



**HAMPSHIRE**  
PENSION FUND

Annual report  
and accounts

**2024/25**



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We hope you find this annual report informative and useful. There is a glossary of terms at **page 143**.

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

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

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

Section 1

# Introduction



# Foreword

Welcome to the Hampshire Pension Fund Annual Report for 2024/25 and to my final 'Chairman's Foreword' as Chairman of the Hampshire Pension Fund Panel and Board.



Councillor  
Mark Kemp-Gee

The Pension Fund's investments made a positive return in 2024/25, with the peak in valuation seen in February 2025. Since this date, growing uncertainty around the effects of US tariff policy on global economic growth has

led to market volatility in global bond and equity markets. This market uncertainty has combined with continuing global geo-political risks and tensions including conflicts in Ukraine and the Middle East.

Despite this volatility, over the year to 31 March 2025 the value of the Pension Fund grew to £10.216 billion, an increase of £253 million (2.5%) from March 2024. I

welcome this level of performance, a new and significant high point. I also endorse the Fund's diversified investment strategy which has helped to protect the overall valuation of the Pension Fund.

The Pension Fund continues to make good progress in its approach to Responsible Investment (RI) with additional focus achieved through the recruitment to a new post in the in-house team responsible for the Fund's investments with specific emphasis on RI. Highlights of this year include the reduction of fossil fuel investments, which comes as a direct result of the implementation of the Pension Fund Panel and Board's decision to disinvest from fossil fuels, a recently approved new allocation to affordable and social housing investments, and several new positive impact climate investments made to help achieve the Fund's climate strategy related aims. As an example, the Panel and Board committed 2.5% of the Fund to Timberland investment funds. Timberland provides not only an opportunity for a diversifying investment, but also through afforestation, improved forest management and natural forest restoration.

This year we have again submitted our statement of compliance with the UK Stewardship Code as well as voluntarily completing the Taskforce for Climate Related Financial Disclosure (TCFD) reporting. The Pension Fund is also a signatory to the UN Principles for Responsible Investment (PRI), the Institutional Investors Group on Climate Change (IIGCC), Pensions for Purpose, Just Transition and the Transition Pathway. These organisations give us an insight into ideas that other investors have around RI reporting and targets. This has been supported by the additional capacity afforded to us by our RI Sub-Committee and details of our RI activity can be found from **page 102** of this report. I hope you find this of interest and as in previous years we would welcome your thoughts and views.

The Pension Fund's over 212,000 scheme members continue to be served exceptionally well by Hampshire Pension Services (HPS), who work incredibly hard to deliver the excellent level of service our scheme members deserve. I am very proud of their achievements, consistently hitting



## Foreword continued

targets for key performance indicators and once again receiving reaccreditation for Customer Service Excellence (CSE). In January 2025 a first-year annual review against the CSE Standard was conducted. The aim was to establish whether the areas of strength awarded Compliance Plus in 2024 continue to be embedded in the way HPS operate. In addition, it provided the assessor the opportunity to recognise the improvements made over the course of the year. Following the review HPS not only retained the six “compliance plus” ratings awarded in 2024 but also achieved two further “compliance plus” ratings in the Customer Insight category. It is also pleasing to note that HPS is on track for implementing the Pensions Dashboard Programme that is being brought in by the Government.

During the year the Pension Fund conducted an important review of its global equities and multi asset credit investment portfolios; the aim of this independent review was to ensure that the Pension Fund’s portfolios were the best of what the ACCESS LGPS Pool (a Collaboration of Central, Eastern and

Southern Shires) has to offer. The result of this review was pleasing in that it in the most part confirmed that Hampshire’s investment portfolios are managed well, with appropriate diversification and the outcome offered very little change to the Fund’s investment portfolios, with one portfolio from each of global equities and multi asset credit changing to an alternative in the Pool.

Following the implementation of the investment portfolios review, as well as the transfer of Hampshire’s Asset Backed Securities portfolio to the pooling platform in 2024/25, all listed investments are now in the Pool, which meets the Government’s requirement that all listed investments be pooled by 31 March 2025. Progress has been made on non-listed assets, with the appointment of Hampshire’s direct property manager as property manager for the Pool as well as Hampshire’s new investments in Timberland investments. The progress made in 2024/25 has resulted in 74% of all of Hampshire’s investments being pooled. An update on investment pooling is provided from **page 108**.

Hampshire contributed a full and detailed response to the Government’s Fit for the Future Consultation on the Local Government Pension Scheme, alongside our partners in ACCESS. The focus of this review was to look at how tackling fragmentation and inefficiency could unlock the investment potential of the scheme, including through further consolidation. In its review response, ACCESS proposed to continue operating with its existing partners, building its own regulated investment management company as required by Central Government. The Hampshire Pension Fund endorses the position adopted by the ACCESS Pool, which has expressed its “extreme disappointment” with the news that its’ plans have been rejected by Government. ACCESS is currently exploring all avenues available to establish the way forward, and Hampshire continues to play a key part in these discussions.

Training is of high importance to the Pension Fund Panel and Board, and so Panel and Board members continue to add to their knowledge and skills by taking part in training sessions throughout the year.



## Foreword continued

As in previous years we have continued to receive in-house training sessions, all Panel and Board members have access to an online training programme and can attend external training sessions and conferences in person; more details of this can be found on **pages 34-38**. Our investment managers also report to the committee on a regular basis to keep us informed on the progress of their portfolios, to tell us about any new developments and their thinking in the selection of investments that they make. They also update us on the move towards reducing our carbon footprint and any other RI matters. I can assure our scheme members that the Panel and Board members take full advantage of these opportunities to ask extensive questions and to put forward any thoughts that we have, so as to hold our investment managers to account.

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

in RI for the Fund. In all areas, officers endeavour to push the Fund to excel and improve, and for that I thank them.

Finally, I would like to thank the members of the Pension Fund Panel and Board for their valuable input and dedication during 2024/25 and the role they play in the robust governance of the Fund. Full details of the membership of the Panel and Board during the year covered by our annual report can be found on **pages 24-28**.

I first began my Chairmanship of Hampshire's Pension Fund Panel in 2009, and in the years since then I am proud to see many achievements including the value of the Pension Fund grow more than four times from £2.396 billion at 31 March 2009 to £10.216 billion at 31 March 2025, whilst scheme membership has grown from 109,396 to 212,203 over the same period. The Panel itself converted to the Hampshire Pension Fund Panel and Board to meet with LGPS regulation (one of only two LGPS funds to benefit from this efficient and rewarding model of governance), and a decade of investment pooling. I have worked with many

wonderfully hardworking colleagues over the years, and I have valued their efforts immensely.

I am pleased to hand over the Chairmanship to my esteemed colleague, Tom Thacker, who has worked as my Vice-Chairman for many years. I will continue as Vice-Chairman to the Hampshire Pension Fund Panel and Board and representative of the Hampshire Pension Fund to the ACCESS Joint Committee.

I hope you find the following report helpful.

**Councillor Mark Kemp-Gee**  
Chairman, Pension Fund Panel and Board  
May 2025



# Summary report

**The Hampshire Pension Fund is part of the Local Government Pension Scheme (LGPS) and has 212,203 members at 31 March 2025. It makes investments so that it can pay pensions to these members when they reach retirement age. Some members will already be retired and receiving their pensions, whereas others will just be starting out in their careers.**

## Governance

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

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

These membership arrangements have been designed to allow all key stakeholders to have the opportunity to be represented on the committee. During 2024/25 there were some changes to the membership of the Panel and Board. Amelia Nirmal joined the Pension Fund Panel and Board as an employer representative following the departure of Fiona Hnatow in 2023/24. In addition, at the end of the financial year Councillor Dominic Hiscock stepped down from his role, as did Councillor Paul Taylor as the HIOWLGA representative. Both vacancies will be filled in 2025/26.

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

The Panel and Board's mission is to provide an efficient and effective pension scheme for all of the employees and pensioners

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

During 2024/25 the Panel and Board oversaw its normal schedule of business. This included agenda items related to the governance of the Fund, updates on administration and investment performance, and presentations from the Fund's investment managers in separate briefings. There continues to be a focus on the Fund's approach to responsible investment (RI) during the year, which was further developed through the RI Sub-Committee.



# Summary report continued

## Investment pooling

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

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

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

Over recent years the Pension Fund has worked with its ACCESS colleagues to transfer its investment assets to the pool, and as of 31 March 2025 has pooled £7.5bn (74%) of its investments. This is an increase in comparison to the position reported on 31 March 2024, due to both strategic

change decisions and the successful transition of Hampshire's current portfolios to the ACCESS pool.

Following a review of the Pension Fund's multi-asset credit portfolios the Pension Fund Panel and Board replaced a non-pooled portfolio with a portfolio offered by the ACCESS pool. The Pension Fund also made its first Timberland investments which were in ACCESS-appointed Timber investment funds.

Two of the Pension Fund's current portfolios were transitioned to the ACCESS pool; one being the asset-backed securities portfolio as part of the overall transition plan. The successful appointment of Hampshire's property manager as ACCESS's property manager allowed the Pension Fund's property portfolio to be pooled.

During 2024/25 the Pension Fund's investment management has cost the Fund £98.8m, which as a proportion of the value of the total investment assets is 0.98%. The investments in the ACCESS pool cost 0.45% as a proportion of

the total value of investments, and by comparison, the non-pooled investments cost 2.63% as a proportion of the total value. The investment management costs for investments in the ACCESS pool are disproportionately lower because the assets that have not been pooled are different and attract significantly higher costs, but these private market assets are held to ensure the Pension Fund's investment strategy is suitably diversified.

The action of pooling has saved the Pension Fund £8.5m since pooling began, as the savings achieved on investment management fees have outweighed the costs of setting up and maintaining the pool, as well as the transition of moving investment assets into the pool. More details can be found on **page 108** of this annual report.

An annual report is also produced by the ACCESS pool, which can be found on its website: [accesspool.org](https://accesspool.org).

## Investments

The Pension Fund employs a specialist



# Summary report continued

(known as an actuary) to work out how much money will be needed to pay the pensions of all active, deferred and pensioner members of the scheme. This indicates what investment returns are likely to be needed and how much employers need to contribute to the Fund each year. The actuary's report can be found on **page 129** that reflects the latest actuarial valuation as at 31 March 2022, which was finalised in 2022/23.

The Pension Fund sets an Investment Strategy with the aim of achieving the required investment returns set by the actuary. This was updated in 2023/24 following the latest actuarial valuation with the Panel and Board taking advice from an investment consultant. The Pension Fund also maintains a Funding Strategy Statement, which sets out how employers' pension liabilities can be best met and the approach to employers' contributions. These two strategies can be found on the Pension Fund's website: [Policies | Hampshire County Council \(hants.gov.uk\)](https://www.hants.gov.uk/policies).

Under the Investment Strategy, money is invested across different types of

investments (known as asset classes) so that the Fund's investments are diversified, limiting exposure to any single asset or risk. The Pension Fund invest a variety of assets managed by external specialists appointed by the ACCESS pool. These specialists are called investment managers. By using a number of different investment managers the Pension Fund achieves further diversification.

In 2024/25 the value of the Pension Fund grew by £247 million (2.47%) bringing it to a total of £10.216 billion at 31 March 2025. Each of the Pension Fund's investments is measured against a benchmark. The weighted benchmark returns in 2024/25 (weighted to reflect the relative sizes of the Pension Fund's different investments) was 3.76%. The Pension Fund's investment return in 2024/25 was a 4.16% positive absolute return, in comparison to a 9.05% positive absolute return during 2023/24, which shows that the Pension Fund's investments performed through volatile markets, still providing a positive absolute return whilst below that seen in 2023/24.

This return for the Fund was 0.4% above the market but below the target that the Fund had set, reflecting the challenges that the last year's economic conditions caused for the Fund's investment managers. More details can be found in the Investment Performance Report on **page 89**.

## Responsible Investment (RI)

The Pension Fund believes that investing responsibly is an important part of achieving its objectives. This means that environmental, social and governance (ESG) issues, including climate change, are considered when making investment decisions or when influencing companies. Increasing evidence indicates that ESG factors impact on financial performance and are likely to have a positive or negative impact on the Pension Fund and its investments.

The Pension Fund has made good progress in its aim to work towards disinvesting from fossil fuels, and to achieve net-zero greenhouse gas emissions (which includes Scope 1, 2 and 3 emissions) by 2050 at the latest.



# Summary report continued

The Pension Fund monitors its progress on these areas by reporting its carbon emissions in line with the recommendations of the Taskforce on Climate Related Financial Disclosures (TCFD).

During the year, the Pension Fund also commissioned a detailed climate assessment of the Fund's investment portfolios. This concluded that the emissions of the portfolio relating to its equity investments are significantly below that of the benchmark, noting that *'it is clear that a lot of work has been done in decarbonising the equity portfolio'*.

The Pension Fund continues to support and participate in a number of important standards that underpin its approach to RI, including the UK Stewardship Code 2020, Principles for Responsible Investment (PRI) and the Institutional Investors Group on climate change.

The Panel and Board's RI Sub-Committee met twice during 2024/25. More details on the Pension Fund's approach to RI and its activity during 2024/25 can be found in the section starting on **page 102**.

## Administration

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

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

Responsibility for the administration of the Pension Fund is delegated to Hampshire Pension Services (HPS), part of the Corporate Operations directorate of the County Council. Administration of the scheme includes administering all casework, handling all member queries, paying pensioners, working with employers (including new and exiting employers) and providing employer training and support. HPS performs these aspects to an extremely high standard, complying with the requirements for the national standard for excellence in customer service (CSE) which has been held and retained since 2009.

Pension Services monitor their administration performance against service standards for key case work and achieved 100% against service standards for all key processes during 2024/25. In addition to this, annual benefit statements were produced for 100% of active members and for 100% of deferred members by the statutory deadline, and Pensions Savings Statements were all produced in line with that statutory deadline.



# Summary report continued

Further information on the administration of the Hampshire Pension Fund can be found starting on **page 111** of this annual report.

## Financial performance and Pension Fund accounts

The Pension Fund's costs are managed in line with a budget which is agreed each year by the Pension Fund Panel and Board for investment management fees, administrative costs, and oversight and governance costs.

Further information can be found of **page 44** of this annual report.

The Pension Fund is required to produce its financial statements each year, showing the Fund's assets and liabilities as measured on 31 March, and accounting for the income and expenditure activity during the financial year from 1 April to 31 March.

The Pension Fund's financial statements can be found starting on **page 47** of this annual report.

## Section 2

# Overall Fund management



# Scheme management and advisers

## Administering authority and scheme manager

Hampshire County Council

## Treasurer

Andrew Lowe, Director of Corporate Operations

## Independent adviser

Carolan Dobson

Asset Pool  
ACCESS



## Asset Pool Operator

Waystone

## Fund Custodian

Northern Trust

## Fund Actuary

Hymans Robertson

## Fund Bankers

The National  
Westminster Bank plc

## External auditor

EY

## AVC providers

Zurich, Prudential, Utmost

## County Council contacts

Director of  
Corporate Operations:  
Andrew Lowe 0370 779 4198

Legal adviser: Paul Hodgson

## Investment managers





# Risk management

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

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

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

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

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

The risk register records the owner responsible for **managing** the risk and the response to the risk, whether it can be accepted or if further mitigating action is required. The **actions** taken to mitigate the Pension Fund's key risks in 2024/25 were:

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

to the Government's 'Fit for the Future' consultation published in November 2024 and has subsequently played a full part with the ACCESS pool in continued dialogue with the Government with regard to their latest policy for LGPS investment pooling.

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



## Risk management continued

- **Relationship to the Administering Authority** – Hampshire County Council is the responsible Administering Authority for the Pension Fund and the officers responsible for delivering the functions of the Pension Fund are employees of Hampshire County Council. For 2024/25 the Pension Fund Panel and Board agreed a budget that was sufficient for the County Council to provide the resources necessary for the successful delivery of the Pension Fund’s functions.
- **Investment Environmental, Social and Governance (ESG) risk, including the risk of Climate Change** – the Pension Fund’s Responsible Investment policy includes its approach to managing ESG risk, including the Fund’s commitment for its investments to have net-zero greenhouse gas emissions by 2050 at the latest. In 2024/25 the Pension Fund has continued to work with its investment managers to identify options for reducing the carbon footprint of investments without sacrificing returns and continuing to work towards disinvesting from fossil fuels where it has not yet been possible to exclude them from some portfolios.



# Risk management: Fund risk register

Risks are categorised as follows:

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



## Risk management: Fund risk register continued

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



## Risk management: Fund risk register continued

Ref. No.	Name of risk	Description	Score
13	Investment market performance	Assets do not grow sufficiently to meet pensions liabilities as a result of: <ul style="list-style-type: none"><li>• fluctuations in market prices (which is particularly relevant for investments in equities)</li><li>• Interest rates (which can affect the prices of investments that pay a fixed interest rate)</li><li>• fluctuations in prices of financial instruments that are denominated in any currency other than the functional currency of the Fund (GB pounds)</li><li>• the counterparty to a transaction or a financial instrument's failure to discharge an obligation and cause the Fund to incur a financial loss. This includes the risk of loss in the Stock Lending programme.</li></ul>	12
14	Investment pooling	Based on the Government's 'Local Government Pension Scheme (England and Wales): Fit for the future' consultation significant changes will take place to both the ACCESS pool and how Hampshire's Investment Strategy will be implemented. At this point there is significant uncertainty about how investments will be managed in the future creating risks of a reduction in governance participation and in the effectiveness of decision making, which could result in the loss of potential return or access to the required investments for the most appropriate investment strategy.	12
15	Environmental, Social and Governance (ESG) risk	Due to insufficient knowledge and/or resources could lead to a lack of consideration of all financial and non-financial risks relating to ESG issues, including the risk of Climate Change, resulting in poor investment returns, increased employer contribution rates and reputational damage.	8
16	Climate change	The systematic risk of climate change leading to extreme weather, flooding, power loss or other natural disasters resulting in disruption of the Pension Fund's business and the wider economy and the value of investments.	15
17	Funding Strategy	Due to a failure to set and collect contributions, there is a risk of there not being sufficient funds to achieve a fully funded ongoing position in the timescales determined by the Funding Strategy Statement, which could cause financial loss or reputational damage.	6



## Risk management: Fund risk register continued

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



## Risk management: Fund risk register continued

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



## Risk management: Fund risk register continued

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

## Section 3

# Governance and training



# Pension Fund Panel and Board

Membership at 31 March 2025

## County Council members



**Cllr Mark Kemp-Gee**  
(Chairman)  
20 years membership



**Cllr Tom Thacker**  
(Vice-Chairman)  
16 years membership



**Cllr Alex Crawford**  
4 years membership



**Cllr Tim Davies**  
4 years membership



**Cllr Jonathan Glen**  
8 years membership



**Cllr Andrew Joy**  
12 years membership



**Cllr David Harrison**  
1 year membership



**Cllr Rob Mocatta**  
4 years membership



**Vacancy**



### County Council deputies

- Cllr Keith House
- Cllr David Drew
- Cllr Derek Mellor



# Pension Fund Panel and Board continued

## Employer representatives



**Cllr Judith Smyth**  
Unitary Council  
representative  
3 years membership



**Amelia Nirmal**  
Other employer  
representative  
Under 1 year membership



**Cllr Simon Letts**  
Substitute employer  
representative  
2 years membership



**Vacancy**

## Key officers



**Andrew Lowe**  
Director of Corporate  
Operations  
Hampshire County Council

## Scheme Member representatives



**Arron Hedges**  
Active scheme member  
representative  
1 year membership



**Simon Walker**  
Deferred scheme  
member representative  
1 year membership



**Phillip Reynolds**  
Pensioner scheme  
member representative  
3 years membership



**Paul Barber**  
Substitute scheme  
member representative  
1 year membership



# Pension Fund Panel and Board continued

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

The Panel and Board's objectives are:

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

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

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

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

## Membership of the Panel and Board

The Pension Fund Panel and Board has 15 full members and 5 substitute or deputy members and is supported by an independent adviser and officers of the Pension Fund.

