

Hampshire Pension Fund Panel and Board – Implementation Report

1 Introduction

- 1.1 Following the publication of the Local Government Pension Scheme (Governance) Regulations in January 2015 Hampshire County Council applied for Secretary of State approval to form a combined Local Pension Board with its Pension Fund Panel under Part 3 paragraph 2 of the Regulations.
- 1.2 Hampshire's case to form a Joint Pension Fund Panel and Board was that the combined committee would benefit the governance of the Pension Fund through:
- Having 'greater weight' in the 'management and governance' of the Fund;
 - Being more attractive to potential members as it will offer a more engaging role;
 - Ensuring a deeper understanding of the combined body by exposing members to the complete operation of the Pension Fund; and
 - Avoiding duplication and confusion in roles between a separate Board and Panel.
- 1.3 Hampshire County Council was granted permission from the Department for Communities and Local Government (DCLG) to form a Joint Pension Fund Panel and Board on 3 June 2015. The permission was granted for a year and the County Council was charged with reporting back to DCLG on the implementation and viability of the Joint Panel and Board with an assessment of how the joint commitment has been more effective than separate bodies.
- 1.4 The County Council is pleased to be able to report back to DCLG that the Joint Pension Fund Panel and Board was implemented as set out in its submission and has achieved the benefits that were expected, which are outlined in this report, demonstrating that the joint committee is more effective than separate bodies.

2 Formation of the Joint Panel and Board – attractiveness of the role

- 2.1 As demonstrated in its application the previous membership of the Pension Fund Panel met the requirement for a Joint Panel and Board, however in its application the County Council recognised that the formation of a Joint Panel and Board offered the opportunity to better reflect the broad range of employers and scheme members in the Pension Fund. Therefore as set out in the application following its inception in July 2015 the membership of the Panel and Board was restructured and in October 2015 the following roles were advertised for the Panel and Board:
- Active scheme member representative
 - Deferred scheme member representative
 - Substitute scheme member representative
 - 'Other' (non-Local Authority) employer representative

2.2 Sixteen responses were received covering the four representative categories. Officers were impressed by the overall quality of applicants and were able to appoint to all four roles. The level of interest and quality of applicants should be taken as evidence of the attractiveness of the role on the Panel and Board.

2.3 The current membership of the Panel and Board is shown in Appendix 1.

3 Activities and operation of the Joint Panel and Board

3.1 It has been an extremely busy period for the Panel and Board. Following the granting of permission for the Joint Panel and Board from DCLG in June 2015 and the creation of the new committee by the County Council in July 2015 the Panel and Board held its first meeting in September 2015. The Panel and Board is due to meet six times a year, however in order to cover all of the necessary business of the management and oversight of the Pension Fund, an additional meeting was called in 2015 and an additional third training session was arranged for December 2015 (there have usually been two internal trainings sessions for pension committee members in previous years).

3.2 A full list of the items reported to the Joint Panel and Board is shown in Appendix 2. The list shows that the Panel and Board have considered the full range of activities for the management and oversight of the Pension Fund, including both the governance of the Fund and its investments. As it stated in its application the County Council was clear that the creation of the Joint Panel and Board would ensure a deeper understanding for the combined body and avoid duplication and confusion. In the time since its creation this has been highlighted in a number of issues:

- In receiving updates on the administration of the Pension Fund, Panel and Board members have scrutinised the administration of the Fund at a critical time through the implementation of a new administration system and the gathering of data from employers following the first year of the new CARE scheme. The inclusion of both employer and scheme member representatives on the Panel and Board has enabled an independent assessment of the administration of the Pension Fund to form part of the scrutiny of the service delivered to scheme members and employers. This has led to a more objective and rounded assessment that recognises the difficulties the current challenges but that the service is well placed to improve and deliver to its customers.
- Through regular monitoring of the Pension Fund's investments the Panel and Board were able to fully engage with consideration of the Government's requirement to pool investments and the implications that this would have for the Hampshire Pension Fund.
- Consideration of Internal Audit's reporting on the level of internal control over the Pension Fund's activities, including the implementation of the Panel and Board in accordance with the criteria agreed with DCLG.

