HAMPSHIRE
PENSION FUND

Annual report and accounts

2025/26

Hampshire County Council

hants.gov.uk

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We hope you find this annual report informative and useful. There is a glossary of terms at page 143.

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 Operations
Hampshire County Council
The Castle, Winchester
SO23 8UB

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

Section 1

Introduction

Foreword

Welcome to the Hampshire Pension Fund Annual Report for 2025/26 and to my first Chairman's Foreword as Chairman of the Hampshire Pension Fund Panel and Board.

Councillor
Tom Thacker

The Pension Fund has started 2026 in a strong position, as confirmed by our actuary and key advisor Hymans Robertson, who have recently undertaken the Fund's 2025 **triennial valuation**. These valuation results have enabled the Fund to reduce contribution rates for employers, whilst focusing on aiming that there will not be a pressure to increase them again in the future, giving employers more cost certainty in future years. As a result, employers (including local authorities and schools within Hampshire) have been able to reduce their LGPS-related budgeted costs for 2026/27.

The Pension Fund's investments made a **positive return in 2025/26**, peaking in valuation in February 2026. The financial year has seen periods of volatility in the investment market, particularly in early April 2025 arising from US trade tariff announcements ("Liberation Day"). However, the market proved resilient throughout the rest of 2025, recovering strongly as tariff fears eased due to negotiated pauses, helped in part by artificial intelligence (AI) advancements. Since February 2026, the geo-political situation, and in particular, the Iran War, has led to a considerable degree of uncertainty around the potential impact of the conflict on global economic growth, leading to high market volatility in global bond and equity markets, and fears for inflation amid increasing gas and oil prices. This market uncertainty has combined with continuing global geo-political risks and tensions elsewhere, including Ukraine and Venezuela.

Despite this volatility, over the year to 31 March 2026 the value of the Pension Fund grew to £10.793 billion, an increase of £578 million (5.66%) from 31 March 2025. I welcome this level of performance, a new high point. I also endorse the Fund's diversified investment strategy which has helped to protect the overall valuation of the Pension Fund to date.

The Pension Fund continues to make good progress in its approach to **Responsible Investment** (RI), and I was delighted in the level of response to our recent RI survey with responses received from over 6,000 scheme members; a significant increase from 2022 when 700 members responded. The survey highlighted the importance that scheme members place on minimising the risk to climate change. It also identified that scheme members are particularly concerned about the risk of modern slavery and child labour being present in the supply chains of companies in whom the Fund is invested. As a result, the Fund is taking action to pursue this as a key engagement priority going forward, and has also recently joined the Principles for Responsible Investment (PRI) ADVANCE project, acting with other institutional investors to advance progress on human rights.

Foreword continued

Further highlights of this year include the fact that the Fund has seen a significant reduction in the **carbon emissions** of its investments, which is a direct result of the implementation of the Pension Fund Panel and Board's decision to work towards disinvesting from fossil fuels. In addition, the Fund has continued to increase its positive impact investments, including an increase in its investments in timberland and affordable and social housing.

This year we have submitted our annual statement of compliance with the **UK Stewardship Code**, using the 2026 updated code and new guidelines. This has a different approach from previous years' submissions in that it focuses on how Pension Fund officers and Panel and Board members have challenged investment managers around their stewardship activities. The Pension Fund is also a signatory to the UN PRI, the Institutional Investors Group on Climate Change (IIGCC), Investors for Purpose, Just Transition and the Transition Pathway. From 2026/27, it will also be a member of the Local Authority Pension Fund Forum, (LAPFF). These organisations give us an insight into ideas that other investors have around RI reporting and targets. This has been supported by the additional capacity afforded to us by our RI Sub-Committee and details of our RI activity can be found from page 105 of this report. I hope you find this of interest and as in previous years we would welcome your thoughts and views.

The Pension Fund's more than 214,000 scheme members continue to receive a high standard of support from **Hampshire Pension Services** (HPS), who work hard to deliver the service our scheme members expect. I genuinely appreciate their continued efforts, consistently meeting key performance indicator targets and once again securing reaccreditation for Customer Service Excellence (CSE).

As well as casework, HPS continues to deliver on other pension projects such as readiness for the national Pensions Dashboard Programme. Looking ahead the team are preparing to implement the changes arising from the Access and Fairness consultation which amongst other things, will see benefits harmonised for all beneficiaries as well as the introduction of measures designed to reduce the gender pensions gap.

As nearly a year has passed, it's easy to forget the disappointment that we began 2025/26 with following the Government's decision not to let the ACCESS investment pool continue and form a regulated investment company in response to the Government's 'Fit for the Future' reforms. However, I'm delighted that we end the year in a very positive place having agreed, and been accepted as members of the LGPS Central pool and having become a shareholder of the Pool in line with the Government's target date of 1 April 2026. I'm grateful to the **Investments and Borrowing team** for managing this significant change at the same time delivering their normal business such as producing the Pension Fund's accounts, arranging training for Panel and Board members and recommending improvements in RI for the Fund.

Due to the Government's Fit for the Future reforms, 1 April 2026 is a key milestone, with the significant responsibility of managing the Fund's investments transferring to LGPS Central. I know that officers have been working hard with LGPS Central to ensure that they understand and can implement the Fund's RI policy and its proposed approach to **Local Investment**, which is another new requirement of the Fit for the Future reforms.

Foreword continued

Training is of high importance to the Pension Fund Panel and Board, and Panel and Board members continue to add to their knowledge and skills by taking part in training sessions throughout the year. As in previous years, we have continued to receive in-house training sessions on a regular basis. In addition, all Panel and Board members have access to an online training programme and can attend external training sessions and conferences in person. More details of this topic can be found on pages 34-38.

Finally, I would like to thank the members of the Pension Fund Panel and Board for their valuable input and dedication during 2025/26 and the role they play in the robust governance of the Fund. Full details of the membership of the Panel and Board during the year covered by our annual report can be found on pages 24-28. The Panel and Board membership will change in 2026/27 as a result of the May 2026 local elections, but Pension Fund officers have a comprehensive training programme planned that will be implemented for the new Pension Fund Panel and Board. Scheme member representatives will continue during the year, meaning that there will be an element of continuity on the Board.

I have thoroughly enjoyed my first year in tenure as Chairman of Hampshire's Pension Fund Panel and Board, and am very proud of the achievements that the Fund continues to make. I know that the Fund is well placed to meet the challenges ahead, working with new partners and employers, whether that be LGPS Central, the Hampshire Mayor and new strategic authority or new local authorities created after local government reorganisation.

I hope you find the following report helpful.

Councillor Tom Thacker
Chairman, Pension Fund Panel and Board
May 2026

Summary report

The Hampshire Pension Fund is part of the Local Government Pension Scheme (LGPS) and has 214,695 scheme members at 31 March 2026. It makes investments so that it can pay pensions to these scheme members when they reach retirement age. Some scheme 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 quarterly and has 15 members, made up of nine County Councillors, three scheme member representatives and three employer representatives.

These membership arrangements have been designed to allow all key stakeholders to have the opportunity to be represented on the committee. During 2025/26 there were some changes to the membership of the Panel and Board. Councillor Ritchie Latham joined the Panel and Board as the District Council employer representative following the departure of Councillor Paul Taylor in 2024/25. Councillor Stuart Bailey also joined the Panel and Board in 2025/26 following the departure of Councillor Dominic Hiscock in 2024/25.

The unitary employer representative position alternates on an annual basis between representatives from Southampton City Council and Portsmouth City Council. As a result, Councillor Simon Letts from Southampton City Council took over as the unitary council representative, with Councillor Judith Smyth from Portsmouth City Council fulfilling the role of substitute employer representative.

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 LGPS.

During 2025/26 the Panel and Board oversaw its normal schedule of business. 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 in separate briefings. There continued to be a focus on the Fund's approach to responsible investment (RI) during the year, which was further developed through the RI Sub-Committee.

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.

As at 31 March 2026, the Hampshire Pension Fund was a member of the ACCESS pool with ten 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 of 31 March 2026 has pooled £8.0bn (75%) of its investments. This is an increase in comparison to the position reported on 31 March 2025 due to the positive growth of the pooled investment portfolios.

During 2025/26 the Pension Fund's investment management has cost the Fund £79.5m, which as a proportion of the value of the total investment assets is 0.76%. The investments in the ACCESS pool cost 0.36% as a proportion of the total value of investments, and by comparison, the non-pooled investments cost 1.94% as a proportion of the total value. The investment management costs for investments in the ACCESS pool are disproportionately lower because the assets that have not been pooled are different and attract significantly higher costs, but these private market assets are held to ensure the Pension Fund's investment strategy is suitably diversified.

The action of pooling has saved the Pension Fund £10.7m 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 pages 111-113 of this annual report.

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

From 1 April 2026 Hampshire Pension Fund became a shareholder and client of LGPS Central, and all of Hampshire's investments came under the management of the new pool.

Hampshire is a member of LGPS Central alongside the following LGPS pension funds:

Cheshire	Nottinghamshire
Derbyshire	Shropshire
Gloucestershire	Staffordshire
Isle of Wight	Suffolk
Leicestershire	West Midlands
Oxfordshire	Wiltshire
Norfolk	Worcestershire

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 employers need to contribute to the Fund each year. The actuary's report can be found from page 132 that reflects the latest actuarial valuation as at 31 March 2025, which was finalised in 2025/26.

The Pension Fund sets an Investment Strategy with the aim of achieving the required investment returns set by the actuary. The approved strategy was updated in 2023/24, with the Panel and Board taking advice from an investment consultant, following the actuarial valuation that had been completed in 2022/23. The Pension Fund 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: Policies | Hampshire County Council (hants.gov.uk).

Summary report continued

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 Pension Fund invests in a variety of assets managed by external specialists appointed by its investment pool. These specialists are called investment managers. By using a number of different investment managers the Pension Fund achieves further diversification.

In March 2026 the Pension Fund Panel and Board agreed an updated Investment Strategy Statement, subject to consultation, following the 2025 triennial valuation. Due to the timing of County Council elections, the updated Investment Strategy Statement will be issued for consultation in Summer 2026.

From 1 April 2026 LGPS Central is responsible for the implementation of the investment strategy.

In 2025/26 the value of the Pension Fund grew by £578 million (5.66%) bringing it to a total value of £10.793 billion at 31 March 2026. Each of the Pension Fund's investments is measured against a benchmark, absolute target or outperformance target The weighted benchmark returns in 2025/26 (weighted to reflect the relative sizes of the Pension Fund's different investments) was +9.58%. The Pension Fund's investment return in 2025/26 was a +7.53% positive absolute return, in comparison to a +4.16% positive absolute return during 2024/25, which shows that the Pension Fund's investments performed through volatile markets, still providing a positive absolute return above the actuary's discount rate of 5.9%, although below the benchmark.

This investment return for the Fund was -2.0% below the Fund's weighted benchmark, reflecting the challenges that the last year's economic conditions caused for the Fund's investment managers. More details can be found in the Investment Performance Report on page 90.

Responsible Investment (RI)

The Pension Fund believes that investing responsibly is an important part of achieving its objectives. This means that environmental, social and governance (ESG) issues, including climate change, are considered when making investment decisions or when influencing companies. ESG factors impact on financial performance and are likely to have a positive or negative impact on the Pension Fund and its investments.

The Pension Fund has made good progress in its aim to work towards disinvesting from fossil fuels, and to achieve net-zero greenhouse gas emissions (which includes Scope 1, 2 and 3 emissions) by 2050 at the latest.

The emissions of the Fund's equity investments are significantly below the benchmark, as evidenced in its latest TCFD climate report, and reflect the work that has been done to date to decarbonise the portfolio.

During the year, the Pension Fund surveyed scheme members and employers to identify which responsible investment priorities, if any, were of most importance to them. The level of response was very high with over 6,000 scheme members expressing a view, and the results showed that Pension Fund scheme members and employers were generally supportive of the approach that the Hampshire Pension Fund has taken to date in respect of responsible investment. They recognised that climate change was a key risk to the Fund, but also raised concerns around slavery and child labour being present in the supply chains of companies in whom the Fund is invested. As a result, the prevention of slavery and child labour is now an engagement priority and the Fund will work with its new pooling partner, LGPS Central, to take this issue forward.

The Pension Fund continues to support and participate in a number of important standards that underpin its approach to RI, including the UK Stewardship Code 2026, Principles for Responsible Investment (PRI) and the Institutional Investors Group on climate change.

The Panel and Board's RI Sub-Committee met twice during 2025/26. More details on the Pension Fund's approach to RI and its activity during 2025/26 can be found in the section starting on page 105.

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 and Isle of Wight, Hampshire and Isle of Wight Fire and Rescue Authority, the University of Portsmouth, and further education colleges. 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.

The administration of the Pension Fund is delivered by Hampshire Pension Services (HPS), part of the Corporate Operations directorate 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. HPS performs these aspects to an extremely high standard, complying with the requirements for the national standard for excellence in customer service (CSE) which has been held and retained since 2009.

Pension Services monitor their administration performance against service standards for key case work and achieved 100% against service standards for all key processes during 2025/26. In addition to this, annual benefit statements were produced for 99.8% of active members and for 100% of deferred members by the statutory deadline, and Pensions Savings Statements were all produced in line with that statutory deadline.

Further information on the administration of the Hampshire Pension Fund can be found starting on page 115 of this annual report.

Summary report continued

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 for investment management fees, administrative costs, and oversight and governance costs.

Further information can be found on page 44 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 on 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 48 of this annual report.

Section 2

Overall Fund management

Scheme management and advisers

Administering authority and scheme manager
Hampshire County Council

Treasurer
Andrew Lowe, Director of Corporate Operations

Independent adviser
Carolan Dobson

Asset Pool
ACCESS

ACCESS Effective • Collective • Investment

Asset Pool Operator
Waystone

Fund Custodian
Northern Trust

Fund Actuary
Hymans Robertson

Fund Bankers
The National Westminster Bank plc

External auditor
EY

AVC providers
Zurich, Prudential, Utmost

County Council contacts
Director of Corporate Operations: Andrew Lowe 0370 779 4198

Legal adviser: Paul Hodgson

Investment managers

ACADIAN

BAILLIE GIFFORD

BARINGS

BSP BENEFIT STREET PARTNERS by Franklin Templeton

CampbellGlobal a J.P.Morgan company

CBRE Investment Management

Dodge & Cox Investment Focus

Fidelity INTERNATIONAL

GCM GROSVENOR

J.P.Morgan ASSET MANAGEMENT

L&G

PATRIA

RBC BlueBay Asset Management

ROBECO The Investment Engineers

STAFFORD CAPITAL PARTNERS

TwentyFour ASSET MANAGEMENT

UBS

Risk management

The management of risk is part of the control framework managed by the Director of Corporate Operations' 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 and Board annually. Risks are **identified** by analysing what may interfere with the achievement of these aims. This includes **financial risks** to the Fund's **investments** such as market, interest rate and foreign currency risks (reported in Note 15 to the Pension Fund's Accounts), as well as risks to the Fund's other main functions of **governance and administration**.

An **assessment** of each risk is conducted by the Director of Corporate Operations' staff with assistance from the Fund Actuary. Risks are assessed and scored according to their impact (on a scale of 1 – negligible to 5 – catastrophic) across the categories of finance, service and reputation, with the highest score multiplied by the score for likelihood (from 1-rare to 5-almost certain) to provide the overall score as shown in the Fund's risk register.

The risk register is reported to and **reviewed** by the Pension Fund Panel and Board twice a year, as part of the Fund's Annual Report and its Business Plan.

The risk register records the owner responsible for **managing** the risk and the response to the risk, whether it can be accepted or if further mitigating action is required. The **actions** taken to mitigate the Pension Fund's key risks in 2025/26 were:

- **Cyber risk** – the Pension Fund has continued its twice-yearly vulnerability testing of its pension administration system, the results of which are used to inform the Pension Fund's cyber improvement plan and training programme.

- **Investment and pooling** – the Pension Fund Panel and Board responded to the Government's direction to join a new investment pool, choosing to join LGPS Central. The Pension Fund responded to the consultation on the Government's draft regulation and guidance for its LGPS 'Fit for the Future' policy, and has made the necessary preparations for the changes that are being implemented.

- **Third parties** – the Pension Fund has let contracts for the provision of services by external third parties, in particular the provision of its pension administration software. The contract is managed through regular monitoring and discussion between Pension Services and the software provider, agreeing actions for improving services where necessary. In the last year there has been a continued focus on cyber risk (as described above) and the actions necessary to connect to the Pensions Dashboard.

- **Funding strategy** – through the 2025 Actuarial Valuation, the Pension Fund has considered and consulted with employers on changes to the Funding Strategy Statement. In agreeing the 2025 Valuation, the Pension Fund Panel and Board has considered the Actuary's balancing of the funding risk that the Pension Fund can continue to afford to pay pensions and the affordability risk that employers can continue to make contribution payments.

Risk management continued

- **Relationship to the Administering Authority** – Hampshire County Council is the responsible Administering Authority for the Pension Fund and the officers responsible for delivering the functions of the Pension Fund are employees of Hampshire County Council. For 2025/26 the Pension Fund Panel and Board agreed a budget that was sufficient for the County Council to provide the resources necessary for the successful delivery of the Pension Fund's functions.

- **Investment Environmental, Social and Governance (ESG) risk, including the risk of Climate Change** – the Pension Fund's Responsible Investment policy includes its approach to managing ESG risk, including the Fund's commitment for its investments to have net-zero greenhouse gas emissions by 2050 at the latest. In 2025/26 the Pension Fund consulted with scheme members and employers on its Responsible Investment policy and used the results in prioritising the themes pursued in the stewardship of its investments.

Risk management: Fund risk register

Risks are categorised as follows:

Ref. No.	Name of risk	Description	Score
1	Quality of governance and control	Turnover in Pension Fund Panel and Board Members and/or senior officers; or lack of training and development could lead to decision making and control of the Pension Fund lacking or being inappropriate or undertaken by persons without suitable knowledge or experience. This could result in a failure of governance arrangements to meet statutory requirements and recommended best practice leading to ineffective working relationships, financial loss and reputational damage.	6
2	Reporting	Failure of accounting and reporting processes and systems cause a failure to disclose material facts, or the disclosure of incorrect or incomplete information in the Annual Report and Accounts or during the audit, leading to reputational damage and financial loss.	4
3	Staffing	The failure of officers to maintain sufficient levels of competence and/or resource to discharge their duties could lead to gaps in capability, therefore, relying on key officers impacting on the wellbeing of staff and a reduced work rate for the Pension Fund.	2
4	Conflicts of interest	Failure to recognise, disclose, monitor and prevent conflicts would lead to conflicts of interest resulting in ineffective governance processes, reputational damage and financial loss.	3
5	Contract management	Due to insufficient knowledge, there could be a failure of effectively letting or managing contracts for the supply of services to the Pension Fund, leading to reputational damage, potential legal challenge, disruption of services and financial loss.	2
6	Risk Management	Failure to implement a policy to identify risks and arrange for these to be managed or mitigated and have sufficient internal controls results in issues impacting the function of the Pension Fund.	2

Risk management: Fund risk register continued

Ref. No.	Name of risk	Description	Score
7	Regulatory change	Non-compliance with regulations caused by lack of knowledge by staff, changes in government policy/Local Government Pension Scheme (LGPS) reforms and systems not kept up-to-date, leading to reputational damage and financial loss.	9
8	External incident	The impact of external events causes a failure to undertake business as usual service resulting in loss of service provision.	6
9	Cybercrime	Due to cybercrime activities impacting on integrity, there is a risk of inability to carry out day-to-day business functions, which would result in reputational damage and financial loss.	15
10	IT failure	A failure of Hampshire or partners' IT systems that results in the Pension Fund unable to carry out day-to-day work including processing and payment of pensions and other financial transactions.	6
11	Investment underperformance	Investment management underperformance – from the Fund's investment managers failing to outperform their benchmark returns for prolonged periods of time resulting in a decrease in the Pension Fund's funding level.	12
12	Investment market performance	Assets do not grow sufficiently to meet pensions liabilities as a result of: • fluctuations in market prices (which is particularly relevant for investments in equities) • interest rates (which can affect the prices of investments that pay a fixed interest rate) • fluctuations in prices of financial instruments that are denominated in any currency other than the functional currency of the Fund (GB pounds) • 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.	12

Risk management: Fund risk register continued

Ref. No.	Name of risk	Description	Score
13	Investment pooling	A failure of the Pension Fund's investment pool (LGPS Central) to provide the appropriate advice and/or investment solutions in order for Hampshire to achieve its target return as set out in the Pension Fund's Funding Strategy.	9
14	Environmental, Social and Governance (ESG) risk	Due to insufficient knowledge and/or resources could lead to a lack of consideration of all financial and non-financial risks relating to ESG issues, including the risk of Climate Change, resulting in poor investment returns, increased employer contribution rates and reputational damage.	8
15	Climate change	The systematic risk of climate change leading to extreme weather, flooding, power loss or other natural disasters resulting in disruption of the Pension Fund's business and the wider economy and the value of investments.	15
16	Funding Strategy	Due to a failure to set and collect contributions, there is a risk of there not being sufficient funds to achieve a fully funded ongoing position in the timescales determined by the Funding Strategy Statement, which could cause financial loss or reputational damage.	3
17	Demographics	Failure to monitor the demographic experience of Fund's population is not in line with actuarial assumptions as in the Funding Strategy Statement and could result in increases required in Employer contributions which could cause complaints and damage to reputation.	6
18	Employer covenant	Due to failure to apply or lack of accurate information, and demonstrate fairness in the differentiated treatment of different Fund employers by reference to their own circumstances and covenant could lead to underpayments or employers unable to meet their obligations and, therefore, financial loss and under-investment.	6
19	Inflation	Due to the nature of actuarial assumptions, there is a risk that pay and price inflation are significantly different, which would result in increases to employers' contributions.	9

