



HAMPSHIRE
PENSION FUND

Annual report
and accounts

2023/24



Hampshire
County Council

hants.gov.uk



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We hope you find this annual report informative and useful. There is a glossary of terms at **page 133**.

If you have any comments on the annual report, please call **01962 845588**, email **budget@hants.gov.uk** or write to:

Pension Fund Annual Report
Pensions, Investments & Borrowing
Corporate Operations
Hampshire County Council
The Castle, Winchester
SO23 8UB

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

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Section 1

Introduction

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Foreword

Welcome to the Hampshire Pension Fund annual report for 2023/24.



Councillor
Mark Kemp-Gee

As previously reported, 2022/23 was a challenging year for the Pension Fund's investments. In the year under review, 2023/24, although there has been some easing in the macro-economic causes of the previous year's

volatility in global bond and equity markets, geo-political risks and tensions still remain extant. The war in Ukraine continues and the conflict in Gaza shows no immediate signs of diminishing.

Higher interest rates brought in by central banks in 2022/23 and early in 2023/24 to tackle high inflation appear to have peaked at their current highs and a downward trajectory now looks likely. High interest rates have provided the Fund's debt and credit investment managers with

greater yield opportunity, and interest rate stability has been fruitful for global equities, particularly a small number of US technology stocks who have all grown significantly to the extent that they are now a large proportion of the global index. These conditions in combination with the Fund's diversified investment strategy, resulted in a 9% absolute return on the Fund's assets, which has contributed to the overall value of the Pension Fund rising to almost £10 billion. I welcome this level of performance, a new and significant high point, particularly after 2022/23 where we saw the most difficult year that we have seen for the Pension Fund's investments since the Great Financial Crisis of 2008.

The Pension Fund continues to make good progress in its approach to Responsible Investment (RI). In the last year the Panel and Board has taken an important step in the Fund's aim for investments to have net-zero emissions by 2050 at the latest by agreeing for the Fund to work towards disinvesting from fossil fuel investments. The Pension Fund will be working with its investment managers to implement this decision in its investment portfolios.

The Panel and Board has also set targets that over 30% of the alternative investment portfolios are allocated to sustainable or impact investments by 2026, and moved the Emerging Market equity investments from a passive to an active portfolio, where an investment manager can make 'active' choices in selecting companies with better responsible investment credentials.

This year we have again submitted our statement of compliance with the UK Stewardship Code as well as voluntarily completing the Taskforce for Climate Related Financial Disclosure (TCFD) reporting. The Pension Fund is also a signatory to the UN Principles for Responsible Investment (PRI), the Institutional Investors group on Climate Change (IIGCC), Just Transition and the Transition Pathway. These organisations give us an insight into ideas that other investors have around RI reporting and targets. This has been supported by the additional capacity afforded to us by our RI Sub-Committee and details of our RI activity can be found from **page 96** of this report. I hope you find this of interest and as in previous years we would welcome your thoughts and views.



Foreword continued

The Pension Fund's 206,866 scheme members continue to be served exceptionally well by Hampshire Pension Services, who have continued to work incredibly hard to deliver the excellent level of service our scheme members deserve. I continue to be very proud of their achievements, consistently hitting targets for key performance indicators and once again receiving reaccreditation for Customer Service Excellence. In addition to the continuing work the team do around important pension developments such as the McCloud remedy, cyber security and preparing for the Pensions Dashboard Programme being brought in by the Government, the team also transitioned to a new Fund Actuary, Hymans Robertson.

Continued progress has been made in pooling the Fund's investments within the ACCESS LGPS Pool (A Collaboration of Central, Eastern and Southern Shires). During 2023/24 one of Hampshire's two multi-asset credit portfolios moved to the pooling platform, now allowing all ACCESS pension funds the opportunity to invest alongside Hampshire. In addition, the Fund was able to use ACCESS to implement

Hampshire's Investment Strategy and RI policy, investing in two new investment portfolios on the ACCESS platform, working with other investors to ensure the portfolio met the requirements of Hampshire's responsible investment approach. These additions mean that now all of our listed equity investments, two active credit portfolios, and our index linked bonds portfolio are managed through pooled arrangements, which equates to 62% of our investments.

Going forward, the focus is now on pooling the non-listed asset classes with new investments in Timberland confirmed for 2024/25 and Hampshire's direct property manager has recently been confirmed as the pool's UK core and Global real estate manager. In addition, ACCESS's pooled private equity investment offering will take great steps forward during 2024/25 starting with a procurement exercise for two private equity allocators which was launched in April 2024. I am proud to continue to serve as the Chairman of the ACCESS pool's Joint Committee, having been elected to that position by the representatives of the 11 constituent Local

Government Pension Scheme (LGPS) funds. A full update on investment pooling is provided from **page 102**.

The members of the Pension Fund Panel and Board continue to add to our knowledge and skills by taking part in training sessions throughout the year. As in previous years we have continued to receive in-house training sessions, all members have access to an online training programme and members can attend external training sessions and conferences in person. Training is considered of high importance and more details of this can be found on **page 32**. Our investment managers also report to the committee on a regular basis to keep us informed on the progress of their portfolios, to tell us about any new developments and their thinking in the selection of investments that they make. They also update us on the move towards reducing our carbon footprint and any other RI matters. I can assure our scheme members that the Panel and Board take full advantage of these opportunities to ask extensive questions and to put forward any thoughts that we have, to hold our investment managers to account.



Foreword continued

The Investments and Borrowing team work hard to support the Panel and Board in many ways including continuing to manage relationships with the Fund's investment managers, arranging training for Panel and Board members and recommending improvements in RI for the Fund.

Officers also ensure the Pension Fund is represented in the ongoing development of the ACCESS investment pool alongside our colleagues from the 10 other partner LGPS funds. In all areas officers endeavour to push the Fund to excel and improve, and for that I thank them.

Finally, I would like to thank the members of the Pension Fund Panel and Board for their valuable input and dedication during 2023/24 and the role they play in the robust governance of the Fund. Full details of the membership of the Panel and Board during the year covered by our annual report can be found on **page 23**.

I hope you find the following report helpful.

Councillor Mark Kemp-Gee

Chairman, Pension Fund Panel and Board
July 2024



Summary report

The Hampshire Pension Fund is part of the Local Government Pension Scheme (LGPS) and has 206,866 members at 31 March 2024. It makes investments so that it can pay pensions to these members when they reach retirement age. Some members will already be retired and receiving their pensions, whereas others will just be starting out in their careers.

Governance

Hampshire County Council is the local authority responsible for administering the Hampshire Pension Fund, known as the Administering Authority. In this capacity, the County Council has delegated responsibility for the governance and management of the Pension Fund to the Pension Fund Panel and Board.

The Panel and Board meets quarterly and has 15 members, made up of nine County Councillors, three scheme member representatives and three employer representatives. These membership

arrangements have been designed to allow all key stakeholders to have the opportunity to be represented on the committee. During 2023/24 there were some changes to the membership of the Panel and Board. Dr Clifford Allen, Neil Wood and Lindsay Gowland stood down as scheme member representatives and they were replaced by Phillip Reynolds, Arron Hedges and Simon Walker. Fiona Hnatow also stood down as an employer representative and will be replaced by Amelia Nirmal in 2024/25. Councillor Cooper stood down from the Panel and Board and was replaced by Councillor Harrison.

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

The Panel and Board's mission is to provide an efficient and effective pension scheme

for all of the employees and pensioners of all eligible employers in Hampshire, in accordance with the requirements of the legislation for the LGPS.

During 2023/24 the Panel and Board oversaw its normal schedule of business. This included agenda items related to the governance of the Fund, updates on administration and investment performance, and presentations from the Fund's investment managers in separate briefings. There continues to be a focus on the Fund's approach to responsible investment (RI) during the year, which was further developed through the RI Sub-Committee.



Summary report continued

Investment pooling

In 2015 the Department of Communities and Local Government issued guidance which set out how the government expected LGPS funds to pool their investment assets, delivering:

- benefits of scale,
- strong governance and decision making,
- reduced costs and excellent value for money,
- an improved capacity and capability to invest in infrastructure.

The Hampshire Pension Fund is a member of the ACCESS pool with ten other LGPS Administering Authorities.

Over recent years the Pension Fund has worked with its ACCESS colleagues to transfer its investment assets to the pool, and as of 31 March 2024 has pooled £6.2bn (62%) of its investments. This is an increase in comparison to the position reported on 31 March 2023, due to both

the transition of one of Hampshire's multi-asset credit portfolios to the ACCESS pool and the relative changes in the market value of investments.

During 2023/24 the Pension Fund's investment management has cost the Fund £74.9m, which as a proportion of the value of the total investment assets is 0.78%. The investments in the ACCESS pool cost 0.26% as a proportion of the total value of investments, and by comparison, the non-pooled investments cost 1.70% as a proportion of the total value. The investment management costs for investments in the ACCESS pool are disproportionately lower because the assets that have not been pooled are different and attract significantly higher costs, but these private market assets are held to ensure the Pension Fund's investment strategy is suitably diversified.

The action of pooling has saved the Pension Fund £6.6m since pooling began, as the savings achieved on investment management fees have outweighed the costs of setting up and maintaining the pool, as well as the transition of moving

investment assets into the pool. More details can be found on **page 102** of this annual report.

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

Investments

The Pension Fund employs a specialist (known as an actuary) to work out how much money will be needed to pay the pensions of all active, deferred and pensioner members of the scheme. This indicates what investment returns are likely to be needed and how much employers need to contribute to the Fund each year. The actuary's report can be found on **page 123** that reflects the latest actuarial valuation as at 31 March 2022, which was finalised in 2022/23.

The Pension Fund sets an Investment Strategy with the aim of achieving the required investment returns set by the actuary. This was updated in 2023/24 following the latest actuarial valuation with the Panel and Board taking advice from



Summary report continued

an investment consultant. The Pension Fund also maintains a Funding Strategy Statement, which sets out how employers' pension liabilities can be best met and the approach to employers' contributions. These two strategies can be found on the Pension Fund's website: [Policies | Hampshire County Council \(hants.gov.uk\)](https://www.hants.gov.uk/policies).

Under the Investment Strategy, money is invested across different types of investments (known as asset classes) so that the Fund's investments are diversified, limiting exposure to any single asset or risk. The Panel and Board has appointed external specialists in each asset class to manage these investments. These specialists are called investment managers. By using a number of different investment managers the Pension Fund achieves further diversification.

In 2023/24 the value of the Pension Fund grew by £1 billion (11.2%) bringing it to total just under £10 billion at 31 March 2024. Each of the Pension Fund's investments is measured against a benchmark. The weighted benchmark returns in 2023/24 (weighted to reflect the relative sizes of

the Pension Fund's different investments) was 8.96%. The Pension Fund's investment return in 2023/24 was a 9.05% positive absolute return, in comparison to a -6% negative absolute return during 2022/23, which shows a significant improvement in comparison to 2022/23. This return for the Fund was 0.1% above the market but below the target that the Fund had set, reflecting the challenges that the last year's economic conditions caused for the Fund's investment managers. More details can be found in the Investment Performance Report on **page 87**.

Responsible Investment

The Pension Fund believes that investing responsibly is an important part of achieving its objectives, as Environmental, Social and Governance (ESG) factors can have a positive or negative impact on the Pension Fund and its investments. Following consultation with scheme members and employers the Pension Fund Panel and Board agreed to confirm the Pension Fund's support for the objectives of the Paris Agreement – keeping a global temperature rise this century to well below 2°C (which

we take to be 1.5°C) and commitment to the aim for its investments to have net-zero greenhouse gas emissions (which includes Scope 1, 2 and 3 emissions) by 2050 at the latest. To monitor this objective the Pension Fund reports on its carbon emissions in line with the recommendations of the Taskforce on Climate Related Financial Disclosures (TCFD).

The Pension Fund continues to support and participate in a number of important standards that underpin its approach to RI, including the UK Stewardship Code 2020, Principles for Responsible Investment (PRI) and the Institutional Investors Group on climate change. The Panel and Board's RI Sub-Committee met twice during 2023/24. More details on the Pension Fund's approach to RI and its activity during 2023/24 can be found in the section starting on **page 96**.

Administration

The Hampshire Pension Fund provides pensions for employees of Hampshire County Council, the unitary authorities of Southampton and Portsmouth and the 11 district / borough councils in the county



Summary report continued

area. These are 'scheduled bodies', which means their employees have a statutory right to be in the Scheme. Other scheduled bodies include the Office of the Police and Crime Commissioner and the Chief Constable for Hampshire and Isle of Wight, Hampshire and Isle of Wight Fire and Rescue Authority, the University of Portsmouth, Southampton Solent University and other colleges that were part of the County Council. Town and parish councils that have opted to join the Fund are known as resolution bodies.

There are also admission bodies which include voluntary organisations that the County Council has admitted to the Scheme under its discretionary powers. Other admission bodies include employees of contractors for jobs transferred from scheduled bodies.

Responsibility for the administration of the Pension Fund is delegated to Hampshire Pension Services (HPS), part of the Corporate Operations directorate of the County Council. Administration of the scheme includes administering all casework, handling all member queries,

paying pensioners, working with employers (including new and exiting employers) and providing employer training and support. HPS performs these aspects to an extremely high standard, complying with the requirements for the national standard for excellence in customer service (CSE) which has been held and retained since 2009.

Pension Services monitor their administration performance against service standards for key case work and achieved 100% against service standards for all key processes during 2023/24. In addition to this annual benefit statements were produced for over 99% of active members and for 100% of deferred members by the statutory deadline, and Pensions Savings Statements were all produced in line with that statutory deadline. The annual internal audit opinion concluded that Pension Services have a sound framework of internal control in place, which is operating effectively. No risks to the achievement of system objectives were identified.

Further information on the administration of the Hampshire Pension Fund can be found starting on **page 105** of this annual report.

Financial performance and Pension Fund accounts

The Pension Fund's costs are managed in line with a budget which is agreed each year by the Pension Fund Panel and Board for investment management fees, administrative costs, and oversight and governance costs. Further information can be found on **page 42** of this annual report.

The Pension Fund is required to produce its financial statements each year, showing the Fund's assets and liabilities as measured on 31 March, and accounting for the income and expenditure activity during the financial year from 1 April to 31 March. The Pension Fund's financial statements can be found starting on **page 45** of this annual report.

Section 2

Overall Fund management

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Scheme management and advisers

Administering authority and scheme manager
Hampshire County Council

Treasurer
Rob Carr, Deputy Chief Executive and Director of Corporate Operations

Independent adviser
Carolán Dobson

Asset Pool
ACCESS  **ACCESS**
Effective • Collective • Investment

Asset Pool Operator
Waystone

Fund Custodian
Northern Trust

Fund Actuary
Hymans Robertson

Fund Bankers
The National Westminster Bank plc

External auditor
EY

AVC providers
Zurich, Prudential, Utmost

County Council contacts
Deputy Director
Corporate Operations:
Andy Lowe 0370 779 4198

Legal adviser: Paul Hodgson

Investment managers

 **Alcentra**

 **CBRE** Investment Management

J.P.Morgan
ASSET MANAGEMENT

Dodge & Cox
Investment Focus

 **BAILLIE GIFFORD**

ROBECO
The Investment Engineers

 **ACADIAN**

BARINGS

 **UBS**

 **GCM GROSVENOR**

 **Fidelity**
INTERNATIONAL

PATRIA

 **TwentyFour**
ASSET MANAGEMENT



Risk management

The management of risk is part of the control framework managed by the Director of Corporate Operations' officers, with assurance provided through the work of Hampshire County Council's internal audit function.

The aims of the Pension Fund are published in the Funding Strategy Statement, which is reported to the Pension Fund Panel and Board annually. Risks are **identified** by analysing what may interfere with the achievement of these aims. This includes **financial risks** to the Fund's **investments** such as market, interest rate and foreign currency risks (reported in Note 15 to the Pension Fund's Accounts), as well as risks to the Fund's other main functions of **governance and administration**.

An **assessment** of each risk is conducted by the Deputy Chief Executive and Director of Corporate Operations' staff with assistance from the Fund Actuary. Risks are assessed and scored according to their impact (on a scale of 1 – negligible to 5 – catastrophic) across the categories of finance, service and

reputation, with the highest score multiplied by the score for likelihood (from 1-rare to 5-almost certain) to provide the overall score as shown in the Fund's risk register.

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

The risk register records the owner responsible for **managing** the risk and the response to the risk, whether it can be accepted or if further mitigating action is required. The **actions** taken to mitigate the Pension Fund's key risks in 2023/24 were:

- **Cyber risk** – the Pension Fund has continued its twice-yearly vulnerability testing of its pension administration system, the results of which are used to inform the Pension Fund's cyber improvement plan and training programme.
- **Investment and pooling** – the Pension Fund Panel and Board continues to set a diversified Investment Strategy as the best response to investment market risk. In the last year the Fund has added

a new asset class to the Strategy – Investment Grade Credit. The Fund's strategy is implemented through the ACCESS pool, which the Fund continues to play an active role in to ensure the pool's continued effectiveness in meeting Hampshire's needs. As an example, the Pension Fund's new investment in Investment Grade Credit was an existing ACCESS sub-fund, provided by its Operator, Waystone.

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



Risk management continued

- **Relationship to the Administering Authority** – Hampshire County Council is the responsible Administering Authority for the Pension Fund and the officers responsible for delivering the functions of the Pension Fund are employees of Hampshire County Council. For 2023/24 the Pension Fund Panel and Board agreed a budget that was sufficient for the County Council to provide the resources necessary for the successful delivery of the Pension Fund's functions.
- **Investment Environmental, Social and Governance (ESG) risk, including the risk of Climate Change** – the Pension Fund's Responsible Investment policy includes its approach to managing ESG risk, including the Fund's commitment for its investments to have net-zero greenhouse gas emissions by 2050 at the latest. In 2023/24 the Pension Fund has taken a number of further actions to manage this risk including targeting specific allocation of its alternative investments to sustainable and impact investments and committing to work towards disinvesting from fossil fuels.



Risk management: Fund risk register

Risks are categorised as follows:

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



Risk management: Fund risk register continued

Ref. No.	Name of risk	Description	Score
7	Regulatory change	Non-compliance with regulations caused by lack of knowledge by staff, changes in government policy/Local Government Pension Scheme (LGPS) reforms and systems not kept up-to-date, leading to reputational damage and financial loss.	6
8	External incident	The impact of external events causes a failure to undertake business as usual service resulting in loss of service provision.	6
9	Cybercrime	Due to cybercrime activities impacting on integrity, there is a risk of inability to carry out day-to-day business functions, which would result in reputational damage and financial loss.	15
10	IT failure	A failure of Hampshire or partners' IT systems that results in the Pension Fund unable to carry out day-to-day work including processing and payment of pensions and other financial transactions.	6
11	Investment underperformance	Investment management underperformance – from the Fund's investment managers failing to outperform their benchmark returns for prolonged periods of time resulting in a decrease in the Pension Fund's funding level.	12
12	Investment service providers	Ineffective monitoring of 3rd party service providers could lead to their failure to maintain their obligations in respect of investments which could result in potential loss of return or liquidity or ability to access or control investment.	6



Risk management: Fund risk register continued

Ref. No.	Name of risk	Description	Score
13	Investment market performance	<p>Assets do not grow sufficiently to meet pensions liabilities as a result of:</p> <ul style="list-style-type: none">• fluctuations in market prices (which is particularly relevant for investments in equities)• Interest rates (which can affect the prices of investments that pay a fixed interest rate)• fluctuations in prices of financial instruments that are denominated in any currency other than the functional currency of the Fund (GB pounds)• as a result of the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. This includes the risk of loss in the Stock Lending programme	12
14	Investment pooling	<p>Due to failure of external providers appointed by the ACCESS Pool or delays in the implementation of decisions and the availability of suitable solutions within the ACCESS Pool, there is a risk of reduction in the effectiveness of the decision, which would result in loss of potential return or access to investments. Or a change in pooling regulation mandates a solution that limits Hampshire in implementing and managing its Investment Strategy.</p>	12
15	Environmental, Social and Governance (ESG) risk	<p>Due to insufficient knowledge and/or resources could lead to a lack of consideration of all financial and non-financial risks relating to Environmental, Social and Governance (ESG) issues, including the risk of Climate Change, resulting in poor investment returns, increased employer contribution rates and reputational damage.</p>	8
16	Climate change	<p>The systematic risk of climate change leading to extreme weather, flooding, power loss or other natural disasters resulting in disruption of the Pension Fund's business and the wider economy and the value of investments.</p>	15
17	Funding Strategy	<p>Due to a failure to set and collect contributions, there is a risk of there not being sufficient funds to achieve a fully funded ongoing position in the timescales determined by the Funding Strategy Statement, which could cause financial loss or reputational damage.</p>	6



Risk management: Fund risk register continued

Ref. No.	Name of risk	Description	Score
18	Demographics	Failure to monitor the demographic experience of Fund's population is not in line with actuarial assumptions as in the Funding Strategy Statement and could result in increases required in Employer contributions which could cause complaints and damage to reputation.	6
19	Employer covenant	Due to failure to apply or lack of accurate information, and demonstrate fairness in the differentiated treatment of different fund employers by reference to their own circumstances and covenant could lead to underpayments or employers unable to meet their obligations and, therefore, financial loss and under-investment.	9
20	Inflation	Due to the nature of actuarial assumptions, there is a risk that pay and price inflation are significantly different, which would result in increases to employers' contributions.	9
21	Investment Strategy	There is a risk that failure to monitor and align the Funding strategy with the Investment strategy could lead to over or underfunding, resulting in reputational damage or financial loss.	6
22	Cashflow	Due to ineffective monitoring of the Fund's cashflow, resulting in the failure to set aside sufficient funds each month to pay pensioners or meet other obligations, which could lead to extreme hardship for pensioners and reputational damage to the Fund.	4
23	GAD assessment	As a result of failing to adopt or implement a funding strategy, there is a risk that this results in the Fund failing any of the Government Actuary's Department (GAD) s13 tests or be named in the GAD s13 report would cause reputational damage.	6



Risk management: Fund risk register continued

Ref. No.	Name of risk	Description	Score
24	Administration service	<p>Due to failure to administer scheme correctly in line with all relevant regulations and policies owing to circumstances such as, but not limited to:</p> <ul style="list-style-type: none">• lack of regulatory clarity• system issues• insufficient resources <p>would result in reputational damage and the possible risk that pensions are not paid at the right time to the right people and/or contributions not collected.</p>	8
25	Complaints	<p>Due to lack of training and/or experience, there is a risk of failing to deal with concerns, complaints and Internal Dispute Resolution Procedures (IDRPs) appropriately, resulting in poor customer satisfaction, further time spent resolving issues, potential compensation payments and reputational impact, particularly if escalated to the Pensions Ombudsman.</p>	3
26	Communications	<p>Failure to administer the scheme correctly due to circumstances such as, but not limited to:</p> <ul style="list-style-type: none">• Poor employer data• Unable to clearly articulate what is required from employers• Unable to clearly articulate what is required from the Fund itself in order to deliver the Fund's administrative functions could cause the fund reputational damage and financial loss <p>Poor data could result in pensions being incorrectly calculated or the data available to the Fund's Actuary being inaccurate.</p>	6



Risk management: Fund risk register continued

Ref. No.	Name of risk	Description	Score
27	Employer	<p>Due to the ever-changing mix of employers, from short-term and ceasing employers, and the potential for a shortfall in payments and/or orphaned liabilities.</p> <p>These events could cause the risk of unexpected structural changes in the Fund's membership and the related risk of an employer failing to notify the administering authority promptly.</p>	6
28	Pensions Dashboards	Failure to meet the statutory deadlines for connectivity to the Pensions Dashboard and unable to provide required information to members.	6
29	McCloud remedy	Engagement with the Department for Levelling Up, Housing and Communities / Local Government Association through attendance at technical meetings and keeping up to date with published information. Engagement with system provider to ensure system is developed in line with legislation and delivered to time/budget.	6
30	Guaranteed Minimum Pension (GMP) rectification	Inability to complete the GMP reconciliation and rectification project leading to reputational damage and potential ongoing under and over payment of pension amounts.	4

Section 3

Governance and training

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Pension Fund Panel and Board

Membership at 31 March 2024

County Council members



Cllr Mark Kemp-Gee
(Chairman)
19 years membership



Cllr Tom Thacker
(Vice-Chairman)
15 years membership



Cllr Alex Crawford
3 years membership



Cllr Tim Davies
2 years membership



Cllr Jonathan Glen
7 years membership



Cllr Dominic Hiscock
3 years membership



Cllr Andrew Joy
11 years membership



Cllr David Harrison
Under 1 year
membership



Cllr Rob Mocatta
3 years membership

County Council deputies

Cllr Keith House
Cllr David Drew
Cllr Kim Taylor
Cllr Jacky Tustain
Cllr Derek Mellor



Pension Fund Panel and Board continued

Employer representatives



Cllr Simon Letts
Unitary Council
representative
1 year membership



Cllr Paul Taylor
District Council
representative
4 years membership



Cllr Judith Smyth
Substitute employer
representative
2 years membership

Scheme Member representatives



Arron Hedges
Active scheme member
representative
Under 1 year membership



Simon Walker
Deferred scheme
member representative
Under 1 year membership



Phillip Reynolds
Pensioner scheme
member representative
2 years membership



Paul Barber
Substitute scheme
member representative
Under 1 year membership

Key officers



Rob Carr
Deputy Chief Executive
and Director of
Corporate Operations
Hampshire County Council



Andy Lowe
Deputy Director of
Corporate Operations
Hampshire County Council



Pension Fund Panel and Board continued

The Pension Fund Panel and Board (the Panel and Board) is responsible for the governance and management of the Pension Fund. Its mission is to provide an efficient and effective pension scheme for all employees and pensioners of all eligible employers in Hampshire, in accordance with the requirements of the legislation for the Local Government Pension Scheme (LGPS).

