

HAMPSHIRE COUNTY COUNCIL**Decision Report**

Decision Maker:	Pension Fund Panel
Date:	6 March 2015
Title:	Review of the Pension Fund's statutory statements
Reference:	6529
Report From:	Director of Corporate Services – Corporate Resources

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1. Executive Summary

- 1.1. The purpose of this paper is for the Pension Fund Panel to approve the Pension Fund's statutory statements, which are its Business Plan, Statement of Investment Principles, Funding Strategy Statement, Governance Policy and Governance Compliance Statement, Communication Policy Statement and Administration Strategy Statement, which needs to be done on an annual basis.
- 1.2. In addition to the changes recommended in the statement attached to this report, with the introduction of the new governance regulations, some of these statements, including the Governance Policy and Governance Compliance Statements, will be updated and brought back to Panel to reflect changes made to the governance structure of the Fund.

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 November 2013.

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 November 2013 included several actions for completion by March 2015. 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. The Pension Fund Panel agreed to remove the allocation to the TAA portfolio in July 2014 as part of the Investment Strategy review.
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 2014, the Panel approved the training plan for 2014/15. Bespoke training events for Panel members have been arranged for July and November 2014 and Panel members have attended a number of Pension industry events. A revised structure on training for Panel members was implemented in 2014.
Consider and, if appropriate, agree any alternative investments the Fund's advisers recommend.	Ongoing	On hold pending the retendering of the alternatives portfolio manager's contract.
Review the Fund's Statement of Investment Principles	December 2014	Included in this report
Review the Fund's Funding Strategy Statement (if necessary)	December 2014	Included in this report
Review the Governance Policy and Governance Compliance Statements	December 2014	Included in this report
Review this business plan, including progress against the action plan	December 2014	Included in this report

Planned Action	Deadline	Progress
Review the Fund's management fees and transaction costs.	December 2014	Reported at November 2014 Pension Fund Panel meeting
Agree a revised investment strategy for the Pension Fund following the outcome of the actuarial valuation 2013.	March 2015	Agreed by the Pension Fund Panel in July 2014.
Following the actuarial valuation at 31 March 2013 and review of the Pension Fund's investment strategy, produce a timetable for the retendering of the Pension Fund's investment manager contracts.	March 2015	Agreed by the Pension Fund Panel in November 2014.
Retender the contract for the Pension Fund's actuary (the current contract expires 31 March 2015).	March 2015	Aon Hewitt has been appointed as the Pension Fund actuary from 1 April 2015.
Implement the requirement for a Pension Board from 1 April 2015 in line with the LGPS Regulations 2013, following further clarification from Government and the Pensions Regulator.	March 2015	To be reported during this meeting.

4. Funding Strategy Statement (FSS)

- 4.1. The draft updated version of the FSS is attached in Appendix 2 for approval. Minor changes are proposed as a result of further work by the Fund's Actuary, Aon Hewitt, since the Statement was last approved in November 2013.

5. Statement of Investment Principles (SIP)

- 5.1. To comply with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, the SIP must be reviewed and, if necessary, revised from time to time.
- 5.2. A revised draft of the SIP is attached as Appendix 3 for approval. Minor changes are proposed and highlighted to update the investment strategy and the appointment of Aon Hewitt as Fund Actuary.

6. Governance Policy and Governance Compliance Statements

- 6.1. The Governance Policy and Governance Compliance Statements are attached as Appendix 4 for approval, with proposed changes highlighted. The Governance Compliance table has now been amended to show compliance separately to any comments that apply.
- 6.2. These statements will be updated and brought back to Panel to reflect changes made to the governance structure of the Fund as a result of the new governance regulations.

7. Communication Policy Statement

- 7.1. A revised draft of the Communication Policy Statement is attached as Appendix 5 for approval, with proposed changes highlighted. These changes are all minor in nature.

8. Administration Strategy Statement

- 8.1. The draft version of the Administration Strategy Statement is attached in Appendix 6 for approval. This is now being included as a Statutory Statement as a result of the publication of the Secretary of State's Statutory Guidance on the Annual Report, published in July 2014.

9. Recommendations

- 9.1. 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.
- 9.2. That the updated Funding Strategy Statement be approved.
- 9.3. That the updated Statement of Investment Principles be approved.
- 9.4. That the updated Governance Policy and Governance Compliance Statements be approved.
- 9.5. That the updated Communication Policy Statement be approved.
- 9.6. That the new Administration Strategy 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. Equality Duty

1.1. The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;
- Advance equality of opportunity between persons who share a relevant protected characteristic (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- a) The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;
- b) Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;
- c) Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity which participation by such persons is disproportionately low.

1.2. Equalities Impact Assessment:

1.3. 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. 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 Scheme Advisory Board, the Pensions Regulator, the Local Government Pensions Committee (LGPC), the Chartered Institute of Public Finance and Accountancy (CIPFA) and other organisations specialising in pensions.
- To keep abreast of all developments affecting the LGPS by undertaking training and/or taking advice from external 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 completed the latest actuarial valuation of the Fund at 31 March 2013 in March 2014, and the next actuarial valuation of the Fund will take place at 31 March 2016
- 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. The Fund's 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 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 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 July and November 2014 giving an overview of procurement, investment performance and risk management, constitutional roles and responsibilities, and the energy economy.

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 online 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 2016

New actions:

Begin the process of retendering all of the investment managers' contracts.

Implement new governance arrangements in accordance with the new regulations for Pension Fund governance.

Respond to all consultations and requests for information from Central Government on the Pension Fund's investments, to contribute fully to any future decisions on the future of the LGPS.

Comply with any requests from the [Shadow] Advisory Board including revising the format of the Annual Report, in line with the new Statutory Guidance.

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 **March 2016**:

- the Statutory Statements:
 - 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 Communication Policy statement**
 - **the Administration Strategy statement**
- the Fund's management fees and transaction costs
- **the performance of the Fund's Custodian.**

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

Funding Strategy Statement

The Fund's Pension Fund Panel has recently undertaken a review of the Funding Strategy Statement (FSS). The Statement was reviewed and updated in December 2011 to reflect emerging policies in relation to grouping of employers for funding purposes, and has further been updated in conjunction with the actuarial valuation of the Fund as at 31 March 2013 to reflect the details of the Fund's risk based funding strategy. The FSS has been prepared in accordance with the updated guidance produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) in 2012.

Introduction

The Local Government Pension Scheme (Administration) Regulations 2008 (the Administration Regulations) require the Hampshire Pension Fund to prepare and publish a FSS. The Fund's actuary must have regard to this statement when setting employers' contribution rates.

As required by Administration Regulation 35(3)(a), the Statement has been reviewed (and where appropriate revised) having regard to guidance published by CIPFA in March 2004 and updated guidance published by CIPFA on 3 October 2012.

This FSS should be read in the context of the Fund's Statement of Investment Principles (SIP), which sets out in detail the Fund's investment arrangements and strategy. The current version of this is attached for information. The administering authority has had regard to the SIP in preparing this FSS.

Consultation

In accordance with Administration Regulation 35(3)(b), all Fund employers have been consulted on the contents of this Statement and their views have been considered in formulating it. However, the Statement describes a single strategy for the Fund as a whole.

The Fund's actuary, Aon Hewitt Limited, has also been consulted on the content of this Statement.

Purpose of the Funding Strategy Statement

The purposes of this Funding Strategy Statement are to set out the processes by which the administering authority:

- Establishes a clear and transparent funding strategy, specific to the Fund, to meet employer's pension liabilities going forward.
- Aims to meet the regulatory requirement in relation to the desirability of maintaining as nearly constant a common rate of contributions as possible.
- Takes a prudent longer-term view of funding the Fund's liabilities noting that whilst the funding strategy applicable to individual employers or categories of employers must be reflected in the Funding Strategy Statement its focus

should at all times be on those actions which are in the best long term interests of the Fund.

Aims of the Fund

The Fund has three main aims:

- To manage the employers' liabilities effectively
- To enable employers' contribution rates to be kept as stable as possible and affordable for the Fund's employers.
- To maximise the income from investments within reasonable risk parameters.

The main aims of the Fund are explained in more detail below.

To manage the employers' liabilities effectively

Hampshire County Council as administering authority makes sure that the Fund's liabilities are managed effectively. This is achieved by commissioning actuarial valuations every three years as required by law. These determine the employers' contribution rates required to make sure liabilities can be managed effectively.

The administering authority also commissions additional work in relation to the specific issues described below.

The Fund's primary aim is long-term solvency. Accordingly, employers' contributions will be set to ensure that 100% of the liabilities can be met over the long term.

The Fund is deemed to be solvent when the assets held are equal to 100% of the Solvency Target.

The administering authority will make sure that the Fund always has enough cash available to pay pensions, transfer values to other pension funds, and other costs and expenses. Such expenditure will normally be met from incoming contributions from employees and employers and investment income, to avoid the cost of selling any of the Fund's investments. The position is reviewed every three months to make sure enough cash is available to meet the Fund's obligations.

The administering authority operates a group funding framework. Most employers are grouped for the purpose of determining employers' contributions in respect of the liabilities and more details are given later in this statement.

Cessation of participation - subsumed liabilities

Where an employer is leaving the Fund and will no longer have any contributing members, another employer, or group of employers, in the Fund may agree to provide future funding in respect of any emerging deficiencies.