Risk management: Fund risk register continued

Ref. No.	Name of risk	Description	Score
20	Investment Strategy	There is a risk that failure to monitor and align the Funding strategy with the Investment strategy could lead to over or underfunding, resulting in reputational damage or financial loss.	6
21	Cashflow	Due to ineffective monitoring of the Fund's cashflow, resulting in the failure to set aside sufficient funds each month to pay pensioners or meet other obligations, which could lead to failure to pay pensioners and reputational damage to the Fund.	8
22	GAD assessment	As a result of failing to adopt or implement a funding strategy, there is a risk that this results in the Fund failing any of the Government Actuary's Department (GAD) s13 tests or be named in the GAD s13 report would cause reputational damage.	6
23	Administration service	Due to failure to administer the scheme correctly in line with all relevant regulations and policies owing to circumstances such as, but not limited to: • lack of regulatory clarity • system issues • insufficient resources • additional regulatory burden • employer decisions would result in reputational damage and the possible risk that pensions are not paid at the right time to the right people and/or contributions not collected.	12
24	Complaints	Due to lack of training and/or experience, there is a risk of failing to deal with concerns, complaints and Internal Dispute Resolution Procedures (IDRPs) appropriately, resulting in poor customer satisfaction, further time spent resolving issues, potential compensation payments and reputational impact, particularly if escalated to the Pensions Ombudsman.	3

Risk management: Fund risk register continued

Ref. No.	Name of risk	Description	Score
25	Data	Failure to administer the scheme correctly due to circumstances such as, but not limited to: • Poor employer data • Unable to clearly articulate what is required from employers • Unable to clearly articulate what is required from the Fund itself in order to deliver the Fund's administrative functions could cause the Fund reputational damage and financial loss Poor data could result in pensions being incorrectly calculated or the data available to the Fund's Actuary being inaccurate.	6
26	Employer	Due to the ever-changing mix of employers, from short-term and ceasing employers, and the potential for a shortfall in payments and/or orphaned liabilities. 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.	6
27	Pensions Dashboards	Failure to meet the statutory deadlines for connectivity to the Pensions Dashboard and unable to provide required information to scheme members.	6
28	McCloud remedy	Remedy has been substantially delivered. There remain a small cohort of scheme members for whom changes still need to be made, with a revised deadline of 31 August 2026.	6
29	Government intervention	Legal change resulting in a change to the governance structure of the Fund e.g. merger, that results in a disruption to normal business and damage to good decision-making functions.	4
30	LGR (Local Government Reorganisation) – administration	Service impact of additional work of changing employers for a significant number of scheme members and the potential of the Pension Fund having to work with new systems.	12
31	LGR – governance	Changing Administering Authority of the Pension Fund as a result of LGR, which results in weaker governance and damage to good decision-making functions.	6

Risk management: Fund risk register continued

Ref. No.	Name of risk	Description	Score
32	Fraud	Financial loss as a result of fraud going undetected.	3
33	Independent person	Risk to recruit and retain an independent person as needed to meet regulatory requirement.	6

Section 3

Governance and training

Pension Fund Panel and Board

Membership at 31 March 2026

County Council members

Cllr Tom Thacker
Chairman
17 years membership

Cllr Mark Kemp-Gee
Vice-Chairman
21 years membership

Cllr Stuart Bailey
Under 1 year membership

Cllr Alex Crawford
5 years membership

Cllr Tim Davies
5 years membership

Cllr Jonathan Glen
9 years membership

Cllr Andrew Joy
13 years membership

Cllr David Harrison
2 years membership

Cllr Rob Mocatta
5 years membership

County Council deputies

Cllr Debbie Curnow-Ford

Cllr Keith House

Cllr David Drew

Pension Fund Panel and Board continued

Employer representatives

Cllr Simon Letts
Unitary Council Representative
3 years membership

Cllr Richie Latham
HIOWLGA Representative
Under 1 year membership

Amelia Nirmal
Other Employer Representative
2 years membership

Cllr Judith Smyth
Substitute Employer Representative
4 years membership

Scheme Member representatives

Arron Hedges
Active Scheme Member Representative
2 years membership

Simon Walker
Deferred Scheme Member Representative
2 years membership

Phillip Reynolds
Pensioner Scheme Member Representative
4 years membership

Paul Barber
Substitute Scheme Member Representative
2 year membership

Key officers

Andrew Lowe
Director of Corporate Operations
Hampshire County Council

Pension Fund Panel and Board continued

The Pension Fund Panel and Board (the 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 its investment pool, 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 5 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 nine County Council elected members, three employer representatives and three scheme member representatives. The employer representatives represent the Southampton and Portsmouth unitary authorities, Hampshire's district authorities, and other scheme employers respectively. The three scheme member representatives cover active contributors to the scheme, members with deferred pension rights, and members currently in receipt of their pension.

Pension Fund Panel and Board continued

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 Panel and Board also operates a dedicated sub-committee focused on Responsible Investment (RI). The membership of this sub-committee is drawn from the full members of the Panel and Board and is reviewed annually. Membership comprises four County Councillors, one scheme member representative and one employer representative.

Changes to Membership during 2025/26

During 2025/26 Cllr Stuart Bailey joined the Pension Fund Panel and Board following the departure of Cllr Dominic Hiscock in 2024/25. In addition, Cllr Ritchie Latham replaced Cllr Paul Taylor as the HIOWLGA representative.

The unitary employer representative position alternates on an annual basis between representatives from Southampton City Council and Portsmouth City Council. As a result, Cllr Simon Letts took over from Cllr Judith Smyth as a full member of the Panel and Board, with Cllr Smyth fulfilling the substitute role.

During 2025/26 Cllr Mocatta, Cllr Harrison and Cllr Letts replaced Cllrs Glen, Hiscock and Smyth on the Responsible Investment (RI) Sub-Committee as part of the annual review and rotation of membership.

Attendance in 2025/26

There were five meetings of the Panel and Board during 2025/26 and two of the RI Sub-Committee. The Panel and Board held an additional meeting in September 2025 alongside the regularly scheduled four quarterly meetings in July, September, December and March, as well as separate investment manager briefings and training sessions. The Panel and Board continued to receive all of the necessary governance and investment papers required for the management of the Pension Fund.

Seven virtual investment manager briefings covering 14 investment portfolios were held in 2025/26, allowing Panel and Board members to hear from all of the Pension Fund's investment managers. These briefings have been attended with an average of 63% attendance, including the Panel and Board substitute members and its independent adviser, and the feedback from Panel and Board members has been positive.

Pension Fund Panel and Board continued

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 from page 34.

Attendance at Panel and Board meetings and RI Sub-Committee meetings in 2025/26 is shown in the following table.

For Panel and Board and RI 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 and the Pension Fund's Conflicts of Interest Policy.

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

Attendance at Committee Meetings		
Panel and Board member	Pension Fund Panel and Board (meetings)	Responsible Investment Sub-Committee (meetings)
Cllr Thacker	5/5	2/2
Cllr Kemp-Gee	4/5	2/2
Cllr Bailey	3/5	0/1
Cllr Crawford	5/5	
Cllr Davies	4/5	2/2
Cllr Glen	4/5	
Cllr Harrison	3/5	1/2
Cllr Joy	3/5	
Cllr Mocatta	4/5	0/2
Cllr Curnow-Ford	0/3	
Cllr Drew	5/5	
Cllr House	0/2	
Cllr Letts	3/5	2/2
Cllr Smyth	3/3	
Cllr Latham	4/5	
Amelia Nirmal	5/5	
Phillip Reynolds	5/5	2/2
Arron Hedges	4/5	
Simon Walker	5/5	
Paul Barber	1/1	

Panel and Board report

Hampshire Pension Fund has the endorsement of the 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 2025/26 are listed in the table below.

The Panel and Board has considered reports on all issues required in their management and oversight of the Pension Fund, including regular business as usual items regarding the administration and investments of the Fund, as well as one-off and emerging issues such as the Government's 'Fit for the Future' consultation on LGPS investment pooling, and transition to the Fund's new investment pool, LGPS Central.

The Pension Fund Panel and Board receives the minutes of the ACCESS Joint Committee to ensure that they are fully sighted on all issues being managed by the pool.

Meeting	Agenda
21 July 2025	• Appointments to the Responsible Investment Sub-Committee • ACCESS Joint Committee minutes • Internal Audit Annual Report • Administration performance update • Pension Fund cash outturn report 2024/25 • Pension Fund Annual Report • Cyber Security update • Investment update • Investment pooling update
05 September 2025	• Investment pooling final evaluation • Investment pooling governance
30 September 2025	• ACCESS Joint Committee minutes • Training Policy and Training Plan 2025-26 • 2025 Actuarial valuation • Investment update • Alternative investments update
12 December 2025	• Business plan and other statutory statements • Cash monitoring report and annual cash investment strategy 2026/27 • Administration performance update • Cyber security update • Investment update
20 March 2026	• Internal Audit 2025/26 progress report • Internal Audit plan 2026/27 • Draft minutes and recommendations from Responsible Investment Sub-Committee • Appointment of independent advisor • Custodian report • Investment strategy review • Investment pooling update • Investment update • Alternative investments update

Panel and Board Report continued

In addition the Panel and Board's training programme includes investment pooling to ensure that Panel and Board members are up-to-date with emerging issues. This ensures that the Panel and Board is suitably informed and has oversight of its investment pool and can fully participate in the governance of the pool.

The Pension Fund's dedicated RI Sub-Committee of the Panel and Board met twice during 2025/26 and considered the following items:

- Scheme member communication
- Stewardship highlight reports
- Responsible Investment priorities
- The Task Force on Climate-Related Financial Disclosures (TCFD) report

The Panel and Board received one deputation from scheme members at its December meeting. The RI Sub-Committee also received one deputation from a scheme member at its March meeting.

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. 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 39 of this annual report.

Further information on the governance arrangements for the ACCESS pool and LGPS Central can be found on their websites.

Scheme member reports

The Panel and Board's membership includes three 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 four-year term and are supported by a substitute representative, with further details set out in the Pension Fund's Representation Policy.

Arron Hedges
Active Scheme Member Representative
arron.hedges@hantsfire.gov.uk

During 2025/26 my focus as a scheme member representative has been on ensuring that the interests of employees remain central to the governance and long-term sustainability of the Hampshire Pension Fund.

Key areas of attention have included the security of scheme member benefits, the affordability of contributions, and the Fund's ability to continue delivering on its commitments in a challenging economic and regulatory environment. I have sought assurance that investment, funding and risk management decisions continue to support stable benefits for scheme members while managing employer and member contribution risks responsibly.

Transparency and communication with scheme members remain a priority. The Fund provides clear, accessible information on performance, governance decisions and changes arising from national LGPS developments, so that scheme members can better understand how their pension is being safeguarded and managed.

I have also maintained a strong interest in administration performance and service standards, and I would like to take this opportunity to recognise the amazing work the Fund administrators, Hampshire Pension Services, do to ensure timely and accurate processing of benefits, fundamental to scheme member confidence.

Looking ahead, I will continue to represent the perspective of LGPS scheme members, with a particular focus on local government reorganisation (LGR), cost stability, good governance, responsible investment practices and effective engagement with scheme members as the LGPS continues to evolve.

Please feel free to contact me as an active scheme member should you have any queries.

Scheme member reports continued

Simon Walker

Deferred Scheme Member Representative
walker_simon @btinternet.com

It has been another interesting year as your Deferred Scheme Member Representative. There are two stand out topics of particular relevance to us as deferred scheme members, namely:

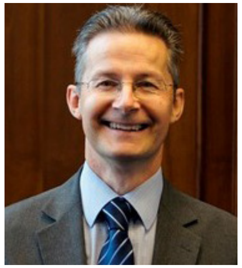
- *The triennial actuarial valuation. Much has been written elsewhere about the details of the latest triennial valuation (as at 31 March 2025); however, the bottom line is that our Pension Fund is in a strong financial position. Based on the assumptions made by the actuaries, subject to long-term continued investment performance as mapped out by the investment strategy statement, in line with actuarial assumptions, our Pension Fund has enough assets to fund our pensions as they become due – proof positive that the Hampshire Pension Fund Panel & Board and all the Hampshire County Council officers who support us are continuing to do a good job.*
- *Government policy initiatives mandating fewer, larger investment pools and aiming to increase 'local' investment (which potentially covers a much wider geographic area than you might first think). Thus far, the pooling initiative is creating a lot of work (in unwinding the previous pool – ACCESS – and moving to a new pool – LGPS Central) and incurring considerable additional costs. The jury is still out as to whether this enforced change will produce any tangible benefits for scheme members (or how it will affect the way the Hampshire Pension Fund Panel & Board operates). What I can say is that much of the work of our Pension Fund this past year has been centred around maintaining 'business as usual' so that no scheme members are adversely impacted while these Government-required changes are being worked through in practice.*

Finally, we said a fond farewell to Mark Kemp-Gee as the Panel and Board's Chairman (a role he has performed with distinction and good grace for many years) and we warmly welcomed Tom Thacker as Mark's successor.

Scheme member reports continued

Phillip Reynolds

Pensioner Scheme Member Representative
phillipreynolds77@gmail.com



It has been another busy year for the Hampshire Pension Fund Panel & Board especially because of the triennial valuation of the Fund and a change in investment pooling arrangements.

Following the valuation by the Fund's actuary, Hymans Robertson, the Fund was valued at 129%. This puts the Fund in a healthy financial position to meet current and future liabilities.

The 2025 valuation demonstrates that the Fund has performed well through a period of economic uncertainty, especially in the USA. Investments have delivered strong outcomes for scheme members while continuing to manage risk responsibly.

The aim of pooling LGPS investments is to deliver benefits of scale, reduce costs and to improve investment into infrastructure projects. Hampshire will now be part of a larger investment pool, LGPS Central, with 14 other partners. In line with the Government's 'Fit for the Future' policy, the pool will be responsible for managing the Fund's investments.

However, the Panel and Board retain responsibility for setting the Fund's Investment Strategy, including its Responsible Investment Strategy.

Governance of the new pool is high on the Fund's agenda and I, and the other scheme member representatives, are working to ensure that scheme members' voices are heard regarding the Fund's investments. I would like to reassure Pensioners that their occupational pension is secure in payment despite this change in how the Fund makes its investments.

Environmental, Social and Governance (ESG) issues continue to be a focus for the Panel and Board. I am the appointed Co-opted Scheme Member Representative on the Responsible Investment Sub-Committee. The Sub-Committee meets twice a year to discuss various ESG issues and helps form questions to the Fund's investment managers when they make their presentations to the full Panel and Board. Following various deputations and questions on the topic, I can confirm that the Fund has policies in place for each portfolio to exclude controversial weapons.

Finally, I am pleased to report that Pension Services, who are responsible for the administration of the Fund, continue to meet service standards for all casework. They also meet very high standards when benchmarked against others involved in pension administration.

If you have any questions about the work of the Pension Fund Panel and Board, please do not hesitate to contact me.

Training and development report

Training policy

As an administering authority of the LGPS, Hampshire County Council recognises the importance of ensuring that all officers and Pension Fund Panel and Board 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 CIPFA Pensions Finance Knowledge and Skills Framework.

The Director of Corporate Operations at the County Council is responsible for ensuring that policies and strategies are implemented.

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

Training attendance

Attendance at internally organised training events and other external training opportunities in 2025/26 is shown in the adjacent table. It should be noted that internal training sessions have greater weight as they cover topics on which the most Panel and Board members have identified a training need.

Attendance at training sessions			
Panel and Board member	Training sessions		
	External (hours)	Internal (hours)	Total hours
Cllr Thacker	17	19	36
Cllr Kemp-Gee	5	17	22
Cllr Bailey	0	2	2
Cllr Crawford	1	17	18
Cllr Davies	32	24	56
Cllr Glen	45	26	71
Cllr Harrison	0	18	18
Cllr Joy	0	18	18
Cllr Mocatta	5	8	13
Cllr Latham	18	17	35
Cllr Letts	0	3	3
Amelia Nirmal	1	12	13
Arron Hedges	0	16	16
Phillip Reynolds	0	24	24
Simon Walker	0	17	17
Cllr Curnow-Ford (substitute)	0	2	2
Cllr Drew (substitute)	5	18	23
Cllr Mellor (substitute)	0	2	2
Cllr Smyth (substitute)	0	7	7
Total	**129**	**267**	**396**

Training and development report continued

Training received in 2025/26

During the year nine internal training sessions were arranged by the Hampshire Pension Fund for Panel and Board members and officers. 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. The Pension Fund's officers also gave training on LGPS pooling and the steps being taken to ensure cyber security.

The Panel and Board and officers have also continued to make use of the **Hymans Robertson LGPS Online Learning Academy**; this is an online training resource which is a valuable introduction to the LGPS. The modules have been designed to cover the requirements of the Scheme Advisory Board (SAB)'s Good Governance review.

Internal training sessions 2025/26

Date	Topic	Provider
May 2025	Passive investing	UBS
	Performance benchmarking	CEM
June 2025	Cyber security	Deputy Director, Chief Technology Officer - IT
	LGPS pooling consultation	Head of Investments & Borrowing
September 2025	Artificial Intelligence	Baillie Gifford
	Triennial valuation results review	Hymans Robertson
	Pool briefing	LGPS Central
February 2026	Investment beliefs, gilts and credit	Hymans Robertson
	Local investment	Head of Investments & Borrowing

Training and development report continued

As in previous years, the 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 Pension Fund officers, and was provided by Arlingclose, the Pension Fund's advisors on cash investment 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 Pension Fund officers. Training sessions continue to be held online, with some in person sessions. This has proved to be successful and gives more flexibility for Panel and Board members to attend.

During 2025/26 the Panel and Board continued to receive virtual briefings from the Fund's investment managers, the schedule of these briefings is provided to the right.

Investment manager briefings		
Date	**Topic**	**Provider**
June 2025	Global equities portfolio	Acadian
		Baillie Gifford
October 2025	Sterling investment grade credit portfolio	Fidelity
	Asset backed securities portfolio	TwentyFour AM
	UK property portfolio	CBRE
	Global infrastructure portfolio	GCM Grosvenor
November 2025	Multi asset credit portfolio	Alcentra
		RBC BlueBay
December 2025	Global equities portfolio	Dodge & Cox
		Robeco
January 2026	Private debt portfolio	JP Morgan Alternatives Asset Management
	Private equity portfolio	Patria
March 2026	Global timberland portfolio	Campbell
		Stafford Capital

Training and development report continued

Individual Panel and Board members and officers attended a range of training events in 2025/26 provided by the Pension Fund's investment managers and other external organisations, as follows:

External training sessions 2025/26

Training provider	Events
Aon	Public Sector Cyber Webinar
Baillie Gifford	LGPS Investment and Training Seminar
Local Government Association	Fundamentals training
Local Government Chronicle	Investment Seminar
	Pensions & Investment Summit
LGPS Central	Responsible Investment Summit
Stafford Capital	Timberland Webinar - "Maximising Returns and Impact through Forest Investments"
The Good Economy	The Role of Infrastructure in Place-Based Local Investing

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 Operations Directorate are required by the accountancy bodies to maintain their levels of Continuing Professional Development.

Training in 2025/26

During 2025/26, individual members of the Panel and Board reviewed their knowledge and skills against a Training Needs Analysis. The purpose of this exercise was to allow Panel and Board members to consider their existing level of knowledge and areas where additional training would 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 2025/26 was approved by the Pension Fund Panel and Board in September 2025 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 2026/27 based on responses to the Training Needs Analysis, as well as standing items on cyber-security and responsible investment.

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

Ref.	Principles	Compliance	Comments
A. Structure			
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
B. Representation			
a.	That all key stakeholders have the opportunity to be represented within the main or secondary committee structure. These include: • 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.

Governance Compliance Statement continued

Ref.	Principles	Compliance	Comments
B. Representation			
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	
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.

Ref.	Principles	Compliance	Comments
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.

Governance Compliance Statement continued

Ref.	Principles	Compliance	Comments
F. Meetings (frequency / quorum)			
a.	That an administering authority's main committee or committees meet at least quarterly.	Full compliance	
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.

Ref.	Principles	Compliance	Comments
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 and other policies

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

- Business Plan, including the Fund's Budget, Risk Register and Training Plan
- Funding Strategy Statement
- Investment Strategy Statement 2025 including Responsible Investment Policy
- Governance Policy Statement and Compliance Statement
- Communication Policy Statement
- Administration Strategy – including Decision Matrix
- Employer Policy

These statements were last reviewed and approved at meetings of the Pension Fund Panel and Board during 2025.

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

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

- Representation Policy
- Conflicts of Interest Policy

The Terms of Reference for the Panel and Board and the RI Sub-Committee are available as part of the County Council's constitution.

