City Councils' representative:</b>	
Rob Harwood	New Member
Cal Corkery	1 year
<b>District councils' representative:</b>	
Paul Taylor	1 year
<b>Other employers' representative:</b>	
Liz Bartle	1 year
<b>Pensioners' representative</b>	
Cliff Allen	7 years
<b>Deferred members' representative:</b>	
Lindsay Gowland	1 year
<b>Employees' representative:</b>	
Neil Wood	5 years
Sarah Manchester	3 years

The Panel and Board has a mixture of experienced members, who have served at least one full four-year term as members of the Panel and Board, and more recently appointed members. Panel and Board members also

have a range of relevant experience from their working lives which includes, in some cases, the financial services industry and the City of London.

## Access to training

Training opportunities are made available equally to all members of the Pension Fund Panel and Board, including the co-opted representatives of the city councils, district councils, pensioners and contributors as well as the county councillors. The full cost of attending training is met by the Pension Fund, including course fees, reasonable travel and accommodation costs.

The Panel and Board have considered making attendance at training courses compulsory for Pension Fund Panel and Board members. This suggestion reflected the increasing complexity and profile of pension matters and the need for Panel and Board members to keep up to date with current developments at a time of heightened scrutiny. However, whilst it is important that Panel and Board members prepare themselves properly to fulfil their responsibilities, it would not be practical to make attendance at training events a condition of Panel and Board membership. The suitability and fitness of members for their role is best left to the Panel and Board itself to monitor.

Each year, in order to ensure compliance with the CIPFA Code of Practice, Panel and Board members complete a detailed individual Training Needs Analysis. The purpose of this exercise is to allow Panel and Board members to consider their current level of knowledge and identify the topics on which they would like to have additional training. The Training Needs Analysis was 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, in order to ensure the Panel and Board meet the requirements set out in the guidance referenced in the regulations. An updated CIPFA Knowledge and Skills Framework is expected shortly and the Training Needs Analysis will be updated accordingly going forward. The outcome of the Training Needs Analysis for 2021/22 was discussed by the Panel and Board and as a result, eight training sessions have been planned for 2021/22 and 2022/23 which directly relate to the training needs identified.

The Director of Corporate Operations' staff have developed a collection of training resources, which Panel and Board members will be able to refer to in order to obtain more information about areas where they have a specific training need, in addition to the Panel and Board-wide training proposals outlined above. The collection of training resources contains slides and supplementary materials, where appropriate, (and more recently recordings) for all the internal training sessions carried out since 2009, which cover a wide range of topics. There are also other useful documents available which can help fill any knowledge gaps, as well as template forms and links to the Pension Fund's annual report, statutory statements, and latest actuarial valuation. The collection of training resources will be updated whenever new material is available. The officers are exploring what the best possible IT solution is to transfer the training materials to an online library to allow members to log in and access as required; details will be provided to Panel and Board members once the project is complete.

# Training Policy and Plan continued

2021/22

## Online learning opportunities

A number of online training facilities on pension fund matters have been developed by various organisations in recent years. From 2021/22 Panel and Board members and officers will have access to Hymans Robertson’s LGPS Online Learning Academy, and will be expected to complete all 5 modules within 12 months. The online platform is designed to support the training needs of Pension Committees, Pension Boards and Fund Officers and consists of a series of short video presentations with supplemental learning materials and quizzes. Further information on the LGPS Online Learning Academy is available at the following website: **LGPS Online Learning Academy - Hymans Robertson**

In addition, the Trustee Toolkit is available for free from the Pension Regulator at the following website: <http://www.trusteetoolkit.thepensionsregulator.gov.uk>. This toolkit provides an introduction to pension scheme investing, running a pension scheme, the role of the trustee, pension law etc. It was designed to meet the requirements of trustee knowledge and understanding required under the Pensions Act 2004. In early 2015, the Pensions Regulator released an on-line training resource to assist those involved in Public Sector Schemes. This is accessed via the Trustee Toolkit and comprises an additional seven modules covering the key themes in the Code of Practice on governance and administration of public service schemes.

## Proposed training in 2021/22 and 2022/23

This training plan for 2021/22 has been designed to cater for the needs of the recently elected Panel and Board members as well as providing an opportunity to update and refresh the knowledge of the more experienced members of the Panel and Board.