In such circumstances the liabilities are known as subsumed liabilities, as responsibility for them is subsumed by the accepting employer or group. The administering authority will assume that the investments held in respect of those liabilities will be the same as those held for the rest of the liabilities of the accepting employer or group. Generally this will mean assuming continued

investment in more risky investments than Government bonds.

Cessation of participation - orphan liabilities

Where an employer is leaving the Fund and will no longer have any contributing members, and the residual liabilities are not subsumed, the administering authority will act on the basis that it will have no further access for funding from that employer once any cessation valuation, carried out in accordance with Regulation 38 of the Administration Regulations, has been completed and any sums due have been paid. Residual liabilities of employers from whom no further funding can be obtained are known as orphan liabilities.

The administering authority will seek to minimise the risk to other employers in the Fund of having to make good any deficiency arising on the orphan liabilities. To achieve this, the administering authority will seek sufficient funding from the outgoing employer to match the liabilities with low risk investments, generally Government fixed-interest and index-linked bonds.

Cessation of participation – valuations

Where an admission body ceases participation, a cessation valuation will be carried out in accordance with Regulation 38(1) of the Administration Regulations. That valuation will take account of any activity as a consequence of cessation of participation regarding any existing contributing members (for example any bulk transfer payments due) and the status of any liabilities that will remain in the Fund.

In particular, the cessation valuation will distinguish between residual liabilities which will become orphan liabilities, and liabilities which will be subsumed by other employers. For orphan liabilities the funding target in the cessation valuation will anticipate investment in low risk investments such as Government bonds. For subsumed liabilities the cessation valuation will anticipate continued investment in assets similar to those held in respect of the subsuming employer's (or group of employers') liabilities.

The valuation will further take account of a number of other factors such as whether the ceasing employer is a going concern or is ceasing to exist, and whether there is a Guarantor.

Regardless of whether the residual liabilities are orphan liabilities or subsumed liabilities, the departing employer (or Guarantor if the employer is unable to pay) will be expected to make good the funding obligation revealed in the cessation valuation. In other words, the fact that liabilities may become subsumed liabilities does not necessarily remove the possibility of a cessation payment being required.

For those employers who are grouped with other employers for funding purposes, the cessation valuation may also include allowance for any cross subsidies anticipated from other employers with which it is grouped. This would allow the employer to take immediate credit for contributions expected to be paid over the long term from other group employers in respect of the outgoing employer's share any group deficiency.

Interim reviews for admission bodies

Regulation 38(4) of the Administration Regulations provides the administering authority with the power to carry out valuations in respect of admission bodies and other employers which are expected to cease at some point in the future, and for the Fund's actuary to certify revised contribution rates, between triennial valuation dates.

The administering authority's overriding objective at all times is that, where possible, the funding target for that body is clear, and that contribution rates payable are appropriate for that funding target. However, this is not always possible as any date of cessation may be unknown (for example, participation may be assumed at present to be indefinite), and because market conditions change daily.

The administering authority's general approach in this area is as follows:

- Where the date of cessation is known, and is more than three years away, or is unknown and assumed to be indefinite, interim valuations will generally not be required by the administering authority.
- For transferee admission bodies falling into the above category, the administering authority sees it as the responsibility of the Relevant Scheme Employer to instruct it if an interim valuation is required. Such an exercise would be at the expense of the Relevant Scheme Employer unless otherwise agreed.
- A material change in circumstances, for example the date of cessation becoming known, material membership movements or material financial information coming to light may cause the administering authority to review the situation informally and subsequently request a formal interim valuation.
- Where an employer is due to leave the Fund within the next three years, the administering authority will monitor developments and may see fit to request an interim valuation at any time in order to try to effect a smoother transition to cessation.

In addition, the administering authority reserves the right to request an interim valuation of any employer at any time in accordance with Regulation 38(4).

Inter-valuation funding valuations

In order to monitor developments, the administering authority may from time to time request informal valuations or other calculations. Generally, in such cases the calculations will be based on an approximate update of the asset and liability values, and liabilities calculated using assumptions consistent with the latest valuation. It is unlikely that the liabilities would be calculated using individual membership data, or that the demographic assumptions would be reviewed.

Guarantors

Some employers may participate in the Fund by virtue of the existence of a Guarantor. The administering authority maintains a list of employers and their Guarantors. For any new admission body wishing to join the fund, the administering authority will require a Guarantor. The administering authority,

unless notified otherwise, sees the role of a Guarantor to include the following:

- If an employer leaves the Fund and defaults on any of its financial obligations to the Fund, the Guarantor is expected to provide the Fund with the amount certified by the Fund's actuary as due, including any interest payable.
- If the Guarantor is also an employer in the Fund and is judged by the administering authority to have suitable financial security, the Guarantor may clear some of the financial liability by subsuming the residual liabilities into its own pool of Fund liabilities. In other words, it agrees to be a source of future funding in respect of those liabilities should future deficiencies emerge.

During the period of participation of the employer a Guarantor may at any time agree to the future subsumption of any residual liabilities of that employer. That action may reduce the funding target for the employer, which may, in turn, lead to reduced contribution requirements.

In extreme circumstances the Guarantor may be permitted to subsume all assets and liabilities of an employer including the inheritance of any deficiency. However, where the Guarantor is a grouped employer, the administering authority may insist upon the Guarantor meeting the contributions required to clear the deficiency inherited by the Guarantor, to protect the other employers in the Guarantor's group from this element of the group's deficiency.

Bonds and other securitisation

Regulation 7 of the Administration Regulations creates a requirement for a new admission body to carry out to the satisfaction of the administering authority (and the Relevant Scheme Employer in the case of a transferee admission body admitted under Regulation 6(2)(a) of the Admission Regulations) an assessment taking account of actuarial advice of the level of risk on premature termination by reason of insolvency, winding up or liquidation.

Where the level of risk identified by the assessment is such as to require it the admission body shall enter into an indemnity or bond with an appropriate party. Where it is not desirable for an admission body to enter into an indemnity or bond, the body is required to secure a guarantee in a form satisfactory to the administering authority from an organisation who either funds, owns or controls the functions of the admission body.

The administering authority's approach in this area is as follows:

- In the case of transferee admission bodies admitted under Regulation 6(2)(a) of the Admission Regulations, and other admission bodies with a Guarantor, so long as the administering authority judges the Relevant Scheme Employer or Guarantor to have suitable financial security any bond exists purely to protect the Relevant Scheme Employer against default of the admission body. It is entirely the responsibility of the Relevant Scheme Employer or Guarantor to arrange any risk assessments and decide the level of required bond. The administering authority can supply some standard calculations provided by the Fund's actuary to aid the Relevant Scheme Employer or Guarantor, but this should in no way be taken as advice on this matter. Levels of required bond cover can fluctuate and the administering authority recommends that Relevant Scheme

Employers review required cover regularly, at least once a year.

- In the case of Transferee Admission Bodies admitted under Regulation 6(2)(a) of the Admission Regulations, where the administering authority does not judge the Relevant Scheme Employer to have suitable financial security, the administering authority must be involved in assessing the required level of bond to protect the Fund. Admission can only proceed once the administering authority has agreed the level of bond cover. Levels of required bond cover can fluctuate and the administering authority will require the Relevant Scheme Employer to review required cover jointly with it regularly, at least once a year.
- In the case of Transferee Admission Bodies admitted under Regulation 6(2)(b) of the Admission Regulations, the administering authority must be involved in assessing the required level of bond to protect the Fund. Admission can only proceed once the administering authority has agreed the level of bond cover. Levels of required bond cover can fluctuate and the administering authority will review required cover regularly, at least once a year.

To enable employers' contribution rates to be kept as stable as possible and affordable for the Fund's employers (subject to the administering authority not taking undue risks) whilst achieving and maintaining solvency

Achieving stability in employers' contribution rates requires investment in assets that 'match' the Fund's liabilities. In this context, 'match' means behaving in a similar way to the liabilities as economic conditions alter. Of the main strategic asset classes, index-linked and fixed-interest investments would tend to be the best match for the Fund's liabilities.

Other asset classes, such as shares and property, offer the potential for higher long-term rates of return leading to more affordable contribution rates for employers. A substantial proportion of the Fund's investments are held in these asset classes with the aim of increasing investment returns. However, these asset classes are more risky and can lead to volatile returns over short-term periods, and a failure to deliver the anticipated returns in the long term.

This short-term volatility in investment returns can lead to similar volatility in the Fund's solvency level in successive actuarial valuations, which in turn can mean volatility in employers' contribution rates. Such volatility can be reduced by using smoothing adjustments as advised by the Fund's actuary.

Maintaining stability in employers' contribution rates can run counter to the main aim of ensuring solvency. There is a need to strike a balance between the investment policy, smoothing adjustments used when carrying out actuarial valuations, and the stability of employers' contribution rates from one valuation period to the next.

The position can be even more volatile for admission bodies and other employers which participate in the Fund for a fixed period (for example, non-local authority employers awarded contracts to provide local authority services), where use of smoothing adjustments is less appropriate.

The administering authority recognises that a balance needs to be struck

regarding the financial demands made of community admission bodies. On the one hand, the administering authority requires all admission bodies to be fully self funding (either on a grouped or an individual basis), such that other employers in the Fund are not subject to expense as a consequence of the participation of those admission bodies. On the other hand, requiring contributions to target full funding at all times, without further smoothing, may cause failure of the body in question in periods of extreme economic conditions, leading to significant costs for other participating employers.