- In preparation for the 2016 Actuarial Valuation the Panel and Board have considered the Scheme's funding arrangements, including the Fund's Employer Policy and Funding Strategy Statement. The Panel and Board have received reports from the Fund's Actuary considering the risks of the Fund's current employer grouping policy, which enables employers to share risk and pay a single employer contribution rate. The revaluation of the risk has highlighted that the grouping policy may no longer be fit for purpose as it has not kept pace with the changing characteristics of the employers in the Fund. The redrafting of the Fund's Funding Strategy Statement to allow for changes to the grouping policy has been a sensitive issue as employers are understandably concerned about their contribution rates. The Panel and Board has enabled a clear and focused dialogue with employers, enabling them to raise their concerns and for these to be considered alongside the priority for the Fund in having secure employer contributions. The dialogue between the Fund and employers through the Panel and Board resulted in an extended consultation period on the revised Funding Strategy Statement to enable employers' views to be fully considered.

4 Greater 'weight' of the Joint Panel and Board

- 4.1 The strong culture of member training on pensions matters has continued and increased through to the Panel and Board. Members are continuing to use CIPFA's Learning Needs Analysis (LNA), which has been updated for the requirements of Pension Boards. The full range of training activities is shown in Appendix 3. Members have attended a range of external training events, mostly on investment topics, which they have reported back to the Panel and Board to share their learning. Three internal training events have been arranged since the formation of the Panel and Board, with an extra session arranged in addition to the two sessions in previous years. These sessions have been specifically designed to meet the requirements identified in the members' LNAs and have included sessions on the Fund's employers and the role and responsibilities of members, which links to the creation of the Joint Panel and Board. The internal training sessions have been very well attended, which underlines members' commitment to training and further demonstrates the attractiveness of the role on the Panel and Board.
- 4.2 In January 2016 the County Council agreed to increase the Special Responsibility Allowance paid to the Chair and Vice-Chair of the Pension Fund Panel and Board. This was in recognition of increasing scope and level of responsibility of the Panel and Board in combining significant executive content in developing and implementing an Investment Strategy and a more significant scrutiny element of the management of the fund. This should be taken as evidence of the greater 'weight' of the Joint Panel and Board and how the responsibility of managing the Pension Fund is regarded by the County Council.

5 Avoidance of duplication and efficiency of operations

- 5.1 As described in Section 3 the County Council has achieved a smooth transition between the Pension Fund Panel and the Joint Panel and Board, which has ensured the continued effective governance and oversight of the Pension Fund. Hampshire has avoided the teething difficulties experienced by a number of its peers in establishing an additional separate committee and it finding its place alongside an existing committee.
- 5.2 In addition the newly appointed members of the Panel and Board have benefitted from being integrated with those already experienced with the governance of the Pension Fund. The new members have gained a better understanding of the Pension Fund through hearing from more experienced colleagues and in addition, as described in Section 4, the members strong culture of a commitment to training has been maintained.
- 5.3 The items reported to the Panel and Board in their first five meetings, shown in Appendix 2, would have also been reported to the previous pensions committee. Therefore if Hampshire were to have implemented a separate Pension Board there would have been a clear duplication in the reporting of a number of these items.
- 5.4 The clear role and purpose of the combined committee, as opposed to the risk of confusion and duplication with a separate body, is recognised by the members of the committee in enabling them to provide effective governance of the Pension Fund. This is supported by the following statement from one of the scheme member representatives.

I have been the Scheme Member representative on the Hampshire Pension Fund Panel for 8 years and have recently been selected to serve another 4 year term on the newly established Joint Pension Fund and Board, following an application and interview process.

Although we are in the early stages of the Joint Panel and Board, the obvious advantages of it have already become apparent.

We all receive the same paperwork and presentations from fund managers therefore avoiding duplication of time and effort.

It is important to say that by having a Joint Panel and Board ALL members have the responsibility for the whole operation of the fund including its administration and investments.

There has already been a training session from the London CIV to all members of the Panel and Board. This meant that we were all given the information at the same time and this allowed us the opportunity to discuss things together.

The size of the Joint Panel and Board has increased to allow other bodies to actively take part and this, I believe, will only help increase the governance of the Fund.

