# AGENDA

# PENSION BOARD

| | | | |
|---|---|---|---|
| **Thursday, 3rd September, 2026, at 10.00 am** | Ask for: | **James Clapson** |
| **Council Chamber, Sessions House, County Hall, Maidstone** | Telephone | **03000 417 387** |

**Membership**

**Scheme Employer Representatives (4)**

| | |
|---|---|
| Kent County Council | Mr P Chamberlain and Mr M Fraser Moat |
| District/Medway Council | Cllr R Carnac |
| Police/Fire & Rescue | Mr B Fullbrook |

**Scheme Member Representatives (4)**

| | |
|---|---|
| Active Scheme Member Representatives | Ms K King, Kent County Council and Mr J Parsons, Medway Council (Vice-Chair) |
| Pensioner Representatives | Mrs A Mings and Mr G Ward |
| **Independent Member (1)** | Mr M Trebilcock (Chair) |

**UNRESTRICTED ITEMS**

*(During these items the meeting is likely to be open to the public)*

**1.** Apologies and Substitutes

**2.** Declarations of Interest by Board members on items on the agenda for this meeting

**3.** Minutes of the meeting held on 4 June 2026 (Pages 1 - 8)

**4.** Date of next meeting

The next meeting of the board will be held on 16 December 2026, commencing at 10.00 am

**5.** Pension Fund Committee Verbal Update

**6.** Forward Plan and Action Log

**7.** Pensions Service Delivery Updates (Pages 9 - 42)

**8.** Investments Update (Pages 43 - 114)

**9.** Fund Governance (Pages 115 - 128)

**10.** Employer Governance Matters (Pages 129 - 138)

**Motion to exclude the press and public for exempt business**

That, under Section 100A of the Local Government Act 1972, the press and public be excluded from the meeting for the following business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 of part 1 of Schedule 12A of the Act.

*Paragraph 3 – Information relating to the financial or business affairs of any particular person (including the authority holding that information)*

**EXEMPT ITEMS**

*(During these items the meeting is likely NOT to be open to the press and public)*

**11.** Projects Update (Pages 139 - 144)

**12.** Local Government Re-organisation (Pages 145 - 168)

**13.** Risk Register (Pages 169 - 216)

Benjamin Watts
Deputy Chief Executive
03000 416814

**Tuesday, 25 August 2026**

**KENT COUNTY COUNCIL**

# PENSION BOARD

MINUTES of a meeting of the Pension Board held in the Council Chamber, Sessions House, County Hall, Maidstone on Thursday, 4 June 2026.

PRESENT: Mr M Trebilcock, Cllr R Carnac, Mr B Fullbrook, Mr M Fraser Moat, Ms K King, Mrs A Mings and Mr J Parsons

IN ATTENDANCE: Mr N Buckland (Head of Pensions and Treasury), Miss M Bundy (Democratic Services Officer), Mrs C Chambers (Head of Pensions Administration), Mrs E Green (Senior Governance and Programme Manager), Ms K Neal (Technical and Compliance Lead Manager), Ms E Rutland (Senior Pension Fund Finance Officer), Mr C Steensel (Investments Accountant), Ms S Surana (Pensions and Treasury Investments Manager) and Mr S Tagg (Employers' Governance, Compliance and Funding Principal accountant).

**UNRESTRICTED ITEMS**

## 47. Election of Chair
*(Item 1)*

1. Mr Parsons proposed and Cllr Carnac seconded that Mr Trebilcock be elected as Chair of the Pension Board.

2. As there were no other nominations, Mr Trebilcock was elected as Chair of the Pension Board.

3. RESOLVED that Mr Trebilcock be elected as Chair of the Pension Board.

## 48. Apologies and Substitutes
*(Item 2)*

Apologies were received from Mr Chamberlain and Mr Ward.

## 49. Declarations of Interest by Board members on items on the agenda for this meeting
*(Item 3)*

There were no declarations of interest.

## 50. Minutes of the meeting held on 31 March 2026
*(Item 4)*

RESOLVED that the minutes of the meeting held on 31 March 2026 are correctly recorded and they be signed by the Chairman.

## 51. Date of next meeting
*(Item 5)*

It was noted that the next meeting of the Board would be held on 3 September 2026.

## 52. Pension Fund Committee Verbal Update
*(Item 6)*

1. Mr Buckland introduced the item and covered the following:

    a. There had not been a Pension Fund Committee (PFC) meeting since the last Board meeting due to a change in the standard scheduling arrangements.

    b. A PFC meeting was scheduled in approximately 2.5 weeks, with the normal meeting cycle resuming thereafter.

2. RESOLVED to note the verbal update.

## 53. Pensions Administration
*(Item 7)*

1. Mrs Chambers, introduced the item, covering the following points:

    a. Performance remained strong between January and March 2026, with high customer satisfaction (95 -98%), strong rates of first- contact resolution and KPIs were largely met across core processing areas.

    b. Workload pressures persisted despite efficiencies gained from increased digital member engagement. Some teams were relying on overtime to meet these pressures, and work was underway to increase workload capacity.

    c. Transfer and interfund work was below the KPI target. An aggregation backlog was impacting performance with approximately 23,000 cases (18% complete) affected due to case complexity and the McCloud blackout period.

    d. Data quality remained high and progress was ongoing on the McCloud implementation system updates.

2. During consideration of the item the following points were discussed:

    a. The term ‘blackout’ related to the McCloud project, it required case processing paused.

    b. McCloud data had now been received and was undergoing validation; a pre- and post-data load snapshot would be taken to maintain an audit trail. Data loading was expected in the coming weeks, followed by checks on errors and rejections before progressing to next stages.

c. Approximately 2,000 aggregation cases were expected to build up in the backlog, reflecting the high-volume area of work. Final figures would inform recovery planning, and the overall impact would be captured in statistics.

3. RESOLVED to note the report.

**54. Investments Update**
*(Item 8)*

1. The item was introduced by Mr Steensel who covered the following points:

   a. Fund value was £9.4 billion as of March 2026, slightly down from the £9.5 billion previously reported. Quarterly funding level return was flat at 0.1%, with underperformance reflecting market volatility linked to tensions in the Middle East.

   b. The Fund achieved an 11.5% return to March 2026 relative to benchmark, driven by both strong relative and absolute returns. The report also set out the Fund's strategic asset allocation and key contributors to performance.

   c. No rebalancing was proposed to the investment strategy, ahead of the ongoing strategy review and transition to Borders to Coast Pension Partnership (BCPP). Officers had attended an investment officer group meeting and partnership work was ongoing with BCPP. Updates would be reported to the Board as required.

