

HAMPSHIRE COUNTY COUNCIL**Decision Report**

Decision Maker:	Pension Fund Panel
Date:	8 November 2013
Title:	Review of the Pension Fund's statutory statements
Reference:	5318
Report From:	Director of Corporate Services – Corporate Resources

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1. Executive Summary

1.1. The purpose of this paper is to provide an annual update of the Pension Fund's statutory statements, which are its Business Plan, Statement of Investment Principles, Funding Strategy Statement, Governance Policy and Governance Compliance Statement, and Communication Policy Statement.

2. Background

2.1. The Pension Fund's statutory statements are reviewed annually to ensure that current versions comply with the latest Government and other relevant guidance. All the documents are published in the Pension Fund's Annual Report. The documents were last reviewed by the Panel at their meeting in December 2012.

3. Business Plan

- 3.1. The Myners principles require pension funds to draw up a forward-looking business plan, including a training plan for both the trustees and officers involved in their management and administration.
- 3.2. The Hampshire Pension Fund's business plan includes a commitment to review and revise the plan annually, and to evaluate performance against the action plan.
- 3.3. A draft updated version of the business plan is attached as Appendix 1 for approval. A few changes are necessary this year, and these are highlighted.
- 3.4. The business plan approved by the Pension Fund Panel in December 2012 included several actions for completion by March 2014. Progress against these action points is summarised below.

Planned Action	Deadline	Progress
Monitor the Fund's investment managers' performance, including the effectiveness of the new Tactical Asset Allocation (TAA) portfolio.	Ongoing	Up-to-date performance information is reported to each meeting of the Panel and is closely monitored by officers on a monthly basis. A review of the TAA will be reported to the Panel in December 2013.
Keep Panel members' training needs under review and provide any extra training considered necessary, for example to any new members of the Panel.	Ongoing	In June 2013, the Panel approved the training plan for 2013/14. Bespoke training events for Panel members have been arranged for September and November 2013 and Panel members have attended a number of Pension industry events. Proposals for a revised structure on training for Panel members is to be considered at this meeting of the Panel.
Continue to build up the Pension Fund's portfolio of alternative investments.	Ongoing	The Panel have set Aberdeen, the advisors on the alternative investments portfolio, an increased target allocation of £375m. Aberdeen have continued to bring forward recommendations for additions to the portfolio and for redemptions.
Monitor Government announcements on investments in infrastructure assets.	Ongoing	The Panel noted the Government's change to the LGPS regulations doubling the limit for partnerships (which would include infrastructure investments) to 30%.
Review the Fund's Statement of Investment Principles	December 2013	Included in this report.
Review the Fund's Funding Strategy Statement	December 2013	A revised draft is being considered at this Panel meeting.
Review the Governance Policy and Governance Compliance Statements	December 2013	Included in this report.
Review this business plan,	December	Included in this report.

Planned Action	Deadline	Progress
including progress against the action plan	2013	
Review the Fund's management fees and transaction costs	December 2013	Reported at this meeting
Complete the actuarial valuation of the Pension Fund at 31 March 2013, in conjunction with the Fund Actuary.	March 2014	An update is being reported at this meeting.
Assess the implications of the actuarial review at 31 March 2013 for the Pension Fund's Investment Strategy.	March 2014	The Investment Strategy will be reviewed once the actuarial valuation 2013 has been completed.
Retender the contract for the Pension Fund's Global Custodian, which expires on 31 July 2013.	July 2013	The contract was awarded to JP Morgan and started on from 1 August 2013.
Implement any changes that are made to the Local Government Pension Scheme, such as the current proposals for LGPS 2014.	March 2014	Progress is being reported at this meeting.

4. Funding Strategy Statement

4.1. The Funding Strategy Statement has been redrafted by the Pension Fund's actuary, Aon Hewitt, and is reported separately later on the agenda, along with an update on the progress of the actuarial valuation 2013.

5. Statement of Investment Principles

5.1. To comply with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, the Statement of Investment Principles must be reviewed and, if necessary, revised from time to time.

5.2. A revised draft of the SIP is attached as Appendix 2 for approval. Minor changes are proposed and highlighted to update reporting arrangements and for the change in the Pension Fund's custodian.

6. Governance Policy and Governance Compliance Statements

- 6.1. The Governance Policy and Governance Compliance Statements are attached as Appendix 3 for approval. One minor change is proposed as highlighted.

