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We hope you find this annual report informative and useful. There is a glossary of terms at page 67.

If you have any comments on the annual report, please call 01962 847054, email budget@hants.gov.uk or write to:

Pension Fund Annual Report

Pensions, Investments & Borrowing

Corporate Services

Hampshire County Council

The Castle

Winchester

SO23 8UB

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



Foreword

Welcome to the Hampshire Pension Fund annual report for 2015/16.

I have now enjoyed a year chairing one of only two joint Pension Fund Panel and Boards across the whole of the Local Government Pension Scheme (LGPS), and I am delighted to report back that this innovative approach has achieved its objectives. This efficient model, which has now received an endorsement from DCLG, has ensured effective oversight whilst avoiding unnecessary duplication across two committees, and paves the way for continued strong governance into the future.

Panel and Board members have continued to show their dedication to training during 2015/16, and have attended and reported back on a wealth of external training events. We have also hosted three outstanding training half-days in house. Training will continue to be given high priority by all members of the Panel and Board. Further information on the training received and plans for training over the next year can be found in the training report on page 7.

I would like to thank the members of the Pension Fund Panel and Board for embracing the new approach with enthusiasm, and for their hard work and commitment during 2015/16.

This year the Pension Fund's investments have delivered modest returns of 1.2%, in line with what has been a challenging market environment, and at 31 March 2016 the total value of the Pension Fund was £5,213 million.

With regard to investment management, we have entered into new discretionary contracts for the private equity, infrastructure and hedge fund portfolios, and have also

appointed investment advisers to assist in further tender exercises. At the time of writing our global equities tender is in progress. Furthermore, Hampshire officers have been instrumental in working with other funds towards the set up of a new passive investment



management services framework agreement, which should deliver access to even lower fees. When this is complete in the autumn all LGPS funds will be able to use the framework to satisfy their passive investment needs.

During 2015/16, the Government announced its intention to work with LGPS administering authorities to pool the investments of the LGPS. Pooling is a topic on which the Panel and Board members and the Pension Fund's officers are spending an ever increasing amount of time, and I am delighted to say that Hampshire has joined along side several other LGPS funds in the ACCESS pool. This is a constantly evolving area and I look forward to updating everyone on where our efforts have taken us in another year's time.

Work on the 31 March 2016 actuarial valuation continues apace, and Aon Hewitt, the Fund's actuary, will be back at the Annual Employers Meeting this autumn to provide a firm indication of their results in advance of the final publication.

Pensions Services staff have been working hard to ensure that we continue to deliver a high level of service, and I am very happy to say that Pensions Services were hitting 100% of their targets by the end of 2015/16, in spite of a significant increase in the volume of work. A Customer Service Excellence assessment was held in April 2016, and Pensions Services achieved full compliance, and in addition were awarded a "compliance plus", as validation of their continuous improvement ethos. This is excellent news and I would like to thank all Pensions Services staff for their efforts.

I hope you find the following report helpful.

Councillor Mark Kemp-Gee

Mark N. Kemp-Gee

Chairman, Pension Fund Panel September 2016



Administering authority and Scheme Manager

Hampshire County Council

Treasurer

Carolyn Williamson, Director of Corporate Resources

Independent adviser

Carolan Dobson

Investment managers









Morgan Stanley





STATE STREET
GLOBAL ADVISORS



Custodian

JP Morgan

Actuary

Aon Hewitt Limited

Bankers

The National Westminster Bank plc

External auditor

Ernst & Young

AVC providers

Zurich

Prudential

Equitable Life

County Council contacts

Pensions, Investments Nick Weaver & Borrowing Manager 01962 845588

Legal adviser Paul Hodgson

Pension Fund Panel and Board

County Council members



Cllr Mark Kemp-Gee (Chairman) 11 years' membership



Cllr Tom Thacker (Vice-Chairman) 7 years' membership



Cllr Christopher Carter 7 years' membership



CIIr Criss Connor 3 years' membership



CIIr Peter Latham 2 years' membership



Cllr Andrew Gibson 4 years' membership



Cllr Andrew Joy 3 years' membership



CIIr Tim Rolt 3 years' membership



CIIr Bruce Tennent 7 years' membership

County Council deputies

Cllr Frank Rust (new member) Cllr Chris Greenwood (2 years' membership) Cllr Keith House (2 years' membership) Cllr Frank Pearce (2 years' membership)

Employer representatives



Cllr Hugh Mason Unitary Council representative 2 years' membership



CIIr Peter Giddings District council representative 8 years' membership



David Robbins Other employer representative New member



Cllr Mark Chaloner Substitute employer representative 1 year's membership

Member representatives



Phillip Reynolds Employee representative 9 years membership



Valerie Arrowsmith Deferred member representative New member



Cliff Allen Pensioner representative 3 years' membership



Neil Wood Substitute member representative New member



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. Attendance of the members at Panel and Board meetings, internally organised training events, and other external training opportunities is shown in the table below. It should be noted that internal training sessions have greater weight as they cover topics on which the most Panel and Board members have identified a training need. For Pension Fund Panel and Board meetings, the number of meetings attended is shown against the number of possible meetings for that member.

Panel member	Pension Fund Panel	Internal training	External training
	meetings attended	sessions attended	sessions attended
Cllr Kemp-Gee	6/6	8	2
Cllr Thacker	6/6	5	1
Cllr Carter	6/6	8	0
Cllr Connor	5/6	6	4
Cllr Gibson	5/6	4	1
Cllr Joy	3/6	6	0
Cllr Latham	6/6	5	0
Cllr Rolt	4/6	8	1
Cllr Tennent	6/6	8	0
Cllr Mason	3/6	2	0
Cllr Giddings	4/6	8	0
*David Robbins	1/2	3	0
~Cllr Chaloner	1/4	0	0
Phillip Reynolds	6/6	5	2
*Valerie Arrowsmith	1/2	3	1
Cliff Allen	5/6	5	1
*Neil Wood	2/2	3	0

[~]Cllr Chaloner became a member of the Panel and Board in August 2015

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, as summarised on page 7.

Conflicts of interest have been managed in accordance with the County Council's standing orders.

^{*}David Robbins, Valerie Arrowsmith and Neil Wood became members of the Panel and Board in December 2015



Knowledge and Skills Framework Policy

As an administering authority of the Local Government Pension Scheme, Hampshire County Council recognises the importance of ensuring that all staff and members charged with the financial management and decision making with regard to 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 it will provide/arrange training for staff and members of the pension decision-making bodies to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills.

A formal training plan is prepared every year to identify and meet the training needs for the Panel and Board as a whole and for individual members. The plan reflects the recommended knowledge and skills level requirements set out in the CIPFA Pensions Finance Knowledge and Skills Frameworks.

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

Training received in 2015/16

Three internal training half-days were arranged for Panel and Board members in Winchester during July, November and December 2015. The topics covered by these sessions were as follows:

Date	Topic	Provider
July 2015	The changing	Nick Weaver,
	nature of the	Pensions,
	Fund's employers	Investments
		and Borrowing
		Manager
July 2015	Investing in UK	Aberdeen Asset
	property	Management
November 2015	Pooling and an	Hugh Grover,
	introduction to the	Chief Executive of
	London CIV	the London CIV
November 2015	Insights into the	Richard Buxton,
	UK economy	Old Mutual Global
December 2015	Roles and	Paul Hodgson,
	responsibilities	Deputy Head of
	of the Panel and	Legal Services
	Board	
December 2015	Smart beta and	State Street
	passive investing	

These training half-days 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, and was provided by Arlingclose, the County Council's advisers on treasury management. In addition, Aon Hewitt, the Pension Fund's actuaries, attended a meeting of the Panel and Board in October 2015 to provide a session on the upcoming actuarial valuation for 31 March 2016.

These training half-days 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.

Training and Development Report continued

In early 2016 individual members of the Panel Fund 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 current level of knowledge and where they need to have additional training. The Training Needs Analysis was 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, in order to ensure the Panel and Board meet the requirements set out in the guidance referenced in the regulations. As a result of the Training Needs Analysis, relevant internal training sessions will be arranged for 2016/17 and 2017/18. The Training Needs Analysis is also provided to all new Panel and Board members to enable them to identify any training requirements.

Individual Panel and Board members also attended a range of training events in 2015/16 provided by the Pension Fund's investment managers and other external organisations, as follows:

SPS Equity Investment Strategies for Pension Funds

SPS Alternative Investment Strategies for Pension Funds

LGC Investment Summit

Schroders Autumn Conference

SPS Local Authority Pension Fund Investment Strategies Conference

Smart Beta Investor Forum

SPS Growth or Protection for Pension Funds

Schroders Trustee Training – building blocks of investment

LGC Investment Seminar

Newton Investment Conference

Evaluation of training

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

Training in 2015/16

The training plan for 2015/16 was approved by the Pension Fund Panel in June 2015. Proposed training included further in-house training sessions in July 2015 and November 2015, external training events, use of online learning tools, briefing information in reports to the Panel and Board from officers, and background reading as appropriate.



Custody of assets

The Pension Fund's global custodian, JP Morgan, provides a wide variety of services that underpin the work of the officers of the Pension Fund and its investment managers in managing the Pension Fund's assets. The performance of the global custodian is reported to the Panel and Board on an annual basis.

The custody services provided by JP Morgan to the Fund include:

- safekeeping of the Pension Fund's assets in the various different investment markets that the Pension Fund owns assets
- settlement of trades placed by the Pension Fund's active investment managers
- collection of income from dividends and interest
- tax reclamation services
- corporate action processing and proxy voting based on the instructions received by the Pension Fund's investment managers
- filing of US-based class action lawsuits
- foreign exchange settlement to enable the Pension Fund to buy and sell assets in foreign currencies
- stock lending
- reporting on the value of the Pension Fund's assets and the investment performance of the Fund's investment managers.

JP Morgan have custody of all the Pension Fund's active equity portfolios, the global bonds portfolio and the hedge fund portfolio. All other assets are held directly by the Pension Fund. JP Morgan report on the performance of the entire portfolio.

Social, environmental and ethical considerations

The Pension Fund's policy regarding social, environmental and ethical considerations is set out in the Statement of Investment Principles, available via the following link:

www.hants.gov.uk/pensions-reportsandaccounts

The relevant extract is shown below:

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

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

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

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

As set out in the Statement of Investment Principles, the Pension Fund's instructions to investment managers on voting are in line with the UK Stewardship Code in order to achieve effective engagement with companies.

All voting rights have been exercised in accordance with the Statement of Investment Principles.

Matters relating to implementation of the Funding **Strategy Statement**

There were no employer contribution increases during 2015/16. No bonds or other secured funding arrangements were entered into during the year.

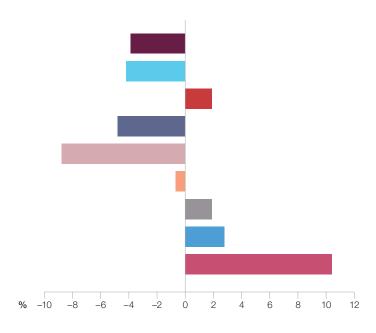
All admission bodies were managed in accordance with the Funding Strategy Statement and Employer Policy.

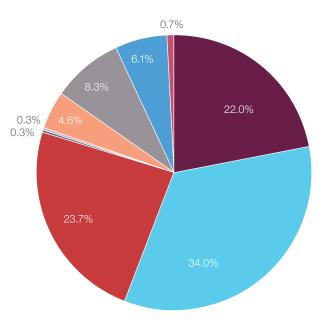
Investment Overview

During 2015/16, stock markets delivered negative returns, as the UK stock market fell by -3.9% and world stock markets returned -0.7% overall. UK index-linked bonds delivered a modest positive return of 1.9% in 2015/16.