2. Sangeeta Surana also outlined the following:

   a. The Pensions Reform Bill had been passed in April 2026 with minimal changes and certain extended deadlines (including for the completion of the Investment Strategy Statement and the appointment of a Senior Responsible Officer). This confirmed that current work was on track and that funding also remained compliant.

   b. The Investment Management Agreement with BCPP was in its final stages of development, with completion expected by July.

   c. The Investment Strategy review was underway and Members would receive training before proposals go to the Board in September followed by the PFC. Then there would be stakeholder consultation, with final approval of the Strategy considered by the Committee in December.

3. During the consideration of the item, the following points were discussed:

   a. Work was ongoing with BCPP to transition assets in line with the Government's requirement to fully pool investments.

   b. A long-term transition plan was in place that included private equity and fixed income investments.

c. The costs of transition would be recorded and reported back to Members as part of the process.

4. RESOLVED to note the report.

**55. Fund Governance**
*(Item 9)*

1. The item was introduced by Mrs Green, who provided a summary of the key governance activity since March 2026, including the following:

   a. The 2025/26 budget outturn showed a net overspend of approximately £10 million, largely driven by higher investment management costs and partially offset by underspends in other areas.

   b. New Local Government Pension Scheme (LGPS) governance legislation would come into force on 30 June 2026, with a requirement to appoint a Senior LGPS Officer and an Independent Person. Fund policies were being updated in line with branding and would be reviewed once further guidance was released.

   c. The highest number of staff vacancies remained within the Pensions Administration section. Two new appointments were made within the Technical & Training Team and the Investments Team and further recruitment was planned.

   d. The internal audit review of debt recovery management found good prospects for improvement, with no high or medium risks identified, and recommendations were being considered by officers.

2. During consideration of the item the following points were discussed:

   a. The £10.5 million overspend was largely due to increased transaction costs from stamp duty relating to property acquisitions, and management fees that were higher than expected due to investment performance that was better than anticipated.

   b. The BCPP transition plan included indicative costings and suggested that the financial challenges of moving from ACCESS could be partly offset in the long- term by financial benefits.

   c. Anticipated staffing cost changes were factored into the budget and had been shared with the Board in March. They were not expected to significantly impact the current year.

   d. Any changes to asset management fees were unlikely to be reflected this year, as the initial transfer of assets to BCPP were expected towards the end of the year, with impacts more likely to be seen next year.

e. The Board discussed whether asset management fees should be included within the budget, highlighting that these costs were variable and not directly controllable by officers.

3. RESOLVED to note the updates outlined in this report.

**56. Employer Governance Matters**
*(Item 10)*

1. The item was introduced by Mr Tagg covering the period up to 31 March 2026, with brief updates on the triennial valuation, and the Funding Strategy Statement.

2. During consideration of the item the following points were discussed:

   a. Communication with employers on contribution rates was a key part of the triennial valuation process, with messaging emphasising stability to avoid significant reductions that could lead to future increases.

   b. LGR had created uncertainty regarding major employers, requiring a degree of flexibility in future preparations.

   c. It was highlighted that the triennial valuation, including the Funding Strategy Statement had been a key exercise in addressing employer concerns around contributions when joining and leaving the Fund.

3. RESOLVED to note the report.

**Motion to Exclude the Press and Public**

RESOLVED that the Press and Public be excluded from the meeting for the following business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 of part 1 of Schedule 12A of the Act.

**EXEMPT ITEMS**
(Open access minutes)

**57. Projects Updates**
*(Item 11)*

1. The item was introduced by Mrs Green, who provided a summary of key project activity since March 2026, including the following:

   a. Updates were provided on a number of technology projects, including cyber security initiatives and the re-procurement of the pensions administration system.

   b. A new employer contacts database had been introduced to improve monitoring and management, with positive early results ahead of its planned go-live date.

c. The go- live date for the Oracle Cloud Phase 2 Programme was yet to be announced.

d. In relation to the UK Pensions Dashboards, no implementation date had yet been announced by Ministers. However, a six-month notice period would be provided prior to any changes being introduced.

e. The re-procurement of the pensions administration platform project was being overseen by the Commercial and Procurement Oversight Board, with the tender process currently underway and expected to be concluded by the end of the year to allow time for mobilisation. A further update would be provided in September.

2. During consideration of the item the following points were discussed:

a. The Board welcomed the use of an established framework for the re-procurement of the pensions administration platform that would help support an efficient and robust process.

b. Mr Buckland emphasised the importance of ensuring the procured system could deliver the required level of service, highlighting that quality had been prioritised within the evaluation process due to the platform's critical role in supporting pensions administration.

3. RESOLVED to note the report.

**58. Local Government Re-organisation**
*(Item 12)*

1. The report was introduced by Mrs Green, who provided a summary of the latest work undertaken in relation to LGR, including the following:

a. Officers had continued to engage with key stakeholders and other pension funds to support a collaborative approach to assessing the potential implications of LGR.

b. No further announcements had been made by Government regarding unitary authority proposals in Kent. Further details from Government were awaited, with a Board workshop scheduled for the summer to consider the options for the Fund.

c. An initial options appraisal had been completed, with three options proposed to be discounted and two options still under consideration.

2. Mr Buckland provided additional detail to the Board, including the following:

a. Members were informed of developments elsewhere in the LGPS sector, which would continue to be monitored as part of the Fund's consideration of its own future governance arrangements.

b. A paper would be presented to the PFC seeking agreement to rule out the options discounted through the appraisal process.

c. Further work was required to explore the remaining options and their potential implications for the Fund.

d. The importance of stakeholder engagement was highlighted, with officers seeking to ensure that relevant parties were able to contribute to the development of any future proposals.