7. Communication Policy Statement

- 7.1. A revised draft of the Communication Policy Statement is attached as Appendix 4 for approval, with proposed changes highlighted. These changes are all minor in nature.

8. Recommendations

- 8.1. That progress on the Business Plan's actions be noted, and subject to any amendments the Panel may wish to make, the updated Business Plan be approved.
- 8.2. That the updated Statement of Investment Principles be approved.
- 8.3. That the updated Governance Policy and Governance Compliance Statements be approved.
- 8.4. That the updated Communication Policy Statement be approved.

CORPORATE OR LEGAL INFORMATION:

Links to the Corporate Strategy

This proposal does not link to the Corporate Strategy but, nevertheless, requires a decision because it requires approval of the Pension Fund's statutory statements.

Other Significant Links

Links to previous Member decisions:		
<u>Title</u>	<u>Reference</u>	<u>Date</u>
Direct links to specific legislation or Government Directives		
<u>Title</u>	<u>Date</u>	

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

<u>Document</u>	<u>Location</u>
None	

IMPACT ASSESSMENTS:

1. Equalities Impact Assessment:

- 1.1. Equality objectives are not considered to be adversely affected by the proposals in this report.

2. Impact on Crime and Disorder:

- 2.1. The proposals in this report are not considered to have any direct impact on the prevention of crime.

3. Climate Change:

- a) How does what is being proposed impact on our carbon footprint / energy consumption?

No specific impact.

- b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

No specific impact.

The Fund's statutory statements

Business Plan

Mission and objectives

The County Council, as administering authority for the Hampshire Pension Fund, has delegated responsibility for managing the Fund's investments to the Pension Fund Panel through its Audit Committee. The Panel consists of nine county councillors, two representatives of the unitary city councils of Portsmouth and Southampton, two representatives of the 11 district councils in the Hampshire county area, a representative of the Fund's pensioners and a representative of the Fund's contributors. All Panel members have voting rights. An independent adviser to the Panel attends all Panel meetings, but does not have voting rights.

The Panel's 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's objectives:

- 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 Local Government Pensions Committee (LGPC), the Chartered Institute of Public Finance and Accountancy (CIPFA) and other organisations specialising in pensions.
- To keep abreast of all developments affecting the LGPS by undertaking training and/or taking advice from external fund managers, external consultants and County Council officers as appropriate.
- To make arrangements for keeping the Fund's participating employers and members fully informed about matters affecting them.

The funding level and employers' contribution rate

The Panel seeks to achieve a 100% funding level and stable contribution rate by:

- drafting and maintaining a Funding Strategy Statement, in partnership with the Fund's actuary and participating employers. This sets out the background and parameters the actuary must use when carrying out actuarial valuations, and the duties of the County Council as administering

- authority and the Fund's other employers
- commissioning a full actuarial valuation of the Fund every three years as required by law to determine employers' contribution levels. The actuary will complete the latest actuarial valuation of the Fund at 31 March 2013 in March 2014
- arranging interim actuarial valuations if developments mean that the funding level can be expected to have changed
- commissioning an asset/liability study following valuations or as necessary to help determine the best asset allocation needed to meet the Fund's liabilities
- where an actuarial valuation reveals a past service deficit, agreeing employers' contributions with the actuary to recover the deficit.

Investment of the Fund

The Panel seeks a return on the Fund's investments which will enable 100% funding to be achieved and its liabilities to be met with a stable employers' contribution rate. Following the actuarial valuation at 31 March 2010, the actuary advised that the Pension Fund should aim to achieve an overall investment return 2.3% a year above that on a low-risk portfolio (defined as a portfolio invested 95% in index-linked gilts and 5% in fixed-interest gilts). The Panel aims to achieve this by:

- using the results of the analysis by the Fund actuary and others to set benchmark asset allocations and performance targets for external investment managers
- reviewing managers' performance against those targets over three-year and five-year rolling periods at quarterly Panel meetings – performance will also be monitored over one-year periods at those meetings and ongoing consideration given to the size of and need for each manager's portfolio in the light of their performance in each financial year
- appointing investment managers for standard periods of five years, with options to extend for a further five years subject to satisfactory performance, although all such appointments may be terminated at any time with one month's notice. Contracts will not normally be terminated in the first three years for below-target performance
- reviewing in the autumn of each year the level of transaction costs (brokerage and stamp duty) incurred in the previous 12 months by the external managers on the Fund's behalf
- delegating to the Director of Corporate Resources responsibility for monitoring the managers' performance between Panel meetings.