The UK commercial property market has continued the strong performance seen in 2013/14 and 2014/15 with a return of 10.4% for 2015/16.

Market returns in 2015/16	%
UK equities	-3.9
European equities	-4.2
North American equities	1.9
Pacific Basin equities	-4.8
Emerging Market equities	-8.8
Global equities	-0.7
UK index-linked bonds	1.9
Global bonds	2.7
UK property	10.4





Breakdown of the Hampshire Pension Fund's investments on 31 March 2016	%
UK equities	22.0
Overseas equities	34.0
UK index-linked gilts	23.7
UK fixed interest bonds	0.3
Overseas index-linked gilts	0.3
Overseas fixed interest bonds	4.6
UK and European property	8.3
Alternative investments	6.1
Cash held pending investment	0.7

The Fund has appointed investment managers responsible for several specialist portfolios, as follows.

100.0

Total



Pension Fund investment management structure

Hedge funds	Pension Fund investment mana	gement	structure		
Low-risk active UK equities Schroders Investment Management 14.0 12.8 FTSE All Share +1.25% gross High-performance global equities Aberdeen Asset Management 14.0 12.6 MSCI All Countries World +3% gross Newton Investment Management 12.0 13.7 MSCI All Countries World +3% gross Aberdeen Frontier Markets Equity 0.0 0.2 MSCI Frontier Markets Index - Passive equities State Street (UK equities) 5.0 5.5 FTSE All Share Index - State Street (global equities) 9.0 10.5 FTSE All World Equity Index - Active global bonds Western Asset Management 5.0 4.9 Barclays Capital Global Aggregate Bonds Index Passive index-linked bonds Legal & General 10.5 11.2 FT British Government Over Five Years Index-Linked Gilts Index - State Street Global Advisors 10.5 11.3 As above - UK property CBRE Global Investors 10.0 7.7 Retail Prices Index (RPI) +4.5% net European property Aberdeen Property Investors 0.0 [†] 0.2 Eurozone Harmonised Index of Consumer Prices (HICP) +5% gross Private equity and other alternatives Aberdeen Asset Management 5.0 3.1 - +9% to 11.5% net (local Hedge funds)	portf	olio size	at 31 March 2	016	performance gross/
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Legal & General 10.5 11.2 FT British Government Over Five Years Index-Linked Gilts Index — State Street Global Advisors 10.5 11.3 As above — UK property CBRE Global Investors 10.0 7.7 Retail Prices Index (RPI) +4.5% net European property Aberdeen Property Investors 0.0† 0.2 Eurozone Harmonised Index of Consumer Prices (HICP) +5% gross Private equity and other alternatives Aberdeen Asset Management 5.0 3.1 — +9% to 11.5% net (local Hedge funds)					
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CBRE Global Investors 10.0 7.7 Retail Prices Index (RPI) +4.5% net European property Aberdeen Property Investors 0.0 [†] 0.2 Eurozone Harmonised Index of Consumer Prices (HICP) +5% gross Private equity and other alternatives Aberdeen Asset Management 5.0 3.1 - +9% to 11.5% net (local Hedge funds)	UK property				
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Private equity and other alternatives Aberdeen Asset Management 5.0 3.1 - +9% to 11.5% net (local Hedge funds					
Private equity and other alternatives Aberdeen Asset Management 5.0 3.1 - +9% to 11.5% net (local Hedge funds	Aberdeen Property Investors	0.0^{\dagger}	0.2		
Aberdeen Asset Management 5.0 3.1 – +9% to 11.5% net (local Hedge funds				Consumer Prices (HICP)	+5% gross
Hedge funds	Private equity and other alternative	ves			
	Aberdeen Asset Management	5.0	3.1	-	+9% to 11.5% net (local)
Morgan Stanley 3.5 3.2 - +5.5% to 8.0% net (loc	Hedge funds				
	Morgan Stanley	3.5	3.2	-	+5.5% to 8.0% net (local)
Infrastructure					
GCM Grosvenor 1.5–5.0* 0.5 – +7.5% to 10.0% net (ba	GCM Grosvenor	1.5-5.0*	0.5	-	+7.5% to 10.0% net (base)
Cash	Cash				
Managed in house 0.0 2.6 – –	Managed in house	0.0	2.6	-	-
Total 100.0 100.0	Total	100.0	100.0		

 $^{^{\}scriptscriptstyle \dagger}$ portfolio is being run down as the investments mature

^{*}this is a relatively immature portfolio and will be built up over time with the funds being taken from passive equities as required

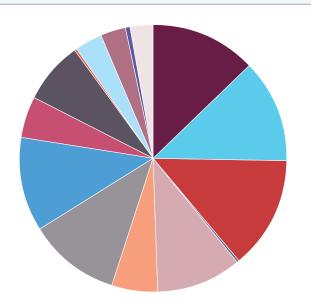


The value of the investments held by each of the Fund's managers on 31 March 2016 is shown in the following table.

Value of investments on 31 March 2016

Manager	£million
Schroders (UK equity portfolio)	665
Aberdeen (global equity portfolio)	654
Newton (global equity portfolio)	710
Aberdeen (frontier markets fund)	11
State Street (passive global equities portfolio)	544
State Street (passive UK equities portfolio)	284
Legal & General (index-linked bond portfolio)	581
State Street (index-linked bond portfolio)	589
Western (global bond portfolio)	256
CBRE (UK property)	400
Aberdeen (European property)	12
Aberdeen (private equity and other alternatives)	163
Morgan Stanley (hedge funds)	166
GCM Grosvenor (infrastructure)	26
Held centrally (for pension payments, investment, etc.)	152

Total 5,213



Performance of the managers

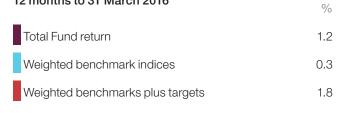
All of the managers have been set targets to achieve over three to five-year periods.

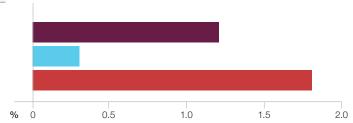
Both global and UK equity markets delivered negative returns for the year, while bond markets gave modest positive returns, and the Pension Fund's investment managers have shown a mix of positive and negative returns during 2015/16, as set out in detail below. The Pension Fund Panel and Board will continue to monitor the investment managers' performance against their targets on a rolling three and five-year basis.

The Fund in total

The total investment return for the Hampshire Pension Fund in 2015/16 was 1.2%. This compares with a weighted benchmark return of 0.3%. The investment managers are set targets to outperform their benchmark indices. The weighted return of these benchmark indices plus targets for 2015/16 was 1.8%. The Fund's investment return was 6.7% per annum over the three years to March 2016, and 6.1% per annum over the period since January 2007, which was when new investment management arrangements were put in place.

Total investment returns for the Fund 12 months to 31 March 2016







Total investment returns for the Fund Three years to 31 March 2016 Total Fund return 6.7 Weighted benchmark indices 5.9 Weighted benchmarks plus targets 7.4

4

2

2

6

8

10

6

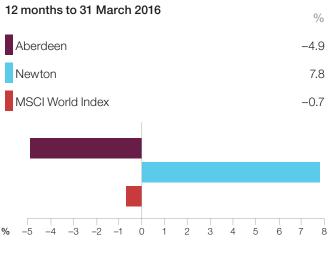
Total investment returns for the Fund Since January 2007 % per annum Total Fund return 6.1 Weighted benchmark indices 6.3 Weighted benchmarks plus targets 8.3

Global equities

The global stock markets returned -0.65% in 2015/16, as measured by the MSCI All Countries World Index. Aberdeen have underperformed against the index, in large part due to indirect exposure to falling oil prices. Newton have outperformed the index and their outperformance target in 2015/16, due to strong stock selection and an underweight position in the financials sector, which performed poorly. Over the longer term, Aberdeen have met and Newton have outperformed their benchmark index over the period since January 2007.

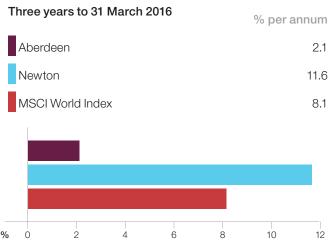
Global equities

10

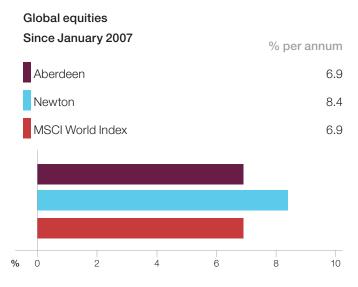


The Fund's global equity managers' performance results against the MSCI Index benchmark over the last three years and since January 2007 are shown below.

Global equities



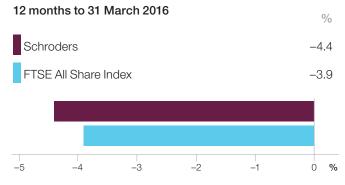




UK equities

The UK stock market returned -3.9% during 2015/16 as measured by the FTSE All Share Index, and the Fund's UK equity manager, Schroders, has underperformed the FTSE All Share index over the last year, but has outperformed over the last three years, and the period since January 2007. Underperformance in 2015/16 was mainly due to some stocks in the portfolio issuing profit warnings, combined with an overweight position in the poorly performing life insurance sector.

UK equities



The Fund's UK equity manager's performance results against the FTSE All Share Index benchmark over the last three years and since January 2007 are shown below.



Bonds

Legal & General and State Street passively manage portfolios of UK index-linked bonds. Both managers delivered returns that matched their target index during 2015/16.

The Barclays Capital Global Aggregate Bonds Index has returned 2.7% during 2015/16, and although the Fund's active global bonds manager, Western, has underperformed the benchmark index over the last year, they have outperformed over the last three years, and the period since January 2007.

Shown below are the performance results of the Fund's UK bond managers against the FT Index-Linked Bonds benchmark, and those of the global bond manager against the Barclays Capital Bond Index benchmark.



Bonds Bonds 12 months to 31 March 2016 Since January 2007 % % per annum Legal & General Legal & General 2.0 8.1 State Street State Street 1.9 8.2 FT UK Index-Linked Bonds FT UK Index-Linked Bonds 1.9 8.1 Western Western 1.0 5.6 Barclays Capital Global Aggregate Bonds Index Barclays Capital Global Aggregate Bonds Index 2.6 5.0 6 0.0 0.5 1.0 1.5 2.0 2.5 3.0 10

Three years to 31 March 2016 Legal & General 5.6 State Street 5.7 FT UK Index-Linked Bonds 5.6 Western 5.2 Barclays Capital Global Aggregate Bonds Index 4.0

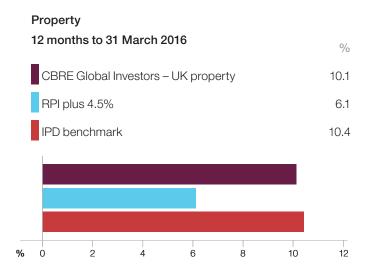
Property

CBRE Global Investors manage a portfolio of UK properties, with a performance target of the Retail Price Index (RPI) plus 4.5%, over seven to 10 years. CBRE Global Investors returned a performance of 10.1% in 2015/16 which was considerably higher than their target. Over the longer term CBRE Global Investors have exceeded their RPI plus 4.5% target over the last three year period, although they have underperformed over the period since January 2007, due to very challenging market conditions for property in 2008 and 2009.

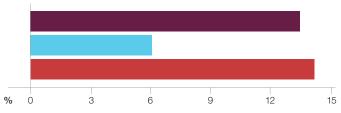
CBRE Global Investors' performance was in line with the Investment Property Databank (IPD) benchmark return of 10.4% during 2015/16. The IPD benchmark reflects the returns achieved by similarly sized property portfolios.