3. During consideration of the item the following points were discussed:

   a. Discussions to date with Kent Leaders and Chiefs had been constructive with no concerns raised in relation to the work being undertaken.

   b. Similar approaches that had been followed elsewhere, although the options available would ultimately depend on the outcome of LGR and the structure that emerged in Kent.

   c. The Board agreed with the outcome of the options appraisal and the proposal to proceed with the two preferred options.

   d. Further consideration of the options would take place through future PFC and Board discussions, with opportunities provided for Members to review and comment on the proposals developed.

   e. Costs would arise from any transition, but these would be unavoidable and would be managed with a view to minimising unnecessary expenditure and change.

4. RESOLVED to:
   - Note the update on the impact of Local Government Reorganisation on the Kent Pension Fund
   - Note the proposed workplan and timetable to analyse the options available for a new host authority for the Kent Pension Fund

**59. Risk Register**
*(Item 13)*

1. The item was introduced by Mrs Green, who provided an overview of the Fund's Risk Register since March 2026. This included the following:

   a. The five highest-rated risks remained unchanged since March and related to cyber security, investment returns, employer events, local government reorganisation, and the pensions review.

   b. The overall position of the Risk Register remained stable, with the majority of risks rated green, eleven rated amber and none rated red.

   c. The separate risks relating to fraud and scams had been merged into a single risk category.

   d. One risk had increased in rating and one had decreased.

2. During consideration of the item the following points were discussed:

    a. A separate risk register was being developed for LGR to support more detailed monitoring of the associated risks.

    b. A more concise dashboard could be developed to highlight key points in the Risk Register.

3. RESOLVED to note the updated Risk Register.

Chair's Signature: ______________________

To: Kent Pension Board – 3 September 2026

From: Chair – Kent Pension Board
Corporate Director of Finance

Subject: Pensions Service Delivery

Classification: Unrestricted

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**Executive Summary:**

| | ***Key Highlights*** | ***Risks & Areas to Monitor*** |
|---|---|---|
| ***Operations Team*** | • *Excellent customer service performance*<br>• *Strong KPI performance on Estimates, Divorces, New Starters and General Correspondence*<br>• *Retirement and Transfers improvement*<br>• *Backlog reduction progress* | • *Aggregation blackout*<br>• *SCAPE factor changes*<br>• *Resource and skills capacity* |
| ***Engagement and Systems Team*** | • *Growing digital engagement*<br>• *Strong engagement programme*<br>• *Year-end success*<br>• *Data quality focus* | • *Data quality and pensions dashboard readiness* |
| ***Technical and Training Team*** | • *Successful upload and processing of McCloud data*<br>• *Major McCloud training programme delivered*<br>• *Access and Fairness regulatory changes successfully implemented within required legal deadlines* | • *Changes to SCAPE factors have disrupted processing across several areas*<br>• *Access and Fairness recalculation projects have fixed statutory deadlines* |
| ***IDRP's, Complaints, Compliments and Comments*** | • *Positive feedback exceeds complaints* | • *Communication related complaints*<br>• *Third party supplier performance* |

**Recommendation:**

The Board is recommended to:

i. Note and comment on the report

**FOR INFORMATION**

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## 1 Operations Team

### 1.1 Purpose

This update provides Members with an overview of operational performance during the period. It highlights achievements against Key Performance Indicators (KPIs), service delivery outcomes, member communication activity, customer feedback and the operational challenges that impacted performance during the quarter.

### 1.2 Summary

The Operations Team delivered a strong level of service throughout Quarter 1 despite experiencing a number of significant external pressures, including the ongoing system blackout linked to the necessary McCloud data load, implementation of Access and Fairness regulations, SCAPE* (Superannuation Contributions Adjusted for Past Experience) factor changes, manual calculation requirements and resource constraints arising from annual leave, sickness and training commitments.

### 1.3 Key achievements during the quarter included:

- Voice of the Customer – consistently high customer satisfaction, with positive member feedback increasing from 98% in April and May to 99% in June. Between 95% and 98% of member queries being resolved at the first point of contact.
- Significant volumes of member communications processed, including over 14,400 emails triaged and more than 6,000 email responses issued during the quarter.
- Strong and sustained KPI performance within the Estimates and Divorce Team, with most activities delivered at or above target throughout the quarter.
- Improvement in several Retirement Team activities during June following targeted resource deployment and backlog reduction activity.
- Continued achievement of 100% KPI performance for New Starters processing throughout May and June. Reflecting the impact and success of a recent project focusing automation of this high volume, low complexity task.
- Maintenance of excellent performance in General Correspondence, consistently exceeding 97% completion within target.

Whilst performance remained strong overall, several KPIs were adversely affected by external factors beyond the team's control, most notably the Aggregation blackout and SCAPE-related restrictions which delayed processing of certain case types and contributed to increasing work in progress across affected areas.

### 1.4 Member Communications and Customer Service (Appendix 1)

The Operations Team maintained a high level of contact and engagement with members throughout the quarter.

a) **Communication Volumes**

During the quarter the team:

- Triaged 14,474 emails.
- Issued 6,091 email responses.
- Handled approximately 4,000 telephone calls.
- Continued monitoring returned post, which reduced significantly from April levels by June.

This demonstrates the significant volume of member interactions managed alongside pension administration workloads.

b) **Voice of the Customer**

Customer experience continued to be exceptionally positive:

| Measure | Apr | May | Jun |
|---|---|---|---|
| Positive feedback | 98% | 98% | 99% |
| Queries resolved at first contact | 98.0% | 95.1% | 98.2% |
| Call backs received | 93% | 87% | 99% |

Member feedback consistently praised the team's professionalism, knowledge, empathy, friendliness and willingness to resolve queries quickly and effectively. Members frequently highlighted courteous service, clear expectations and team members going beyond expectations to provide support. These results demonstrate a continued commitment to providing a high-quality customer experience despite operational pressures.

1.5 **Operational KPI Performance (Appendix 2)**

a) **Retirement Team:**

The Retirement Team maintained strong performance in retirement processing throughout much of the quarter.

Notable achievements included:

- Active retirement cases achieving 96.8% KPI performance in April.
- Deferred retirement cases maintaining performance above 91% throughout the quarter.
- Significant improvements in Refund processing during June, with Refund Payment performance increasing to 95.6%.
- Completion of extensive backlog reduction activity, bringing many pending and reply-due cases fully up to date.