The Panel and Board's membership arrangements have been designed to allow all key stakeholders to have the opportunity to be represented on the committee. The arrangements have the endorsement of the Ministry of Housing, Communities and Local Government (MHCLG).

The Panel and Board's full members include nine County Council elected members, three employer representatives and three scheme member representatives. The employer representatives represent the Southampton and Portsmouth unitary authorities, Hampshire's district authorities, and other scheme employers respectively. The three scheme member representatives cover active contributors to the scheme, members with deferred pension rights, and members currently in receipt of their pension.



# Pension Fund Panel and Board continued

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

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

## Changes to Membership during 2024/25

During 2024/25 Amelia Nirmal joined the Pension Fund Panel and Board as an employer representative following the departure of Fiona Hnatow in 2023/24. In addition, at the end of the financial year Cllr Dominic Hiscock stepped down from his role, as did Cllr Paul Taylor as the HLOWLGA representative. Both vacancies will be filled in 2025/26. The unitary employer representative position alternates on an annual basis between representatives from Southampton City Council and Portsmouth City Council. As a result, Cllr Judith Smyth took over from Cllr Simon Letts as a full member of the Panel and Board, with Cllr Letts fulfilling the substitute role.

During 2024/25 Cllr Glen and Cllr Smyth replaced Cllr Davies and Cllr Letts on the Responsible Investment (RI) Sub-Committee as part of the annual review and rotation of membership. The vacant Scheme Member representative role was filled by Phillip Reynolds.

## Attendance in 2024/25

There were six meetings of the Panel and Board during 2024/25 and two of the RI Sub-Committee. In 2024/25 the Panel and Board held two additional meetings in May 2024 and February 2025 alongside the regularly scheduled four quarterly meetings in July, September, December and March, as well as separate investment manager briefings and training sessions. The Panel and Board continued to receive all of the necessary governance and investment papers required for the management of the Pension Fund.

Nine virtual investment manager briefings covering 14 investment portfolios were held in 2024/25, allowing Panel and Board members to hear from all of the Pension Fund's investment managers. These briefings have been attended with an average of 73% attendance, including the Panel and Board substitute members and its independent adviser, and the feedback from Panel and Board members has been positive.

All Panel and Board members take part in a



# Pension Fund Panel and Board continued

full training programme covering the range of knowledge and skills required for their membership of the Panel and Board. The Training and Development Report provides more details on **page 34**.

Attendance at Panel and Board meetings and RI Sub-Committee meetings in 2024/25 is shown in the following table.

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

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

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

Attendance at Committee Meetings		
Panel and Board member	Pension Fund Panel and Board (meetings)	Responsible Investment Sub-Committee (meetings)
Cllr Kemp-Gee	6/6	2/2
Cllr Thacker	6/6	2/2
Cllr Crawford	5/6	
Cllr Davies	5/6	
Cllr Glen	4/6	
Cllr Harrison	6/6	1/2
Cllr Hiscock	4/5	
Cllr Joy	5/6	
Cllr Mocatta	5/6	
Cllr J Smyth	3/6	2/2
Cllr P Taylor	1/5	
Amelia Nirmal	4/6	
Phillip Reynolds	6/6	1/2
Arron Hedges	4/6	
Simon Walker	5/6	1/2
Paul Barber (Substitute)	2/3	
Cllr S Letts (Substitute)	3/4	
Cllr Mellor (Substitute)	2/2	
Cllr House (Substitute)	0/6	
Cllr Drew (Substitute)	0/1	



# Panel and Board report

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

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

Board issues are dealt with under separate governance agenda items. Items that have been considered in 2024/25 are listed in the table below.

Meeting	Agenda
<b>30 May 2024</b>	<ul style="list-style-type: none"> <li>• Investments review</li> </ul>
<b>19 July 2024</b>	<ul style="list-style-type: none"> <li>• Appointments to the Responsible Investment Sub-Committee</li> <li>• ACCESS Joint Committee minutes</li> <li>• Administration performance update</li> <li>• Pension Fund cash annual report 2023/24</li> <li>• Pension Fund Annual Report</li> <li>• Letter from the Minister</li> <li>• Cybersecurity update</li> <li>• Investment update</li> </ul>
<b>27 September 2024</b>	<ul style="list-style-type: none"> <li>• Responsible Investment Sub-Committee minutes</li> <li>• Training in 2024/25</li> <li>• ACCESS Joint Committee minutes</li> <li>• Alternative investment portfolio</li> <li>• Investment update</li> </ul>

The Panel and Board has considered reports on all issues required in their management and oversight of the Pension Fund, including regular business as usual items regarding the administration and investments of the Fund, as well as one-off and emerging issues such as the Government’s ‘Fit for the Future’ consultation on LGPS investment pooling.

The Pension Fund Panel and Board receives the minutes of the ACCESS Joint Committee to ensure that they are fully sighted on all issues being managed by the pool.

Meeting	Agenda
<b>13 December 2024</b>	<ul style="list-style-type: none"> <li>• ACCESS Joint Committee minutes</li> <li>• Business plan and other statutory statements</li> <li>• Cash monitoring report and annual cash investment strategy 2025/26</li> <li>• Administration performance update</li> <li>• Cyber report</li> <li>• Investment update</li> </ul>
<b>25 February 2025</b>	<ul style="list-style-type: none"> <li>• Investment pooling proposal</li> </ul>
<b>21 March 2025</b>	<ul style="list-style-type: none"> <li>• Internal Audit 2024/25 progress report</li> <li>• Internal Audit plan 2025/26</li> <li>• Custodian report</li> <li>• Investment update</li> <li>• Alternative Investments update</li> <li>• Responsible Investment Sub-Committee minutes</li> <li>• Stewardship amendments</li> </ul>



## Panel and Board report continued

In addition the Panel and Board's training programme includes investment pooling to ensure that Panel and Board members are up-to-date with emerging issues. This ensures that the Panel and Board is suitably informed and has oversight of the ACCESS pool and can fully participate in the governance of the pool through their representative on the ACCESS Joint Committee.

The Pension Fund's dedicated RI Sub-Committee of the Panel and Board met twice during 2024/25 and considered the following items:

- Scheme member communication
- Stewardship highlight reports
- Responsible Investment priorities
- TCFD report

Both the Panel and Board and the RI Sub-Committee received no deputations from scheme members during the year.

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

More detail on the governance of the Pension Fund is provided in the [Governance Policy Statement](#) and the Governance Compliance Statement on **page 39** of this annual report.

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



# Scheme member reports

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

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

## **Arron Hedges**

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

*As a scheme member representative, I am pleased to provide an overview of*

*the Hampshire Pension Fund LGPS (Local Government Pension Scheme) performance for the 2024/25 financial year. Overall, the scheme has shown resilience and strategic growth, delivering a positive experience for its scheme members despite challenging market conditions.*

*Throughout the 2024/25 period, the Fund achieved a solid investment return. The diversified investment portfolio, which includes equities, bonds, infrastructure, and alternative assets, contributed to its growth. This strategy enabled the Fund to weather market volatility, particularly amidst global economic uncertainties. It is reassuring that the Fund has effectively maintained a balanced risk profile, demonstrating its ability to meet long-term obligations while maximizing returns.*

*The administration of the Fund has continued to prioritise excellent service delivery to scheme members. The introduction of enhanced digital tools, better communication channels, and regular updates on Fund performance have helped scheme members stay informed. The scheme has worked diligently to enhance*

*scheme member engagement and improve transparency, which has been highly appreciated.*

*In conclusion, the Hampshire Pension Fund has delivered a strong performance in the 2024/25 financial year. With a well-managed portfolio, improving fund levels and enhanced scheme member services. The scheme remains on a positive trajectory for its scheme members, providing long-term financial security.*

## **Simon Walker**

**(Deferred scheme member representative)**  
walker\_simon@btinternet.com

*I have just completed my first full year as your deferred scheme member representative, so have experienced first-hand the busy annual cycle of Pension Fund Panel and Board meetings, investment briefings from our various investment managers and on-going training (all of which is detailed in this Annual Report). As a result, I have now just about got my head around the huge amount of work that goes into running our Pension Fund.*



## Scheme member reports continued

*As I mentioned last year, a significant part of the purpose of my role is to represent our interests as deferred scheme members, by participating in the work of the Panel and Board. Collectively, we are seeking to ensure that the Pension Fund is well-governed, holding our Pension Fund officers and investment managers to account for administration and performance, making use of independent external advisers where necessary. Of course, what matters to you and me as deferred scheme members, is that our Pension Fund has enough assets, in a suitable and diverse range of investments, to generate the growth and income to pay our pensions as and when they fall due. Hopefully, as you read this report you will be reassured on this point, notwithstanding the unpredictability of the Trump presidency and adverse impact on the bond and stock markets resulting from recent tariff policy announcements! However, as a deferred scheme member, if you have any questions or concerns about our Pension Fund which you would like to raise, please do email me.*

*I am pleased to report that our Pension Fund remains extremely well-managed (both from my own observation and the quantitative*

*evidence that it continues to meet all its administrative targets).*

*Finally, please remember to keep your details (as recorded via the Hampshire Pension Fund portal) up-to-date, and encourage any other members you know to do the same. Of course, you can also use the portal to explore your latest pension benefits as you plan for the future (and we're all a year closer to payment)!*

### **Phillip Reynolds**

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

*The Pension Fund is invested in an extremely diversified way to minimise risk and to make the best returns possible. The performance of the investments made by the Pension Fund over the last financial year have been exceptionally good despite some volatility in financial markets caused mainly by geopolitical uncertainty, especially in the USA.*

*Environmental, Social and Governance (ESG) issues continue to be a focus for the Pension*

*Fund Panel and Board. The Responsible Investment Sub-Committee meets twice a year to discuss various ESG issues and helps form questions to the Fund's investment managers when they present to the Panel and Board. I am the appointed Co-opted Scheme Member Representative on the Sub-Committee. At the recommendation of the Sub-Committee, the Hampshire Pension Fund Panel and Board agreed to a further reduction in the Pension Fund's exposure to fossil fuels in the Private Equity portfolios.*

*LGPS pooling is now a big part of the Pension Fund's activities. The Hampshire Pension Fund is part of the ACCESS pool with 10 other LGPS funds in the South and East of England. The objective of asset pooling is to deliver benefits of scale, reduce costs and to improve investment into infrastructure projects. It has been very successful in achieving these aims.*

*Regardless of any outcome of the Government's review of LGPS investments, I would like to reassure pensioners that their occupational pension is secure in payment.*



## Scheme member reports continued

*Finally, I am pleased to report that Pension Services, who are responsible for the administration of the Fund, continue to meet service standards for all casework. They also meet very high standards when benchmarked against others involved in pension administration.*

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



# Training and development report

## Training policy

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

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

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

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

## Training attendance

Attendance at internally organised training events and other external training opportunities in 2024/25 is shown in the adjacent table. It should be noted that internal training sessions, including sessions provided by ACCESS, have greater weight as they cover topics on which the most Panel and Board members have identified a training need.

Attendance at training sessions		
Panel and Board member	Training sessions	
	Internal (hours)	External (hours)
Cllr Kemp-Gee	24	39
Cllr Thacker	23	8
Cllr Crawford	20	9
Cllr Davies	25	10
Cllr Glen	24	38
Cllr Harrison	11	15
Cllr Hiscock	22	9
Cllr Joy	20	8
Cllr Mocatta	13	9
Cllr Smyth	8	6
Cllr Taylor	0	0
Amelia Nirmal	4	18
Phillip Reynolds	19	26
Arron Hedges	13	33
Simon Walker	20	37
Paul Barber (Substitute)	1	8
Cllr Letts (Substitute)	4	0
Cllr Mellor (Substitute)	10	2
Cllr House (Substitute)	0	0
Cllr Drew (Substitute)	12	5



# Training and development report continued

## Training received in 2024/25

During the year six internal training sessions were arranged by the Hampshire Pension Fund for Panel and Board members and officers. The topics covered in these sessions were focused on delivering training to increase knowledge based on the Panel and Board members' self-assessment of their training requirements. The Pension Fund's officers also gave training on LGPS pooling and the steps being taken to ensure cyber security.

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

## Internal training sessions 2024/25

Date	Topic	Provider
May 2024	Pooling arrangements for alternative investments	Head of Investments and Borrowing
	Cyber Security	Deputy Director of Corporate Operations
	LGPS call for evidence	Head of Investments and Borrowing
September 2024	Social and affordable housing	LGIM and CBRE
December 2024	LGPS Fit for the future consultation	Head of Investments and Borrowing
March 2025	Hampshire Pension Fund climate assessment	Redington



# Training and development report continued

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

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

During 2024/25 the Panel and Board continued to receive virtual briefings from the Fund’s investment managers, the schedule of these briefings is provided to the right.

Investment manager briefings		
Date	Topic	Provider
April 2024	Sterling investment grade credit portfolio	Fidelity
	Global equities portfolio	Dodge & Cox
June 2024	UK property portfolio	CBRE
	Asset backed securities portfolio	TwentyFour
September 2024	Global equities portfolios	Baillie Gifford Acadian
October 2024	Multi asset credit portfolio	Alcentra
	Global infrastructure portfolio	GCM Grosvenor
November 2024	Sterling investment grade credit portfolio	Fidelity
	Private debt portfolio	JP Morgan Alternatives Asset Management
December 2024	Global equities portfolios	Robeco Dodge & Cox
	Global timberland portfolio	Campbell
January 2025	Multi asset credit portfolio	RBC BlueBay
March 2025	Global timberland portfolio	Stafford Capital
	Private equity portfolio	Patria



# Training and development report continued

Individual Panel and Board members and officers attended a range of training events in 2024/25 provided by the Pension Fund’s investment managers and other external organisations, as follows:

## External training sessions 2024/25

Training provider	Events
Baillie Gifford	<ul style="list-style-type: none"> <li>Renaissance Client Conference</li> <li>Responsible Investing breakfast</li> </ul>
Bfinance	Performance of asset managers webinar
Capital Group	Global Credit online event
Equitix	Annual meeting – LGPS infrastructure
EY	Economic briefing
JP Morgan	<ul style="list-style-type: none"> <li>Asia Growth and Income webinar</li> <li>Growth and Income webinar</li> <li>Online investment seminar</li> <li>Post-Budget Round Up webinar</li> </ul>
Hymans Robertson	<ul style="list-style-type: none"> <li>Responsible Investment, Procurement and Performance Monitoring</li> <li>Conflicts of interest</li> </ul>
IIGCC	Climate Solutions 2025 Roundtable Discussion
Local Government Association	<ul style="list-style-type: none"> <li>LGA Fundamentals – Day 1</li> <li>LGA Fundamentals – Day 2</li> </ul>
Local Government Chronicle	LGC Pensions and Investment Summit
Longview Networks	Net Zero Investor's Annual Conference
Mercer	Autumn Budget Review

Training provider	Events
People's Partnership	Aligning Asset Owners fund managers' expectations on climate stewardship
Pensions for Purpose	<ul style="list-style-type: none"> <li>Scope 3 emissions online round table</li> <li>How does an Asset Manager implement a climate transition plan?</li> <li>Nature and Biodiversity Loss</li> <li>Just Transition</li> <li>How institutional investors can unlock the potential of the next generation of sustainable infrastructure</li> <li>Residential impact strategies – the benefits to investors of under-invested locations</li> </ul>
Rathbones	Investment insights seminar
Room 151	LGPS Investment Forum
Scheme Advisory Board (SAB)	LGPS Live
SPS	<ul style="list-style-type: none"> <li>Local Authority Pension Funds' ESG &amp; Current Issues conference</li> <li>Alternative and Real Asset Investments conference</li> </ul>
Stafford	Investor conference
UBS	ACCESS training day & networking
Waystone	Waystone investor day



# Training and development report continued

## Evaluation of training

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

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

## Training in 2024/25

During 2024/25, individual members of the Panel and Board reviewed their knowledge and skills against a Training Needs Analysis. The purpose of this exercise was to allow Panel and Board members to consider their existing level of knowledge and areas where additional training would be beneficial.

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

The training plan for 2024/25 was approved by the Pension Fund Panel and Board in September 2024 based on the Training Needs Analysis. Proposed training includes further in-house training sessions, external training events, use of online learning tools, briefing information in reports to the Panel and Board from officers, and background reading as appropriate.

Relevant internal training sessions will be arranged for 2025/26 and 2026/27 based on the Training Needs Analysis. Topics identified for 2025/26 are the latest triennial valuation, artificial intelligence (AI) and LGPS pooling as well as standing items on cyber-security and responsible investment.



# Governance Compliance Statement

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

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

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



# Governance Compliance Statement continued

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

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



# Governance Compliance Statement continued

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

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



# The Pension Fund's statutory statements and other policies

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

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

These statements were last reviewed and approved at meetings of the [Pension Fund Panel and Board during 2024](#).

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

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

- Representation Policy
- Conflicts of Interest Policy

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

Section 4

# Financial performance



# Financial performance report

Shown below is the Pension Fund’s budget for 2024/25 compared to actual expenditure, and the budget for the years 2025/26 to 2027/28.

The budget for 2024/25 was agreed by the Pension Fund Panel and Board at its meeting of

12 December 2023 and revised on 13 December 2024. The budgets for the years 2025/26 to 2027/28 will be revised in December 2025 based on the actual expenditure in 2024/25 adjusted for any more recent information.

	Budget 2024/25 £000	Actual 2024/25 £000	Budget 2025/26 £000	Budget 2026/27 £000	Budget 2027/28 £000
Investment management fees	82,481	98,810	87,086	87,954	91,930
Staff	2,526	2,536	2,566	2,457	2,459
Premises	66	66	66	68	75
IT	312	313	332	297	299
Supplies & Services	339	355	351	349	352
Administrative Costs	3,243	3,270	3,315	3,171	3,185
Staff (including Premises and IT)	738	738	755	767	785
Supplies & Services	491	527	567	543	569
Oversight & Governance Costs	1,229	1,265	1,321	1,309	1,354
<b>Management Expenses</b>	<b>86,953</b>	<b>103,345</b>	<b>91,723</b>	<b>92,434</b>	<b>96,469</b>



# Financial performance report continued

Payment of pensions benefits in 2024/25 were higher than forecast due to a combination of an increase in the value of lump sum benefits paid and an increase of over 5% in the number of pensioners paid.