Section 4

Financial performance

Financial performance report

Shown below is the Pension Fund's budget for 2025/26 compared to actual expenditure, and the budget for the years 2026/27 to 2028/29.

The budget for 2025/26 was agreed by the Pension Fund Panel and Board at its meeting of 13 December 2024 and revised on 12 December 2025. The budgets for the years 2026/27 to 2028/29 will be revised in December 2026 based on the actual expenditure in 2025/26 adjusted for any more recent information.

	Budget 2025/26 £000	Actual 2025/26 £000	Budget 2026/27 £000	Budget 2027/28 £000	Budget 2028/29 £000
Investment management fees	109,586	79,497	118,314	126,426	131,041
Staff	2,659	2,659	2,601	2,601	2,601
Premises	66	66	68	69	69
IT	332	260	297	301	307
Supplies & Services	351	271	349	352	359
Administrative Costs	3,408	3,256	3,315	3,323	3,336
Staff (including Premises and IT)	778	790	802	817	832
Supplies & Services	608	703	370	379	389
Oversight & Governance Costs	1,386	1,493	1,172	1,196	1,221
Management Expenses	**114,380**	**84,246**	**122,801**	**130,945**	**135,598**

Financial performance report continued

The Pension Fund pays its investment managers a percentage fee based on the value of investments. Investment management costs were significantly below the forecast for a variety of reasons; a lower value of investments than the percentage of fees was based on, lower investment property expenses and lower fees paid to the general partners managing the Fund's alternative investments.

Staff costs make up the majority of the administrative, oversight and governance costs. The cost of pensions administration was lower than forecast due to savings on printing, IT and Legal costs. Governance costs were higher than budgeted as a result of higher than expected external audit and actuarial costs.

The 2025/26 expenditure on the administration and governance of the Pension Fund reflects 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.

	Forecast 2025/26 £m	Actual 2025/26 £m	Forecast 2026/27 £m	Forecast 2027/28 £m	Forecast 2028/29 £m
Employer contributions	269.1	163.9	239.4	247.4	255.6
Employee contributions	96.5	99.2	100.3	103.6	107.1
	365.6	263.1	339.7	351.0	362.7
Benefits	(371.9)	(410.4)	(411.4)	(420.8)	(430.5)
Transfers	0.0	(5.6)	0.0	0.0	0.0
	(6.3)	(152.9)	(71.7)	(69.8)	(67.8)
Expenses (in cash)	(23.0)	(23.5)	(32.2)	(34.4)	(35.8)
	(29.3)	(176.4)	(103.9)	(104.2)	(103.6)
Investment income (in cash)	96.8	221.7	144.5	144.5	144.5
Net cash inflow (+ve)/outflow (-ve)	**67.5**	**45.3**	**40.6**	**40.3**	**40.9**

Average employer contribution rate		**17.87%**			
Average employee contribution rate		**6.71%**			

The Pension Fund does not budget for its net inflows and outflows from dealings with members (because it can't control these amounts) but it monitors them to manage the Fund's cash position, which is summarised in the adjacent table.

The forecast for employer contributions was based on the amount set by the Actuary at the 2022 Valuation spread equally across the following 3 years. The actual amount received was lower than this because a significant amount of contributions were paid by employers in advance in 2025/26. The Fund's cashflow position was maintained by receiving a higher than forecast amount of income, which was a result of a combinationof interest rates remaining higher than forecast and the Fund choosing to take income from investments as cash, rather than re-investing it.

Payment of pension benefits in 2025/26 was higher than forecast due to two main factors: an increase in the actual number of pensioners in comparison to the forecast position, and the inflationary increase to pensions paid was higher than that forecast by the actuary in the 2022 valuation.

Financial performance report continued

The Pension Fund's accounts include the Fund's non-investment assets and liabilities. These include amounts owed to and by the Fund (creditors and debtors) as well as cash held outside of the Fund's investments. The most significant change from the prior year is a reduction in the amounts owed to the Fund from other organisations.

Timeliness of contributions

All employer contributions due for 2025/26 have been received. The last contribution payment was received on 11 May 2026. The delay was due to a staffing issue at an academy.

A total of £1.727m was paid late (£5.116m in 2024/25) which was 0.46% of the total contributions received. Approximately £0.8m of the total paid late related to one large employer whose payment was delayed by three days on one occasion. The average delay on all late payments received during 2025/26 was 18 days (11 days in 2024/25). Receipt of contributions is reviewed monthly to determine if any action is required. No late payment interest charges were made in 2025/26.

Mortality screening and National Fraud Initiative

HPS 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	79	£9,389.68
Dependant Pension	222	£120,762.99
Invoice	453	£197,809.92
Total	**754**	**£327,962.59**
Write Off	94	£3,148.76

The Fund also participates in the bi-annual National Fraud Initiative (NFI). As reported last year, the most recent NFI exercise in 2025 identified three deaths with a total potential recovery of £6,107, of which £1,275 has been recovered to date. Work to verify the next of kin details for the other two identified deaths and to confirm the details of a possible fourth death is continuing.

Section 5

Fund account, net assets statement and notes

Financial statements

Fund account	See note	2024/25 £000	2025/26 £000
Dealings with members, employers and others directly involved in the Fund			
Contributions	7	248,529	263,149
Transfers in from other pension funds		37,599	33,397
		286,128	**296,546**
Benefits	8	(389,672)	(410,374)
Payments to and on account of leavers		(33,038)	(38,964)
		(422,710)	**(449,338)**
Net additions from dealings with members		**(136,582)**	**(152,792)**
Management expenses	9	(103,358)	(84,246)
Net additions inc. fund management expenses		**(239,940)**	**(237,038)**
Returns on investments			
Investment income	10	285,970	260,031
Taxes on income		(716)	(6,727)
Profits and losses on disposal of investments and changes in the market value of investments	11a	207,359	561,318
Net return on investments		**492,613**	**814,622**
Net increase in the net assets available for benefits during the year		**252,673**	**577,584**
Opening net assets of the scheme		9,963,099	10,215,772
Closing net assets of the scheme		10,215,772	10,793,356

Financial statements continued

Net assets statement for the year ending 31 March 2026	See note	31 March 2025 £000	31 March 2026 £000
Investment assets		9,942,724	10,582,409
Cash deposits		247,668	187,773
Investment liabilities		(21)	(5,421)
Totel net investments	11	**10,190,371**	**10,764,761**
Current assets	18	36,221	36,301
Current liabilities	19	(10,820)	(7,706)
Net assets of the Fund available to fund benefits at the period end		**10,215,772**	**10,793,356**

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.

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 2025/26 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.

Notes to Pension Fund accounts continued

There are 429 employer organisations within the Hampshire Pension Fund including the County Council itself, as detailed below:

Hampshire Pension Fund	31 March 2025	31 March 2026
Number of employers with active members	402	429
Number of employees in Scheme		
County Council	27,894	26,188
Other employers	33,948	34,797
Total	**61,842**	**60,985**
Number of pensioners		
County Council	26,789	28,171
Other employers	31,488	33,157
Total	**58,277**	**61,328**
Deferred pensioners		
County Council	45,636	45,508
Other employers	46,448	46,874
Total	**92,084**	**92,382**
Total members in the Pension Fund	**212,203**	**214,695**

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 2026. Employee contributions are matched by employers' contributions. For the year ending 31 March 2026 employer contribution rates were set by the Fund Actuary based on the Actuarial Valuation as at 31 March 2022, and for most employers were a range from 15.0% to 27.1% of pensionable pay. A small number of employers also pay 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, ill health pensions and death benefits. For more details, please refer to the Hampshire Pension Fund's website.

Notes to Pension Fund accounts continued

2. Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2025/26 financial year and its position at year end at 31 March 2026. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 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.

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.

The vast majority of employers in the pension scheme (94% of the Fund by active membership, are scheduled bodies excluding Higher Education employers) have secure public sector funding, and therefore there should be no doubt in their ability to continue to make their pension contributions. Following the latest actuarial valuation and schedule of employer contribution prepayments, the Pension Fund has reviewed its cashflow forecast and is confident in its ability to meet is ongoing obligations to pay pensions from its cash balance for at least 12 months from the date of signing the accounts. In the event that investments need to be sold 66.7% of the Fund's investments can be converted into cash within 3 months.

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. As set out in the Fund Actuary's Rates and Adjustment certificate, certain employers can pay the primary and/or secondary contributions for the 3 years of the valuation period.

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.

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.

Notes to Pension Fund accounts continued

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, or subsequent receipt of the investment manager's invoice, is included in the Fund account. In 2025/26 £3.3million of such fees were recorded (2024/25 £4.7 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.

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 as its AVC providers. AVCs can also be paid to Utmost and Zurich, 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 20).

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 investments

It is important to recognise the subjective nature of determining the fair value of alternative investments: private equity, infrastructure, timberland, private debt and some pooled property funds. 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 £889 million and infrastructure investments was £1,128 million at 31 March 2026 (£880 million and £1,024 million at 31 March 2025).

Timberland is valued in accordance with standards including International Financial Reporting Standards (notably IAS 41: Agriculture), the Uniform Standards of Professional Appraisal Practice (USPAP) and the Appraisal Institute's Code of Professional Ethics and Standards of Professional Appraisal Practice, or other regional standards. Timberland investments were valued at £134 million at 31 March 2026 (£96 million at 31 March 2025).

There is no standard for the valuation of private debt, but most general partners of private debt funds will base their valuations on a third party valuer, such as Duff & Phelps. The value of unquoted private debt investments at 31 March 2026 was £509 million (£474 million at 31 March 2025).

Pooled property funds are valued in accordance with the RICS Valuation – Global Standards (incorporating the IVSC International Valuation Standards). The value of pooled property funds where bid and offer, or single price are not available at 31 March 2026 was £32 million (£0 million at 31 March 2025).

Pension fund liability

The pension fund's 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 113 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 a number of 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.

The items in the Net Assets Statement and Notes to the Accounts at 31 March 2026 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 0.1% decrease in the discount rate assumption would result in a decrease in the pension liability of approximately £130 million. A 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £6 million, and a one-year increase in assumed life expectancy would increase the liability by approximately £344 million.
Alternative investments – Private equity (Note 13)	Private equity investments are valued at fair value in accordance with the *International Private Equity Venture Capital Valuation Guidelines*. 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 £889 million. The investment manager recommends a tolerance of 10% around the net asset value (+/-£89m)
Alternative investments – Infrastructure (Note 13)	Infrastructure investments are valued at fair value in accordance with the International Private Equity Venture Capital Valuation Guidelines. 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 £1,128 million. The investment manager recommends a tolerance of 10% around the net asset value (+/-£113m)
Alternative investments – Timberland (Note 13)	Timberland appraisals determine fair or market value in accordance with standards including International Financial Reporting Standards (notably IAS 41: Agriculture), the Uniform Standards of Professional Appraisal Practice (USPAP) and the Appraisal Institute's Code of Professional Ethics and Standards of Professional Appraisal Practice; other regional standards (e.g. New Zealand Institute of Forestry Forest Valuation Standards). These investments are not publicly listed and as such there is a degree of estimation involved in the sector.	The total timberland investments in the financial statements are £134 million. The investment managers recommend a tolerance of 10% around the net asset value (+/-£13m)
Alternative investments – 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 third party valuer, such as *Duff & Phelps*. 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 £509 million. The investment manager recommends a tolerance of 5% around the net asset value (+/-£25m)
Pooled investments – Property funds (Note 13)	Real estate investments are valued at fair value in accordance with the RICS Valuation – Global Standards (incorporating the IVSC International Valuation Standards). These investments are not publicly listed and as such there is a degree of estimation in the valuation.	The total level 3 pooled property fund investments in the financial statements are £32 million. The investment managers recommends a tolerance of 10% around the net asset value (+/-£3m)

Notes to Pension Fund accounts continued

6. Events after the reporting date

On 1 April 2026 the pension fund became a shareholder of the investment pool LGPS Central and signed a Client Agreement with the pool. In accordance with the LGPS (Pooling, Management and Investment of Funds) Regulations (in draft as of 31 March 2026) LGPS Central has taken responsibility for the management of the pension fund's investments as of 1 April 2026. This does not change the valuation of any of the investments reported in these accounts.

7. Contributions receivable

By category	2024/25 £000	2025/26 £000
Employees' contributions	94,180	99,223
Employers' contributions		
Normal contributions	152,209	162,784
Deficit recovery contributions	2,140	1,142
Total employers' contributions	154,349	163,926
Total contributions receivable	**248,529**	**263,149**

By type of employer	2024/25 £000	2025/26 £000
Administering authority	50,070	47,055
Scheduled bodies	189,833	203,434
Admitted bodies	8,626	12,660
Total	**248,529**	**263,149**

8. Benefits payable

By category	2024/25 £000	2025/26 £000
Pensions	311,208	328,961
Commutation and lump sum retirement benefits	69,415	71,829
Lump sum death benefits	9,049	9,584
Total	**389,672**	**410,374**

By type of employer	2024/25 £000	2025/26 £000
Administering authority	147,961	152,156
Scheduled bodies	222,384	236,935
Admitted bodies	19,327	21,283
Total	**389,672**	**410,374**

9. Management expenses

	2024/25 £000	2025/26 £000
Administrative costs	3,270	3,256
Investment management expenses	98,822	79,497
Oversight and governance costs	1,266	1,493
Total	**103,358**	**84,246**

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).

9a) Investment Management Expenses

2025/26	Management fees £000	Performance fees £000	Transaction costs £000	Total £000
Pooled investments*	13,895	0	5,080	**18,975**
Pooled property investments	44	0	0	**44**
Property*	3,048	0	6,705	**9,753**
Alternatives*	31,967	18,471	0	**50,438**
Cash	0	0	20	**20**
	48,954	**18,471**	**11,805**	**79,230**
Custody and other investment costs				**267**
Total				**79,497**

*includes £28.263m paid as part of the ACCESS pool

2024/25	Management fees £000	Performance fees £000	Transaction costs £000	Total £000
Pooled investments*	13,970	0	1,950	**15,920**
Pooled property investments	0	0	0	**0**
Property*	1,535	0	6,569	**8,104**
Alternatives*	59,992	0	14,632	**74,624**
Cash	0	0	11	**11**
	75,497	**0**	**23,162**	**98,659**
Custody and other investment costs				**163**
Total				**98,822**

*includes £28.615m paid as part of the ACCESS pool

Notes to Pension Fund accounts continued

10) Investment income

	2024/25 £000	2025/26 £000
Pooled property investments	5,808	7,168
Pooled investments – unit trusts and other managed funds	133,967	125,322
Rents from property	36,066	41,049
Interest on cash deposits	5,954	8,022
Alternative investment income	103,839	77,800
Stock lending	0	86
Other	336	584
Total before taxes	**285,970**	**260,031**

11) Investments

	Market value 31 Mar 2025 £000	Market value 31 Mar 2026 £000
Investment Assets		
Pooled funds		
- Fixed income unit trusts	3,143,681	3,283,100
- Unit trusts	3,394,004	3,714,147
	6,537,685	**6,997,247**
Other investments		
Pooled property investments	149,668	164,628
Alternative investments	2,474,372	2,659,032
Property	780,488	761,450
Derivative contracts:		
- Forward currency contracts	489	(5,369)
	3,405,017	**3,579,741**
Cash deposits	247,669	187,761
Pending foreign exchange transactions	0	12
Net investment assets	**10,190,371**	**10,764,761**

Notes to Pension Fund accounts continued

11a) Reconciliation of movements in investments and derivatives

Period 2025/26	Market value 1 April 2025 £000	Purchases and derivative payments £000	Sales and derivative receipts £000	Change in value during the year £000	Market value 31 Mar 2026 £000
Equities	0	0	0	0	0
Pooled investments	6,537,685	104,119	(8,025)	363,468	6,997,247
Pooled property investments	149,669	13,967	(857)	1,849	164,628
Alternative investments	2,474,372	406,911	(397,430)	175,179	2,659,032
Property	780,487	3,030	(36,810)	14,743	761,450
	9,942,213	**528,027**	**(443,122)**	**555,239**	**10,582,357**
Derivative contracts:					
- Forward foreign exchange	489	12,033	(23,363)	5,472	(5,369)
	489	**12,033**	**(23,363)**	**5,472**	**(5,369)**
Other investment balances:					
- Cash deposits	247,590			1,093	187,744
- Spot foreign exchange contracts	0			(486)	12
- Investment income due	79			0	17
Net investment assets	**10,190,371**			**561,318**	**10,764,761**

Notes to Pension Fund accounts continued

11a) Reconciliation of movements in investments and derivatives continued

Period 2024/25	Market value 1 April 2024 £000	Purchases and derivative payments £000	Sales and derivative receipts £000	Change in value during the year £000	Market value 31 Mar 2025 £000
Equities	0	399,017	(381,835)	(17,182)	0
Pooled investments	6,903,228	815,213	(1,280,555)	99,799	6,537,685
Pooled property investments	145,169	300	0	4,200	149,669
Alternative investments	2,146,677	529,356	(292,611)	90,950	2,474,372
Property	587,849	186,023	(12,893)	19,508	780,487
	9,782,923	**1,929,909**	**(1,967,894)**	**197,275**	**9,942,213**
Derivative contracts:					
- Forward foreign exchange	(7,121)	0	0	7,610	489
	(7,121)	**0**	**0**	**7,610**	**489**
Other investment balances:					
- Cash deposits	136,808			2,474	247,590
- Spot foreign exchange contracts	0			0	0
- Investment income due	78			0	79
Net investment assets	**9,912,688**			**207,359**	**10,190,371**

Purchases and sales of derivatives are recognised in Note 11a. 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 2025		Market Value 31 March 2026	
	£000	%	£000	%
Investments part of the ACCESS pool				
ACCESS Pooled investments managed by Waystone				
- Acadian	589,954	5.7	608,388	5.6
- Alcentra	526,456	5.2	511,885	4.7
- Baillie Gifford	610,270	6.0	625,164	5.8
- Bluebay	406,907	4.0	410,011	3.8
- Dodge & Cox	607,255	5.8	676,018	6.3
- Fidelity	462,093	4.5	459,636	4.3
- Robeco	548,642	5.4	611,975	5.7
- Twenty-four Asset Management	242,501	2.4	244,022	2.3
ACCESS Pooled investments managed by UBS	2,522,824	24.7	2,839,680	26.4
CBRE Global Investors	930,379	9.1	911,477	8.4
Campbell Global	67,689	0.7	90,944	0.8
LGIM	0	0.0	14,600	0.1
Stafford Capital Partners	28,630	0.3	43,463	0.4
	7,543,600	**73.8**	**8,047,263**	**74.6**
Investments held outside of the ACCESS pool				
Patria	909,202	8.9	898,370	8.3
Barings	20,784	0.2	10,468	0.1
GCM Grosvenor	1,038,935	10.2	1,138,379	10.5
JP Morgan Alternative Asset Management	480,407	4.7	508,037	4.7
	2,449,328	**24.0**	**2,555,254**	**23.6**
Other net assets	222,844	2.2	190,839	1.8
Total	**10,215,772**	**100.0**	**10,793,356**	**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) 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 Mar 2025 £000	Year ending 31 Mar 2026 £000
Within one year	37,980	38,770
Between one and five years	119,792	112,575
Later than five years	225,563	230,713
Total future lease payments due under existing contracts	**383,335**	**382,058**

The above disclosures have been reduced by a credit loss allowance of 2.5% per annum, 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.

Notes to Pension Fund accounts continued

12. Analysis of derivatives

At 31 March 2026, the Fund had open forward currency contracts in place with a net unrealised loss of £5.37 million.

Settlements	Currency bought	Local value 000	Currency sold*	Local value 000	Asset value £000	Liability value £000
1 to 6 months	GBP	322,832	USD	(432,157)	0	(4,960)
1 to 6 months	GBP	54,430	EUR	(62,594)	0	(461)
1 to 6 months	EUR	673	GBP	(584)	6	0
1 to 6 months	USD	6,918	GBP	(5,202)	46	0
Open forward currency contracts at 31 March 2026					**52**	**(5,421)**
Net forward currency contracts at 31 March 2026						**(5,369)**

Settlements	Currency bought	Local value 000	Currency sold*	Local value 000	Asset value £000	Liability value £000
1 to 6 months	GBP	43,687	EUR	(51,803)	153	(6)
1 to 6 months	GBP	338,942	USD	(437,029)	345	(12)
1 to 6 months	EUR	676	GBP	(571)	0	(3)
1 to 6 months	USD	9,418	GBP	(7,285)	12	(0)
Open forward currency contracts at 31 March 2025					**510**	**(21)**
Net forward currency contracts at 31 March 2025						**489**

*List of currencies EUR = Euro | GBP = British Pound | USD = United States Dollar

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
Exchange traded pooled investments	1	Closing bid value on published exchanges	Not required	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 bid price where bid and offer prices are published, closing single price where single price is published	NAV-based pricing set on forward pricing basis	Not required
Pooled investments – property funds	3	Valued at fair value in accordance with the RICS Valuation – Global Standards (incorporating the IVSC International Valuation Standards).	Market rents and rental growth assumptions Comparable sales and pricing evidence Discount rates / yields Vacancy and bad debt Tenant covenant strength Exit values	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 (for example, significant changes in rental growth, vacancy levels or discount rate), and by any differences between audited and unaudited accounts

Notes to Pension Fund accounts continued

13. Fair value – basis of valuation continued

Description of asset	Valuation hierarchy – level	Basis of valuation	Observable and unobservable inputs	Key sensitivity affecting the valuation provided
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 – 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
Alternative Investments – Timberland	3	Valued in accordance with International Financial Reporting Standards (notably IAS 41: Agriculture), the Uniform Standards of Professional Appraisal Practice (USPAP) and the Appraisal Institute's Code of Professional Ethics and Standards of Professional Appraisal Practice or other regional standards (e.g. New Zealand Institute of Forestry Forest Valuation Standards)	Discount rate Log price	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

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 2026.