Challenges included:

- SCAPE factor changes preventing normal forward allocation of work.
- Resource pressures impacting checking capacity.

- Historic opt-out backlog clearance activity reducing KPI achievement despite increased productivity.

Overall, team performance remained resilient and showed recovery and improvement by the end of the quarter.

b) **Estimates and Divorce Team:**

This area delivered the strongest and most consistent KPI performance throughout the quarter.

Key highlights included:

- Active estimate KPIs consistently between 97% and 99%.
- Deferred estimate KPIs consistently between 98% and 99%.
- Divorce quotation and Divorce actual processing delivered at or near 100%.
- Improvements in Lost Pension performance, increasing from 76.3% in April to 96.4% by June.

The team benefited from targeted training and effective internal resource management, enabling rapid turnaround of member requests and strong service standards.

Challenges primarily related to Deferred Benefit estimate backlogs and SCAPE-related restrictions affecting divorce calculations.

c) **Death Team**

The Death Team continued to deliver a sensitive and critical service while adapting to regulatory and procedural changes.

Achievements included:

- Initial Death processing consistently around 90% KPI achievement.
- Improvements in Survivor Estimates and Death Grant processing during the quarter.
- Delivery of specialist training and expansion of capability within the team.
- Successful implementation of revised Death in Service processes.

Performance was impacted by:

- Annual leave and sickness levels.
- Ongoing manual calculations required under Access and Fairness regulations.
- Limited numbers of suitably trained staff in specialist areas.

Despite these pressures, service delivery remained stable and key activities continued to be completed within acceptable timescales.

d) **Transfer and Interfund team**

Performance in this area was mixed during the quarter.

Strong outcomes included:

- New Starters maintained at 100% KPI performance throughout May and June.
- Significant improvement in Transfer Out quotations, increasing to 85.4% in June.

- Transfer Out actuals and Transfer In actuals both reaching 100% in June.

Performance challenges were associated with:

- Historical shortages of trained resource in specialist Interfund activities.
- SCAPE-related calculation restrictions.
- Training requirements to increase resilience in niche processing areas.

Training programmes delivered throughout the quarter improved skill levels and contributed directly to improved June performance in several workstreams.

e) **Aggregation Team**

The most significant operational challenge during the quarter was the continuing Aggregation blackout, which commenced on 9 February 2026.

The blackout prevented normal processing of Aggregation actuals and significantly restricted workflow across several pension administration functions.

As reported in June:

- A/B Aggregation cases increased to 1,263 outstanding.
- Employer change cases increased to 733 outstanding.
- Post-2014 Concurrent cases increased to 582 outstanding.
- Deferred Aggregation cases increased to 37 outstanding.

Despite these challenges:

- Urgent cases continued to be prioritised.
- Aggregation estimates generally remained within target.
- Teams continued to support other operational areas while awaiting system resolution.

The blackout remains the single largest factor affecting operational KPIs and backlog growth.

f) **General Correspondence and Member Amendments**

Performance remained consistently strong throughout the quarter:

**General Correspondence:**

- April: 98.2%
- May: 97.7%
- June: 97.4%

**Member Detail Amendments:**

- April: 95.1%
- May: 95.9%
- June: 95.7%

These results demonstrate continued delivery of high-volume administration work within target timescales while balancing competing operational priorities.

### 1.6 Conclusion

The Operations Team delivered a strong quarter of performance despite considerable operational and external challenges. Customer satisfaction remained exceptionally high, core member services continued to perform strongly, and several teams achieved sustained KPI performance above target throughout the period.

Whilst the Aggregation blackout, SCAPE factor changes, regulatory developments and resource pressures impacted some specialist administration functions, the team demonstrated flexibility, effective cross-team support, targeted training and strong operational leadership. Significant progress was made in backlog reduction, service resilience and customer experience, providing a positive foundation for the remainder of 2026/27.

### 1.7 Backlog Progress Update (Appendix 3)

a) External support has continued with assisting the Fund with the clearance of historic, overdue cases. As a reminder to Members, there were 23,013 cases in scope.

b) To date, 5,274 (22.92%) cases have been completed.

c) There was a notable increase in completed cases for Aggregations, Deferred Benefits and Refunds.

d) The introduction of McCloud eligibility checks and a new Concurrent process require a settling period.

e) The introduction of new SCAPE factors has prevented the processing of Interfunds and some Aggregation cases.

## 2 Engagement and Systems Team

### 2.1 Member Engagement (Appendix 4)

Customer contact volumes remained broadly stable across the quarter, with email demand increasing while telephone enquiries remained consistent. Digital engagement was strong, with over 41,000 website visits, although traffic fluctuated month to month. MyPension Oline registration queries showed a continued decline, suggesting fewer customers required support with online registration.

### 2.2 MyPension Online Registrations (Appendix 5)

- Overall membership continued to grow steadily, with total unique member records increasing by 4.1%.
- Active members remain the largest group accounting for around 48% of unique member records.
- Pensioners showed the highest proportional growth among unique member records, increasing by 5.2% over the quarter.
- Deferred members also grew strongly, rising by 4.8% in unique records.
- Month-on-month increases were consistent across all categories suggesting a sustained upward trend rather than a one-off increase.

### 2.3 Data Quality (Appendix 6)

Work has continued on the suite of data quality reports that are run regularly to improve the overall quality of the Fund's data, reduce valuation queries, and support preparations for Pensions Dashboard. The team is currently focussing on analysing the errors with the greatest volume and/or overall impact on the report results. Many of these issues are historical in nature and require detailed investigations to identify the root causes and implement appropriate corrections, making the process both complex and time-consuming.

2.4 **Webinars and Training Sessions**:

a) Delivery of 6 webinars for scheme members.

b) Delivery of 2 webinars/workshops for scheme employers. The team are now sending reminders to employers regarding these events and have seen a considerable increase in uptake.

c) Delivery of a workshop at the HR Connect Breakfast Briefing from which they received excellent feedback. The team have already been invited to the next briefing on 9 November 2026.

d) A very successful virtual Employer Forum was held in July with over 100 attendees. Clair Alcock (Secretary to the Scheme Advisory Board and Head of Pensions at the LGA) joined the forum to deliver a presentation regarding the recent regulatory changes.

e) In co-operation with Barnett Waddingham, the team organised a webinar for new Councillors who are now eligible to join the scheme.