Under economic circumstances which the administering authority judges to be extreme, the administering authority may determine that the contribution pattern required to target full funding can be temporarily relaxed for community admission bodies to enable contributions to remain affordable in the short term. Effectively the contribution pattern can be back-end loaded to a greater extent than would otherwise be permitted. However should a community admission body leave the Fund during the relaxation period, that body would be required to make good its funding deficiency including any underpayment on account of contributions having been relaxed. Only if that body is unable to meet any cessation deficiency and there is no Guarantor would other solutions to the ongoing funding of the body's liabilities be sought (such as the Scheduled Bodies funding group providing future funding for any deficiency which cannot be met by the outgoing community admission body).

At subsequent valuations the position will be reassessed with a view to returning admission bodies to paying contributions which target full funding.

To maximise the income from investments within reasonable risk parameters

Returns should be higher over the long term than those from index-linked stocks by investing in other asset classes such as shares, property and alternative investments. However, investment is restricted as specified in the LGPS investment regulations.

Risk parameters are controlled by restricting investment to asset classes generally recognised as appropriate for UK pension funds. From time to time the administering authority reviews the potential risks of investing in the various asset classes, with help from the Fund's actuary and its investment managers.

The Fund's funding strategy requires the assets to deliver a long-term return of 2.3% a year above a low-risk portfolio. This is defined as a portfolio invested 95% in index-linked gilts and 5% in fixed-interest gilts. An investment management structure has been developed and managers appointed to deliver this long-term return within an acceptable level of risk. Details of the structure and managers are in the Statement of Investment Principles.

Purposes of the Fund

The purposes of the Fund are:

- to pay out pensions and benefits, transfer values for Fund members moving to other schemes, and other costs, charges and expenses
- to receive contributions, transfer values for Fund members moving from

other schemes, and investment income.

Responsibilities of the key parties

The three main parties with obligations to the Fund are the County Council as administering authority, the other employers in the Fund, and the Fund's actuary. The administering authority delegates responsibility for fulfilling its obligations to the Pension Fund Panel.

The County Council's obligations as administering authority

- To administer the Fund.
- To collect investment income and other amounts due to the Fund as set out in the Administration Regulations including employers' and employees' contributions and, as far as possible, make sure they are paid by the due date as specified in the LGPS regulations.
- To invest surplus money in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (the Investment Regulations).
- To pay from the Fund the relevant entitlements as set out by the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (the Benefits Regulations).
- To make sure that cash is always available to meet the Fund's liabilities when they are due.
- To manage the valuation process in consultation with the Fund's actuary, agreeing appropriate timescales and providing accurate data.
- To monitor regularly the Fund's investment performance and funding level.
- To prepare and maintain a Statement of Investment Principles and a Funding Strategy Statement.
- To notify the Fund's actuary of any material events which could affect funding strategy or funding levels.
- To effectively manage any potential conflicts of interest arising from its dual role as both administering authority and as a Scheme Employer.

Individual employers' obligations

- To deduct contributions from employees' pay, and make employers' contributions at the rates specified by the Fund's actuary, paying both to the administering authority by the due date.
- To develop a policy on certain discretions and exercise discretions allowed to employers within the LGPS regulations.
- To pay for agreed additional costs not covered by the employers' normal contributions.
- To keep the administering authority fully informed of all changes to

membership, or other changes that could affect future funding .

The Fund actuary's obligations

The Fund's actuary will prepare advice and calculations and provide advice on:

- funding strategy and the preparation of the Funding Strategy Statement and will prepare actuarial valuations every three years, as required by law, or more frequently if required, including the setting of employers' contribution rates and issue of a Rates and Adjustments Certificate, after agreeing assumptions with the administering authority and having regard to the Funding Strategy Statement. Actuarial valuations will be carried out and reported on in accordance with the Technical Actuarial Standards as issued by the Financial Reporting Council as appropriate.
- bulk transfers
- individual benefit-related matters
- valuations on the cessation of admission agreements or when an employer ceases to employ any active members
- bonds and other forms of security for the administering authority against the financial effect on the Fund of the employers default
- The Fund's actuary will also assist the administering authority in assessing whether employer contributions need to be revised between actuarial valuations as required by the Regulations, and
- ensure that the administering authority is aware of any professional guidance or other professional requirements which may be of relevance to his or her role in advising the administering authority.

Such advice will take account of the funding position and Funding Strategy Statement, as well as other relevant matters when instructed to do so.

Funding Strategy

Risk based approach

The Fund utilises a risk based approach to funding strategy.

A risk based approach entails carrying out the actuarial valuation on the basis of the assessed likelihood of meeting the funding objectives, rather than relying on a 'deterministic' approach which gives little idea of the associated risk. In practice, three key decisions are required for the risk based approach:

- what the Solvency Target should be (the funding objective - where the administering authority wants the Fund to get to),
- the Trajectory Period (how quickly the administering authority wants the Fund to get there), and
- the Probability of Funding Success (how likely the administering authority wants it to be now that the Fund will actually achieve the Solvency Target by the end of the Trajectory Period).

These three choices, supported by risk modelling carried out by the Fund's actuary, define the appropriate levels of contribution payable now and, by extension, the appropriate valuation approach to adopt now. Together they measure the riskiness of the funding strategy.

These three terms are considered in more detail below.

Solvency Target and Funding Target

Solvency and 'funding success'

The administering authority's primary aim is long-term solvency. Accordingly, employers' contributions will be set to ensure that 100% of the liabilities can be met over the long term. The Solvency Target is the amount of assets which the Fund wishes to hold at the end of the Trajectory Period (see later) to meet this aim, and is the value of the Fund's liabilities evaluated using appropriate actuarial methods and assumptions.

The Fund is deemed to be solvent when the assets held are equal to or greater than 100% of the Solvency Target.

For Scheduled Bodies, and certain other bodies of sound covenant whose participation is indefinite in nature, appropriate actuarial methods and assumptions are taken to be measurement by use of the Projected Unit method of valuation, and using assumptions such that, if the Fund's financial position continued to be assessed by use of such methods and assumptions, and contributions were paid in accordance with those methods and assumptions, there would be a chance that the Fund would continue to be 100% funded after a period of 25 years. The level of funding implied by this is the Solvency Target. For the purpose of this Statement, the required level of chance is defined as the Probability of Maintaining Solvency. The administering authority will generally assume indefinite investment in a broad range of assets of higher risk than risk-free assets for scheduled bodies and certain other bodies.

For certain Admission Bodies, bodies closed to new entrants and other bodies whose participation in the Fund is believed to be of limited duration through known constraints or reduced covenant, and for which no access to further funding would be available to the Fund after cessation, the required Probability of Maintaining Solvency will be set at a more prudent level dependent on circumstances. For most such bodies, the chance of achieving solvency will be set commensurate with assumed investment in an appropriate portfolio of Government index linked and fixed interest bonds after cessation.

Probability of Funding Success

The administering authority deems funding success to have been achieved if the Fund, at the end of the Trajectory Period, has achieved the Solvency Target. The Probability of Funding Success is the assessed chance of this happening based on the level of contributions payable by members and employers.

Consistent with the aim of enabling employers' contribution rates to be kept as nearly constant as possible, the required chance of achieving the Solvency Target at the end of the relevant Trajectory Period for each employer or employer

group can be altered at successive valuations within an overall envelope of acceptable risk.

The administering authority will not permit contributions to be set following a valuation that have an unacceptably low chance of achieving the Solvency Target at the end of the relevant Trajectory Period. The administering authority will not adopt assumptions which, in its judgement and on the basis of actuarial advice received, mean that it is less than 55% likely that the strategy will deliver funding success. Where the Probability of Funding Success is less than 65% the administering authority will not adopt assumptions which lead to a material reduction in the aggregate employer contribution rate.

Funding Target

The Funding Target is the amount of assets which the Fund needs to hold at the valuation date to pay the liabilities at that date as indicated by the chosen valuation method and assumptions. It is a product of the triennial actuarial valuation exercise and is not necessarily the same as the Solvency Target. It is instead the product of the data, chosen assumptions, and valuation method. The valuation method including the components of Funding Target, future service costs and any adjustment for the surplus or deficiency simply serve to set the level of contributions payable, which in turn dictates the chance of achieving the Solvency Target at the end of the Trajectory Period (defined below). The Funding Target will be the same as the Solvency Target only when the methods and assumptions used to set the Funding Target are the same as the appropriate funding methods and assumptions used to set the Solvency Target (see above).

Consistent with the aim of enabling employers' contribution rates to be kept as nearly constant as possible:

- Contribution rates are set by use of the Projected Unit valuation method for most employers. The Projected Unit method is used in the actuarial valuation to determine the cost of benefits accruing to the Fund as a whole and for employers who continue to admit new members. This means that the contribution rate is derived as the cost of benefits accruing to employee members over the year following the valuation date expressed as a percentage of members' pensionable pay over that period.
- For employers who no longer admit new members, the Attained Age valuation method is normally used. This means that the contribution rate is derived as the average cost of benefits accruing to members over the period until they die, leave the Fund or retire.
- For admission bodies the administering authority will take into account the potential for participation to cease, the potential timing of such cessation, and any likely change in investment strategy regarding the assets held in respect of the admission body's liabilities at the date of cessation.

Recovery and Trajectory periods

The Trajectory Period in relation to an employer is the period between the valuation date and the date which solvency is targeted to be achieved. A Trajectory Period of 22 years has been adopted at the 2013 valuation.