	Assessed valuation range (+/-)	Value at 31 March 2026 £000	Value on increase £000	Value on decrease £000
Alternative Investments – Private debt	5%	508,972	534,420	483,523
Alternative Investments – Infrastructure	10%	1,127,708	1,240,479	1,014,937
Alternative Investments – Private equity	10%	888,689	977,558	799,820
Alternative Investments – Timberland	10%	133,663	147,030	120,297
Pooled Investments – property funds	10%	32,498	35,748	29,248

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.

Notes to Pension Fund accounts continued

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 2026	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	6,474,894	654,534	2,691,531	9,820,959
Non-financial assets at fair value through profit and loss	0	761,450	0	761,450
Financial liabilities at fair value through profit and loss	0	(5,421)	0	(5,421)
Net investment assets	**6,474,894**	**1,410,563**	**2,691,531**	**10,576,988**

Values at 31 March 2025	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	5,990,446	697,418	2,474,372	9,162,236
Non-financial assets at fair value through profit and loss	0	780,488	0	780,488
Financial liabilities at fair value through profit and loss	0	(21)	0	(21)
Net investment assets	**5,990,446**	**1,477,885**	**2,474,372**	**9,942,703**

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

13b) Transfers between Levels 2 and 3

During the year, there were transfers of investments between Level 2 and Level 3 of the fair value hierarchy.

Transfers from Level 2 to Level 3 totalled £19.5 million and related to pooled property investments where, due to further investments being made during 2025-26 with more expected in future years, the total invested is recognised as more material to the financial statements of the Pension Fund.

There were no transfers from Level 3 to Level 2 during the financial year.

13c) Reconciliations of Fair Value Measurements within Level 3

	Alternative investments £000	Pooled property £000	Total £000
Value at 31 March 2025	2,474,372	0	2,474,372
Transfers in	0	19,509	19,509
Transfers out	0	0	0
Purchases and derivative payments	406,911	13,968	420,879
Sales and derivative receipts	(397,430)	(857)	(398,287)
Change in market value during the year	175,179	(122)	175,057
Value at 31 March 2026	**2,659,032**	**32,498**	**2,691,530**

	Alternative investments £000	Pooled property £000	Total £000
Value at 31 March 2024	2,146,677	0	2,146,677
Transfers in	0	0	0
Transfers out	0	0	0
Purchases and derivative payments	529,356	0	529,356
Sales and derivative receipts	(292,611)	0	(292,611)
Change in market value during the year	90,950	0	90,950
Value at 31 March 2025	**2,474,372**	**0**	**2,474,372**

14. Financial instruments

14a) Classification of financial instruments

The following table analyses the carrying amounts of financial instruments by category and Net Assets Statement heading. No financial instruments were reclassified during the accounting period.

31 March 2025				31 March 2026		
Fair value through profit and loss £000	Assets at amortised cost £000	Liabilities at amortised cost £000		Fair value through profit and loss £000	Assets at amortised cost £000	Liabilities at amortised cost £000
			Financial assets			
6,537,685			Pooled investments	6,997,247		
149,668			Pooled property investments	164,628		
2,474,372			Alternatives	2,659,032		
510			Derivative contracts	52		
128,540	119,128		Cash	115,860	71,912	
	10,946		Debtors		10,008	
9,290,775	**130,074**	**0**		**9,936,819**	**81,920**	**0**
			Financial liabilities			
(21)			Derivative contracts	(5,421)		
		(6,304)	Creditors			(3,508)
(21)	**0**	**(6,304)**		**(5,421)**	**0**	**(3,508)**
9,290,754	**130,074**	**(6,304)**		**9,931,398**	**81,920**	**(3,508)**

14b) Net gains and losses on financial instruments

31 March 2025 £000		31 March 2026 £000
	Financial assets	
180,441	Fair value through profit and loss	541,103
	Financial liabilities	
7,610	Fair value through profit and loss	5,472
188,051	**Total**	**546,575**

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.

Notes to Pension Fund accounts continued

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.

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 2025/26 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 (+/-)
Overseas equities	11.37%
UK bonds	10.48%
Overseas bonds	8.02%
Property	2.18%
Alternative investments	4.32%
Cash	0.40%

Notes to Pension Fund accounts continued

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 based on the prior year market movements is shown below):

Asset type	Value at 31 March £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Total assets 2026	**10,764,761**	**873,229**	**11,637,990**	**9,891,532**
Total assets 2025	**10,190,371**	**1,024,799**	**11,215,170**	**9,165,572**

Asset type	Value at 31 March 2026 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Global equities	3,714,147	422,415	4,136,562	3,291,732
UK bonds	2,106,714	220,809	2,327,523	1,885,905
Overseas bonds	1,176,386	94,327	1,270,713	1,082,059
Property	926,078	20,188	946,266	905,890
Alternatives	2,653,663	114,732	2,768,395	2,538,931
Cash	187,773	758	188,531	187,015
Total assets	**10,764,761**	**873,229**	**11,637,990**	**9,891,532**

Asset type	Value at 31 March 2025 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Global equities	3,394,004	431,787	3,825,791	2,962,217
UK bonds	1,947,034	287,258	2,234,292	1,659,776
Overseas bonds	1,196,647	110,230	1,306,877	1,086,417
Property	930,156	77,535	1,007,691	852,621
Alternatives	2,474,861	116,486	2,591,347	2,358,375
Cash	247,669	1,503	249,172	246,166
Total assets	**10,190,371**	**1,024,799**	**11,215,170**	**9,165,572**

Notes to Pension Fund accounts continued

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 2026 and 31 March 2025 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 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 2026 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
Cash & cash equivalents	398	0	398	398
Cash deposits	187,773	0	187,773	187,773
Total	**188,171**	**0**	**188,171**	**188,171**

Assets exposed to interest rate risk	Value as at 31 March 2025 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
Cash & cash equivalents	434	0	434	434
Cash deposits	247,669	0	247,669	247,669
Total	**248,103**	**0**	**248,103**	**248,103**

Income exposed to interest rate risk	Amount receivable as at 31 March 2026 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
Cash deposits / cash & cash equivalents	8,022	2,181	10,203	5,841
Total	**8,022**	**2,181**	**10,203**	**5,841**

Income exposed to interest rate risk	Amount receivable as at 31 March 2025 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
Cash deposits / cash & cash equivalents	5,753	1,928	7,680	3,825
Total	**5,753**	**1,928**	**7,680**	**3,825**

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.

Notes to Pension Fund accounts continued

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 5.4% (as measured by one standard deviation).

A 5.4% 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.

A 5.4% 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 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Total assets 2026	5,872,668	319,375	6,192,043	5,553,293
Total assets 2025	5,394,798	380,583	5,775,381	5,014,215

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 2026 was £153.44 million (31 March 2025: £197.55 million). This was held with the following institutions:

	Rating as at 31 March 2026	Balance as at 31 March 2025 £000	Balance as at 31 March 2026 £000
Money market funds			
Aberdeen (formerly abrdn)	AAAm	18,700	15,640
Blackrock	AAAm	14,370	15,640
DWS	AAAm	15,140	14,740
Federated Hermes	AAAm	12,230	12,610
Goldman Sachs	AAAm	11,680	10,100
Insight	AAAm	18,700	10,540
Northern Trust	AAAm	23,280	10,950
JP Morgan	AAAm	14,440	10,000
Royal London	AAAm	0	15,640
Bank Deposits			
Lloyds	A+	7,500	5,070
NatWest	A+	10	10
Handelsbanken	AA-	10,000	5,000
Local authority loans		21,500	27,500
UK Treasury bills		30,000	0
Total		**197,550**	**153,440**

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 2026 the value of illiquid assets was £3,585 million, which represented 33.3% of the total fund assets (31 March 2025: £3,405 million, which represented 33.4% 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 2026 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 2025 and the results are published on the Pension Fund's website. The next valuation will take place at 31 March 2028.

The funding valuation is prepared with regard to the latest version of the Fund's Funding Strategy Statement (FSS) which is also available on the Pension Fund's website.

The FSS outlines the Fund's key funding objectives which 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.

In setting employer contributions, three key decisions are made:

- **Decision 1:** What is the target funding level (how much money the Fund aims to hold) and funding basis (the set of actuarial assumptions used to value the past and future liabilities)?
- **Decision 2:** What is the funding time horizon (the time given to employers to meet or sustain the target funding level)?
- **Decision 3:** What is the likelihood of success (how likely it is that employers will meet or sustain the target funding level at the end of the funding time horizon)?

The funding decisions at the 2025 valuation varied between employers within the Fund and are documented in the Funding Strategy Statement.

At the 2025 actuarial valuation, the Fund was assessed as 129% funded (107% at the March 2022 valuation). This corresponded to a surplus of £2,325 million (2022 valuation: £637 million surplus) at that time. The aggregate employer contributions were certified as 15.5% of Pensionable Pay.

Some employers were also given the option to pay their employer contributions earlier than the dates assumed in the actuary's calculations, for a discount, based on terms set out in the Rates and Adjustments Certificate.

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.

Contribution schedules for the period to 31 March 2029 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; and the covenant of the employer, and take into account the recovery of any surplus or deficiency relating to their participation over an appropriate period.

The valuation of the Fund has been undertaken using the projected unit method, under which the salary for each member is assumed to increase by 3.3% p.a. 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 2025 actuarial valuation report.

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.

Notes to Pension Fund accounts continued

The main actuarial assumptions that were used for ongoing employers at the March 2025 actuarial valuation were as follows:

Financial assumptions	%p.a.
Pension Increase Rate (CPI)	2.3%
Salary Increase Rate	3.3%
Discount Rate	5.9%

Demographic assumptions

The Fund makes an assumption on future longevity based on information from the base tables supplied by Club Vita and latest available actuarial Continuous Mortality Investigation (CMI) tables. Based on the adopted assumptions, the average future life expectancies for the Fund's membership at 31 March 2025 at age 65 are summarised below:

	Males	Females
Current pensioners	21.9 years	24.5 years
Future pensioners (assumed to be aged 45)	22.5 years	25.8 years

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 the triennial funding valuation that is 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 2025 was £8,592 million (31 March 2022: £13,000 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 2025 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 2025 IAS 19 calculation were:

Financial assumptions	%p.a.
Pension Increase Rate (CPI)	2.75%
Salary Increase Rate	3.75%
Discount Rate	5.80%

Notes to Pension Fund accounts continued

18. Current assets

	31 March 2025 £000	31 March 2026 £000
Debtors:		
Contributions due – employees	1,785	720
Contributions due – employers	20,508	22,230
Tax	2,548	2,945
Sundry debtors	10,946	10,008
Cash balances	434	398
Total	**36,221**	**36,301**

Analysis of debtors	31 March 2025 £000	31 March 2026 £000
Central government bodies	6,484	6,545
Other local authorities	13,876	15,582
Other entities and individuals	15,427	13,776
Total	**35,787**	**35,903**

19. Current liabilities

	31 March 2025 £000	31 March 2026 £000
Sundry creditors	6,303	3,508
Benefits payable	2,157	1,329
Tax	2,360	2,869
Total	**10,820**	**7,706**

Analysis of creditors	31 March 2025 £000	31 March 2026 £000
Central government bodies	2	2,869
Other local authorities	2,232	1,121
Other entities and individuals	8,586	3,716
Total	**10,820**	**7,706**

20. Additional voluntary contributions

	Market value 31 March 2025 £000	Market value 31 March 2026 £000
Prudential	32,877	40,315
Zurich	2,524	2,407
Utmost	585	494
Total	**35,986**	**43,216**

During the year, AVCs of £9.522 million were paid directly to Prudential (2024/25: £ 8.119 million) and £0.002 million to Utmost (2024/25: £0.002 million). No contributions were paid to Zurich which closed to new contributions in 2021/22.

21. 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 £47.055 million to the Fund in 2025/26 (2024/25 £50.070 million).

During the reporting period, the County Council incurred costs of £4.151 million (2024/25: £4.117 million) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses.

For the year to 31 March 2026 the key management personnel of the Fund were the Director of Corporate Operations of Hampshire County Council, acting as Chief Finance Officer (CFO) to the Fund, and the Deputy Director of Corporate Operations. Both of these officers charged 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 Operations 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 2026, the Fund had an average cash balance of £186.767 million (year to 31 March 2025: £94.843 million), earning interest of £8.022million (2024/25 £5.954 million) on these funds.

22. Contingent liabilities and contractual commitments

Outstanding capital commitments (investments) at 31 March 2026 totalled £1,104.244 million (31 March 2025: £805.964 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 regulations containing the underpin protections came into effect on 1 October 2023. For the first time in the 2025 Actuarial Valuation, the pension fund's actuary has estimated the value of liabilities associated with McCloud - an increase in liabilities of £21m. In prior years, before it could be estimated, the fund had reported its future McCloud liability as a contingent liability, but now these have been valued and included with the fund's overall liability in its Actuarial Valuation they will not be reported separately in future.

Statement of Responsibilities for the Hampshire Pension Fund accounts

Fund's responsibilities

The Fund is required to:

- make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. The Chief Financial Officer of the County Council fulfils that responsibility
- manage its affairs so as to use resources economically, efficiently and effectively and safeguard its assets
- approve the Hampshire Pension Fund's statement of accounts

Director of Corporate Operations responsibilities

The Chief Financial Officer is responsible for preparing the Hampshire Pension Fund's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain.

In preparing this Statement of Accounts, the Chief Financial Officer has:

- selected suitable accounting policies and applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the Code of Practice

The Chief Financial Officer has also:

- kept proper accounting records which are up to date
- taken reasonable steps to prevent fraud and other irregularities

The Chief Financial Officer's Statement

I certify that the statement of accounts as set out on pages 48 to 86 presents a true and fair view of the financial position of the Hampshire Pension Fund as at 31 March 2026 and the income and expenditure for the year ended 31 March 2026.

Andrew Lowe CPFA

Director of Corporate Operations
and Section 151 Officer

Section 6

Investments and funding

Investments and funding background information

Investment strategy

The Pension Fund's investments are invested according to the Fund's Investment Strategy Statement, which is reviewed and agreed annually by the Pension Fund Panel and Board. Following each triennial valuation, at a minimum, the investment strategy will be reviewed by a specialist external investment consultant to ensure the strategy is set to deliver the return target set by the actuary as part of the Fund's valuation and captured in the Pension Fund's Funding Strategy Statement.

In March 2026 the Pension Fund Panel and Board agreed an updated Investment Strategy Statement, subject to consultation, following the 2025 triennial valuation. Due to the timing of County Council elections, the updated Investment Strategy Statement will be issued for consultation in Summer 2026.

The Pension Fund's investment strategy is to invest in a broad range of asset classes. The principle aims of the investment strategy are to mitigate investment risk and achieve the return that has been calculated by the Fund's actuary in the triennial valuation so that the Fund can afford to meet its future pension obligations.

The Fund's investments are managed by specialist external investment managers. Following the Government's 'Fit for the Future' reforms, Hampshire became a shareholder and client of LGPS Central on 1 April 2026, and the Fund's investments are now managed by its new pool.

The investment managers charge fees as a percentage of the value of investments they are contracted to manage.
With the exception of some of the Fund's alternative investments, the fees that the Pension Fund are charged are not related to the investment return that has been made.

The full list of the Fund's external investment managers including the portfolio they manage, as now overseen by LGPS Central, is available on pages 109 and 110 of this annual report.

This section of the annual report provides information on the Fund's investment management arrangements and the risks, returns and management costs associated with its investments.

During 2025/26, the **Funding Strategy Statement** has been implemented by collecting employer contributions paid in line with the rates certified in the 2022 triennial actuarial valuation (from 1 April 2026, contributions will be paid in line with the 2025 triennial valuation). 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.

Both the Investment Strategy Statement and Funding Strategy Statement are **fully compliant** with the applicable statutory guidance.

Investments and funding background information continued

The Pension Fund's investments are **administered by Hampshire County Council** in their role as the Scheme Manager. The Pension Fund contracts with a Global Custodian (Northern Trust) who provides a variety of services to support the administration of investments:

- accounting and performance reporting on the Pension Fund individual investment portfolios and the Fund in total;
- cash facilities to enable the Pension Fund to make and receive payments for its investments
- foreign exchange settlement to enable the Pension Fund to buy and sell assets in foreign currencies
- historic tax reclamation services
- historic filing of US-based class action lawsuits

Pooled investments are managed by the pool operator (Waystone) and are held in custody by their appointed custodian, which is also Northern Trust.

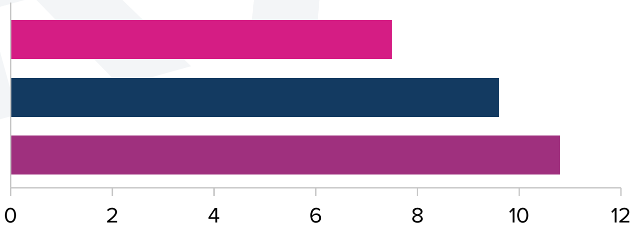
Investment performance report

The Pension Fund measures its overall investment return against the discount rate set by the Actuary as part of the triennial valuation, and each portfolio against a benchmark or an absolute or performance target. The discount rate set during the 2025 triennial valuation is 5.9% per annum (pa) and is the assumption the Fund's actuary has used for future investment returns for the three-year period.

The Hampshire Pension Fund's assets delivered a total return of 7.5% in 2025/26, which is +1.6% above the discount rate, therefore a good start to the triennial period in which the Fund wishes to remain fully funded.

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 weighted benchmark return for the year to 31 March 2026 was +9.6%, therefore the total investment return of the Pension Fund's assets underachieved this by -2.1%. This was due to some individual portfolios underperforming their benchmarks, in particular, the Pension Fund's global equities investment managers faced challenges in achieving the benchmark return due to difficult market conditions. As the weighting of global equities in the Fund's strategic asset allocation is significant, this performance had an outsized effect on overall performance. By contrast, the Pension Fund's private markets portfolios outperformed their benchmarks, adding positively to the Pension Fund's overall performance for the 12 months to 31 March 2026.

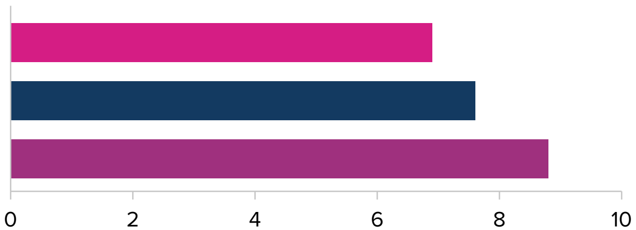
Total investment returns for the Fund (12 months to 31 March 2026)	%
Total Fund return	7.5
Weighted benchmark indices	9.6
Weighted benchmarks plus targets	10.8



Investment performance report continued

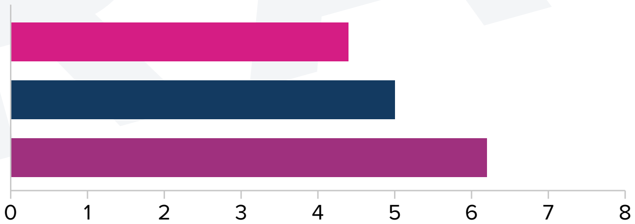
The Fund's investment return was +6.9% pa over the three years to March 2026, below the weighted benchmark of +7.6% by -0.7%. This three-year period included the current below benchmark year, whilst for each of the other two years, the total performance of the Pension Fund was above the weighted benchmark. Each of the three years provided positive absolute performance for the Fund overall, and the average return was greater than the discount rate set by the actuary at the triennial valuation (4.4% per year from the 3 years from 2022 and 5.9% per year from 2025 onwards). The three-year period has been dominated by the performance of US technology stocks (known as the Magnificent Seven), where the valuations of expensive stocks have continued to grow.

Total investment returns for the Fund (three years to 31 March 2026)	% p.a.
Total Fund return	6.9
Weighted benchmark indices	7.6
Weighted benchmarks plus targets	8.8



Over the five-year period to 31 March 2026, the Fund's investment return was +4.4% per annum, which was below the weighted benchmark of +5.0%, by -0.6%. This period included 2022/23, which was particularly volatile, with the announcement of the Truss-Kwarteng mini budget in September 2022 causing Sterling to plunge, the destabilisation of bond markets, and a spike in mortgage rates.