2.5 **Year End** – this project for 2026 was particularly demanding due to the short completion deadline and McCloud implications. 99% of the project was completed before the 31 May deadline (usually 30 June).

2.6 **iConnect** (**Appendix 7)** – On 1 April 2026, the team onboarded another 131 employers, including Medway Council.

2.7 **Newsletters** – Spring/Summer editions of the following newsletters have been published:

a) Pension Pulse (for Active members).

b) Pension Connection (for Deferred members).

c) Open Lines (for Pensioner members).

They will also be sent by post to members who opted out of digital communication.

2.8 **Website Updates**:

a) **McCloud information** has been updated on the website to include information on how the remedy will affect members; the information provided in Annual Benefit Statements and what members should do if they don't agree with the pensionable data provided by their employer to calculate McCloud entitlement.

b) **Revaluation and Pensions Increase** – any pages that mention these key words were updated to reflect the 2026 3.8% increase.

c) **Councillors and Mayors joining the LGPS** – a news article was added to the website to inform Councillors they can opt in to the scheme and the process to follow.

d) **Additional Pension Contributions (APCs)** – information regarding the increase from £8,903 to £9,054 was published.

e) **Funding Strategy Statement (FSS), Valuation Report, updated Data Quality policy and updated Communications Policy** – were all published at the end of March.

f) **Regulation Updates** – information regarding the Access and Fairness, and Access and Protections regulatory changes was added to the website in April.

g) **Local Government Reorganisation (LGR)** – scheme member and scheme employer FAQs were published on the website.

## 3 Technical and Training Team

### 3.1 Training and Development

3.2 **McCloud** – The team have successfully uploaded scheme member data received from scheme employers for the period 1 April 2014 to 30 September 2022. This has resulted in a number of data rejections and errors that are now being cleansed.

3.3 The upload of this data enabled the team to run eligibility reports to identify those members eligible for a McCloud Underpin. Following this the team successfully ran calculations to apply any Guarantee Amounts (uplifts to benefits where Final Salary benefits would have been greater than CARE benefits for the Remedy period).

3.4 These tasks identified circa 42,000 members eligible for McCloud and the task of notifying these members via Annual Benefit Statements and recalculations to benefits has now commenced.

3.5 Following implementation, a rapid training programme was delivered to all colleagues to ensure they understood how the McCloud Remedy impacts the calculations they administer.

3.6 Due to the implementation, the team were temporarily unable to process certain calculations for 4 days. However, this period was used to focus on training and strengthening member communications to support a successful transition.

3.7 **Training** – The Training Team has been extremely busy supporting the implementation of McCloud. Following its introduction, every subject delivered within the Pension Assistant and Pension Administrator pathways had to be reviewed and updated to reflect the changes.

3.8 To support colleagues throughout this period of significant change, the standard training schedule was temporarily paused and replaced with a bespoke programme tailored to the implementation of the McCloud Regulations.

3.9 From September, the team aim to refocus on a training schedule that balances development with business requirements. Recruitment for a Training Officer has been successful and will further support the delivery of the training objectives.

3.10 **Access and Fairness** - implementation of the changes arising from the Access and Fairness Regulations has continued which have resulted in a number of historical benefit recalculations being required, in addition to a change in the processing of new calculations.

3.11 There was a legal requirement to communicate these fundamental changes to members, employers and trade unions by 30 June 2026. Letters were sent to all members, employers were notified via email, the pension fund website was updated, and updates were shared via newsletters.

3.12 There are 3 aspects to these changes that all have deadlines to adhere to: 1.) survivor benefit equalisation, 2.) age 75 death grant cap and 3.) payment of deaths grants to personal representatives.

3.13 ***Survivor benefit equalisation***:

a) From 1 April 2026, all new survivor benefits must be calculated on the equalised basis.

b) By 1 July 2026, all cases in scope of a historical recalculation needed to be identified. This equated to 3,217 cases. Some of these cases are survivor benefits already in payment that may require a recalculation, and some relate to survivor benefits that were never paid as there was no entitlement under previous regulations. A tracing exercise will need to be carried out to ascertain whether there was a surviving spouse and if so, locate their current contact details. The team are seeking support from an external tracing company and are currently awaiting a detailed proposal.

c) This work must be concluded by 1 January 2028.

3.14 ***Age 75 Death Grant cap*** – previous regulations did not allow a Death Grant to be paid where the deceased member was over the age of 75 at the time of death. This cap has now been removed.

a) From 1 April 2026, all new Death Grant payments must be paid regardless of the deceased member's age at the date of death.

b) By 1 January 2028, all deaths that occurred between 1 April 2014 and 31 March 2026 must be reviewed and if the member was over the age of 75 at the date of death (and therefore a Death Grant wasn't paid previously) must have a Death Grant calculated and paid at the discretion of the administering authority. There are 134 of these types of cases. The difficulty with this project will be identifying recipients of the Death Grant given that some time has elapsed since the date of death for some cases.

3.15 ***Payment of deaths grants to personal representatives*** – the changes removed the requirement that unpaid death grants not paid within 2 years must be paid to the legal personal representative and not at the discretion of the administering authority. This resulted in a 45% tax charge if the payment was made after 2 years. The administering authority now has full discretion to whom payment can be made, but tax is still deductible if paid after 2 years at the recipient's marginal rate. These changes do not apply to death grants already paid and only apply to deaths that occur from 1 April 2026.

3.16 **SCAPE Discount Rate and impact on actuarial factors** – on 19 May the Local Government Association (LGA) emailed administering authorities in England and Wales to confirm that the SCAPE discount rate increased in line with the Consumer Price Index (CPI) plus 2%.

3.17 The SCAPE discount rate is used in the calculation of actuarial factors within the LGPS. As a result of the change, the Government Actuary Department (GAD) has been required to review and revise a range of actuarial factors. This has been a lengthy process, with updated factors being issued as they are completed.

3.18 The factors include:

a) Early retirement

b) Late retirement

c) Transfer in

d) Transfer out

e) Cash equivalent transfers for divorce

f) Trivial commutation

g) Additional Pension Contributions (APCs)

h) Additional Voluntary Contributions (AVCs)

i) Interfunds

3.19 Significant work has been undertaken to review, test and implement the revised factors within the pensions administration system to ensure calculations remain accurate and compliant with the updated guidance.