Shown below are the performance results of the Fund's UK property manager against the IPD benchmark and their benchmark of RPI plus 4.5%.

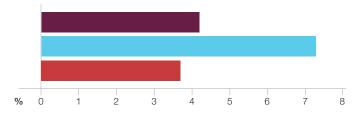




Property Three years to 31 March 2016 CBRE Global Investors – UK property 13.5 RPI plus 4.5% 6.1 IPD benchmark 14.2



Property Since January 2007 % per annum CBRE Global Investors – UK property 4.2 RPI plus 4.5% 7.3 IPD benchmark 3.7



Analysis of Fund Assets and Investment Income

The following tables show an analysis of the fund assets and investment income as at 31 March 2016, split between UK, non-UK and global portfolios.

Fund Assets at 31 March 2016

Total	2.698.5	36.5	2.201.5	4.936.5
Cash and cash equivalents	36.5	-	-	36.5
Alternatives	18.9	-	279.8	298.7
Property	375.3	36.5	_	411.8
Bonds	1,183.0	-	242.3	1,425.3
Equities	1,084.8	-	1,679.4	2,764.2
	£m	£m	£m	£m
	UK	Non-UK	Global	Total

Investment income received in 2015/16

Total	47.5	1.4	53.1	102.0
Other (including stock lending)	_	-	0.4	0.4
Cash and cash equivalents	0.7	_	_	0.7
Alternatives	0.5	_	10.0	10.5
Property	22.8	1.4	-	24.2
Bonds	_	-	7.3	7.3
Equities	23.5	_	35.4	58.9
	£m	Non-UK £m	Global £m	Total £m
	1117	Man IIIZ	01-1-1	T-4-1



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, 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 nonfunded pension arrangements.

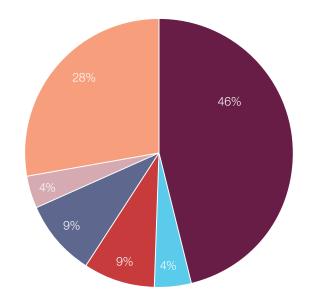
Under the Pensions Act 2011, all employers are obliged to automatically enrol eligible employees into a qualifying pension scheme, and re-enrol anyone who opts out of the scheme every three years. The implementation of this requirement is being rolled out over five years from October 2012, starting with the largest employers (according to PAYE references).

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: www.thepensionsregulator.gov.uk

On 31 March 2016 there were 36,519 pensioners, 59,857 deferred members, and 57,815 contributors, a total of 154,191 Scheme members.

Number of contributors		%
Hampshire County Council	26,747	46
Southampton City Council	2,492	4
Portsmouth City Council	4,998	9
District and Borough councils	5,290	9
Office of Police and Crime		
Commissioner and Chief Constable	2,344	4
Other organisations	15,944	28
Totals	57,815	100





The following table shows a summary of employers in the fund analysed by type. All employers are active (with active members), and none are ceased (no active members but with some outstanding liabilities):

Total	329	57.815
Transferee admitted	23	345
Community admitted	25	137
Admitted	59	1,074
Resolution	61	276
Scheduled	161	55,983
Employer Type	Employers	Active members

Pension Fund Administration

Responsibility for the administration of the Hampshire Pension Fund is delegated to Pensions Services, part of the Corporate Resources department of the County Council. Pensions Services use UPM, a Civica system, to provide all aspects of pensions administration including pensioner payroll and employer and member web access.

There are 40 full time equivalent members of staff involved in the administration of the scheme, split into two main teams, supported by finance, projects and systems staff:

- a single Operational team responsible for administering all casework, handling all member queries and paying pensioners
- a Service Development team, responsible for communications, training and employer support.

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 Pensions Services framework of governance, risk management and control.

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

Pensions Services have held the Customer Service Excellence (CSE) standard since 2009, and retained the award following a three year full assessment in April 2015.

A review was completed in April 2016 and as a result Pensions Services now have no partial compliances and have been awarded a compliance plus.

The compliance plus was awarded for the ongoing commitment Pensions Services have shown to providing excellent customer services, an example of which was the creation of a Quality and Communications Team with a specific brief for Customer Service Excellence.

Pensions Services ran six training events in the year which were attended by 40 employers and two Employer Focus Group meetings. In addition Pensions Services staff attended various employer liaison meetings throughout the year.

Pensions Services wrote to all active and deferred members during the year to invite them to register on the member self-service module so they can access their annual benefit statements in future. Approximately 15,000 members have registered so far.



Administration performance

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

Focus throughout the year has been on improving processes to make them more efficient to enable all targets to be met. Table 1 below shows improvement in each quarter, with all targets back to 100% by the final quarter of 2015/16.

Table 1 - % of targets met

Area of work	Q1 %	Q2 %	Q3 %	Q4 %
	, ,	%	%	%
	05.00			
Retirement	95.30	98.71	100.00	100.00
Deferred Retirement	100.00	99.25	100.00	100.00
Estimate	94.86	97.83	99.55	100.00
Deferred	67.03	97.51	99.62	100.00
Transfer Out	100.00	92.02	95.95	100.00
Transfer In	93.55	94.87	99.25	100.00
Divorce	95.15	94.74	100.00	100.00
Refund	100.00	100.00	98.81	100.00
Death	95.00	100.00	100.00	100.00

There has also been an increase in Pensions Services' workloads as shown in table 2 below.

Table 2 - number of cases

Area of work	Q1	Q2	Q3	Q4
Retirement	319	387	362	298
Deferred Retirement	331	267	296	211
Estimate	525	739	882	621
Deferred	1,477	1,524	1,315	2,550
Transfer Out	137	188	148	129
Transfer In	93	117	133	59
Divorce	103	95	89	109
Refund	477	877	674	1,413
Death	120	195	161	194
Total	3,582	4,389	4,060	5,584

The annual internal audit opinion concluded that Pensions Services have a sound framework of internal control in place, which is operating effectively. No risks to the achievement of system objectives were identified.

What does membership cost and what are the benefits?

The Scheme was contracted out of the state second pension (S2P), and contributing employees and employers paid reduced national insurance. However, from 6 April 2016 the Scheme is no longer contracted out. The Scheme operates tiered employee contribution rates. Employees pay a rising percentage depending on their pay band. The rates that apply from 1 April 2016 are set out in the following table:

Actual pensionable pay	Contribution rate per year
Up to £13,600	5.5%
£13,601 – £21,200	5.8%
£21,201 – £34,400	6.5%
£34,401 – £43,500	6.8%
£43,501 – £60,700	8.5%
£60,701 – £86,000	9.9%
£86,001 – £101,200	10.5%
£101,201 – £151,800	11.4%
More than £151,801	12.5%

Every three years the Fund's actuary, Aon Hewitt Limited, 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 at 31 March 2013. The actuarial position of the Fund is explained in more detail on page 29.

Scheme Administration Report continued

Following the 2010 valuation, the employer contribution rate was split into two elements. This approach has continued with the 2013 valuation:

- a fixed cash amount based on a percentage of employer payroll for past service
- a percentage of contributor's pay for future service.

The percentage of contributor's pay is 13.1% for employers in the Scheduled Body group and 15.6% for employers in the Admission Body group.

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 $\mathfrak{L}20$ for each $\mathfrak{L}1$ of pension, whatever the person's age. For all pensions already in payment, the value will be $\mathfrak{L}25$ for each $\mathfrak{L}1$ of pension.

The average annual pension paid in 2015/16 was £4,986 (£5,057 in 2014/15).

Retirement age

The normal retirement age 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 2,377 Scheme members retired during 2015/16, with an average retirement age of 61 years. Of this number, 1,279 (or 53.8%) took some form of early retirement, mainly due to redundancy.

Timeliness of contributions

All employer contributions due for 2015/16 have been received. The latest was credited on 05 May 2016, which was 11 days after the deadline.

A total of $\mathfrak{L}6.592m$ was paid late and the relevant employers have been notified that this is unacceptable. The average delay on all late payments received during 2015/16 was 10 days. No late payment interest was charged for 2015/16. For future years it will be charged.

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 Fund has two AVC providers, Prudential and Zurich. AVCs can also be paid to Equitable Life, but only if they are invested in its building society fund or for an additional death-in-service grant. The AVCs are invested separately from the Fund's main assets and are used to buy extra pension benefits on retirement.

Administration performance

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

There has been a dip in performance as a consequence of the migration to a new administration system during the year, and this is reflected in the table below. In order to manage the work loads through the migration, Pensions Services switched focus to ensuring that work was completed in priority order (to get people paid on time) rather than in the order that the work is received (to make sure that all work is completed within eight weeks).



Now that the new system is fully operational, workloads are reducing and some of the efficiencies of the new system are being felt. As the system is fully embedded, it is anticipated that significant improvements, in timeliness and cost of processing casework, will be seen.

Cost benchmarking

The Fund benchmarks its administrative costs against the SF3 data collected annually by the Office of National Statistics. The most recent data is that for the financial year 2014/2015 and is summarised in the following table:

		2014/15		2013/14
Н	ampshire	All Funds	Hampshire	All Funds
Admin cost per member	£16.22	£33.76	£16.41	£34.23
Investment cost per member	£125.48	£163.90	280.98	£125.77

Pension Fund management expenses are disclosed based on the CIPFA guidance Accounting for Local Government Pension Scheme Management Costs published in June 2014. Based on this guidance the Pension Fund now accounts for the investment costs of pooled and other investments that are netted off against investment income. This change is reflected in the 2014/15 figures shown above, but not the 2013/14 figures. Consequently investment cost per member appears significantly higher in 2014/15 due to this accounting change.

Membership information

A full listing of contributing employers to the Hampshire Pension Fund is available at:

http://www3.hants.gov.uk/pensions/pensions-reportsandaccounts.htm

Year ending 31 March	No. of contributors	No. of deferred po	No. of ensioners
2012	45,633	45,616	32,192
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

The number of contributors is at its peak due to automatic enrolment from 1 April 2014. The number of pensioners has increased in line with the general trend, and deferred members in the Fund have continued to increase.

Complaints

If you have a complaint about the service, Pensions 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 Services, Hampshire County Council, The Castle, Winchester SO23 8UB

There were ten formal complaints made in 2015 /16. These were all 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 Director of Corporate Resources if it is against Pensions Services.

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

The Fund considered two stage one Internal Dispute Resolution Procedure (IDRP) appeals against the Pension Fund during 2015/16. One was not upheld and the other progressed to stage two and was not upheld. There were four stage two appeals, all against employers.

The Fund's statutory statements

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

Business Plan

Funding Strategy Statement

Statement of Investment Principles

Governance Policy Statement

Governance Compliance Statement

Communication Policy Statement

Hampshire Pension Fund Administration Strategy

Employer Policy

These statements were last reviewed and approved by the Pension Fund Panel and Board at the meetings on 18 December 2015 and 4 March 2016.