The Panel and Board has agreed that the equivalent of two in-house training half-days should be arranged for Panel and Board members each year as stand-alone sessions. Table 2 sets out the programme for 2021/22 and 2022/23, which has been formulated based upon key learning points from the Training Needs Analysis, and recommendations from Panel and Board members.

**Table 2 – Proposals for the Panel and Board’s training sessions in 2021/22 and 2022/23**

Year	Topics
2021/22	Pensions administration strategy / update
	Asset Backed Securities (Insight/24AM)
	Hymans Robertson LGPS Online Learning Academy
	Residential Property
2022/23	Triennial valuation (fund actuary)
	Investment strategy (investment consultant)
	Taskforce on Climate related Financial Disclosures (TCFD)
	Pooling update (Andrew Boutflower)

These training sessions will also be useful for the Audit Committee in carrying out their role to receive and consider audit reports relating to the Pension Fund Panel and Board, as stated in the Hampshire County Council Constitution.

These bespoke training sessions will be complimented by a range of other training opportunities which will be made available to Panel and Board members during the year.

These include many webinars, seminars and courses on pension fund matters provided each year by various organisations. Some are specifically tailored for LGPS funds, such as the Local Government Chronicle’s annual Investment and Pensions Summit held in September each year. The Pension Fund’s investment managers hold annual client conferences and the Fund’s actuary Aon also provides training events. The Director of Corporate Operations’ staff will continue to circulate details of these training opportunities to members.

When new members are appointed to the Panel and Board, the training proposed is as follows:

- Attending the “Fundamentals” course held by the Local Government Association, which specifically covers the basics for the LGPS.
- Attending the training sessions to be held during 2021/22.
- Completing the Training Needs Analysis for Panel and Board members, to help identify any additional training requirements.
- Informing new members of any external conferences and training opportunities in the future, along with the rest of the Panel and Board.

Reports to the Panel and Board by the officers on new developments in pension fund matters will continue to include background briefing information and this will provide another means by which Panel and Board members can keep up-to-date and develop their knowledge.

Panel and Board members will also be able to undertake background reading on pension fund matters and this too can contribute to meeting their training needs.

## Training budget

Table 3 shows the training budget for 2020/21, with the actuals for comparison, together with the proposed budget for 2021/22.

The budget for 2021/22 includes three places at the LGC Investment & Pensions Summit. In previous years the budget has included two places at the LGC Investment Seminar, however during 2021 the LGC Investment Seminar is virtual and free of charge. The budget also includes the provision for four members of the Panel and Board to attend the LGA Fundamentals course.

Training costs are met from the administration costs of the Pension Fund. “Virement” between courses within the budget is possible, should the Panel and Board feel it would meet training needs better to prioritise different events.



# Training Policy and Plan continued

2021/22

**Table 3 – Training budget**

	2020/21 Budget (£)	2020/21 Actuals (£)	2021/22 Budget (£)
<b>Attendance at Conferences / Seminars etc.</b>			
LGC Investment & Pensions Summit (Leeds, September)	3,000	789	3,000
LGC Investment Seminar (virtual, December)	1,260	0	0
LG Employers Fundamentals Course	0	0	4,000
Hymans Learning Academy	0	0	5,000
Other conferences	0	345	0
	<b>4,260</b>	<b>1,134</b>	<b>12,000</b>
<b>In-house training sessions</b>			
Fees paid to trainers	0	0	3,000
Other costs	160	0	200
	<b>160</b>	<b>0</b>	<b>3,200</b>
<b>Total training budget</b>	<b>4,420</b>	<b>1,134</b>	<b>15,200</b>

## Training logs

Training logs are maintained by each member of the Panel and Board to provide evidence of the Panel and Board's commitment to training. They record the actual training undertaken during the year, including details of all relevant training courses, seminars and events attended by each member. The training logs include an assessment of whether each training event has fulfilled the need it was intended to meet.

## Evaluation

The actual training undertaken by Panel and Board members in 2021/22 will be evaluated using the training logs to assess whether it has fulfilled the training need identified at the outset. In addition, Panel and Board members complete a short evaluation form after each training event in order to share feedback about events, and report on whether an event was useful and well delivered. This information will be used to design the training plan for the following year.

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