The Panel and Board's objectives are:

- To achieve a 100% funding level over the long term, which means that all current and future fund liabilities can be met
- To maintain a stable employers' contribution rate in the long term
- To respond promptly to legislative changes affecting the LGPS and pension provision generally
- To comment fully on consultation papers dealing with pension matters in the

interests of the Fund's participating employers and members within the deadlines set

- To make sure that the Fund follows best practice as recommended by the Government, the Scheme Advisory Board, the Pensions Regulator, the Local Government Pensions Committee (LGPC), the Chartered Institute of Public Finance and Accountancy (CIPFA) and other organisations specialising in pensions
- To keep abreast of all developments affecting the LGPS by undertaking training and/or taking advice from external investment 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

More detail can be found in the [Business Plan](#).

Membership of the Panel and Board

The Pension Fund Panel and Board has 15 full members and 6 substitute or deputy members and is supported by an independent adviser and officers of the Pension Fund.

The Panel and Board's membership arrangements have been designed to allow all key stakeholders to have the opportunity to be represented on the committee. The arrangements have the endorsement of the Department for Levelling Up, Housing and Communities (DLUHC) (previously known as the Ministry of Housing, Communities and Local Government).

The Panel and Board's full members include nine County Council elected members, three employer representatives and three scheme member representatives. The employer representatives represent the Southampton and Portsmouth unitary authorities, Hampshire's district authorities, and other scheme employers respectively. The three scheme member representatives cover active contributors to the scheme, members



Pension Fund Panel and Board continued

with deferred pension rights, and members currently in receipt of their pension.

All full members of the Panel and Board have voting rights. Substitute or deputy members may attend all meetings and will have voting rights when other members for whom they are substitutes are not present. An independent adviser to the Panel and Board attends all Panel and Board meetings but does not have voting rights.

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

Changes to Membership during 2023/24

During 2023/24 Cllr David Harrison replaced Cllr Mark Cooper on the Pension Fund Panel and Board. Phillip Reynolds, Arron Hedges and Simon Walker replaced Dr Clifford Allen, Neil Wood and Lindsay Gowland as the scheme member representatives. Fiona Hnatow, an employer representative, stepped down at the end of 2023/24 and will be replaced by Amelia Nirmal in 2024/25. The unitary employer representative position alternates on an annual basis between representatives from Southampton City Council and Portsmouth City Council. As a result, Cllr Simon Letts took over from Cllr Judith Smyth as a full member of the Panel and Board, with Cllr Smyth fulfilling the substitute role.

During 2023/24 Cllr Davies and Cllr Letts replaced Cllr Mocatta and Cllr Smyth on the Responsible Investment (RI) Sub-Committee as part of the annual review and rotation of membership. The Scheme Member representative role is currently vacant.

Attendance in 2023/24

There were four meetings of the Panel and Board during 2023/24 and two of the RI Sub-Committee. In 2023/24 the Panel and Board held four quarterly meetings, with separate investment manager briefings and training sessions. The Panel and Board continued to receive all of the necessary governance and investment papers required for the management of the Pension Fund.

Five virtual investment manager briefings covering nine investment portfolios were held in 2023/24, allowing Members to hear from all of the Pension Fund's investment managers. These briefings have been attended with an average of 65% attendance, including the Panel and Board substitute members and its independent advisor, and the feedback from Members has been positive.

All Panel and Board members take part in a full training programme covering the range of knowledge and skills required for their membership of the Panel and Board. The Training and Development Report provides more details on [page 32](#).



Pension Fund Panel and Board continued

Attendance at Panel and Board meetings and RI Sub-Committee meetings in 2023/24 is shown in the following table.

For Panel and Board and RI Sub-Committee meetings, the number of meetings attended is shown against the number of possible meetings for that member.

Conflicts of interest have been managed in accordance with [the County Council's standing orders](#).

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

Attendance at Committee Meetings		
Panel and Board member	Pension Fund Panel and Board (meetings)	Responsible Investment Sub-Committee (meetings)
Cllr Kemp-Gee	3/4	2/2
Cllr Thacker	4/4	2/2
Cllr Crawford	3/4	
Cllr Cooper	1/1	
Cllr Davies	4/4	2/2
Cllr Glen	2/4	
Cllr Harrison	2/3	
Cllr Hiscock	4/4	2/2
Cllr Joy	3/4	
Cllr Mocatta	3/4	
Cllr S Leggett	0/1	
Cllr S Letts	1/3	0/1
Cllr P Taylor	1/4	
Fiona Hnatow	2/3	
Dr Cliff Allen	1/1	
Lindsay Gowland	3/3	0/1
Neil Wood	3/3	
Phillip Reynolds	3/3	1/1
Arron Hedges	1/1	
Simon Walker	0/1	
Paul Barber	2/3	
Cllr J Smyth (Substitute)	3/4	
Cllr Mellor (Substitute)	0/4	
Cllr House (Substitute)	0/4	
Cllr Drew (Substitute)	1/4	
Cllr K Taylor (Substitute)	0/4	
Cllr Tustain (Substitute)	0/4	



Panel and Board report

Hampshire Pension Fund has the endorsement of the DLUHC for the arrangement of managing the Fund with a joint Panel and Board.

This efficient governance model was developed to ensure effective oversight whilst avoiding unnecessary duplication across two committees.

Board issues are dealt with under separate governance agenda items. Items that have been considered in 2023/24 are as follows:

Meeting	Agenda
28 July 2023	<ul style="list-style-type: none">• Appointments to the Responsible Investment Sub-Committee• ACCESS Joint Committee minutes• Annual internal audit opinion• Administration performance update• Pension Fund cash annual report 2022/2023• Risk Register review• Pension Fund Annual Report• Pension Fund investment management costs• Cybersecurity update• Custodian update• Investment update
29 September 2023	<ul style="list-style-type: none">• Responsible Investment Sub-Committee appointments• Training in 2023/24• Sustainable investment• Pooling consultation• Alternative investment portfolio• Investment update

Meeting	Agenda
12 December 2023	<ul style="list-style-type: none">• ACCESS Joint Committee minutes 4 Sep 2023• Internal audit update• Business plan and other statutory statements• Cash monitoring report and annual cash investment strategy 2024/2025• Administration performance update• Cyber report• Investment update
28 March 2024	<ul style="list-style-type: none">• Internal Audit 2023/2024 report and opinion• Internal Audit plan 2024/2025• Custodian report• Investment update• Alternative Investments update



Panel and Board report continued

This year the Panel and Board received two deputations from scheme members, both of which occurred at the meeting on 29 September 2023.

Both deputations were made in relation to an agenda item pertaining to the Pension Fund's response to the Government's pooling consultation.

The Pension Fund's dedicated RI Sub-Committee of the Panel and Board met twice during 2023/24 and considered the following items:

- Scheme member communication
- Stewardship highlight reports
- Sustainable investments
- Consultation on climate change risk reporting

The RI Sub-Committee did not receive any deputations from scheme members during the year.

The Panel and Board receives regular updates on investment pooling and the performance of assets managed within the pool, providing oversight as part of the effective governance of pooling arrangements. These arrangements have been set up to ensure each administering local authority may exercise proper democratic accountability and continue to meet fiduciary responsibilities. The Chairman of the Panel and Board is a member of the ACCESS pool's Joint Committee and was elected as Chairman of the Joint Committee during 2019/20. Officers represent the administering authority in various officer groups.

More detail on the governance of the Pension Fund is provided in the [Governance Policy Statement](#) and the Governance Compliance Statement on **page 37** of this annual report.

Further information on the governance arrangements for the ACCESS pool can be found on the [pool's website](#).



Scheme member reports

The Panel and Board's membership includes three scheme member representatives, representing active, deferred and pensioner members respectively.

The scheme member representatives play an important role in the governance of the Pension Fund, representing the views of scheme members. This involves two-way communication with scheme members to understand their views and pass on relevant information about the Pension Fund whilst also participating in decision making on behalf of all scheme members and for the benefit of the Pension Fund overall. They are appointed for a four-year term and are supported by a substitute representative, with further details set out in the [Pension Fund's Representation Policy](#).

Arron Hedges

Active scheme member representative
arron.hedges@hantsfire.gov.uk

As a new member, I have been impressed with the robust scrutiny the Pension Fund

receives and the wealth of knowledge and experience the member representatives provide. While we move into the 2024/25 fiscal year, we are pleased to provide an update on the performance and strategic direction of the Pension Fund. Despite the ongoing volatility in global markets, our Fund has demonstrated resilience and steady growth, positioning us well for the future.

The Pension Fund has achieved a 9.0% return on its investments. This is particularly commendable given the challenging economic backdrop, marked by fluctuating interest rates and geopolitical tensions. Our diversified investment strategy has been crucial in navigating these complexities.

I look forward to working further with the Pension Fund and helping to drive a sustainable growth for our members.

Simon Walker

(Deferred scheme member representative)
walker_simon@btinternet.com

Since being appointed as your new Deferred Scheme Member Representative (in February

2024), I have undertaken initial training (by completing the Hymans Robertson Online Learning Academy) and joined Investment Manager briefings. This has built on my corporate finance experience (specialising in share and business valuation), some prior knowledge (including that gained as a Trustee Director of a large multi-academy trust with staff in both the Hampshire and Surrey Local Government Pension Schemes) and my personal/vested interest in defined benefit pensions, so that I understand more fully how the Pension Fund operates and the challenges it faces.

The purpose of my role is to represent our interests as deferred scheme members, by participating in the work of the Panel and Board, alongside fellow scheme member and employer representatives, and Councillors. Collectively, we seek to ensure that the Pension Fund is governed well. We hold Officers and Investment Managers to account for administration and performance, making use of independent external advisors wherever necessary. Our primary purpose is to ensure that the Pension Fund has enough assets, in a suitable and diverse range/mix of investments, to generate the necessary



Scheme member reports continued

growth and income to pay our pensions (and any other benefits under the scheme's rules) as and when they are due. Of course, in this respect, as deferred scheme members, we are not materially different from the active or pensioner scheme members – we all want our pensions to be safe and secure for the long-term. The Panel and Board looks after the combined interests of 206,866 scheme members (of whom 90,089 are deferred scheme members) from across 419 employers. As a deferred scheme member, if you have any views/concerns you would like to raise with me, please do email me.

I am pleased to report that our pension scheme remains extremely well-managed, meeting all its administrative targets. One thing you can do to help keep up this excellent record, is to ensure that your up-to-date details are recorded via the Member Portal (of course, you can also see what your latest pension benefits are). And, please, encourage any other scheme member(s) you know to do the same – the last thing we want is for any of our scheme members to miss out on their pension!

Phillip Reynolds

**Pensioner scheme member representative
phillipreynolds77@gmail.com**

I was delighted to be appointed as the Pensioner Scheme Member Representative after a successful interview on 13 September 2023. I had previously been the Active Scheme Member Representative from 2007 – 2018 and the experience gained from that time has been invaluable in helping me 'hit the ground running'. I have restricted my piece to the Annual Report for the period I was formally appointed from which was November 2023.

*The Pension Fund is invested in an extremely diversified way to minimise risk and to make the best returns possible. The performance of the investments made by the Pension Fund over the last financial year is covered by Section 6: Investments and funding, which can be found on **page 85** of this Annual Report.*

Environmental, Social and Governance (ESG) issues continue to be a focus for the Pension Fund Panel and Board. The Responsible Investment Sub-Committee meets twice

a year to discuss various ESG issues and helps forms questions to the Fund's investment managers when they make their presentations to the Panel and Board. I attended a meeting of the Sub-Committee on 1 March 2024 as an observer. I hope to be appointed as the Scheme Member Representative on the Sub-Committee especially as ESG matters are of great interest to retired members, a good number of whom contact me regularly on the topic.

*The Hampshire Pension Fund is part of the ACCESS pool with 10 other Local Government Pension Scheme (LGPS) funds in the South and East of England. The objective of asset pooling is to deliver benefits of scale, reduce costs and to improve investment into infrastructure projects, and 62% of the Hampshire's investment portfolio is now pooled, which is an extremely significant number. Further information on our pooling experience is found on **page 102** of this Annual Report.*

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



Training and development report

Training policy

As an administering authority of the LGPS, Hampshire County Council recognises the importance of ensuring that all officers and members charged with financial management and decision making for the pension scheme are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them.

It therefore seeks to appoint individuals who are both capable and experienced and will provide and arrange training for relevant officers and members. This training is designed to enable officers and members to acquire and maintain an appropriate level of expertise, knowledge, and skills. A formal training plan is prepared each year to identify and meet the training needs of the Pension Fund Panel and Board, both as a group and as individuals, and is based upon the recommendations of the CIPFA Pensions Finance Knowledge and Skills Framework.

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

Further details of the [Panel and Board's Training Policy and Plan](#) are available on the Pension Fund's website.



Training and development report continued

Training attendance

Attendance at internally organised training events and other external training opportunities in 2023/24 is shown in the table below. It should be noted that internal training sessions, including sessions provided by ACCESS, have greater weight as they cover topics on which the most Panel and Board members have identified a training need.

Training received in 2023/24

During the year three internal training sessions were arranged by the Hampshire Pension Fund for Panel and Board members and officers. The topics covered in these sessions were focused on delivering training to increase knowledge based on the Panel and Board members' self-assessment of their training requirements. The Pension Fund's officers also gave training around explaining Task Force on Climate Related Disclosure (TCFD), pensions administration and the steps being taken to ensure cyber security.

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

Internal training sessions 2023/24

Date	Topic	Provider
April 2023	Pensions Administration	Andrew Lowe and Lois Downer
	Cyber Security	Andrew Lowe and Lois Downer
	Funding climate scenario analysis	Andrew Boutflower
September 2023	Timberland	Stafford

Attendance at training sessions		
Panel and Board member	Training sessions	
	Internal (hours)	External (hours)
Cllr Kemp-Gee	10	8
Cllr Thacker	6	0
Cllr Crawford	12	22
Cllr Cooper	2	0
Cllr Davies	14	0
Cllr Glen	11	6
Cllr Harrison	0	6
Cllr Hiscock	14	10
Cllr Joy	10	0
Cllr Mocatta	8	0
Cllr S Leggett	0	0
Cllr S Letts	2	0
Cllr P Taylor	0	0
Fiona Hnatow	6	3
Dr Cliff Allen	0	0
Lindsay Gowland	4	2
Neil Wood	11	14
Phillip Reynolds	10	9
Arron Hedges	2	0
Simon Walker	0	14
Paul Barber	0	12
Cllr J Smyth (Substitute)	2	0
Cllr Mellor (Substitute)	10	0
Cllr House (Substitute)	2	0
Cllr Drew (Substitute)	12	1
Cllr K Taylor (Substitute)	0	0
Cllr Tustain (Substitute)	2	2



Training and development report continued

As previously, the training sessions were supplemented by a training session on treasury management, which was open to all County Councillors as well as the Pension Fund Panel and Board members and officers, and was provided by Arlingclose, the County Council's advisers on treasury management.

The internal training sessions followed a similar programme of in-house training in previous years, which has been designed to cover the full range of knowledge and skills required by Panel and Board members and staff. Training sessions continue to be held online, with some in person sessions. This has proved to be successful and gives more flexibility for members to attend.

During 2023/24 the Panel and Board continued to receive virtual briefings from the Fund's investment managers, the schedule of these briefings is provided to the right.

Investment manager briefings		
Date	Topic	Provider
June 2023	Global equities portfolios	Baillie Gifford
October 2023	Multi Asset Credit portfolio	Barings
October 2023	Asset backed securities portfolio	TwentyFour Asset Management
November 2023	Global equities portfolios	Acadian
November 2023	Multi Asset Credit portfolio	Alcentra
December 2023	Direct Property Portfolio	CBRE
December 2023	Infrastructure Portfolio	GCM
March 2024	Private equity portfolio	abrdn
March 2024	Private debt	JP Morgan Alternatives Asset Management



Training and development report continued

Individual Panel and Board members and officers attended a range of training events in 2023/24 provided by the Pension Fund's investment managers and other external organisations, as follows:

External training sessions 2023/24

Training provider	Events
Local Government Association	Fundamentals Course Part 1, 2 and 3
Local Government Chronicle	<ul style="list-style-type: none">• LGC Investment and Pensions Summit• LGC Net Zero Conference• Investment Seminar
Baillie Gifford	<ul style="list-style-type: none">• Long Term Global Growth Investment Conference• Global Alpha Forum
Waystone	ACCESS Investor Day
Hymans Robertson	Actuarial Briefing
Octopus Investments	Affordable housing virtual 'coffee morning'
Rathbones	UK Markets Investment Briefing
Bank of America	American Markets Investment Briefing
JP Morgan	Virtual Investment Seminar
SPS	Net Zero and Investment Conference



Training and development report continued

Evaluation of training

Training logs for each member of the Panel and Board are completed on an on-going basis and are used to record the training undertaken during the year. The training logs include details of all relevant training courses, seminars and events attended, along with an assessment of whether each training event has fulfilled the need it was intended to meet. This information is used to help design the training plan for the following year.

Each individual officer's training needs are assessed annually, and training plans prepared for each section and department within the County Council. The actual training provided is evaluated each year to assess its effectiveness against the aims and objectives identified prior to the training event. In addition, professional finance staff in the Corporate Operations Directorate are required by the accountancy bodies to maintain their levels of Continuing Professional Development.

Training in 2023/24

During 2023/24, individual members of the Panel and Board reviewed their knowledge and skills against a Training Needs Analysis. The purpose of this exercise was to allow Panel and Board members to consider their existing level of knowledge and areas where additional training would be beneficial.

The Training Needs Analysis is designed around the CIPFA Pensions Finance Knowledge and Skills Framework for Elected Representatives and Non-Executives in the Public Sector, and the CIPFA Technical Knowledge and Skills Framework for Local Pension Boards and helps to ensure the Panel and Board meet the requirements set out in the guidance referenced in the regulations. The Training Needs Analysis is also completed by all new Panel and Board members to enable them to identify any training requirements.

The training plan for 2023/24 was approved by the Pension Fund Panel and Board in September 2023 based on the Training Needs Analysis. Proposed training includes further in-house training sessions, external training events, use of online learning tools, briefing information in reports to the Panel and Board from officers, and background reading as appropriate.

Relevant internal training sessions will be arranged for 2024/25 and 2025/26 based on the Training Needs Analysis. Topics identified for 2024/2025 are pooling for illiquid investments, cyber security and Advisor performance.



Governance Compliance Statement

This statement shows how Hampshire County Council as the administering authority of the Hampshire Pension Fund complies with guidance on the governance of the Local Government Pension Scheme (LGPS) issued by the Secretary of State for Communities and Local Government in accordance with the Local Government Pension Scheme (Administration) Regulations 2008.

Ref.	Principles	Compliance	Comments
A. Structure			
a.	That the management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Full compliance	Hampshire County Council's constitution sets out the functions of the Joint Pension Fund Panel and Board.
b.	That representatives of participating LGPS employers, admission bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Full compliance	The Joint Pension Fund Panel and Board includes representatives of the other local authorities in the Fund, and pensioner and contributor members.

Ref.	Principles	Compliance	Comments
A. Structure			
c.	That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Full compliance	A Responsible Investment (RI) Sub-committee has been established that reports to the Joint Pension Fund Panel and Board
d.	That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	Full compliance	The RI sub-committee is made up of members of the Joint Pension Fund Panel and Board
B. Representation			
a.	That all key stakeholders have the opportunity to be represented within the main or secondary committee structure. These include: <ul style="list-style-type: none"> • employing authorities (including non-scheme employers, e.g., admission bodies) • scheme members (including deferred and pensioner scheme members) • where appropriate, independent professional observers, and • expert advisers (on an ad-hoc basis) 	Full compliance.	The Joint Pension Fund Panel and Board includes representatives of the other local authorities in the Fund, and pensioner and contributor members. The Fund's independent adviser attends Joint Pension Fund Panel and Board meetings. Independent professional observers are not regarded as appropriate.