All reports are available on the Pension Fund website at the following link:

www.hants.gov.uk/pensions-reportsandaccounts



Risk Management Report

The Pension Fund has identified the following risks and has put in place the following mitigating action:

Risk	Description	Likelihood	Impact	Mitigation
Investment risk	The Pension Fund's assets do not deliver the required return due to the underperformance of investment managers and/or one or more of the following market conditions: • Market risk – from fluctuations in market prices, which is particularly relevant for investments in equities. • Interest rate risk – which can affect the prices of investments that pay a fixed interest rate. • Currency risk – the risk of fluctuations in prices of financial instruments that are denominated in any currency other than the functional currency of the Fund (GB pounds). • Credit risk – 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. • Refinancing risk – that the Pension Fund could be bound to replace on maturity a significant proportion of its financial instruments at a time of unfavourable interest rates.	M	H	The Pension Fund has a strategic asset allocation set by the Pension Fund Panel and Board that balances the Fund's requirement to make an investment return to meet its liabilities but that also balances the various investment risks that it faces through investing in a diversified range of investments. The Pension Fund lets contracts to external Investment Managers to manage the Fund's investments. These contracts include investment limits on the concentration and exposure of the Fund's investments. The Investment Managers' performance is calculated by the Fund's custodian and is monitored regularly and reported to the Pension Fund Panel and Board. Investment Managers report quarterly on their portfolios and meet the Fund's officers at least four times a year (including presenting to the Pension Fund Panel and Board at least annually).
Liquidity risk	Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due.	L	M	The Pension Fund monitors its cashflow to ensure that funds are available as they are required. Should it be necessary, regulations allow for the Pension Fund to borrow in the short term to make pension benefit payments or in the event of transitioning investments between Investment Managers.

L = Low likelihood / impact

M = Medium likelihood / impact

H = High likelihood / impact

Risk Management Report continued

Risk	Description	Likelihood	Impact	Mitigation
Employer risk	These risks arise from the ever-changing mix of employers, from short-term and ceasing employers, and the potential for a shortfall in payments and/or orphaned liabilities. 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.	М	М	The Administering Authority requires the other participating employers to communicate regularly with it on such matters. The Pension Fund Panel and Board have approved a Funding Strategy Statement that groups similar employers together for funding purposes. The Fund's Employer Policy outlines how the Administering Authority will deal with any situation resulting from a change in any Fund employers' circumstances or new employers entering the Fund. The Administering Authority monitors the status of the employers in the Fund and discusses any changes, including any necessary changes to the Funding Strategy Statement, with the Fund's
Administration	The Pensions Regulator identifies the risks	M	M	Actuary.
risk	Becord-keeping: are records complete and accurate?			The Administration Strategy is the agreement between the Hampshire Pension Fund and all participating Bodies, in which all parties commit to the certain principles, including: • provide a high quality pension service to members • take responsibility to provide accurate and timely information • the results are reported to the Panel & Board twice a year.
	 Internal controls: has the Fund put in practice a policy to identify risks and arranged for these to be managed or mitigated? Member communication: are these 			Both Internal Audit and External Audit carry out work to assess the internal controls and this is reported to the Panel & Board. There is a Communications Policy and
	always accurate, timely and clear?			Customer Charter on Pensions Services website, which details the service our scheme members can expect.



Risk	Description	Likelihood	Impact	Mitigation
Administration	Internal disputes: do these indicate			The full complaint process, going
risk (continued)	wider problems in the Fund?			all the way though to the Pensions Ombudsman, is detailed on the Pension Services website. All complaints are fully investigated and the outcome at each stage of the process reported in the accounts.
Liability risk	The main risks include interest rates, pay and price inflation, life expectancy, changing retirement patterns and other demographic risks that will impact on the Actuary's calculation of the Fund's liabilities and reduce the Fund's funding ratio.	H	M	The County Council as the Fund's Administering Authority will ensure that the Fund's Actuary investigates the main factors that determine the Fund's liabilities, such as interest rates, inflation, life expectancy and other demographics. The Fund's Actuary will report and agree with the Administering Authority any necessary changes to their assumptions and the resulting impact on the Fund's employers' contributions.
Funding risk	The Government Actuary's Department (GAD) has been appointed by the Department of Communities and Local Government (DCLG) to provide a report under Section 13 of the Public Service Pensions Act 2013 when an actuarial valuation of the LGPS has been carried out. Their report must cover: • whether the fund's valuation is in accordance with the scheme regulations • whether the fund's valuation has been carried out in a way which is not inconsistent with the other fund valuations within the LGPS	M	Н	The Administering Authority will keep abreast of proposed changes to the LGPS, taking the necessary legal, actuarial or investment advice necessary to interpret the changes. Any resulting changes in policy will be reported to the Pension Fund Panel and Board for approval.

L = Low likelihood / impact

M = Medium likelihood / impact

H = High likelihood / impact

Risk Management Report continued

Risk	Description	Likelihood	Impact	Mitigation
Funding risk (continued) Regulatory and Compliance risk	• whether the rate of employer contributions is set at an appropriate level to ensure the solvency of the Pension Fund and the long-term costefficiency of the scheme, so far as relating to the Pension Fund These requirements will have statutory force with effect from the 2016 valuations in England and Wales. Funds will be assessed against a number of measures and scored as: Red – potentially a material issue that might contribute to a recommendation for remedial action to ensure solvency Amber – highlights a possible risk Green – no material issue that might contribute to a recommendation for remedial action to ensure solvency Regulatory risks relate to changes in LGPS regulations, including national pensions legislation and HM Revenue and Customs rules.	L	M	The Administering Authority will keep abreast of proposed changes to the LGPS, taking the necessary legal, actuarial or investment advice necessary to interpret the changes. Any resulting changes in policy will be reported to the Pension Fund Panel and Board for approval.
Governance risk	That decision making and control of the Pension Fund is lacking, inappropriate or undertaken by persons without suitable knowledge or experience.	M	L	The Pension Fund Panel and Board has documented Terms of Reference and Operating Procedures. The Panel and Board will consider all items that are material to the management of Hampshire Pension Fund and are supported by suitably qualified officers. Members of the Pension Fund Panel and Board complete a Training Needs Analysis based on CIPFA's Knowledge and Skills Framework and undertake identified training activities as necessary.

Financial Performance Report

Shown below is the Pension Fund's budget for 2015/16 compared to actual expenditure, and the budget for 2016/17.

Management Expenses	22,927	20,430	24,260
Oversight & Governance Costs	628	775	810
Other	52	1	5
Supplies & Services	275	483	510
IΤ	10	8	10
Premises	16	6	10
Staff	275	277	275
Administrative Costs	1,791	1,800	1,950
Other	7	5	10
Supplies & Services	171	204	220
IT	245	178	260
Premises	58	64	60
Staff	1,310	1,349	1,400
nvestment management fees	20,508	18,690	21,500
Net additions/(withdrawals) from members	6,700	20,871	22,150
Benefits paid	(236,770)	(231,411)	(232,900
Transfer values	0	(61)	(
Contributions received – Members	58,680	59,535	61,000
Contributions received – Employers – total	184,790	192,808	194,050
Contributions received – Employers – deficit	61,810	60,314	67,370
Contributions received – Employers – normal	122,980	132,494	126,680
	£'000	£'000	£'000
	Budget 2015/16	Actual 2015/16	Budge ²

Financial Performance Report continued

Dealings with members

Employer contributions received were greater than the budgeted figure. The majority of the variance is due to an exit payment of £5m received from one of the Fund's employers. The remainder of the difference is due to an increase in the number of contributing members of the scheme above the number forecast. The rise in the number of contributors has also led to an increase in scheme member contributions, above the amount forecast.

Pension benefits paid out were lower than forecast by over £5m as the average pension in payment reduced compared to the previous financial year.

Management expenses

Investment management costs were lower than forecast by $\mathfrak{L}1.8m$. The Pension Fund pays its investment managers a percentage fee based on the value of investments and the forecast increase rise in the value of the Fund's investments, based on the Scheme Actuary's assumptions, was higher than the actual value of the Fund in 2015/16.

Administration costs were as budgeted in 2015/16. Expenditure was just over £0.2m greater than the forecast for the budget paid to external suppliers supporting the Fund's oversight and governance activities. This was as a result of additional work required from the Scheme Actuary to revise the Fund's Employer Policy and the work of Investment Consultants to support the retendering of the Pension Fund's Alternative Investment investment management contracts, which was split from one into three separate contracts.



Statement of the Actuary

for the year ended 31 March 2016

Introduction

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the Hampshire County Council 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 at 31 March 2013 by Aon Hewitt Limited, in accordance with Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008.

Actuarial Position

- 1. The valuation as at 31 March 2013 showed that the funding ratio of the Fund had increased since the previous valuation with the market value of the Fund's assets at that date (of £4,340.6M) covering 80% of the liabilities allowing, in the case of current contributors to the Fund, for future increases in pensionable pay.
- 2. The valuation also showed that the aggregate level of contributions required to be paid by participating employers with effect from 1 April 2014 is:
 - 14.1% of pensionable pay. This is the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date.

Plus

- Monetary amounts to restore the assets to 100% of the liabilities in respect of service prior to the valuation date over a recovery period of 22 years from 1 April 2014, amounting to £60.7M in 2014/15, and increasing by 3.9% p.a. thereafter.
- 3. In practice, each individual employer's position is assessed separately and contributions are set out in Aon Hewitt Limited's report dated 31 March 2014 (the "actuarial valuation report"). In addition to the contributions shown above, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

- 4. The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement. Different approaches adopted in implementing contribution increases and individual employers' recovery periods are set out in the actuarial valuation report.
- The valuation was carried out using the projected unit actuarial method for most employers and the main actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

Discount rate for periods in service

Scheduled and subsumption hodies

Scrieduled and Substitution bodies	5.5% p.a.
Orphan bodies	5.2% p.a.
Discount rate for periods after leaving se	rvice
Scheduled and subsumption bodies	5.5% p.a.
Orphan bodies	3.9% p.a.
Rate of pay increases	3.9% p.a.
Rate of increase to pension accounts	2.4% p.a.
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.4% p.a.

5.5% n.a

The assets were valued at market value.

Further details of the assumptions adopted for the valuation were set out in the actuarial valuation report.

6. The valuation results summarised above are based on the financial position and market levels at the valuation date, 31 March 2013. 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 2014 to 31 March 2017 were signed on 31 March 2014. Contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2016 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

Preparation for the actuarial valuation of the Fund as at 31 March 2016 is currently underway and the Regulations require the formal report on the valuation and the Rates and Adjustments Certificate setting our employer contributions for the period from 1 April 2017 to 31 March 2020 to be signed off by 31 March 2017.

8. This Statement has been prepared by the current Actuary to the Fund, Aon Hewitt Limited, for inclusion in the accounts of the Fund. It provides a summary of the results of their actuarial valuation which was carried out as at 31 March 2013. 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 Hewitt Limited does not accept any responsibility or liability to any party other than our client, Hampshire County Council, the Administering Authority of the Fund, in respect of this Statement.

 The report on the actuarial valuation as at 31 March 2013 is available from the Pensions Services team at Hampshire County Council, at pensions@hants.gov.uk

Aon Hewitt Limited

June 2016



Pension Fund Accounts

Fund Account

		2014/15	2015/16
	See note	£'000	£'000
Dealings with members, employers and others directly involved in t	he Fund		
Contributions	7	237,542	252,343
Transfers in from other pension funds	8	6,794	11,543
		244,336	263,886
Benefits	9	-216,547	-231,411
Payments to and on account of leavers	10	-85,264	-11,604
		-301,811	-243,015
Net additions from dealings with members		-57,475	20,871
Management expenses	11	-20,461	-20,430
Returns on investments			
Investment income	12	95,757	101,984
Taxes on income	13	-1,454	-695
Profits and losses on disposal of investments and changes in the market value of investments	14a	585,004	-25,412
Net return on investments		679,307	75,877
Net increase in the net assets available for benefits during the year		601,371	76,318
Opening net assets of the scheme		4,535,717	5,137,088
Closing net assets of the scheme		5,137,088	5,213,406



Net Assets Statement for the year ending 31 March 2016

		31 March	31 March
		2015	2016
	See note	£'000	£'000
Investment assets	14	4,951,328	4,907,387
Cash deposits	14	49,765	36,451
		5,001,093	4,943,838
Long term debtors	22	9,128	7,607
Investment liabilities	14	-5,706	-7,246
Current assets	20	146,873	286,680
Current liabilities	21	-14,300	-17,473
Net assets of the Fund available to fund benefits at the period end		5,137,088	5,213,406



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 2015/16 and the underlying statutory powers underpinning the Scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

a) General

The Fund 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 2009 (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 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.