The Pension Fund pays its investment managers a percentage fee based on the value of investments. Investment management costs were above budget as a result of alternative investment costs being higher than forecast. This was a result of an increase in

allocation to alternative investments as well as increased general partner costs, both as a result of positive performance from the Fund's alternative investments.

Staff costs make up the majority of the administrative, oversight and governance costs. Costs were very close to budget in 2024/25.

The 2024/25 expenditure on the administration and governance of the Pension Fund reflect

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

The Pension Fund does not budget for its net inflows and outflows from dealings with members (because it can't control these amounts) but it monitors them to manage the Fund's cash position. The table below shows the Fund's net cash position from dealing with members. The actual position was better than forecast due to higher than forecast income received, in part due to the Pension Fund's asset allocation including a great proportion of income producing assets.

The Pension Fund's accounts include the Fund's non-investment assets and liabilities. These amounts include amounts owed to and by the Fund (creditors and debtors) as well as cash held outside of the Fund's investments. The most significant change from the prior year is a reduction in the amounts owed to the Fund in employer contributions.

	Forecast 2024/25 £m	Actual 2024/25 £m	Forecast 2025/26 £m
Employee contributions	93.4	94.2	96.5
Employer contributions*	260.5	261.4	269.1
	353.9	355.6	365.6
Benefits	(363.5)	(389.7)	(371.9)
Transfers	0.0	4.6	0.0
	(9.6)	(29.5)	(6.3)
Expenses (in cash)	(22.2)	(39.1)	(23.0)
	(31.8)	(68.7)	(29.3)
Investment income (in cash)	96.8	221.7	96.8
	65.0	153.1	67.5
<b>Average employer contribution rate</b>		<b>18.10%</b>	
<b>Average employee contribution rate</b>		<b>6.46%</b>	

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



# Financial performance report continued

## Timeliness of contributions

All employer contributions due for 2024/25 have been received. The last contribution payment was received on 1 May 2025 from a parish council with a very small active membership.

A total of £5.116m was paid late (£5.154m in 2023/24) which was 1.43% of the total contributions received. Approximately £3m of the total paid late related to one large employer whose payment was delayed by two days on one occasion. The average delay on all late payments received during 2024/25 was 11 days (11 days in 2023/24). Receipt of contributions is reviewed monthly to determine if any action is required. No late payment interest charges were made in 2024/25.

## Mortality screening and National Fraud Initiative

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

Recovered from	Number	Total value
Death Grant	90	£16,519.08
Dependant Pension	213	£115,460.44
Invoice	391	£172,567.98
Write Off	85	£2,000.16
<b>Total</b>	<b>779</b>	<b>£306,547.66</b>

The Fund also participates in the bi-annual National Fraud Initiative (NFI). The most recent NFI exercise in 2025 identified three deaths with a total potential recovery of £6,107. A death certificate has been received for one of these and an overpayment of £1,275 is being recovered. Checks are being carried out on the remaining two to identify and obtain next of kin details. A further possible death has been identified but has not been verified through the NFI process and is under investigation.

## Section 5

# Fund account, net assets statement and notes



# Financial statements

Fund account	See note	2023/24 £000	2024/25 £000
<b>Dealings with members, employers and others directly involved in the Fund</b>			
Contributions	7	558,470	248,529
Transfers in from other pension funds		19,926	37,599
		<b>578,396</b>	<b>286,128</b>
Benefits	8	(347,550)	(389,672)
Payments to and on account of leavers		(31,432)	(33,038)
		<b>(378,982)</b>	<b>(422,710)</b>
<b>Net additions from dealings with members</b>		<b>199,414</b>	<b>(136,582)</b>
Management expenses	9	(78,932)	(103,358)
Net additions inc. fund management expenses		<b>120,482</b>	<b>(239,940)</b>
<b>Returns on investments</b>			
Investment income	10	177,663	285,970
Taxes on income		(136)	(716)
Profits and losses on disposal of investments and changes in the market value of investments	11a	700,520	207,359
<b>Net return on investments</b>		<b>878,047</b>	<b>492,613</b>
<b>Net increase in the net assets available for benefits during the year</b>		<b>998,529</b>	<b>252,673</b>
Opening net assets of the scheme		8,964,570	9,963,099
Closing net assets of the scheme		9,963,099	10,215,772



# Financial statements continued

Net assets statement for the year ending 31 March 2025	See note	31 March 2024 £000	31 March 2025 £000
Investment assets		9,782,934	9,942,724
Cash deposits		136,886	247,668
Investment liabilities		(7131)	(21)
<b>Total net investments</b>	11	<b>9,912,689</b>	<b>10,190,371</b>
Current assets	18	56,619	36,221
Current liabilities	19	(6,210)	(10,820)
<b>Net assets of the Fund available to fund benefits at the period end</b>		<b>9,963,099</b>	<b>10,215,772</b>

Note: The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the end of the period end. The actuarial present value of promised retirement benefits is disclosed at Note 17.



# Notes to Pension Fund accounts

## 1. Description of Fund

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

The following description of the Fund is a summary only. For more detail, reference should be made to the Hampshire Pension Fund Annual Report 2024/25 and the underlying statutory powers underpinning the Scheme.

### a) General

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

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

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

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

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

### b) Membership

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

Organisations participating in the Hampshire Pension Fund include:

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



# Notes to Pension Fund accounts continued

There are 402 employer organisations within the Hampshire Pension Fund including the County Council itself, as detailed below:

Hampshire Pension Fund	31 March 2024	31 March 2025
Number of employers with active members	357	402
<b>Number of employees in Scheme</b>		
County Council	28,329	27,894
Other employers	32,781	33,948
<b>Total</b>	<b>61,110</b>	<b>61,842</b>
<b>Number of pensioners</b>		
County Council	25,668	26,789
Other employers	29,999	31,488
<b>Total</b>	<b>55,667</b>	<b>58,277</b>
<b>Deferred pensioners</b>		
County Council	44,668	45,636
Other employers	45,421	46,448
<b>Total</b>	<b>90,089</b>	<b>92,084</b>
<b>Total members in the Pension Fund</b>	<b>206,866</b>	<b>212,203</b>

## c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with The LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay in the Main Section, and 2.75% to 6.25% of pensionable pay in the 50/50 Section, for the financial year ending 31 March 2025. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last valuation was at 31 March 2022. Employer contribution rates for most employers were a range from 15.0% to 27.1% of pensionable pay. A small number of employers also pay a past service deficit contribution.

## d) Benefits

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

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

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



# Notes to Pension Fund accounts continued

## 2. Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2024/25 financial year and its position at year end at 31 March 2025. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2024/25* which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis.

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

The vast majority of employers in the pension scheme (94% of the Fund by active membership, are scheduled bodies excluding Higher Education employers) have secure public sector funding, and therefore there should be no doubt in their ability to continue to make their pension contributions. Following the latest actuarial valuation and schedule of employer contribution prepayments, the Pension Fund has reviewed its cashflow forecast and is confident in its ability to meet its ongoing obligations to pay pensions from its cash balance for at least 12 months from the date of signing the accounts. In the event that investments need to be sold 66.6% of the Fund's investments can be converted into cash within 3 months.



# Notes to Pension Fund accounts continued

## 3. Summary of significant accounting policies

### Fund Account – revenue recognition

#### a) Contribution income

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

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

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

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

#### b) Transfers to and from other schemes

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

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

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

#### c) Investment income

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

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

- ii) Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.
- iii) Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.
- iv) Rental income from operating leases on properties owned by the Fund is recognised in the fund account when it is paid by the tenant according to the terms of the lease.  
  
Contingent rents based on the future amount of a factor that changes other than with the passage of time, such as turnover rents, are only recognised when contractually due.



# Notes to Pension Fund accounts continued

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

## Fund Account – expense items

### d) Benefits payable

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

### e) Management expenses

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

### Administrative expenses

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

### Oversight and governance costs

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

### Investment management expenses

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

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

Where an investment manager's fee note has not been received by the balance sheet date, an estimate based upon the market value of their mandate at the end of the year is used for inclusion in the Fund account. In 2024/25 £4.7 million of fees is based on such estimates (2023/24 £2.9 million).

### f) Taxation

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



# Notes to Pension Fund accounts continued

Irrecoverable tax is accounted for as a Fund expense as it arises.

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

## Net Assets Statement

### g) Financial assets

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

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

### h) Freehold and leasehold properties

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

### i) Foreign currency transactions

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

bank accounts, overseas investments and purchases and sales outstanding at the end of the reporting period.

### j) Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes (see Note 12).

### k) Cash and cash equivalents

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

### l) Financial liabilities

A financial liability is recognised in the net asset statement on the date the fund becomes legally responsible for that liability.



# Notes to Pension Fund accounts continued

The fund recognises financial liabilities relating to investment trading at fair value and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the fund account as part of the change in value of investments.

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

## **m) Actuarial present value of promised retirement benefits**

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

## **n) Additional voluntary contributions**

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

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

## **o) Contingent assets and contingent liabilities**

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by future events. A contingent liability arises where an event has taken place prior to the year end giving rise to a possible financial obligation whose existence will only be confirmed

or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

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



# Notes to Pension Fund accounts continued

## 4. Critical judgements in applying accounting policies

### Unquoted alternative investments

It is important to recognise the subjective nature of determining the fair value of alternative investments: private equity, infrastructure, timberland and private debt. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equity and infrastructure investments are valued by the investment managers using guidelines set out by the International Private Equity and Venture Capital Valuation Guidelines. The value of unquoted private equity investments was £880 million and infrastructure investments was £1,024 million at 31 March 2025 (£744 million and £895 million at 31 March 2024).

Timberland is valued in accordance with standards including International Financial Reporting Standards (notably IAS 41: Agriculture), the Uniform Standards of Professional Appraisal Practice (USPAP) and the Appraisal Institute's Code of Professional Ethics and Standards of

Professional Appraisal Practice, or other regional standards. Timberland investments were valued at £96 million at 31 March 2025 (£0 million at 31 March 2024).

There is no standard for the valuation of private debt, but most general partners of private debt funds will base their valuations on a 3rd party valuer, such as Duff & Phelps. The value of unquoted private debt investments at 31 March 2025 was £474 million (£508 million at 31 March 2024).

### Pension fund liability

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

These actuarial revaluations are used to set future employer contribution rates and underpin the Fund's most significant

investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/return.

### Directly held property

The Fund's property portfolio includes a number of directly owned properties, which are leased commercially to various tenants with rental periods from less than a month to 114 years (based on current leases). The Fund has determined that these contracts all constitute operating lease arrangements under the classification permitted by IAS7 and the Code, therefore the properties are retained on the net asset statement at fair value. Rental income is recognised in the fund account when it is paid by the tenant according to the terms of the lease.

### Wholly owned companies

The Pension Fund's investments include one company that it owns that has been specifically created to hold the Pension Fund's investments.



# Notes to Pension Fund accounts continued

These companies have no other purpose and therefore the value of the companies is equal to value of the investments.

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

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

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



# Notes to Pension Fund accounts continued

The items in the Net Assets Statement and Notes to the Accounts at 31 March 2025 for which there is a significant risk of adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
<b>Actuarial present value of promised retirement benefits (Note 17)</b>	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of approximately £1,358 million. A 0.25% increase in assumed earnings inflation would increase the value of liabilities by approximately £19 million, and a one-year increase in assumed life expectancy would increase the liability by approximately £554 million.
<b>Alternative investments – Private equity (Note 13)</b>	Private equity investments are valued at fair value in accordance with the <i>International Private Equity Venture Capital Valuation Guidelines</i> . These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £880 million. The investment manager recommends a tolerance of 10% around the net asset value (+/-£88m).
<b>Alternative investments – Infrastructure (Note 13)</b>	Infrastructure investments are valued at fair value in accordance with the <i>International Private Equity Venture Capital Valuation Guidelines</i> . These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total infrastructure investments in the financial statements are £1,024 million. The investment manager recommends a tolerance of 10% around the net asset value (+/-£102m).
<b>Alternative investments – Timberland (Note 13)</b>	Timberland appraisals determine fair or market value in accordance with standards including International Financial Reporting Standards (notably IAS 41: Agriculture), the Uniform Standards of Professional Appraisal Practice (USPAP) and the Appraisal Institute's Code of Professional Ethics and Standards of Professional Appraisal Practice; other regional standards (e.g. New Zealand Institute of Forestry Forest Valuation Standards). These investments are not publicly listed and as such there is a degree of estimation involved in the sector.	The total timberland investments in the financial statements are £96 million. The investment managers recommend a tolerance of 10% around the net asset value (+/-£10m).
<b>Alternative investments – Private debt (Note 13)</b>	There is no standard for the valuation of private debt, but most general partners of private debt funds will base their valuations on a 3rd party valuer, such as <i>Duff &amp; Phelps</i> . These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private debt investments in the financial statements are £474 million. The investment manager recommends a tolerance of 5% around the net asset value (+/-£24m).



# Notes to Pension Fund accounts continued

## 6. Events after the reporting date

Financial markets have been increasingly volatile following the announcement of United States import tariff policies, starting on 2 April 2025. However within the long-term trends of financial markets there are no reasons to adjust the values presented in these accounts.

On 9 April 2025 the Pension Fund received notification from the Ministers for Local Government and Pensions, that the Government was not supporting the ACCESS pool's proposal to establish a company to meet the requirements of the Government's 'Local Government Pension Scheme (England and Wales): Fit for the future' consultation. The Ministers invited the Hampshire Pension Fund 'to consider and identify which [other] pool you wish to partner with going forward'.

Hampshire County Council as Administering Authority of the Hampshire Pension Fund is considering the Government's response and its options for another investment pool. Choosing to change investment pool will not change the values of the Pension Fund's investments presented in these accounts but

will change how investments are managed in the future and will generate costs that will fall in future accounting periods.

## 7. Contributions receivable

By category	2023/24 £000	2024/25 £000
Employees' contributions	91,390	94,180
<b>Employers' contributions</b>		
Normal contributions	464,658	152,209
Deficit recovery contributions	2,422	2,140
Total employers' contributions	467,080	154,349
<b>Total contributions receivable</b>	<b>558,470</b>	<b>248,529</b>

By type of employer	2023/24 £000	2024/25 £000
Administering authority	312,013	50,070
Scheduled bodies	238,947	189,833
Admitted bodies	7,510	8,626
<b>Total</b>	<b>558,470</b>	<b>248,529</b>

## 8. Benefits payable

By category	2023/24 £000	2024/25 £000
Pensions	282,939	311,208
Commutation and lump sum retirement benefits	57,442	69,415
Lump sum death benefits	7,169	9,049
<b>Total</b>	<b>347,550</b>	<b>389,672</b>

By type of employer	2023/24 £000	2024/25 £000
Administering authority	127,584	147,961
Scheduled bodies	202,511	222,384
Admitted bodies	17,455	19,327
<b>Total</b>	<b>347,550</b>	<b>389,672</b>



# Notes to Pension Fund accounts continued

## 9. Management expenses

	2023/24 £000	2024/25 £000
Administrative costs	3,200	3,270
Investment management expenses	74,852	98,822
Oversight and governance costs	880	1,266
<b>Total</b>	<b>78,932</b>	<b>103,358</b>

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

In addition to these costs, implicit costs are incurred through the bid-offer spread on investment sales and purchases. These are reflected in the cost of investment

acquisitions and in the proceeds from the sales of investments (see Note 11a).

### 9a) Investment Management Expenses

2024/25	Management fees £000	Transaction costs £000	Total £000
Pooled investments*	13,970	1,950	<b>15,920</b>
Pooled property investments	0	0	<b>0</b>
Property*	1,535	6,569	<b>8,104</b>
Alternatives*	11,126	63,498	<b>74,624</b>
Cash	0	11	<b>11</b>
	<b>26,631</b>	<b>72,028</b>	<b>98,659</b>
Custody and other investment costs			<b>163</b>
<b>Total</b>			<b>98,822</b>

\*includes £28.615m paid as part of the ACCESS pool

2023/24	Management fees £000	Transaction costs £000	Total £000
Pooled investments*	14,880	5,798	<b>20,678</b>
Pooled property investments	134	0	<b>134</b>
Property	1,322	5,616	<b>6,938</b>
Alternatives	38,392	8,524	<b>46,916</b>
Cash	0	14	<b>14</b>
	<b>54,728</b>	<b>19,952</b>	<b>74,680</b>
Custody and other investment costs			<b>172</b>
<b>Total</b>			<b>74,852</b>

\*includes £14.200m paid as part of the ACCESS pool



# Notes to Pension Fund accounts continued

## 10) Investment income

	2023/24 £000	2024/25 £000
Pooled property investments	3,691	5,808
Pooled investments – unit trusts and other managed funds	52,772	133,967
Rents from property	33,547	36,066
Interest on cash deposits	11,090	5,954
Alternative investment income	76,095	103,839
Other	468	336
<b>Total before taxes</b>	<b>177,663</b>	<b>285,970</b>

## 11) Investments

	Market value 31 Mar 2024 £000	Market value 31 Mar 2025 £000
<b>Investment assets</b>		
<b>Pooled funds</b>		
- Fixed income unit trusts	3,140,885	3,143,681
- Unit trusts	3,762,343	3,394,004
	<b>6,903,228</b>	<b>6,537,685</b>
<b>Other investments</b>		
Pooled property investments	145,169	149,668
Alternative investments	2,146,677	2,474,372
Property	587,850	780,488
Derivative contracts:		
- Forward currency contracts	(7,121)	489
	<b>2,872,575</b>	<b>3,405,017</b>
Cash deposits	136,886	247,669
<b>Total investment assets</b>	<b>9,912,689</b>	<b>10,190,371</b>



# Notes to Pension Fund accounts continued

## 11a) Reconciliation of movements in investments and derivatives

Period 2024/25	Market value 1 April 2024 £000	Purchases and derivative payments £000	Sales and derivative receipts £000	Change in value during the year £000	Market value 31 Mar 2025 £000
Equities	0	399,017	(381,835)	(17,182)	0
Pooled investments	6,903,228	815,213	(1,280,555)	99,799	6,537,685
Pooled property investments	145,169	300	0	4,200	149,669
Alternative investments	2,146,677	529,356	(292,611)	90,950	2,474,372
Property	587,849	186,023	(12,893)	19,508	780,487
	<b>9,782,923</b>	<b>1,929,909</b>	<b>(1,967,894)</b>	<b>197,275</b>	<b>9,942,213</b>
Derivative contracts:					
- Forward foreign exchange	(7,121)	0	0	7,610	489
	<b>(7,121)</b>	<b>0</b>	<b>0</b>	<b>7,610</b>	<b>489</b>
Other investment balances:					
- Cash deposits	136,808			2,474	247,590
- Investment income due	78			0	79
<b>Net investment assets</b>	<b>9,912,688</b>			<b>207,359</b>	<b>10,190,371</b>