Phillip Reynolds (Active Scheme Member Representative)

- 5.5 The avoidance of the duplication of a separate Pension Board has delivered a saving for the Fund. It is estimated that a separate Pension Board would take up

an additional 240 hours of officer time to support, costing nearly £10,000. In addition other Pension Funds have spent between £10,000 and £15,000 to pay for an independent chair for their Pension Board. The avoidance of this additional expenditure is an important contribution to the Pension Fund's overall efforts to reduce the costs incurred by the Fund wherever possible.

6 Conclusion

6.1 Hampshire County Council remains confident that its model for a Joint Pension Fund Board Panel and Board is compliant with its responsibilities under the LGPS Governance Regulations and provides the most effective governance of the Pension Fund, as outlined in this report. On this basis the County Council requests that the Secretary of State makes permanent the approval for the Joint Pension Fund Panel and Board.

Appendix 1 – Pension Fund Panel and Board Membership March 2016

<i>Administering Authority Representatives</i>	<i>Employer Representatives</i>	<i>Scheme Member Representatives</i>
<p>Cllr Kemp-Gee (Chair) Cllr Thacker (Vice- Chair) Cllr Carter Cllr Connor Cllr Latham Cllr Gibson Cllr Joy Cllr Rolt Cllr Tennent</p>	<p>Cllr Chaloner <i>(Southampton City Council)</i></p>	<p>Mr Reynolds <i>(Active Member)</i></p>
	<p>Cllr Giddings <i>(Test Valley Borough Council)</i></p>	<p>Dr Allen <i>(Pensioner Member)</i></p>
	<p>Mr Robins <i>(Churchers College)</i></p>	<p>Mrs Arrowsmith <i>(Deferred Member)</i></p>
<i>Substitutes</i>		
<p>Cllr Rust Cllr Greenwood Cllr Pearce Cllr House</p>	<p>Cllr Mason <i>(Portsmouth City Council)</i></p>	<p>Mr Wood <i>(Active Member)</i></p>

Appendix 2 - List of items reported to the Pension Fund Panel and Board 2015/16

Governance	Meeting	Investments	Meeting
Internal Audit report	Mar 2016	Cash monitoring report and investment strategy 2016/17	Nov 2015
Pensions administration	Dec 2015	Investment update including recent performance returns	Sep 2015
Appointments Policy for the Pension Fund Panel and Board	Sept 2015		Oct 2015
Panel and Board Member representatives update	Dec 2015		Nov 2016
Pension Fund Annual Report 2014/15	Sept 2015		Dec 2015
Pension Fund Costs 2014/15	Sept 2015		Mar 2016
Actuarial and Funding Update	Oct 2015	Property Investments Portfolio	Nov 2015
Funding Strategy Statement consultation update	Dec 2015		Dec 2015
	Mar 2016	Alternative Investments Portfolio	Oct 2015
Review of the Pension Fund's statutory statements	Dec 2015		Mar 2016
Budget announcement on LPGS pooling	Sept 2015	Global Custodian performance and costs	Mar 2016
LGPS Investment Reform Criteria and Investment Regulations	Dec 2015		
Panel and Board Training Plan 2016/17	Mar 2016		
Progress on the Investment Pooling	Mar 2016		
Implementation of the Joint Panel and Board – report due back to DCLG	Mar 2016		

Appendix 3 – Summary of Panel and Board training 2015/16

External events	Attendees
SPS Alternative Investment Strategies for Pension Funds Conference	1
LGC Investment Summit, Celtic Manor Newport	3
Schroders autumn conference	3
SPS Local Authority Pension Fund Investment Strategies Conference	1
Newton investment conference	1
Smart Beta Investor Forum	1
SPS Investment Strategies: Growth or Protection for Pension Funds	1
LGC Investment Seminar	1

Internal events	Presenter	Attendees
Changing nature of the Fund's employers	Nick Weaver, Hampshire Pension Services	9
UK property	Aberdeen Property Investors	
LGPS pooling and the London CIV	Hugh Grover, London CIV	13
Insights into the UK economy	Richard Buxton, Old Mutual	
The roles and responsibilities of Panel and Board members	Paul Hodgson, Hampshire Legal Services	14
Smart beta and passive investing	State Street	