Arrangements for investing additional voluntary contributions (AVCs)

The Panel aims to make sure there is a wide and varied selection of high-performing investment options for fund contributors who wish to make additional voluntary contributions (AVCs).

The current AVC providers for contributors to the Fund are Prudential, Zurich and Equitable Life. The Panel will review the performance and options offered by these providers, as necessary.

Legislative changes

The Panel aims to respond promptly to legislative changes with implications for managing and administering the Fund by:

- closely monitoring new legislation affecting the LGPS or pension provision generally – this role is delegated to the Director of Corporate Resources
- considering reports on the implications for the Fund of relevant draft legislation
- agreeing any actions necessary to ensure full compliance when the final legislation is enacted, including meeting any deadlines.

Consultation papers

The Panel aims to play an active role in responding to and commenting on consultation papers about pensions, on behalf of Fund employers and members. In doing so it seeks to ensure high standards of corporate governance and best practice, and to further the best interests of contributors and pensioners.

Best practice

The Panel will ensure that the Fund follows best practice as recommended by the Government, the Local Government Pensions Committee (LGPC), the Chartered Institute of Public Finance and Accountancy (CIPFA) and other organisations specialising in pensions matters. It has delegated responsibility for achieving this to the Director of Corporate Resources.

Decision-making

The Panel will take advice as necessary to ensure that all decisions are in the best interests of the Fund and its members. Advice is provided as necessary by:

- the Director of Corporate Resources and her staff
- the actuary
- the Fund's external investment managers
- the Fund's independent adviser
- other consultants.

Developments and training plan

The Panel aims to keep abreast of all developments affecting the LGPS by undertaking training and taking advice when necessary from external fund managers, external consultants and County Council officers.

A training plan has been prepared for the Pension Fund Panel and training logs

are maintained for individual Panel members. As part of the Panel's training plan bespoke training sessions delivered by external speakers have been arranged in September and November 2013 giving an overview of the LGPS and infrastructure investment.

The Panel also expects the Director of Corporate Resources and relevant members of the department (who are the Panel's main advisers) to keep up to date with developments in pensions and investments and to undertake training as required.

Communications with participating employers and Fund members

The Panel will arrange to keep the Fund's participating employers and members fully informed about anything affecting them by publishing:

- an annual report on the Fund for each financial year, to be available for an Annual Employers Meeting of the Fund's employers held in the following October
- an annual summary of the accounts, investment management and administrative arrangements is made available to current, pensioner, and deferred members
- an annually updated employees' guide to the Scheme
- an annual newsletter to pensioners.

Review and evaluation of business plan

The Panel will review and revise the business plan annually in December and will evaluate performance against the action plan.

Actions to March 2015

New actions:

Agree a revised investment strategy for the Pension Fund following the outcome of the actuarial valuation 2013.

Following the actuarial valuation at 31 March 2013 and review of the Pension Fund's investment strategy, produce a timetable of the re-tendering of the Pension Fund's investment manager contracts.

Retender the contract for the Pension Fund's actuary (the current contract expires 31 March 2015).

To implement the requirement for a Pension Board from 1 April 2014 in line with the LGPS Regulations 2013, following further clarification from Government and/or the Pensions Regulator.

Ongoing actions:

Monitor the Fund's investment managers' performance.

Consider and, if appropriate, agree any alternative investments the Fund's advisers recommend.

Complete the following annual reviews – deadline December 2014:

- the Fund's Statement of Investment Principles
- the Fund's Funding Strategy Statement (if necessary)
- the Governance Policy and Governance Compliance statements
- this Business Plan, including reviewing progress against the action plan
- the Fund's management fees and transaction costs.

Keep Panel members' training needs under review and provide any extra training considered necessary, for example to any new members of the Panel.

Statement of Investment Principles

Introduction

Hampshire County Council is the administering authority for the Hampshire Pension Fund, which covers employees of the County Council, two city (unitary) councils, 11 district councils, and 259 other scheduled and admission bodies. The total number of contributors is 46,319 and there are 33,449 pensioners.

The Local Government Pension Scheme (Management and Investment of Funds) (Amendment) Regulations 2009 require pension fund administering authorities to prepare and review, from time to time, a written statement setting out the investment policy for their Fund.

This Statement of Investment Principles has been drafted to comply with these regulations.