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



# Notes to Pension Fund accounts continued

## 11a) Reconciliation of movements in investments and derivatives

Period 2023/24	Market value 1 April 2023 £000	Purchases and derivative payments £000	Sales and derivative receipts £000	Change in value during the year £000	Market value 31 Mar 2024 £000
Pooled investments	6,419,927	643,354	(813,766)	653,713	6,903,228
Pooled property investments	102,009	44,295	0	(1,135)	145,169
Alternative investments	1,837,864	430,716	(186,336)	64,433	2,146,677
Property	493,000	132,428	(15,220)	(22,358)	587,849
	<b>8,852,799</b>	<b>1,250,793</b>	<b>(1,015,322)</b>	<b>694,653</b>	<b>9,782,923</b>
Derivative contracts:					
- Forward foreign exchange	8,695	18,191	(41,184)	7,177	(7,121)
	<b>8,695</b>	<b>18,191</b>	<b>(41,184)</b>	<b>7,177</b>	<b>(7,121)</b>
Other investment balances:					
- Cash deposits	207			(1,050)	136,808
- Spot foreign exchange contracts	0			(260)	0
- Investment income due	0			0	78
<b>Net investment assets</b>	<b>8,861,701</b>			<b>700,520</b>	<b>9,912,688</b>



# Notes to Pension Fund accounts continued

## 11b) Investments analysed by fund manager

	Market Value 31 March 2024		Market Value 31 March 2025	
	£000	%	£000	%
<b>Investments part of the ACCESS pool</b>				
ACCESS Pooled investments managed by Waystone				
- Acadian	647,910	6.5	589,954	5.7
- Alcentra	532,056	5.3	526,456	5.2
- Baillie Gifford	1,285,998	12.9	610,270	6.0
- Bluebay	0	0.0	406,907	4.0
- Dodge & Cox	753,836	7.6	607,255	5.8
- Fidelity	470,282	4.7	462,093	4.5
- Robeco	33,490	0.3	548,642	5.4
- Twenty-four Asset Management	0	0.0	242,501	2.4
ACCESS Pooled investments managed by UBS	2,479,784	24.9	2,522,824	24.7
CBRE Global Investors	0	0.0	930,379	9.1
Campbell Global	0	0.0	67,689	0.7
Stafford Capital Partners	0	0.0	28,630	0.3
	<b>6,203,356</b>	<b>62.2</b>	<b>7,543,600</b>	<b>73.8</b>
<b>Investments held outside of the ACCESS pool</b>				
Patria	782,550	7.8	909,202	8.9
Barings	413,231	4.1	20,784	0.2
CBRE Global Investors	733,321	7.4	0	0.0
GCM Grosvenor	906,353	9.1	1,038,935	10.2
JP Morgan Alternative Asset Management	508,007	5.1	480,407	4.7
Twenty-four Asset Management	286,641	2.9	0	0.0
	<b>3,630,103</b>	<b>36.4</b>	<b>2,449,328</b>	<b>24.0</b>
Other net assets	135,587	1.4	222,844	2.2
<b>Total</b>	<b>9,969,046</b>	<b>100.0</b>	<b>10,215,772</b>	<b>100.0</b>

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



# Notes to Pension Fund accounts continued

## 11c) Property holdings

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

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

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

	Year ending 31 March 2024 £000	Year ending 31 March 2025 £000
Within one year	28,660	37,980
Between one and five years	106,819	119,792
Later than five years	234,316	225,563
<b>Total future lease payments due under existing contacts</b>	<b>369,795</b>	<b>383,335</b>



# Notes to Pension Fund accounts continued

## 12. Analysis of derivatives

At 31 March 2025, the Fund had open forward currency contracts in place with a net unrealised gain of £0.49 million.

Settlements	Currency bought	Local value 000	Currency sold*	Local value 000	Asset value £000	Liability value £000
1 to 6 months	GBP	43,687	EUR	(51,803)	153	(6)
1 to 6 months	GBP	338,942	USD	(437,029)	345	(12)
1 to 6 months	EUR	676	GBP	(571)	0	(3)
1 to 6 months	USD	9,418	GBP	(7,285)	12	(0)
<b>Open forward currency contracts at 31 March 2025</b>					<b>510</b>	<b>(21)</b>
<b>Net forward currency contracts at 31 March 2025</b>						<b>489</b>

### Prior year comparative

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

\*List of currencies

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



# Notes to Pension Fund accounts continued

## 13. Fair value – basis of valuation

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

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



# Notes to Pension Fund accounts continued

## 13. Fair value – basis of valuation continued

Description of asset	Valuation hierarchy – level	Basis of valuation	Observable and unobservable inputs	Key sensitivity affecting the valuation provided
Alternative Investments – Private equity, infrastructure, and private debt	3	Comparable valuation of similar companies in accordance with <i>International Private Equity Venture Capital Valuation Guidelines</i> where appropriate or use of third-party valuers such as <i>Duff &amp; Phelps</i>	<ul style="list-style-type: none"> <li>• EBITDA multiple</li> <li>• Revenue multiple</li> <li>• Discount for lack of marketability</li> <li>• Control premium</li> <li>• Loan to value multiple</li> </ul>	Valuations could be affected by material events occurring between the date of the financial statement provided and the Pension Fund’s own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts
Alternative Investments – Timberland	3	Valued in accordance with International Financial Reporting Standards (notably IAS 41: Agriculture), the Uniform Standards of Professional Appraisal Practice (USPAP) and the Appraisal Institute’s Code of Professional Ethics and Standards of Professional Appraisal Practice or other regional standards (e.g. New Zealand Institute of Forestry Forest Valuation Standards)	<ul style="list-style-type: none"> <li>• Discount rate</li> <li>• Log price</li> </ul>	Valuations could be affected by material events occurring between the date of the financial statement provided and the Pension Fund’s own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts



# Notes to Pension Fund accounts continued

## Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with the Fund’s investment managers, the Fund has determined that the valuation methods described above are likely to be accurate within the following ranges and has set below the consequent potential impact on the closing value of investments held at 31 March 2025.

	Assessed valuation range (+/-)	Value at 31 March 2025 £000	Value on increase £000	Value on decrease £000
Alternative Investments – Private debt	5%	473,578	497,257	449,899
Alternative Investments – Infrastructure	10%	1,024,350	1,126,785	921,915
Alternative Investments – Private equity	10%	880,125	968,138	792,113
Alternative Investments – Timberland	10%	96,318	105,950	86,686

## 13a) Fair value hierarchy

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

### Level 1

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

### Level 2

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

### Level 3

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



## Notes to Pension Fund accounts continued

The following 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.

Values at 31 March 2025	Quoted market price	Using observable inputs	With significant unobservable inputs	
Financial assets	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets at fair value through profit and loss	5,990,446	697,418	2,474,372	9,162,236
Non-financial assets at fair value through profit and loss	0	780,488	0	780,488
Financial liabilities at fair value through profit and loss	0	(21)	0	(21)
<b>Net investment assets</b>	<b>5,990,446</b>	<b>1,477,885</b>	<b>2,474,372</b>	<b>9,942,703</b>

Values at 31 March 2024	Quoted market price	Using observable inputs	With significant unobservable inputs	
Financial assets	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets at fair value through profit and loss	5,957,942	1,090,465	2,146,677	9,195,084
Non-financial assets at fair value through profit and loss	0	587,850	0	587,850
Financial liabilities at fair value through profit and loss	0	(7,131)	0	(7,131)
<b>Net investment assets</b>	<b>5,957,942</b>	<b>1,671,184</b>	<b>2,146,677</b>	<b>9,775,803</b>

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



# Notes to Pension Fund accounts continued

## 13b) Reconciliations of fair value measurements within level 3

Period 2024/25	Market value 31 March 2024 £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Change in market value during the year £000	Market value 31 March 2025 £000
Alternative investments	2,146,677	529,356	(292,611)	90,950	2,474,372

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



# Notes to Pension Fund accounts continued

## 14. Financial instruments

### 14a) Classification of financial instruments

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

31 March 2024			31 March 2025		
Fair value through profit and loss £000	Assets at amortised cost £000	Liabilities at amortised cost £000	Fair value through profit and loss £000	Assets at amortised cost £000	Liabilities at amortised cost £000
			<b>Financial assets</b>		
6,903,228			Pooled investments	6,537,685	
145,169			Pooled property investments	149,668	
2,146,677			Alternatives	2,474,372	
10			Derivative contracts	510	
67,020	69,866		Cash	128,540	119,128
	10,290		Debtors		10,946
<b>9,262,104</b>	<b>80,156</b>	<b>0</b>		<b>9,290,775</b>	<b>130,074</b>
			<b>Financial liabilities</b>		
(7,131)			Derivative contracts	(21)	
		(3,604)	Creditors		(6,304)
<b>(7,131)</b>	<b>0</b>	<b>(3,604)</b>		<b>(21)</b>	<b>(6,304)</b>
<b>9,254,973</b>	<b>80,156</b>	<b>(3,604)</b>		<b>9,290,754</b>	<b>(6,304)</b>



# Notes to Pension Fund accounts continued

## 14b) Net gains and losses on financial instruments

31 March 2024 £000		31 March 2025 £000
	<b>Financial assets</b>	
715,700	Fair value through profit and loss	180,441
	<b>Financial liabilities</b>	
7,177	Fair value through profit and loss	7,610
<b>722,877</b>	<b>Total</b>	<b>188,051</b>

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

## 15) Nature and extent of risks arising from financial instruments

### Risk and risk management

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

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

### 15a) Market risk

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

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

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



# Notes to Pension Fund accounts continued

The Fund manages these risks in two ways:

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

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

## Other price risk

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

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

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

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

## Other price risk – sensitivity analysis

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

has determined the following movements in market price risk for the 2024/25 reporting period based on a one standard deviation movement in the value of the Fund's investments. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Asset type	Potential market movements (+/-)
Overseas equities	12.72%
UK bonds	14.75%
Overseas bonds	9.21%
Property	8.34%
Alternative investments	4.71%
Cash	0.61%



## Notes to Pension Fund accounts continued

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

Asset type	Value at 31 March £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Total assets 2025	10,190,371	1,024,799	11,215,170	9,165,572
Total assets 2024	9,912,689	1,081,279	10,993,968	8,831,410

Asset type	Value at 31 March 2025 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Global equities	3,394,004	431,787	3,825,791	2,962,217
UK bonds	1,947,034	287,258	2,234,292	1,659,776
Overseas bonds	1,196,647	110,230	1,306,877	1,086,417
Property	930,156	77,535	1,007,691	852,621
Alternatives	2,474,861	116,486	2,591,347	2,358,375
Cash	247,669	1,503	249,172	246,166
<b>Total assets</b>	<b>10,190,371</b>	<b>1,024,799</b>	<b>11,215,170</b>	<b>9,165,572</b>

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



# Notes to Pension Fund accounts continued

## Interest rate risk

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

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

The Fund's direct exposure to interest rate movements as at 31 March 2025 and 31 March 2024 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

## Interest rate risk sensitivity analysis

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

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



## Notes to Pension Fund accounts continued

Assets exposed to interest rate risk	Value as at 31 March 2025 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
Cash & cash equivalents	434	0	434	434
Cash deposits	247,669	0	247,669	247,669
<b>Total</b>	<b>248,103</b>	<b>0</b>	<b>248,103</b>	<b>248,103</b>

Income exposed to interest rate risk	Amount receivable as at 31 March 2025 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
Cash deposits/ cash & cash equivalents	5,753	1,928	7,680	3,825
<b>Total</b>	<b>5,753</b>	<b>1,928</b>	<b>7,680</b>	<b>3,825</b>

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

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

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



# Notes to Pension Fund accounts continued

## Currency risk

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

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

## Currency risk – sensitivity analysis

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

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

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

Asset type	Value at 31 March £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Total assets 2025	5,394,798	380,583	5,775,381	5,014,215
Total assets 2024	5,089,379	360,882	5,450,261	4,728,497



# Notes to Pension Fund accounts continued

## 15b) Credit risk

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

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

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

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

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

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

The Pension Fund has managed its exposure to credit risk and has had no experience of default or uncollectable deposits over the past five years. The Fund's cash holding under its treasury management arrangements at 31 March 2025 was £197.55 million (31 March 2024: £79.41 million). This was held with the following institutions:

	Rating as at 31 March 2025	Balance as at 31 March 2024 £000	Balance as at 31 March 2025 £000
<b>Money market funds</b>			
Aberdeen (formerly abrdn)	AAAm	7,840	18,700
Blackrock	AAAm	10,950	14,370
DWS	AAAm	7,160	15,140
Federated Hermes	AAAm	6,120	12,230
Goldman Sachs	AAAm	6,350	11,680
Insight	AAAm	7,360	18,700
Northern Trust	AAAm	7,940	23,280
JP Morgan	AAAm	13,300	14,440
<b>Bank Deposits</b>			
Lloyds	A+	10	7,500
NatWest	A	10	10
Handelsbanken	AA-	12,370	10,000
<b>Local authority loans</b>		0	21,500
<b>UK Treasury bills</b>		0	30,000
<b>Total</b>		<b>79,410</b>	<b>197,550</b>



# Notes to Pension Fund accounts continued

## 15c) Liquidity risk

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

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. As at 31 March 2025 the value of illiquid assets was £3,405 million, which represented 33.4% of the total fund assets (31 March 2024: £2,886 million, which represented 29.1% 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 2025 are due within one year.

## Refinancing risk

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

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

## 16. Funding arrangements

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

The key elements of the funding policy are:

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

- to ensure that employer contribution rates are as stable as possible
- to minimise the long-term cost of the Scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return
- to reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations

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



# Notes to Pension Fund accounts continued

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

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

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

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

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

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

## Financial assumptions

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

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



# Notes to Pension Fund accounts continued

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

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

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

The assets were valued at market value.

## Demographic assumptions

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

Allowance is made for mortality improvements such that an active member

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

## Commutation assumption

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

## 50:50 option

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

## 17. Actuarial present value of promised retirement benefits

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

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

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

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

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

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



# Notes to Pension Fund accounts continued

## 18. Current assets

	31 March 2024 £000	31 March 2025 £000
<b>Debtors:</b>		
- Contributions due – employees	560	1,785
- Contributions due – employers	42,108	20,508
- Tax	3,042	2,548
- Sundry debtors	10,290	10,946
<b>Cash balances</b>	619	434
<b>Total</b>	<b>56,619</b>	<b>36,221</b>

Analysis of debtors	31 March 2024 £000	31 March 2025 £000
Central government bodies	16,519	6,484
Other local authorities	23,618	13,876
Other entities and individuals	15,863	15,427
<b>Total</b>	<b>56,000</b>	<b>35,787</b>

## 19. Current liabilities

	31 March 2024 £000	31 March 2025 £000
Sundry creditors	3,603	6,303
Benefits payable	824	2,157
Tax	1,782	2,360
<b>Total</b>	<b>6,209</b>	<b>10,820</b>

Analysis of creditors	31 March 2024 £000	31 March 2025 £000
Central government bodies	1	2
Other local authorities	1,008	2,232
Other entities and individuals	5,200	8,586
<b>Total</b>	<b>6,209</b>	<b>10,820</b>

## 20. Additional voluntary contributions

	Market value 31 March 2024 £000	Market value 31 March 2025 £000
Prudential	29,037	32,877
Zurich	2,864	2,524
Utmost	609	585
<b>Total</b>	<b>32,510</b>	<b>35,987</b>

During the year, AVCs of £8.119 million were paid directly to Prudential (2023/24: £2.227 million) and £0.002 million to Utmost (2023/24: £0.002 million). No contributions were paid to Zurich which closed to new contributions in 2021/22.



# Notes to Pension Fund accounts continued

## 21. Related party transactions

The Hampshire Pension Fund is administered by Hampshire County Council. Consequently, there is a strong relationship between the County Council and the Pension Fund. The County Council is also the single largest employer of members of the Pension Fund and contributed £50.070 million to the Fund in 2024/25 (2023/24 £312.013 million this included paying the employer pension contributions due for the three years of the Pension Fund's triennial valuation period to 2025/26).

During the reporting period, the County Council incurred costs of £4.117 million (2023/24: £3.927 million) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses.

For the year to 31 March 2025 the key management personnel of the Fund were the Director of Corporate Operations of Hampshire County Council, acting as Chief Finance Officer (CFO) to the Fund, and the Head of Pensions, Investments and

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

Part of the Pension Fund's cash holdings are invested on the money markets by the treasury management operations of Hampshire County Council. During the year to 31 March 2025, the Fund had an average cash balance of £94.843 million (year to 31 March 2024: £204.113 million), earning interest of £5.954 million (2023/24 £11.012 million) on these funds.

## 22. Contingent liabilities and contractual commitments

Outstanding capital commitments (investments) at 31 March 2025 totalled £805.964 million (31 March 2024: £724.041 million). These commitments relate to outstanding call payments due on unquoted alternative investment and property limited

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

In December 2018 the Court of Appeal ruled against the Government in the McCloud and Sargeant cases, that the underpin protections for those within 10 years of retirement is age discrimination. The underpin was a protection that was put in place when the scheme changed on 1 April 2014 and applied to members who were an active member on 31 March 2012 and were within 10 years of their normal retirement age (usually 65). The regulations containing the underpin protections came into effect on 1 October 2023 and work has continued to apply the remedy retrospectively to affected members who left before this date. The financial impact of the remedy remains difficult to determine, but it is a future liability for the Fund.



# Statement of Responsibilities for the Hampshire Pension Fund accounts

## Fund's responsibilities

The Fund is required to:

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

## Director of Corporate Operations responsibilities

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

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

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

The Chief Financial Officer has also:

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

## The Chief Financial Officer's Statement

I certify that the statement of accounts as set out on **pages 48 to 85** presents a true and fair view of the financial position of the Hampshire Pension Fund as at 31 March 2025 and the income and expenditure for the year ended 31 March 2025.

**Andrew Lowe CPFA**

Director of Corporate Operations  
and Section 151 Officer

## Section 6

# Investments and funding



# Investments and funding background information

## Investment strategy

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

The Pension Fund's investment strategy is to invest in a broad range of asset classes. The principle aims of the investment strategy are to mitigate investment risk and achieve the return that has been calculated by the Fund's actuary in the triennial valuation so that the Fund can afford to meet its future pension obligations. The Fund's investments are managed by specialist external investment managers, most now appointed by the ACCESS pool. These investment managers charge fees as a percentage of the value of investments they are contracted to manage.

With the exception of some of the Fund's alternative investments, the fees that the Pension Fund are charged are not related to the investment return that has been made.

All of the Fund's investments are managed by external investment managers, other than the cash which is managed by the Director of Corporate Operations' staff. The full list of the Fund's external investment managers including the portfolio they manage is available on **pages 106 and 107** of this annual report.