Governance Compliance Statement continued

Ref.	Principles	Compliance	Comments
B. Representation			
b.	That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers, meetings, and training and are given full opportunity to contribute to the decision-making process, with or without voting rights.	Full compliance	Equal access is provided to all members of the Joint Pension Fund Panel and Board.
C. Selection and role of lay members			
a.	That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	Full compliance	
D. Voting			
a.	That the individual administering authorities on voting rights are clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Full compliance	All representatives on the Joint Pension Fund Panel and Board have full voting rights, but the Panel and Board works by consensus without votes often being required.

Ref.	Principles	Compliance	Comments
E. Training / facility time / expenses			
a.	That in relation to the way in which the administering authority takes statutory and related decisions, there is a clear policy on training, facility time and reimbursement of expenses for members involved in the decision-making process.	Full compliance	Full training and facilities are made available to all members of the Joint Pension Fund Panel and Board.
b.	That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Full compliance	
c.	That the administering authority considers adopting annual training plans for committee members and maintains a log of all such training undertaken.	Full compliance	A training plan has been prepared for the Joint Pension Fund Panel and Board, and training logs are maintained for individual Panel and Board members.



Governance Compliance Statement continued

Ref.	Principles	Compliance	Comments
F. Meetings (frequency / quorum)			
a.	That an administering authority's main committee or committees meet at least quarterly.	Full compliance	
b.	That an administering authority's secondary committee or panel meets at least twice a year and is synchronised with the dates when the main committee sits.	Full compliance	The RI sub-committee meets twice a year.
c.	That an administering authority that does not include lay members in its formal governance arrangements must provide a forum outside of those arrangements to represent the interests of key stakeholders.	Full compliance	The Joint Pension Fund Panel and Board includes lay members. An Annual Employers Meeting of the Pension Fund is held, and road shows are arranged for employers.
G. Access			
a.	That, subject to any rules in the County Council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that are due to be considered at meetings of the main committee.	Full compliance	Equal access is provided to all members of the Joint Pension Fund Panel and Board.

Ref.	Principles	Compliance	Comments
H. Scope			
a.	That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	Full compliance	The Joint Pension Fund Panel and Board deals with Fund administration issues as well as Fund investment.
I. Publicity			
a.	That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in how the scheme is governed can say they want to be part of those arrangements.	Full compliance	The County Council's Governance Policy Statement is published in the Pension Fund's Annual Report and on its website.



The Pension Fund's statutory statements and other policies

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

- Business Plan, including the Fund's Budget, Risk Register and Training Plan
- Funding Strategy Statement
- Investment Strategy Statement 2024 including Responsible Investment Policy
- Governance Policy Statement and Compliance Statement
- Communication Policy Statement
- Administration Strategy – including Decision Matrix
- Employer Policy

These statements were last reviewed and approved at meetings of the [Pension Fund Panel and Board during 2023](#).

All of the statutory statements are available on the Pension Fund website at the following link and form part of the [Annual Report](#).

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

- Representation Policy
- Conflicts of Interest Policy

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

Section 4

Financial performance

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Financial performance report

Shown below is the Pension Fund's budget for 2023/24 compared to actual expenditure, and the budget for the years 2024/25 to 2026/27. The budget for 2023/24

was agreed by the Pension Fund Panel and Board at its meeting of 16 December 2022 and revised on 12 December 2023.

	Budget 2023/24 £000	Actual 2023/24 £000	Budget 2024/25 £000	Budget 2025/26 £000	Budget 2026/27 £000
Investment management fees	75,466	74,852	78,543	81,811	85,125
Staff	2,236	2,391	2,329	2,343	2,413
Premises	65	65	66	66	68
IT	503	471	357	357	371
Supplies & Services	288	273	288	288	297
Administrative Costs	3,092	3,200	3,040	3,054	3,149
Staff	521	570	646	660	677
Premises	5	5	5	5	5
IT	5	5	5	5	5
Supplies & Services	470	300	494	568	547
Oversight & Governance Costs	1,001	880	1,149	1,238	1,233
Management Expenses	79,559	78,932	82,733	86,103	89,507



Financial performance report continued

The Pension Fund pays its investment managers a percentage fee based on the value of investments. Investment management fees were very close to the amount forecast in the budget.

Staff costs make up the majority of the administrative, oversight and governance costs. These were higher than forecast in 2023/24 as a result of the pay award

that was made to staff. Oversight and governance costs were lower than budgeted as a result of less expenditure on actuarial and consultancy services.

The 2023/24 expenditure on the administration and governance of the Pension Fund reflect the costs of delivering the Fund's statutory responsibilities for the administration of the scheme and

management of investments. The level of resource has ensured that the Fund has met its regulatory requirements and delivered at the standards for administration that are expected, which have been reported to the Pension Fund Panel and Board.

The Pension Fund does not budget for its net inflows and outflows from dealings with members (because it can't control these amounts) but it monitors them to manage the Fund's cash position. The table below shows the Fund's net cash position from dealing with members. The actual position was better than forecast due to higher contributions as a result of active scheme members' total pensionable pay being higher than forecast, as well as an improvement in income from investments.

	Forecast 2023/24 £m	Actual 2023/24 £m	Forecast 2024/25 £m	Forecast 2025/26 £m
Employee contributions	81.7	91.4	93.4	96.5
Employer contributions*	227.9	253.0	260.5	269.1
	309.5	344.4	353.9	365.6
Benefits	(336.6)	(347.6)	(363.5)	(371.9)
Transfers	0.0	(11.5)	0.0	0.0
	(27.1)	(14.7)	(9.6)	(6.3)
Expenses (in cash)	(9.8)	(21.5)	(22.2)	(23.0)
	(46.9)	(36.2)	(31.9)	(29.3)
Investment income (in cash)	49.1	96.8	96.8	96.8
	2.2	60.6	64.9	67.5
Average employer contribution rate	18.08%			
Average employee contribution rate	6.48%			

*Employer contributions have been adjusted to spread contributions paid by employer for 3 years in advance in 2023/24.

The Pension Fund's accounts include the Fund's non-investment assets and liabilities. These amounts include amounts owed to and by the Fund (creditors and debtors) as well as cash held outside of the Fund's investments. The only significant change from the previous year is a reduction in that cash balance, which was high at the previous year-end, as cash was being held pending a new investment.



Financial performance report continued

Timeliness of contributions

All employer contributions due for 2023/24 have been received. The last contribution payment was received on 3 May 2024 from an employer who was set up in the scheme during the second half of the year.

A total of £5.154m was paid late (£0.724m in 2022/23) which was 0.93% of the total contributions received. Approximately £4.6m of the total paid late related to one large employer whose payments were delayed by four days on two occasions. The average delay on all late payments received during 2023/24 was 11 days (16 days in 2022/23). Receipt of contributions is reviewed monthly to determine if any action is required. A total of £625 in late payment interest was charged for 2023/24.

Mortality screening and National Fraud Initiative

HPS run a monthly mortality screen to ensure that all deaths are reported promptly to the Fund and to minimise overpayments of pension. Overpayments are recovered by the Fund by invoice to the estate, or, with permission from the beneficiary, from a death grant or dependant pension. The table below shows the breakdown of how overpayments were recovered by the Fund.

Recovered from	Number	Total value
Death Grant	78	£17,631.55
Dependant Pension	229	£118,466.14
Invoice	382	£180,629.16
Write Off	76	£1,868.20
Total	765	£318,595.05

The Fund also participates in the bi-annual National Fraud Initiative (NFI). The most recent NFI exercise in 2023 identified seven deaths with a total potential recovery of £14,311. Approximately £9,000 of this has subsequently been recovered through paid invoices with a further £4,700 invoiced for and referred to HCC Shared Services' debt management processes. The remaining £600 relates to two members who cannot be traced and confirmed deceased, so will be put forward for write off.

Section 5

Fund account, net assets statement and notes



Financial statements

Fund account	See note	2022/23 £000	2023/24 £000
Dealings with members, employers and others directly involved in the fund			
Contributions	7	222,220	558,470
Transfers in from other pension funds		22,195	19,926
		244,415	578,396
Benefits	8	(305,223)	(347,550)
Payments to and on account of leavers		(22,154)	(31,432)
		(327,377)	(378,982)
Net additions from dealings with members		(82,962)	199,414
Management expenses	9	(75,257)	(78,932)
Net additions inc. fund management expenses		(158,219)	(120,482)
Returns on investments			
Investment income	10	175,865	177,663
Taxes on income		(2,512)	(136)
Profits and losses on disposal of investments and changes in the market value of investments	11a	(677,438)	700,520
Net return on investments		(504,085)	878,047
Net increase in the net assets available for benefits during the year		662,304	998,529
Opening net assets of the scheme		9,626,874	8,964,570
Closing net assets of the scheme		8,964,570	9,963,099



Financial statements continued

Net assets statement for the year ending 31 March 2024	See note	31 March 2023 £000	31 March 2024 £000
Investment assets		8,861,571	9,782,934
Cash deposits		207	136,886
Investment liabilities		(77)	(7131)
Total net investments	11	8,861,701	9,912,689
Current assets	18	109,754	56,619
Current liabilities	19	(6,887)	(6,210)
Net assets of the Fund available to fund benefits at the period end		8,964,566	9,963,099



Notes to Pension Fund accounts

1. Description of Fund

The Hampshire Pension Fund (the 'Fund') is part of the Local Government Pension Scheme and is administered by Hampshire County Council. The County Council is the reporting entity for this Pension Fund.

The following description of the Fund is a summary only. For more detail, reference should be made to the Hampshire Pension Fund Annual Report 2023/24 and the underlying statutory powers underpinning the Scheme.

a) General

The Scheme is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)

- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended)

It is a contributory defined benefit pension scheme administered by Hampshire County Council to provide pensions and other benefits for pensionable employees of Hampshire County Council, Portsmouth and Southampton City Councils, the 11 district councils in Hampshire, and a range of other scheduled and admitted bodies within the county area. Teachers, police officers and firefighters are not included as they come within other national pension schemes.

The Fund is overseen by the Hampshire Pension Fund Panel and Board, which is a committee of Hampshire County Council.

b) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the Scheme, remain in the Scheme or make their own personal arrangements outside the Scheme.

Organisations participating in the Hampshire Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.
- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.



Notes to Pension Fund accounts continued

There are 357 employer organisations within the Hampshire Pension Fund including the County Council itself, as detailed below.

Hampshire Pension Fund	31 March 2023	31 March 2024
Number of employers with active members	349	357
Number of employees in Scheme		
County Council	28,601	28,329
Other employers	33,132	32,781
Total	61,733	61,110
Number of pensioners		
County Council	24,579	25,668
Other employers	28,368	29,999
Total	52,947	55,667
Deferred pensioners		
County Council	43,315	44,668
Other employers	43,769	45,421
Total	87,084	90,089
Total members in the Pension Fund	201,764	206,866

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with The LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay in the Main Section, and 2.75% to 6.25% of pensionable pay in the 50/50 Section, for the financial year ending 31 March 2024. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last valuation was at 31 March 2022. Employer contribution rates for most employers were a range from 15.0% to 27.1% of pensionable pay. A small number of employers also pay a past service deficit contribution.

d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service.

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Price Index.

There are a range of other benefits provided under the Scheme including early retirement, disability pensions and death benefits. For more details, please refer to the [Hampshire Pension Fund's website](#).



Notes to Pension Fund accounts continued

2. Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2023/24 financial year and its position at year end at 31 March 2024. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2023/24* which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis.

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. IFRS16 largely removes the distinction between operating and finance leases by introducing an accounting model that requires lessees to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. This will bring assets formerly off-Balance Sheet onto the Balance Sheet of lessees. Implementation of IFRS 16 is not expected to have a material impact on the Pension Fund because it does not hold any assets as a lessee.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits that fall due after the end of the financial year nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The Pension Fund has opted to disclose this information in Note 17.

The vast majority of employers in the pension scheme (89% of the Fund by active membership, are scheduled bodies excluding Further and Higher Education employers) have secure public sector funding, and therefore there should be no doubt in their ability to continue to make their pension contributions. Following the latest actuarial valuation and schedule of employer contribution prepayments, the Pension Fund has reviewed its cashflow forecast and is confident in its ability to meet its ongoing obligations to pay pensions from its cash balance for at least 12 months from the date of signing the accounts. In

the event that investments need to be sold 70.9% of the Fund's investments can be converted into cash within 3 months.



Notes to Pension Fund accounts continued

3. Summary of significant accounting policies

Fund Account – revenue recognition

a) Contribution income

Normal contributions are accounted for on an accruals basis as follows:

- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes which rise according to pensionable pay.
- Employer contributions are set at the percentage rate recommended by the fund actuary for the period to which they relate. As set out in the Fund Actuary's Rates and Adjustment certificate, certain employers can pay the primary and/or secondary contributions for the 3 years of the valuation period.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

b) Transfers to and from other schemes

Transfers in and out relate to members who have either joined or left the Fund.

Individual transfers in/out are accounted for when received/paid. Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see section n below) to purchase Scheme benefits are accounted for on a receipts basis and are included in Transfers In.

Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement.

c) Investment income

i) Interest income is recognised in the Fund Account as it accrues, using the effective

interest rate of the financial instrument as at the date of acquisition or origination.

ii) Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

iii) Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

iv) Rental income from operating leases on properties owned by the Fund is recognised in the fund account when it is paid by the tenant according to the terms of the lease.

Contingent rents based on the future amount of a factor that changes other than with the passage of time, such as turnover rents, are only recognised when contractually due.

v) Changes in the value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.



Notes to Pension Fund accounts continued

Fund Account – expense items

d) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities, providing that the payment has been approved.

e) Management expenses

The Fund discloses its management expenses in line with the CIPFA guidance *Accounting for Local Government Pension Scheme Management Costs* (2016), as shown below. All items of expenditure are charged to the Fund on an accruals basis as follows.

Administrative expenses

All staff costs of the pensions administration team are charged direct to the Fund. Council recharges for management, accommodation and other overhead costs are also accounted for as administrative expenses to the Fund.

Oversight and governance costs

All costs associated with governance and oversight are separately identified, apportioned to this activity and charged as expenses to the Fund.

Investment management expenses

Investment fees are charged directly to the fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted off returns by investment managers, these expenses are grossed up to increase the income receivable.

Investment fees of the external investment managers and custodian are set out in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under management and therefore increase or reduce as the value of these investments change.

Where an investment manager's fee note has not been received by the balance sheet date, an estimate based upon the market value of their mandate at the end of the year is used for inclusion in the Fund account. In 2023/24 £2.9 million of fees is based on such estimates (2022/23 £2.8 million).

f) Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

Income and expenditure exclude VAT, as all VAT collected is payable to HM Revenue and Customs (HMRC), and all VAT paid is recoverable from HMRC.



Notes to Pension Fund accounts continued

Net Assets Statement

g) Financial assets

All investment assets are included in the Net Assets Statement on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. Any amounts due or payable in respect of trades entered into but not yet complete at 31 March each year are accounted for as financial instruments held at amortised cost and reflected in the reconciliation of movements in investments and derivatives in Note 11a. Any gains or losses on investment sales arising from changes in the fair value of the asset are recognised in the fund account.

The values of investments as shown in the Net Assets Statement have been determined in accordance with the requirements of the Code and IFRS13 (see Note 13). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in *Practical Guidance on Investment Disclosures* (PRAG/Investment Association, 2016).

h) Freehold and leasehold properties

Properties are valued annually as at the year-end date by an independent external valuer, Mark White, BSc MRICS of Colliers International, on a fair value basis in accordance with the *Royal Institute of Chartered Surveyors' Valuation – Current Global Standards*; see Note 13 for more details.

i) Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, overseas investments and purchases and sales outstanding at the end of the reporting period.

j) Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold

derivatives for speculative purposes (see Note 12).

k) Cash and cash equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the Fund's external managers. All cash balances are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

l) Financial liabilities

A financial liability is recognised in the net asset statement on the date the fund becomes legally responsible for that liability. The fund recognises financial liabilities relating to investment trading at fair value and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the fund account as part of the change in value of investments.



Notes to Pension Fund accounts continued

Other financial liabilities classed as amortised cost are carried in the net asset statement at the value of the outstanding principal at 31 March each year.

m) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the Scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (Note 17).

n) Additional voluntary contributions

The fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. The Fund has appointed Prudential and Zurich as its AVC providers. AVCs can also be paid to Utmost, but only by legacy contributors (closed to new members).

AVCs are not included in the accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (see Note 20).

o) Contingent assets and contingent liabilities

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by future events. A contingent liability arises where an event has taken place prior to the year end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the Net Assets Statement but are disclosed by way of narrative in the notes.



Notes to Pension Fund accounts continued

4. Critical judgements in applying accounting policies

Unquoted alternative investments

It is important to recognise the subjective nature of determining the fair value of alternative investments: private equity, infrastructure and private debt. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equity and infrastructure investments are valued by the investment managers using guidelines set out by the International Private Equity and Venture Capital Valuation Guidelines. The value of unquoted private equity investments was £744 million and infrastructure investments was £895 million at 31 March 2024 (£666 million and £723 million respectively at 31 March 2023). There is no standard for the valuation of private debt, but most general partners of private debt funds will base their valuations on a 3rd party valuer, such as Duff & Phelps. The value of unquoted private debt investments at 31 March 2024 was £508 million (£449 million at 31 March 2023).

Pension fund liability

The pension fund liability is recalculated every three years by the appointed actuary, with updates in the intervening years. The methodology used is in line with accepted guidelines. This estimate is subject to significant variances based on changes to the underlying assumptions, which are agreed with the actuary and are summarised in Note 16.

These actuarial revaluations are used to set future employer contribution rates and underpin the Fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/return.

Directly held property

The Fund's property portfolio includes a number of directly owned properties, which are leased commercially to various tenants with rental periods from less than a month to 114 years (based on current leases). The Fund has determined that these contracts

all constitute operating lease arrangements under the classification permitted by IAS7 and the Code, therefore the properties are retained on the net asset statement at fair value. Rental income is recognised in the fund account when it is paid by the tenant according to the terms of the lease.

Wholly owned companies

The Pension Fund's investments include two companies that it owns that have been specifically created to hold the Pension Fund's investments. These companies have no other purpose and therefore the value of the companies is equal to value of the investments.

The Pension Fund accounts for these investments according to the types of investments held by the companies, in line with the rest of the Pension Fund's accounting and reporting.



Notes to Pension Fund accounts continued

5. Assumptions made about the future and other major sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the year end date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.



Notes to Pension Fund accounts continued

The items in the Net Assets Statement and Notes to the Accounts at 31 March 2024 for which there is a significant risk of adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 17)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of approximately £1,358 million. A 0.25% increase in assumed earnings inflation would increase the value of liabilities by approximately £19 million, and a one-year increase in assumed life expectancy would increase the liability by approximately £554 million.
Alternative investments – Private equity (Note 13)	Private equity investments are valued at fair value in accordance with the <i>International Private Equity Venture Capital Valuation Guidelines</i> . These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £744 million. The investment manager recommends a tolerance of 10% around the net asset value (+/-£74m).
Alternative investments – Infrastructure (Note 13)	Infrastructure investments are valued at fair value in accordance with the <i>International Private Equity Venture Capital Valuation Guidelines</i> . These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total infrastructure investments in the financial statements are £895 million. The investment managers recommends a tolerance of 10% around the net asset value (+/-£89m).
Alternative investments – Private debt (Note 13)	There is no standard for the valuation of private debt, but most general partners of private debt funds will base their valuations on a 3rd party valuer, such as <i>Duff & Phelps</i> . These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private debt investments in the financial statements are £508 million. The investment managers recommends a tolerance of 5% around the net asset value (+/-£25m).

6. Events after the reporting date

There have been no events after the reporting date to report.



Notes to Pension Fund accounts continued

7. Contributions receivable

By category	2022/23 £000	2023/24 £000
Employees' contributions	84,742	91,390
Employers' contributions		
Normal contributions	132,515	464,658
Deficit recovery contributions	4,963	2,422
Total employers' contributions	137,478	467,080
Total contributions receivable	222,220	558,470
By type of employer	2022/23 £000	2023/24 £000
Administering authority	48,822	312,013
Scheduled bodies	160,335	238,947
Admitted bodies	13,063	7,510
Total	222,220	558,470

8. Benefits payable

By category	2022/23 £000	2023/24 £000
Pensions	251,002	282,939
Commutation and lump sum retirement benefits	45,732	57,442
Lump sum death benefits	8,489	7,169
Total	305,223	347,550
By type of employer	2022/23 £000	2023/24 £000
Administering authority	113,010	127,584
Scheduled bodies	177,312	202,511
Admitted bodies	14,901	17,455
Total	305,223	347,550

9. Management expenses

	2022/23 £000	2023/24 £000
Administrative costs	2,791	3,200
Investment management expenses	71,581	74,852
Oversight and governance costs	885	880
Total	75,257	78,932

This analysis of the costs of managing the Hampshire Pension Fund during the period has been prepared in accordance with CIPFA guidance.

In addition to these costs, implicit costs are incurred through the bid-offer spread on investment sales and purchases. These are reflected in the cost of investment acquisitions and in the proceeds from the sales of investments (see Note 11a).