Types of investments to be held

The Fund can be invested in shares, bonds and other investments to limits defined in Schedule 1 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

The main limits are:

- no more than 10% of each portfolio can be invested in any individual holding
- no more than 25% of the Fund can be invested in each manager's in-house unit trusts.

The Fund's investment management arrangements were comprehensively reviewed in October 2006, and a new specialist management structure was put in place. This took effect on 1 January 2007. The arrangements were reviewed again by the Pension Fund Panel during 2011, as the investment managers' contracts were approaching the end of their initial five-year periods. Some refinements were made to the management arrangements, designed to reduce the level of investment risk.

The Pension Fund Panel has agreed to increase the limit on contributions to private equity and indirect property partnerships from 5% to 10% of the total Fund with effect from 1 March 2008. This was to ensure that investment in the alternative investments of up to 10%, agreed as part of the new investment management structure, went ahead. The decision to increase the limit to 10% complies with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. The 10% limit on contributions to partnerships will apply until the Fund's overall asset allocation is reviewed following the next full actuarial valuation.

The expected return on investments

The overall objectives when investing the Fund are:

- to achieve a 100% funding level, which means that all current and future Fund liabilities (pensions and other benefits) can be met in full for the foreseeable future
- to maintain a stable employers' contribution level, with a long-term target of around 200% of employees' contributions set for the actuary.

Following the actuarial valuation at 31 March 2010, the Fund's actuary, Aon Hewitt advised that the Pension Fund should set a target to achieve a long-term return 2.3% a year above a low-risk portfolio. A low-risk portfolio is defined as a portfolio invested 95% in index-linked gilts and 5% in fixed-interest gilts.

Spread of investments

The Pension Fund Panel agreed a specialist investment management structure, which took effect on 1 January 2007, with the aim of achieving the Pension Fund's overall long-term target return without exposing the Fund to excessive risk. Following the review in 2011, the long-term asset allocation was set as shown in the following table.

Investment sector	Management style	% of Fund
UK equities	Low-risk active	14
Global equities	High-performance active	26
Global bonds	Active	5
UK index-linked bonds	Passive	35
Property	Direct and indirect	10
Alternative investments	Various	10
Total		100

In addition a Tactical Asset Allocation portfolio has been created from the allocation to UK index-linked bonds for which the short term allocation is 21% of the Pension Fund.

Eight managers and advisers are currently engaged for ten separate mandates. Contracts will expire in 2016.

Realisation of investments

Managers are asked to avoid unnecessary sales and purchases of stocks, which incur transaction costs. They must regard all sales and purchases of stocks as being in the Fund's financial interests; that is, they will either improve the return or limit excessive risk.

Transaction costs are monitored closely and reported to the Pension Fund Panel once a year.

Managers of equity and bond portfolios are asked not to invest in stocks that are not readily realisable (capable of being turned into cash).

The Fund's cash can be invested for periods of up to two years in order to access higher investment returns in the current low interest rate environment.

Social, environmental and ethical considerations

The Hampshire Pension Fund has an overriding fiduciary duty in law to invest Fund monies to achieve the best possible financial return for the Fund consistent with an acceptable level of risk.

However, the Fund recognises that companies can enhance their long-term performance and increase their financial returns by adopting positive social, environmental and ethical principles in planning and running their activities.

The Fund has delegated to the external investment managers responsibility for taking social, environmental and ethical considerations into account when assessing the financial potential and suitability of investments.

Each investment manager is asked to work actively with companies to promote forward-looking social, environmental and ethical standards. This should not, however, deflect from the primary objective of achieving the best possible financial return for the Fund, in accordance with the Fund's fiduciary duty.

Exercise of rights attaching to investments

Managers have been instructed to exercise the Fund's responsibility to vote on company resolutions wherever possible.

They have also been instructed to intervene in companies that are failing and thus jeopardising the Fund's interests, by voting or by contacting company management directly.

The Fund believes that if companies comply with the principles of the UK Corporate Governance Code published by the Financial Reporting Council, this can be an important factor in helping them succeed; but the Fund also accepts the need for a flexible approach that is in the common long-term interests of shareholders, company employees and consumers. The Fund's managers should cast their votes with this in mind.