There are 329 employer organisations within the Hampshire Pension Fund including the County Council itself, as detailed below:

Total	55,787	59,857
Other employers	27,594	30,156
County Council	28,193	29,701
Deferred pensioners		
Total	34,364	36,519
Other employers	10,210	20,470
Other employers	19,279	20,476
County Council	15,085	16,043
Number of pensioners		
Total	54,679	57,815
Other employers	30,158	31,068
County Council	24,521	26,747
Number of employees in Sche	eme	
active members	323	329
Number of employers with		
Hampshire Pension Fund	31 March 2015	31 March 2016



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 for the financial year ending 31 March 2016. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last valuation was at 31 March 2013. Currently, employer contribution rates for most employers range from 13.1% to 15.6% of pensionable pay plus 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, summarised below.

,,		
	Service pre	Service post
	1 April 2008	31 March 2008
Pension	Each year worked	Each year worked
	is worth 1/80 x	is worth 1/60 x final
	final pensionable	pensionable salary.
	salary.	
Lump sum	Automatic lump sum of	No automatic lump
	3 x salary.	sum.
	In addition, part of the	Part of the annual
	annual pension can	pension can be
	be exchanged for a	exchanged for a
	one-off tax-free cash	one-off tax-free cash
	payment. A lump sum	payment. A lump sum
	of £12 is paid for each	of £12 is paid for each
	£1 of pension given up.	£1 of pension given up.

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:

http://www3.hants.gov.uk/pensions

2. Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2015/16 financial year and its position at year-end at 31 March 2016. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2015/16* which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed in Note 19 of these accounts.

3. Summary of significant accounting policies Fund Account – revenue recognition

a) Contribution income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the Fund actuary in the payroll period to which they relate.

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

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations (see Notes 8 and 10).

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

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 (see Note 8).

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

c) Investment income

i) Interest income

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. Income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

ii) Dividend income

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

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. i

iv) Property-related income

Property-related income consists primarily of rental income.

Properties held in the UK property portfolio are generally subject to leases with upward-only rent reviews every five years.

Rental income from operating leases on properties owned by the Fund is recognised on a straight-line basis over the term of the lease. Any lease incentives granted are recognised as an integral part of the total rental income, over the term 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) Movement in the net market value of investments

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

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.

e) 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 excludes VAT, as all VAT collected is payable to HM Revenue and Customs (HMRC), and all VAT paid is recoverable from HMRC.

f) Management expenses

The Code does not require any breakdown of pension fund administrative expenses. However in the interest of greater transparency, the Council discloses its Pension Fund management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Costs.

Administration expenses

All administration expenses are accounted for on an accruals basis. All staff costs of the pensions administration team are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

Oversight and governance costs

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

Investment management expenses

All investment management expenses are accounted for on an accruals basis.

Fees of the external investment managers and custodian are agreed 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 market value of their mandate at the end of the year is used for inclusion in the Fund account. In 2015/16, $\mathfrak{L}0.1$ m of fees is based on such estimates (2014/15 $\mathfrak{L}0.5$ m).

Net Assets Statement

g) Financial assets

Financial 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. From this date, any gains or losses 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 as follows:

i) Market-quoted investments

The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.

ii) Fixed interest securities

Fixed interest securities are recorded at net market value based on their current yields.

iii) Unquoted investments

The fair value of investments for which market quotations are not readily available is determined as follows:

- Valuations of delisted securities are based on the last sale price prior to delisting, or where subject to liquidation, the amount the Fund expects to receive on wind-up, less estimated realisation costs
- Securities subject to takeover offer the value of the consideration offered under the offer, less estimated realisation costs
- Directly held investments include investments in limited partnerships, shares in unlisted companies, trusts and bonds. Other unquoted securities typically include pooled investments in property, infrastructure, debt securities and private equity. The valuation of these pools or directly held securities is undertaken by the investment manager or responsible entity and advised as a unit or security price. The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or the management agreement



- Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the fund manager
- Investments in private equity funds and unquoted limited partnerships are valued based on the Fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with the International Private Equity and Venture Capital Valuation Guidelines 2012.

iv) Limited partnerships

Fair value is based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.

v) Pooled investment vehicles

Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the fund, net of applicable withholding tax

vi) Freehold and leasehold properties

The properties were valued on 31 March 2016 by an external valuer, Paul Willis, BSc MRICS of Colliers International in accordance with the Royal Institute of Chartered Surveyors' *Valuation Professional Standards (January 2014).* The valuer's opinion of market value and existing use value was primarily derived using comparable recent market transactions on arm's-length terms.

h) 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, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

i) 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.

Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Changes in the fair value of derivative contracts are included in the change in market value.

The value of futures contracts is determined using exchange prices at the reporting date. Amounts due from or owed to the broker are the amounts outstanding in respect of the initial margin and variation margin.

The value of exchange traded options is determined using the exchange price for closing out the option at the reporting date. The value of over-the-counter contract options is based on quotations from an independent broker. Where this is not available, the value is provided by the investment manager using generally accepted option-pricing models with independent market data.

The future value of forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite contract.

j) Cash and cash equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the Fund's external managers.

Cash equivalents 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.

k) Financial liabilities

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the Net Assets Statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.



I) 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 19).

m) Additional voluntary contributions

Hampshire Pension Fund provides an additional voluntary contributions (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 Equitable Life, but only if they are invested in its building society fund or for an additional death-in-service grant. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with section 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only (Note 23).

4. Critical judgements in applying accounting policies

Unquoted private equity investments

It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equities are valued by the investment managers using guidelines set out by the *International Private Equity and Venture Capital Valuation Guidelines 2012*. The value of unquoted private equity investments at 31 March 2016 was £170 million (£182 million at 31 March 2015).

Pension fund liability

The pension fund liability is calculated every three years by the appointed actuary, with updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 18. This estimate is subject to significant variances based on changes to the underlying assumptions.



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 balance sheet date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The items in the Net Assets Statement at 31 March 2016 for which there is a significant risk of adjustment in the forthcoming financial year are as follows:

Item U	Jncertainties	Effect if actual results differ
		from assumptions
Actuarial present	Estimation of the net liability to pay pensions	The effects on the net pension liability of
value of promised	depends on a number of complex judgements	changes in individual assumptions can be
retirement benefits	relating to the discount rate used, the rate	measured. For instance, a 0.5% increase in
а	at which salaries are projected to increase,	the discount rate assumption would result in a
С	changes in retirement ages, mortality rates and	decrease in the pension liability of approximately
e	expected returns on pension fund assets. A firm	£580 million. A 0.25% increase in assumed
С	of consulting actuaries is engaged to provide the	earnings inflation would increase the value of
F	Fund with expert advice about the assumptions	liabilities by approximately £70 million, and a
to	o be applied.	one-year increase in assumed life expectancy
		would increase the liability by approximately
		£120 million.
Debtors A	At 31 March 2016, the Fund had a balance of	If collection rates were to deteriorate, a doubling
С	debtors and prepayments of £52 million. A review	of the amount of the impairment of doubtful
C	of debtor balances suggested that an impairment	debts would require an additional £0.062 million
C	of £0.062 million was appropriate. However, in	to be set aside as an allowance.
tl	he current economic climate, it is not certain that	
S	such an allowance would be sufficient.	
Private equity F	Private equity investments are valued at fair	The total private equity investments in the
V	value in accordance with the International Private	financial statements are £170 million. There is
E	Equity Venture Capital Valuation Guidelines 2012.	a risk that this investment may be under- or
Т	These investments are not publicly listed and as	overstated in the accounts.
S	such there is a degree of estimation involved in	
tl	he valuation.	
Hedge funds	Hedge funds are valued at the sum of the fair	The total hedge fund value in the financial
V	values provided by the administrators of the	statements is £166 million. There is a risk that
fu	unds plus adjustments that the funds' directors	this investment may be under or overstated in the
C	or independent administrators judge necessary.	accounts. The custodian reports a tolerance of
Т	These investments are not publicly listed and as	+/- 5% around the net asset values on which the
S	such there is a degree of estimation involved in	hedge fund valuation is based. This equates to a
tl	he valuation.	tolerance of +/- £8.3 million.

Events after the reporting date

On 24 June 2016 the outcome of the EU referendum was announced, with voters having chosen to leave the European Union. There has been a significant corresponding impact on world stock and currency markets.

The initial net impact on the Pension Fund's investments has been positive as a result of the Fund's significant unhedged exposure to non-Sterling investments (see Note 17a) and the Fund's diversified asset allocation that includes UK index linked gilts, which have increased in value following the referendum outcome.

As the referendum outcome took place after the Pension Fund's accounting date of 31 March 2016 no adjustments to the accounts have been made.

Contributions receivable

By category

Total	237,542	252,343
Total Employers' contributions	179,410	192,808
Augmentation contributions	223	0
Deficit recovery contributions	57,568	60,314
Normal contributions	121,619	132,494
Employers' contributions		
Employees' contributions	58,132	59,535
	£'000	£'000
	2014/15	2015/16

By authority

2,709 1,158	2,716 1,223
2,709	2,716
843	847
6,305	5,623
226,527	241,934
2014/15 £'000	2015/16 £'000
	£'000 226,527 6,305

8. Transfers in from other pension funds				
	2014/15	2015/16		
	£'000	£'000		
Group transfers	304	41		
Individual transfers	6,490	11,502		
Total	6,794	11,543		
9. Benefits payable				
By category				
	2014/15	2015/16		
	£'000	£'000		
Pensions	173,670	182,116		
Commutation and lump sum				
retirement benefits	38,783	43,067		
Lump sum death benefits	4,094	6,228		
Total	216,547	231,411		
By authority				
	2014/15	2015/16		
	£'000	£'000		
Scheduled bodies	207,439	220,954		
Admitted bodies	5,310	5,279		
Community admission bodies	1,311	1,664		
Transferee admission bodies	1,601	2,544		
Resolution bodies	886	970		

216,547

231,411

Total



10. Payments to and on account of leavers

Total	85,264	11,604
Individual transfers	7,473	8,085
Group transfers	77,488	2,371
Payments for members joining State scheme	43	369
Refunds to members leaving s	ervice 260	779
	£'000	£'000
	2014/15	2015/16

The 2014/15 figure for Group Transfers includes \mathfrak{L} 74.652m paid on account of a bulk transfer to the Great Manchester Pension Fund for the transfer of pension scheme members from the Probation Service following the centralisation of the Probation Service pensions to the Greater Manchester Fund.

11. Management expenses

Total	20,461	20,430
Oversight and governance costs	553	775
Investment management expenses	17,566	17,855
Administrative costs	2,342	1,800
2	2014/15 £'000	2015/16 £'000

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

In additional to these costs, indirect costs are incurred through the bid-offer spread on investments sales and purchases. These are reflected in the cost of investment acquisitions and in the proceeds from the sales of investments (see Note 14a).

In accordance with CIPFA's guidance on accounting for Scheme Management Costs the transactional costs of commission, stamp duty and other transaction fees incurred in the sale of equities and bonds (£1.417m in 2015/16) is included in Investment management expenses above. Due to the Pension Fund's custodian's accounting systems broker commissions incurred in 2014/15 (£1.837m) were included in the cost of purchases and proceeds of sales shown in table 14a.