Notes to Pension Fund accounts continued

9a) Investment Management Expenses

2023/24	Management fees £000	Transaction costs £000	Total £000	2022/23	Management fees £000	Transaction costs £000	Total £000
Bonds	0	0	0	Bonds	0	0	0
Equities	0	0	0	Equities	0	0	0
Pooled investments*	14,880	5,798	20,678	Pooled investments*	16,233	3,453	19,686
Pooled property investments	134	0	134	Pooled property investments	109	0	109
Property	1,322	5,616	6,938	Property	1,660	3,593	5,253
Alternatives	38,392	8,524	46,916	Alternatives	45,033	1,128	46,161
Cash	0	14	14	Cash	0	10	10
	54,728	19,952	74,680		63,035	8,184	71,219
Custody and other investment costs			172	Custody and other investment costs			362
Total			74,852	Total			71,581
*includes the following amounts paid as part of the ACCESS pool				*includes the following amounts paid as part of the ACCESS pool			
Link	11,948			Link	9,845		
UBS	2,252			UBS	2,361		



Notes to Pension Fund accounts continued

10) Investment income

	2022/23 £000	2023/24 £000
Pooled property investments	2,757	3,691
Pooled investments – unit trusts and other managed funds	54,289	52,772
Rents from property	27,519	33,547
Interest on cash deposits	1,612	11,090
Alternative investment income	87,205	76,095
Stock lending	0	0
Other	2,483	468
Total before taxes	175,865	177,663

11) Investments

	Market value 31 Mar 2023 £000	Market value 31 Mar 2024 £000
Investment assets		
Pooled funds		
- Fixed income unit trusts	2,674,605	3,140,885
- Unit trusts	3,745,322	3,762,343
	6,419,927	6,903,228
Other investments		
Pooled property investments	102,008	145,169
Alternative investments	1,837,864	2,146,677
Property	493,000	587,850
Derivative contracts:		
- Forward currency contracts	8,695	(7,121)
	2,441,567	2,872,575
Cash deposits	207	136,886
Total investment assets	8,861,701	9,912,689



Notes to Pension Fund accounts continued

11a) Reconciliation of movements in investments and derivatives

Period 2023/24	Market value 1 April 2023 £000	Purchases and derivative payments £000	Sales and derivative receipts £000	Change in value during the year £000	Market value 31 Mar 2024 £000
Pooled investments	6,419,927	643,354	(813,766)	653,713	6,903,228
Pooled property investments	102,009	44,295	0	1,135	145,169
Alternative investments	1,837,864	430,716	(186,336)	64,443	2,146,677
Property	493,000	132,428	(15,220)	(22,358)	587,850
	8,852,800	1,250,793	(1,015,322)	694,653	9,782,924
Derivative contracts:					
- Forward foreign exchange	8,695	18,191	(41,184)	7,177	(7,121)
	8,695	18,191	(41,184)	7,177	(7,121)
Other investment balances:					
- Cash deposits	207			(1,050)	136,808
- Spot foreign exchange contracts	0			(260)	0
- Investment income due	0			0	78
Net investment assets	8,861,702			700,520	9,912,689

Purchases and sales of derivatives are recognised in Note 11a. Forward currency contracts – forward foreign exchange contracts settled during the period are reported on a gross basis as gross receipts and payments.



Notes to Pension Fund accounts continued

11a) Reconciliation of movements in investments and derivatives

Period 2022/23	Market value 1 April 2022 £000	Purchases and derivative payments £000	Sales and derivative receipts £000	Change in value during the year £000	Market value 31 Mar 2023 £000
Pooled investments	7,434,720	448,750	(723,456)	(740,087)	6,419,927
Pooled property investments	87,697	18,226	(131)	(3,783)	102,009
Alternative investments	1,408,541	382,648	(147,072)	193,746	1,837,864
Property	577,600	35,771	(14,172)	(106,199)	493,000
	9,508,558	885,395	(884,830)	(656,323)	8,852,800
Derivative contracts:					
- Forward foreign exchange	14	69,108	(47,818)	(12,609)	8,695
	14	69,108	(47,818)	(12,609)	8,695
Other investment balances:					
- Cash deposits	27			(8,506)	207
Net investment assets	9,508,599			(677,438)	8,861,702



Notes to Pension Fund accounts continued

11b) Investments analysed by fund manager

	31 March 2023 Market Value		31 March 2024 Market Value	
	£000	%	£000	%
Investments part of the ACCESS pool				
ACCESS Pooled investments managed by Link				
Acadian	639,158	7.1	647,910	6.5
Alcentra	0	0.0	532,056	5.3
Baillie Gifford	1,263,515	14.1	1,285,998	12.9
Dodge & Cox	739,659	8.3	753,836	7.6
Fidelity	0	0.0	470,282	4.7
Robeco	0	0.0	33,490	0.3
ACCESS Pooled investments managed by UBS	2,646,756	29.5	2,479,784	24.9
	5,289,088	59.0	6,203,356	62.2
Investments held outside of the ACCESS pool				
abrdn	674,494	7.5	782,550	7.8
Alcentra	467,191	5.2	0	0.0
Barings	368,455	4.1	413,231	4.1
CBRE Global Investors	595,008	6.6	733,321	7.4
GCM Grosvenor	723,132	8.1	906,353	9.1
Insight	145,643	1.6	0	0.0
JP Morgan Alternative Asset Management	458,766	5.1	508,007	5.1
Twenty-four Asset Management	149,550	1.7	286,641	2.9
	3,582,239	39.9	3,630,103	36.4
Other investments	0	0.0	0	0.0
Other net assets	93,241	1.1	129,640	1.4
Total	8,964,568	100.0	9,969,046	100.0

All the companies named above are registered in the United Kingdom. The Pension Fund has no investment in a single company/asset that exceeds 5% of the net assets available for benefits.



Notes to Pension Fund accounts continued

11c) Property holdings

There are no restrictions on the realisability of the property or the remittance of income or proceeds on disposal and the Fund is not under any contractual obligations to purchase or sell any of these properties. The Pension Fund is required to meet the cost of repairs, maintenance or enhancements necessary to maintain the investment income of its property assets.

The future minimum lease payments receivable by the Fund are as follows:

The above disclosures have been reduced by a credit loss allowance of 2.5% per annum, reflecting the Fund's expected loss from late or non-recovery of rents from tenants. This has been based on the Fund's own historic experience but also information on similar properties received from the Fund's property investment manager. In accordance with paragraphs 7.2.9.1 and 7.2.9.2 of the Code the loss allowance has been calculated based on the estimated lifetime loss allowance for all current tenancies.

	Year ending 31 Mar 2023 £000	Year ending 31 Mar 2024 £000
Within one year	24,010	28,660
Between one and five years	75,562	106,819
Later than five years	194,254	234,316
Total future lease payments due under existing contacts	293,826	369,795



Notes to Pension Fund accounts continued

12. Analysis of derivatives

Objectives and policies for holding derivatives

Investments in forward currency contracts were to hedge exposures to reduce risk in the Fund by removing the exposure to foreign (non-Sterling) currency. The forward foreign currency contracts are all OTC (over the counter) contracts whereby two parties agree to exchange two currencies on a specified future date at an agreed rate of exchange.

Open forward currency contracts

At 31 March 2024, the Fund had open forward currency contracts in place with a net unrealised loss of £7.121 million.

Settlements	Currency bought	Local value £000	Currency sold*	Local value £000	Asset value £000	Liability value £000
1 to 6 months	GBP	362,181	USD	(369,195)	0	(7,014)
1 to 6 months	USD	869	GBP	(864)	5	0
1 to 6 months	GBP	37,139	EUR	(37,257)	0	(117)
1 to 6 months	EUR	1,497	GBP	(1,492)	5	0
Open forward currency contracts at 31 March 2024					10	(7,131)
Net forward currency contracts at 31 March 2024						(7,121)

Prior year comparative

Settlements	Currency bought	Local value £000	Currency sold*	Local value £000	Asset value £000	Liability value £000
1 to 6 months	GBP	365,377	USD	(441,703)	8,675	0
1 to 6 months	USD	3,611	GBP	(2,992)	0	(76)
1 to 6 months	GBP	13,793	EUR	(15,545)	97	(0)
1 to 6 months	EUR	182,362	GBP	(161,845)	0	(1)
Open forward currency contracts at 31 March 2023					8,772	(77)
Net forward currency contracts at 31 March 2023						8,695

*List of currencies

EUR = Euro | GBP = British Pound | USD = United States Dollar



Notes to Pension Fund accounts continued

13. Fair value – basis of valuation

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Description of asset	Valuation hierarchy – level	Basis of valuation	Observable and unobservable inputs	Key sensitivity affecting the valuation provided
Market quoted investments	1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Spot foreign exchange contracts	1	Market exchange rates at the year end	Not required	Not required
Exchange traded pooled investments	1	Closing bid value on published exchanges	Not required	Not required
Unquoted bonds	2	Average of broker prices	Evaluated price feeds	Not required
Forward foreign exchange derivatives	2	Market forward exchange rates at the year end	Exchange rate risk	Not required
Pooled investments – fixed income	2	Closing price on the final day of the accounting period	NAV-based pricing set on forward pricing basis	Not required
Pooled investments – property funds	2	Closing price on the final day of the accounting period	NAV-based pricing set on forward pricing basis	Not required
Freehold and leasehold properties	2	Valued at fair value at the year end using the investment method of Mark White, BSc MRICS of Colliers International in accordance with the <i>RICS Valuation – Current Global Standards</i>	Comparable recent market transactions on arm's-length terms	Not required



Notes to Pension Fund accounts continued

13. Fair value – basis of valuation continued

Description of asset	Valuation hierarchy – level	Basis of valuation	Observable and unobservable inputs	Key sensitivity affecting the valuation provided
Alternative Investments – Private equity, infrastructure and private debt	3	Comparable valuation of similar companies in accordance with <i>International Private Equity Venture Capital Valuation Guidelines</i> where appropriate or use of third-party valuers such as <i>Duff & Phelps</i> .	<ul style="list-style-type: none">• EBITDA multiple• Revenue multiple• Discount for lack of marketability• Control premium• Loan to value multiple	Valuations could be affected by material events occurring between the date of the financial statement provided and the Pension Fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts



Notes to Pension Fund accounts continued

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with the Fund's investment managers, the Fund has determined that the valuation methods described above are likely to be accurate within the following ranges and has set below the consequent potential impact on the closing value of investments held at 31 March 2024.

	Assessed valuation range (+/-)	Value at 31 March 2024 £000	Value on increase £000	Value on decrease £000
Alternative investments – Private debt	5%	508,280	533,694	482,866
Alternative investments – Infrastructure	10%	894,681	984,150	805,213
Alternative investments – Private equity	10%	743,716	818,087	669,344

13a) Fair value hierarchy

Assets and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair value. Transfers between levels are recognised in the year in which they occur.

Level 1

Assets and liabilities at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as Level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Level 2

Assets and liabilities at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value.

Level 3

Assets and liabilities at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.



Notes to Pension Fund accounts continued

The following tables provide an analysis of the financial assets and liabilities of the Pension Fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

Values at 31 March 2024	Quoted market price	Using observable inputs	With significant unobservable inputs		Values at 31 March 2023	Quoted market price	Using observable inputs	With significant unobservable inputs	
Financial assets	Level 1 £000	Level 2 £000	Level 3 £000	Total £000	Financial assets	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets at fair value through profit and loss	5,957,942	1,090,465	2,146,677	9,195,084	Financial assets at fair value through profit and loss	5,584,282	946,425	1,837,864	8,368,571
Non-financial assets at fair value through profit and loss	0	587,850	0	587,850	Non-financial assets at fair value through profit and loss	0	493,000	0	493,000
Financial liabilities at fair value through profit and loss	0	(7,131)	0	(7,131)	Financial liabilities at fair value through profit and loss	0	(77)	0	(77)
Net investment assets	5,957,942	1,671,185	2,146,677	9,775,803	Net investment assets	5,584,282	1,439,348	1,837,864	8,861,494

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



Notes to Pension Fund accounts continued

13b) Reconciliations of fair value measurements within level 3

Period 2023/24	Market value 31 March 2023 £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Change in market value during the year £000	Market value 31 March 2024 £000
Alternative investments	1,837,864	430,716	(186,336)	64,433	2,146,677

Period 2022/23	Market value 31 March 2022 £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Change in market value during the year £000	Market value 31 March 2023 £000
Alternative investments	1,408,541	382,648	(147,072)	193,746	1,837,864



Notes to Pension Fund accounts continued

14. Financial instruments

14a) Classification of financial instruments

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

31 March 2023				31 March 2024		
Fair value through profit and loss £000	Assets at amortised cost £000	Liabilities at amortised cost £000		Fair value through profit and loss £000	Assets at amortised cost £000	Liabilities at amortised cost £000
			Financial assets			
0			Fixed interest securities	0		
0			Equities	0		
6,419,927			Pooled investments	6,903,228		
102,008			Pooled property investments	145,169		
1,837,864			Alternatives	2,146,677		
8,772			Derivative contracts	10		
35,320	15,577		Cash	67,020	69,866	
	9,196		Debtors		10,290	
8,403,891	24,773	0		9,262,104	80,156	0
			Financial liabilities			
(77)			Derivative contracts	(7,131)		
		(4,260)	Creditors			(3,604)
(77)	0	(4,260)		(7,131)	0	(3,604)
8,403,814	24,773	(4,260)		9,254,973	80,156	(3,604)



Notes to Pension Fund accounts continued

14b) Net gains and losses on financial instruments

31 March 2023 £000		31 March 2024 £000
	Financial assets	
(558,630)	Fair value through profit and loss	715,700
	Financial liabilities	
(12,609)	Fair value through profit and loss	7,177
(571,240)	Total	722,877

The Administering Authority has not entered into any financial guarantees that are required to be accounted for as financial instruments.

15) Nature and extent of risks arising from financial instruments

Risk and risk management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Pension Fund manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Pension Fund Panel and Board. Risk management policies are established to identify and analyse the risks faced by the Pension Fund's operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

15a) Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Pension Fund and its investment advisers undertake appropriate monitoring of market conditions and benchmark analysis.



Notes to Pension Fund accounts continued

The Fund manages these risks in two ways:

- the exposure of the Fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels
- specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments

Equity futures contracts and exchange traded option contracts on individual securities may also be used to manage market risk on equity investments. It is possible for over-the-counter equity derivative contracts to be used in exceptional circumstances to manage specific aspects of market risk.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by

factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short are unlimited.

The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Pension Fund to ensure it is within limits specified in the Fund investment strategy.

Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, the Pension Fund

has determined the following movements in market price risk for the 2023/24 reporting period based on a one standard deviation movement in the value of the Fund's investments. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Asset type	Potential market movements (+/-)
Overseas equities	12.15%
UK bonds	16.62%
Overseas bonds	8.70%
Property	9.63%
Alternative investments	5.98%
Cash	0.70%

The potential price changes disclosed above are broadly consistent with a one standard deviation movement in the value of the assets. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.



Notes to Pension Fund accounts continued

Had the market price of the Fund investments increased/ decreased in line with the previous table, the change in the net assets available to pay benefits in the market price would have been as follows (the prior year comparator is shown below):

Asset type	Value at 31 March £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Total assets 2024	9,912,689	1,081,279	10,993,968	8,831,410
Total assets 2023	8,861,701	1,054,977	9,916,677	7,806,725

Asset type	Value at 31 March 2024 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Global equities	3,762,343	457,179	4,219,522	3,305,164
Uk bonds	1,908,957	317,294	2,226,251	1,591,663
Overseas bonds	1,231,928	107,224	1,339,152	1,124,704
Property	733,019	70,581	803,600	662,438
Alternatives	2,139,556	128,049	2,267,605	2,011,507
Cash	136,886	952	137,838	135,934
Total assets	9,912,689	1,081,279	10,993,968	8,831,410

Asset type	Value at 31 March 2023 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Global equities	3,745,322	576,170	4,321,492	3,169,152
Uk bonds	1,543,766	244,585	1,788,353	1,299,181
Overseas bonds	1,130,839	69,866	1,200,704	1,060,973
Property	595,008	57,038	652,046	537,970
Alternatives	1,846,559	107,316	1,953,875	1,739,242
Cash	207	1	208	206
Total assets	8,861,701	1,054,977	9,916,677	7,806,725



Notes to Pension Fund accounts continued

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's interest rate risk is routinely monitored by the Pension Fund in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

The Fund's direct exposure to interest rate movements as at 31 March 2024 and 31 March 2023 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Interest rate risk sensitivity analysis

The Pension Fund recognises that interest rates can vary and can affect both income to the Fund and the carrying value of Fund assets, both of which affect the value of the net assets available to pay benefits. A 1% movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a 1% change in interest rates. The figures below for Fixed Interest Securities do not include the Fund's pooled investment in Index Linked Gilts. This better reflects the Fund's approach to the management of investment risk and how this analysis is applied to the Fund's different investments.



Notes to Pension Fund accounts continued

Assets exposed to interest rate risk	Value as at 31 March 2024 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
Cash & cash equivalents	619	0	619	619
Cash deposits	136,886	0	136,886	136,886
Total	137,505	0	137,505	137,505

Assets exposed to interest rate risk	Value as at 31 March 2023 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
Cash & cash equivalents	50,690	0	50,690	50,690
Cash deposits	207	0	207	207
Total	50,897	0	50,897	50,897

Income exposed to interest rate risk	Amount receivable as at 31 March 2024 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
Cash deposits/ cash & cash equivalents	11,090	680	11,769	10,410
Total	11,090	680	11,769	10,410

Income exposed to interest rate risk	Amount receivable as at 31 March 2023 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
Cash deposits/ cash & cash equivalents	1,612	680	2,292	932
Total	1,612	680	2,292	932

Changes in interest rates do not impact on the value of cash/cash equivalent balances but they will affect the interest income received on those balances. Changes to both the fair value of assets and the income received from investments impact the net assets available to pay benefits.



Notes to Pension Fund accounts continued

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (GB pounds). The Fund holds both monetary and non-monetary assets denominated in currencies other than GB pounds.

The Fund's currency rate risk is routinely monitored by the Pension Fund in accordance with the Fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

Currency risk – sensitivity analysis

Following analysis of historical data, the Pension Fund considers the likely volatility associated with foreign exchange rate movements to be 7.1% (as measured by one standard deviation).

A 7.1% fluctuation in the currency is considered reasonable based on the Pension Fund's analysis of long-term historical movements in the month-end exchange rates over a rolling 36-month period. This analysis assumes that all other variables, in particular interest rates, remain constant.

A 7.1% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Asset type	Value at 31 March £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Total assets 2024	5,089,379	360,882	5,450,263	4,728,497
Total assets 2023	4,862,708	382,968	5,245,676	4,479,740



Notes to Pension Fund accounts continued

15b) Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

In essence, the Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment or receipt that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

Credit risk on OTC derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised ratings agency.

Deposits are not made with banks and financial institutions unless they are rated independently and meet the Pension Fund's credit criteria. The Pension Fund has also set limits as to the maximum percentage

of the deposits placed with any one class of financial institution. In addition, the Pension Fund invests an agreed percentage of its funds in the money markets to provide diversification. The money market funds chosen all have AAA rating from a leading ratings agency.

The Pension Fund has managed its exposure to credit risk and has had no experience of default or uncollectable deposits over the past five years. The Fund's cash holding under its treasury management arrangements at 31 March 2024 was £79.41 million (31 March 2023: £40.21 million). This was held with the following institutions:

	Rating as at 31 March 2024	Balance as at 31 March 2023 £000	Balance as at 31 March 2024 £000
Money market funds			
abrdn (formerly Aberdeen Standard)	AAA _m	7,250	7,840
Blackrock	AAA _m	5,100	10,950
DWS	AAA _m	0	7,160
Federated Investors UK	AAA _m	480	6,120
Goldman Sachs	AAA _m	6,250	6,350
Insight	AAA _m	6,960	7,360
Northern Trust	AAA _m	5,670	7,940
JP Morgan	AAA _m	3,610	13,300
Bank Deposits			
Lloyds	A+	10	10
NatWest	A	10	10
Handelsbanken	AA-	4,869	12,370
Total		40,209	79,410



Notes to Pension Fund accounts continued

15c) Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Pension Fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments.

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. As at 31 March 2024 the value of illiquid assets was £2,886 million, which represented 29.1% of the total fund assets (31 March 2023: £2,433 million, which represented 27.5% of the total fund assets).

Periodic cash flow forecasts are prepared to understand and manage the timing of the Fund's cash flows. All financial liabilities at 31 March 2024 are due within one year.

Refinancing risk

The key risk is that the Pension Fund will be bound to replace on maturity a significant

proportion of its financial instruments at a time of unfavourable interest rates. However, the Pension Fund does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategy.

16. Funding arrangements

In line with The Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place at 31 March 2022 and the results are published on the [Pension Fund's website](#). The next valuation will take place at 31 March 2025.

The key elements of the funding policy are:

- to ensure that the regulatory requirements to set contributions so as to ensure the solvency and long-term cost efficiency of the Fund are met and that sufficient funds are available to meet all pension liabilities as they fall due for payment

- to ensure that employer contribution rates are as stable as possible
- to minimise the long-term cost of the Scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return

- to reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations

The aim is to achieve 100% solvency over a period of 25 years from 1 April 2022 and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Solvency is achieved when the value of assets held are equal to 100% of the Solvency Target as defined in the Funding Strategy Statement.



Notes to Pension Fund accounts continued

At the 2022 actuarial valuation, the Fund was assessed as 107% funded (99% at the March 2019 valuation). This corresponded to a surplus of £637 million (2019 valuation: £78 million deficit) at that time.

The aggregate employer contributions were certified as 18.1% of Pensionable Pay, plus an additional total contribution amount of £2.7 million over 2023/24, £2.8 million over 2024/25 and £2.9 million over 2025/26. Some employers were also given the option to pay their employer contributions earlier than the dates assumed in the actuary's calculations, for a discount, based on terms set out in the Rates and Adjustments Certificate.

The Fund operates three funding groups (or pools) in which participating employers share risks and pay a common primary contribution rate. All academies participate in the Academy Pool; all Town and Parish Councils participate in the Town and Parish Council Pool, and many of the charitable community admission bodies continue to participate in the Admission Body Group. Further information on these funding arrangements is contained within

the Funding Strategy Statement. All other employers' liabilities and contribution rates are assessed individually.

Contribution schedules for the period to 31 March 2026 have been agreed for all employers. The contributions for employers reflect the profiles of their membership (or profile of the group in which they participate); the approach taken to value the liabilities on exit; the covenant of the employer and take into account the recovery of any surplus or deficiency relating to their participation over an appropriate period. Where annual contribution amounts have been certified to an employer to remove a deficit these are expected to increase by approximately 3.3% p.a. until 31 March 2039 (or an earlier date in some cases depending on the employer's circumstances).

The valuation of the Fund has been undertaken using the projected unit method for most employers, under which the salary for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service.

Financial assumptions

Full details of the assumptions used by the Fund's actuary are set out in the 2022 actuarial valuation report and summarised in the Statement of the Actuary.

Generally, a common set of assumptions is adopted for all employers in the Fund with the exception of the discount rate (assumption for future investment returns) which is dependent on the circumstances of the employer. In setting the discount rate the actuary takes into account the financial risk of the employer and, if the employer is expected to exit the Fund in the future, will have regard to the funding target that will be used in an exit valuation under Regulation 64.



Notes to Pension Fund accounts continued

The main actuarial assumptions that were used for the secure scheduled bodies in the March 2022 actuarial valuation were as follows:

Financial assumptions	
Discount rate	4.4% a year
Rate of general pay increases	3.3% a year
Rate of increase to pension accounts and deferred pension increases and pensions in payment (in excess of Guaranteed Minimum Pension)	2.3% a year

In addition, in 2022 an 8% uplift was applied to the past service liabilities to make allowance for short-term inflation above the long-term assumption.