In particular, the Fund's managers should cast their votes to ensure that:

- executive directors are subject to re-election at least annually

- executive directors' salaries are set by a remuneration committee consisting of a majority of independent non-executive directors, who should make independent reports to shareholders
- arrangements for external audit are under the control of an audit committee consisting of a majority of independent non-executive directors, with clear terms of reference – these should include a duty to ensure that managers closely control the level of non-audit work given to auditors, and should not significantly exceed their audit-related fee unless there are, in any manager's opinion, special circumstances to justify it
- in the managers' opinion, no embarrassment is caused to the Fund in relation to its beneficiaries, Hampshire residents, or the general principles of the UK Corporate Governance Code.

If managers do not follow these guidelines, they must report to the Panel explaining why.

Custody

JP Morgan Chase has been appointed as the Fund's independent global custodian with effect from 1 August 2013 for a 5 year period ending on 31 July 2018, subject to satisfactory performance, with the option to extend the contract for a further 5 years.

Stock lending

Since 2006, the Fund has been part of its custodian's stock lending programme, whereby stocks (mainly equities) held by the Fund are loaned to third parties in return for a fee that helps the Fund meet its funding objectives.

In accordance with Schedule 1 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, lending restrictions have been placed on JP Morgan to ensure that the proportion of Fund assets that are available to be lent at any time will not exceed 25% of the total market value of Fund assets.

To acknowledge the risks in stock lending, collateral is provided of at least 105% of the market value of the borrowed stock, unless the borrowed stock and collateral are denominated in the same currency, then a collateral level of 102% will apply. The collateral arrangements were tested in September 2008, when, within a few days, the Fund's custodian recovered stock on loan to Lehman Bros at the time of its collapse.

Although the Fund temporarily suspended stock lending in September 2008 as a result of the financial crisis, the Pension Fund Panel agreed that this should be reinstated from December 2009 as market conditions had normalised.

Overall, the Panel considers that the income from stock lending benefits the Fund and that the risks are understood and well managed. The Director of Corporate Resources will continue to monitor the risks and, as in the case of the Lehman

Bros collapse, would be able to instruct JP Morgan to suspend the programme with immediate effect.

Review of the Statement of Investment Principles

This Statement of Investment Principles is subject to review at any time by the Director of Corporate Resources, who will report to the Pension Fund Panel accordingly, seeking approval for any changes.

The six principles for the management of defined benefit schemes – compliance

Effective decision-making

The County Council has delegated responsibility for managing and administering the Fund to its Pension Fund Panel through its Audit Committee.

Panel members and County Council officers can attend workshops and seminars on investment and pensions.

Detailed investment decisions are delegated to fund managers. Advice on asset allocation is sought from the actuary and other consultants as necessary.

The Director of Corporate Resources provides Panel members with full briefings on investment and pensions. The Panel also takes advice on investment from its independent adviser.

There is no power under LGPS regulations to pay Panel members for pension fund work. A business plan, which includes a training plan, has been prepared.

The Fund's contract for actuarial and other advice is open to competitive tender periodically. Following a robust challenge process of the approach taken to the commissioning of actuarial work and competitiveness of current fee levels, the option to extend Aon Hewitt's contract for a further three years to its absolute expiry date of 31 March 2015 was exercised.

Investment managers are asked for advice, and new approaches are developed in partnership with them.

Little use is made of other advisers, as the Finance function within Corporate Services has enough expertise, so there is no separate tender process for other advice.

Clear objectives

The Fund's objectives are set out clearly in this Statement of Investment Principles.

All mandates have clear objectives and timescales for performance assessment.

Acceptable levels of risk vary according to the nature of each manager's mandate, and are effectively determined by the agreed targets and timescales for performance assessment.

There are no soft commission arrangements.

The Fund's overall target return and the managers' individual targets are set out clearly in this Statement of Investment Principles and in the Annex.

Risk and liabilities

Advice from the actuary and other sources was used to determine the strategic asset allocation introduced from 1 January 2007 and the revisions made in 2011, which should enable the Fund to meet its liabilities and maintain stable employers' contribution rates.

Advice was also sought to draw up the benchmarks and constraints within which the fund managers must work.

Performance assessment

Reviews of the managers' performance take place at quarterly intervals, either by the Pension Fund Panel or officers.

There is no formal system for reviewing the performance of Pension Fund Panel members.

Responsible ownership

The Fund's policies on voting rights and engagement are set out clearly in this Statement of Investment Principles.

Transparency and reporting

This Statement of Investment Principles covers all areas as proposed by the Myners Committee and subsequently confirmed by the Government.