When an actuarial valuation shows that the Fund is in deficiency, employers' contribution rates will be adjusted to achieve a 100% funding ratio over a period of years (the Recovery Period), while ensuring that the probability of achieving solvency over the Trajectory Period remains acceptable. In consultation with the Fund's actuary, the administering authority has set a common maximum recovery period of 30 years for all employers in the Fund. The actual recovery period within this maximum of 30 years is determined at each actuarial valuation by balancing the Fund's solvency requirements against the financial strength of the Fund's main scheduled employers.

The Fund's liabilities mostly take the form of benefit payments over long periods of time. The main scheduled employers in the Fund are financed through central and local taxation and can be viewed as very financially secure. As these employers ultimately underwrite the Fund's finances, the administering authority has agreed a recovery period of 22 years for scheduled bodies in the 2013 actuarial valuation. This is consistent with keeping employers' contribution rates as stable as possible. Were any employers to participate in the Fund for a short period only, the administering authority and Fund's actuary would be unlikely to agree to their having a recovery period longer than their remaining term of participation.

Grouping of Employers

In some circumstances it is desirable to group employers within the Fund together for funding purposes (i.e. to calculate employer contribution rates). Reasons might include reducing the volatility of contribution rates for small employers, facilitating situations where employers have a common source of funding or accommodating employers who wish to share the risks related to their participation in the Fund.

Employers may be grouped entirely, such that all of the risks of participation are shared, or only partially grouped such that only specified risks are shared.

Where employers are grouped together for funding purposes, this will only occur with the consent of the employers involved.

All employers in the Fund are grouped together regarding the risks associated with payment of lump sum benefits on death in service. The cost of such benefits is shared across the employers in the Fund. This is because the Fund, in view of its size, does not see it as cost effective or necessary to insure these benefits externally.

Group Funding Framework

Within the Fund there are two large groups of employers for funding purposes. Employers within these two groups share all risks of participation, with the exception of liability for lump sum benefits payable on death in service, with other employers in the group. A small number of employers sit outside of the groups.

One of the two large groups primarily includes scheduled bodies, and can also include Transferee Admission Bodies where there is a pass through arrangement with a Relevant Scheme Employer which is itself a grouped scheduled body, and the other primarily includes community admission bodies. Common employers'

contribution rates are set for each of these groups, instead of individual contribution rates for each employer. The administering authority accepts that this can give rise to cross-subsidies between employers. However, employers in the Fund are required to make upfront contributions determined by the Fund's actuary to cover the costs of early retirements, which is a major distinction between employers over time. The administering authority and the Fund's actuary periodically review whether separate rates for individual employers or groups of employers are required.

The two large employer groups share risk according to a set of clearly defined principles which are as follows:

- The group exists to produce a common contribution rate for employers in the group
- Only the group funding target is relevant when producing a common contribution rate, and
 - An employer's cash contribution depends on its level of payroll, and any special arrangements put in place in relation to being a Relevant Scheme Employer for a grouped Transferee Admission Body,
 - While an employer has contributing members in the Fund, the employer will share a responsibility to contribute towards any emerging deficiency within the relevant funding group, or will benefit from an emerging surplus within the relevant funding group through a deduction against previous deficiency obligations.
- Unless it is a Transferee Admission body the employer is assumed to belong to the group indefinitely
 - As an employer can always be called upon to pay its share of any group deficiency, a flow of new entrants to the employer is required to finance this
 - Funding targets used to assess ongoing contributions at the triennial valuation are set using an ongoing actuarial basis that assumes participation is indefinite
- Employers are liable to fund deficiencies emerging at each valuation in proportion to their own payroll at the time of the valuation. Relevant Scheme Employers in relation to a grouped Transferee Admission Body will also be liable in respect of payroll transferred to the Transferee Admission Body, to the extent that the contributions are not fully covered by those made by the Transferee Admission Body,
- Streams of deficiency contributions, once certified at a valuation will normally remain in place for the duration of the relevant recovery period. New streams of such contributions will be certified at subsequent valuations in respect of new surplus or deficiency emerging at the relevant valuation. In certain circumstances, contribution streams set at a previous valuation may be modified at subsequent valuations if the administering authority and the Fund's actuary agree.
- Employers will pay a common future service contribution rate. Relevant Scheme Employers in relation to a grouped Transferee Admission Body will

also be liable in respect of any increased rate payable in respect of the Transferee Admission Body by virtue of the admission agreement being a closed agreement,

- When employers leave the group the funding target adopted at that time will be assessed in light of the employer's circumstances and, in particular whether its liabilities will be subsumed (i.e. another employer or group will be responsible for the future funding of those liabilities) or will become orphan (where the Fund has no access to any future funding for those liabilities).

For most purposes, each employer in a group is assumed to have the same funding level as the group as a whole, based on the value of benefits accrued to date for the group as a whole and notional assets held in respect of the group. The funding level of the group is expressed as a percentage and calculated as:

notional assets held in respect of the group divided by value of benefits accrued to date for the group as a whole.

Further aspects of funding strategy that may be relevant from time to time are described below:

Notional sub-funds

In order to establish contribution rates for individual employers or groups of employers it is convenient to subdivide the Fund notionally between the employers, as if each employer had its own notional sub-fund.

This subdivision is for funding purposes only. It is purely notional and does not imply any formal subdivision of assets, nor ownership of any particular assets or groups of assets by any individual employer or group.

Roll forward of sub-funds

The notional sub-fund allocated to each employer or group will be updated allowing for all cashflows associated with that employer's or group's membership, including contribution income, benefits paid, transfers in and out and investment income allocated as set out below.

In some cases there is insufficient information to complete these calculations. In these circumstances:

- Where, in the opinion of the Fund's actuary, the unavailable cashflow data is of low materiality, estimated cashflows will be used.
- Where, in the opinion of the Fund's actuary, the unavailable cashflow data is material, the Fund's actuary will use an analysis of gains and losses to update the notional sub-fund. This method is less precise than using cashflows, and involves calculating gains and losses to the surplus or deficiency shown at the previous valuation to determine an expected surplus or deficiency at this valuation. This is compared with the liabilities evaluated at this valuation to calculate an implied notional asset holding.

Attribution of investment income

Where the administering authority has agreed with a scheme employer that the scheme employer will have a tailored asset portfolio notionally allocated to it, the

assets notionally allocated to that employer will be credited with a rate of return appropriate to the agreed allocation.

Where the employer has not been allocated a tailored notional portfolio of assets, the assets notionally allocated to that employer will be credited with the rate of return earned by the Fund assets as a whole, adjusted for any return credited to those employers for whom a tailored notional asset portfolio exists.

Phasing in of new contribution rates

At each actuarial valuation, the administering authority will consider whether new employers' contribution rates should be payable immediately, or be phased in. The administering authority discusses with the Fund's actuary the risks of adopting such an approach. The current policy is to phase in over a maximum of three steps within each valuation period. However, such increases may be phased in over forthcoming and subsequent valuation periods, on a year-by-year basis, if unusual and difficult budgetary constraints make this necessary, or if other changes are expected, up to a maximum of nine steps.

Fund maturity

To protect the Fund, and individual employers, from the risk of increasing maturity producing unacceptably volatile contribution adjustments as a percentage of pay the administering authority will normally require defined capital streams from employers in respect of any disclosed funding surplus or deficiency.

In certain circumstances, for secure employers considered by the administering authority as being long term in nature, contribution adjustments to correct for any disclosed surplus or deficiency may be set as a percentage of payroll. Such an approach carries an implicit assumption that the employer's payroll will increase at an assumed rate. If payroll fails to grow at this rate, or declines, insufficient corrective action will have been taken. To protect the Fund against this risk, the administering authority will monitor payrolls and where evidence is revealed of payrolls not increasing at the anticipated rate, the administering authority will consider requiring defined streams of capital contributions rather than percentages of payroll.

Identification of risks and counter measures

The administering authority recognises that future events and investment income cannot be predicted with certainty. Instead, there is a range of possible outcomes, and different assumed outcomes will lie at different places within that range.

The more optimistic the assumptions made, the more that outcome will sit towards the 'favourable' end of the range of possible outcomes, the lower will be the probability of events actually matching or being more favourable than the assumed events, and the lower will be the Funding Target calculated using those assumptions.

The administering authority will not adopt assumptions which, in its judgement, and on the basis of actuarial advice received, mean that it is less than 55% likely

that the strategy will deliver funding success. Where the probability of funding success is less than 65% the administering authority will not adopt assumptions which lead to a material reduction in the aggregate employer contribution rate.

The administering authority's overall policy on risk is to identify all risks to the Fund and to consider the position both in aggregate and at individual risk level. Risks to the Fund will be monitored and action taken to limit them as soon as possible. The main risks are as follows:

Investment risk

This covers items such as the performance of financial markets and the Fund's investment managers, asset reallocation in volatile markets, leading to the risk of investments not performing (income) or increasing in value (growth) as forecast. Examples of specific risks would be:

- assets not delivering the required return (for whatever reason, including manager underperformance)
- systemic risk with the possibility of interlinked and simultaneous financial market volatility
- insufficient funds to meet liabilities as they fall due
- inadequate, inappropriate or incomplete investment and actuarial advice is taken and acted upon
- counterparty failure

The specific risks associated with assets and asset classes are:

- equities – industry, country, size and stock risks
- fixed income - yield curve, credit risks, duration risks and market risks
- alternative assets – liquidity risks, property risk, alpha risk
- money market – credit risk and liquidity risk
- currency risk
- macroeconomic risks

The administering authority reviews each investment manager's performance quarterly and annually considers the asset allocation of the Fund by carrying out an annual review **meeting with its Investment Advisers, Fund Managers and Fund's actuary**. The administering authority also annually reviews the effect of market movements on the Fund's overall funding position.