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

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

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

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

- accounting and performance reporting on the Pension Fund individual investment portfolios and the Fund in total;
- cash facilities to enable the Pension Fund to make and receive payments for its investments
- foreign exchange settlement to enable the Pension Fund to buy and sell assets in foreign currencies
- historic tax reclamation services
- historic filing of US-based class action lawsuits

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



# Investment performance report

**The Hampshire Pension Fund’s assets delivered a total return of 4.2% against a weighted benchmark of 3.8% in 2024/25. The weighted benchmark return is the average return for the relevant benchmarks of the Pension Fund’s investments, weighted to reflect the relative size of each portfolio.**

Between 1 April 2024 and 31 March 2025, there were over 70 national elections held globally, making it one of the biggest potential political cross-roads in modern history. This period has been dubbed the 'Year of Elections' due to the sheer volume and global impact of the outcomes. National elections held of particular significance included the United States and United Kingdom.

This came off the back of a period of very high inflation followed swiftly by high interest rates. During 2024/25 inflation fell back allowing monetary policy authorities to begin to cut interest rates back to more normal levels, albeit higher than the

average rates seen in the decade following the Global Financial Crisis in 2008.

November 2024's election of Donald Trump to his second term as US President brought with it global volatility in financial markets which only worsened as the year continued as his policy agenda for increases in US tariffs on global imports became apparent.

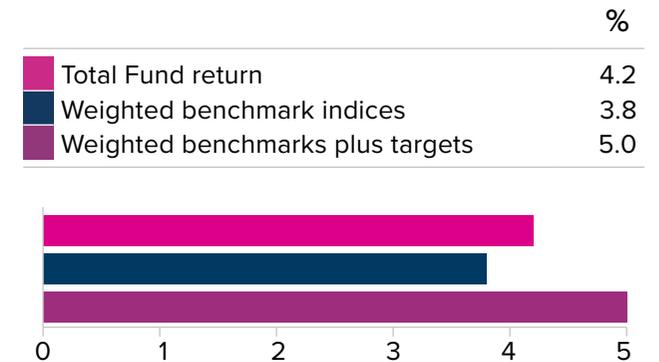
Meanwhile geopolitical tensions escalated as both Russia's war in Ukraine, and the Israel-Gaza war continued, with headlines continuing to impact financial markets.

In addition, the announcement of DeepSeek, a cutting-edge generative artificial intelligence (AI) platform developed in China, was announced in early 2025. This announcement had a significant and immediate impact on financial markets due to the apparent cost efficiency of this model, with the 'Magnificent 7' technology stocks – Apple, Microsoft, Amazon, Alphabet, Meta, Nvidia, and Tesla - losing over \$1 trillion in market capitalisation in a single day.

These events resulted in a volatile year in markets, with global and emerging market equities as well as UK index-linked bonds performing poorly.

The Pension Fund's investment across a highly diversified portfolio ensured performance above the weighted benchmark.

## Total investment returns for the Fund (12 months to 31 March 2025)



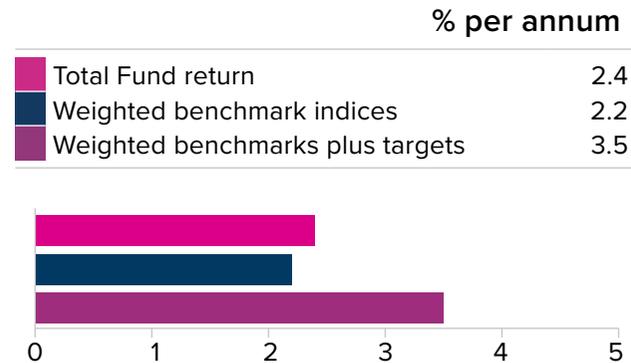


# Investment performance report continued

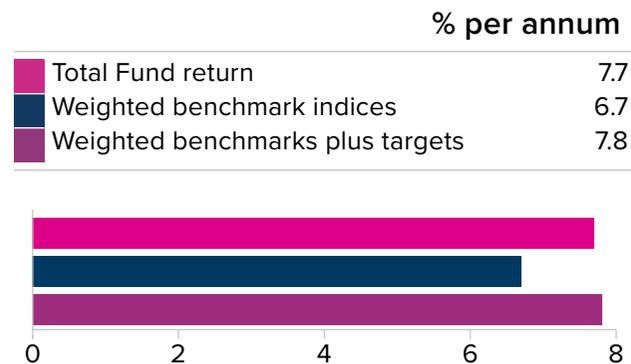
The Fund's investment return was 2.4% per annum over the three years to March 2025, which was above the weighted benchmark of 2.2%. This three year period included one very positive year for financial markets (2023/24) where the Fund delivered a return of 9.1%, but also two more disappointing years (2022/23 and 2024/25). 2022/23 was particularly volatile, with the announcement of the Truss-Kwarteng mini-budget in September 2022 causing Sterling to plunge, destabilisation of bond markets, and a spike in mortgage rates.

Over the five-year period to 31 March 2025, the Fund's investment return was 7.7% per annum, which was above the weighted benchmark of 6.6%.

## Total investment returns for the Fund (three years to 31 March 2025)



## Total investment returns for the Fund (five years to 31 March 2025)





# Investment performance report continued

## Global equities

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

The Pension Fund's global equities portfolios are invested by a collection of investment managers that vary by style. This is to ensure diversification, with the aim of providing positive investment returns in all market environments to reduce the risk to performance and protect the value of the Pension Fund. Full details of the investment management arrangements are on pages 106-107 and performance data is only shown where meaningful data is available.

Global stock markets gained 5.3% in 2024/25, as measured by the MSCI All Countries World Index (ACWI).

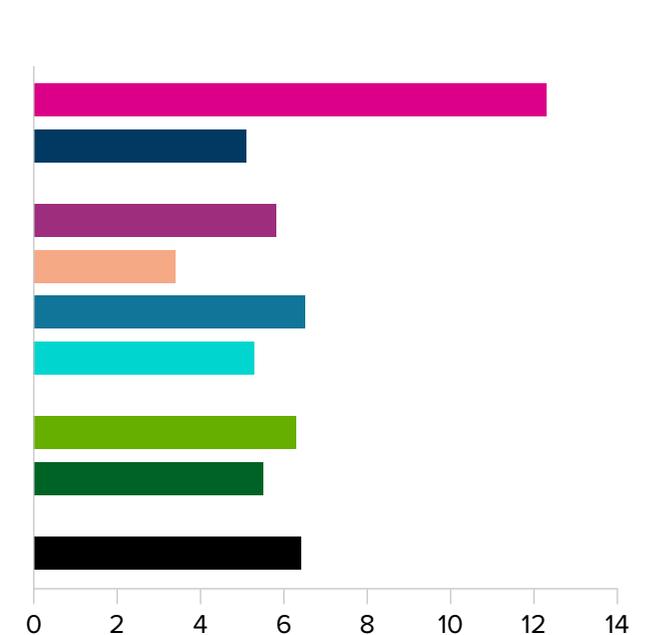
Global markets suffered a large correction in 2024/25 due to volatility caused by

## Global equities (12 months to 31 March 2025)

	%
ACCESS Managed Volatility (Acadian)	12.3
MSCI World	5.1
ACCESS Long Term Global Growth (Baillie Gifford)	5.8
ACCESS Global Stock Fund (Dodge & Cox)	3.4
UBS Alternative Beta	6.5
MSCI All Countries World Index	5.3
UBS Global Equities	6.3
FTSE All World Equity Index	5.5
All active global investment managers	6.4

a number of factors including policy uncertainty, slowing economic data, technology sector weakness including valuation concerns and geopolitical and trade tensions.

In this uncertain environment the ACCESS Managed Volatility portfolio managed by Acadian has outperformed the index as well as the portfolio's target in the



12 months to 31 March 2025 due to its selection of low volatility stocks. The Pension Fund invested in this portfolio for situations such as this to diversify the Pension Fund's global equities exposure, and limit the impact of a volatile market.

The ACCESS Long-term Global Growth portfolio managed by Baillie Gifford delivered investment performance close to



# Investment performance report continued

the portfolio's benchmark, outperforming the benchmark by 0.5%. This concentrated portfolio focuses on 'growth' stocks and the continued rally of the last few years in technology stocks meant that the portfolio has generally performed well. Unfortunately the economic headwinds of the last few months of 2024/25 caused technology stocks to lose value which in turn impacted on the performance of this portfolio.

The ACCESS Global Stock Fund managed by Dodge & Cox underperformed the benchmark due to its exposure to the US as well as a small exposure to the 'Magnificent 7' technology stocks. This 'value' style portfolio has not been in favour since 2022 due to market conditions, however it still returned a positive absolute return in the 12 months to 31 March 2025.

During 2024/25 the Pension Fund invested in a new portfolio, ACCESS Global Stars portfolio managed by Robeco, which has a 'Core' focus. As the investment experience is so short performance has not been reported within this year's Annual Report.

In aggregate, the Fund's active global equity managers outperformed the MSCI ACWI benchmark, returning 6.4% compared with the 5.3% gain for the index.



# Investment performance report continued

Five of the Pension Fund’s current global equity portfolios have a track record of at least three years and their performance is shown in the adjacent chart against their respective benchmarks. The table also shows the aggregate performance of all the Pension Fund’s active equity managers over three years, including those where the Pension Fund has now disinvested. The Fund’s active equity managers have underperformed the wider market in aggregate, returning 7.0% in comparison to the market’s 8.1%.

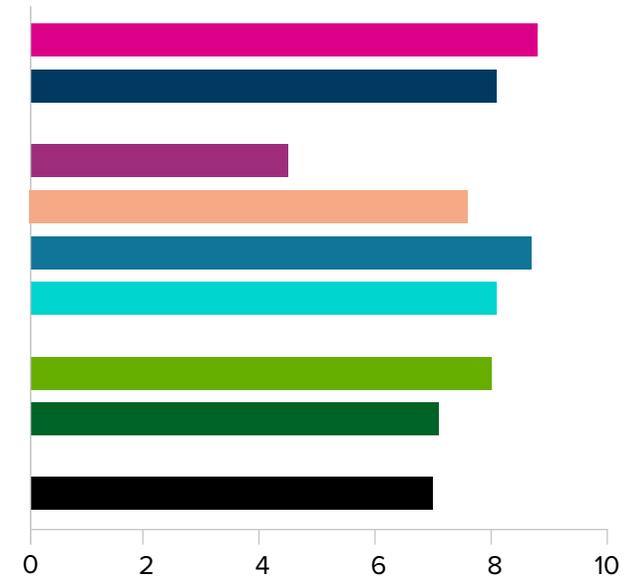
The strong 12 month performance of Acadian's Managed Volatility portfolio has translated to a strong three-year absolute performance of 8.8% per annum, which was 0.7% above the portfolio's benchmark.

Although both of the Pension Fund's other current active global equities managers provided positive absolute investment returns of the three year period, their performance did underperform the benchmark. Dodge & Cox's Global Stock Fund's performance only marginally fell below the benchmark.

## Global equities (three years to 31 March 2025)

% per annum

ACCESS Managed Volatility (Acadian)	8.8
MSCI World	8.1
ACCESS Long Term Global Growth (Baillie Gifford)	4.5
ACCESS Global Stock Fund (Dodge & Cox)	7.6
UBS Alternative Beta	8.7
MSCI All Countries World Index	8.1
UBS Global Equities	8.0
FTSE All World Equity Index	7.1
All active global investment managers	7.0



Baillie Gifford's Long-term Global Growth portfolio underperformed the benchmark due to the fact that within this three year period two of those years market conditions were not helpful for 'Growth' style portfolios. In 2022/23, stocks that had previously traded at high valuations fell in value as investors became less optimistic

about the future due to high inflation and interest rates.



# Investment performance report continued

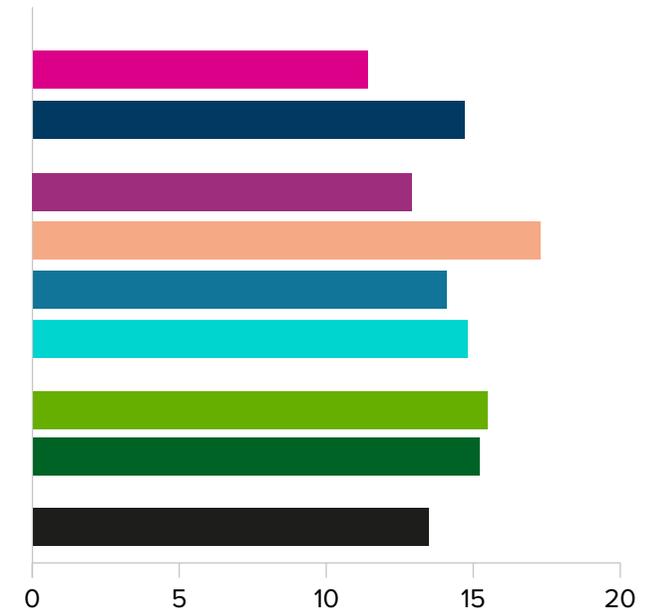
Three of the Pension Fund's current active global equity portfolios have a track record of five years and their performance is shown in the adjacent chart against their respective benchmarks. The Global Stock Fund, managed by Dodge & Cox, has outperformed the benchmark due to providing positive absolute returns even in poor-performance years. Unfortunately the volatility of the Long-term Global Growth portfolio has hurt the performance earned in the outstandingly strong years.

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

## Global equities (five years to 31 March 2025)

% per annum

ACCESS Managed Volatility (Acadian)	11.4
MSCI World	14.7
ACCESS Long Term Global Growth (Baillie Gifford)	12.9
ACCESS Global Stock Fund (Dodge & Cox)	17.3
UBS Alternative Beta	14.1
MSCI All Countries World Index	14.8
UBS Global Equities	15.5
FTSE All World Equity Index	15.2
All active global investment managers	13.5





# Investment performance report continued

## Fixed income

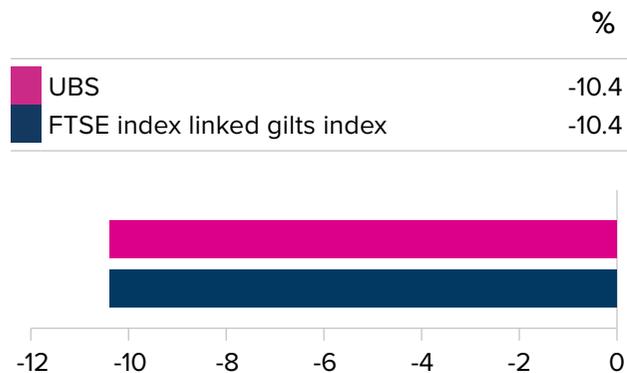
Both the FTSE British Government Over Five Years Index-Linked Gilts Index and UBS delivered returns of -10.4% during 2024/25. Over 5 years the portfolio performance has provided returns marginally above the benchmark at -8.7% per annum, in comparison to the benchmark return of -9.3%.

In the 12 months to 31 March 2025, UK index-linked gilts experienced a challenging period, with negative returns driven by a combination of falling inflation

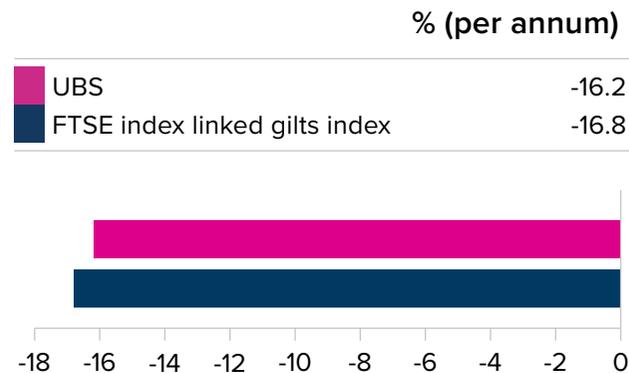
expectations, interest rate volatility and long duration exposure.

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

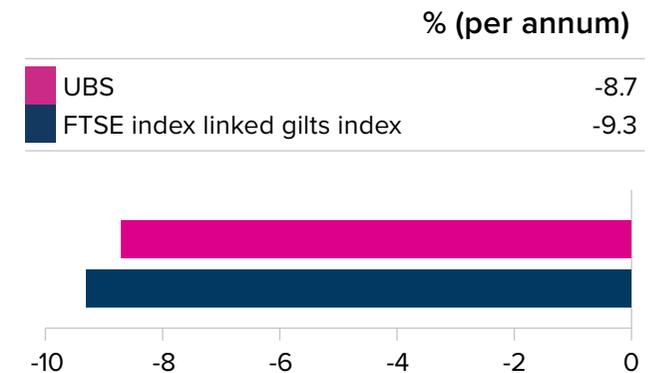
### Index linked gilts (12 months to 31 March 2025)



### Index linked gilts (three years to 31 March 2025)



### Index linked gilts (five years to 31 March 2025)





# Investment performance report continued

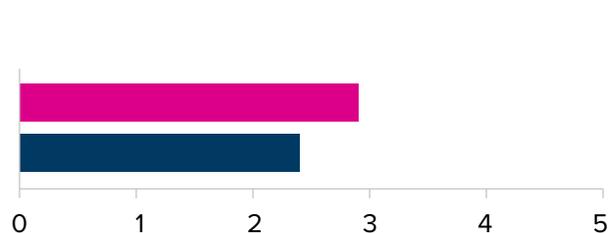
The Pension Fund invested in the ACCESS Sterling Investment Grade Credit Fund managed by Fidelity in 2023/24.

This portfolio invests in mostly high-grade UK corporate and government bonds as well as currencies. Over the 12 months to 31 March 2025 the portfolio produced a positive absolute return which marginally outperformed the benchmark. This portfolio's performance suffered as a result of exposure to gilts and water companies.

In 2024/25 the Pension Fund carried out a review of its Multi-Asset Credit (MAC) investment portfolios and made the

## Sterling Investment Grade Credit (12 months to 31 March 2025)

	%
Fidelity	2.9
ICE BoA Euro Sterling	2.4



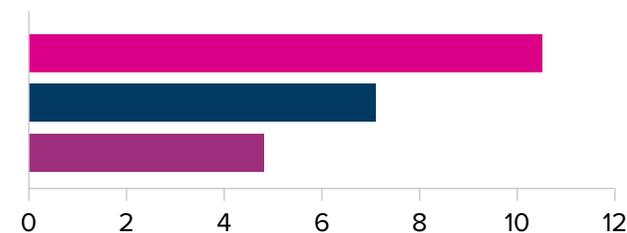
decision to disinvest from the Barings portfolio and invest in the ACCESS Total Return Credit Fund managed by RBC BlueBay. The portfolio is now disinvested with a marginal amount remaining; the tail that is still to be disinvested is due to the illiquidity of those remaining stocks.

As BlueBay's portfolio has been invested for only a short period, performance at this stage is too short to be reported on within this Annual Report.