Total investment returns for the Fund (five years to 31 March 2026)	% p.a.
Total Fund return	4.4
Weighted benchmark indices	5.0
Weighted benchmarks plus targets	6.2



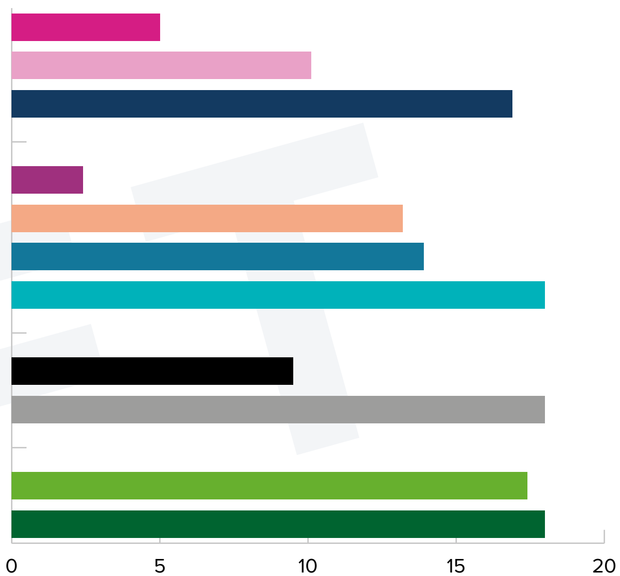
Global equities

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

The Pension Fund's global equities portfolios are invested by investment managers with a variety of styles to ensure diversification, with the aim of providing positive investment returns in all market environments to reduce the risk to performance and protect the value of the Pension Fund. Full details of the investment management arrangements for the Pension Fund are on pages 109-110 and performance data is only shown where meaningful data is available.

Global stock markets gained +18.0% in 2025/26, as measured by the MSCI All Countries World Index (ACWI).

Global equities (12 months to 31 March 2026)	%
ACCESS Managed Volatility (Acadian)	5.0
ACCESS Global Stars (Robeco)	10.1
MSCI World	16.9
ACCESS Long Term Global Growth (Baillie Gifford)	2.4
ACCESS Global Stock Fund (Dodge & Cox)	13.2
UBS Alternative Beta	13.9
MSCI All Countries World Index	18.0
All active global investment managers	9.5
MSCI All Countries World Index	18.0
UBS Global Equities (passive)	17.4
FTSE All World Equity Index	18.0



Investment performance report continued

Active global equities managers struggled to match their benchmarks in the year to 31 March 2026 due to a combination of structural market dynamics and cyclical market shocks that made traditional stock-picking unusually difficult Underperformance was not due to a single factor, but rather the interaction of extreme market concentration and macro-economic factors.

Extreme market concentration was the single biggest factor for underperformance of active global equities portfolios. Equity returns were dominated by a small number of mega-cap names, particularly in US technology and artificial intelligence (AI), whose stocks were expensive and continued to grow. A handful of "AI winners" drove a disproportionate share of global index returns, and many active managers were underweight the benchmark allocation of these stocks due to valuation concerns or portfolio diversification limits. This meant that global equities benchmarks became increasingly top-heavy, rewarding passive exposure (not active). Therefore, even if stock selection elsewhere was good, relative performance lagged indices because missing a few dominant winners overwhelmed everything else.

In addition, the market environment was dominated by top-down macro-economic shocks such as US tariffs escalation, interest rate path uncertainty, energy price collapse and then spike, as well as Middle East geopolitical tensions. These factors drove sector-wide and regional moves, overwhelming company-specific fundamentals. For example, the 2026 energy spike following the blockage of the Strait of Hormuz had asymmetric effects, whereby the benchmark had exposure to large oil and gas firms, and many investment managers were structurally underweight energy. The subsequent sudden commodity rally boosted the benchmark more than active portfolios.

As a result, all four of the Pension Fund's active global equity portfolios underperformed their benchmark in the 12 months to 31 March 2026 to varying degrees. This has been an unusual outcome for the Pension Fund, as in most years the mix of styles utilised by the Fund's active investment managers has meant that at least one portfolio has outperformed its benchmark. Instead, the continued growth of US technology stock valuations has meant that in 2025/26 passive management has provided the largest contribution to global equities performance.

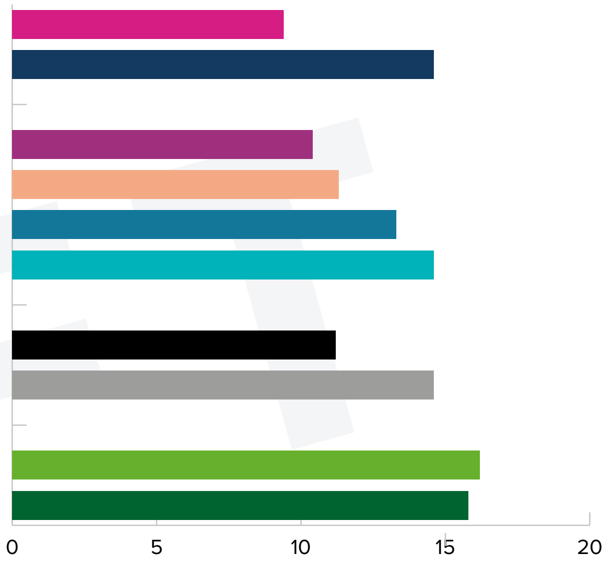
However, passive management isn't without its risks as it can lead the investor to being heavily exposed to a handful of stocks and underexposed to under-valued assets. Therefore, in a market downturn there is a risk that over-valued stock prices fall hardest, leaving passive investors fully exposed. For this reason, the Pension Fund continues to believe there is room for diversification of approach in the implementation of investment strategy, and both passive and active management have their place.

Three of the Pension Fund's current active global equity portfolios have a track record of at least three years, and their performance and respective benchmarks are shown in the adjacent chart alongside the passive global equities portfolio. 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.

Investment performance report continued

The Fund's active equity managers have underperformed the wider market in aggregate, returning +11.2% per annum (p.a.) in comparison to the market's +14.6% p.a. Each of the Fund's current active global equities portfolios have provided a strong and positive absolute return. The performance returns shown in the chart show that the performance of the active managers' portfolios has been fairly style-agnostic with investment returns for each portfolio being similar.

Global equities (three years to 31 March 2026)	% p.a.
ACCESS Managed Volatility (Acadian)	9.4
MSCI World	14.6
ACCESS Long Term Global Growth (Baillie Gifford)	10.4
ACCESS Global Stock Fund (Dodge & Cox)	11.3
UBS Alternative Beta	13.3
MSCI All Countries World Index	14.6
All active global investment managers	11.2
MSCI All Countries World Index	14.6
UBS Global Equities (passive)	16.2
FTSE All World Equity Index	15.8

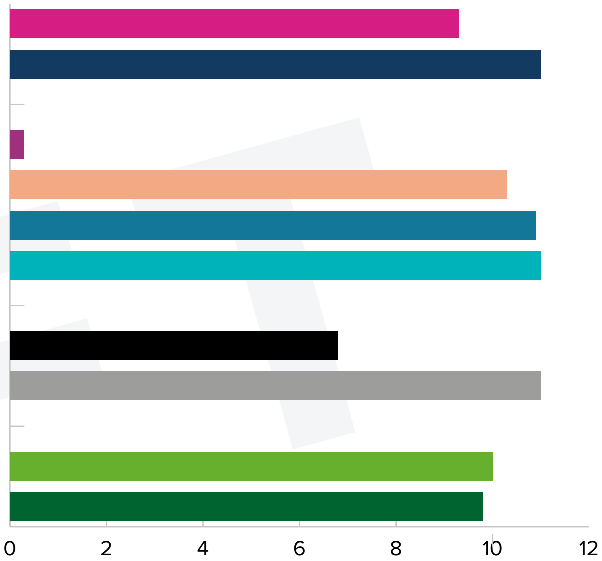


Investment performance report continued

Three of the Pension Fund's current active global equity portfolios have a track record of five years, and their performance is shown in the adjacent chart against their respective benchmarks, alongside the performance of the Pension Fund's passive global equities portfolios. Three of the portfolios, the Global Stock Fund (managed by Dodge & Cox), Managed Volatility (managed by Acadian) and UBS's Alternative Beta portfolio have provided investment returns that have fallen slightly short of the benchmark. Unfortunately, the volatility of the Long-term Global Growth portfolio (managed by Baillie Gifford) has hurt the performance earned in the outstandingly strong years, resulting in a just positive absolute return of +0.3% p.a. over the five-year period.

The table also 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 underperformed the benchmark, returning +6.8% p.a. in comparison to the market's +11.0% p.a.

Global equities (five years to 31 March 2026)	% p.a.
ACCESS Managed Volatility (Acadian)	9.3
MSCI World	11.0
ACCESS Long Term Global Growth (Baillie Gifford)	0.3
ACCESS Global Stock Fund (Dodge & Cox)	10.3
UBS Alternative Beta	10.9
MSCI All Countries World Index	11.0
All active global investment managers	6.8
MSCI All Countries World Index	11.0
UBS Global Equities (passive)	10.0
FTSE All World Equity Index	9.8



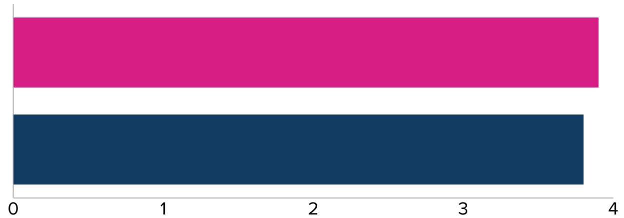
Fixed income

The Pension Fund's index-linked gilts investment, managed by UBS, delivered a return of +3.9% against the FTSE British Government Over Five Years Index-Linked Gilts

Index return of +3.8% during 2025/26. UBS invest passively to match the index and their performance has slightly bettered the index.

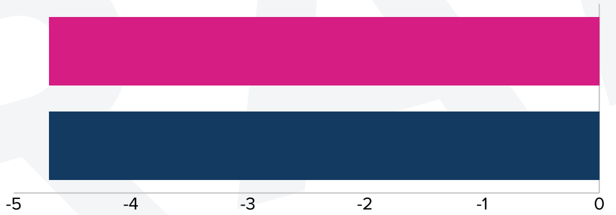
In the 12 months to 31 March 2026, investment returns on UK index-linked gilts turned positive following a difficult few years since the 'Truss-Kwarteng' mini budget in 2022/23. Therefore, the Pension Fund earned a positive return with some inflation protection.

Index linked gilts (12 months to 31 March 2026)	%
UBS	3.9
FTSE index linked gilts index	3.8

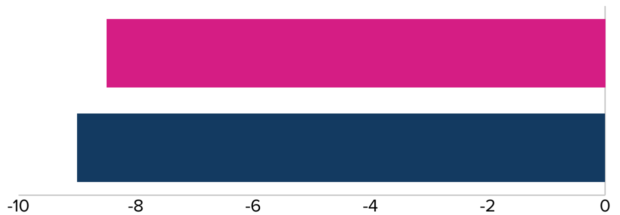


Over 3 and 5 years the portfolio performance has provided negative absolute returns per annum as the asset class suffered following the market reaction to 2022/23, with sudden changes in interest rates expectations causing a significant sell-off in long term UK Government bonds.

Index linked gilts (three years to 31 March 2026)	% p.a.
UBS	-4.7
FTSE index linked gilts index	-4.7



Index linked gilts (five years to 31 March 2026)	% p.a.
UBS	-8.5
FTSE index linked gilts index	-9

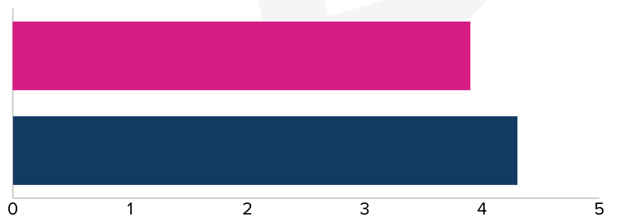


The Pension Fund invested in the ACCESS Sterling Investment Grade Credit Fund managed by Fidelity in 2023/24. This portfolio invests in mostly high-grade UK corporate and government bonds as well as currencies.

Investment performance report continued

Over the 12 months to 31 March 2026 the portfolio produced a positive absolute return which marginally underperformed the benchmark. Duration positioning weighed on relative performance, whilst credit-related decisions modestly supported returns. The portfolio's decision to hold a long position in sterling duration detracted from performance as gilt yields rose over the period. From a credit perspective, the overweight position in banks and insurance issuers were amongst the strongest contributors to relative performance, however the exposure to Thames Water detracted from excess returns; this position has since been exited.

Sterling investment grade credit (12 months to 31 March 2026)	%
Fidelity	3.9
ICE BoA Euro Sterling	4.3



In 2024/25 the Pension Fund carried out a review of its Multi-Asset Credit (MAC) investment portfolios and made the decision to disinvest from the Barings portfolio and invest in the ACCESS Total Return Credit Fund managed by RBC BlueBay. The Barings portfolio is now mostly disinvested with a marginal amount remaining; the tail that is still to be disinvested is due to the illiquidity of those remaining stocks.

BSP Credit (formerly known as Alcentra) manages the Pension Fund's other investment through the ACCESS pool. The Pension Fund's MAC 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 SONIA rate.

In BlueBay's first year, they have provided an absolute positive return of +5.7% which outperformed the 3-month SONIA return of +3.9% by +1.8%. BSP Credit provided an absolute positive return of +4.1%, outperforming the 3-month SONIA return by +0.2%.

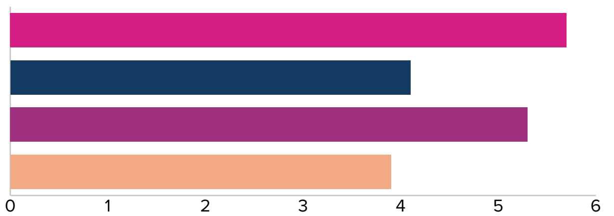
Neither investment manager met their outperformance target over the 12-month period, mostly due to the final quarter of 2025/26. 2025 was a good year for the Pension Fund's MAC investment managers, and up until the end of January 2026, both portfolios' performance was exceeding the outperformance target of 3-month SONIA plus 3%. The war in Iran and the blockage of the Strait of Hormuz caused volatility in the market with the oil price surging at the financial year end.

TwentyFour manages the Pension Fund's Asset Backed Securities (ABS) portfolio through the ACCESS pool with a target to deliver returns of 2% per annum above the 3-month average SONIA rate; this portfolio invests in debt instruments backed by a pool of assets, such as residential mortgage-backed securities and consumer asset-backed securities (i.e. credit card loans).

Investment performance report continued

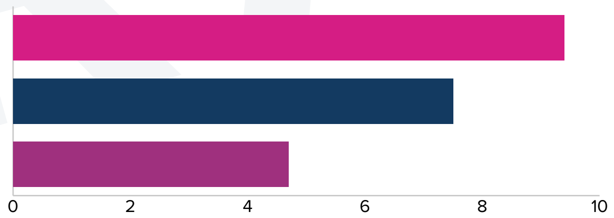
In the 12-month period to 31 March 2026, this portfolio provided an absolute positive return of +5.3%, outperforming the 3-month SONIA return by +1.4% and so not quite reaching the outperformance target. The previous 12-month period was a very strong one, and so by comparison recent performance has been more muted. This change has been due to more challenging market conditions affecting the level of excess returns available, and the supply having reduced in comparison to the previous 12-month period. These market conditions were as a result of higher macro-economic uncertainty which affected rates and inflation.

Actively managed fixed income (12 months to 31 March 2026)	%
RBC BlueBay	5.7
BSP Credit	4.1
Twenty-Four	5.3
3 month average SONIA	3.9



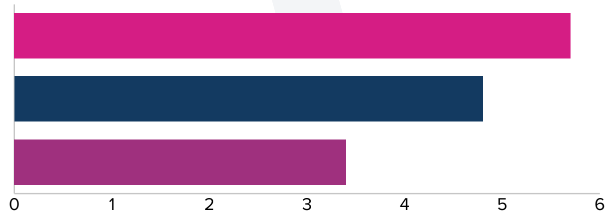
Two of the Fund's current actively managed fixed income portfolios have a track record of three years or more and their performance is shown in the following charts against SONIA. Over the three-year period to 31 March 2026 both investment managers provided a positive absolute return and outperformed both the benchmark and their individual outperformance targets.

Actively managed fixed income (three years to 31 March 2026)	% p.a.
BSP Credit	9.4
Twenty-Four	7.5
3 month average SONIA	4.7



In the five-year period to 31 March 2026, both investment managers provided positive absolute returns which were both above the benchmark, but underperforming their individual outperformance targets.

Actively managed fixed income (five years to 31 March 2026)	% p.a.
BSP Credit	5.7
Twenty-Four	4.8
3 month average SONIA	3.4

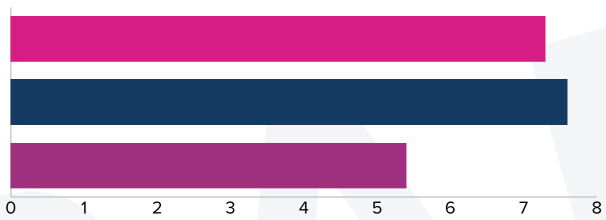


Property

The Pension Fund has 10% of its investment strategy allocated to UK property. CBRE Investment Management manage the vast majority of it through a portfolio of UK commercial properties, whilst the remaining allocation is invested by LGIM in affordable housing. The affordable housing investment was made during 2025/26 and therefore as it has only been invested for a short period, performance at this stage is too short to be reported on within this Annual Report.

CBRE's portfolio has a performance target of the Retail Price Index (RPI) plus 3.5% over 7 to 10 years. The performance return of this portfolio was +7.3% in 2025/26 which was marginally below their target of +7.6%, but greater than the average UK commercial property market (depicted by the MSCI Quarterly Universe benchmark in the tables below). CBRE have continued to selectively reposition the portfolio, making sales as appropriate and also investing in the renovation of properties to improve their future capital value and yield.

Property (12 months to 31 March 2026)	%
CBRE Investment Management – UK property	7.3
RPI plus 3.5%	7.6
MSCI Quarterly Universe benchmark	5.4

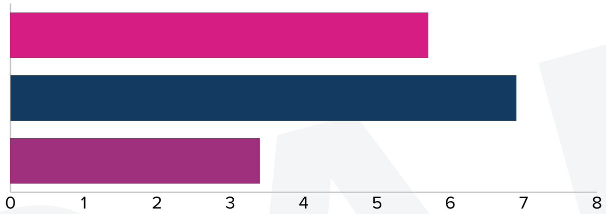


Investment performance report continued

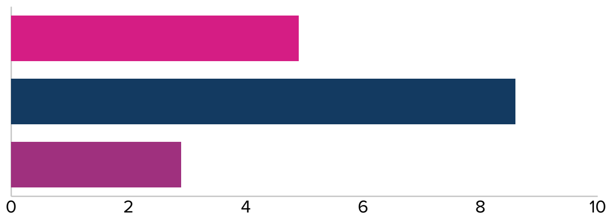
Recent years have been difficult for the UK commercial property market for a combination of reasons affecting the demand for property by tenants and capital values. Property requirements changed following the global pandemic causing falling demand for property investments. Then there was the exit of the property market by some pension funds following the 'Truss-Kwarteng' mini budget in 2022/23 as a consequence of the LDI (liability-driven investment) crisis. This meant that many investors tried to raise cash simultaneously and so selling became harder, ultimately causing a decline in capital values. In addition, a significant rise in inflation has increased the portfolio's return target.

As a result, CBRE Investment Management have underperformed their RPI plus 3.5% target over the last 3 years and 5 years, however have consistently outperformed the market in all periods, which means they have produced better investment returns than the average UK property manager.

Property (three years to 31 March 2026)	% p.a.
CBRE Investment Management – UK property	5.7
RPI plus 3.5%	6.9
MSCI Quarterly Universe benchmark	3.4



Property (five years to 31 March 2026)	% p.a.
CBRE Investment Management – UK property	4.9
RPI plus 3.5%	8.6
MSCI Quarterly Universe benchmark	2.9



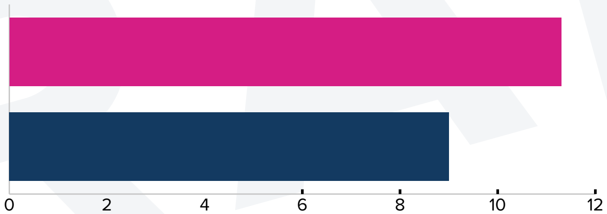
The Pension Fund's private equity, infrastructure and private debt portfolios are managed by Patria, GCM Grosvenor and JP Morgan Alternative Asset Management respectively. These investments are relatively illiquid and investments in the infrastructure portfolio, in particular, should be considered long-term 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 Pension Fund's alternative investments portfolios are 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.

In contrast to global equities, the alternative investments have contributed positively to the Pension Fund's weighted benchmark return for the year to 31 March 2026, as both Patria and GCM individually exceeded their absolute performance targets. Due to their combined size as part of the strategic asset allocation (17.5%), this has a significant impact on the Pension Fund's overall investment return. Patria's private equity portfolio provided a +11.3% IRR, outperforming its 9% target by +2.3%, and GCM's infrastructure portfolio provided a +8.4% IRR, outperforming its +7.5% target by +0.9%. Both portfolios are near to fully committed in comparison to the strategic asset allocation, following several years of heavy investment, particularly the infrastructure portfolio.