**4 IDRP's, Complaints, Compliments and Comments (Appendix 8)**

4.1 Overall, positive feedback outweighed complaints, with 12 compliments compared to 7 complaints.

4.2 Communication remains the dominant issue, accounting for most complaints and comments, particularly in April and June.

4.3 There were no complaints in May.

4.4 Positive feedback was driven by good communication and helpful staff, with helpfulness becoming more prominent from May onwards.

4.5 Feedback relating to third-party/contracted service suppliers appeared in both complaints and comments, indicating an area that may require further monitoring.

4.6 June saw the highest volume of feedback overall, with both positive feedback and communication-related concerns increasing.

4.7 1 new Stage 1 IDRP application was received against the Administering Authority, appealing that Kent Pension Fund had advised the wrong retirement date to enable the member to use the best of the previous year's pensionable pay. The adjudicator did not uphold the appeal.

## 5 Overpayment Recovery and Write Off Limits

5.1 There were no pension overpayment write offs for the period.

**The SCAPE rate is the discount rate used for the valuation of the unfunded public sector pension schemes in the UK. The factors that are used daily to administer the LGPS e.g. cash-equivalent transfer values (CETVs), early and late retirements and additional pension purchases, are based on the SCAPE rate.*

**Appendices:**

| | |
|---|---|
| **Appendix 1** | **Member Communications and Customer Service** |
| **Appendix 2** | **Casework Volumes and KPI Performance** |
| **Appendix 3** | **Backlog Progress Update** |
| **Appendix 4** | **Member Engagement** |
| **Appendix 5** | **MyPension Online Registrations** |
| **Appendix 6** | **Data Quality** |
| **Appendix 7** | **iConnect Onboarding** |
| **Appendix 8** | **Complaints, Compliment and Comments** |

**Clare Chambers – Head of Pensions Service Delivery – Kent Pension Fund**

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**September 2026**

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# Pensions Service Delivery – Appendices 1 to 8

## Appendix 1 – Member Communications and Customer Service

| Member communication | | | |
|---|---|---|---|
| | Apr-26 | May-26 | Jun-26 |
| Emails triaged | 4905 | 4522 | 5047 |
| Email correspondence | 1973 | 1941 | 2177 |
| Calls handled | 1344 | 1300 | 1259 |
| Returned post | 161 | 53 | 45 |

| Member communication - Voice of the Customer | | | |
|---|---|---|---|
| | Apr-26 | May-26 | Jun-26 |
| Qualifying calls | 1295 | 1255 | 1222 |
| Survey tasks created | 602 | 536 | 547 |
| Survey tasks returned | 149 | 143 | 164 |
| Positive feedback | 98% | 98% | 99% |
| Queries answered at point of contact | 98.00% | 95.10% | 98.20% |
| Call backs received | 93% | 87% | 99% |

## Appendix 2 – Casework Volumes and KPI Performance

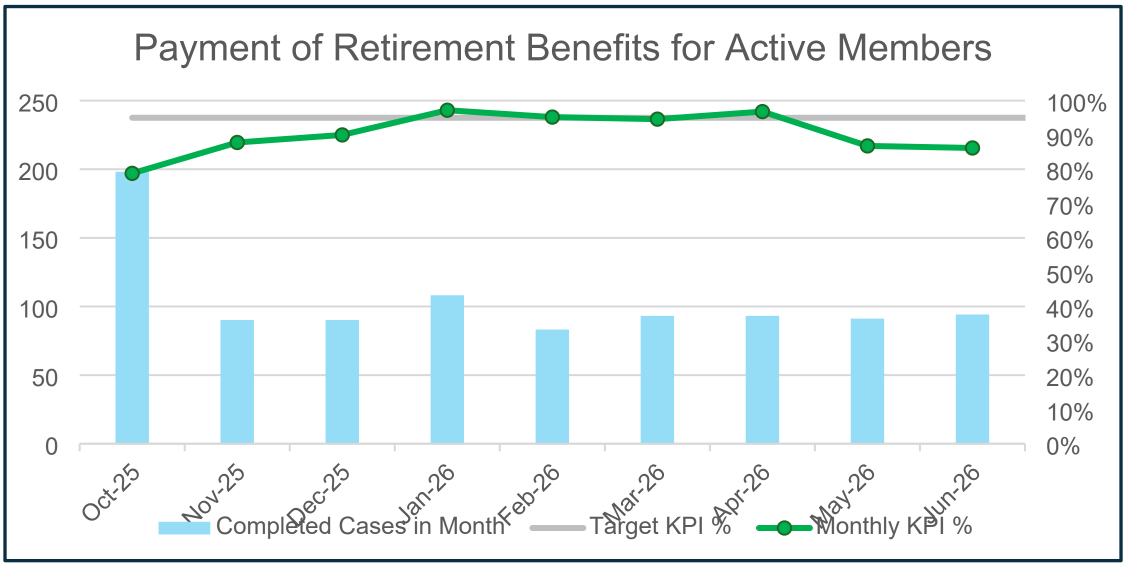
### 1 April to 30 June 2026:

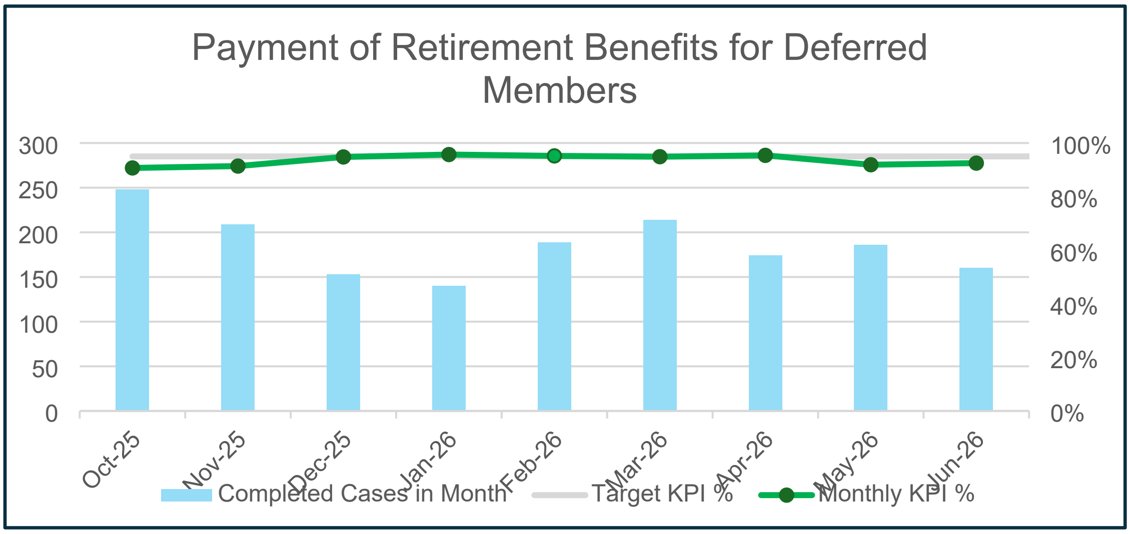
| Category | Outstanding at Period Start | Created in Period | Total Cases | Complete at End of Period | Outstanding at End of Period | % Complete | Outstanding (Excluding External Reply Due) | Outstanding (External Reply Due) |
|---|---|---|---|---|---|---|---|---|
| **Grand Total** | **5,906** | **12,802** | **18,708** | **11,143** | **7,565** | **59.6%** | **5,576** | **1,989** |
| A1: Deaths | 56 | 391 | 447 | 368 | 79 | 82.3% | 51 | 28 |
| A2: Survivors Pensions | 55 | 195 | 250 | 166 | 84 | 66.4% | 44 | 40 |
| A3: Death Grant Payment | 26 | 94 | 120 | 101 | 19 | 84.2% | 12 | 7 |
| A4: Payment of Retirement Benefits | 471 | 744 | 1,215 | 799 | 416 | 65.8% | 133 | 283 |
| A5: Estimate of Retirement Benefits | 358 | 1,190 | 1,548 | 1,066 | 482 | 68.9% | 333 | 149 |
| A6: Refunds | 695 | 950 | 1,645 | 1,024 | 621 | 62.2% | 301 | 320 |
| A7: Deferred Benefits | 968 | 953 | 1,921 | 656 | 1,265 | 34.1% | 773 | 492 |
| A8: LGPS Transfer In | 56 | 59 | 115 | 35 | 80 | 30.4% | 45 | 35 |
| A9: LGPS Transfer Out | 428 | 273 | 701 | 217 | 484 | 31.0% | 372 | 112 |
| A10: Aggregation | 2,156 | 1,278 | 3,434 | 118 | 3,316 | 3.4% | 2,993 | 323 |
| A11: Non LGPS Transfer In | 32 | 58 | 90 | 54 | 36 | 60.0% | 20 | 16 |
| A12: Non LGPS Transfer Out | 142 | 133 | 275 | 119 | 156 | 43.3% | 91 | 65 |
| A13: Divorces | 26 | 147 | 173 | 112 | 61 | 64.7% | 44 | 17 |
| A14: General Correspondence | 156 | 1,940 | 2,096 | 2,038 | 58 | 97.2% | 37 | 21 |
| A15: Change of Details | 47 | 1,179 | 1,226 | 1,209 | 17 | 98.6% | 13 | 4 |
| A16: Lost Pension | 45 | 133 | 178 | 152 | 26 | 85.4% | 17 | 9 |
| A17: New Joiners | 0 | 2,959 | 2,959 | 2,702 | 257 | 91.3% | 242 | 15 |
| A18: Opt Outs | 189 | 126 | 315 | 207 | 108 | 65.7% | 55 | 53 |