Alcentra is the Pension Fund's other MAC investment manager. The Pension Fund's MAC investment managers predominantly

## Actively managed fixed income (12 months to 31 March 2025)

	%
Alcentra	10.5
TwentyFour	7.1
3 month average SONIA	4.8



invest directly in bonds and loans and have been given a target to deliver returns of 3% per annum above the 3 month average SONIA rate. The stabilisation of higher interest rates has resulted in positive returns for Alcentra, well above both the benchmark and the target.

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



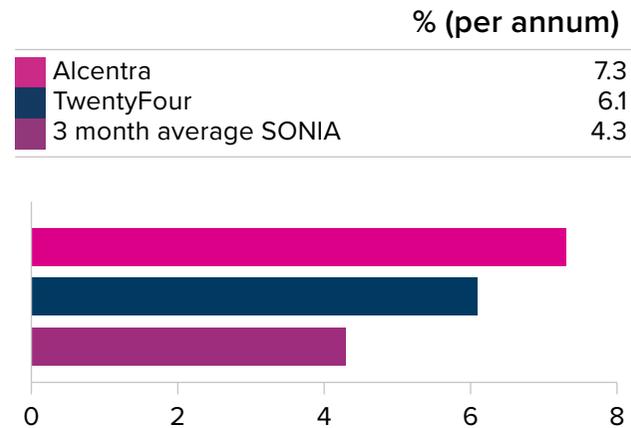
# Investment performance report continued

Two of the Fund's current actively managed fixed income portfolios have a track record of three years or more and their performance is shown in the following charts against SONIA. Over the three-year period to 31 March 2025 both investment managers provided a positive absolute return and outperformed the benchmark but not their individual targets.

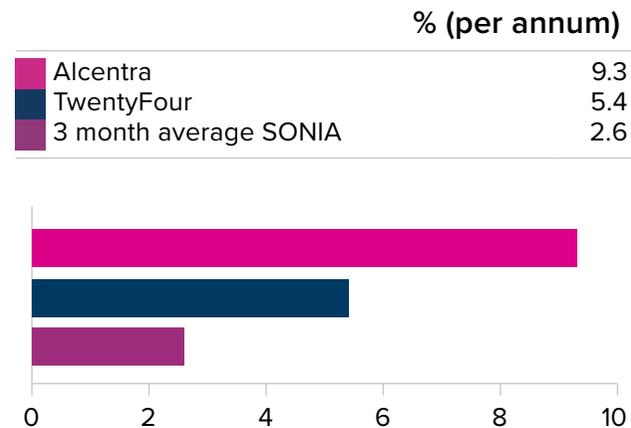
In the five-year period to 31 March 2025, both investment managers provided positive absolute returns which were both above the benchmark and the target, Alcentra to a greater extent.

The Fund's investments in private debt through JP Morgan Alternative Asset Management are covered under the section on alternative investments on **pages 99-101**.

## Actively managed fixed income (three years to 31 March 2025)



## Actively managed fixed income (five years to 31 March 2025)





# Investment performance report continued

## Property

CBRE Investment Management manage a portfolio of UK properties, with a performance target of the Retail Price Index (RPI) plus 3.5% over 7 to 10 years. CBRE Global Investors' performance return of 7.1% in 2024/25 was above their target of 6.7%, and greater than the average UK commercial property market (depicted by the MSCI Quarterly Universe benchmark in the tables below).

2024/25 was the year that the property market began to turnaround and CBRE took the opportunity to selectively reposition the portfolio.

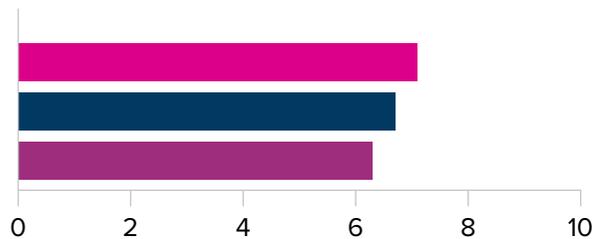
Recent years have been difficult for the UK commercial property market for a combination of reasons, the change in property requirements following the global pandemic causing falling demand for property investments, the fears of economic slowdown in the UK and the

significant rise in inflation which has increased the portfolio's return target.

As a result, CBRE Investment Management have underperformed their RPI plus 3.5% target over the last 3 years and 5 years, however have outperformed the market in all periods, which means they have produced better investment returns than the average UK property manager.

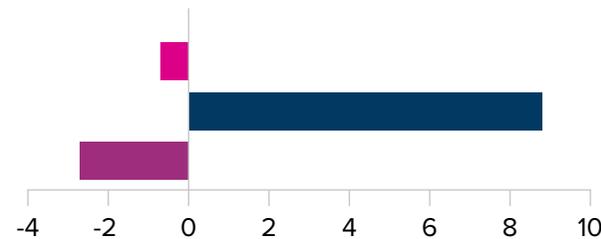
### Property (12 months to 31 March 2025)

	%
CBRE Investment Management – UK property	7.1
RPI plus 3.5%	6.7
MSCI Quarterly Universe benchmark	6.3



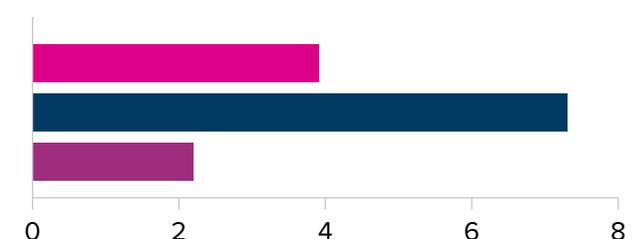
### Property (three years to 31 March 2025)

	% per annum
CBRE Investment Management – UK property	-0.7
RPI plus 3.5%	8.8
MSCI Quarterly Universe benchmark	-2.7



### Property (five years to 31 March 2025)

	% per annum
CBRE Investment Management – UK property	3.9
RPI plus 3.5%	7.3
MSCI Quarterly Universe benchmark	2.2





# Investment performance report continued

## Alternative investments

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

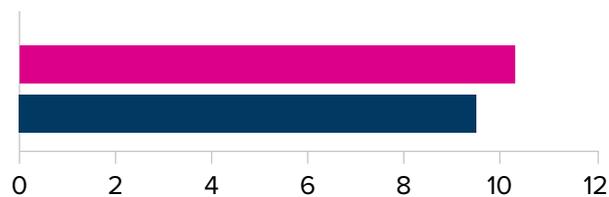
The performance of all of the Pension Fund's alternative investments portfolios are measured using the Internal Rate of Return (IRR), which gives an annualised effective interest rate for the investment, taking account of the timing of the cashflows.

During 2024/25 the Pension Fund made its first investments in Timberland funds; the investment performance of these new funds have not been included within this section of the Annual Report due to the fact that performance information at this early stage is too short to be reported. An update will be provided in 2025/26's Annual Report.

2024/25's alternatives market has seen an improvement in comparison to 2023/24 as interest rates have reduced, although not back down to previous low levels. Therefore costs of debt have reduced which has seen some improvements in exit markets. However the announcement of the US's increased tariffs and the volatility this has caused in markets has provided uncertainty, meaning that investors have been less likely to commit to purchases and sales on the secondary markets. In addition the markets have felt the impact of high inflation and geopolitical tensions.

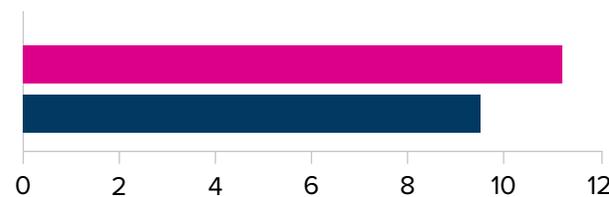
## Private equity and other (12 months to 31 March 2025)

	%
Patria	10.3
Absolute target 9.5% p.a.	9.5



## Private equity and other (three years to 31 March 2025)

	% per annum
Patria	11.2
Absolute target 9.5% p.a.	9.5



The performance of each portfolio is impacted by market conditions but also by the maturity of the portfolio, which is the average age of the investments within the portfolio, and at what stage of the life cycle the investments are at.

Patria, who manage the Pension Fund's Private Equity portfolio, have worked hard during 2024/25 to exit the Pension Fund's aged co-investments, with pleasing return on cost. This, as well as much of the portfolio being in the distribution phase of the lifecycle during 2024/25 has resulted in performance above the target in the one-year period.



# Investment performance report continued

Generally, the IRR can be misleading or unreliable for early-stage investments due to the IRR being highly sensitive to the timing of cash flows. Immature alternative investments often have delayed or back-loaded returns, which can distort the IRR or make it non-representative of actual performance.

For that reason, as well as the strength of the pound against the dollar, GCM's infrastructure portfolio has an IRR well below the investment target for the 12 months to 31 March 2025.

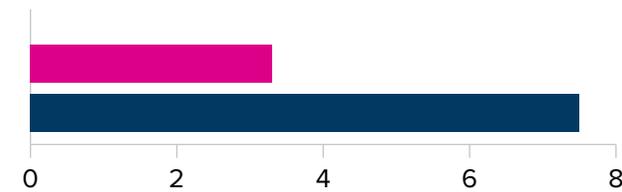
This is because over the past two years GCM have added heavily to the portfolio following the Pension Fund Panel and Board's decision to increase the strategic asset allocation to infrastructure, therefore severely reducing the average maturity of the portfolio. The portfolio is now fully committed and the majority of the underlying investments are continuing to perform well, and therefore the Pension Fund expects the one-year IRR to improve as the portfolio matures.

JP Morgan's private debt portfolio is currently in a state of transition as the commitments made at the inception of the portfolio in 2019

are now maturing and the portfolio is being reinvested.

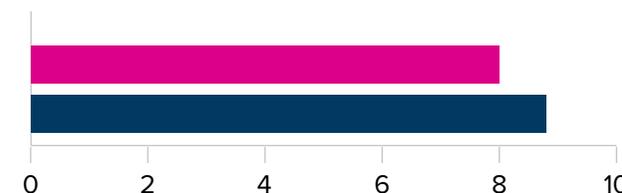
## Infrastructure (12 months to 31 March 2025)

	%
GCM Grosvenor	3.3
Absolute target 7.5% p.a.	7.5



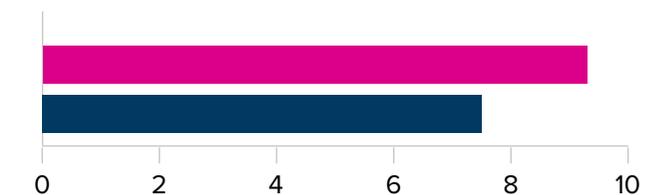
## Private debt (12 months to 31 March 2025)

	%
JP Morgan Alternative Asset Management	8.0
SONIA +4% p.a. target	8.8



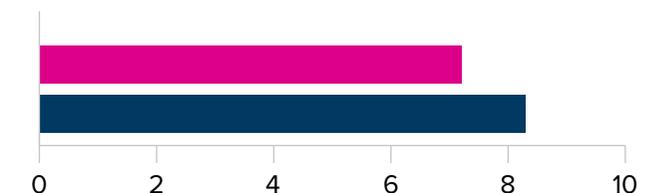
## Infrastructure (three years to 31 March 2025)

	% per annum
GCM Grosvenor	9.3
Absolute target 7.5% p.a.	7.5



## Private debt (three years to 31 March 2025)

	% per annum
JP Morgan Alternative Asset Management	7.2
SONIA +4% p.a. target	8.3





# Investment performance report continued

Overall, 12 months investment returns to 31 March 2025 for the portfolio were below the benchmark target of 3 month UK SONIA + 4%. While absolute returns for the portfolio were not markedly different than the investment manager's underwritten expectations although there were some underperforming positions.

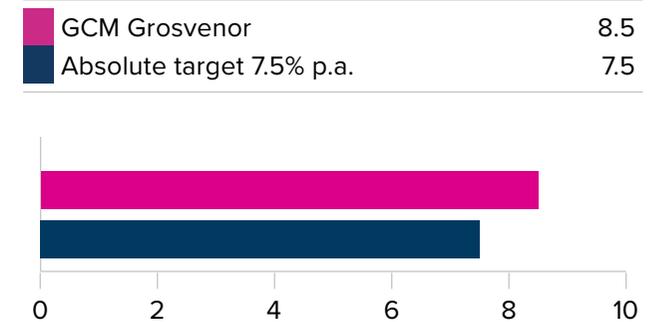
Rising interest rates and their impact on valuations of assets with long-dated cash flows represented a common factor across many of these underperforming underlying investment. In particular, commercial real estate borrowers and owners of clean energy assets faced headwinds from higher interest rates. In addition, some borrowers continue to face prolonged difficulties originating during COVID, whether through changing end demand dynamics or supply chain disruptions.

Looking ahead, JP Morgan expects that the specific credit problems that led a few underlying investments to experience more muted returns should be behind us. The relevant problem assets appear in most cases to have been stabilised or have been resolved.

Over a five year time horizon, all three alternative investments portfolios have performed extremely well, being above their performance targets.

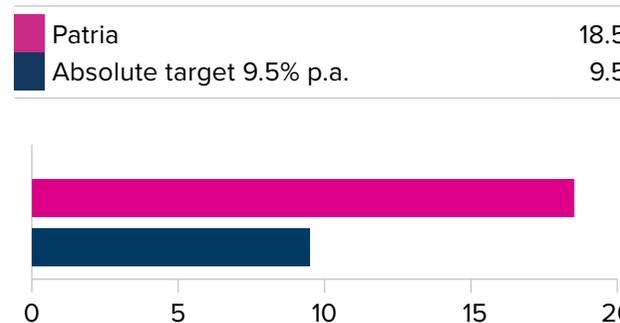
## Infrastructure (five years to 31 March 2025)

% per annum



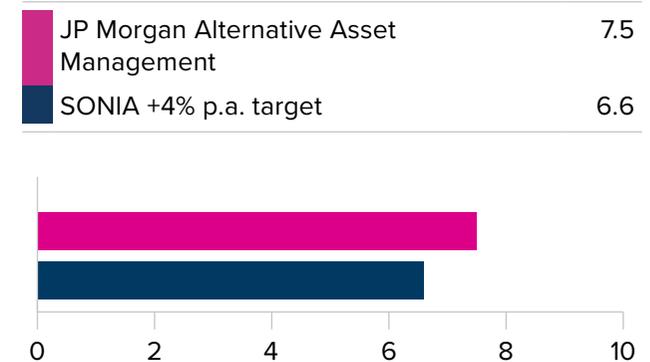
## Private equity and other (five years to 31 March 2025)

% per annum



## Private debt (five years to 31 March 2025)

% per annum





# Environmental, Social and Governance (ESG) issues

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

- Environmental – climate change (including physical impacts such as damage and disruption from extreme weather events and transition risks associated with the pace and extent at which an organisation adapts to reduce greenhouse gas emissions and transition to renewable energy), resource depletion, (including water, waste and pollution), and biodiversity loss (including deforestation).
- Social – human rights (including slavery, child labour, data privacy and the impacts of conflict) decent work (including workplace security, fair wages, health and safety, equality of opportunity and employee relations), and diversity equity and inclusion (for all groups in society, including indigenous communities, women, people of colour and religious minorities).

- Governance – executive pay, responsible political engagement, board diversity and structure, tax fairness.

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

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

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

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

In promoting best practice in RI and stewardship, which is consistent with the Fund’s aim of seeking long term investment returns for the members of the Pension Fund, the Fund is a signatory or supporter of the following standards and initiatives within the investment industry that demonstrates its commitment to RI and the principles it will work to:

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



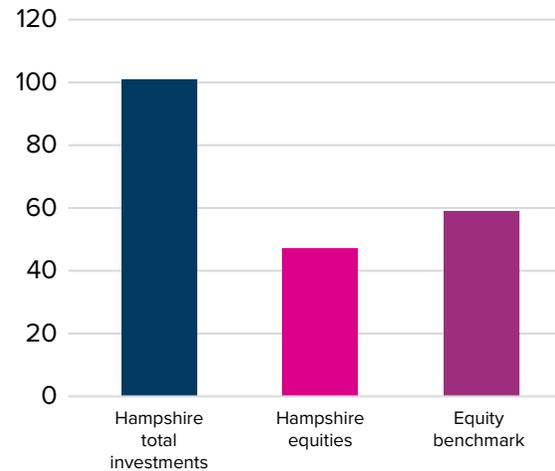
# Environmental, Social and Governance (ESG) issues continued

In addition ACCESS, which Hampshire is a part of, is a member of the Local Authority Pension Fund Forum (LAPFF) which is the UK's leading collaborative shareholder engagement group.

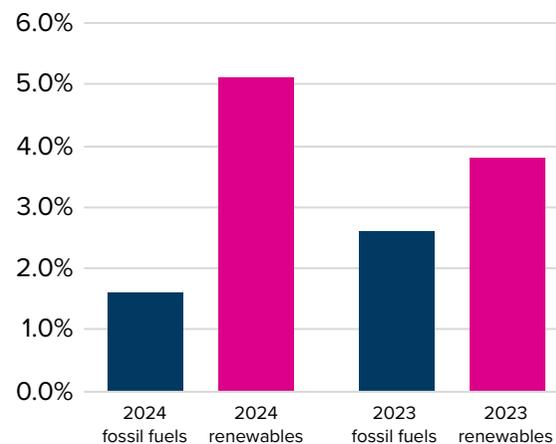
The Pension Fund Panel and Board takes its responsibilities as a company shareholder seriously and recognises the importance of exercising its votes in line with the Pension Fund's Responsible Investment policy. The investment managers are expected to vote on the Fund's behalf wherever possible. In line with the principles of good stewardship and to demonstrate full transparency, the Pension Fund publishes [the voting records for its investments](#) and reports the highlights of its engagement and voting activity to the [Pension Fund Panel and Board's RI sub-committee](#) on a six-monthly basis.

As part of its consideration of Climate Risks, the Fund has adopted the reporting requirements of the TCFD project, in producing an [annual TCFD report](#). This

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



**Holdings in Fossil Fuels and Renewable Investments**



includes scenario analysis of the impact of climate change on the Fund and measures the carbon footprint of the Fund's investments.

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

- Make a strategic allocation of 2.5% of the Fund to Timberland investments. This has given the Pension Fund a unique opportunity to access high-quality carbon offsets verified by recognised international carbon standards through afforestation, improved forest management and natural forest restoration.
- Add a post to its in-house team specifically to focus on Responsible Investment.
- Increased the level of sustainable and impact investments.