The results of the Pension Fund Panel's performance monitoring exercises are published in the annual report for the Fund.

An updated Statement of Investment Principles is published and made available to scheme employers within three months of the Pension Fund Panel approving any significant amendment.

Annex Investment management arrangements

	Benchmark	Annual target performance gross/net of fees
Low-risk active UK equities Schroder Investment Management	FTSE All Share	+1.25% gross
High-performance global equities Aberdeen Asset Management Newton Investment Management	MSCI ACWI MSCI ACWI	+3% gross +3% gross
Active global bonds Western Asset Management	Barclays Capital Global Aggregate Bonds Index	+1.5% gross
Passive UK index-linked bonds Legal & General State Street Global Advisors	FT British Government Over Five Years Index-Linked Gilts Index As above	
Tactical Asset Allocation State Street Global Advisors Aon Hewitt (advisers)	-	
UK property CBRE Global Investors	Retail Price Index (RPI)	+4.5% net
European property Aberdeen Property Investors	Eurozone Harmonised Index of Consumer Prices (HICP)	+5% net
Alternative Investments advisers Aberdeen Asset Management	-	+8% to +11% gross

Governance Policy Statement

The Local Government Pension Scheme (Amendment) (No 3) Regulations 2007 require the Fund to maintain a Governance Policy Statement.

The County Council, as administering authority for the Hampshire Pension Fund, has delegated responsibility for managing the Fund's investments to the Pension Fund Panel through its Audit Committee.

The Pension Fund Panel oversees the proper administration and management of the Pension Fund. It is responsible for:

- appointing external fund managers and advisers
- making suitable custody arrangements for the Fund's investments
- considering and approving actuarial valuations every three years and determining the level of employers' contributions
- considering changes in pension fund regulations and determining actions required
- considering and approving strategic advice on investment policy
- considering and approving the external managers' investment strategies
- monitoring the investment performance of each manager against their target and benchmark, based on statistics prepared by the custodian
- the periodic review of the Statement of Investment Principles, the Fund's Business Plan, its Funding Strategy Statement, this Governance Policy Statement, its Governance Compliance Statement and the Fund's Communication Policy Statement.

The Pension Fund Panel normally meets **six times a year**. Four of these meetings are used mainly for discussions with the Fund's investment managers, using a report on their strategies and performance prepared by the Director of Corporate Resources, any views of the independent adviser, and presentations prepared by the managers themselves. The other meetings are 'business meetings', where the Panel considers reports from the Director of Corporate Resources, the independent adviser and other consultants as necessary on a range of issues, for example reviews of the Statement of Investment Principles, the Fund's business plan, training, and proposals for scheme change.

The Pension Fund Panel is constituted to reflect the views of:

- the County Council as administering authority and the largest employer with 46% of the contributing membership

- the two city unitary authorities with 20% of the contributing membership
- the district councils and other employers with 34% of the membership, and
- the Fund's pensioners and contributors.

The Pension Fund Panel consists of:

- nine county councillors with voting rights
- two representatives of the unitary city councils of Portsmouth and Southampton with voting rights
- two representatives of the 11 district councils in the Hampshire county area with voting rights
- one representative of the Fund's contributors with voting rights
- one representative of the Fund's pensioners with voting rights.

There is also an independent adviser without voting rights, who attends all Panel meetings.

Training

Members of the Pension Fund Panel and officers in Corporate Services have opportunities to attend training courses and seminars on pension fund matters, when necessary and appropriate. The cost of attending is charged to the Pension Fund.

A training plan for members of the Pension Fund Panel has been prepared, and training logs for individual members are maintained.

Use of advisers

The Director of Corporate Resources advises the Panel on all Pension Fund investment and administrative matters.

The Fund's independent adviser, advises the Panel on investment matters.

The Panel uses the Fund's actuary, Aon Hewitt, and other consultants as necessary, for advice on matters when in-house expertise is not available. The Panel takes advice from the actuary, the fund managers or specialist consultants or advisers as required on allocating assets, selecting managers, and investment performance targets.

Communications with Fund employers and members

Each financial year, an annual report on the Fund is prepared for the Fund's employers to consider at an Annual Employers Meeting to be held by 31 October in the next financial year. The report covers the Fund's accounts, investment arrangements and policy, investment performance, scheme changes and other issues of current interest.

In the autumn, a summary of the accounts, investment management and administrative arrangements is made available to current, pensioner, and deferred members.