The assets were valued at market value.

Demographic assumptions

A 65 year old pensioner retiring in normal health in 2022 was assumed on average to live to 88.2 (males) and 90.6 (females), rather than 87.9 (males) and 90.4 (females) under the assumptions adopted at the previous valuation.

Allowance is made for mortality improvements such that an active member

currently aged 45 is expected to live to age 88.7 (males) and 91.6 (females).

Commutation assumption

Each member was assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre 2008 service) is 70% of the permitted maximum.

50:50 option

All active members were assumed to remain in the Scheme they were in at the valuation date.

17. Actuarial present value of promised retirement benefits

In addition to the triennial funding valuation, the Fund's Actuary also undertakes a valuation of the Pension Fund's liabilities, on an IAS 19 basis, using the same base data as the funding valuation. This valuation is not carried out on the same basis as that used for setting the Fund's contribution rates and the Fund Accounts do not take account of liabilities to pay pensions and other benefits in the future.

In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 16). The actuary has also valued ill health and death benefits in line with IAS 19.

The actuarial present value of promised retirement benefits at 31 March 2022 was £13,000 million (31 March 2019: £10,141 million). The Fund Accounts do not take account of liabilities to pay pensions and other benefits earned after the valuation date.

As noted above the liabilities above are calculated on an IAS 19 basis and therefore differ from the results of the 2022 triennial funding valuation (see Note 16) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates and the circumstances of employers.

The principal financial assumptions used by the Fund's actuary for the March 2022 IAS 19 calculation were:

Discount rate	2.7%
CPI inflation / pension increase rate assumption	3.0%
Salary increase rate	4.0%



Notes to Pension Fund accounts continued

18. Current assets

	31 March 2023 £000	31 March 2024 £000
Debtors:		
- Contributions due – employees	1,172	560
- Contributions due – employers	45,740	42,108
- Transfer values receivable (joiners)	0	0
- Tax	2,956	3,042
- Sundry debtors	9,196	10,290
Cash balances	50,690	619
Total	109,754	56,619

Analysis of debtors	31 March 2023 £000	31 March 2024 £000
Central government bodies	11,292	16,519
Other local authorities	39,587	23,618
Other entities and individuals	8,185	15,863
Total	59,064	56,000

19. Current liabilities

	31 March 2023 £000	31 March 2024 £000
Sundry creditors	4,260	3,604
Transfer values payable (leavers)	0	0
Benefits payable	1,366	824
Tax	1,261	1,782
Total	6,887	6,210

Analysis of creditors	31 March 2023 £000	31 March 2024 £000
Central government bodies	(0)	1
Other local authorities	1,543	1,009
Other entities and individuals	5,344	5,200
Total	6,887	6,210

20. Additional voluntary contributions

	Market value 31 March 2023 £000	Market value 31 March 2024 £000
Prudential	24,859	29,037
Zurich	3,134	2,864
Utmost	667	609
Total	28,660	32,510

During the year, AVCs of £2,227 million were paid directly to Prudential (2022/23: £7,687 million) and £0.002 million to Utmost (2022/23: £0.002 million). No contributions were paid to Zurich which closed to new contributions in 2021/22.



Notes to Pension Fund accounts continued

21. Related party transactions

The Hampshire Pension Fund is administered by Hampshire County Council. Consequently, there is a strong relationship between the County Council and the Pension Fund. The County Council is also the single largest employer of members of the Pension Fund and contributed £312.013 million to the Fund in 2023/24 (2022/23 £15.187 million). This included paying the employer pension contributions due for the three years of the Pension Fund's triennial valuation period to 2025/26.

During the reporting period, the County Council incurred costs of £3.927 million (2022/23: £3.485 million) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses.

The key management personnel of the Fund are the Director of Corporate Operations of Hampshire County Council, acting as Chief Finance Officer (CFO) to the Fund, and the Head of Pensions, Investments and Borrowing. Both of these

officers charge a proportion of their time to the Hampshire Pension Fund as part of the County Council's charge for the administration of the Fund above. Details of the salary of the Director of Corporate Operations can be found in the main accounts of Hampshire County Council.

Part of the Pension Fund's cash holdings are invested on the money markets by the treasury management operations of Hampshire County Council. During the year to 31 March 2024, the Fund had an average cash balance of £204.113 million (year to 31 March 2023: £72.855 million), earning interest of £11.012 million (2022/23 £1.612 million) on these funds.

22. Contingent liabilities and contractual commitments

Outstanding capital commitments (investments) at 31 March 2024 totalled £724.041 million (31 March 2023: £639.699 million). These commitments relate to outstanding call payments due on unquoted alternative investment and property limited partnership funds held in the alternative

investments and property parts of the Fund. The amounts 'called' by these funds are irregular in both size and timing over a period of between four and six years from the date of each original commitment.

In December 2018 the Court of Appeal ruled against the Government in the McCloud and Sargeant cases, that the underpin protections for those within 10 years of retirement is age discrimination. The underpin was a protection that was put in place when the scheme changed on 1 April 2014 and applied to members who were an active member on 31 March 2012 and were within 10 years of their normal retirement age (usually 65). The Public Service Pensions and Judicial Offices Act 2022, the main purpose of which is to support implementation of the McCloud remedy, gained Royal Assent in March 2022 and revised regulations were published in September 2023. The financial impact of the remedy remains difficult to determine, but it is a future liability for the Fund.



Statement of Responsibilities for the Hampshire Pension Fund accounts

Fund's responsibilities

The Fund is required to:

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

Deputy Chief Executive and Director of Corporate Operations responsibilities

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

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

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

The Chief Financial Officer has also:

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

The Chief Financial Officer's Statement

I certify that the statement of accounts as set out on **pages 46 to 83** presents a true and fair view of the financial position of the Hampshire Pension Fund as at 31 March 2024 and the income and expenditure for the year ended 31 March 2024.

Signature to go here

Rob Carr CPFA

Deputy Chief Executive,
Director of Corporate Operations
and Section 151 Officer

Section 6

Investments and funding

DRAFT



Investments and funding background information

Investment strategy

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

All of the Fund's investments are managed by external investment managers, other than the cash which is managed by the Deputy Chief Executive and Director of Corporate Operations' staff. The full list of the Fund's external investment managers including the portfolio they manage is available on **pages 100 and 101** of this annual report.

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

The **Funding Strategy Statement** has been implemented by collecting employer contributions paid in line with the rates certified in the 2022 triennial actuarial valuation. No bonds or other secured funding arrangements were entered into during the year. All admission bodies were managed in accordance with the Funding Strategy Statement and Employer Policy.

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

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

- providing accounting and performance reporting on the Pension Fund individual investment portfolios and the Fund in total;

- cash facilities to enable the Pension Fund to make and receive payments for its investments
- foreign exchange settlement to enable the Pension Fund to buy and sell assets in foreign currencies

- historic tax reclamation services
- historic filing of US-based class action lawsuits

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



Investment performance report

The Hampshire Pension Fund’s assets delivered a total return of 9.05% against a weighted benchmark of 8.96% in 2023/24. The weighted benchmark return is the average return for the relevant benchmarks of the Pension Fund’s investments, weighted to reflect the relative size of each portfolio.

A year of relatively high interest rates was a good news story for our debt and credit investment managers, with all benefitting from greater yield opportunity, whilst the global equities portfolios recovered from the difficult experience of 2022/23, with most positive returns having been driven by a small number

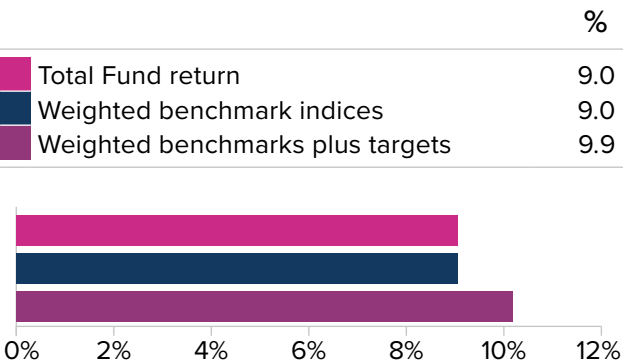
of US technology stocks that have become known as the ‘Magnificent 7’ (Alphabet, Netflix, Tesla, Meta, Amazon, Nvidia and Microsoft) who have all grown significantly now taking a huge proportion of the index. Meanwhile, the property market has struggled to pick up, with few transactions and the reality of recession biting, and the Pension Fund’s alternative investment managers faced expensive transactions and challenging exit markets.

The Fund’s investment return was 3.4% per annum over the three years to March 2024, and 6.2% per annum over the five years to March 2024. In 2022/23 a Value style approach to equities investment favoured the market, with managers like Dodge & Cox

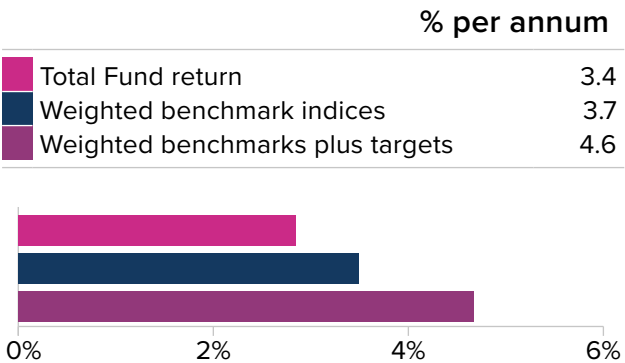
benefitting from their approach to investing, whilst investment managers with a Growth-style approach, like Baillie Gifford, tended to suffer by comparison. Whilst this was only a short timeframe in comparison to the number of years that market conditions favoured a Growth-style investment approach, this was still significant as the success of the period is still clear in Dodge & Cox’s three-year performance figures. The total return was close to the weighted benchmark.

Over the five-year period to 31 March 2024 the Fund has achieved total returns greater than both the weighted benchmark and the weighted targets set for its investment managers.

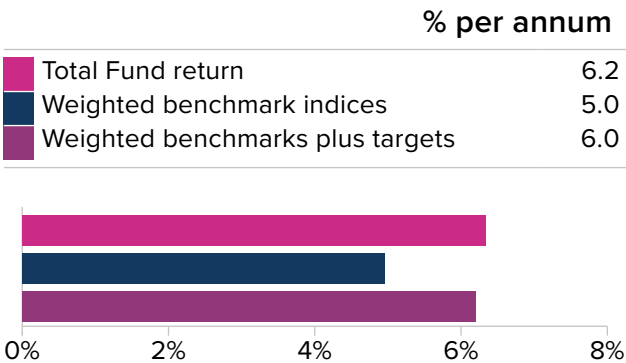
Total investment returns for the Fund (12 months to 31 March 2024)



Total investment returns for the Fund (three years to 31 March 2024)



Total investment returns for the Fund (five years to 31 March 2024)





Investment performance report continued

Global equities

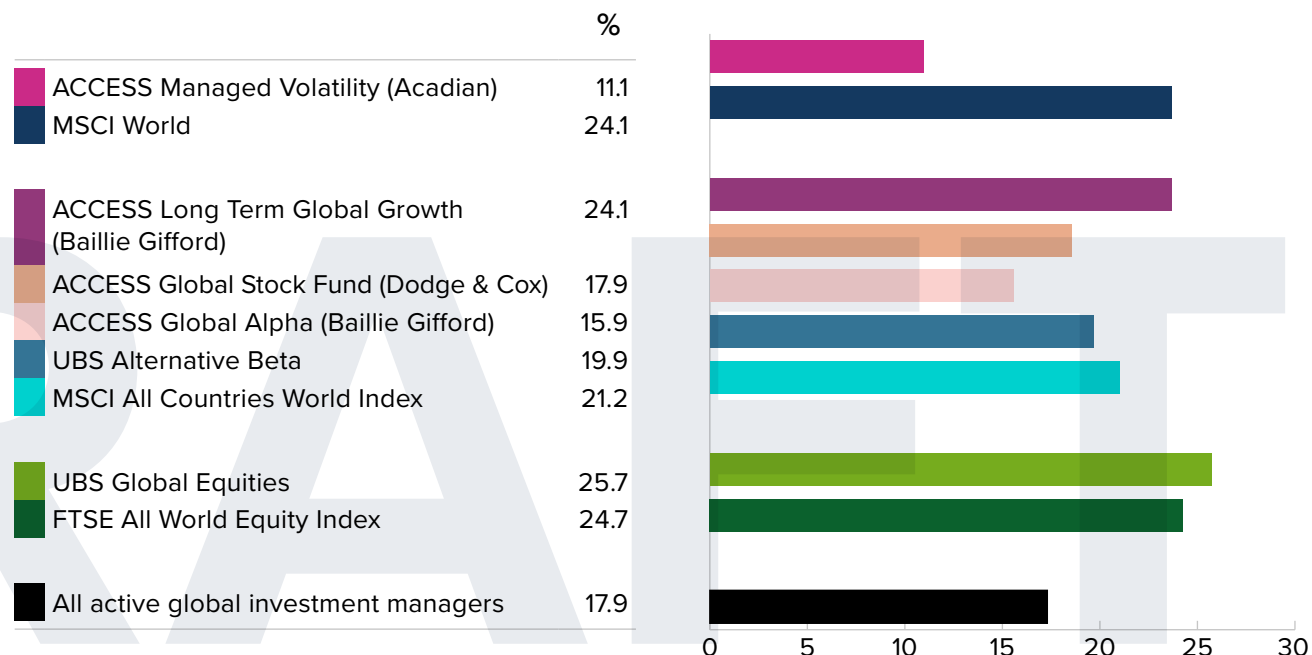
The Pension Fund invests in global equities through a combination of passive and actively managed mandates. The four actively managed mandates are all invested through the ACCESS pool managed by Waystone. The passive mandates are managed by UBS, the ACCESS pool's passive manager.

Full details of the investment management arrangements are on **pages 100-101** and performance data is only shown where meaningful data is available.

Global stock markets gained 21.1% in 2023/24, as measured by the MSCI All Countries World Index (ACWI).

The ACCESS Long Term Global Growth portfolio managed by Baillie Gifford has outperformed the index during 2023/24 as it is a small concentrated portfolio with significant investments in 'Magnificent 7' stocks, Nvidia, Tesla, Amazon and Netflix, driving performance. In contrast the ACCESS Global Stock Fund managed by Dodge & Cox, the ACCESS Managed

Global equities (12 months to 31 March 2024)



Volatility portfolio managed by Acadian and the ACCESS Global Alpha Paris Aligned portfolio managed by Baillie Gifford, underperformed the benchmark although still provided positive absolute returns. This was due to not holding such a high proportion of the 'Magnificent 7' US technology stocks.

In aggregate, the Fund's active global equity managers underperformed the MSCI ACWI benchmark, returning 17.9% compared with the 21.2% gain for the index.



Investment performance report continued

All six of the Pension Fund's current global equity portfolios have a track record of at least three years and their performance is shown in the adjacent chart against their respective benchmarks. The table also shows the aggregate performance of all the Pension Fund's active equity managers over three years, including those where the Pension Fund has now disinvested. The Fund's active equity managers have underperformed the wider market in aggregate, returning 6.0% in comparison to the market's 10.7%.

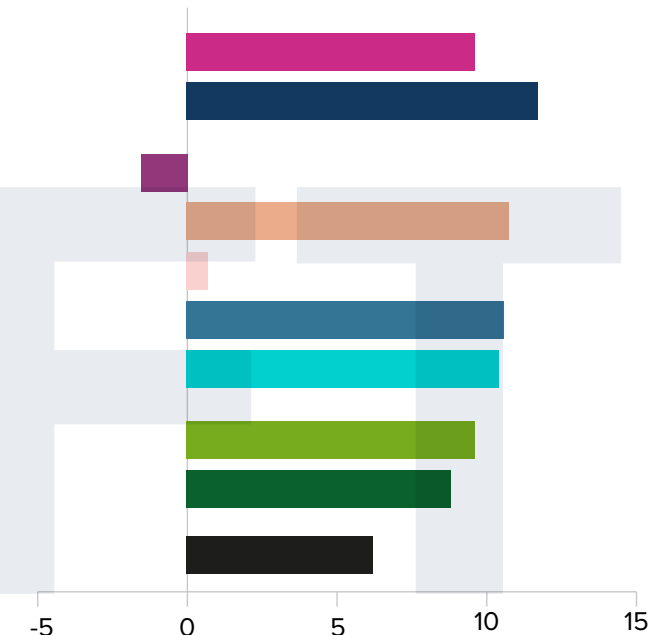
Both Dodge & Cox's Global Stock Fund and Acadian's Managed Volatility portfolio have achieved good positive returns in a difficult period, with Dodge & Cox slightly outperforming, and Acadian underperforming the benchmark. The two Baillie Gifford portfolios struggled by comparison, with the Global Alpha portfolio providing a return just above neutral, and the Long Term Global Growth portfolio providing a negative absolute return, with both portfolios underperforming the benchmark significantly. The reason for this polarisation was the impact of high inflation

Global equities (three years to 31 March 2024)

	% per annum
ACCESS Managed Volatility (Acadian)	9.8
MSCI World	12.4
ACCESS Long Term Global Growth (Baillie Gifford)	-2.2
ACCESS Global Stock Fund (Dodge & Cox)	11.7
ACCESS Global Alpha (Baillie Gifford)	0.7
UBS Alternative Beta	11.5
MSCI All Countries World Index	10.7
UBS Global Equities	9.0
FTSE All World Equity Index	8.6
All active global investment managers	6.0

and high interest rates on companies, with Dodge & Cox's portfolio which includes investments in banks and energy, benefitting from the economic climate. By comparison Baillie Gifford portfolios were hit hard by the economic climate, with stocks that had previously traded at high

valuations, falling in value as investors became less optimistic about the future due to high inflation and interest rates.





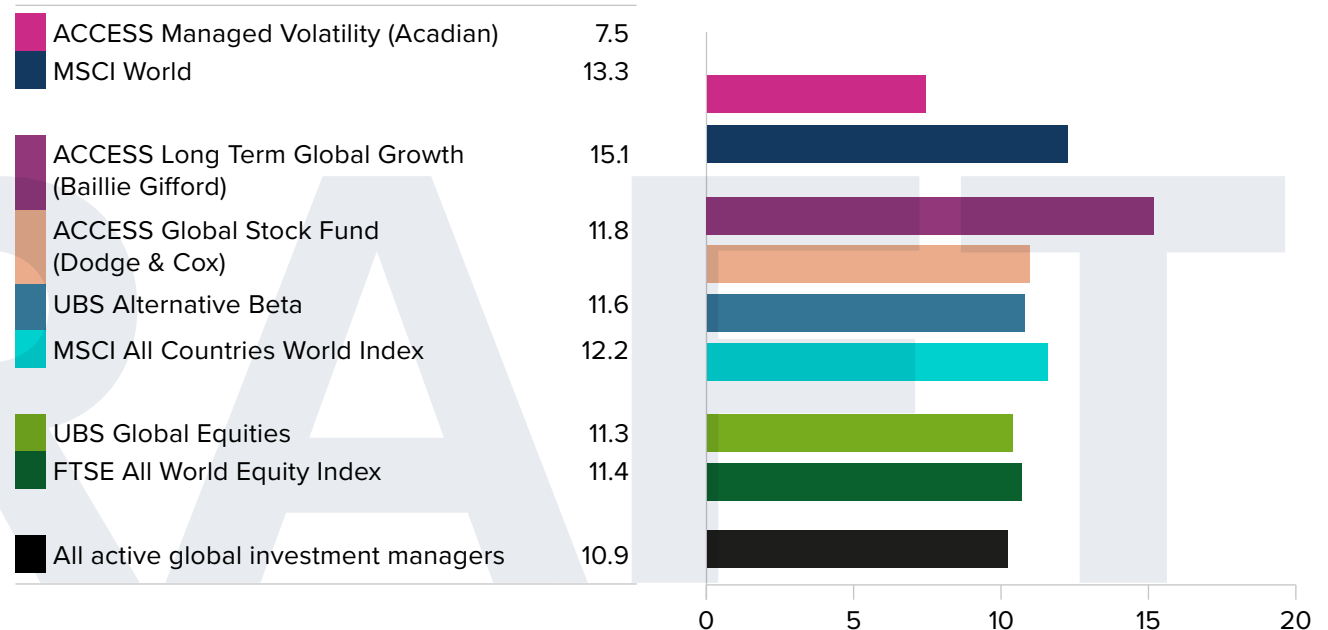
Investment performance report continued

Three of the Pension Fund's current active global equity portfolios have a track record of five years and their performance is shown in the adjacent chart against their respective benchmarks. The Long Term Global Growth portfolio, managed by Baillie Gifford, has outperformed the benchmark due to its concentrated portfolio of stocks during a favourable period on the whole.

The table also shows the aggregate performance of the Fund's active global equity managers over the last 5 years including the Fund's previous managers and shows the Fund's managers have slightly underperformed the benchmark.

Global equities (five years to 31 March 2024)

% per annum





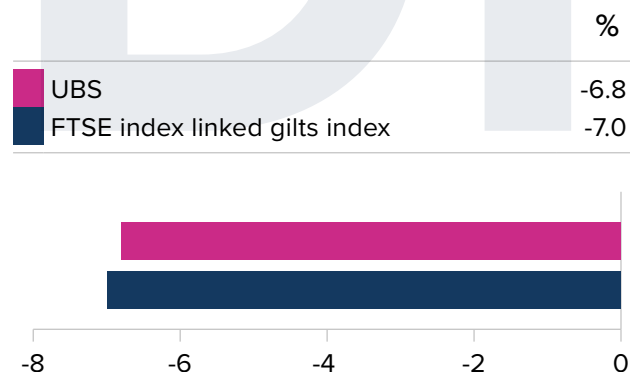
Investment performance report continued

Fixed income

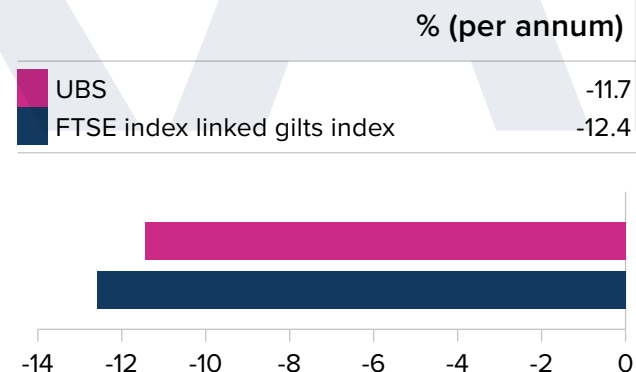
The FTSE British Government Over Five Years Index-Linked Gilts Index returned -7.0% during 2023/24 and UBS delivered returns of -6.8%. Over 5 years the portfolio performance has closely mirrored the benchmark at -6.3% per annum, in comparison to the benchmark return of -6.9%.