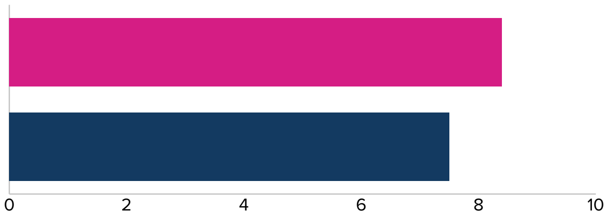
Private equity
(12 months to 31 March 2026)

	%
Patria	11.3
Absolute target 9% p.a.	9.0



Infrastructure
(12 months to 31 March 2026)

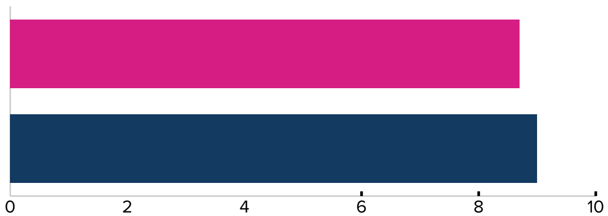
	%
GCM Grosvenor	8.4
Absolute target 7.5% p.a.	7.5



Patria's private equity portfolio has marginally underperformed its absolute target over the three-year period to 31 March 2026, returning +8.7% p.a. IRR. Patria's portfolio performance evidences their consistency of strategy, focussing on lower and lower-mid market funds where the underlying companies are trading well, and the -0.3% underperformance reflects the market-wide experience of reducing valuations and fewer exits due to market concentration and heightened geopolitical risk.

Private equity
(three years to 31 March 2026)

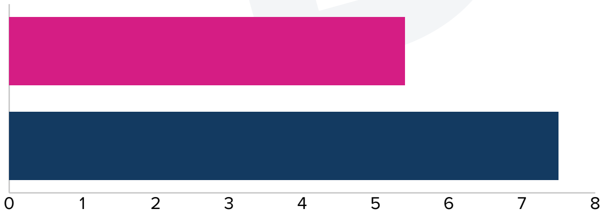
	% p.a.
Patria	8.7
Absolute target 9% p.a.	9.0



Investment performance report continued

Although GCM's infrastructure portfolio has an IRR that outperformed the investment target for the 12 months to 31 March 2026, it has underperformed its target over the three-year period by -2.1% p.a. This is because over recent years GCM have added heavily to the portfolio following the Pension Fund Panel and Board's decision to increase the strategic asset allocation to infrastructure, therefore severely reducing the average maturity of the portfolio. The portfolio is now fully committed, and the majority of the underlying investments are continuing to perform well, and therefore the Pension Fund expects the three-year IRR to improve as the portfolio matures.

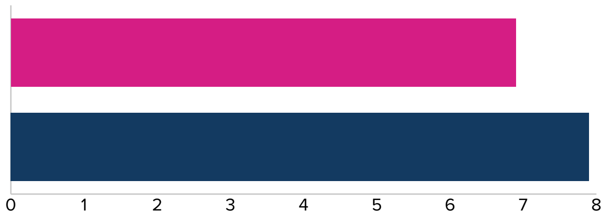
Infrastructure (three years to 31 March 2026)	% p.a.
GCM Grosvenor	5.4
Absolute target 7.5% p.a.	7.5



JP Morgan's private debt portfolio is currently in a state of transition as the commitments made at the inception of the portfolio in 2019 are now mostly matured, and this substantial part of the portfolio has been reinvested, very much reducing the average maturity of the portfolio.

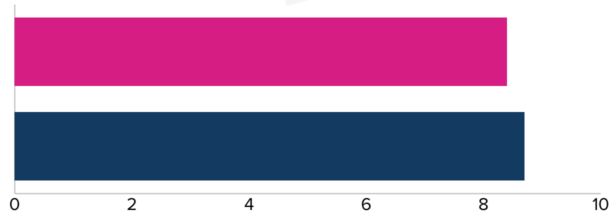
Overall, 12 months investment returns to 31 March 2026 for the portfolio of +6.9% IRR were below the benchmark target of 3-month UK SONIA +4% by -1.0%. The reason for this is the maturity of the portfolio, and the fact that not all investment returns will be captured within the IRR yet – the portfolio manager expects the performance return to improve as the portfolio's maturity increases.

Private debt (12 months to 31 March 2026)	%
JP Morgan Alternative Asset Management	6.9
SONIA +4% p.a. target	7.9



The three-year performance of the private debt portfolio is marginally below the target by -0.3% p.a. This period of performance includes the impact of the post-2022 period where interest rate sensitivities affected the performance of some underlying investments.

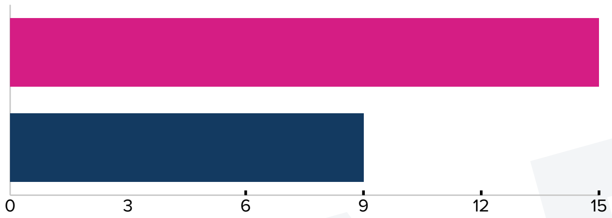
Private debt (three years to 31 March 2026)	% p.a.
JP Morgan Alternative Asset Management	8.4
SONIA +4% p.a. target	8.7



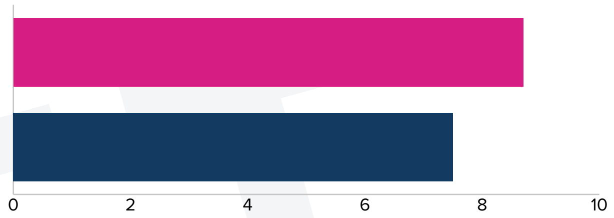
Investment performance report continued

Over the five-year time horizon, all three portfolios have performed well, being above their performance targets, evidencing the Pension Fund's belief that by taking a long-term view and holding illiquid investments, the Fund can benefit from greater investment returns.

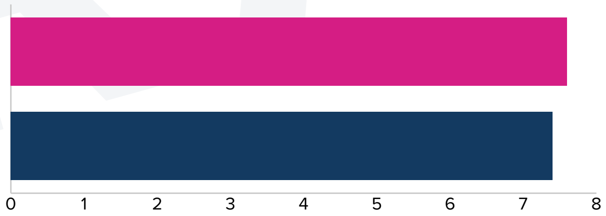
Private equity (five years to 31 March 2026)	% p.a.
Patria	15.0
Absolute target 9% p.a.	9.0



Infrastructure (five years to 31 March 2026)	% p.a.
GCM Grosvenor	8.7
Absolute target 7.5% p.a.	7.5



Private debt (five years to 31 March 2026)	% p.a.
JP Morgan Alternative Asset Management	7.6
SONIA +4% p.a. target	7.4

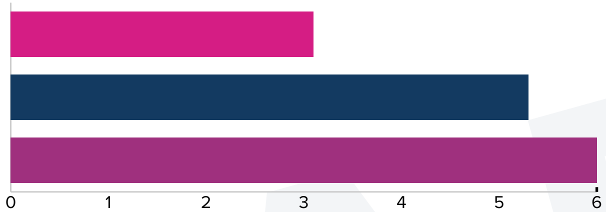


Investment performance report continued

During 2024/25 the Pension Fund made its first investments in two Timberland pooled funds managed by Campbell Global and Stafford Capital Partners.

For the 12 months to 31 March 2026, both Timber funds have underperformed the +6% IRR absolute target, however generally, the IRR can be misleading or unreliable for early-stage investments due to the IRR being highly sensitive to the timing of cash flows. Immature alternative investments often have delayed or back-loaded returns, which can distort the IRR or make it non representative of actual performance.

Timberland (12 months to 31 March 2026)	%
Campbell	3.1
Stafford Partners	5.3
Absolute target 6% p.a.	6.0



Environmental, Social and Governance (ESG) issues

The Hampshire Pension Fund believes in the importance of Responsible Investment in supporting long-term risk-adjusted returns. In doing so, it includes the consideration of ESG factors such as:

- Environmental Sustainability – climate change (including physical impacts such as damage and disruption from extreme weather events and transition risks associated with the pace and extent at which an organisation adapts to reduce greenhouse gas emissions and transition to renewable energy), circular economy (to stop waste from being produced and reduce pollution, by keeping materials and products in use for as long as possible), and nature and biodiversity (including deforestation and the impacts from the degradation of nature such as a gradual decline of pollinators resulting in reduced crop yields and water scarcity).

- Social Sustainability – human rights (including slavery, child labour and the impacts of conflict) labour rights (including workplace security, fair wages, health and safety, equality of opportunity and employee relations), and social inequality, including impacts on indigenous communities, women, people of colour and religious minorities).

- Governance – executive pay, board structure, data privacy and policy frameworks.

These factors are not exhaustive but provide a baseline (taken from a definition from the United Nations Principles for Responsible Investment – PRI) when considering ESG issues as part of the Pension Fund's overall investment strategy.

The Pension Fund Panel and Board has approved a Responsible Investment (RI) policy as part of its Investment Strategy Statement. Key aspects of the RI policy include:

- The Pension Fund has committed to its investments having net-zero greenhouse gas emissions (which includes Scope 1, 2 and 3 emissions) by 2050 at the latest.

- The Pension Fund supports the objectives of the Paris Agreement to limit a global temperature rise this century to well below 2°C (which we take to be 1.5°C).

- The Pension Fund Panel and Board have, therefore agreed to actively work towards disinvesting from fossil fuel investments.

The Responsible Investment policy is available here, starting on page 7.

Environmental, Social and Governance (ESG) issues continued

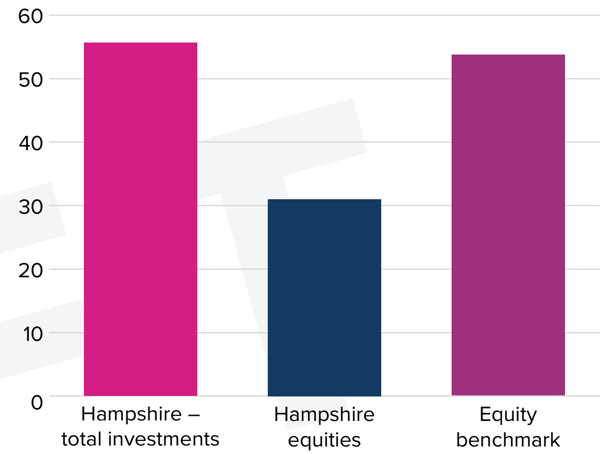
In promoting best practice in RI and stewardship, the Fund is a signatory or supporter of the following standards and initiatives within the investment industry. This list demonstrates the Fund's commitment to RI and the principles it will work to:

- The Financial Reporting Council's UK Stewardship Code
- The United Nations Principles of Responsible Investment (PRI)
- Taskforce for Climate Related Financial Disclosure (TCFD)
- The Transition Pathway Initiative (TPI)
- Just Transition
- The Institutional Investors Group on Climate Change (IIGCC)
- Investors for Purpose
- Local Authority Pension Fund Forum (LAPFF), the UK's leading collaborative shareholder engagement group
- Endorser of ADVANCE, a PRI-led collaborative stewardship initiative on human rights and social issues

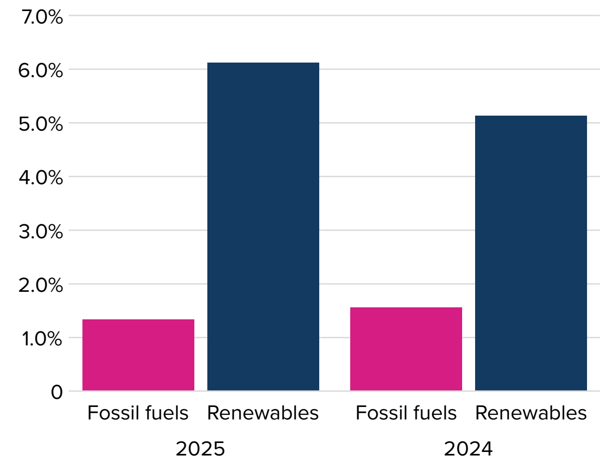
The Pension Fund Panel and Board takes its responsibilities as a company shareholder seriously and recognises the importance of exercising its votes in line with the Pension Fund's Responsible Investment policy. The investment managers are expected to vote on the Fund's behalf. In line with the principles of good stewardship and to demonstrate full transparency, the Pension Fund publishes the voting records for its investments and reports the highlights of its engagement and voting activity to the Pension Fund Panel and Board's RI sub-committee on a six-monthly basis.

As part of its consideration of Climate Risks, the Fund has adopted the reporting requirements of the Task Force on Climate-Related Financial Disclosures (TCFD), which helps organisations better understand and control the risks and opportunities climate change means for them. The Fund's annual TCFD report includes scenario analysis of the impact of climate change on the Fund and measures the carbon footprint of the Fund's investments.

2025 Carbon footprint (Scope 1&2) tCO2/£m invested



Hampshire Pension Fund's holdings in fossil fuels and renewables



Environmental, Social and Governance (ESG) issues continued

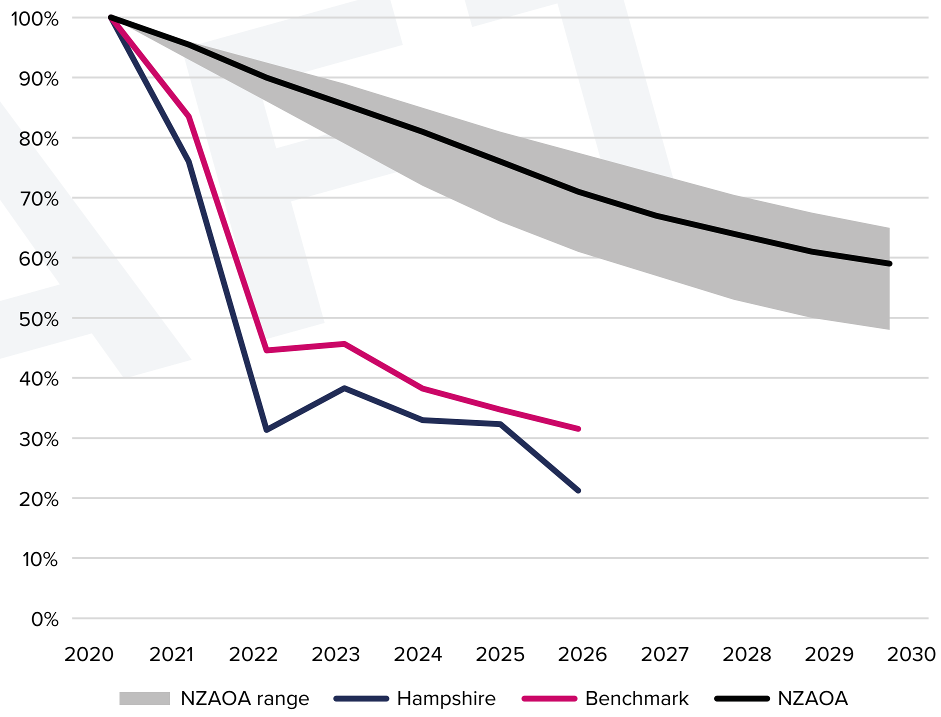
The Pension Fund has seen a significant reduction in the carbon emissions of its investments, which is a direct result of the implementation of the Pension Fund Panel and Board's decision to work towards disinvesting from fossil fuels, and builds on a number of decisions from previous years that steer the Fund's portfolios to lower carbon investments.

In the last year the Fund has taken the following further actions in implementing its RI policy:

- Surveyed scheme members and employers to identify their RI priorities,
- Engaged with investment managers on a number of key priority areas, including the risk of modern slavery and child labour being present in the supply chains of companies in whom the Fund is invested (since this was identified in the survey as being a priority RI area for scheme members). Further details on the Fund's engagement activity can be found in its stewardship code submission,
- Joined the PRI ADVANCE project, acting with other institutional investors to advance progress on human rights,
- Continued to increase its positive impact investments, including an increase in its investments in timberland and affordable and social housing,
- Continued to work with investment managers to implement the decision to work towards dis-investing from fossil fuels.

The impact of the actions taken to date to transition the Fund away from fossil fuels are highlighted in the graphs on the previous and current pages.

Decarbonisation: Hampshire Equities (Scope 1&2) NZAOA decarbonisation guidelines (indicative)
% Reduction vs Baseline



NZAOA: UN-convened Net-Zero Asset Owner Alliance are global asset owners committed to decarbonising their investment portfolios and achieving net-zero emissions by 2050.

Investment costs

Up until the end of 2025/26, all of the Pension Fund's investments were managed by external investment managers, either via the ACCESS pool or legacy arrangements where they have been directly appointed by the Pension Fund. Investment costs reduce the Fund's investment return that is available to pay pensions either charged to the Pension Fund directly or deducted at source from the investments. Therefore, a significant effort was made to minimise investment cost through competitive tendering and utilising the scale of the ACCESS pool.

The following table shows the Pension Fund's investment costs. All of the Fund's investment managers report their costs using the LGPS Scheme Advisory Board's, **Cost Transparency Initiative (CTI) templates**, to ensure that costs are reported fully, accurately and consistently.

Pension Fund investment costs by asset class in 2025/26

Asset class	£m	%
Equities	9.97	0.27%
Credit	8.81	0.53%
Index-linked gilts	0.20	0.01%
Alternatives	60.24	1.74%
Total	**79.21**	**0.77%**

As the table above shows costs vary significantly between different asset classes. The Pension Fund's key mitigation to the risk of poor investment returns is diversification, therefore the Pension Fund will accept higher investment costs, such as for Alternative Investments, where it believes it is necessary to access assets that provide diversified returns. The costs in the table above should be read in context with the investments returns of the Pension Fund shown in the investment performance report starting on page 90.

Total investment management costs in the financial statements were £79.5m. Excluded from the adjacent table is the cost of managing cash and the cost of the Pension Fund's custodian.

Strategic asset allocation

The following table shows the Pension Fund's Strategic Asset Allocation as agreed by the Pension Fund Panel and Board and reported in the Fund's Investment Strategy Statement.

	Strategic allocation %	Actual allocation %	Benchmark	Performance target
Growth				
Active global equities				
WS ACCESS Managed Volatility (Acadian)	5.25	5.64	MSCI World	+1.5-2.5%
WS ACCESS Global Stars Equity (Robeco)	5.25	5.24		
WS ACCESS Long Term Global Growth Fund (Baillie Gifford)	5.25	5.79	MSCI All Countries World	
WS ACCESS Global Stock Fund (Dodge & Cox)	5.25	6.26		
WS ACCESS Emerging Markets Equity Fund (Robeco)	0.00	0.43	MSCI Emerging Market	
Passive equities				
UBS (global equities) *	3.00	3.35	FTSE All World Equity Index	-
UBS (alternative beta) *	7.00	7.70	MSCI All Countries World	-
Private equity and other alternatives				
Patria	7.50	8.32	-	9.0-11.5%
Income				
Multi-asset Credit				
WS ACCESS Global Multi-Credit Fund Alcentra	5.50	4.74	3 month GBP SONIA	+3.0%
Barings	0.00	0.10		
WS ACCESS Total Return Credit (RBC BlueBay)	4.50	3.80		
Asset Backed Securities				
WS ACCESS Asset Backed Securities (TwentyFour)	2.00	2.26	3 month GBP SONIA	+2.0%
Private debt				
JP Morgan Alternative Asset Management	5.00	4.71	3 month GBP SONIA	+4.0%
Infrastructure				
GCM Grosvenor	10.00	10.55	-	7.5-10.0%

Strategic asset allocation continued

	Strategic allocation %	Actual allocation %	Benchmark	Performance target
Timberland				
Campbell *	1.75	0.84		6.0%
Stafford *	0.75	0.40		
UK property				
CBRE Investment Management *	9.25	8.44	Retail Prices Index (RPI)	+3.5%
L&G Investment Management *	0.75	0.14		
Protection				
Passive index-linked bonds				
UBS *	17.00	15.26	FT British Government Over Five Years Index-Linked Gilts Index	-
Investment grade credit				
WS ACCESS Sterling Investment Grade Credit Fund (Fidelity)	5.00	4.26	ICE Bank of America Euro Sterling	1.00%
Other				
Cash and other net assets	0.00	1.77	-	-
Total	**100.00**	**100.00**		

*based on the Ministry of Housing, Communities and Local Government definitions, these assets are 'under pool management' as the investment management contracts need to be retained by the investing authority, such as Hampshire, but the relationship is managed at the ACCESS level.

Investment pooling including supplemental reporting

As at 31 March 2026, the Hampshire Pension Fund was a member of the ACCESS pool (A Collaboration of Central, Eastern and Southern Shires) with 10 other Local Government Pension Scheme (LGPS) Administering Authorities: Cambridgeshire, East Sussex, Essex, Hertfordshire, Isle of Wight, Kent, Norfolk, West Northamptonshire, Suffolk, and West Sussex.

- **Pooled** means that the investment has been made in a collective investment vehicle or segregated management arrangement for which the LGPS asset pool is accountable (by regulation or contract).
- **Under pool management** means that the pool is responsible for the oversight or discretionary management of the investment, whether or not procured through the pool.
- **Not pooled** means that the asset is neither pooled nor under pool management.

The **asset table** below shows all of Hampshire's investments and their pooling status as at 31 March 2026, which represented 75% pooled via the ACCESS pool. From 1 April 2026 Hampshire became a shareholder and client of LGPS Central, and all of Hampshire's investments are now either pooled or under pool management.