2014/15	2015/16
£'000	£'000
6,722	7,343
56,077	58,365
1,992	2,448
1,051	591
18,547	21,711
639	660
10,384	10,451
298	391
47	24
95,757	101,984
2014/15	2015/16
£'000	£'000
18,547	21,711
-1,956	-2,113
	£'000 6,722 56,077 1,992 1,051 18,547 639 10,384 298 47 95,757 2014/15 £'000 18,547

The direct operating expenses are included in the Fund's investment management expenses shown in Note 11.

16,591

19,598

Net income

	_			
12	Tavae	on i	nco	ma

Total	1,454	695
Withholding tax – equities	1,454	695
	2014/15 £'000	2015/16 £'000
	004444	004540

Net investment assets	4,995,387	4,936,592
Total investment liabilities	-5,706	-7,246
 Spot foreign exchange conf 	tracts -7	-9
 Purchased/written options 	-520	-34
 Forward currency contracts 	-4,616	-6,898
- Futures	-563	-305
Derivative contracts:		
Investment liabilities		
Total investment assets	5,001,093	4,943,838
Cash deposits	49,765	36,451
- Spot foreign exchange contr	acts 1	0
- Purchased/written options	5	37
- Forward currency contracts	2,585	1,541
- Futures	293	393
Derivative contracts:		
Property (see Note 14(e))	354,075	375,280
Alternative investments	350,519	298,727
Pooled property investments	53,568	36,480
Pooled investments	2,030,638	2,039,243
Equities	1,922,482	1,909,250
Fixed interest securities	237,162	246,436
Investment assets		
	£'000	£'000
		31 March 2016
14. Investments	rkot voluo	Market value



14a) Reconciliation of movements in investments and derivatives

Net investment assets	4,995,387			-25,412	4,936,592
 Spot foreign exchange contracts 	-6				-9
 Cash deposits 	49,765			349	36,451
Other investment balances:					
	-2,816	57,896	-47,349	-12,997	-5,266
 Purchased/written options 	– 515	-1,751	– 21	2,290	3
 Forward currency contracts 	-2,031	48,328	-39,331	-12,323	-5,357
- Futures	-270	11,319	-7,997	-2,964	88
Derivative contracts:					
	4,948,444	1,225,840	-1,256,104	-12,764	4,905,416
Property	354,075	13,414	-5,805	13,596	375,280
Alternative investments	350,519	41,427	-112,944	19,725	298,727
Pooled property investments	53,568	80	-22,616	5,448	36,480
Pooled investments	2,030,638	5,716	-6,050	8,939	2,039,243
Equities	1,922,482	537,658	-481,012	-69,878	1,909,250
Fixed interest securities	237,162	627,545	-627,677	9,406	246,436
	£'000	£'000	£'000	£'000	£'000
	1 April 2015	payments	receipts	the year	31 March 2016
	Market value	and derivative	and derivative	value during	Market value
	r	Ourchases during the year	Sales during the year	Change in market	
	-)	Calaa duwin n	Ob a mara in	

	P	urchases during	Sales during	Change in	
		the year	the year	market	
	Market value	and derivative	and derivative	value during	Market value
	1 April 2014	payments	receipts	the year	31 March 2015
	£'000	£'000	£'000	£'000	£'000
Fixed interest securities	212,592	715,425	-722,658	31,803	237,162
Equities	1,853,541	484,760	-605,240	189,421	1,922,482
Pooled investments	1,617,743	671,670	-552,576	293,801	2,030,638
Pooled property investments	46,860	7,679	-3,488	2,517	53,568
Alternative investments	281,507	58,950	-44,793	54,855	350,519
Property	302,845	30,905	-1,849	22,174	354,075
	4,315,088	1,969,389	-1,930,604	594,571	4,948,444
Derivative contracts:					
- Futures	-345	15,117	-6,684	-8,358	-270
 Forward currency contracts 	2,200	27,929	-27,793	-4,367	-2,031
- Purchased/written options	-277	-2,004	-218	1,984	-515
	1,578	41,042	-34,695	-10,741	-2,816
Other investment balances:					
 Cash deposits 	52,345			1,174	49,765
- Spot foreign exchange contracts	-7			0	-6
Net investment assets	4,369,004			585,004	4,995,387

Transaction costs, such as commission, stamp duty and other transaction fees, are included in the cost of purchases and in sale proceeds in 2014/15 (£1.837m). Transaction costs incurred during 2015/16 total £1.417m and are included as an Investment management expense, shown in Note 11, in accordance with CIPFA's guidance.



14b) Analysis of investments (excluding derivative contracts)

Net investment assets	4,995,387	4,936,592
Derivatives	-5,706	-7,246
Investment liabilities		
Total investment assets	5,001,093	4,943,838
Cash deposits	49,765	36,451
	761,046	712,458
Derivatives	2,884	1,971
Property	354,075	375,280
Alternative investments	350,519	298,727
Pooled property investments	53,568	36,480
	2,030,638	2,039,243
Unit trusts	559,320	555,370
Fixed income unit trusts	10,357	14,088
Overseas		
Unit trusts	313,275	299,598
Fixed income unit trusts	1,147,686	1,170,187
UK		
Pooled funds – additional analysis		
	1,922,482	1,909,250
Overseas - Quoted	1,139,736	1,124,062
UK – Quoted	782,746	785,188
Equities	700 740	705 400
	231,102	240,430
Corporate unquoted	582 237,162	561 246,436
Corporate quoted	53,416	70,472
Public sector unquoted	5,563	10,855
Public sector quoted	163,154	151,633
Overseas		
Corporate unquoted	0	0
Corporate quoted	9,820	11,458
Public sector quoted	4,627	1,457
UK		
Fixed interest securities		
	2 000	2 000
	£'000	£'000
	31 March 2015	31 March 2016

14c) Investments analysed by fund manager

Total	5,137,088	100.0	5,213,406	100.0
Other net assets	77,236	1.5	152,720	2.9
Other investments	362,077	7.1	336,322	6.4
	4,697,775		4,724,364	
CBRE Global Investors	376,807	7.4	399,601	7.7
Western	253,430	4.9	255,926	4.9
State Street	1,419,594	27.6	1,416,997	27.2
Legal & General	569,825	11.1	581,153	11.2
Newton	658,837	12.8	710,483	13.6
Schroders	695,297	13.5	664,553	12.8
Aberdeen	723,985	14.1	695,651	13.3
	£'000	%	£'000	%
	31 March 2015		31 March 2016	
	Market value		Market value	

All the companies named above are registered in the United Kingdom.

Concentration of investments

During the year, no individual investment exceeded 5% of the total value of the Fund's net assets.

The following investments were more than 5% of an individual asset class:

	Market value			Market value	
	31 Ma	arch 2015	% of	31 March 2016	% of
Asset class	Security	£'000	asset class	£'000	asset class
Fixed interest securities	USA Bill 07/05/2015	23,577	8.3	0	0
Fixed interest securities	USA Bill 30/07/2015	21,150	7.5	0	0
Fixed interest securities	USA notes fixed 0.25%	18,104	6.4	0	0
Fixed interest securities	USA Bill 28/04/2016	0	0	32,348	11.1
Alternative Investments	Private Equity y*	11,822	3.6	17,277	6.2
Property	Property x*	24,575	6.0	23,645	5.7

^{*}The individual valuations of property or private equity assets are not disclosed to protect the commercial sensitivity of this information.



14d) Stock lending

The Fund's Statement of Investment Principles sets the parameters for the Fund's stock lending programme. At the year-end, the value of quoted stock on loan was \$289.9m (\$152.2m 2014/15). These stocks continue to be recognised in the Fund's financial statements.

Counterparty risk is managed through holding collateral at the Fund's custodian bank, JP Morgan. As at 31 March 2016, the custodian bank held collateral at fair value of $\mathfrak{L}97m$ (£170m 2015/16). Collateral consists of acceptable securities and government debt.

Stock lending commissions are remitted to the Fund via the Custodian. During the period the stock is on loan the voting rights of the loaned stock pass to the borrower.

There are no liabilities associated with the loaned assets.

14e) Property holdings

The Fund's investment property portfolio comprises investments in pooled property funds and a number of directly owned properties which are leased commercially to various tenants.

Details of these directly owned properties are as follows.

	Year ending	Year ending
	31 March 2015	31 March 2016
	£'000	£'000
Opening balance	302,845	354,075
Additions	30,905	12,502
Disposals	-1,849	-4,893
Net change in market value	22,174	13,596
Closing balance	354,075	375,280

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, construct or develop 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. These costs are shown in Note 12a under direct operating expenses.

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

	Year ending 31 March 2015 £'000	Year ending 31 March 2016 £'000
Within one year	20,782	21,094
Between one and five years	69,502	67,198
Later than five years	70,473	61,350
Total	160,757	149,642

15) Analysis of derivatives

Objectives and policies for holding derivatives

The Fund's investments in derivatives are to hedge liabilities or hedge exposures to reduce risk in the Fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreements agreed between the Fund and the various investment managers.

All the derivative future and option contracts are exchange traded, in other words, none are 'over the counter' (OTC). The forward foreign currency contracts are all OTC contracts whereby two parties agree to exchange two currencies on a specified future date at an agreed rate of exchange.

i) Futures

The economic exposure represents the notional value of stock purchased under futures contracts and is therefore subject to market movements.

ii) Forward foreign currency

In order to maintain appropriate diversification and to take advantage of overseas investment returns, a significant proportion of the Fund's portfolio is in foreign currency. To reduce the volatility associated with fluctuating currency rates, derivative contracts are used in some instances.

IIi) Options

The Fund wants to benefit from the returns available from investing in fixed interest securities but wishes to minimise the risk of loss of value through adverse price movements.



Futures

Outstanding exchange traded futures contracts are as follows:

		Economic	Market value	Economic	Market value
		exposure	31 March 2015	exposure	31 March 2016
Туре	Expires	£'000	£'000	£'000	£'000
Assets					
UK Fixed Income Futures	Less than one year	1,552	18	0	0
Overseas fixed income futures	Less than one year	59,401	275	55,252	393
Total assets			293		393
Liabilities					
UK Fixed Income Futures	Less than one year	0	0	1,580	-4
Overseas fixed income futures	Less than one year	-53,347	-563	-87,498	-301
Total liabilities			-563		-305
Net futures			-270		88



Open forward currency contracts

At 31 March 2016, the Fund had open forward currency contracts in place with a net unrealised loss of £5.357 million.