The benchmark was particularly volatile in 2022/23 (which affects the three and five-year performance figures) particularly in the period of the 'Truss-Kwarteng' mini budget when the market reacted to sudden changes in interest rates expectations causing a significant sell-off in long-term UK Government bonds. UBS invest passively to match their index and their performance has slightly bettered the index as would be expected.

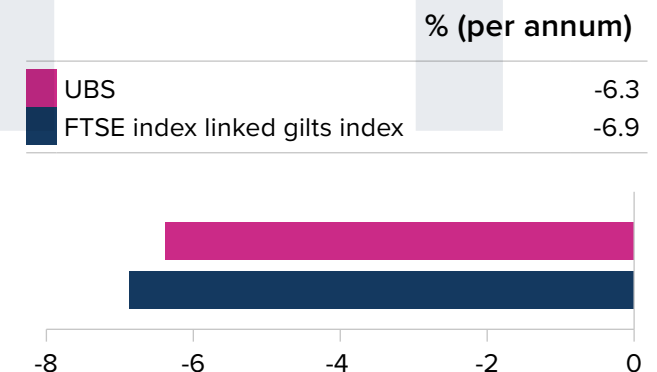
Index linked gilts (12 months to 31 March 2024)



Index linked gilts (three years to 31 March 2024)



Index linked gilts (five years to 31 March 2024)

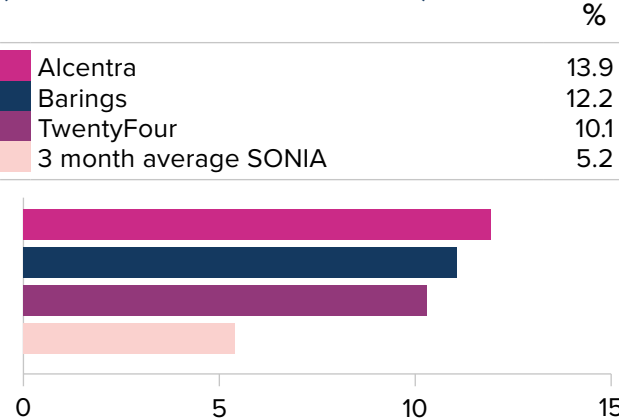




Investment performance report continued

Alcentra and Barings are the Pension Fund’s two Multi-Asset Credit (MAC) investment managers. Both investment managers predominantly invest directly in bonds and loans and have been given a target to deliver returns of 3% per annum above the 3 month average SONIA rate. The stabilisation of high interest rates in 2023/24 has resulted in positive returns for these managers, with the variance between the two due to Barings’ position in emerging markets debt which has had a negative impact on performance. However both portfolios have produced positive absolute returns, well above both the benchmark and the target.

Actively managed fixed income
(12 months to 31 March 2024)

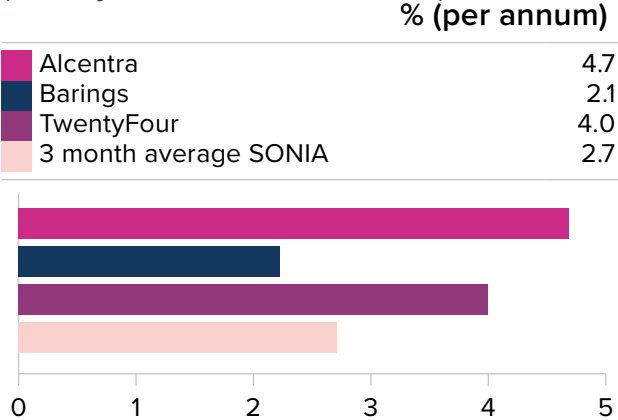


TwentyFour is the Pension Fund’s Asset Backed Securities (ABS) investment manager with a target to deliver returns of 2% per annum above the 3-month average SONIA rate. This portfolio has also benefited from the stabilisation of high interest rates in 2023/24 resulting in a positive absolute investment return, as well as outperforming the benchmark and the target.

The Fund’s investments in private debt through JP Morgan Alternative Asset Management are covered under the section on alternative investments on **pages 94 and 95**.

All three of the Fund’s current actively managed fixed income portfolios have a track record of

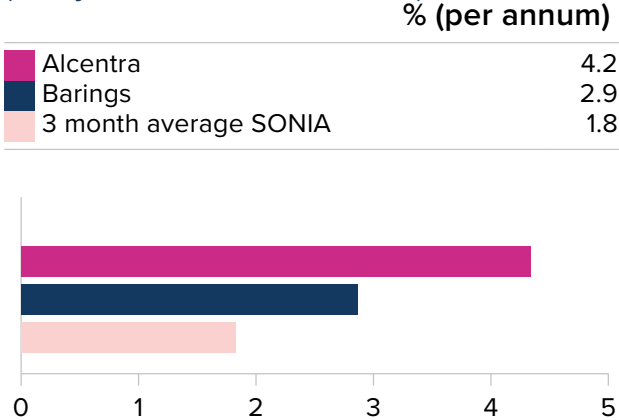
Actively managed fixed income
(three years to 31 March 2024)



three years or more and their performance is shown in the following charts against SONIA. Over the three-year period to 31 March 2024 all investment managers provided a positive absolute return which were above the benchmark, but negative in comparison to their individual targets. This is due to the high inflation and rising interest rate seen in 2022/23 which gave greater concern to credit assets at that time.

In the five-year period to 31 March 2024, both Alcentra and Barings provided positive absolute returns which were above the benchmark, but both investment managers underperformed the target, Barings to a greater extent. Data is not available for TwentyFour for the five-year period.

Actively managed fixed income
(five years to 31 March 2024)





Investment performance report continued

Property

CBRE Investment Management manage a portfolio of UK properties, with a performance target of the Retail Price Index (RPI) plus 3.5% over 7 to 10 years. CBRE Global Investors' performance return of 1.5% in 2023/24 was below their target of 7.8%, but greater than the average UK commercial property market (depicted by the MSCI Quarterly Universe benchmark in the table below). Recent years have been difficult for the UK commercial property

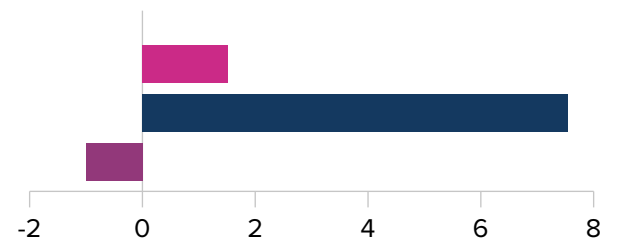
market for a combination of reasons, the change in property requirements following the global pandemic causing falling demand for property investments, the fears of economic slowdown in the UK and the significant rise in inflation which has increased the portfolio's return target.

CBRE Investment Management have underperformed their RPI plus 3.5% target over the last 3 years and 5 years however CBRE have highlighted that although the property market is currently challenged

with few properties available with the type of characteristics that are suitable for this portfolio, CBRE are both enthusiastic and patient and will act on properties, when available, that are in the best interest of the Hampshire Pension Fund.

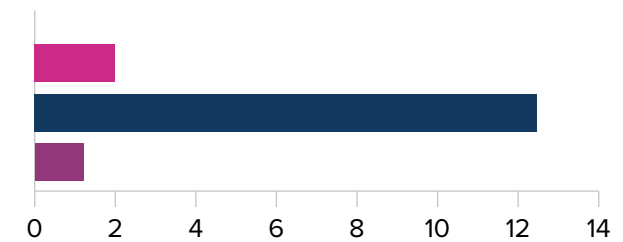
Property (12 months to 31 March 2024)

	%
CBRE Investment Management – UK property	1.5
RPI plus 3.5%	7.8
MSCI Quarterly Universe benchmark	-1.0



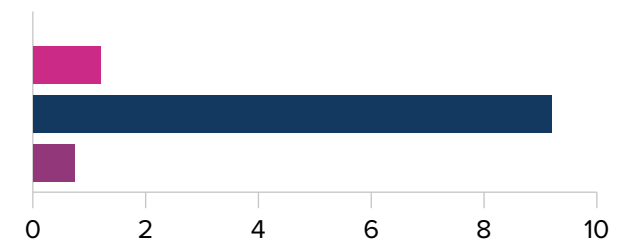
Property (three years to 31 March 2024)

	% per annum
CBRE Investment Management – UK property	2.0
RPI plus 3.5%	12.4
MSCI Quarterly Universe benchmark	1.1



Property (five years to 31 March 2024)

	% per annum
CBRE Investment Management – UK property	1.6
RPI plus 3.5%	9.6
MSCI Quarterly Universe benchmark	0.8





Investment performance report continued

Alternative investments

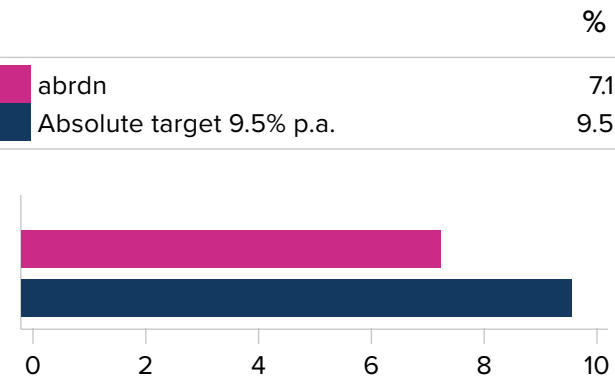
The Pension Fund’s private equity, infrastructure and private debt portfolios are managed by abrdn (now known as Patria), GCM Grosvenor and JP Morgan Alternative Asset Management respectively. These investments are relatively illiquid and investments in the infrastructure portfolio in particular should be considered long-term investments. By being able to take a long-term view and being prepared to hold illiquid investments, the Pension Fund believes it can benefit from greater returns.

The performance of these portfolios are measured using the Internal Rate of Return (IRR), which gives an annualised effective interest rate for the investment, taking account of the timing of the cashflows.

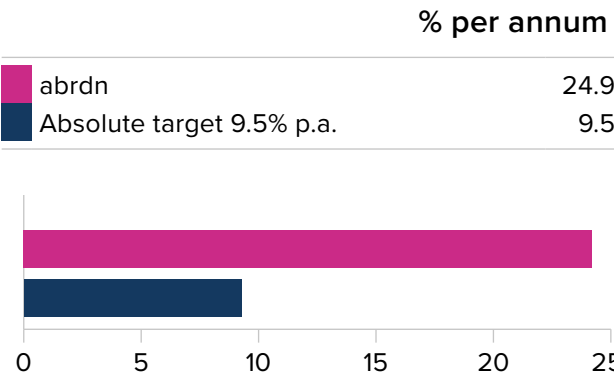
2023/24 has proved a challenging economic market for the alternative investment portfolios, with all three investment managers performing below their targets. They have been impacted by higher costs of debt due to the increase in interest rates and high inflation which has been challenging for exit markets.

Over a three and five year time horizons, both the private equity and infrastructure portfolios have performed extremely well, being well above their performance targets. The private debt portfolio is close to meeting its target over the three year period, however has not performed as well as the other portfolios due to the relative immaturity of the portfolio.

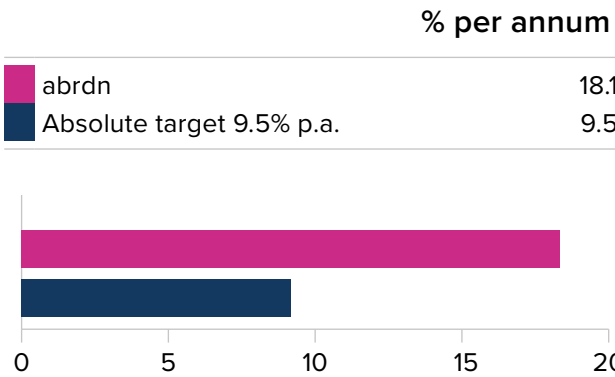
Private equity and other
(12 months to 31 March 2024)



Private equity and other
(three years to 31 March 2024)



Private equity and other
(five years to 31 March 2024)

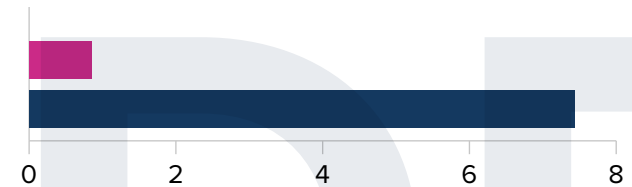




Investment performance report continued

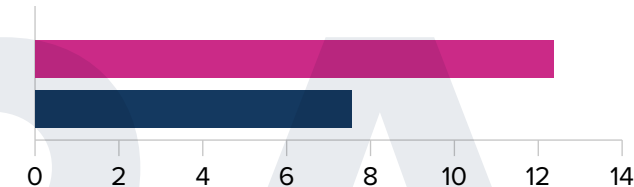
Infrastructure (12 months to 31 March 2024)

	%
GCM Grosvenor	0.8
Absolute target 7.5% p.a.	7.5



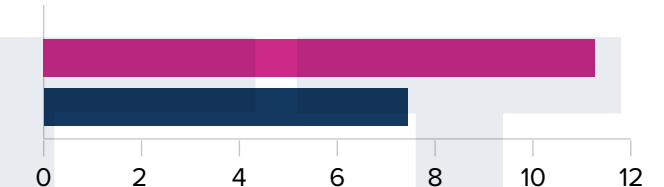
Infrastructure (three years to 31 March 2024)

	% per annum
GCM Grosvenor	12.2
Absolute target 7.5% p.a.	7.5



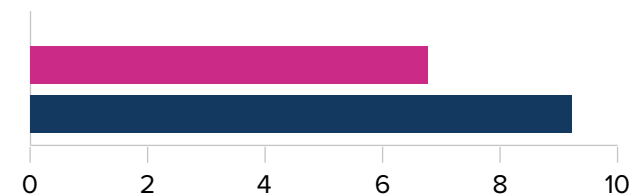
Infrastructure (five years to 31 March 2024)

	% per annum
GCM Grosvenor	11.6
Absolute target 7.5% p.a.	7.5



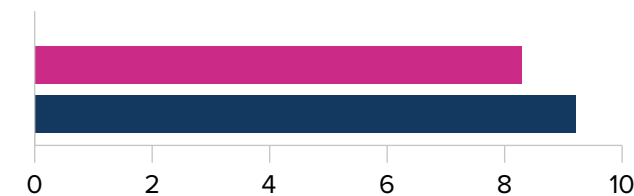
Private debt (12 months to 31 March 2024)

	%
JP Morgan Alternative Asset Management	6.8
SONIA +4% p.a. target	9.3



Private debt (three years to 31 March 2024)

	% per annum
JP Morgan Alternative Asset Management	8.2
SONIA +4% p.a. target	9.3





Environmental, Social and Governance (ESG) issues

The Hampshire Pension Fund believes in the importance of Responsible Investment, including consideration of ESG factors such as:

- Environmental – climate change, including physical risk and transition risk, resource depletion, including water, waste and pollution, deforestation
- Social – working conditions, including slavery and child labour, local communities, including indigenous communities, conflict, health and safety, employee relations and diversity
- Governance – executive pay, bribery and corruption, political lobbying and donations, board diversity and structure, tax strategy

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

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

- The Pension Fund has committed to its investment having net-zero greenhouse gas emissions (which includes Scope 1, 2 and 3 emissions) by 2050 at the latest;
- The Pension Fund supports the objectives of the Paris Agreement to limit a global temperature rise this century to well below 2°C (which we take to be 1.5°C);
- The Pension Fund Panel and Board have therefore agreed to actively work towards disinvesting from fossil fuel investments.

The Responsible Investment policy is available [here](#).

In promoting best practice in RI and stewardship, which is consistent with the Fund's aim of seeking long term investment returns for the members of the Pension Fund, the Fund is a signatory or supporter of the following standards and

initiatives within the investment industry that demonstrates its commitment to RI and the principles it will work to:

- The Financial Reporting Council's UK Stewardship Code 2020
- The United Nations Principles of Responsible Investment (PRI)
- Taskforce for Climate Related Financial Disclosure (TCFD)
- The Transition Pathway Initiative (TPI)
- Just Transition
- The Institutional Investors Group on Climate Change (IIGCC)
- Pensions for Purpose

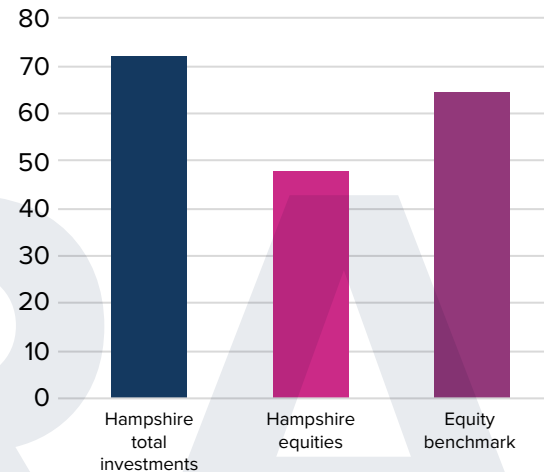


Environmental, Social and Governance (ESG) issues continued

The Pension Fund believes that acting as a good steward is a crucial part of being a responsible investor, which includes being engaged with company management as an investor and voting as a shareholder. In line with the principles of good stewardship the Pension Fund publishes the voting records for its investments, to demonstrate full transparency on its [website](#) and reports the highlights of its engagement and voting activity to the [Pension Fund Panel and Board's RI sub-committee](#).

As part of its consideration of Climate Risks, the Fund has adopted the reporting requirements of the TCFD project, in producing an [annual TCFD report](#), this includes scenario analysis of the impact of climate change on the Fund's investment and liabilities to pay pensions and measuring the carbon footprint of the Fund's investments.

**2024 Carbon footprint (Scope 1 & 2)
tCO₂e/£m invested)**



The Pension Fund's lower carbon emissions are built on a number of decisions from previous years that steer the Fund's portfolios to lower carbon investments. In the last year the Fund has taken the following further actions in implementing its RI policy:

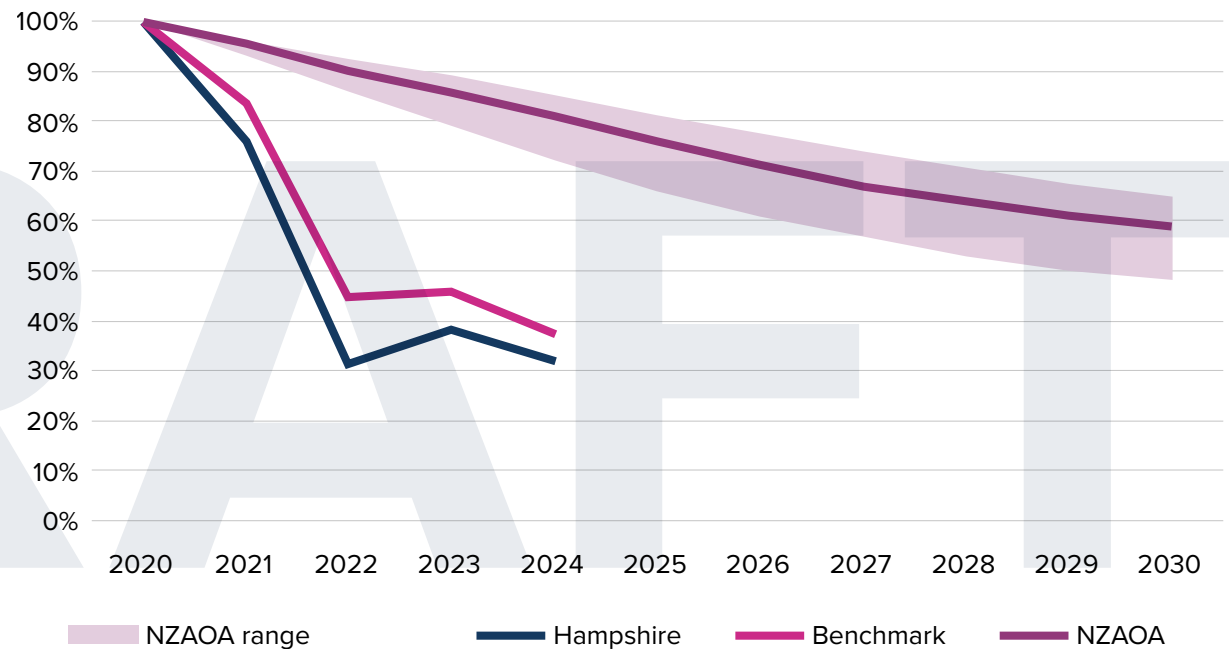
- move its Emerging Market equity investments from a passive to an active portfolio, where an investment manager can make 'active' choices in selecting companies with better responsible investment credentials;
- set targets that over 30% of the alternative investment portfolios are allocated to sustainable or impact investments by 2026;
- engaging with partners in the ACCESS pool to develop ACCESS's approach to RI, including working towards ACCESS making its own Stewardship Code submission.



Environmental, Social and Governance (ESG) issues continued

In March 2024 the Pension Fund Panel and Board agreed that the Fund would work towards disinvesting from fossil fuel investments and the Pension Fund will be working with its investment managers to implement this decision in its investment portfolios.

Decarbonisation – Hampshire Equities (Scope 1&2) NZAOA decarbonisation guidelines (indicative) – % reduction vs. baseline





Investment costs

All of the Pension Fund's investments are managed by external investment managers, either via the **ACCESS** pool or legacy arrangements where they have been directly appointed by the Pension Fund. Investment costs reduce the Fund's investment return that is available to pay pensions either charged to the Pension Fund directly or deducted at source from the investments. Therefore, a significant effort is made to minimise investment cost through competitive tendering and utilising the scale of the **ACCESS** pool, which is a key benefit of pooling.

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

Asset class	£m	%
Equities	12.53	0.33%
Credit	8.09	0.49%
Index-linked gilts	0.06	0.00%
Alternatives	53.99	2.00%
Total	74.67	0.77%

As the table above shows costs vary significantly between different asset classes. The Pension Fund's key mitigation to the risk of poor investment returns is diversification, therefore the Pension Fund will accept higher investment costs, such as for Alternative Investments, where it believes it is necessary to access assets that provide diversified returns. The costs in the table above should be read in context with the investments returns of the Pension Fund shown in the investment performance report starting on **page 87**.