The Statement of Investment Principles is published and made available to scheme employers within three months of any amendments.

Annual benefit statements are provided to contributors and deferred pensioners, together with an annual newsletter to pensioners.

Service standards

The County Council follows best practice as set out in the LGPC circular 'Principles of Good Practice for the Management of Local Government Pension Schemes'.

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 and 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 Pension Fund Panel.
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 Pension Fund Panel 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.	No formal secondary committees or panels have been established.
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.	No formal secondary committees or panels have been established.
B	Representation	
a.	That all key stakeholders have the opportunity to be represented within the main or secondary committee structure. These include: <ul style="list-style-type: none"> i) employing authorities (including non-scheme employers, eg admission bodies) ii) scheme members (including deferred and pensioner scheme members) iii) where appropriate, independent professional observers, and 	Full compliance. The Pension Fund Panel includes representatives of the other local authorities in the Fund, and pensioner and contributor members. The Fund's independent adviser attends Pension Fund Panel meetings. Independent professional observers are not regarded as appropriate.

	iv) expert advisers (on an ad-hoc basis).	
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 Pension Fund Panel.
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 Pension Fund Panel have full voting rights, but the Panel works by consensus without votes often being required.
E	Training/facility time/expenses	
a.	That in relation to the way in which the administering authority takes statutory and related decisions, there is a clear policy on training, facility time and reimbursement of expenses for members involved in the decision-making process.	Full compliance. Full training and facilities are made available to all members of the Pension Fund Panel.
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 Pension Fund Panel and training logs are maintained for individual Panel members.
F	Meetings (frequency/quorum)	
a.	That an administering authority's main committee or committees meet at least	Full compliance.

	quarterly.	
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.	No formal secondary committees or panels have been established.
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 Pension Fund Panel 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 Pension Fund Panel.
H	Scope	
a.	That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	Full compliance. The Pension Fund Panel 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.

Communication Policy Statement 2013

Introduction

This document outlines how we communicate with our stakeholders. To communicate effectively, we use different methods according to the need and the target audience.

We have five key stakeholder groups:

- Scheme members
- Prospective scheme members
- Employing authorities
- Pensions Services' staff
- Other bodies, for example prospective employing authorities.

We are committed to communicating clearly and effectively and we **aim to** provide a high quality service to all our stakeholders. Our statement of service standards for employers and scheme members can be found on our website:

<http://www3.hants.gov.uk/finance/pensions.htm>

We also have a customer charter that shows the service our scheme members can expect:

<http://www3.hants.gov.uk/pensions/pensionscustomerservice.htm#section409024-3>

Methods of communication

Our communication with scheme members

Scheme members include current contributors, those with a deferred benefit and those receiving a pension. Scheme members must be given detailed information about the scheme and their own benefits.

Website

Our website offers extensive information for scheme members. It contains links to other relevant organisations and is updated with all new legislation and relevant information. The website is the prime source of information on the pension scheme and ensures timely, up-to-date and easy-to-access information for all our stakeholders.

Scheme literature

The *Employee's Guide* is the main reference point for current scheme members. Each new employee gets a copy from their employer. We update it regularly, usually when regulations are changed. It is available from our website. Other scheme literature is available from employers or direct from us.

Member support

We have a general query call centre which operates during office hours. A voice-mail service takes messages out of hours, and we return these calls the next working day. We aim to answer 90% of the incoming queries without the need to refer on to our operational teams. We also have a general email address for all queries.

Correspondence

We use post and email for correspondence with scheme members.

We send details of any scheme changes to the relevant members, within three months of the change.

Benefit statements

Each year, we send all current and deferred members an annual benefit statement showing their benefits as at 31 March. We aim to issue these by October each year.

Pay advice slips and P60s

We send pay advice slips to pensioners each April and send a P60 in May if the pensioner has had income tax deducted during the year. We also send a payslip to pensioners if there has been a change of more than £1 in their monthly payment.

Newsletters

An annual newsletter is sent to pensioners each March.

Report and accounts

In the autumn a summary of the accounts, investment management and administrative arrangements is made available to current, pensioner, and deferred members. The annual report and full accounts are available to members on request or from our website.

Life certificates

From time to time, we send certificates to pensioners over the age of 85 and those living abroad to be signed, witnessed and returned to us to satisfy ourselves that we are paying the right amount of pension to the right person.