Employer risk

These risks arise from the ever-changing mix of employers, from short-term and ceasing employers, and the potential for a shortfall in payments and/or orphaned liabilities.

The administering authority will put in place a Funding Strategy Statement which contains sufficient detail on how funding risks are managed in respect of the main

categories of employer (e.g. scheduled and admission bodies) and other pension fund stakeholders.

The administering authority maintains a knowledge base on their employers, their basis of participation and their legal status (e.g. charities, companies limited by guarantee, group/subsidiary arrangements) and uses this information to inform the Funding Strategy Statement.

Liability risk

The main risks include interest rates, pay and price inflation, life expectancy, changing retirement patterns and other demographic risks. The administering authority will make sure the Fund's actuary investigates these matters at each valuation, or more often if necessary. The Fund's actuary will report to the administering authority as appropriate. The administering authority will then agree with the Fund's actuary any necessary changes to the assumptions used in assessing solvency.

If significant liability changes become apparent between valuations, the administering authority will notify all participating employers of the likely effect on their contributions after the next full valuation, and consider whether any bonds that are in place for admission bodies require review.

Regulatory and Compliance risk

Regulatory risks relate to changes in LGPS regulations, including national pensions legislation and HM Revenue and Customs rules. The administering authority will keep abreast of all proposed changes and, whenever possible, comment on the Fund's behalf during consultation periods. The administering authority will ask the Fund's actuary to assess the effect of any changes on employers' contribution rates.

The administering authority will then notify employers of how these rule changes are likely to affect their contribution rates at the next valuation, if they are significant.

Liquidity and maturity risk

The LGPS is going through a series of changes, each of which will impact upon the maturity profile of the LGPS and have potential cash flow implications. The increased emphasis on outsourcing and other alternative models for service delivery may result in the following:

- active members leaving the LGPS,
- transfer of responsibility between different public sector bodies,
- scheme changes which might lead to increased opt-outs
- spending cuts and it's implications

All of these may result in workforce reductions that would reduce membership, reduce contributions and prematurely increase retirements in ways that may not been taken into account in previous forecasts.

The administering authority's policy is to require regular communication between itself and employers and to ensure reviews of maturity at overall Fund and employer level where material issues are identified.

Governance risk

This covers the risk of unexpected structural changes in the Fund's membership (for example, if an employer closes their scheme to new entrants or if many members withdraw or groups of staff retire), and the related risk of an employer failing to notify the administering authority promptly.

To limit this risk, the administering authority requires the other participating employers to communicate regularly with it on such matters. The administering authority also undertakes to inform the Fund's actuary promptly of any such matters.

Smoothing

The use of a smoothing adjustment to the value of the Fund's assets introduces an element of risk, in that the smoothing adjustment may not provide a correct measure of the underlying position. Any adjustment is reviewed at the end of each valuation to ensure it remains within acceptable limits.

Recovery period

Allowing surpluses or deficiencies to be eliminated over a recovery period of up to 30 years means there is a risk that too little will be done to restore solvency between successive actuarial valuations. The associated risk is reviewed with the Fund's actuary as part of the three-yearly valuation process, to ensure as far as possible that enough is done to restore solvency. In practice, the smoothing arrangements described above deal with this.

Stepping

Increasing employers' contribution rates in annual steps rather than immediately introduces a risk that too little will be done to restore solvency in the early years of the process. The administering authority's policy is to limit the number of permitted steps to three, or, in exceptional circumstances, nine. In addition, it accepts that a slightly higher final rate may be necessary at the end of the stepping process to help make up the shortfall.

For admission bodies subject to an underwriting arrangement, up to nine steps will be permitted.

Links to investment policy set out in the Fund's Statement of Investment Principles

The administering authority has produced this Funding Strategy Statement having taken an overall view of the level of risk in the investment policy set out in the Statement of Investment Principles (available from **Pensions, Investments and Borrowing**, Corporate Services, Hampshire County Council) and is included below.

Both documents are subject to regular review.

Future monitoring

The administering authority plans to review this Statement as part of the three-yearly actuarial valuation process unless circumstances arise that require earlier action.

The administering authority and the Fund's actuary will monitor the Fund's solvency position at regular intervals between valuations. Discussions will be held with the Fund's actuary to establish whether any changes are significant enough to require further action, such as informing employers of the need for different employers' contribution rates after the next valuation.

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 334 other scheduled and admission bodies. The total number of contributors is 53,008 and there are 33,669 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 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 the average employees' contributions set for the actuary.

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

2014 Investment Strategy Review

The completion of the actuarial valuation of the Pension Fund at 31 March 2013 by the Fund Actuary provided an updated view of the Pension Fund's liabilities and the level of investment returns necessary to meet those liabilities in the future, including the recovery of the deficit. This provided an appropriate opportunity to review the Pension Fund's investment strategy in the light of the results from the actuarial valuation.

The Pension Fund's previous investment strategy was providing the level of return required by the assumptions used in the actuarial valuation at March 2013. From that position, it was then considered whether any changes should be made to the asset allocation which would maintain or improve the level of expected return whilst reducing the level of risk.

The final investment strategy agreed increased the allocation to infrastructure and removed the tactical asset portfolio.

The increase in the allocation for infrastructure reflects the recent focus on the desirability of pension funds investing in infrastructure assets. Infrastructure can provide the Pension Fund with highly desirable risk-adjusted returns that are reliable, index-linked, stable and long-term. In the short-term however, there may be a lack of appropriate infrastructure funds available for investment at suitable prices. The current level of demand by pension funds for infrastructure has driven up the prices for such funds. The increased target for infrastructure may take a number of years to reach but acknowledging this now enables the Pension Fund to take advantage of whatever suitable opportunities arise in the future without being restricted by the need to change the investment strategy.

From 2012 to 2014 a tactical asset allocation was used to provide a means of protecting the Pension Fund if a collapse in markets, similar to 2007 and 2008, was foreseen. Whilst the returns from the passively managed funds in the tactical asset portfolio were satisfactory, the portfolio was not tested against its primary aim of protecting the Pension Fund in the event of a market collapse. As the portfolio was self-contained it was questionable whether it would have had a significant impact on protecting the whole Pension Fund in these circumstances.

The Panel noted that there was a risk that the activities of the tactical asset allocation adviser could subvert the important decisions taken by the Panel in the setting the strategic asset allocation. Removing the tactical asset allocation reduced the risk of undermining the strategic asset allocation and simplified the overall management of the Pension Fund's investments.

Seven managers and advisers are currently engaged for nine separate mandates. Contracts will expire in 2016. There is a plan in place to retender all investment managers' contracts over 2015 and 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.

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 retender process at the end of 2014, Aon Hewitt was appointed Fund actuary from January 2015 for a period of 4 years.

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. If external advice or consultancy is required, a procurement process will be followed according to the value of the work as set out in the County Council's Standing Orders policy.

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 and 2014, 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	
Passive global equities State Street Global Advisors	FTSE All World Equity Index	
Passive UK equities State Street Global Advisors	FTSE All Share Index	
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.

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 45% of the contributing membership
- the two city unitary authorities with 18% of the contributing membership

- the district councils and other employers with 37% 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 online 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	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.	Full compliance.	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.	Full compliance.	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, e.g. admission bodies) ii) scheme members 	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

	(including deferred and pensioner scheme members) iii) where appropriate, independent professional observers, and iv) expert advisers (on an ad-hoc basis).		observers are not regarded as appropriate.
b.	That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers, meetings, and training and are given full opportunity to contribute to the decision-making process, with or without voting rights.	Full compliance.	Equal access is provided to all members of the 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	Full	A training plan has been

	considers adopting annual training plans for committee members and maintains a log of all such training undertaken.	compliance.	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 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.	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 **September** 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. **We also hold six-monthly meetings with an employer focus group.**

Reports and accounts

We send **an electronic** 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

Latest news and information is available on the staff webpages. 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. New staff undertake a structured development programme.

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

New employers receive information about the costs of joining the scheme and are invited to attend employer training as well as having access to the employer website.

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:

<http://www3.hants.gov.uk/pensions/lgps/a-z/internal-dispute-resolution-procedures.htm>

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	X	✓	Always available	As regulations change
Reports and accounts	X	✓	✓	✓	✓	✓	✓	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

Hampshire Pension Fund Administration Strategy

1. Introduction

- 1.1. Hampshire County Council is the administering authority for the Local Government Pension Scheme (LGPS) on behalf of the employers participating in the LGPS through the Hampshire Pension Fund (HPF). The LGPS is governed by statutory regulations.
- 1.2. HPF provides a high quality pension service to members and employers, to ensure members receive their correct pension benefits. This is best achieved where HPF and the employers are clear about their roles and responsibilities and work in partnership.
- 1.3. This strategy statement:
 - sets out the roles and responsibilities of HPF and the employers
 - specifies the level of services HPF and the employers will provide to each other
 - explains the performance measures used to evaluate them
 - is an agreement between HPF and the employers.