Strategic asset allocation

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

	Strategic allocation %	Actual allocation %	Benchmark	Performance target
Growth				
Active global equities				
WS ACCESS Managed Volatility (Acadian) *	5.5	6.5	MSCI World	+1.5-2.5%
WS ACCESS Global Alpha (Baillie Gifford) *	4.0	5.1	MSCI All Countries World	
WS ACCESS Long Term Global Growth Fund (Baillie Gifford) *	6.0	7.8		
WS ACCESS Global Stock Fund (Dodge & Cox) *	5.5	7.6		
WS ACCESS Emerging Markets Equity Fund (Robeco) *	0.0	0.3		
Passive equities				
UBS (global equities) *	3.0	3.1	FTSE All World Equity Index	-
UBS (alternative beta) *	7.0	7.3	MSCI All Countries World	-
Private equity and other alternatives				
abrdrn (now known as Patria)	7.5	7.8	-	+9.0-11.5%
Income				
Multi-asset Credit				
Alcentra *	5.5	5.3	3 month GBP SONIA	3.00%
Barings	4.5	4.1		
Asset Backed Securities				
TwentyFour	2.0	2.9	3 month GBP SONIA	2.00%



Strategic asset allocation continued

	Strategic allocation %	Actual allocation %	Benchmark	Performance target
Private debt				
JP Morgan	5.0	5.1	3 month GBP SONIA	4.00%
Infrastructure				
GCM Grosvenor	10.0	9.1	-	+7.5-10.0%
Timberland	2.5	0.0		
UK property				
CBRE Investment Management	10.0	7.4	Retail Prices Index (RPI)	+3.5%
Protection				
Passive index-linked bonds				
UBS *	17.0	14.4	FT British Government Over Five Years Index- Linked Gilts Index	-
Investment grade credit				
WS ACCESS Sterling Investment Grade Credit Fund (Fidelity) *	5.0	4.7	ICE Bank of America Euro Sterl	1.00%
Other				
Cash and other net assets	0.0	1.3	-	-
Total	100.0	100.0		

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



Investment pooling including supplemental reporting

In response to the Department of Communities and Local Government's (DCLG as it then was) "LGPS: Investment Reform Criteria and Guidance", the Hampshire Pension Fund is a member of the ACCESS pool (A Collaboration of Central, Eastern and Southern Shires) with 10 other Local Government Pension Scheme (LGPS) Administering Authorities, Cambridgeshire, East Sussex, Essex, Hertfordshire, Isle of Wight, Kent, Norfolk, West Northamptonshire, Suffolk, and West Sussex.

The **asset table** below shows the investment portfolios that the Pension Fund currently invests in via the ACCESS pool. As at 31 March 2024 62% of the Fund's investments are in the ACCESS pool. There are plans in place for the ACCESS pool to provide the means for Hampshire to pool its remaining investments, with the current exception of Hampshire's private debt allocator portfolio (5% of Hampshire's strategic allocation), where no other ACCESS funds invest on this basis.

£m Asset values as at 31 March 2024	Pooled	Under pool management	Not pooled	Total
Equities	2,721	1,041	0	3,762
Bonds	0	1,439	0	1,439
Property	0	0	733	733
Credit	1,002	0	700	1,702
Private Equity	0	0	783	783
Private Debt	0	0	508	508
Infrastructure	0	0	906	906
Cash and net current assets	0	0	130	130
Total	3,723	2,480	3,760	9,963



Investment pooling including supplemental reporting continued

The following table shows the Pension Fund's **investment costs split between those inside and outside of the ACCESS pool**. The Fund's investment management costs shown in the table below are broken down into the following categories:

- Direct fees – that are invoiced to the Pension Fund by its investment managers.
- Indirect fees – are charged directly against the Fund's investments within investment vehicles such as pooled funds within the ACCESS pool and held outside, as well as the alternative investment funds that the Pension Fund invests in directly.
- Transaction costs – such as broker commission paid in the purchase and sale of investments, costs within the alternative investment funds, as well as the costs of maintaining the Fund's directly held property.
- Custody and other costs – the fees paid to the Fund's custodian for the safe custody and administration of the Fund's investments and consultancy costs

	Pooled		Non-pooled		Total	
	£000	%	£000	%	£000	%
Direct fees	926	0.01%	10,913	0.32%	11,839	0.12%
Indirect fees	11,090	0.18%	3,631	0.11%	14,721	0.15%
Transaction costs	4,391	0.07%	43,715	1.27%	48,106	0.50%
Custody and other costs	0	0.00%	186	0.01%	186	0.00%
Total	16,407	0.26%	58,445	1.70%	74,852	0.78%

where they specifically relate to investments.

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

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

Cumulative pooling costs and savings are shown in the table below.

	2023/24 £000	Cumulative £000
Pool setup and on-going costs*	124	801
Transition costs	0	539
Gross investment management fee savings	(1,908)	(7,923)
Net saving of pooling to date	(1,784)	(6,583)



Investment pooling including supplemental reporting continued

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

The Pension Fund has £2.085 billion (which represents 20.9% of the total Pension Fund) of UK investments in asset classes monitored by the UK Government. In addition to this, the Pension Fund has £733m (7.4%) invested in UK property.

Central Government has set a **Levelling-up** agenda for the UK with the following 12 medium term missions (living standards, research and development, transport, digital connectivity, education, skills, health, well-being, pride in place, housing, crime and local leadership). Whilst the

Pension Fund has not specifically allocated investment to Levelling-up in the UK, it has set targets for its alternative investments to invest in global sustainable and impact investments which will include Levelling-up investments in the UK. The following table shows that the Pension Fund has £408m (which represents 4.1% of the total Pension Fund) of investments categorised as UK Levelling-up investments.

£m Asset values as at 31 March 2024*	Pooled	Under pool management	Not pooled	Total
UK Listed Equities	121	33	0	155
UK Government Bonds	40	1,433	0	1,473
UK Infrastructure	0	0	308	308
UK Private Equity	0	0	150	150
Total	161	1,466	458	2,085

*based on committed values.

£m Asset values as at 31 March 2024*	Pooled	Under pool management	Not pooled	Total
Additional memorandum: UK Levelling up	0	0	408	408

*based on committed values.

Section 7

Administration

DRAFT



Who belongs to the Hampshire Pension Fund?

The Hampshire Pension Fund provides pensions for employees of Hampshire County Council, the unitary authorities of Southampton and Portsmouth and the 11 district / borough councils in the Hampshire County area. These are ‘scheduled bodies’, which means their employees have a statutory right to be in the Scheme. Other scheduled bodies include the Office of the Police and Crime Commissioner and the Chief Constable for Hampshire and Isle of Wight, Hampshire Fire and Rescue Authority, the University of Portsmouth, Southampton Solent University and other colleges that were part of the County Council. Town and parish councils that have opted to join the Fund are known as resolution bodies.

There are also admission bodies which include voluntary organisations that the County Council has admitted to the

Scheme under its discretionary powers. Other admission bodies include employees of contractors for jobs transferred from scheduled bodies.

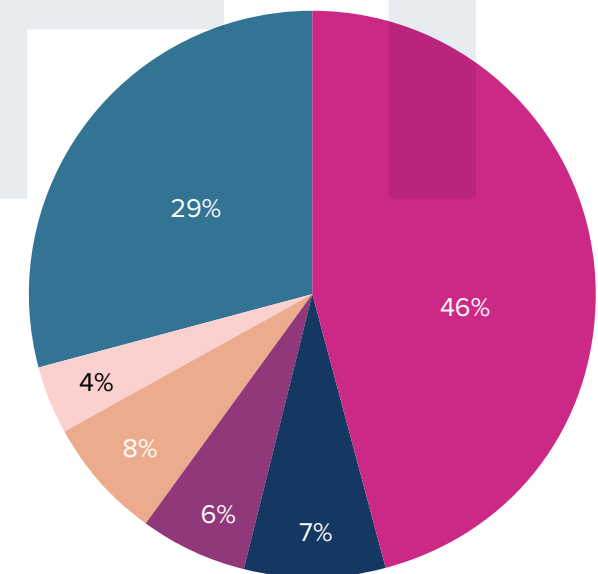
Teachers, police officers and firefighters have separate non-funded pension arrangements. Under the Pensions Act 2011, all employers are obliged to automatically enrol eligible employees into a qualifying pension scheme and re-enrol anyone who opts out of the scheme every three years.

The LGPS is a qualifying scheme under the automatic enrolment regulations and can be used as such by Fund employers.

Further information on automatic enrolment can be found on the [Pensions Regulator website](#).

On 31 March 2024 there were 55,667 pensioners, 90,089 deferred members, and 61,110 contributors, a total of 206,866 Scheme members.

	Number of contributors	%
Hampshire County Council	28,329	46
Portsmouth City Council	4,519	7
Southampton City Council	3,434	6
District and Borough councils	4,576	8
Office of Police and Crime Commissioner and Chief Constable	2,669	4
Other organisations	17,583	29
Total	61,110	100





Who belongs to the Hampshire Pension Fund? continued

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

Employer Type	Employers	Active members	Deferred members	Pensioner members
Scheduled	199	59,446	87,498	52,598
Resolution	58	320	256	273
Admitted	77	1,253	1,524	1,346
Community admitted	10	38	273	415
Transferee admitted	13	53	262	282
Councillors (no active members)	10	0	75	140
Ceased (no active members)	52	0	201	613
Total	419	61,110	90,089	55,667

Membership information

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

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

Year ending 31 March	No. of contributors	No. of deferred	No. of pensioners
2013	46,319	48,970	33,449
2014	50,551	52,417	33,286
2015	54,679	55,787	34,364
2016	57,815	59,857	36,519
2017	57,781	64,060	38,216
2018	57,877	69,503	39,796

Year ending 31 March	No. of contributors	No. of deferred	No. of pensioners
2019	58,055	72,050	41,714
2020	58,913	75,920	43,706
2021	59,000	78,834	45,576
2022	61,044	82,346	48,036
2023	61,733	87,084	52,947
2024	61,110	90,089	55,667



What does membership cost and what are the benefits?

The Scheme operates tiered employee contribution rates set by Government. Employees pay a rising percentage depending on their pay band. The rates that apply from 1 April 2024 are set out in the following table:

Every three years the Fund's actuary completes an actuarial valuation. This involves looking at the Fund's investments, future contributions from employees and commitments to decide the future level

of employers' contributions. The most recent actuarial valuation of the Fund was undertaken as at 31 March 2022 by Aon. The actuarial position of the Fund is explained in more detail from **page 122**.

At the 2022 valuation for the Fund as a whole, the total contribution rate was 17.7% of pay. Each employer or group's total rate will differ depending on their circumstances including membership profile, funding level and recovery period.

Following the 2022 Fund valuation, the Funding Strategy Statement allowed for scheme employers to elect to prepay primary and secondary employer contributions for the full three-year period covered by the valuation (April 2023 – March 2026), or for one year. In total, 5 employers took up this offer, resulting in a total prepayment of £321.2m during 2023/2024. The breakdown of this is illustrated on the table below:

Band	Actual salary	Contribution rate per year	
		Main section	50:50 section
1	Up to £17,600	5.50%	2.75%
2	£17,601 to £27,600	5.80%	2.9%
3	£27,601 to £44,900	6.50%	3.25%
4	£44,901 to £56,800	6.80%	3.4%
5	£56,801 to £79,700	8.50%	4.25%
6	£79,701 to £112,900	9.90%	4.95%
7	£112,901 to £133,100	10.50%	5.25%
8	£133,101 to £199,700	11.40%	5.7%
9	£199,701 and more	12.50%	6.25%

Prepayment election 2023/24	Number of employers	Contributions paid (£m)
Primary only: 1 year	4	321.1
Primary and Secondary: 1 year	1	0.1
Total	5	321.2



What does membership cost and what are the benefits? continued

Benefits

The normal retirement age for all members is the later of age 65 or their state pension age. At retirement, members will receive:

- a pension of 1/80th of their final year's pay for each year of membership before 1 April 2008, and
- a lump sum of 3/80ths of their final year's pay for each year of membership before 1 April 2008, and
- a pension of 1/60th of their final year's pay for each year of membership after 31 March 2008 until 31 March 2014, and
- a pension of 1/49th of their actual pay for each year of membership after 1 April 2014.

In addition to the lump sum for membership before 1 April 2008, each member can exchange part of their pension pot for a lump sum and will receive £12 for every £1 of pension given up. However, the total lump sum is limited to 25% of their pension pot's value.

HM Revenue and Customs (HMRC) values retirement benefits in defined benefit schemes like the Hampshire Scheme at £20 for each £1 of pension, whatever the person's age. For all pensions already in payment, the value will be £25 for each £1 of pension.

The average annual pension paid in 2023/24 was £5,083 (£4,978 in 2022/23).

Retirement age

The normal retirement age for members under the Scheme is the later of age 65 or their state pension age, but members can choose to retire from age 55 and receive their benefits immediately, although these may be reduced for early payment.

A total of 3,553 Scheme members retired during 2023/24, with an average retirement age of 62 years. Of this number, 1,619 (or 45.6%) took some form of early retirement including 148 ill health retirements and 1,306 members choosing to take a reduced pension.

Additional voluntary contributions

Scheme members can pay additional voluntary contributions (AVCs) if they wish to supplement their pension or get an extra tax-free retirement lump sum. The AVCs are invested separately from the Fund's main assets and are used to buy extra pension benefits on retirement.

The Fund has one active AVC provider, Prudential. There are 2,648 active members paying into Prudential AVCs.



Service delivery

How the service is delivered

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

There are 60 full time equivalent members of staff involved in the administration of the scheme for Hampshire, split into two main teams, supported by finance, projects and systems staff, these are:

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

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

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

Summary of activity in 2023/24

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

- uploaded data required for the McCloud remedy and started processing the McCloud underpin on all eligible records from 1 October 2023
- continued to prepare for the Pensions Dashboard Programme from both a data and a software perspective
- continued to develop the Member

Portal and Employer Hub, strengthening security and increasing the user functionality to encourage take up

- transitioned to a new Fund Actuary
- achieved reaccreditation for Customer Service Excellence with six areas of 'compliance plus'
- participated in external peer group benchmarking which placed HPS in the high service/low cost quadrant

HPS continue to review the data which is held in the pension system. Common and conditional data scores were reported to the Pensions Regulator in January 2024. The results of this provided a score for conditional data of 96% (96% in 2022/23). The score for common data was measured as 97% (97% in 2022/23). Maintaining the scores despite an increase of over 5,000 records shows that the processes in place to provide clean data are working in practice.



Service delivery continued

Actions to deliver our communications policy

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

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

Scheme members and prospective scheme members

We aim to provide all communications electronically where possible. Scheme information for members is provided on the HPS website. Members can view their own record including their annual benefit statement via the secure member self-

Communication type	Scheme member audience	Date sent
Pensioner mailing – payslips, P60s and pensioner newsletters: - electronic version; email to members when available to view through the Portal; - paper version; sent to members who have opted out of the Portal.	Pensioners	April / May 2023
Active and deferred annual benefit statements: - electronic version; email sent to members when available to view through the Portal; - paper version; send to members who have opted out of the Portal.	Active and Deferreds	August 2023
Pension Savings Statements Statement sent to active members where appropriate. Available to view online	Actives	September / October 2023
Life-certificate: - Posted or emailed to overseas members	Pensioners	December 2023
Active and Deferred newsletters (including change of regulation notification for McCloud disclosure): - Electronic version – email sent with link to newsletter on website; - Letter sent to all members without an email address to advise of McCloud regulation changes.	Active and Deferreds	December 2023 (reminder sent February 2024)

service portal, as well as update personal details and run estimates. 100,225 members (48.45%) had registered for the Member Portal by 31 March 2024 (87,578 by 30 April 2023). Further information is shown in the KPI section beginning on **page 114**.

The table above shows the communications sent to scheme members during 2023/24.

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



Service delivery continued

Employing authorities

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

HPS ran 31 remote training events in the year (open to all employers in the schemes administered by HPS) which were attended by 497 people representing 218 employers. The team ran 5 annual returns sessions with 70 attendees representing 62 employers. HPS also ran an Employer Focus Group meeting and attended various employer liaison meetings throughout the year, as well as the regional payroll officer's group and the Hampshire Schools Forum.

The Annual Employers Meeting was held as a face to face meeting in October 2023 and was attended by representatives from 35 employers.

The following table shows the communications issued to employers during 2023/24.

Communication	Date sent
Pensions Matters – Spring 23 – Employer Newsletter. Issued by email.	April 2023
STOP PRESS email sent to advise that active member annual benefit statements were published and available.	August 2023
Annual return Employer Performance letters issued via email.	October 2023
Data Validation exercise communication issued to employers where appropriate.	
Pensions Matters – Autumn 2023 – Employer newsletter. Issued by email.	
STOP PRESS email – Local Government Pay deal – 23/24 – Employer pensions actions.	November 2023
Pensions Matters – Winter 2023 – Employer newsletter. Issued by email.	December 2023
STOP PRESS email issued to employers to advise of 24/25 employee contribution band changes.	February 2024



Service delivery continued

Pension Services staff

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

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

Other bodies

The Pension Fund Panel and Board receive regular administration update reports at their July and December meetings. Training on administration and cyber security was provided in March 2023.

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



Key performance data

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

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

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

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



Key performance data continued

Table A – Total number of casework								
Ref	Casework KPI	Total number of cases open as at 31 March (starting position)	Total number of new cases created in the year (1 April to 30 March)	Total number of cases completed in 2023/24	Total % of cases completed in 2023/24	Total number of cases set up but not due until 2024/25	Total number of cases completed in 2022/23	Total % of cases completed in 2022/23
A1	Deaths recorded of active, deferred, pensioner and dependent members	21	1,235	1,256	100%	237	1,171	100%
A2	New dependent member benefits	151	608	759	100%	97	655	100%
A3	Deferred member retirements	81	2,487	2,568	100%	165	2,136	100%
A4	Active member retirements	22	1,229	1,251	100%	79	1,004	100%
A5	Deferred benefits	743	7,658	8,401	100%	577	8,958	100%
A6	Transfers in (including interfunds in, club transfers)	25	596	621	100%	323	597	100%
A7	Transfers out (including interfunds out, club transfers)	51	776	827	100%	51	643	100%
A8	Refunds	79	1,729	1,808	100%	67	1,511	100%
A9	Divorce quotations issued	13	289	302	100%	20	372	100%
A10	Actual divorce cases	7	1	8	100%	20	12	100%
A11	Member estimates requested either by scheme member and employer	404	3,507	3,911	100%	478	5,348	100%
A12	New joiner notifications	0	13,080	13,080	100%	0	15,646	100%
A13	Aggregation cases	149	1,006	1,155	100%	118	1,163	100%
A14	Optants out received after 3 months membership	0	162	162	100%	0	99	100%
Total		1,746	34,363	36,109		2,232	39,315	



Key performance data continued

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

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



Key performance data continued

Table C – Communications and engagement		
Ref	Engagement with online portals	Percentage as at 31 March
C1	% of active members registered	57.07%
C2	% of deferred member registered	40.94%
C3	% of pensioner and survivor members	51.14%
C4	% total of all scheme members registered for self-service	48.45%
C5	Number of registered users by age	See separate table
C6	% of all registered users that have logged onto the service in the last 12 months	47.79%
Communication		
C7	Total number of telephone calls received in year	23,476
C8	Total number of email and online channel queries received	19,748
C9	Number of scheme member events held in year (total of in-person and online)	10
C10	Number of employer engagement events held in year (in-person and online)	38
C11	Number of active members who received a one-to-one (in-person and online)	0
C12	Number of times a communication (i.e newsletter) issued to:	0
	a) Active members	3 (ABS, PSS, newsletter)
	b) Deferred members	2 (ABS, newsletter)
	c) Pensioners	3 (Payslip/P60, newsletter, life certificate)

C5: Registrations by age						
Under 30	30-44	45-54	55-64	65-74	75+	Total
4,845	21,042	21,068	30,872	18,687	5,098	101,612



Key performance data continued

Administration KPI table D – Resources		
Ref	Resources	
D1	Total number of all administration staff (FTE)	60
D2	Average service length of all administration staff	6 years 2 months
D3	Staff vacancy rate as %	11.20%
D4	Ratio of all administration staff to total number of scheme members (all staff including management)	1:3,448
D5	Ratio of administration staff (excluding management) to total number of scheme members	1:4,137

Table E – Data Quality					
Ref	Annual benefit statements	Active		Deferred	
E1	Percentage of annual benefit statements issued as at 31 August	99.73%		100.00%	
E2	Short commentary if less than 100%	168 statements not produced by 31/8/23, 82 due to outstanding information from employers, 71 due to an ongoing TUPE transfer.			
	Data category				
E3	Common data score	97%			
E4	Scheme specific data score	96%			
E5	Percentage of active, deferred and pensioner members recorded as ‘gone away’ with no home address held, or address is known to be out of date	0.97%			
E6	Percentage of active, deferred and pensioner members with an email address held on file	62%			
	Employer performance				
E7	Percentage of employers set up to make monthly data submissions	0			
E8	Percentage of employers who submitted monthly data on time during the reporting year	N/A			



Value for money

Value for money statement

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

- 100% delivery against service levels
- Internal audit assurance on sound control framework
- Retention of Customer Service Excellence award
- Low administration cost per member

Work has continued in the year to improve data quality, with a focus on working with employers to improve the timeliness and quality of the information they provide.

Assurance over the effective and efficient operation of the administration is provided by internal audit, who carry out assurance and consultancy in accordance with an annual, risk based, programme. An annual opinion concludes on the overall adequacy and effectiveness of the HPS framework of governance, risk management and control.

HPS comply with the requirements for the national standard for excellence in customer service (CSE). The CSE assessment considers how HPS deliver against over 50 criteria in five key areas:

- Customer insight
- Culture of the organisation
- Information and access
- Delivery
- Timeliness and quality of service

The assessment is carried out by a qualified external assessor, with a full on-site review every third year and annual interim reviews. As well as viewing documentation, and observing working practices, the assessor speaks to customers, staff and partners to review HPS's approach, along with details of their customer focussed initiatives and performance.

HPS have held the Customer Service Excellence (CSE) standard since 2009, and following a full assessment in January 2024 received compliance plus passes in six areas:

- There is corporate commitment to putting the customer at the heart of service delivery and leaders in our organisation actively support this and advocate for customers.
- We empower and encourage all employees to actively promote and participate in the customer focused culture of our organisation.
- We can demonstrate our commitment to developing and delivering customer focused services through our recruitment, training and development policies for staff.
- We can demonstrate how customer facing staff insights, and experiences are incorporated into internal processes, policy development and service planning.
- We make our services easily accessible to all customers through provision of a range of alternative channels.
- We can demonstrate that we benchmark our performance against that of similar or complimentary organisations and have used that information to improve our service.