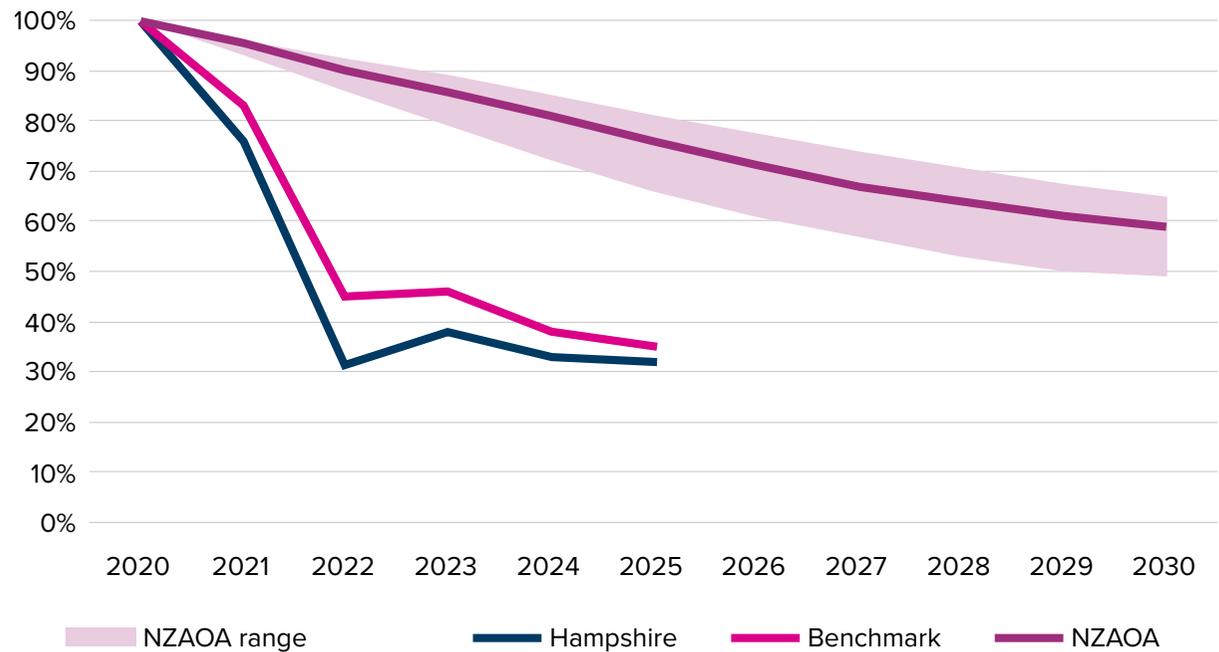


# Environmental, Social and Governance (ESG) issues continued

- Worked with investment managers to implement the decision to work towards dis-investing from fossil fuels.

The impact of actions taken to date are highlighted in the graphs on the previous and current pages.

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





# Investment costs

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

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

Asset class	£m	%
Equities	10.97	0.31%
Credit	4.13	0.25%
Index-linked gilts	0.06	0.00%
Alternatives	82.73	2.59%
<b>Total</b>	<b>97.89</b>	<b>0.97%</b>

As the table above shows costs vary significantly between different asset classes. The Pension Fund's key mitigation to the risk of poor investment returns is diversification, therefore the Pension Fund will accept higher investment costs, such as for Alternative Investments, where it believes it is necessary to access assets that provide diversified returns. The costs in the table above should be read in context with the investments returns of the Pension Fund shown in the investment performance report starting on **page 89**.



# Strategic asset allocation

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

	Strategic allocation %	Actual allocation %	Benchmark	Performance target
<b>Growth</b>				
<b>Active global equities</b>				
WS ACCESS Managed Volatility (Acadian) *	5.25	5.77	MSCI World	+1.5-2.5%
WS ACCESS Global Stars Equity (Robeco) *	5.25	5.05		
WS ACCESS Long Term Global Growth Fund (Baillie Gifford) *	5.25	5.97	MSCI All Countries World	
WS ACCESS Global Stock Fund (Dodge & Cox) *	5.25	5.94		
WS ACCESS Emerging Markets Equity Fund (Robeco) *	0.00	0.33	MSCI Emerging Market	
<b>Passive equities</b>				
UBS (global equities) *	3.00	3.01	FTSE All World Equity Index	-
UBS (alternative beta) *	7.00	7.15	MSCI All Countries World	-
<b>Private equity and other alternatives</b>				
Patria	7.50	8.90	-	9.0-11.5%
<b>Income</b>				
<b>Multi-asset Credit</b>				
WS ACCESS Global Multi-Credit Fund Alcentra	5.50	5.15	3 month GBP SONIA	+3.0%
Barings	0.00	0.20		
WS ACCESS Total Return Credit (RBC BlueBay) *	4.50	3.98		
<b>Asset Backed Securities</b>				
WS ACCESS Asset Backed Securities (TwentyFour) *	2.00	2.37	3 month GBP SONIA	+2.0%



## Strategic asset allocation continued

	Strategic allocation %	Actual allocation %	Benchmark	Performance target
<b>Private debt</b>				
JP Morgan Alternative Asset Management	5.00	4.70	3 month GBP SONIA	+4.0%
<b>Infrastructure</b>				
GCM Grosvenor	10.00	10.17	-	7.5-10.0%
<b>Timberland</b>				
Campbell *	1.75	0.66		6.0%
Stafford *	0.75	0.28		
<b>UK property</b>				
CBRE Investment Management *	10.00	9.11	Retail Prices Index (RPI)	+3.5%
<b>Protection</b>				
<b>Passive index-linked bonds</b>				
UBS *	17.00	14.54	FT British Government Over Five Years Index-Linked Gilts Index	-
<b>Investment grade credit</b>				
WS ACCESS Sterling Investment Grade Credit Fund (Fidelity) *	5.00	4.52	ICE Bank of America Euro Sterl	+1.0%
<b>Other</b>				
Cash and other net assets	0.00	2.18	-	-
<b>Total</b>	<b>100.00</b>	<b>100.00</b>		

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



# Investment pooling including supplemental reporting

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

The **asset table** below shows the investment portfolios that the Pension Fund currently invests in via the ACCESS pool. As at 31 March 2025 74% of the Fund's investments are in the ACCESS pool. There are plans in place for the ACCESS pool to provide the means for Hampshire to pool its remaining investments, with the current exception of Hampshire's private debt allocator portfolio (5% of Hampshire's strategic allocation), where no other ACCESS funds invest on this basis.

£m Asset values as at 31 March 2025	Pooled	Under pool management	Not pooled	Total
Equities	2,356	1,038	0	3,394
Bonds	0	1,485	0	1,485
Property	930	0	0	930
Credit	1,638	0	21	1,659
Private Equity	0	0	909	909
Private Debt	0	0	480	480
Infrastructure	0	0	1,039	1,039
Cash and net current assets	0	0	223	223
Other	97	0	0	97
<b>Total</b>	<b>5,021</b>	<b>2,523</b>	<b>2,672</b>	<b>10,216</b>



# Investment pooling including supplemental reporting continued

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

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

	Pooled		Non-pooled		Total	
	£000	%	£000	%	£000	%
Direct fees	2,464	0.03%	10,137	0.38%	12,601	0.13%
Indirect fees	12,939	0.19%	1,704	0.06%	14,643	0.15%
Transaction costs	13,211	0.16%	58,193	2.18%	71,404	0.71%
Custody and other costs	0	0.00%	162	0.01%	162	0.00%
<b>Total</b>	<b>28,614</b>	<b>0.45%</b>	<b>70,196</b>	<b>2.63%</b>	<b>98,810</b>	<b>0.98%</b>

where they specifically relate to investments.

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

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

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

	2024/25 £000	Cumulative £000
Pool setup and on-going costs*	229	1,030
Transition costs	0	539
Gross investment management fee savings	(2,155)	(10,078)
<b>Net saving of pooling to date</b>	<b>(1,926)</b>	<b>(8,509)</b>



# Investment pooling including supplemental reporting continued

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

The Pension Fund has £2.146 billion (which represents 21% of the total Pension Fund) of UK investments in asset classes monitored by the UK Government. In addition to this, the Pension Fund has £930m (9.1%) invested in UK property.

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

Pension Fund has not specifically allocated investment to Levelling-up in the UK, it has set targets for its alternative investments to invest in global sustainable and impact investments which will include Levelling-up investments in the UK. The following table shows that the Pension Fund has £482m (which represents 4.7% of the total Pension Fund) of investments categorised as UK Levelling-up investments.

£m Asset values as at 31 March 2025*	Pooled	Under pool management	Not pooled	Total
UK Listed Equities	121	31	0	152
UK Government Bonds	12	1,480	0	1,492
UK Infrastructure	0	0	328	328
UK Private Equity	0	0	173	173
<b>Total</b>	<b>133</b>	<b>1,511</b>	<b>501</b>	<b>2.146</b>

\*based on committed values.

£m Asset values as at 31 March 2025*	Pooled	Under pool management	Not pooled	Total
Additional memorandum: UK Levelling up	0	84	398	482

\*based on committed values.

Section 7

# Administration



# Administration in 2024/25

## How the service is delivered

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

There are 61 full time equivalent members of staff involved in the administration of the scheme for Hampshire, split into two main teams, supported by finance, projects and systems staff, these are:

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

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

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

## Summary of activity in 2024/25

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

- work to apply the retrospective calculation of the McCloud remedy to members who left before 1 October 2023
- continued to prepare for the Pensions Dashboard Programme from both a data and a software perspective
- continued to develop the Member

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

- achieved reaccreditation for Customer Service Excellence with eight areas of ‘compliance plus’
- participated in external peer group benchmarking which placed HPS in the high service/low cost quadrant

HPS continue to review the data which is held in the pension system. Common and conditional data scores were reported to the Pensions Regulator in November 2024. The results of this provided a score for conditional data of 97% (96% in 2023/24). The score for common data was measured as 97% (97% in 2023/24). Maintaining the scores despite an increase of nearly 8,000 records shows that the processes in place to provide clean data are working in practice.



# Key performance data

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

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

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

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



# Key performance data continued

Table A – Total number of casework								
Ref	Casework KPI	Total number of cases open as at 31 March (starting position)	Total number of new cases created in the year (1 April to 30 March)	Total number of cases completed in 2024/25	Total % of cases completed in 2024/25	Total number of cases set up but not due until 2025/26	Total number of cases completed in 2023/24	Total % of cases completed in 2023/24
A1	Deaths recorded of active, deferred, pensioner and dependent members	240	902	1,142	100%	326	1,256	100%
A2	New dependent member benefits	40	606	646	100%	136	759	100%
A3	Deferred member retirements	148	2,316	2,464	100%	90	2,568	100%
A4	Active member retirements	82	1,321	1,403	100%	62	1,251	100%
A5	Deferred benefits	556	6,698	7,254	100%	1,145	8,401	100%
A6	Transfers in (including interfunds in, club transfers)	323	394	717	100%	328	621	100%
A7	Transfers out (including interfunds out, club transfers)	51	713	764	100%	44	827	100%
A8	Refunds	50	1,814	1,864	100%	52	1,808	100%
A9	Divorce quotations issued	40	493	533	100%	51	302	100%
A10	Actual divorce cases	0	0	0	100%	0	8	100%
A11	Member estimates requested either by scheme member and employer	498	1,818	2,316	100%	394	3,911	100%
A12	New joiner notifications	0	12,865	12,865	100%	0	13,080	100%
A13	Aggregation cases	110	1,029	1,139	100%	272	1,155	100%
A14	Optants out received after 3 months membership	0	312	312	100%	0	162	100%
<b>Total</b>		<b>2,138</b>	<b>31,281</b>	<b>33,419</b>		<b>2,900</b>	<b>36,109</b>	



# Key performance data continued

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

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



# Key performance data continued

Table C – Communications and engagement		
Ref	Engagement with online portals	Percentage as at 31 March
C1	% of active members registered	63.95%
C2	% of deferred member registered	45.96%
C3	% of pensioner and survivor members	56.09%
C4	% total of all scheme members registered for self-service	53.99%
C5	Number of registered users by age	See separate table
C6	% of all registered users that have logged onto the service in the last 12 months	46.60%
Communication		
C7	Total number of telephone calls received in year	24,009
C8	Total number of email and online channel queries received	46,281
C9	Number of scheme member events held in year (total of in-person and online)	21
C10	Number of employer engagement events held in year (in-person and online)	41
C11	Number of active members who received a one-to-one (in-person and online)	0
C12	Number of times a communication (i.e newsletter) issued to:	0
	a) Active members	3 (ABS, PSS, newsletter)
	b) Deferred members	2 (ABS, newsletter)
	c) Pensioners	3 (Payslip/P60, newsletter, life certificate)

C5: Registrations by age						
Under 30	30-44	45-54	55-64	65-74	75+	Total
6,687	23,499	24,583	34,156	21,802	6,189	116,916



## Key performance data continued

Administration KPI table D – Resources		
Ref	Resources	
D1	Total number of all administration staff (FTE)	61
D2	Average service length of all administration staff	6 years 5 months
D3	Staff vacancy rate as %	6.60%
D4	Ratio of all administration staff to total number of scheme members (all staff including management)	1:3,479
D5	Ratio of administration staff (excluding management) to total number of scheme members	1:4,244

Table E – Data Quality			
Ref	Annual benefit statements	Active	Deferred
E1	Percentage of annual benefit statements issued as at 31 August	99.75%	100.00%
E2	Short commentary if less than 100%	156 statements not produced by 31/8/24, 82 due to outstanding information from employers, 91 due to an ongoing TUPE transfer.	
Data category			
E3	Common data score	97%	
E4	Scheme specific data score	97%	
E5	Percentage of active, deferred and pensioner members recorded as 'gone away' with no home address held, or address is known to be out of date	0.934%	
E6	Percentage of active, deferred and pensioner members with an email address held on file	66.59%	
Employer performance			
E7	Percentage of employers set up to make monthly data submissions	0	
E8	Percentage of employers who submitted monthly data on time during the reporting year	N/A	



# Who belongs to the Hampshire Pension Fund?

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

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

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

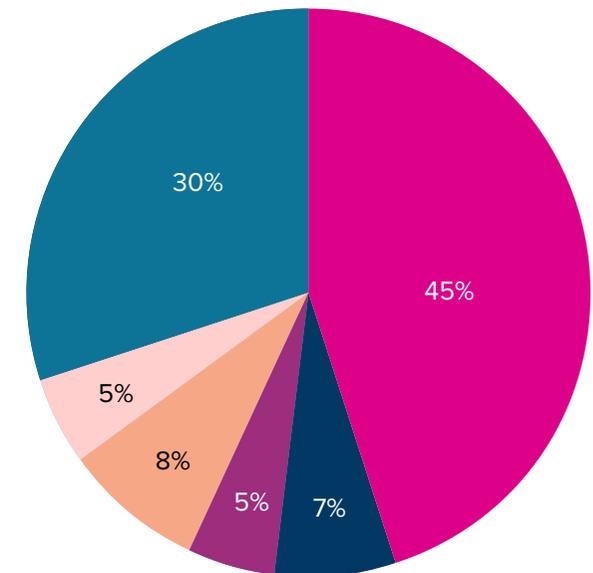
Teachers, police officers and firefighters have separate non-funded pension arrangements. Under the Pensions Act 2011, all employers are obliged to automatically enrol eligible employees into a qualifying pension scheme and re-enrol anyone who opts out of the scheme every three years.

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

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

On 31 March 2025 there were 58,277 pensioners, 92,084 deferred members, and 61,842 contributors, a total of 212,203 Scheme members.

	Number of contributors	%
Hampshire County Council	27,894	45
Portsmouth City Council	4,590	7
Southampton City Council	3,383	5
District and Borough councils	4,664	8
Office of Police and Crime Commissioner and Chief Constable	2,821	5
Other organisations	18,490	30
<b>Total</b>	<b>61,842</b>	<b>100</b>





# Who belongs to the Hampshire Pension Fund? continued

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

Employer Type	Employers	Member type		
		Active members	Deferred members	Pensioner members
Scheduled	213	60,138	89,432	55,122
Resolution	61	342	264	285
Admitted	107	1,285	1,615	1,411
Community admitted	9	30	263	423
Transferee	12	47	247	297
Councillors (no active members)	10	0	71	141
Ceased (no active members)	52	0	192	598
<b>Total</b>	<b>464</b>	<b>61,842</b>	<b>92,084</b>	<b>58,277</b>

The number of employers with active members increased from 357 to 402. This increase in employers is mainly due to an increase in admitted bodies as a result of schools outsourcing services such as catering and cleaning. The number of scheduled employers has also increased as some local authority maintained schools converted to academy status.

## Membership information

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

The number of contributors has remained stable. The number of pensioners and deferred members in the Fund have increased in line with the general trend.

Year ending 31 March	No. of contributors	No. of deferred	No. of pensioners
2014	50,551	52,417	33,286
2015	54,679	55,787	34,364
2016	57,815	59,857	36,519
2017	57,781	64,060	38,216
2018	57,877	69,503	39,796
2019	58,055	72,050	41,714

Year ending 31 March	No. of contributors	No. of deferred	No. of pensioners
2020	58,913	75,920	43,706
2021	59,000	78,834	45,576
2022	61,044	82,346	48,036
2023	61,733	87,084	52,947
2024	61,110	90,089	55,667
2025	61,842	92,084	58,277



# What does membership cost and what are the benefits?

The Scheme operates tiered employee contribution rates set by Government. Employees pay a rising percentage depending on their pay band. The rates that apply from 1 April 2025 are set out in the below table.

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

of employers' contributions. The most recent actuarial valuation of the Fund was undertaken as at 31 March 2022 by Aon. The actuarial position of the Fund is explained in more detail from **page 128**.

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

Band	Actual salary	Contribution rate per year	
		Main section	50:50 section
1	Up to £17,800	5.50%	2.75%
2	£17,801 to £28,000	5.80%	2.9%
3	£28,001 to £45,600	6.50%	3.25%
4	£45,601 to £57,700	6.80%	3.4%
5	£57,701 to £81,000	8.50%	4.25%
6	£81,001 to £114,800	9.90%	4.95%
7	£114,801 to £135,300	10.50%	5.25%
8	£135,301 to £203,000	11.40%	5.7%
9	£203,001 or more	12.50%	6.25%



# What does membership cost and what are the benefits? continued

## Benefits

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

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

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

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

The average annual pension paid in 2024/25 was £5,552 (£5,083 in 2023/24).

## Retirement age

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

A total of 3,774 Scheme members retired during 2024/25, with an average retirement age of 62 years. Of this number, 2,134 (56.5%) took some form of early retirement including 148 ill health retirements and 1,314 members choosing to take a reduced pension.

## Additional voluntary contributions

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

The Fund has one active AVC provider, Prudential. There are 2,828 active members paying into Prudential AVCs.