2. Pension Administration Strategy

- 2.1. This strategy is an agreement between the Hampshire Pension Fund and all participating bodies. All parties commit to the following principles:
 - provide a high quality pension service to members
 - continually develop efficient working arrangements
 - meet HPF's service standards
 - an annual report of performance
 - take responsibility to provide accurate and timely information
 - keep the pension administration strategy under review and revise where appropriate.
- 2.2. This strategy statement was produced by HPF in consultation with the employers and is effective from 01 November 2014. It is hereby agreed that each of the parties as defined in this agreement and the scheme regulations, shall abide by the requirements of this agreement.
 - HPF shall monitor the requirements of this agreement and report its findings to the Hampshire Pension Fund Panel.
 - Changes are subject to consultation with the employers. Variations must be agreed with HPF and confirmed in writing.
- 2.3. Please keep a copy of this strategy for your records. The original will be held at the offices of the Hampshire Pension Fund and will be made available to any scheme member, past or present, wishing to have sight of the document.

3. Roles and responsibilities

- 3.1. The quality of service to members depends on the supply of accurate and timely information.
- 3.2. Employer duties, responsibilities and discretions are listed in Appendix A to this agreement.
- 3.3. HPF's duties and responsibilities are listed in Appendix B to this agreement.

4. The Regulations – effect on strategy

- 4.1. This strategy sets out certain duties and responsibilities.
 - It does not override any provision or requirement in the Regulations or any overriding legislation.
 - The intentions of the Regulations in their application to current members, potential members, deferred members and retired members must be complied with.
- 4.2. This agreement is based on:
 - Current regulations:
 - the Local Government Pension Scheme Regulations 2013, and any amendments;
 - the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014, and any amendments;
 - Any earlier LGPS regulations as they continue to apply
 - Overriding legislation including, but not limited to,
 - the Public Service Pension Act 2013
 - the Local Government (Early Termination of Employment) (Discretionary Compensation) (England & Wales) Regulations 2000
 - the Occupational Pension Scheme (Disclosure of Information) Regulations 1996

5. Definitions

- 5.1. For the purpose of this Administration Agreement:
 - “Administering Authority”, ‘Hampshire Pension Fund (HPF) and the Fund means Hampshire County Council;
 - “Employing authority” or “employer” means an employer within the Hampshire Pension Fund; and
 - “Scheme” means the Local Government Pension Scheme, and
 - “The Panel” means the Hampshire Pension Fund Panel’

6. Communication

- 6.1. The HPF Communications Policy Statement outlines how the Fund communicates with all stakeholders, including employers.
- 6.2. HPF routinely provides information and resources for employers using
 - its website, www.hants.gov.uk/pensions with an employers' section
 - an electronic newsletter called Pension Matters
 - an employer manual and other guides available on the HPF website.
- 6.3. HPF will make available to the employer an up to date list of LGPS publications which will be available from the HPF website or as otherwise indicated.
- 6.4. HPF will communicate to the employer on an ad hoc basis and as required in respect of matters relating to the LGPS.
- 6.5. HPF will ensure that sufficient information is issued in the form of newsletters, booklets and other materials to satisfy the requirements of The Occupational, Personal and Stakeholder Pension Schemes (Disclosure of Information) (Amendment) Regulations 2010.
- 6.6. HPF will notify the employer of changes to administrative procedures that may arise as a result of changes in pension scheme regulations and update standard documentation on the HPF website.
- 6.7. HPF will issue forms, newsletters, booklets and such other materials as are necessary in the administration of the LGPS, for members and the employers. This includes providing HMRC with details of early leavers for contracting-out purposes.
- 6.8. Employers should provide contact details at least annually, and whenever a named contact changes, on the Employer Authorisation form.
- 6.9. Employers may provide information about members to HPF in a variety of ways, including electronic and paper forms, directly updating electronic pension records, or using an interface between payroll and the pensions system. Forms used must be up to date, and are available on the HPF website. Employers who update electronic pension records directly are fully supported via initial and refresher training and day to day support.

7. Performance measurement and reporting

- 7.1. Pensions Services will monitor, measure and report compliance with the agreed service standards. This information will be reported to the Panel, and improvement plans put in place if necessary.
- 7.2. Where this information reveals problems in employers meeting the standards, HPF will consult and work with the relevant employers to improve compliance and performance levels by providing appropriate support, guidance, and training.

8. Costs

- 8.1. The Fund Actuary determines employer contribution rates for the three years following each triennial valuation. The rates and adjustments certificate provides details of all payments which are due from employers in the fund.
- 8.2. The costs of administration, including actuarial fees for the triennial valuation, are charged directly to HPF. These administration costs are taken into account by the Fund Actuary when assessing the employers' contribution rates.
- 8.3. Where additional actuarial or legal services are required by, or result from the actions of, the employer, the employer will be required to reimburse HPF for the costs involved. Where appropriate, an estimate of these costs will be provided and the employer's agreement obtained before proceeding to instruct the service provider.
- 8.4. If HPF incurs interest charges as a result of a late notification of retirement from the employer, it may recharge to the employer the interest incurred on the late payment of the lump sum.
- 8.5. Employers may also be required to pay for additional work, including estimates which are in addition to the agreed allocation, or for requesting work to be completed faster than the normal service standards. The employer's agreement to the charge will be obtained prior to the work being carried out.

9. Penalties

- 9.1. Commitment to the principles of this statement (see 2.1) should mean that any non-compliance is addressed promptly, with no need to resort to a penalty. However, the following actions are possible:
 - Where payment over of contributions is late more than once in any 12 month period, HPF will issue the employer with a written notice of unsatisfactory performance and may charge interest on the late payment at a daily rate equal to the Bank of England's base rate plus 1%
 - Persistent failure to comply with contributions payment requirements will result in HPF informing The Pensions Regulator as required of Scheme Administrators by the Pensions Act 1995.
 - Where the employer fails to comply with their scheme duties, including failure to pay contributions due, HPF reserves the right to notify the member(s) involved and to notify all members employed by the employer in the event of serious or persistent failure.
 - If additional and disproportionate resources are deployed by HPF because of an employer's poor performance, the cost of the additional resources may be re-charged to the employer according to powers available under scheme regulations. Written notice will be given of the reasons for the re-charge, how the cost was calculated, and the part of this statement which, in HPF's opinion, was contravened.

- Where orders or instructions issued by The Pensions Regulator, the Pensions Ombudsman or other regulatory body require financial compensation or a fine to be paid by HPF, or by any officer responsible for it, and it is due to the default, omission or otherwise negligent act of the employer, the sum concerned will be recharged to the employer.
- Where, as a result of the employer's failure to notify HPF of the final retirement details in a timely manner, payment of any retirement lump sum is not made within 30 days from the date of the member's retirement, HPF will issue the employer with a written notice of unsatisfactory performance and may charge the employer for the interest payment made.
- Where it is proven that the employer is not responsible for any fine or penalty imposed by The Pensions Regulator or any other statutory body as a result of non-compliance of this Service Level Agreement, any such charge will automatically default to HPF.

10. Hampshire Pension Fund contacts

Member and general employer queries

Pensions customer support team

01962 845588

pensions@hants.gov.uk

Website www.hants.gov.uk/finance/pensions

Technical employer queries

Service development team

servdev.pensions@hants.gov.uk

End of year and associated matters

Finance team

pensions.finance@hants.gov.uk

Annex A - Employer Responsibilities

The main duties of the employers as set out in the Regulations are set out in the table below, together with timescales for completion where appropriate.

Employer responsibility	Timescale
Decide who is eligible to become a member of the LGPS and the date from which membership of the LGPS starts). Notify HPF of the new member details and provide employee with details of the pension scheme.	Within 10 working days following the end of the month in which the employee joined the LGPS.
Determine the rate of employee contributions to be deducted from the employee's pensionable pay and, where the employee holds more than one post, the rate that should be applied to each post.	For the first pay period in which the employee joins the LGPS
Move employees into the 50:50 section.	From the next pay period after receiving the employee's request
Collect and pay to the HPF the deduction of, the correct rate of pension contributions payable by the employee and the employer, including any additional employee contributions of any kind.	Payment over to HPF by 19th of the month following deduction
Complete monthly remittance form containing detail of the contributions payment.	Send to Pensions Services with payment of contributions
Collect and pay over AVC contributions to the specified AVC provider in accordance with statutory timescales Notify HPF of a member's election to pay, vary or cease AVCs.	Payment over to AVC provider by 19th of the month following deduction
Refund contributions through the payroll to any employee who opts out of the scheme with less than 3 months membership.	From the next pay period after receiving the employee's request to opt out
Calculate assumed pensionable pay for any employees who met this requirement under the regulations.	As required
When an employee's ceases membership of the LGPS, determine the reason for leaving and entitlement to benefit and notify the HPF, supplying timely and accurate information to HPF so that benefits payable from the LGPS are calculated correctly.	Within 10 working days following the end of the month in which the employee left the scheme.
Use an independent registered medical practitioner qualified in occupational health medicine (who has been approved by HPF) in determining requests for ill health retirement.	As required

Employer responsibility	Timescale
Write, publish and maintain a policy on areas of the regulations in which employers can exercise their discretion.	In accordance with regulations and then regular review. Notify HPF and members of any changes to those policies within 30 working days of the changes taking effect.
Appoint a person to consider applications from members regarding decisions, acts or omissions and to decide on those applications.	On entry to the HPF and review as required
Provide annual information to HPF with full details of the contributions paid by members in the year. Respond to queries on the annual return raised by HPF.	By 30 April Respond to queries within 20 working days of receipt
Determine final pay for the purposes of calculating benefits due from the Scheme.	The employer will provide HPF with the correct final pay figure for the calculation of benefits: <ul style="list-style-type: none"> • within 20 working days before an employee's retirement date • within 10 days of the month end during which the employee left employment or opted out
The employer will maintain employment records for each member for the purposes of determining membership and entitlement to benefits. The employer must keep a full pay history for the 13 years, ending 31 March, before the member leaves the scheme.	As required
Notify the HPF of changes to an employee's status or of a break in membership.	10 working days following the end of the month during which date that the change takes effect
Notify HPF of a member's death and next of kin's details.	Within five working days of the member's death.
Supply required details for completion of an estimate.	Within 10 working days of the member's request

Employer responsibility	Timescale
Distribute annual benefit statements and any other notifications to active members as requested by HPF.	Within 20 working days of receipt
<p data-bbox="193 344 671 383">Notify HPF of any TUPE transfer.</p> <p data-bbox="193 501 951 539">Complete TUPE forms for each member transferring.</p>	<p data-bbox="1043 344 1414 488">Notify HPF of the transfer as soon as possible in advance of the transfer date.</p> <p data-bbox="1043 510 1426 654">Part A of the TUPE form completed within 10 working days following the end of the month in which</p>

Annex B - HPF Responsibilities

The overriding responsibility of HPF is to maintain the Hampshire Pension Fund in accordance with the regulations.