,	Currency	Local value	Currency	Local value	Asset value	Liability value
Settlement	bought	'000	sold*	'000	£'000	£'000
Up to one month	GBP	240	JPY	-38,976		-1
Up to one month	USD	10,755	KRW	-13,072,549	4	-492
Up to one month	USD	9,092	BRL	-35,747	16	-702
Up to one month	BRL	35,747	USD	-9,712	262	– 7
Up to one month	KRW	13,072,549	USD	-11,261	172	-35
One to six months	GBP	9,132	AUD	-18,718		-867
One to six months	GBP	4,230	CAD	-8,484		-333
One to six months	GBP	5,213	CNY	-51,025		-273
One to six months	GBP	64,497	EUR	-83,057		-1,424
One to six months	GBP	21,658	JPY	-3,607,397	8	-704
One to six months	GBP	4,490	MXN	-122,964		-483
One to six months	GBP	10,151	PLN	-57,537		-597
One to six months	GBP	141,873	USD	-204,559	53	-485
One to six months	AUD	3,797	GBP	-1,847	181	
One to six months	AUD	7,730	USD	-5,690	171	
One to six months	EUR	9,100	GBP	-7,158	64	
One to six months	USD	30,240	GBP	-21,333	56	-303
One to six months	USD	3,560	JPY	-404,594	13	-44
One to six months	USD	7,680	KRW	-8,760,029	0	-2
One to six months	USD	7,535	BRL	-27,542		-17
One to six months	CAD	3,020	USD	-2,242	64	
One to six months	PLN	13,344	EUR	-3,086	97	-54
One to six months	NOK	108,716	USD	-12,711	375	– 75
One to six months	BRL	8,205	USD	-2,244	5	
Open forward current	cy contracts at	31 March 2016			1,541	-6,898
Net forward currency	contracts at 31	March 2016				-5,357
Prior year comparativ	re:					
Open forward current		31 March 2015			2,585	-4,616
Net forward currency	contracts at 31	March 2015				-2,031

* List of currencies

AUD = Australian Dollar BRL = Brazilian Real CAD = Canadian Dollar
CNY = Chinese Yuan EUR = Euro GBP = British Pound
JPY = Japanese Yen KRW = South Korean Won MXN = Mexican Peso
NOK = Norwegian Krone PLN = Polish Zloty USD = United States Dollar

Purchased/written options

Assets Overseas fixed interest purchased One to three months Put 6 5 0 0 0 0 0 0 0 0 0 0 0 0	Net purchased/writt	ten options			-515		3
option contract holding \$11 March 2015 £'000 holding \$21 March 2015 £'000 \$2000 £'000 £'000 £'000 £'000 £'000 £'000 £'000 £'000 £'000 Assets Call 6 5 5 Overseas cash purchased One to three months Put 68 0 91 Total assets 5 Liabilities Overseas fixed interest written One to three months Put -36 -21 0 Overseas fixed interest written One to three months Put -36 -21 0 Overseas fixed interest written One to three months Call -90 -100 -24 -24 -24 Overseas fixed interest written One to three months Call -90 -100 -24 -24 -24 -24	Total liabilities				-520		-34
Assets Overseas fixed interest purchased One to three months Put 6 5 0 0 Overseas cash purchased One to three months Put 68 0 0 0 Overseas cash purchased One to three months Put 68 0 0 0 Total assets Total assets Liabilities Overseas fixed interest written One to three months Put -36 -21 0 Overseas fixed interest written One to three months Put -36 -21 0 Overseas fixed		One to three months	Call	-102	-399	0	0
Assets Overseas fixed interest purchased One to three months Put 6 5 0 Overseas cash purchased One to three months Put 68 0 0 0 Overseas cash purchased One to three months Put 68 0 9 0 Overseas cash purchased One to three months Put 68 0 9 0 Overseas cash purchased One to three months Put 68 0 9 0 Overseas cash purchased One to three months Put 68 0 9 0 Overseas cash purchased One to three months Call 0 0 9 91 Total assets 5 Liabilities Overseas fixed		One to three months	Call	-90	-100	-24	-34
holding 31 March 2015 £'000 £'000 £'000 £'000 Assets Overseas fixed interest purchased One to three months Put 6 5 0 Overseas cash purchased Less than one month Call 0 0 50 Overseas cash purchased One to three months Put 68 0 0 Overseas cash purchased One to three months Put 68 0 9 Overseas cash purchased One to three months Call 0 0 91 Total assets		One to three months	Put	-36	-21	0	0
option contract holding \$\frac{1}{\mathbb{L}^2000}\$ \frac{\mathbb{L}^2000}{\mathbb{L}^2000}\$ \frac{\mathbb{L}^2000}{\m					5		37
holding 31 March 2015 holding 31 March 2016 £'000 £'00		One to three months	Call	0	0	91	37
option contract holding 31 March 2015 £'000 £'000 £'000 £'000 £'000 £'0 Assets Overseas fixed interest purchased One to three months Put 6 5 0 Overseas cash		One to three months	Put	68	0	0	0
option contract holding 31 March 2015 holding 31 March 205 \$\cdot\cdot\cdot\cdot\cdot\cdot\cdot\cdot		Less than one month	Call	0	0	50	0
option contract holding 31 March 2015 holding 31 March 20 £'000 £'000 £'000 £'000		One to three months	Put	6	5	0	0
option contract holding 31 March 2015 holding 31 March 20	Assets						
Investment underheiner Dubleell Netional Market value Netional Market			Put/call	_		_	Market value 31 March 2016 £'000



16. Financial instruments

16a) Classification of financial instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities (excluding cash) by category and Net Assets Statement heading. No financial assets were reclassified during the accounting period.

	31 March 2015				31 March 2016	
Fair value		Financial		Fair value		Financial
through profit	Loans and	liabilities at	thro	ough profit	Loans and	liabilities at
and loss	receivables	amortised cost		and loss	receivables	amortised cost
£'000	£'000	£'000		£'000	£'000	£'000
			Financial assets			
			Fixed interest			
237,162			securities	246,436		
1,922,482			Equities	1,909,250		
2,030,638			Pooled investments	2,039,243		
			Pooled property			
53,568			investments	36,480		
			Private equity/			
350,519			infrastructure	298,727		
354,075			Property	375,280		
2,884			Derivative contracts	1,971		
	151,635		Cash		279,135	
	11,981		Debtors		14,819	
4,951,328	163,616	0		4,907,387	293,954	0
			Financial Liabilities			
-5,706			Derivative contracts	-7,246		
,		-3,616	Creditors	, -		-4,912
						·
-5,706	0	-3,616		-7,246	0	-4,912
4,945,622	163,616	-3,616		4,900,141	293,954	-4,912



16b) Net gains and losses on financial instruments

31 March 2015		31 March 2016
£'000		£'000
	Financial assets	
595,745	Fair value through profit and loss	-12,415
	Financial liabilities	
-10,741	Fair value through profit and loss	-12,997
585,004	Total	-25,412

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

16c) Valuation of financial instruments carried at fair value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

Financial instruments 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.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments 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 and where these techniques use inputs that are based significantly on observable market data, such as for property investments.

Level 3

Financial instruments 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.

Such instruments would include unquoted equity investments and hedge funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which Hampshire Pension Fund has invested.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

The values of investments in hedge funds are based on the net asset value provided by the fund manager. Assurances over the valuation are gained from the independent audit of the value.

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



Net financial assets	4,344,137	410,966	350,519	5,105,622
Total financial liabilities	-3,616	-5,706	0	-9,322
Financial liabilities at amortised cost	-3,616	0	0	-3,616
Financial liabilities at fair value through profit and loss	0	-5,706	0	-5,706
Financial liabilities				
Total financial assets	4,347,753	416,672	350,519	5,114,944
Loans and receivables	163,616	0	0	163,616
Financial assets at fair value through profit and loss	4,184,137	416,672	350,519	4,951,328
Financial assets				
Values at 31 March 2015	£'000	£'000	£'000	£'000
	Level 1	Level 2	Level 3	Total
	price	inputs	inputs	
	Quoted market	Using observable	With significant unobservable	
Net financial assets	4,491,510	417,901	279,772	5,189,183
Total financial liabilities	-4,912	-7,246	0	-12,158
Financial liabilities at amortised cost	-4,912			-4,912
Financial liabilities at fair value through profit and loss		-7,246		-7,246
Financial liabilities				
Total financial assets	4,496,422	425,147	279,772	5,201,341
Loans and receivables	293,954			293,954
Financial assets at fair value through profit and loss	4,202,468	425,147	279,772	4,907,387
Financial assets				
Values at 31 March 2016	£'000	£'000	£'000	£'000
	price Level 1	inputs Level 2	inputs Level 3	Total
	Quoted market	observable	unobservable	
		_	With significant	



17. 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.

17a) 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.

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, in consultation with WM Company plc, the Pension Fund has determined that the following movements in market price risk are reasonably possible for the 2015/16 reporting period:

Asset type	Potential market
	movements (+/-)
UK equities	10.58%
Overseas equities	9.70%
UK index-linked gilts	8.36%
UK fixed interest bonds	6.32%
Overseas index-linked gilts	5.72%
Overseas fixed interest bonds	3.01%
Property	2.39%
Alternative investments	3.65%
Cash	0.01%

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.

Had the market price of the Fund investments increased/ decreased in line with the above, 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):

	Value at	Potential market	Value	Value
	31 March 2016	movement	on increase	on decrease
Asset type	£'000	£'000	£'000	£'000
UK Equities	1,084,786	114,770	1,199,556	970,016
Global Equities	1,679,432	162,905	1,842,337	1,516,527
UK index-linked gilts	1,170,187	97,828	1,268,015	1,072,359
UK fixed interest bonds	12,915	816	13,731	12,099
Overseas index-linked gilts	14,964	856	15,820	14,108
Overseas fixed interest bonds	227,369	6,844	234,213	220,525
Property	411,760	9,841	421,601	401,919
Alternatives	298,727	10,904	309,631	287,823
Cash	36,452	4	36,456	36,448
Total assets	4,936,592	404,768	5,341,360	4,531,824
	Value at	Potential market	Value	Value
	31 March 2015	movement	on increase	on decrease
Asset type	£'000	£'000	£'000	£'000
UK Equities	1,096,021	115,959	1,211,980	980,062
Global Equities	1,699,056	164,808	1,863,864	1,534,248
UK index-linked gilts	1,147,686	95,947	1,243,633	1,051,739
UK fixed interest bonds	14,447	913	15,360	13,534
Overseas index-linked gilts	7,516	430	7,946	7,086
Overseas fixed interest bonds	222,734	6,704	229,438	216,030
Property	407,643	9,743	417,386	397,900
Alternatives	350,519	12,794	363,313	337,725
Cash	49,765	5	49,770	49,760
Total assets	4,995,387	407,303	5,402,690	4,588,084



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 2016 and 31 March 2015 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 Pension Fund's fixed interest investment manager has applied their market experience to the Fund's portfolio of investments to calculate the effect of a 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.

Assets exposed to interest rate risk Cash & cash equivalents	Value as at 31 March 2016 £'000 242,684	Potential movement on 1% change in interest rates £'000	Value on increase £'000	Value on decrease £'000
Cash deposits Fixed interest securities	36,451 246,436	0 19,206	36,451 227,230	36,451 265,642
Total	525,571	19,206	506,365	544,777
Assets exposed to interest rate risk	Value as at 31 March 2015 £'000	Potential movement on 1% change in interest rates £'000	Value on increase £'000	Value on decrease £'000
Cash & cash equivalents	101,870	0	101,870	101,870
Cash deposits	49,765	0	49,765	49,765
Fixed interest securities	237,162	17,700	219,462	254,862
Total	388,797	17,700	371,097	406,497

Income exposed to	Amount	receivable	Potential movement on 1%	Value on	Value on
interest rate risk	as at 31 N	/larch 2016	change in interest rates	increase	decrease
		£'000	£'000	£'000	£'000
Cash deposits / cash & cash	equivalents	660	2,158	2,818	-1,498
Fixed interest securities		7,343	0	7,343	7,343
Total		8,003	2,158	10,161	5,845
Income exposed to	Amount	receivable	Potential movement on 1%	Value on	Value on
Income exposed to interest rate risk		receivable //arch 2015	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
·					
·	as at 31 N	/larch 2015	change in interest rates	increase	decrease
interest rate risk	as at 31 N	farch 2015 £'000	change in interest rates £'000	increase £'000	decrease £'000

This analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed assets but will reduce their fair value, and vice versa. 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.

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

In consultation with WM Company plc, the Pension Fund considers the likely volatility associated with foreign exchange rate movements to be 6.47%.

This analysis assumes that all other variables, in particular interest rates, remain constant.