Our communication with prospective scheme members

To provide information about the scheme, we give employers relevant information to ensure that eligible staff are aware of their pension options.

Scheme literature

Employers give all new employees a starter pack on appointment containing the *Employee's Guide*, a starter information and membership option form, a death grant 'expression of wish' form and a pension transfer booklet. Other scheme literature is available direct from us or from our website.

Website

The website contains a dedicated 'New Member' section, which outlines the benefits of the scheme and answers some common questions for prospective members.

Our communication with employing authorities

We communicate with employing authorities in several ways to help them meet their responsibilities as scheme employers.

Scheme literature

An *Employer Manual* is available to all employing authorities. It contains details of procedures and their responsibilities. Copies of leaflets and forms are also available to employers from the website or on request from ourselves.

Correspondence

We send a regular electronic newsletter to keep employing authorities up to date with the latest regulation changes and proposals, as well as any changes in administration.

We also send ad hoc email communication to advise employers of any changes or information they should be aware of or would find useful.

Website

The website has a dedicated section for employers, which is password protected. It gives the latest news and an electronic version of the *Employer Manual*.

Employer training

We hold regular employer training days, and offer targeted training on request from employers, in addition to dealing with simple queries via phone or email.

Administration strategy

We publish an administration strategy which sets out the roles and responsibilities of the Hampshire Pension Fund and the employers.

Employer liaison meetings

All employers may request a meeting with us, and we attend established employer forums such as the Payroll Officers' Group.

Reports and accounts

We send a copy of the annual report and accounts to each employer. We publish an updated Statement of Investment Principles and make it available to employers within three months of the Pension Fund Panel approving any significant amendment(s).

Valuation report

We send the provisional outcome and the full actuarial report on the triennial valuation to employers when they are available.

Pension Fund Annual Employers Meeting (AEM)

We invite all our employing authorities to attend the Pension Fund Annual Employers Meeting. As well as providing information on issues such as the annual report, scheme changes and investment managers' performance results, the Annual Employers Meeting provides formal and informal opportunities for employers to ask questions of the Pension Fund Panel or those presenting.

Our communication with Pensions Services staff

It is vital that our staff are kept up to date with all changes to the scheme so that they can continue to administer it effectively and offer a high-quality service to members and employers.

Email

A **fortnightly monthly** email of latest news and information is sent to all our staff. In addition, we may send key information via the group distribution list.

Internet access

All staff have internet access, allowing access to a wide range of pension information.

Employer contact information

A database of contact information for all employing authorities is kept up to date and is available for use by our staff.

Meetings

Regular meetings are held, both informal and formal, within teams and across groups of staff.

Regular section briefings are held to share information across the whole of our section.

Staff training

We undertake regular staff training to ensure that our staff have the relevant knowledge and skills to undertake their role. This includes staff workshops and supporting staff taking any relevant professional qualifications.

Our communication with other bodies

Members' representatives

We provide information to members' representatives on request. Any issues that need consultation with members' representatives are referred to the regular meetings held with the Head of Human Resources, Operations.

Pension Fund Panel

The Pension Fund Panel receives reports from the Director of Corporate Resources. Although these usually concern investment issues, they will advise the Panel on changes to administrative arrangements or scheme rules where relevant.

Prospective employing authorities

Any prospective employing authority will receive a letter outlining the costs of joining the scheme and a copy of the *Employer Manual*.

Complaints and appeals

We have a comprehensive process for dealing with complaints and appeals. A full

copy of the internal disputes resolution procedure is available on our website:

[Pensions complaints and appeals](#)

Publications matrix

<i>Document</i>	<i>Format</i>		<i>Available to</i>					<i>Published</i>	<i>Reviewed</i>
	Paper	Website	Prospective members	Current members	Deferred members	Pensioners	Employers	Always available	
Employee's Guide	✓	✓	✓	✓	✓	X	✓	Always available	As regulations change
Employer Manual	✓	✓	X	X	X	X	✓	Annually	As regulations change
Reports and accounts	✓	✓	✓	✓	✓	✓	✓	Annually	Annually
Benefit statements	✓	X	X	✓	✓	X	X	Annually	Annually
Pensioners' newsletter	✓	✓	X	X	X	✓	X	Always available	Annually
Service standards	✓	✓	✓	✓	✓	✓	✓	Always available	Annually
Complaints and appeals process	✓	✓	✓	✓	✓	✓	✓	Always available	Annually