# Communications

## Actions to deliver our communications policy

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

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

## Scheme members and prospective scheme members

We aim to provide all communications electronically where possible. Scheme information for members is provided on the HPS website. Members can view their own record including their annual benefit statement via the secure member self-service portal, as well as update personal details and run estimates. 116,916 members (53.99%) had registered for the Member Portal by 31 March 2025

Communication type	Scheme member audience	Date sent
Pensioner mailing – payslips, P60s and pensioner newsletters: - electronic version; email to members when available to view through the Portal; - paper version; sent to members who have opted out of the Portal.	Pensioners	April / May 2024
Active and deferred annual benefit statements: - electronic version; email sent to members when available to view through the Portal; - paper version; send to members who have opted out of the Portal.	Active and Deferreds	August 2024
Pension Savings Statements Statement sent to active members where appropriate. Available to view online	Actives	September / October 2024
Request to complete online identity verification or life certificate - Posted or emailed to overseas members	Pensioners	November 2024 (reminder February 2025)
Active and Deferred newsletters (including change of regulation notification for McCloud disclosure): - Electronic version – email sent with link to newsletter on website; - Letter sent to all members without an email address to advise of McCloud regulation changes.	Active and Deferreds	November 2024 (reminder sent in February 2025)
McCloud remedy 'maybe in scope' members - Electronic version – email sent to pensioners who may be in scope for the McCloud remedy - Paper version – letter sent to pensioners who maybe in scope for the McCloud remedy who have opted out of the Portal	Pensioners	March 2025

(100,225 by 31 March 2024). Further information is shown in the KPI section beginning on **page 113**.

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

The table above shows the communications sent to scheme members during 2024/25.



# Communications continued

## Employing authorities

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

HPS ran 27 remote training events in the year (open to all employers in the schemes administered by HPS) which were attended by 460 people representing 218 employers. The team ran 3 annual returns sessions with 146 attendees representing 151 employers. HPS also ran an Employer Focus Group meeting and attended various employer liaison meetings throughout the year, as well as the regional payroll officer's group and the Hampshire Schools Forum.

The Annual Employers Meeting was held as a face to face meeting in October 2024 and was attended by representatives from 66 employers representing approximately 73% of active members.

The following table shows the communications issued to employers during 2024/25.

Communication	Date sent
Pensions Matters – Spring 24 – Employer Newsletter. Issued via email.	April 2024
STOP PRESS email sent to advise that active member annual benefit statements were published and available.	August 2024
Pensions Matters – Summer 24 – Employer Newsletter.	
Annual return Employer Performance letters issued via email.	October 2024
Data Validation exercise communication issued to employers where appropriate.	
Pensions Matters – Winter 2025 – Employer newsletter. Issued via email.	January 2025
STOP PRESS email sent to advise of 2025/26 employee contribution band changes.	February 2025



# Communications continued

## Pension Services staff

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

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

## Other bodies

The Pension Fund Panel and Board receive regular administration update reports at their July and December meetings. Training on administration and cyber security was provided in May 2024.

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



# Value for money

## Value for money statement

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

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

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

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

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

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

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

HPS have held the Customer Service Excellence (CSE) standard since 2009, and following an interim assessment in January

2025 received compliance plus passes in eight areas:

- We have developed customer insight about our customer groups to better understand their needs and preferences.
- We have made the consultation of customers integral to continually improving our service and we advise customers of the result and action taken.
- There is corporate commitment to putting the customer at the heart of service delivery and leaders in our organisation and actively support this and advocate for customers.
- We empower and encourage all employees to actively promote and participate in the customer focused culture of our organisation.
- We can demonstrate our commitment to developing and delivering customer focused services through our recruitment, training and development policies for staff.



CUSTOMER SERVICE EXCELLENCE®



# Value for money continued

- We can demonstrate how customer facing staff insight and experience are incorporated into internal processes, policy development and service planning.
- We make our services easily accessible to all customers through provision of a range of alternative channels.

	2023/24		2022/23	
	Hampshire	All funds*	Hampshire	All funds*
Administration cost per member	£15.47	£30.19	£13.83	£28.30
Governance cost per member	£4.25	£14.26	£4.38	£15.56
Investment cost per member	£361.84	£281.66	£354.78	£263.07

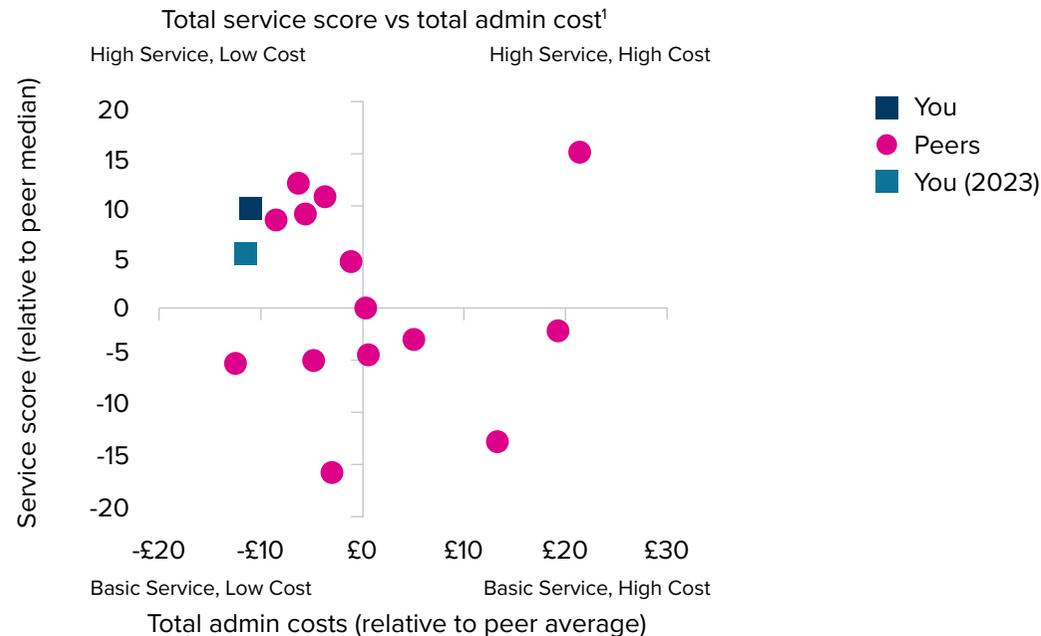
\* All LGPS funds excluding Hampshire Pension Fund

## Cost benchmarking

The Fund benchmarks its administrative costs against the SF3 data collected annually by MHCLG for 85 Local Government Pension Scheme (LGPS) Funds in England and Wales. The most recent data is that for the financial year 2023/24 and is summarised in the adjacent table:

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

## CEM administration cost effectiveness graph





# Member feedback and dispute resolution

## Member feedback

HPS have a general customer satisfaction survey which is publicised on the website, in email signatures and in bulk communications. A total of 493 responses to the survey were received in 2024/25 with 55% indicating satisfaction with the service that had been received. A total of 200 compliments about the service were received in 2024/25. In addition 285 responses were received from a survey of new pensioners. These showed that most members used the online services when claiming their pension and rated the ease of finding and understanding the information above average.

## Dispute resolution

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

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

There were 11 formal complaints received in 2024/25. All the complaints were investigated, and changes were made to processes where appropriate.

## Appeals

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

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

The Fund considered four stage one Internal Dispute Resolution Procedure (IDRP) appeals against the Pension Fund during 2024/25. Three of these were not upheld and one was partially upheld. One of these progressed to stage two during the year and was not upheld.

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

## Section 8

# Actuarial report on funds



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

## Introduction

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

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

## Actuarial Position

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

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

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

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

\*increasing at 3.3% p.a.

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

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



# Statement by the Actuary continued

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

Discount rate for periods in service	
Secure scheduled body employers <sup>1</sup>	4.40% p.a.
<b>Intermediate funding targets<sup>1</sup></b>	
Low risk	3.85% p.a.
Medium risk	3.55% p.a.
High risk	3.25% p.a.
Ongoing Orphan employers	3.95% p.a.

Discount rate for periods after leaving service	
Secure scheduled body employers <sup>1</sup>	4.40% p.a.
<b>Intermediate funding targets<sup>1</sup></b>	
Low risk	3.85% p.a.
Medium risk	3.55% p.a.
High risk	3.25% p.a.
Ongoing Orphan employers	1.90% p.a.
Rate of pay increases	3.30% p.a.

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

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

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

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

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

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

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

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



## Statement by the Actuary continued

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

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

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

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

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

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

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

[hants.gov.uk/hampshire-services/pensions/local-government/employers/technical-information/finance/actuarial-valuation](https://hants.gov.uk/hampshire-services/pensions/local-government/employers/technical-information/finance/actuarial-valuation)

Aon Solutions UK Limited  
**May 2023**

## Section 9

# External audit opinion



# Independent auditor's report to the members of Hampshire County Council on the Pension Fund's financial statements continued

## Opinion

We have examined the pension fund financial statements of Hampshire Pension Fund (“the Pension Fund”) included in the Pension Fund Annual Report (“the Annual Report”) for the year ended 31 March 2025, which comprise the Fund Account, the Net Assets Statement and the related notes, including material accounting policy information.

In our opinion, the Pension Fund financial statements included in the Annual Report are consistent with the audited pension fund financial statements included in the full annual statement of accounts of Hampshire County Council for the year ended 31 March 2025 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

## Respective responsibilities of the Director of Corporate Operations and the auditor

As explained more fully in the Statement of the Director of Corporate Operations' Responsibilities, the Director of Corporate Operations is responsible for the preparation of the pension fund's 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 2024/25.

Our responsibility is to report to you our opinion on the consistency of the pension fund financial statements within the pension fund annual report with the pension fund financial statements in the statement of accounts of Hampshire County Council, and its compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

We also read the other information contained in the pension fund annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information consists only:

- Foreword by the Chairman of the Pension Fund Panel and Board;
- Summary Report;
- Scheme management and advisers;
- Risk management;
- Pension Fund Panel and Board Membership;
- Panel and Board Report;
- Scheme Members Report;
- Training and development report;
- Governance Compliance statement;



# Independent auditor's report to the members of Hampshire County Council on the Pension Fund's financial statements continued

- The Fund's statutory statements and other policies;
  - Financial performance report;
  - Investment and funding background information
  - Investment performance report;
  - Environmental, Social and Governance (ESG) issues;
  - Investment costs and Strategic asset allocation;
  - Investment pooling including supplementary reporting;
  - Administration including service delivery, Key performance data, member feedback and dispute resolution and value for money;
  - Statement by the actuary;
  - Statement of compliance with CIPFA
- code of practice on Public Sector Pensions Finance Knowledge and Skills;
  - Internal audit report;
  - Summary of Freedom of Information requests;
  - Useful websites and document links; and
  - Glossary

We conducted our work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office. Our report on the administering authority's full annual statement of accounts describes the basis of our opinion on those financial statements.

*Ben Lazarus*  
*Ernst & Young LLP*

**Ben Lazarus (Key Audit Partner)**

Ernst & Young LLP (Local Auditor)  
London

Section 10

# Additional information



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

Hampshire Pension Fund has adopted the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills, and met the requirements for compliance in 2024/25. This requires policies and procedures to be in place for the effective acquisition and retention of the relevant knowledge and skills for those in the organisation responsible for financial administration and decision making.

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



# Annual Internal Audit conclusion

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

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

In 2024/25 the audit plan covered the following audits, and all were completed as planned. In general, internal audit work found there to be sound governance, risk management and control frameworks across all review areas which were found to be operating effectively. Internal Audit reported that no significant issues were identified arising from the work completed during 2024/25. The internal audit opinion assigned to each review completed was:

- Pension Starters – Substantial Assurance
- Pension Leavers – Substantial Assurance
- Pensions Payroll and Benefit Calculations – Substantial Assurance
- UPM Cyber Security – Access Control and Penetration Testing Processes – Reasonable Assurance

The Chief Internal Auditor's opinion for 2024/25 was as follows:

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



# A summary of Freedom of Information requests

In 2024/25 Hampshire County Council received 11 Freedom of Information requests that related to the Pension Fund as follows. The County Council complies fully with the Freedom of Information Act, where information is not commercially sensitive to the Pension Fund, or is otherwise confidential, it is sent to requestors.

Topic	Number of requests
Controversial investments	1
Investments data	3
Investment information	1
Type of investments	6



# Useful websites and document links

**ACCESS pool website:**  
[accesspool.org](https://accesspool.org)

**Hampshire County Council Constitution:**  
[democracy.hants.gov.uk/ieListDocuments.aspx?CId=620&MId=3642&Ver=4&Info=1](https://democracy.hants.gov.uk/ieListDocuments.aspx?CId=620&MId=3642&Ver=4&Info=1)

**Hampshire Pension Fund useful information:**

- Business Plan: [hants.gov.uk/hampshire-services/pensions/joint-pension-fund-panel/policies](https://hants.gov.uk/hampshire-services/pensions/joint-pension-fund-panel/policies)
- Responsible Investment Policy: <https://documents.hants.gov.uk/pensions/Pension-Fund-Responsible-Investment-Policy-May24-Final.pdf>
- Task Force on Climate-related Financial Disclosures Report: <https://documents.hants.gov.uk/pensions/TCFD-Report.docx>

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

**LGPS Scheme Advisory Board website:**

LGPS Scheme Advisory Board – Home  
[lgpsboard.org](https://lgpsboard.org)

**Principles for Responsible Investment (PRI) website:**

PRI | Home [unpri.org](https://unpri.org)

**Task Force on Climate-related Disclosures website:**

Task Force on Climate-Related Financial Disclosures  
[ifrs.org/sustainability/tcfd](https://ifrs.org/sustainability/tcfd)

**UK Stewardship Code (FRC) website:**

Investors | UK Stewardship Code | Financial Reporting Council [frc.org.uk](https://frc.org.uk)



# Glossary of commonly used pension terms

## ACCESS pool

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

## Accruals accounting

The Pension Fund's financial accounts are prepared on an accruals basis, which means that, as a general rule, they must include all transactions relating to activities occurring between 1 April to 31 March regardless of when the transactions are posted to the accounting system.

## Active scheme member

A working person who is currently paying contributions into the Pension Fund.

## Actuary

A person or firm that analyses the assets and future liabilities of a pension fund and calculates the amount employers need to pay to the Pension Fund 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.

A Community admission body is typically a non-profit organisation or charity (for example housing association, voluntary sector organisation, or body representing local authority staff). A Transferee admission body is a type of admitted body that becomes eligible to participate in the LGPS when it takes on staff from a local authority or other scheme employer through a service transfer.

## 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, infrastructure, private debt and timberland.

## Amortised cost

This is an accounting method that spreads the expense of an asset over its useful life.

## Asset backed securities

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



# Glossary continued

## **AVCs**

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

## **Benchmark asset allocation**

The allocation of the Fund’s investments to the different investment sectors, for example stocks and shares, bond, property and infrastructure. A benchmark asset allocation is expected to enable the Fund to meet its long-term liabilities with the minimum of disruption to employers’ contributions. The Pension Fund’s investment performance is measured against benchmarks.

## **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 payment becoming due to the Fund.

## **Commutation**

The process of converting part of a pension into a lump sum payment on retirement.

## **Contingent liability**

A possible loss, subject to confirmation by a future event, where the outcome is uncertain in terms of cost.

## **DCLG**

Department for Communities and Local Government which was succeeded by DLUHC (Department for Levelling Up,

Housing and Communities) and later by MHCLG (Ministry of Housing, Communities and Local Government).

## **Deferred scheme member**

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

## **Defined benefit pension fund**

A scheme which pays pension benefits defined by regulation which are not dependent upon contributions paid or on how well those contributions are invested.

## **Derivatives**

Financial contracts whose value comes from other assets, such as stocks, bonds, commodities or currencies. These contracts define the underlying asset and the time frame for any future exchanges. Derivatives can be used to manage investment risk, or trade in anticipation of market changes. Common types include forward contracts, futures, options and swaps. Derivatives may be traded on an exchange, or over the counter.



# Glossary continued

## Discretionary

Allowable but not compulsory under law.

## Diversification

The act of investing in a variety of different asset classes, financial instruments, countries, and industries, in order to reduce the level of risk.

## Dividends

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

## DLUHC

The Department for Levelling Up, Housing and Communities, which has now been succeeded by the Ministry of Housing, Communities and Local Government (MHCLG).

## Emerging markets

The financial markets of developing economies.

## Equities/equity investments

Shares in UK and overseas companies.

## ESG

Environmental, Social and Governance factors.

## Fair value

This is a broad measure of an asset's worth and is based on the amount at which an asset could be exchanged between knowledgeable and willing parties.

## Forward contracts

A contract agreement to buy or sell an asset at a specific price on a specified date in the future.

## 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.

## Futures

A type of derivative contract agreement to buy or sell a specific commodity asset or security at a set future date for a set price.

## 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.



# Glossary continued

## Gilt-edged securities (or Gilts)

Fixed-interest stocks issued by the UK Government.

## Global custodian

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

## GMP

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

## Gross of fees

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

## Guarantors

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

## Hedge fund

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

## Income yield

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

## 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 legally required triennial valuations.

## Investment grade credit

Bonds or other debt securities that have been rated as having a relatively low level of default.



# Glossary continued

## 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.

## McCloud remedy

The McCloud remedy is designed to give younger members the same protection awarded to older members. See **page 85** for further information.

## MSCI ACWI

The Morgan Stanley Capital International (MSCI) All Countries World Index (ACWI) is used by the Hampshire Pension Fund to measure global stock markets. It is used as a benchmark to compare the Pension Fund's investment performance against.

## MHCLG

The Ministry of Housing, Communities and Local Government.

## Myners

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

## Multi-asset credit

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

## Net of fees

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

## Option (derivative)

This is a contract that gives the buyer the right, but not the obligation, to buy or sell the underlying asset by a certain date (at a specified price).

## Orphan liabilities

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

## Pension strain

This is the cost the employer has to pay after agreeing to pay a member's pension earlier than originally anticipated.

## Pooled investment vehicle

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

## Private equity

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



# Glossary continued

## Private debt

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

## Projected unit actuarial method

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

## Quartile

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

## Recovery period

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

## Relaxation period

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

## Relevant scheme employer

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

## Responsible Investment (RI)

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

## 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.



# Glossary continued

## Scheme Advisory Board (SAB)

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

## Smoothing adjustment

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

## Soft commission

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

## Solvency

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

## SONIA

Sterling Overnight Index Average is an interest rate benchmark – also known as a reference rate or a benchmark rate. It is based on the terms of actual overnight transactions and so the rate is largely unaffected by bank credit risk. It replaced LIBOR.

## Spot Market Rate

This is the current market price for immediate settlement of an asset, such as a currency, commodity, or stock.

## 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.

## TCFD

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

Task Force on Climate-Related Financial Disclosures ([ifrs.org/sustainability/tcfd](https://www.ifrs.org/sustainability/tcfd))

## Transfer value

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



# Glossary continued

## 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 scheme valuation carried out by the Actuary every three years.

## UN Principles for Responsible Investment

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

[unpri.org/pri/about-the-pri](https://unpri.org/pri/about-the-pri)

## Unrealised profit or loss

The increase or decrease in the market value of investments held by the Pension Fund since the date of their purchase. The profit or loss is unrealised because the asset has not yet been sold.

## UK Stewardship Code

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

[frc.org.uk/investors/uk-stewardship-code](https://frc.org.uk/investors/uk-stewardship-code)

## Weighted benchmark

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



**HAMPSHIRE**  
PENSION FUND