£m Asset values as at 31 March 2026	Pooled	Under pool management	Not pooled	Total
Equities	2,522	1,193	0	3,715
Bonds	0	1,647	0	1,647
Property	0	926	0	926
Credit	1,626	0	10	1,636
Private Equity	0	0	898	898
Private Debt	0	0	508	508
Infrastructure	0	0	1,138	1,138
Cash and net current assets	0	0	191	191
Other	0	134	0	134
Total	**4,148**	**3,900**	**2,745**	**10,793**

Hampshire's passive equities and bonds portfolios as well as its property and timberland investments were procured via joint exercise through ACCESS, and are considered 'under pool management' due to the joint arrangement, but not 'pooled' for the following reasons:

- passive equities and bonds are index tracker funds and held in life policies - these cannot be held in a collective investment vehicle.
- it is not cost effective due to the tax implications to transfer the direct property owned by Hampshire into a pooled ownership arrangement.
- the types of legal investment vehicles that the affordable housing and timberland assets are held in cannot be transferred to a collective investment vehicle. In addition, the timberland vehicles also include investors outside of ACCESS.

Investment pooling including supplemental reporting continued

The following table shows the Pension Fund's **investment costs split between those inside and outside of the ACCESS pool**. 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. It also includes 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	17,106	0.21%	31,848	1.22%	48,954	0.47%
Indirect fees	11,734	0.14%	18,542	0.71%	30,276	0.29%
Custody and other costs	0	0.00%	267	0.01%	267	0.00%
Total	**28,840**	**0.35%**	**50,657**	**1.94%**	**79,497**	**0.76%**

The investment management costs of pooled investments are disproportionately lower because the assets that have not been pooled, specifically alternative assets, attract significantly higher costs, but these assets are held to ensure the Pension Fund's investment strategy is suitably diversified.

Further detail of the full range of investments, activities and costs in the ACCESS pool are available in its annual report, which can be found here.

Cumulative pooling costs and savings are shown in the table to the right.

Investment pooling first began in 2016 and as more time has passed since the Pension Fund started work on pooling it has selected different types of investments as its Investment Strategy has evolved, some of which it was not invested in prior to 2016. It is therefore increasingly difficult to compare investments before and after 'pooling' in order to calculate a 'pool saving'. The figures below include only those investments where a direct 'pre-pooling' comparison can be made.

	2025/26 £000	Cumulative £000
Pool setup and on-going costs*	192	1,222
Transition costs	0	539
Gross investment management fee savings	(2,152)	(12,432)
Net saving of pooling to date	**(1,960)**	**(10,671)**

Investment pooling including supplemental reporting continued

MHCLG requires LGPS pension funds to report on investment in the UK, shown in the table adjacent, and specifically investments that support the Levelling-up agenda, which is shown in the table below. With some notable exceptions (property, index-linked gilts and investment grade credit) the Pension Fund invests in global mandates and enables its investment managers to find the best opportunities of which it expects some to be in the UK.

The Pension Fund has £2.474 billion (which represents 23% of the total Pension Fund) of UK investments in asset classes monitored by the UK Government. In addition to this, the Pension Fund has £926m (8.6%) invested in UK property.

Central Government has set a Levelling-up agenda for the UK with the following 12 medium term missions (living standards, research and development, transport, digital connectivity, education, skills, health, well-being, pride in place, housing, crime and local leadership). Whilst the Pension Fund has not specifically allocated investment to Levelling-up in the UK, it has set targets for its alternative investments to invest in global sustainable and impact investments which will include Levelling-up investments in the UK. The following table shows that the Pension Fund has £582m (which represents 5.4% of the total Pension Fund) of investments categorised as UK Levelling-up investments.

£m Asset values as at 31 March 2026*	Pooled	Under pool management	Not pooled	Total
UK listed equities	103	36	0	139
UK Government bonds	6	1,736	0	1,742
UK infrastructure	0	0	373	373
UK private equity	0	0	220	220
Total	**109**	**1,772**	**593**	**2,474**

£m Asset values as at 31 March 2026*	Pooled	Under pool management	Not pooled	Total
Additional memorandum: UK Levelling up	0	100	482	582

*based on committed values.

Section 7

Administration

Administration in 2025/26

How the service is delivered

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

There are 62 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, these are:

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

In addition, resource for the McCloud remedy work and Pensions Dashboards Programme is being shared between Hampshire Pension Fund and the other Local Government Pension Schemes for whom HPS provide administration services.

Scheme members can contact HPS via email, secure message in the Member Portal, in writing or by telephone. The phoneline is open from 9am – 4.30pm Monday to Friday.

Summary of activity in 2025/26

As well as the focus on processing casework, HPS also continued to work on a number of projects, including:

- work to apply the retrospective calculation of the McCloud remedy to members who left before 1 October 2023
- continued to prepare for the Pensions Dashboard Programme from both a data and a software perspective
- continued to develop the Member Portal and Employer Hub, strengthening security and increasing the user functionality to encourage take up
- achieved reaccreditation for Customer Service Excellence with nine areas of ‘compliance plus’
- participated in external peer group benchmarking which placed HPS in the high service/low cost quadrant

HPS continue to review the data which is held in the pension system. Common and conditional data scores were reported to the Pensions Regulator in November 2025. The results of this provided a score for conditional data of 98% (97% in 2024/25). The score for common data was measured as 98% (97% in 2024/25). Increasing the score for both common and conditional data across over 230,000 records shows that the processes in place to provide clean data are working in practice.

Key performance data

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

The following tables show the performance of the Fund against the required key performance indicators (KPIs) set out by SAB. The team continue to deliver 100% of key casework to the Fund's service level agreement (SLA) targets.

Work has continued to improve the user experience of the Member Portal and communications are digital by default although members can choose to opt out of electronic communications. The number of scheme members using the Portal continues to increase as both new starters and new pensioners are set up with accounts.

The Fund performs well against data quality measures which reflect in the number of annual statements produced by the statutory deadline and in the Pensions Regulator data scores.

Key performance data continued

Table A – Total number of casework								
Ref	Casework KPI	Total number of cases open as at 31 March (starting position)	Total number of new cases created in the year (1 April to 30 March)	Total number of cases completed in 2025/26	Total % of cases completed in 2025/26	Total number of cases set up but not due until 2026/27	Total number of cases completed in 2024/25	Total % of cases completed in 2024/25
A1	Deaths recorded of active, deferred, pensioner and dependent members	326	799	1,125	100%	349	1,142	100%
A2	New dependent member benefits	136	485	621	100%	133	646	100%
A3	Deferred member retirements	90	2,817	2,907	100%	216	2,464	100%
A4	Active member retirements	62	1,299	1,361	100%	33	1,403	100%
A5	Deferred benefits	1,145	5,861	7,006	100%	558	7,254	100%
A6	Transfers in (including interfunds in, club transfers)	328	522	850	100%	422	717	100%
A7	Transfers out (including interfunds out, club transfers)	44	1,001	1,045	100%	41	764	100%
A8	Refunds	52	1,392	1,444	100%	32	1,864	100%
A9	Divorce quotations issued	51	467	518	100%	27	533	100%
A10	Actual divorce cases	0	14	14	100%	1	0	100%
A11	Member estimates requested either by scheme member and employer	394	2,045	2,439	100%	389	2,316	100%
A12	New joiner notifications	0	12,116	12,116	100%	0	12,865	100%
A13	Aggregation cases	272	1,716	1,988	100%	350	1,139	100%
A14	Optants out received after 3 months membership	0	407	407	100%	0	312	100%
Total		**2,900**	**30,941**	**33,841**		**2,551**	**33,419**	

Key performance data continued

Table B – Time taken to process casework					
Ref	Casework KPI	Suggested Fund target*	Actual fund target	% completed within fund target in year	% completed in previous year
B1	Communication issued with acknowledgement of death of active, deferred, pensioner and dependent member	5 days	5 days	100%	100%
B2	Communication issued confirming the amount of dependents pension	10 days	15 days	100%	100%
B3	Communication issued to deferred member with pension and lump sum options (quotation)	15 days	15 days	100%	100%
B4	Communication issued to active member with pension and lump sum options (quotation)	15 days	15 days	100%	100%
B5	Communication issued to deferred member with confirmation of pension and lump sum options (actual)	15 days	15 days	100%	100%
B6	Communication issued to active member with confirmation of pension and lump sum options (actual)	15 days	15 days	100%	100%
B7	Payment of lump sum (both actives and deferreds)	15 days	10 days	100%	100%
B8	Communication issued with deferred benefit options	30 days	30 days	100%	100%
B9	Communication issued to scheme member with completion of transfer in	15 days	15 days	100%	100%
B10	Communication issued to scheme member with completion of transfer out	15 days	15 days	100%	100%
B11	Payment of refund	10 days	15 days	100%	100%
B12	Divorce quotation	45 days	15 days	100%	100%
B13	Communication issued following actual divorce proceedings i.e application of a Pension Sharing Order	15 days	15 days	100%	100%
B14	Communication issued to new starters	40 days	20 days	100%	100%
B15	Member estimates requested by scheme member and employer	15 days	15 days	100%	100%

*Days in this column are a suggested Fund target for completion and not the statutory timescale

Key performance data continued

Table C – Communications and engagement		
Ref	**Engagement with online portals**	**Percentage as at 31 March**
C1	% of active members registered	66.22%
C2	% of deferred member registered	49.29%
C3	% of pensioner and survivor members	60.25%
C4	% total of all scheme members registered for self-service	57.23%
C5	Number of registered users by age	See separate table
C6	% of all registered users that have logged onto the service in the last 12 months	43.96%
	Communication	
C7	Total number of telephone calls received in year	21,542
C8	Total number of email and online channel queries received	48,061
C9	Number of scheme member events held in year (total of in-person and online)	32
C10	Number of employer engagement events held in year (in-person and online)	21
C11	Number of active members who received a one-to-one (in-person and online)	0
C12	Number of times a communication (i.e newsletter) issued to:	
	a)Active members	4 (RI strategy survey, ABS, PSS, newsletter)
	b)Deferred members	3 (RI strategy survey, ABS, newsletter)
	c)Pensioners	3 (payslip/P60, newsletter, life certificate)

C5: Registrations by age						
Under 30	**30 - 44**	**45-54**	**55-64**	**65-74**	**75+**	**Total**
5,178	25,127	25,275	35,654	24,477	7,161	**122,872**

Key performance data continued

Administration KPI table D – Resources		
Ref	**Resources**	
D1	Total number of all administration staff (FTE)	62
D2	Average service length of all administration staff	7 years 5 months
D3	Staff vacancy rate as %	4.18%
D4	Ratio of all administration staff to total number of scheme members (all staff including management)	1:3,463
D5	Ratio of administration staff (excluding management) to total number of scheme members	1:3,549

Table E – Data Quality			
Ref	**Annual benefit statements**	**Active**	**Deferred**
E1	Percentage of annual benefit statements issued as at 31 August	99.83%	100.00%
E2	Short commentary if less than 100%	105 statements not produced by 31/8/25, 48 due to outstanding information from employers, 50 due to an ongoing TUPE transfer, 5 awaiting a rejoiner process and 2 with McCloud issues.	
	Data category		
E3	Common data score	98%	
E4	Scheme specific data score	98%	
E5	Percentage of active, deferred and pensioner members recorded as 'gone away' with no home address held, or address is known to be out of date	0.893%	
E6	Percentage of active, deferred and pensioner members with an email address held on file	69.43%	
	Employer performance		
E7	Percentage of employers set up to make monthly data submissions	0	
E8	Percentage of employers who submitted monthly data on time during the reporting year	N/A	

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 and Isle of Wight, Hampshire and Isle of Wight Fire and Rescue Authority, the University of Portsmouth, and further education colleges in Hampshire. 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.

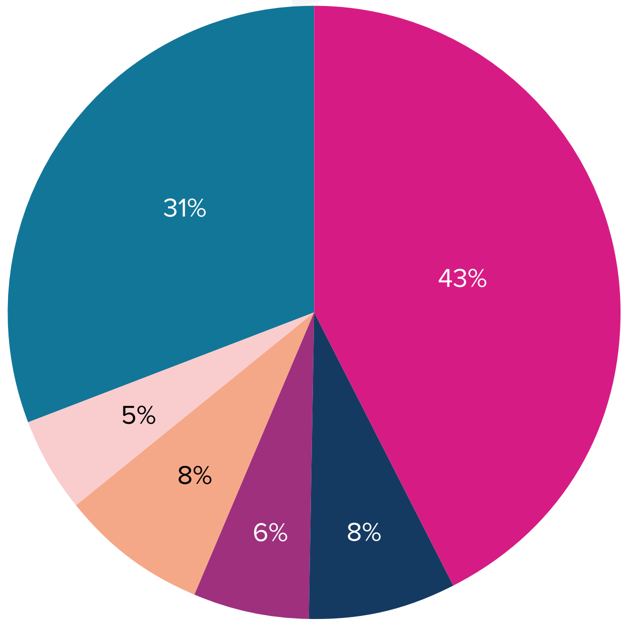
Teachers, police officers and firefighters have separate non-funded pension arrangements. Under the Pensions Act 2011, all employers are obliged to automatically enrol eligible employees into a qualifying pension scheme and re-enrol anyone who opts out of the scheme every three years.

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.

On 31 March 2026 there were 61,328 pensioners, 92,382 deferred scheme members, and 60,985 contributors, a total of 214,695 scheme members.

	Number of contributors	%
Hampshire County Council	26,188	43%
Portsmouth City Council	4,677	8%
Southampton City Council	3,534	6%
District and Borough councils	4,816	8%
Office of Police and Crime Commissioner and Chief Constable	2,868	5%
Other organisations	18,902	31%
Total	**60,985**	**100**



Who belongs to the Hampshire Pension Fund? continued

The following table shows a summary of employers in the Fund analysed by type:

Employer Type	Employers	Member type		
		Active members	Deferred members	Pensioner members
Scheduled	224	58,551	89,734	58,047
Resolution	63	353	270	300
Admitted	125	2,023	1,659	1,498
Community admitted	7	21	245	439
Transferee	10	37	232	312
Councillors (no active members)	10	0	65	146
Ceased (no active members)	52	0	177	586
Total	**491**	**60,985**	**92,382**	**61,328**

The number of employers with active members increased from 402 to 429. This increase in employers is mainly due to an increase in admitted bodies as a result of schools outsourcing services such as catering and cleaning. The number of scheduled employers has also increased as some local authority maintained schools converted to academy status.

Membership information

A full listing of contributing employers to the Hampshire Pension Fund is available in the most recent actuarial valuation report.

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

Year ending 31 March	No. of contributors	No. of deferred	No. of pensioners
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

Year ending 31 March	No. of contributors	No. of deferred	No. of pensioners
2021	59,000	78,834	45,576
2022	61,044	82,346	48,036
2023	61,733	87,084	52,947
2024	61,110	90,089	55,667
2025	61,842	92,084	58,277
2026	60,985	92,382	61,328

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 2026 are set out in the below table.

Every three years the Fund's actuary 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 as at 31 March 2025 by Hymans Robertson. The actuarial position of the Fund is explained in more detail from page 132.

At the 2025 valuation for the Fund as a whole, the total contribution rate was 15.5% of pay. Each employer or group's total rate will differ depending on their circumstances including membership profile, funding level and recovery period.

Band	Actual salary	Contribution rate per year	
		Main section	50:50 section
1	Up to £18,400	5.50%	2.75%
2	£18,401 to £29,000	5.80%	2.90%
3	£29,001 to £47,300	6.50%	3.25%
4	£47,301 to £59,800	6.80%	3.40%
5	£59,801 to £84,000	8.50%	4.25%
6	£84,001 to £119,100	9.90%	4.95%
7	£119,101 to £140,400	10.50%	5.25%
8	£140,401 to £210,700	11.40%	5.70%
9	£210,701 or more	12.50%	6.25%

What does membership cost and what are the benefits? continued

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 2025/26 was £5,556 (£5,552 in 2024/25).

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 3,909 scheme members retired during 2025/26, with an average retirement age of 62 years. Of this number, 2,405 (61.5%) took some form of early retirement including 125 ill health retirements and 1,600 members choosing to take a reduced pension.

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 one active AVC provider, Prudential. There are 3,012 scheme members with a Prudential AVC.

Communications

Actions to deliver our communications policy

The Communication Policy Statement sets out how the Fund will engage effectively with five key stakeholder groups:

- Scheme members
- Prospective scheme members
- Employing authorities
- Pension Services' staff
- Other bodies including the Pension Fund Panel and Board, Scheme Advisory Board (SAB) and prospective employing authorities

Scheme members and prospective scheme members

We aim to provide all communications electronically where possible. Scheme information for members is provided on the HPS website. Members can view their own record including their annual benefit statement via the secure member self-service portal, as well as update personal details and run estimates. 122,872 members (57.23%) had registered for the Member Portal by 31 March 2026 (116,916 by 31 March 2025). Further information is shown in the KPI section beginning on page 116.

Communication type	Scheme member audience	Date sent
Pensioner mailing – Payslips, P60 and pensioner newsletters: - electronic version; email sent to members when available to view through the Portal - paper version sent to members who have opted out of the Portal	Pensioners	April / May 2025
Responsible Investment Strategy Survey	All scheme members	May / June 2025
Annual Benefit Statements: - electronic version; email sent to members when available to view through the Portal - paper version sent to members who have opted out of the Portal	Active and Deferreds	August 2025
Pension Savings Statements: Statement sent to members where appropriate. Available to view online	Actives	September / October 2025
Active and Deferred newsletters - including change of regulation notification for McCloud: - electronic version – email sent with link to newsletter on website - Letter sent to all members without an email address to advise of McCloud regulation changes	Active and Deferreds	November 2025
Prompt to register for the portal: Sent to overseas pensioners that had not opted out or registered for the portal yet	Pensioners	November 2025
Request to complete verification of existence: - email sent to overseas members requesting completion of verification through the Member Portal - Life certificate posted to members who have opted out of the Member Portal	Pensioners	December 2025 and reminder sent in February 2026

The table above shows the communications sent to scheme members during 2025/26.

Information is provided to scheme employers so that they can ensure eligible staff who have not joined the scheme are aware of the LGPS benefits.

Communications continued

Employing authorities

HPS have an Employer Services team who provide all employing authorities with support and training to allow them to fulfil their employer responsibilities.

HPS ran 18 remote training events in the year (open to all employers in the schemes administered by HPS) which were attended by 166 people representing 124 employers. The team ran 3 annual return sessions representing 107 employers. HPS also ran an Employer Focus Group meeting and attended various employer liaison meetings throughout the year, as well as the regional payroll officer’s group and the Hampshire Schools Forum.

The Annual Employers Meeting was held as a face-to-face meeting in October 2025 and was attended by representatives from 87 employers representing approximately 89.5% of active scheme members.

The following table shows the communications issued to employers during 2025/26.

<table>
<tr><th>Communication</th><th>Date sent</th></tr>
<tr><td>Responsible Investment Consultation</td><td>June 2025</td></tr>
<tr><td>STOP PRESS - Local Government Pay deal 2025 - LGPS pension actions</td><td rowspan="2">August 2025</td></tr>
<tr><td>STOP PRESS - Update on 2025 ABSs being available and promotion to staff</td></tr>
<tr><td>STOP PRESS - DFE Event - Power hour - LGPS</td><td rowspan="2">September 2025</td></tr>
<tr><td>Pensions Matters - Summer 2025</td></tr>
<tr><td>STOP PRESS - Access and Protections Consultation</td><td rowspan="3">November 2025</td></tr>
<tr><td>Employer Focus group - slides and minutes</td></tr>
<tr><td>STOP PRESS - Consultation on Fund Policies</td></tr>
<tr><td>STOP PRESS - Approved updates to HPF Statutory policies</td><td>January 2026</td></tr>
<tr><td>STOP PRESS - Employee Contribution Bands 2026/27</td><td rowspan="2">February 2026</td></tr>
<tr><td>Pensions Matters - Winter 2026</td></tr>
<tr><td>STOP PRESS - Completion of 2025 valuation</td><td>March 2026</td></tr>
</table>

Communications continued

Pension Services staff

A weekly email is sent to all staff containing updates and information. In addition, regular meetings are held across the whole team and within individual teams to share information on new regulations, processes and other news.

There is a structured development programme for new staff, regular training and workshops and staff are supported for studying for professional qualifications and apprenticeships.

Other bodies

The Pension Fund Panel and Board receive regular administration update reports at their July and December meetings. Training on administration and cyber security was provided in May 2025.

Staff participate in national and regional groups for LGPS regulatory updates and provide responses to surveys and consultations issued by the Local Government Association / SAB and the Ministry of Housing, Communities and Local Government (MHCLG).

Value for money

Value for money statement

HPS deliver an efficient and effective administration service as demonstrated by:

- 100% 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.

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 HPS framework of governance, risk management and control.

HPS comply with the requirements for the national standard for excellence in customer service (CSE). The CSE assessment considers how HPS 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 HPS's approach, along with details of their customer focussed initiatives and performance.