A 6.47% 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:



Currency exposure – Overseas asset type	Asset value as at 31 March 2016	Potential market movement	Value on increase	Value on decrease
	£'000	£'000	£'000	£'000
Quoted securities	1,124,062	72,727	1,196,789	1,051,335
Unit trusts	569,457	36,844	606,301	532,613
Alternative investments	298,727	19,328	318,055	279,399
Poled property investments	8,998	582	9,580	8,416
Public sector bonds	157,212	10,172	167,384	147,040
Corporate bonds	71,033	4,596	75,629	66,437
Tabel	0.000.400	144.040	0.070.700	0.005.040
Total	2,229,489	144,249	2,373,738	2,085,240
Currency exposure –	Asset value as at	Potential market	Value on	Value on
Overseas asset type	31 March 2015	movement	increase	decrease
	£'000	£'000	£'000	£'000
Quoted securities	1,139,736	73,741	1,213,477	1,065,995
Unit trusts	569,677	36,858	606,535	532,819
Alternative investments	350,519	22,679	373,198	327,840
Pooled property investments	27,765	1,796	29,561	25,969
Public sector bonds	165,896	10,733	176,629	155,163
Corporate bonds	53,998	3,494	57,492	50,504
Total	2,307,591	149,301	2,456,892	2,158,290



17b) 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 over-the-counter 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 5 years. The Fund's cash holding under its treasury management arrangements at 31 March 2016 was $\mathfrak{L}131.05$ million (31 March 2015: $\mathfrak{L}50.57$ million). This was held with the following institutions:

	Rating	Balances	Balances
	as at	asat	as at
31 Marc	h 2016	31 March 2015	31 March 2016
		£'000	£'000
Money market fu	nds		
Aberdeen	AAA	4,000	12,420
Blackrock	AAA	0	11,630
Deutsche	AAA	4,000	10,110
Federated Investors UK	AAA	3,870	11,140
Goldman Sachs	AAA	4,000	0
Insight	AAA	4,000	10,930
Standard Life (formerly Ignis)	AAA	4,390	8,810
Bank deposit			
Barclays	A-	4,880	10,560
Close Brothers	А	5,000	4,000
Credit Suisse	А	0	5,000
HSBC	AA-	3,810	0
Lloyds	А	3,810	6,400
Nationwide Building Society	А	0	5,000
Nordea Bank AB	AA-	0	5,000
Overseas Chinese Banking Corp	AA-	. 0	5,000
Santander UK	А	3,810	9,910
Svenska Handelsbanken	AA-	5,000	12,140
Treasury bills			
UK Government	AA+	0	3,000
Total		50,570	131,050



17c) 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 Pension Fund has immediate access to its cash holdings, with the exception of Close Brothers, where notice needs to be given to withdraw funds.

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 in to cash. As at 31 March 2016 the values of illiquid assets was £686m, which represented 13.2% of the total fund assets (2014/15 £735m, which represented 14.3% 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 2016 are due within one year.

Refinancing risk

The key risk is that the Pension Fund could 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 strategies.

18. 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 2013. The next valuation will take place at 31 March 2016.

The key elements of the funding policy are:

- to ensure the long-term solvency of the Fund, i.e. 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 22 years from 1 April 2014 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.

At the 2013 actuarial valuation, the Fund was assessed as 80% funded (72% at the March 2010 valuation). This corresponded to a deficit of £1,087 million (2010 valuation: £1,256 million) at that time.

Contribution schedules have been agreed for the two groups of employers. Generally, employers in the Scheduled Body Group are required to pay 13.1% of Pensionable Pay. In addition, most Scheduled Body employers will continue to pay shortfall contributions based on the amounts being paid over in 2013/14, but increasing at 8.8% p.a. with effect from 1 April 2014 for 6 years and increasing by 3.9% p.a. thereafter. Employers in the Admission Body Group are required to pay 15.6% of Pensionable Pay. In addition, most Admission Body employers will continue to pay shortfall contributions based on the amounts being paid over in 2013/14, but increasing at 20.0% p.a. with effect from 1 April 2014 for 4 years and increasing by 3.9% p.a. thereafter.

Contribution schedules have also been agreed for the remaining employers who are not grouped. The contributions for those employers reflect the profiles of their membership, the approach taken to value the liabilities on exit and take into account the recovery of any surplus or deficiency relating to their participation over an appropriate period.

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



Financial assumptions

The main actuarial assumptions used for the March 2013 actuarial valuation were as follows:

Financial assumptions - discount rate for periods

In service

Scheduled and subsumption bodies	5.50% a year
Orphan bodies	5.20% a year
After leaving service	
Scheduled and subsumption bodies	5.50% a year
Orphan bodies	3.90% a year
Rate of price inflation (RPI)	3.30% a year
Rate of price inflation (CPI)	2.40% a year
Rate of general pay increases	3.90% a year
Rate of revaluation of pension accounts	2.40% a year
Rate of increase to pensions in payment	2.40% a year
Rate of deferred pension increases	2.40% a year
Valuation of assets	market value

Demographic assumptions:

A 65 year old male pensioner in normal health is now assumed on average to live to 89.3 (rather than 88.7 at the previous valuation). And a 65 year old female pensioner in normal health is assumed on average to live to 91.0 (rather than 89.7).

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:

An allowance consistent with that used by the Government Actuary's Department on the costing of the 2014 LGPS based on an assumption of 10% of members earning less that $\mathfrak{L}21,000$ electing to join the 50:50 scheme.

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 fund 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 18). 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 2013 was £6,565 million (31 March 2010: £5,827 million). The Fund Accounts do not take account of liabilities to pay pensions and other benefits in the future.

As noted above the liabilities above are calculated on an IAS 19 basis and therefore differ from the results of the 2013 triennial funding valuation (see Note 18) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

Assumptions used:

The principal financial assumptions used by the Fund's actuary for the March 2013 IAS 19 calculation were:

Discount rate	4.4%
RPI inflation	3.4%
CPI inflation/pension increase rate assumption	2.4%
Salary increase rate	3.9%



20. Current assets

31 Ma	£'000	31 March 2016 £'000
Debtors:	2 000	2000
- Contributions due - employees	2,608	4,867
- Contributions due - employers	23,143	14,699
- Transfer values receivable (joiner	rs) 4,113	4,153
– Tax	3,158	5,458
- Sundry debtors	11,981	14,819
	45,003	43,996
Cash balances	101,870	242,684
Total	146,873	286,680

Analysis of debtors

3.996
21,677
0
3
8,708
3,608
2016 £'000

21. Current liabilities

31 Ma	rch 2015	31 March 2016
	£'000	£'000
Sundry creditors	3,616	4,912
Transfer values payable (leavers)	10,069	11,530
Benefits payable	300	641
Tax	315	390
Total	14,300	17,473

Analysis of creditors

Total	14,300	17,473
Other entities and individua	ls 3,861	5,119
NHS bodies	1	0
Other local authorities	10,122	10,661
Central government bodies	316	1,693
	31 March 2015 £'000	31 March 2016 £'000

22. Long term debtors

With effect from 1 April 2005, the Magistrates Courts Service (a body participating in the Hampshire Pension Fund) became part of the Civil Service. Terms have been agreed for the transfer of liabilities from all Local Government Pension Schemes (LGPS) to the Principal Civil Service Pension Scheme (PCSPS). Each affected LGPS fund's actuary has determined the value of the pensioner and deferred liabilities remaining with the LGPS and calculated the requirement for sufficient retained assets to match these liabilities.

The actuary determined that as insufficient assets remain to cover the remaining liabilities, a balancing payment of £15.213 million was required to the Fund by the Civil Service (Her Majesty's Courts Service) to be spread over ten instalments commencing April 2012. The total amount of the remaining debt is £9,128 million, of this the following year's instalment (£1.521 million) is classified as a debt repayable in one year, and the remaining balance £7,607 million is a long term debtor.

Total	9,128	7,607
central government body	9,128	7,607
liability settlement due from		
Magistrates Courts – agreed		
	£'000	£'000
31	March 2015	31 March 2016



23. Additional voluntary contributions

Total	14,539	15,529
Equitable Life	1,337	1,217
Zurich	8,575	7,844
Prudential	4,627	6,468
	£'000	£'000
	31 March 2015	31 March 2016
	Market value	Market value

During the year, AVC contributions of £2.599 million were paid directly to Prudential (2014/15: £2.325 million), £1.074million to Zurich (2014/15: £1.122 million), and £0.007 million to Equitable Life (2014/15: £0.013 million).

24. 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.

During the reporting period, the County Council incurred costs of $\mathfrak{L}2.219$ million (2014/15: $\mathfrak{L}2.743$ million) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The County Council is also the single largest employer of members of the Pension Fund and contributed $\mathfrak{L}95.422$ million to the Fund in 2015/16 (2014/15 $\mathfrak{L}90.005$ million).

Key management personnel - The role of Treasurer to the Pension Fund is provided by the Director of Corporate Resources of Hampshire County Council. Paragraph 3.9.4.3 of the Code exempts local authorities from the key management personnel disclosure requirements of IAS24, on the basis that the disclosure requirements for officer remuneration and members allowances detailed in section 3.4 of the Code (which are derived from the requirements of Regulations 7(2)-(4) of The Accounts and Audit (England) Regulations 2011) satisfy the key management personnel disclosure requirements of paragraph 16 of IAS24. This applies in equal measure to the accounts of the Hampshire Pension Fund.

The disclosure required by Regulation 7(2)-(4) of the Accounts and Audit (England) Regulations can be found in the main accounts of Hampshire County Council.

25. Contingent liabilities and contractual commitments

Outstanding capital commitments (investments) at 31 March 2016 totalled £55.914 million (31 March 2015: £60.177 million). These commitments relate to outstanding call payments due on unquoted private equity limited partnership funds held in the alternative investments part of the Fund. The amounts 'called' by private equity funds are irregular in both size and timing over a period of between four and six years from the date of each original commitment.

26. Contingent assets

The Fund had no contingent assets on 31 March 2016.

27. Impairment losses

During 2015/16, the Fund has recognised an impairment loss for bad and doubtful debt of £0.062 million (2014/15: £0.015 million) for possible non-recovery of pensioner death overpayments, and there were no potential non-payment of cessation values where the employer is not backed up by a guarantee on 31 March 2016.



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 make one of its officers responsible for the administration of those affairs. The Director of Corporate Resources of the County Council fulfils that responsibility
- manage its affairs so as to use resources economically, efficiently and effectively, and safeguard its assets
- approve the Hampshire Pension Fund's statement of accounts.

Director of Corporate Resources' responsibilities

The Director of Corporate Resources 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 the UK 2015/16 ('the Code of Practice').

In preparing this statement of accounts, the Director of Corporate Resources 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 Director of Corporate Resources has also:

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

Director of Corporate Resources' statement

I certify that the statement of accounts as set out on pages 31 to 64 presents a true and fair view of the financial position of the Hampshire Pension Fund as at 31 March 2016 and its income and expenditure for the year ended 31 March 2016.

Carolyn Williamson CPFA

Director of Corporate Resources

Independent Auditors' Report to the Members of Hampshire County Council

Opinion on the pension fund financial statements

We have audited the pension fund financial statements for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of Hampshire County Council in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the authority and the authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Corporate Resources and auditor

As explained more fully in the Statement of Responsibilities set out on pages 151 to 152, the Director of Corporate Resources is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Corporate Resources; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2015/16 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2016 and the amount and disposition of the fund's assets and liabilities as at 31 March 2016; and
- have been properly prepared in accordance with the CIPFA/ LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Opinion on other matters

In our opinion, the information given in the [to be updated with the actual name of the annual report when received] for the financial year for which the financial statements are prepared is consistent with the financial statements.

Richard Page for and on behalf of Ernst & Young LLP, Appointed Auditor Bristol 29 September 2016



Glossary

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.

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 Equitable Life).

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.

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.

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.



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.

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.

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.

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

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

Myners

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

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 (ie, not easily turned into cash) and higher-risk investments that should provide high returns over the long term.

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.

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.

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.

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.

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.

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.