CUSTOMER
SERVICE
EXCELLENCE®



Value for money continued

Cost benchmarking

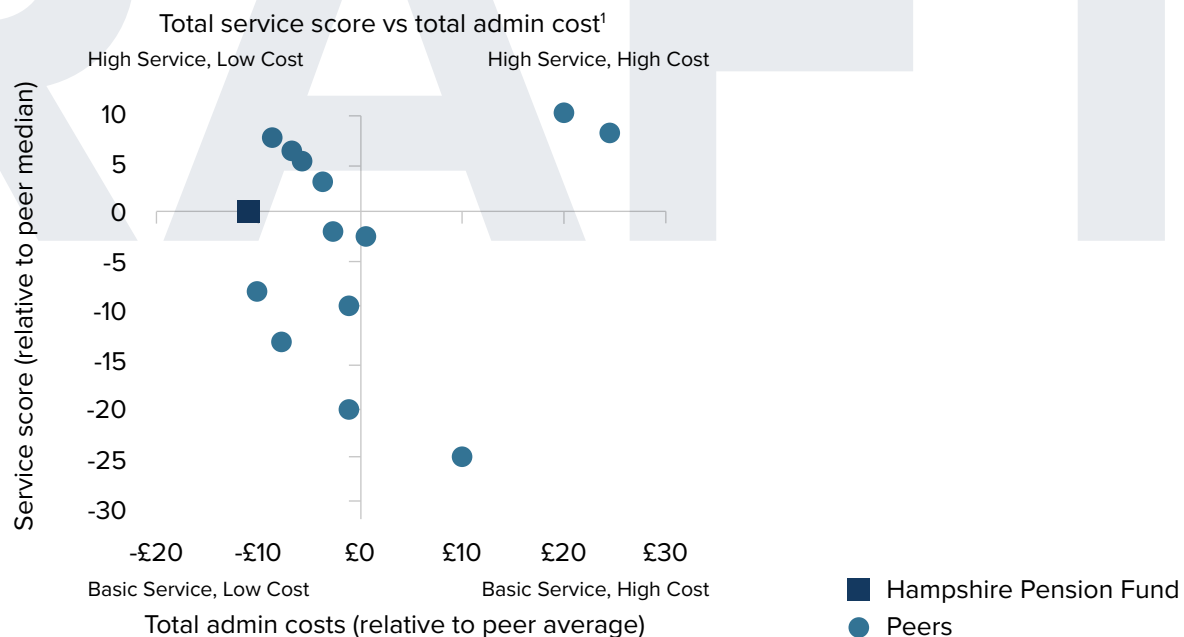
The Fund benchmarks its administrative costs against the SF3 data collected annually by DLUHC for 85 Local Government Pension Scheme (LGPS) Funds in England and Wales. The most recent data is that for the financial year 2022/23 and is summarised in the adjacent table:

	2022/23		2021/22	
	Hampshire	All funds*	Hampshire	All funds*
Administration cost per member	£13.83	£28.30	£12.82	£27.11
Governance cost per member	£4.38	£15.56	£4.07	£11.43
Investment cost per member	£354.78	£263.07	£317.21	£281.22

* All LGPS funds excluding Hampshire Pension Fund

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

CEM administration cost effectiveness graph





Member feedback and dispute resolution

Member feedback

HPS have a general customer satisfaction survey which is publicised on the website, in email signatures and in bulk communications. A total of 376 responses to the survey were received in 2023/24 with 64% indicating satisfaction with the service that had been received. This is an increase of 8% on 2022/23. In addition to the survey feedback, 172 compliments about the service were received in 2023/24.

Dispute resolution

If you have a complaint about the service, Pension Services staff will do their best to put things right. If you are still dissatisfied, you can write to the Complaints Officer at:

The Complaints Officer
Corporate Operations
Hampshire County Council
The Castle
Winchester
SO23 8UB

There were 11 formal complaints received in 2023/24. All the complaints were investigated, and changes were made to processes where appropriate.

Appeals

The LGPS regulations provide a two-stage formal appeal process for members. For stage one it will either be heard by the employer, if the appeal is against a decision made by the employer, or by the Hampshire County Council Assistant Director of Finance if it is against Pension Services.

In either case, if the member is still dissatisfied, they can make a second stage appeal, which will be considered by the Hampshire County Council Monitoring Officer. After this second stage, if the member wishes, the matter can be investigated by the Pensions Ombudsman.

The Fund considered one stage one Internal Dispute Resolution Procedure (IDRP) appeal against the Pension Fund during 2023/24 and this was not upheld. The case progressed to stage two during the year and the appeal was partially upheld.

There were also four stage two appeals against an employer decision on ill health retirement. These were not upheld.

Section 8

Actuarial report on funds

DRAFT



Statement by the Actuary for the triennial valuation as at 31 March 2022

Introduction

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013 (the 'LGPS Regulations').

The LGPS Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the Hampshire Pension Fund (the 'Fund') is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as of 31 March 2022 by Aon, in accordance with Regulation 62 of the LGPS Regulations.

Actuarial Position

1. The valuation as of 31 March 2022 showed that the funding level of the Fund had increased since the previous valuation with the value of the Fund's assets as of 31 March 2022 (of £9,628.5M) covering 107.1% of the liabilities.

2. The valuation also assessed each individual employer's (or group of employers') position separately. Contribution requirements were determined based on the principles in the Fund's Funding Strategy Statement and are set out in Aon's report dated 31 March 2023 (the "actuarial valuation report"). In addition to the contributions certified, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

Total contributions payable by all employers over the three years to 31 March 2026 are estimated to be:

Year from 1 April	% of pensionable pay	Plus total contribution amount (£M)
2023	18.1%	2.7
2024	18.1%	2.8
2025	18.1%	2.9*

*increasing at 3.3% p.a.

Some employers are permitted by the Administering Authority to bring forward the payment of employer contributions in exchange for a discount for early payment. The terms of this option were outlined in the Rates and Adjustments Certificate attaching to the actuarial valuation report.

3. The funding plan adopted in assessing the contributions for each employer is in accordance with the Funding Strategy Statement. Different approaches were adopted in relation to the calculation of the primary contribution rate, stepping of contribution changes and individual employers' recovery periods as agreed with the Administering Authority and reflected in the Funding Strategy Statement, reflecting the employers' circumstances.



Statement by the Actuary continued

4. The valuation was carried out using the projected unit actuarial method for most employers, allowing for future increases in pensionable pay. The main financial actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

Discount rate for periods in service	
Secure scheduled body employers ¹	4.40% p.a.
Intermediate funding targets¹	
Low risk	3.85% p.a.
Medium risk	3.55% p.a.
High risk	3.25% p.a.
Ongoing Orphan employers	3.95% p.a.
Discount rate for periods after leaving service	
Secure scheduled body employers ¹	4.40% p.a.
Intermediate funding targets¹	
Low risk	3.85% p.a.
Medium risk	3.55% p.a.
High risk	3.25% p.a.
Ongoing Orphan employers	1.90% p.a.
Rate of pay increases	3.30% p.a.

Rate of increase to pension accounts and pensions in payment (in excess of Guaranteed Minimum Pension)

Secure scheduled body and Intermediate funding targets ¹	2.30% p.a. ²
Ongoing orphan funding target	3.40% p.a.

¹ The appropriate secure scheduled body or intermediate discount rate was also used for employers whose liabilities will be subsumed after exit by an employer subject to that funding target.

² In addition, an 8% uplift has been applied to the past service liabilities on the scheduled body and intermediate funding targets to make allowance for short-term inflation above the long-term assumption.

In addition, the discount rate and rate of increases to pensions for already orphaned liabilities (i.e., where there is no scheme employer responsible for funding those liabilities and the employer has exited the Fund) were assumed to be 1.7% p.a. and 3.4% p.a. respectively.

The assets were valued at market value and included an estimated payment of £1.6M relating to the bulk transfer of a small number of active members from the Isle of Wight Pension Fund.

5. The key demographic assumption was the allowance made for longevity. The post-retirement mortality assumption adopted for the actuarial valuation was in line with standard self-administered pension scheme (SAPS) S3 mortality tables with appropriate scaling factors applied based on an analysis of the Fund's pensioner mortality experience and a Fund membership postcode analysis using Aon's Demographic Horizons™ longevity model, and included an allowance for future improvements based on the 2021 Continuous Mortality Investigation Projections Model, with a long term annual rate of improvement in mortality rates of 1.5% p.a. The resulting average future life expectancies at age 65 (for normal health retirements) were:

	Men	Women
Current pensioners aged 65 at the valuation date	23.2	25.6
Current active members aged 45 at the valuation date	23.7	26.6



Statement by the Actuary continued

6. The valuation results summarised in paragraph 1 above are based on the financial position and market levels at the valuation date, 31 March 2022. As such the results do not make allowance for changes which have occurred subsequent to the valuation date.

7. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2023 to 31 March 2026 were signed on 31 March 2023. Other than as agreed or otherwise permitted or required by the Regulations, employer contribution rates will be reviewed at the next actuarial valuation of the Fund as of 31 March 2025 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

8. This Statement has been prepared by the Actuary who undertook the most recent triennial actuarial valuation, Aon, for inclusion in the accounts of the Fund. It provides a summary of the results of their actuarial valuation which was carried out as of 31 March 2022.

The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

This Statement must not be considered without reference to the formal actuarial valuation report which details fully the context and limitations of the actuarial valuation.

Aon does not accept any responsibility or liability to any party other than Hampshire County Council, the Administering Authority of the Fund, in respect of this Statement.

9. The report on the actuarial valuation as of 31 March 2022 is available on the Fund's website at the following address

hants.gov.uk/hampshire-services/pensions/local-government/employers/technical-information/finance/actuarial-valuation

Aon Solutions UK Limited
May 2023

Section 9

External audit opinion

DRAFT



DRAFT

Section 10

Additional information

DRAFT



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

Hampshire Pension Fund has adopted the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills, and met the requirements for compliance in 2023/24. This requires policies and procedures to be in place for the effective acquisition and retention of the relevant knowledge and skills for those in the organisation responsible for financial administration and decision making.

The Pension Fund demonstrates its compliance with the Code of Practice in several ways, with the preparation and approval of an annual Training Policy and Plan each year being the foremost illustration of this. The Training Plan is formulated by undertaking an engagement exercise to identify both Member and Officer training needs, with a training schedule for the year then created to take account of these requirements. Further information on training is included in Section 3 of this report (Governance and Training).



Internal Audit report

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

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

In 2023/24 the audit plan covered the following audits, and all were completed as planned. Internal Audit work found there to be sound control environments in place across all review areas which were found to be working effectively. Internal Audit reported that no significant issues were identified arising from the work completed during 2023/24. The internal audit opinion assigned to each review completed was:

- Pension Refunds – Substantial Assurance
- Pension Fund Management, Investments and Accounting – Substantial Assurance
- Pensions Payroll and Benefit Calculations – Substantial Assurance
- UPM Application Review – Reasonable Assurance

The Chief Internal Auditor's opinion for 2023/24 was as follows:

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



A summary of Freedom of Information requests

In 2023/24 Hampshire County Council received 13 Freedom of Information requests that related to the Pension Fund as follows. The County Council complies fully with the Freedom of Information Act, where information is not commercially sensitive to the Pension Fund, or is otherwise confidential, it is sent to requestors.

Topic	Number of requests
Alternative investments data	8
Investments in relation to Climate Change	3
Location of property investments	1
Commercial risk	1



Useful websites and document links

ACCESS pool website:
accesspool.org

Hampshire County Council Constitution:

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

Hampshire Pension Fund useful information:

- Business Plan: hants.gov.uk/hampshire-services/pensions/joint-pension-fund-panel/policies
- Responsible Investment Policy: hants.gov.uk/hampshire-services/pensions/responsible-investment
- Task Force on Climate-related Financial Disclosures Report: documents.hants.gov.uk/pensions/TCFD-report.pdf?_gl=1*1e35uhj*_ga*MT-cyOTUwNzE0LjE1OTc2NjgzMjQ.*_ga_8Z-

VSPZW5T*MTY1NjQ0MzA1OS4xLjAuM-TY1NjQ0MzA1OS4w

- All policies: hants.gov.uk/hampshire-services/pensions/joint-pension-fund-panel/policies
- Contributing employers to the Hampshire Pension Fund: hants.gov.uk/hampshire-services/pensions/joint-pension-fund-panel/annual-report
- The report on the actuarial valuation at 31 March 2022: hants.gov.uk/hampshire-services/pensions/local-government/employers/technical-information/finance/actuarial-valuation
- Meetings of the Pension Fund Panel and Board: democracy.hants.gov.uk/ieListMeetings.aspx?CId=189&Year=0

LGPS Scheme Advisory Board website:

LGPS Scheme Advisory Board – Home (lgpsboard.org)

Principles for Responsible Investment (PRI) website:

PRI | Home (unpri.org)

Task Force on Climate-related Disclosures website:

Task Force on Climate-Related Financial Disclosures (fsb-tcfd.org)

UK Stewardship Code (FRC) website:

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



Glossary of commonly used pension terms

ACCESS pool

The Pension Fund is one of 11 LGPS members of ACCESS (A Collaboration of Central, Eastern and Southern Shires). The pool was established in response to the 2015 DCLG (now DLUHC) guidance on LGPS investment reform criteria. The aim was to deliver benefits of scale; strong governance and decision making; reduced costs and excellent value for money; and an improved capacity and capability to invest in infrastructure.

Actuary

A person or firm that analyses the assets and future liabilities of a pension fund and calculates the level of employers' contributions needed to keep the Fund solvent.

Added-years

An additional period of membership purchased within the LGPS by an employee or employer. The facility for employees to purchase added years was withdrawn on 1 April 2008, although existing contracts remain valid.

Administering Authority

A body required to maintain a pension fund under the LGPS regulations. For Hampshire Pension Fund this is Hampshire County Council.

Admission bodies

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

Alternative investments

Less traditional investments where risks can be greater but potential returns higher over the long term, for example investments in private equity partnerships, hedge funds, commodities, foreign currency and futures.

Asset Backed Securities

An investment such as a bond that is backed by another financial asset that provides security in the event of default.

AVCs

Additional voluntary contributions – paid by a contributor who decides to supplement his or her pension by paying extra contributions to the scheme's AVC providers (Prudential, Zurich and Utmost).

Benchmark asset allocation

The allocation of the Fund's investments to the different investment sectors; this is expected to enable the Fund to meet its long-term liabilities with the minimum of disruption to employers' contributions.

Bonds

A debt investment in which an investor loans money to an entity (corporate or governmental) that borrows the funds for a defined period of time at a fixed interest rate.

Bulk transfer

A transfer of a group of members agreed by and taking place between two pension schemes.



Glossary continued

Cessation valuation

A calculation carried out by the actuary when an employer leaves the Fund, which may result in a final deficit payment becoming due to the Fund.

Community admission bodies

Organisations that provide a public service other than for the purpose of gain and have sufficient links with a scheme employer to be regarded as having community interest.

Commutation

The conversion of an annual pension entitlement into a lump sum on retirement.

Contingent liability

A possible loss, subject to confirmation by an event after the balance sheet date, where the outcome is uncertain in terms of cost.

DCLG

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

Deferred member

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

Derivatives

Financial instruments that are based on the movements of underlying assets. They allow exposures to markets and individual assets to be adjusted, thereby altering the risk characteristics of a fund. Common types of derivatives include forward contracts, futures, options, and swaps. Derivatives may be traded on an exchange, or over the counter.

Discretionary

Allowable but not compulsory under law.

Dividends

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

DLUHC

The Department for Levelling Up, Housing and Communities.

Economic exposure

This term relates specifically to a derivative futures contract. It represents the value of the equivalent amount of physical securities that would need to be bought or sold to get the same market exposure as that provided by the derivative futures contract.

Emerging markets

The financial markets of developing economies.

Equities

Shares in UK and overseas companies.



Glossary continued

ESG

Environmental, Social and Governance factors.

Full Funding

100% of the Funding Target chosen.

Funding Principle

The basis on which the Fund is financed. It ensures there are funds available to pay all benefits promised.

Funding Success

Reaching the Aspirational Funding Target by the end of the recovery period.

Funding Target

The amount of assets which the Fund needs to hold at any point in time to meet the Funding Principle.

FT

Financial Times – publishers of the FTSE-100 index and other indices. The FTSE-100 covers the 100 largest stocks in the UK stock market.

Gilt-edged securities (or Gilts)

Fixed-interest stocks issued by the UK Government.

Global custodian

A bank that looks after the Fund's investments, implements investment transactions as instructed by the Fund's managers and provides reporting, performance and administrative services to the Fund.

GMP

The Guaranteed Minimum Pension (GMP) is the minimum pension which a United Kingdom occupational pension scheme has to provide for those employees who were contracted out of the State Earnings-Related Pension Scheme between 6 April 1978 and 5 April 1997.

Gross of fees

The percentage investment return delivered by an investment manager before the deduction of fees and expenses.

Guarantors

A body which guarantees to pay for an Admission Body's liabilities in case of default. For any new admission body wishing to join the Fund, the administering authority will require a Guarantor.

Hedge fund

A specialist fund that seeks to generate consistent returns in all market conditions by exploiting opportunities resulting from inefficient markets.

Income yield

Annual income on an investment divided by its price and expressed as a percentage.



Glossary continued

Index

A measure of the value of a stock market based on a representative sample of stocks.

Index linked

Investments which generate returns in line with an index.

Index return

A measure of the gain or loss achieved in a year based on a representative sample of stocks and expressed as a percentage. It includes both income received and gains and losses in value.

Informal valuations

Valuations where the calculations are based on an approximate update of the asset and liability values, and liabilities calculated using assumptions consistent with the latest formal valuation updated for changes in market conditions.

Interim valuations

Actuarial valuations carried out in between the triennial valuations.

LGPS

Local Government Pension Scheme – a nationwide scheme for employees working in local government or working for other employers participating in the scheme and for some councillors.

MSCI ACWI

The Morgan Stanley Capital International (MSCI) All Countries World Index (ACWI) is used by the Hampshire Pension Fund to measure global stock markets.

MHCLG

The Ministry for Housing, Communities and Local Government, which has been superseded by DLUHC, the Department for Levelling Up, Housing and Communities.

Myners

Paul Myners, author of the Myners Report into institutional investment in the UK, published in March 2001.

Multi-Asset Credit

A flexible and diversified approach to investing in credit (debt) across different asset classes such as loans and bonds. The diversification allows the targeting of higher returns than a traditional fixed income strategy focused on government debt and investment grade credit.

Net of Fees

The percentage investment return delivered by an investment manager after the deduction of fees and expenses.



Glossary continued

Notional sub-funds

A subdivision of assets for funding purposes only. It does not imply any formal subdivision of assets, nor ownership of any particular assets of groups of assets.

Orphan liabilities

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

Pooled investment vehicle

A collective investment scheme that works by pooling money from different individual investors.

Private equity

Mainly specialist pooled partnerships that invest in private companies not normally traded on public stock markets – these are often illiquid (i.e., not easily turned into cash) and higher-risk investments that should provide high returns over the long term.

Private debt

Specialist pooled partnerships that invest in debt (also referred to as credit) of companies that is not publicly traded. These investments are often described as illiquid as it is more difficult to sell the debt instruments and turn the investment back into cash. Expected returns are therefore often higher than for the equivalent publicly traded debt instruments due to this illiquidity risk.

Projected unit actuarial method

A method of calculation of an actuarial valuation, where an allowance is made of projected earnings on accrued benefits. The contribution rate required is that necessary to cover the cost of all benefits accrued up to the date used in the valuation, but based on earning projected to the date of retirement.

Quartile

Three points that divide data into four equal groups, each representing a quarter. The lower quartile consists of the bottom quarter of all data, whilst the upper quartile consists of the top quarter of all data.

Recovery period

Timescale allowed (up to a maximum of 40 years) over which surpluses or deficiencies to the Fund can be eliminated.

Relaxation period

Temporarily relaxing the contribution pattern required to target funding for community admission bodies under economic circumstances which the administering authority judges to be extreme.

Relevant Scheme Employer

The local authority which has outsourced the service to a Transferee Admission Body.

Responsible Investment

The PRI (Principles for Responsible Investment) defines responsible investment as a strategy and practice to incorporate environmental, social and governance (ESG) factors in investment decisions and active ownership.



Glossary continued

Resolution bodies

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

Roll forward

The process of updating an employer's notional sub-fund and/or value of liabilities to account for all cashflows associated with that employer's membership, accrual of new benefits, and changes in economic conditions.

Rolling three-year periods

Successive periods of three years, such as years one to three, followed by years two to four. Performance is often measured over longer periods than a single year to eliminate the short-term effects of volatile changes in stock markets.

Scheduled bodies

Organisations that have a right to be in the Fund. These bodies are listed in Schedule 2 of the Local Government Pension Scheme (Administration) Regulations 2008.

Scheme Advisory Board (SAB)

The Local Government Pension Scheme Advisory Board is a body set up under Section 7 of the Public Service Pensions Act 2013 and The Local Government Pension Scheme Regulations 110-113. It seeks to encourage best practice, increase transparency and coordinate technical and standards issues

Smoothing adjustment

An adjustment to the Fund's market value of assets to level out market fluctuations over a certain period of time up to the valuation date.

Soft commission

A soft commission arrangement is when an investment manager agrees to do a minimum amount of business with a broker in exchange for free research and information services. The Fund has no soft commission arrangements with any of its managers.

Solvency

When the Fund's assets are greater than or equal to 100% of the Funding Target.

SONIA

Sterling Overnight Index Average is an interest rate benchmark that replaces LIBOR.

Standard lifetime allowance

The limit on the value of retirement benefits that an individual can accumulate over their lifetime before tax penalties apply.

Statutory

Controlled by the law.

Subsumption

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



Glossary continued

TCFD

Task Force on Climate-related Disclosures (TCFD). The Financial Stability Board created the TCFD to improve and increase reporting of climate-related financial information:

Task Force on Climate-Related Financial Disclosures (fsb-tcfd.org)

Transfer value

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

Transferee admission body

Typically private sector companies or charities, which have taken on staff from a local authority as a result of an outsourcing of services and the transferring employees had a right to remain in the LGPS or a "broadly equivalent" scheme.

Triennial valuation

The valuation carried out by the Actuary every three years.

UN Principles for Responsible Investment

The PRI is an organisation that works to understand the investment implications of environmental, social and governance (ESG) factors and to support its international network of investor signatories in incorporating these factors into their investment and ownership decisions. Six principles for responsible investment have been developed: unpri.org/pri/about-the-pri

UK Stewardship Code

The UK Stewardship Code sets expectations of those investing money on behalf of UK savers and pensioners and establishes a benchmark for stewardship as the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society: frc.org.uk/investors/uk-stewardship-code

Weighted benchmark

A combination of the benchmarks of the individual investment managers, weighted according to the value of assets held by each manager as a percentage of the total Fund assets.



HAMPSHIRE
PENSION FUND

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County Council

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