HPS have held the Customer Service Excellence (CSE) standard since 2009, and following an interim assessment in February 2026 received compliance plus passes in nine areas:

- We have developed customer insight about our customer groups to better understand their needs and preferences.
- We have made the consultation of customers integral to continually improving our service and we advise customers of the result and action taken.
- There is corporate commitment to putting the customer at the heart of service delivery and leaders in our organisation actively support this and advocate for customers.
- We empower and encourage all employees to actively promote and participate in the customer focused culture of our organisation.
- We can demonstrate our commitment to developing and delivering customer focused services through our recruitment, training and development policies for staff.
- We can demonstrate how customer facing staff insight and experience are incorporated into internal processes, policy development and service planning.

Value for money continued

- We make our services easily accessible to all customers through provision of a range of alternative channels.
- We can demonstrate that we benchmark our performance against that of similar or complementary organisations and have used that information to improve our service.
- The range, content and quality of verbal, published and web-based information has been improved to meet customer needs.

Cost benchmarking

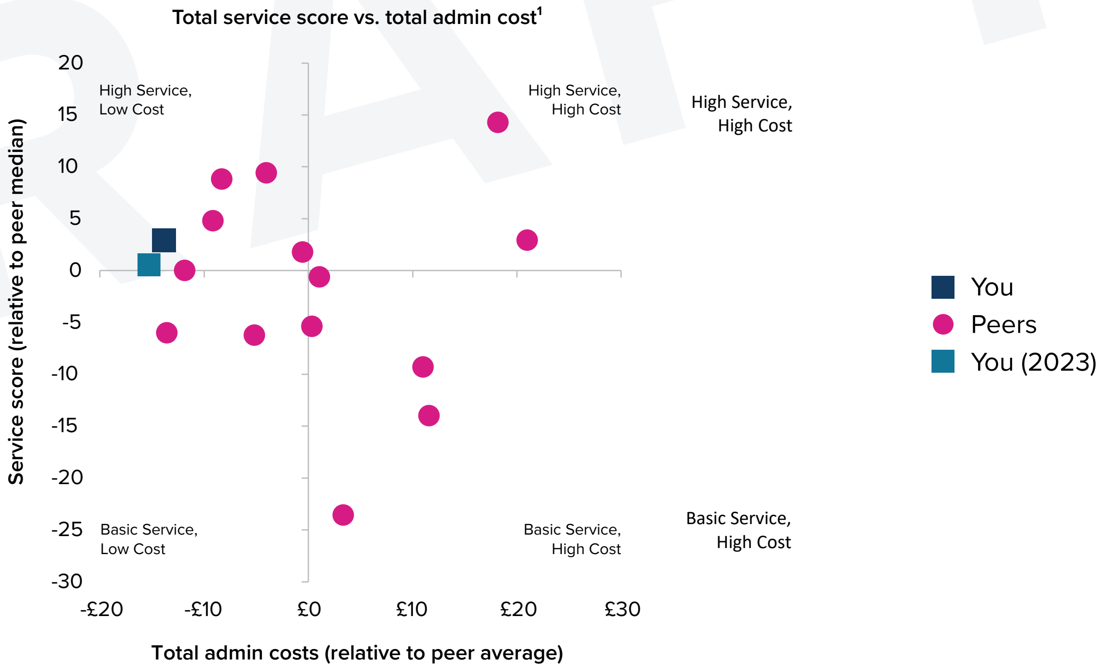
The Fund benchmarks its administrative costs against the SF3 data collected annually by MHCLG for 87 Local Government Pension Scheme (LGPS) Funds in England and Wales. The most recent data is that for the financial year 2024/25 and is summarised in the adjacent table:

In addition, the Fund participated in external benchmarking against a peer group of both public and private sector pension schemes. In summary, this demonstrated that HPS is positioned as offering a high scheme member service at low cost.

	2024/25		2023/24	
	Hampshire	All funds*	Hampshire	All funds*
Administration cost per member	15.41	33.57	15.47	30.19
Governance cost per member	5.97	15.59	4.25	14.26

* All LGPS funds excluding Hampshire Pension Fund

CEM administration cost effectiveness graph



Member feedback and dispute resolution

Member feedback

HPS have a general customer satisfaction survey which is publicised on the website, in email signatures and in bulk communications. A total of 447 responses to the survey were received in 2025/26 with 73% indicating satisfaction with the service that had been received. A total of 176 compliments about the service were received in 2025/26. In addition 647 responses were received from a survey of members who had used the online retirement estimate tool. Overall these showed users were very satisfied with the tool's user friendliness and found it valuable in showing the impact of different retirement dates on their pension benefits.

Dispute resolution

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 Operations
Hampshire County Council
The Castle
Winchester
SO23 8UB

There were 10 formal complaints received in 2025/26. All the complaints were 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 Assistant Director of Shared Services 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 2025/26. Neither of these were upheld. One of these progressed to stage two during the year and was not upheld.

Section 8

Actuarial report on funds

Hampshire Pension Fund (“the Fund”) Actuarial Statement for 2025/26

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2018. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the Administering Authority’s Funding Strategy Statement (FSS), dated December 2025.

In summary, the key funding principles are as follows:

- 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 FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency and long-term cost efficiency of the Fund. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been set to have a sufficiently high likelihood of achieving the funding target over 20 years.

Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 80% likelihood that the Fund will achieve the funding target over 20 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2025. This valuation revealed that the Fund’s assets, which at 31 March 2025 were valued at £10,216 million, were sufficient to meet 129% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2025 valuation was £2,325 million.

Actuarial Statement for 2025/26 continued

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and likelihood measure as per the FSS. Individual employers' contributions for the period 1 April 2026 to 31 March 2029 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2025 valuation report.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date; and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2025 valuation were as follows:

Financial assumptions	31 March 2025
Discount rate	5.9% p.a.
Salary increase assumption	3.3% p.a.
Benefit increase assumption (CPI)	2.3% p.a.

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2024 model, with core parameterisation, except, initial addition of 0.25% and a long term rate of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	21.9 years	24.5 years
Future Pensioners*	22.5 years	25.8 years

* Aged 45 at the 2025 Valuation.

Copies of the 2025 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund and on the Fund's website.

Actuarial Statement for 2025/26 continued

Experience over the period since 31 March 2025

The increase in US tariffs on imports since March 2025 and the recent conflict in the Middle East have caused significant market volatility which feeds through to the investment returns achieved by the Fund's assets. The Fund's overall investment returns since March 2025 have been positive.

Observed inflation has been higher than anticipated over 2026, resulting in LGPS benefit increases of 3.8% in April 2026 and an increase in the value placed on the Fund's liabilities.

Overall, we estimate that the funding position is likely to be weaker than at the previous formal valuation at 31 March 2025.

The next actuarial valuation will be carried out as at 31 March 2028 and will be finalised by 31 March 2029. The Funding Strategy Statement will also be reviewed during the valuation, and a revised version will come into effect by 1 April 2029.

Prepared by:
Ciaran Henry FFA C.Act
26 May 2026

For and on behalf of
Hymans Robertson LLP

Section 9

External audit opinion

Independent auditor's report to the members of Hampshire County Council on the Pension Fund's financial statements

Independent auditor's report to the members of Hampshire County Council on the Pension Fund's financial statements continued

Section 10

Additional information

Statement of Compliance with the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills

Hampshire Pension Fund has adopted the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills, and met the requirements for compliance in 2025/26. 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 Pension Fund demonstrates its compliance with the Code of Practice in several ways, with the preparation and approval of an annual Training Policy and Plan each year being the foremost illustration of this. The Training Plan is formulated by undertaking an engagement exercise to identify both Panel and Board member and Pension Fund officer training needs, with a training schedule for the year then created to take account of these requirements. Further information on training is included in Section 3 of this report (Governance and Training).

Annual Internal Audit conclusion

Hampshire's Chief Internal Auditor provides the Pension Fund Panel and Board with their opinion on the adequacy and effectiveness of Hampshire Pension Services / Hampshire Pension Fund's frameworks of governance, risk management and control.

The Chief Internal Auditor provides an Audit Plan before the beginning of each financial year, as well as a report on the outcome of that year.

In 2025/26 the audit plan covered the following audits, and all were completed as planned. In general, internal audit work found there to be sound governance, risk management and control frameworks across all review areas which were found to be operating effectively. Internal Audit reported that no significant issues were identified arising from the work completed during 2025/26. The internal audit opinion assigned to each review completed was:

- Scheme member deaths – Substantial Assurance
- Pension transfers – Substantial Assurance
- Pensions payroll and benefit calculations – Substantial Assurance
- UPM access controls – Reasonable Assurance
- Accounting for pension contributions – Substantial Assurance

The Chief Internal Auditor's opinion for 2025/26 was as follows:

- I am satisfied that sufficient assurance work has been carried out to allow me to form a conclusion on the adequacy and effectiveness of the internal control environment.
- In my opinion frameworks of governance, risk management and management control are 'substantial', and audit testing has demonstrated controls to be working in practice.
- Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement.

A summary of Freedom of Information requests

In 2025/26 Hampshire County Council received eight Freedom of Information requests that related to the Pension Fund as follows. The County Council complies fully with the Freedom of Information Act, where information is not commercially sensitive to the Pension Fund, or is otherwise confidential, it is sent to requestors.

Topic	Number of requests
Fund performance data	1
Membership opt outs	1
Investments	4
Investment performance	2

Useful websites and document links

ACCESS pool website:

accesspool.org

LGPS Central website:

www.lgpscentral.co.uk

Hampshire County Council Constitution:

democracy.hants.gov.uk/ieListDocuments.aspx?CId=620&MId=3642&Ver=4&Info=1.

Hampshire Pension Fund useful information:

Business Plan: hants.gov.uk/hampshire-services/pensions/joint-pension-fund-panel/policies

Investment Strategy and Responsible Investment policy: documents.hants.gov.uk/pensions/Pension-Fund-InvestmentStrategy.pdf

Task Force on Climate-related Financial Disclosures Report: https://documents.hants.gov.uk/pensions/TCFD-Report.docx

All policies: hants.gov.uk/hampshire-services/pensions/joint-pension-fund-panel/policies

Contributing employers to the Hampshire Pension Fund: hants.gov.uk/hampshire-services/pensions/joint-pension-fund-panel/annual-report

The report on the actuarial valuation at 31 March 2025: documents.hants.gov.uk/pensions/hampshirepensionfund-2025-valuationreport.pdf

Meetings of the Pension Fund Panel and Board: democracy.hants.gov.uk/ieListMeetings.aspx?CId=189&Year=0

LGPS Scheme Advisory Board website:

LGPS Scheme Advisory Board – Home (lgpsboard.org)

Principles for Responsible Investment (PRI) website:

PRI | Home (unpri.org)

Task Force on Climate-related Disclosures website:

Task Force on Climate-Related Financial Disclosures (ifrs.org/sustainability/tcfd)

UK Stewardship Code (FRC) website:

Investors I UK Stewardship Code I Financial Reporting Council (frc.org.uk)

Glossary of commonly used pension terms

ACCESS pool

The Pension Fund was 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.

In April 2025, the Government rejected the proposal from ACCESS to meet new minimum pooling standards, requiring the ACCESS pool to merge with another pool or the 11 LGPS members to join other pools. As a result, ACCESS stopped providing pooling solutions after 31 March 2026, and the pool is now being wound up following members joining other pools. Hampshire became a shareholder and client of LGPS Central on 1 April 2026.

Accruals accounting

The Pension Fund's financial accounts are prepared on an accruals basis, which means that, as a general rule, they must include all transactions relating to activities occurring between 1 April to 31 March regardless of when the transactions are posted to the accounting system.

Active Investing

This is a strategy where a human investment manager or individual investor frequently buys and sells assets, like stocks or bonds, to "beat the market" and earn higher returns than average. Unlike passive investing (which just tracks an index), active investors use research and analysis to time market movement.

Active scheme member

A working person who is currently paying contributions into the Pension Fund.

Actuary

A person or firm that analyses the assets and future liabilities of a pension fund and calculates the amount employers need to pay to the Pension Fund 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.

Glossary continued

Admission bodies

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

A Community admission body is typically a non-profit organisation or charity (for example housing association, voluntary sector organisation, or body representing local authority staff). A Transferee admission body is a type of admitted body that becomes eligible to participate in the LGPS when it takes on staff from a local authority or other scheme employer through a service transfer.

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, infrastructure, private debt and timberland.

Amortised cost

This is an accounting method that spreads the expense of an asset over its useful life.

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, for example stocks and shares, bond, property and infrastructure. A benchmark asset allocation is expected to enable the Fund to meet its long-term liabilities with the minimum of disruption to employers' contributions. The Pension Fund's investment performance is measured against benchmarks.

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 payment becoming due to the Fund.

Glossary continued

CIPFA

CIPFA (the Chartered Institute for Public Finance and Accountancy) is the main professional body for public sector accountants in the UK whose role is centred on how public finances are managed. Its role includes setting standards and guidance to help ensure that public funds are handled properly, efficiently and transparently. It also advises governments and other organisations, working with local government, the NHS and Central Government to improve financial management.

Contingent rents

Contingent rents are lease payments that vary depending on a future event or performance, rather than being fixed. Instead of paying a set amount every period, the rent depends on something uncertain, like the level of usage of an asset, the level of a company's revenue, inflation or an index.

Commutation

The process of converting part of a pension into a lump sum payment on retirement.

Contingent liability

A possible loss, subject to confirmation by a future event, where the outcome is uncertain in terms of cost.

DCLG

Department for Communities and Local Government which was succeeded by DLUHC (Department for Levelling Up, Housing and Communities) and later by MHCLG (Ministry of Housing, Communities and Local Government).

Deferred scheme member

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

Defined benefit pension fund

A scheme which pays pension benefits defined by regulation which are not dependent upon contributions paid or on how well those contributions are invested.

Derivatives

Financial contracts whose value comes from other assets, such as stocks, bonds, commodities or currencies. These contracts define the underlying asset and the time frame for any future exchanges. Derivatives can be used to manage investment risk, or trade in anticipation of market changes. Common types 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.

Diversification

The act of investing in a variety of different asset classes, financial instruments, countries, and industries, in order to reduce the level of risk.

Dividends

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

Glossary continued

DLUHC

The Department for Levelling Up, Housing and Communities, which has now been succeeded by the Ministry of Housing, Communities and Local Government (MHCLG).

Emerging markets

The financial markets of developing economies.

Employer's Augmentation Contributions

Employer's augmentation contributions are extra, one-off payments made by an employer into the pension fund to cover additional pension costs relating to specific scheme members. Without augmentation contributions, the Pension Fund would be underfunded and costs would fall unfairly on other employers/taxpayers.

Equities/equity investments

Shares in UK and overseas companies.

ESG

Environmental, Social and Governance factors.

Fair value

This is a broad measure of an asset's worth and is based on the amount at which an asset could be exchanged between knowledgeable and willing parties.

Fixed Income

A type of investment where you lend money to a government or company in exchange for regular, predictable interest payments and the return of your original loan amount after a set period.

Forward contracts

A contract agreement to buy or sell an asset at a specific price on a specified date in the future.

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.

Futures

A type of derivative contract agreement to buy or sell a specific commodity asset or security at a set future date for a set price.

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.

Glossary continued

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.

Illiquid Investment

An illiquid investment is an asset that cannot be quickly or easily converted into cash without a significant loss in value. Unlike stocks or bonds, which can be sold instantly on public exchanges, illiquid assets often take months or years to sell, or they have too few buyers, making them difficult to trade. Investors tend to invest in illiquid investments, for the 'illiquidity premium' – the additional investment return above liquid investments which are usually associated with these investments. This compensates investors for the illiquidity of the investment.

Implicit costs

Implicit costs are hidden or indirect costs that are not actually paid out in cash, but represent a lost benefit or opportunity.

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.

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.

Glossary continued

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.

Inter-generational Fairness:

This is the principle that today's pension fund decisions should not unfairly burden younger generations to pay for the retirement of older generations.

Interim valuations

Actuarial valuations carried out in between the legally required triennial valuations.

Investment grade credit

Bonds or other debt securities that have been rated as having a relatively low level of default.

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.

LGPS Central

This is an LGPS owned investment pool that helps manage and invest money for its Partner LGPS funds. Following the Government's recent 'Fit for the Future' reforms, LGPS Central now manages £100 billion of LGPS assets, representing 14 pension funds, more than 6,000 employers, and around 1.7 million scheme members.

The pool operates through LGPS Central Limited, a company regulated by the Financial Conduct Authority (FCA). LGPS Central Limited works with its Partner Funds to deliver their investment strategies.

From April 2026, LGPS Central brings together 14 pension funds from across England into a single partnership.
These funds are Cheshire, Derbyshire, Gloucestershire, Hampshire, Leicestershire, Norfolk, Nottinghamshire, Oxfordshire, Shropshire, Staffordshire, Suffolk, West Midlands, Wiltshire and Worcestershire.

This new partnership brings together LGPS funds that were previously part of other pooling arrangements and reflects how much the funds have worked together to meet the Government's deadlines for these changes.

Local Government Pensions Committee (LGPC)

The LGPC is a committee linked to the Local Government Association (LGA) made up of councillors which provides technical advice, guidance, and training on the Local Government Pension Scheme (LGPS) and represents local authority interests to government on pension matters.

McCloud remedy

The McCloud remedy is designed to give younger members the same protection awarded to older members.

Glossary continued

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. It is used as a benchmark to compare the Pension Fund's investment performance against.

MHCLG

The Ministry of 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.

Operating leases

Operating leases are rental agreements for assets that are used for a period of time, but are not owned by the user.

Option (derivative)

This is a contract that gives the buyer the right, but not the obligation, to buy or sell the underlying asset by a certain date (at a specified price).

Orphan liabilities

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

Passive Investing

A strategy where you invest in a basket of stocks or bonds (like an index fund) that mirrors a market benchmark, rather than trying to pick individual winners. It aims to match overall market performance, offering a lower-cost, lower-effort, long-term approach to investment management.

Pension strain

This is the cost the employer has to pay after agreeing to pay a member's pension earlier than originally anticipated.

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.

Glossary continued

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 necessary to cover the cost of all benefits accrued up to the date used in the valuation, but based on earnings projected to the date of retirement.

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 (RI)

The PRI (Principles for Responsible Investment) defines responsible investment as "a strategy and practice which takes sustainability and governance-related factors into consideration in order to protect and enhance long-term value for clients and beneficiaries and, in some instances, to achieve sustainability objectives".

Resolution bodies

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

Risk of Regret

This measures the probability that contribution rates would need to increase at the next triennial valuation. Its use gives an indication of risk and stability levels for employers.

Glossary continued

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.

Scope 1 (Direct) Emissions

Scope 1 (Direct) Emissions are the direct greenhouse gases from sources owned or controlled by the companies and assets that pension funds invest in (e.g., fuel used in the company's manufacturing processes).

Scope 2 (Indirect) Emissions

Scope 2 (Indirect) Emissions occur from the generation of electricity, heating, or cooling required by the companies in the portfolio, or the Fund's own operational buildings.

Scope 3 (Value Chain) Emissions

Scope 3 (Value Chain) Emissions relate to all other indirect emissions across the entire supply chain of invested companies or the fund's activities. For a pension fund, this includes the emissions generated by suppliers, employee business travel, and the use and disposal of products sold by the investee companies (such as fossil fuels burned by consumers).

Sensitivity analysis

Sensitivity analysis is a method that is used to see how much a result changes when you change one assumption. It tests "what if" scenarios to understand the impact of changes in assumptions.

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.

Glossary continued

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.

SONIA

Sterling Overnight Index Average is an interest rate benchmark – also known as a reference rate or a benchmark rate. It is based on the terms of actual overnight transactions and so the rate is largely unaffected by bank credit risk. It replaced LIBOR.

Spot Market Rate

This is the current market price for immediate settlement of an asset, such as a currency, commodity, or stock.

Statutory

Controlled by the law.

Stewardship

Stewardship is the responsible allocation, management and oversight of capital to create long-term sustainable value for clients and beneficiaries. In doing so, investors take account of long-term risks and opportunities, having regard to the economy, the environment and society, upon which beneficiaries' interests depend.

Stock lending

Stock lending occurs when the fund temporarily lends out its investments (like shares or bonds) to another party in return for a fee.

Strategic Asset Allocation

This is a long-term investment strategy that sets a target mix of asset classes, like stocks, bonds, and cash, based on your financial goals, risk tolerance, and time horizon. It focuses on maintaining this mix, re-balancing periodically, rather than reacting to short-term market changes.

The Pension Fund's Strategic Asset Allocation is included as part of its Investment Strategy Statement.

Subsumption

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

TCFD

Task Force on Climate-related Financial 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 (ifrs.org/sustainability/tcfd)

Transfer value

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

Glossary continued

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 scheme 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/about-PRI

Unrealised profit or loss

The increase or decrease in the market value of investments held by the Pension Fund since the date of their purchase. The profit or loss is unrealised because the asset has not yet been sold.

UK Stewardship Code 2026

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.

The UK Stewardship Code 2026 establishes the core Principles of effective stewardship and sets a high standard of transparency for asset owners and asset managers, and for the service providers that support them: frc.org.uk/investors/uk-stewardship-code

Underpin protections

Underpin protections are safeguards that ensure a person’s pension is not worse than a previous or minimum level—effectively putting a “floor” under their benefits.

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.

HAMPSHIRE
PENSION FUND

Hampshire
County Council

hants.gov.uk