HPF will provide the following within the timescales shown. A reduced timescale may be agreed in exceptional cases at an employer's request.

HPF responsibility	Timescales
Invest pension contributions and account for and manage the Pension Fund's assets.	Daily.
Allocate all contributions submitted by the employer to their respective income codes and reconcile the total contributions paid on a yearly basis.	Annually.
Appoint Additional Voluntary Contributions provider(s).	As required.
Appoint an actuary for the purposes of the triennial valuation of the Fund and to provide periodical actuarial advice when required.	As required, in line with procurement provisions.
Provide accurate, timely data to the Fund actuary.	As required.
Correspond with and commission any information required of the Fund Actuary on behalf of the employer.	As required.
Arrange for the triennial valuation of the Pension Fund and provide the employer with a copy of the valuation report and the annual report and statement of accounts.	Every three years.
Arrange for the annual accounting report to be provided to all employers requiring such a report.	Annually.
Publish and review the Pension Fund's Policies and Funding Strategy Statement, and prepare annual report and accounts.	Annual review and publication.
<p>Notify the employers of any significant changes to:</p> <ul style="list-style-type: none"> • Regulations that might affect members in their employ; • policies made by the administering authority under the Regulations; or • procedures adopted by it in accordance with this strategy. <p>Advice will be given to the employers in respect of matters arising from the interpretation and implementation of the Regulations.</p>	As required.
Maintain a complaints procedure including the appointment of a specified person to act as a local referee at Stage 2 of the dispute process.	As required.

HPF responsibility	Timescales
Write, publish and maintain a policy on areas of the regulations in which employers can exercise their discretion.	In accordance with regulations and then regular review. Notify employers and members of any changes to those policies within 30 working days of the changes taking effect.
Answer enquiries made by members or sooner where possible.	Within 10 working days Where an enquiry will take longer than 10 days to resolve, HPF will notify the member and keep the member updated.
Set up a record for each new member and issue a statutory notification.	Within 20 working days from when notified of their membership.
Issue annual benefit statements to active members via their employer.	Within 6 months of receipt of all relevant year end information from the employer, or in any case no later than prescribed in the regulations.
Provide an estimate of pension benefits on request from the employer, and details of any capital costs to be paid by them.	Within 20 working days of receipt of all relevant information
Amend a member's record.	Within 20 working days from when the change was notified.
Calculate benefits due when a member leaves employment and send details to the member.	Within 20 working days for retirements, or within 40 working days for deferred benefits, on receipt of all information needed to make the final calculation
Send a benefit statement to all deferred members showing the accrued benefits to the date of leaving and the other options available to them in accordance with the Regulations.	Annually

HPF responsibility	Timescales
Pay retirement lump sums.	Within 10 days of the retirement date or of receipt of all information from the employer and member if later.
Set up on monthly payroll.	Within 10 working days of completing the retirement calculations.
Provide details of the final capital costs to be paid by the employer into the Pension Fund.	Within 10 working days of completing the calculation.
Calculate and process transfers of members' pension rights inwards and outwards.	Within 20 working days of receipt of information
Acknowledge in writing the death of a member.	Within 5 working days of being notified of the death.
Supply survivor beneficiaries with notification of their entitlements including the method of calculation.	Within 20 working days of all the information being received.
Pay any death grant due and set up dependant on pensioner payroll.	Within 10 working days of completing the calculation of entitlement
Apply pensions increases annually to the relevant pensions in payment and deferred pensions retained in the Fund in accordance with the Pensions Increase (Review) Order issued by the Government.	Annually

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Annex C – Administering Authority discretions

The table below sets out how the Hampshire Pension Fund (HPF) chooses to exercise its discretions under the LGPS regulations.

	Discretion	Regulation	Policy
1.	Whether to agree to an admission agreement with a Care Trust, NHS Scheme employing authority, Care Quality Commission or any other body applying to be an admission body.	R4(2)(b), R5(5) & RSch 2, Part 3, para 1	HPF will enter into an admission agreement where the requirements that it has set down and issued to prospective bodies are met.
2.	Whether to terminate a transferee admission agreement in the event of: <ul style="list-style-type: none"> • Insolvency, winding up or liquidation of the body • Breach by that body of its obligations under the admission agreement • Failure by that body to pay over sums due to the Fund within a reasonable period of being requested to do so. 	RSch 2, Part 3, para 9(d)	HPF will decide any case on its merits, and with advice from the Fund Actuary.
3.	Define what is meant by ‘employed in connection with’.	RSch 2, Part 3, para12(a)	HPF admission agreements specify this as the employee spending at least 50% of his time employed by the admission body carrying out duties relevant to the provision of the services.
4.	Whether to turn down a request to pay an APC/SCAPC over a period of time where it would be impractical to allow such a request (e.g. where the sum being paid is very small and could be paid as a single payment).	R16(1)	HPF has not set a minimum payment threshold.
5.	Whether to require a satisfactory medical before agreeing to an application to pay an APC / SCAPC.	R16(10)	HPF does not require those applying to take out an APC to pass a medical.
6.	Whether to turn down an application to pay an APC / SCAPC if not satisfied that the member is in reasonably good health.	R16(10)	HPF will turn down an application if there are sound reasons to believe the applicant is not in good health
7.	Whether to charge member for provision of an estimate of additional pension that would be provided by the Scheme in return for transfer in of in house AVC /SCAVC funds (where AVC / SCAVC arrangement was entered into before 1 / 4/ 14).	TP15(1)d & A28(2)	HPF charges for estimates in accordance with its estimates policy.

	Discretion	Regulation	Policy
8.	Decide to whom any AVC/SCAVC monies (including life assurance monies) are to be paid on death of the member.	R17(12)	HPF will decide each case on its merits, after assessing all potential beneficiaries, but will take into account the member's valid expression of wish form.
9.	Pension account may be kept in such form as considered appropriate.	R22(3)(c)	HPF will decide the form in which pension accounts are kept based on any published guidance, best practice and in an efficient manner.
10.	Decide, in the absence of an election from the member within 12 months of ceasing a concurrent employment, which ongoing employment benefits from the concurrent employment which has ceased should be aggregated (where there is more than one ongoing employment).	TP10(9)	HPF will aggregate with the earliest remaining employment.
11.	If an Employer has become defunct, the administering authority is required to make decisions on ill health and early payment of benefits. Including whether to waive, in whole or in part, actuarial reduction on benefits paid on flexible retirement or on benefits which a member voluntarily draws before normal pension age.	R30(8) TP12(6) R38(3) R38(6) B30(2) B30(5) B30A(3) B30A(5) B31(4) B31(7)	HPF will exercise this discretion in accordance with, and to the extent of (if any) the policy and practice of the former employer. If no policy exists, HPF will not waive any reduction. HPF will assess ill health retirement decisions, including the use of 2008 certificates, on a case by case basis.
12.	Whether to require any strain on Fund costs to be paid 'up front' by employing authority following payment of benefits under: flexible retirement; redundancy / business efficiency; the waiver (in whole or in part) of any actuarial reduction that would have otherwise been applied to benefits which a member voluntarily draws before normal pension age; release of benefits before age 60.	R68(2) TPSch 2, para 2(3) L80(5) B30 or B30A	HPF requires employers to make upfront payment of strain charges following any decision to allow early payment of benefits (other than ill health).
13.	Whether to extend the time limits within which a member must give notice of the wish to draw benefits before normal pension age or upon flexible retirement.	R32(7)	No extension will be granted, unless appropriate to the individual circumstances of a case.
14.	Decide whether to commute small pension.	R34(1) B39 T14(3) L49 & L156	HPF will allow commutation of small pension pots provided all the regulatory conditions are met.

	Discretion	Regulation	Policy
15.	Approve medical advisors used by employers (for ill health benefits).	R36(3) L97(10)	HPF requires employers to provide details of medical advisors used for assessing entitlement to ill health benefits and will liaise with any employer who is using a medical advisor of which HPF does not approve.
16.	Decide to whom death grant is paid.	TP17(5) to (8) R40(2) R43(2) R46(2) B23(2) & B32(2) B35(2) TSch1 L155(4) L38(1) L155(4) E8	HPF will decide each case on its merits, after assessing all potential beneficiaries, but will take into account the member's valid expression of wish form.
17.	Decide, in the absence of an election from the member, which benefit is to be paid where the member would be entitled to a benefit under 2 or more regulations in respect of the same period of Scheme membership.	R49(1)(c) B42(1)(c)	HPF will choose the benefit entitlement that yields the highest level of benefits for the member.
18.	Whether to set up a separate admission agreement fund.	R54(1)	HPF has decided not to set up a separate admission agreement fund.
19.	Maintain a governance policy which contains the information set out in the regulations.	R55	HPF has a written governance policy which contains the required information and is regularly reviewed.
20.	Decide on Funding Strategy for inclusion in funding strategy statement.	R58	HPF has a funding strategy which is included in the funding strategy statement.
21.	Whether to have a written pensions administration strategy and if so, the matters it should include.	R59(1) and (2)	HPF has a written pensions administration strategy.
22.	Maintain a communication policy which contains the information set out in the regulations.	R61	HPF has a written communication policy which contains the required information and is regularly reviewed.
23.	Whether to obtain revision of employer's contribution rate if there are circumstances which make it likely a Scheme employer will become an exiting employer.	R64(4)	HPF will decide each case on its merits, with advice from the Fund Actuary.

	Discretion	Regulation	Policy
24.	Decide whether to obtain a new rates and adjustments certificate if the Secretary of State amends the Benefits Regulations as part of the 'cost sharing' under R63.	R65	HPF will make this decision as it arises, with advice from the Fund Actuary.
25.	Decide the frequency of payments to be made over to the Fund by employers and whether to make an admin charge	R69(1) L81(1) L12(5)	Employer contribution payments are due monthly by 19th of the month following deduction. Administration costs are taken into account by the actuary when setting employer contribution rates.
26.	Decide the form and frequency of information to accompany payments to the Fund	R69(4) L81(5)	Employers are required to complete a monthly remittance form with their payment showing a breakdown of contributions.
27.	Whether to issue employer with notice to recover additional costs incurred as a result of the employer's level of performance	R70 and TP22(2)	HPF will work with employers to improve performance but if additional and disproportionate resources are deployed by HPF because of an employer's poor performance, the cost of the additional resources may be re-charged.
28.	Whether to charge interest on payments by employers which are overdue	R71(1) L82(1)	HPF will charge interest on payments which are more than one month overdue.
29.	Decide whether to extend six month period to lodge a stage one IDRPs to be heard by the administering authority	R74(4)	HPF will not extend the 6 month period, unless the circumstances of the individual case warrant an extension.
30.	Decide procedure to be followed when exercising its IDRPs functions and decide the manner in which those functions are to be exercised	R74(6) R76(4) L99	HPF has a documented and compliant IDRPs process.
31.	Whether admin authority should appeal against employer decision (or lack of a decision)	R79(2) L105(1)	HPF would take the decision to appeal based on the merits of the individual case.
32.	Specify information to be supplied by employers to enable admin. authority to discharge its functions	R80(1)(b) & TP22(1)	HPF provides employers with full guidance as to the information they must supply.

	Discretion	Regulation	Policy
33.	Whether to pay death grant due to personal representatives or anyone appearing to be beneficially entitled to the estate without need for grant of probate / letters of administration where payment is less than amount specified in the Administration of Estates (Small Payments) Act 1965.	R82(2) A52(2) L95	HPF will pay death grants that are under the amount specified in the Administration of Estates (Small Payments) Act 1965 without the need for grant of probate / letters of administration.
34.	Whether, where a person (other than an eligible child) is incapable of managing their affairs, to pay the whole or part of that person's pension benefits to another person for their benefit.	R83 A52A	HPF will decide who should receive payment of benefits, based on the circumstances of the individual case.
35.	Date to which benefits shown on annual benefit statement are calculated.	R89(5) L106A(5)	HPF uses 31 March, but will revise this if regulatory requirements, administrative efficiency or best practice demand it.
36.	Extend normal time limit for acceptance of a transfer value beyond 12 months from joining the LGPS.	R100(68)	HPF will not extend the 12 month limit, except if warranted by the individual circumstances of the case.
37.	Allow transfer of pension rights into the Fund.	R100(7)	HPF will allow transfers into the Fund, where they meet regulatory conditions.
38.	Where member to whom B10 applies (use of average of 3 years pay for final pay purposes) dies before making an election, whether to make that election on behalf of the deceased member. Make election on behalf of deceased member with a certificate of protection of pension benefits i.e. determine best pay figure to use in the benefit calculations (pay cuts / restrictions occurring pre 1.4.08.).	TP3(6), TP4(6)(c), TP8(4), TP10(2)(a), TP17(2)(b) TSch 1 L23(9) B10(2)	HPF will choose the pay figure that would yield the highest overall level of benefits for beneficiaries.
39.	Decide to treat child as being in continuous education or vocational training despite a break.	RSch 1 & TP17(9) B39 T14(3)	HPF will treat a child as being in continuous education or vocational training despite a break.
40.	Decide evidence required to determine financial dependence of cohabiting partner on scheme member or financial interdependence of cohabiting partner and scheme member.	RSch 1 & TP17(9)(b) B25	HPF will decide the evidence required to determine financial dependence, based on guidance and best practice. For most cases, utility bills, bank statements or mortgage documentation in joint names will be accepted.

	Discretion	Regulation	Policy
41.	Decide policy on abatement of pensions following re-employment, including the pre April 14 element for post 14 leavers.	TP3(13) & A70(1)* & A71(4)(c) T12 L109 L110(4)b	HPF will not abate pension for any re-employment starting after 1 April 2014. Pensions already abated at this date will continue to be abated until the re-employment ends.
42.	Extend time period for capitalisation of added years contract	TP15(1)(c) & TSch1 & L83(5)	HPF will not extend the time limit for applications to pay off added years contracts.
43.	Outstanding employee contributions can be recovered as a simple debt or by deduction from benefits	A45(3) L89(3)	HPF will usually recover as a deduction from benefits.
44.	Whether to pay the whole or part of a child's pension to another person for the benefit of that child.	B27(5) L47(2) G11(2)	All pensions due to children under 16 will be paid to another person for the benefit of the child. After age 16, HPF will normally pay to the child, unless the circumstances of the individual case mean that the payments should continue to be made to another person.
45.	Extend normal 12 month period following end of relevant reserve forces leave for "Cancelling notice" to be submitted by a councillor member requesting that the service should not be treated as relevant reserve forces service.	L17(4),(7),(8), & L89(4) & Sch 1	HPF will not extend the 12 month period, unless the individual circumstances of the case warrant it.
46.	Select appropriate final pay period for deceased non-councillor member (leavers post 31.3.98. / pre 1.4.08.).	L22(7)	HPF will choose the appropriate pay period that would yield the highest overall level of benefits for beneficiaries.
47.	Apportionment of children's pension amongst eligible children (children of councillor members and children of post 31.3.98 / pre 1.4.08. leavers).	L47(1) G11(1)	HPF will apportion children's pension equally amongst eligible children.
48.	Commute benefits due to exceptional ill-health (councillor members, pre 1.4.08. leavers and pre 1.4.08. Pension Credit members).	L50 and L157	HPF will commute benefits due to exceptional ill health, provided regulatory conditions are met.
49.	Whether acceptance of AVC election is subject to a minimum payment (councillors only).	L60(5)	HPF does not set a minimum payment threshold for AVCs.

	Discretion	Regulation	Policy
50.	Timing of pension increase payments by employers to fund (pre 1.4.08. leavers).	L91(6)	Employer payments are paid monthly on account, with an annual balancing charge after the year end.
51.	Retention of CEP where member transfers out (councillors and pre 1.4.08. leavers).	L118	CEP will be paid with transfers out rather than being retained in the Fund.
52.	Discharge Pension Credit liability (in respect of Pension Sharing Orders for councillors and pre 1.4.08. Pension Sharing Orders for non-councillor members).	L147	
53.	Decide whether to automatically include a woman's LGPS membership between 1 April 1972 and 5 April 1988 in the calculation of her widower's pension at no charge to her, for any female member ceasing active membership after 1 April 1998.		HPF will automatically include a woman's LGPS membership between 1 April 1972 and 5 April 1988 at no cost to her, for any female member ceasing active membership after 1 April 1998.
54.	A surviving civil partner of a member of the 2014 scheme could be put in a worse position than under the 2008 regulations.	TP17	Any member to whom TP17(15) applies will be treated as if a valid election under TP17(16) had been made.
55.	Whether to pay spouse's pensions for life for pre 1.4.98 retirees / pre 1.4.98 deferreds who die on or after 1.4.98. (rather than ceasing during any period of remarriage or co-habitation).	F7	HPF will pay spouse's LGPS pensions for life.
56.	Agree to pay annual compensation on behalf of employer and recharge payments to employer.	DC31(2)	HPF will pay compensation on behalf of an employer, subject to acceptable recharge arrangements.

Key to regulations:

Prefix	Regulation
R	Local Government Pension Scheme Regulations 2013
TP	Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014
A	Local Government Pension Scheme (Administration) Regulations 2008
B	Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007
T	Local Government Pension Scheme (Transitional Provisions) Regulations 2008
L	Local Government Pension Scheme Regulations 1997 (as amended)
None	Local Government Pension Scheme Regulations 1995
DC	Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000