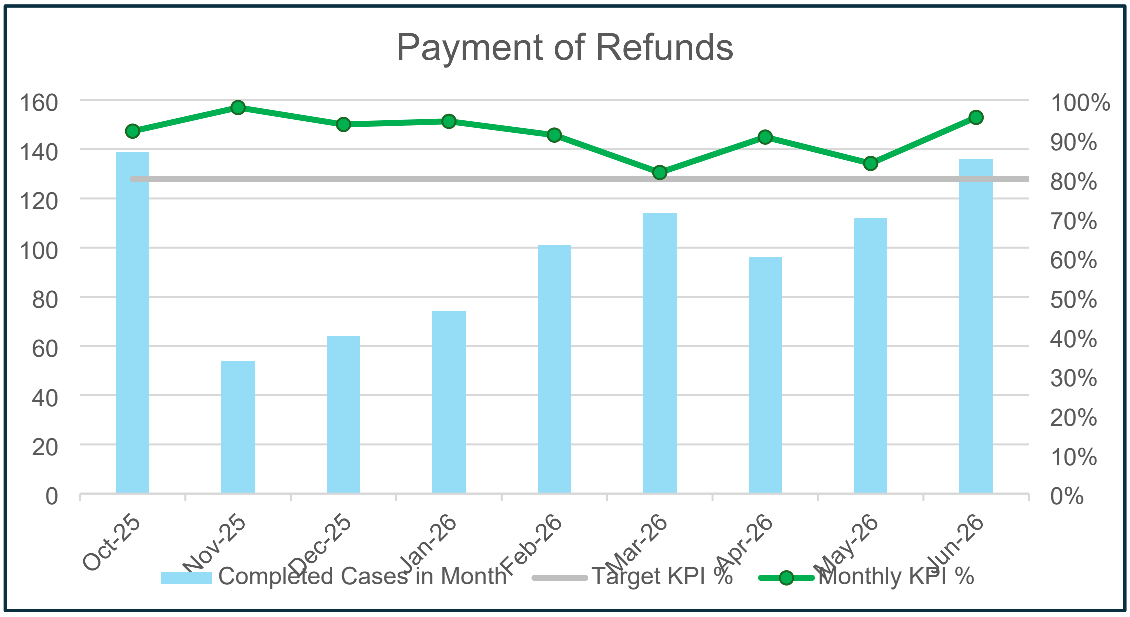
| Category | Subcategory | Complete at End of Period | # Completed Within KPI Target | % Complete Within KPI Target | # Completed Within Legally Required Response Time | % Complete Within Legal Target |
|---|---|---|---|---|---|---|
| A1: Deaths | B1: Initial Death Notification | 368 | 334 | 90.8% | 360 | 97.8% |
| A2: Survivors Pensions | B2: Survivors Pensions Pensioner or Deferred Pensioner (Actual) | 124 | 91 | 73.4% | 124 | 100.0% |
| | B3: Survivors Pensions Death in Service (Actual) | 6 | 5 | 83.3% | 6 | 100.0% |
| | B4: Survivors Pensions (Estimate) | 36 | 31 | 86.1% | 36 | 100.0% |
| A3: Death Grant Payment | B5: Death Grant Payment (Pensioner, Deferred Pensioner, Death in Service) | 101 | 85 | 84.2% | 101 | 100.0% |
| A4: Payment of Retirement Benefits | B6: Payment of Retirement Benefits for Active members (Actual) | 278 | 249 | 89.6% | 277 | 99.6% |
| | B7: Payment of Retirement Benefits for Deferred Benefit members (Actual) | 521 | 486 | 93.3% | 518 | 99.4% |
| A5: Estimate of Retirement Benefits | B8: Estimate of Retirement Benefits for Active members | 479 | 469 | 97.9% | 478 | 99.8% |
| | B9: Estimate of Retirement Benefits for Deferred Benefit members | 587 | 579 | 98.6% | 584 | 99.5% |
| A6: Refunds | B10: Notification of Refund Entitlement | 682 | 558 | 81.8% | 558 | 81.8% |
| | B11: Payment of Refunds | 342 | 309 | 90.4% | 339 | 99.1% |
| A7: Deferred Benefits | B12: Provision of Deferred Benefit Statements | 656 | 565 | 86.1% | 565 | 86.1% |
| A8: LGPS Transfer In | B13: LGPS Transfer In Estimates | 8 | 3 | 37.5% | 5 | 45.5% |
| | B14: LGPS Transfer In Actuals | 24 | 3 | 12.5% | 22 | 91.7% |
| A9: LGPS Transfer Out | B15: LGPS Transfer Out Estimates | 154 | 71 | 46.1% | 142 | 92.2% |
| | B16: LGPS Transfer Out Actuals | 63 | 6 | 9.5% | 47 | 74.6% |
| A10: Aggregation | B17: Aggregation In Estimates | 33 | 27 | 81.8% | 27 | 81.8% |
| | B18: Aggregation In Actuals | 83 | 34 | 41.0% | 34 | 41.0% |
| | B19: Reversal of Auto Aggregation | 2 | 2 | 100.0% | 2 | 100.0% |
| A11: Non LGPS Transfer In | B20: Non LGPS Transfer In Estimate | 44 | 22 | 50.0% | 43 | 97.7% |
| | B21: Non LGPS Transfer In Actual | 10 | 5 | 50.0% | 7 | 70.0% |
| A12: Non LGPS Transfer Out | B22: Non LGPS Transfer Out Estimate | 106 | 76 | 71.7% | 103 | 97.2% |
| | B23: Non LGPS Transfer Out Actual | 13 | 8 | 61.5% | 11 | 84.6% |
| A13: Divorces | B24: Pension Sharing on Divorce Estimates | 106 | 102 | 96.2% | 106 | 100.0% |
| | B25: Pension Sharing on Divorce Implementations | 6 | 6 | 100.0% | 6 | 100.0% |
| A14: General Correspondence | B26: General Correspondence with scheme members | 2,038 | 1,992 | 97.7% | 2,014 | 98.8% |
| A15: Change of Details | B27: Change of Scheme Member Details | 1,209 | 1,155 | 95.5% | 1,173 | 97.0% |
| A16: Lost Pension | B28: Lost Pension | 152 | 133 | 87.5% | 143 | 94.1% |
| A17: New Joiners | B29: New Starters to the Scheme | 2,702 | 2,702 | 100.0% | 2,702 | 100.0% |
| A18: Opt Outs | B30: Opt Outs under 3 months | 207 | 84 | 40.6% | 106 | 51.2% |

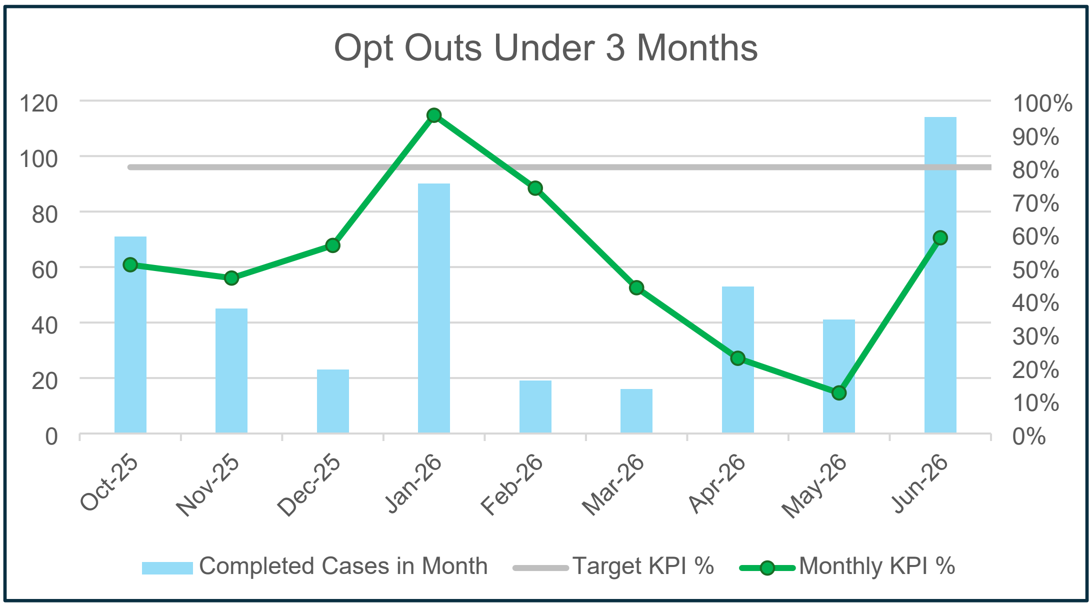
## Retirements Team

| Key Performance Indicators | | | | | | |
|---|---|---|---|---|---|---|
| | Apr-26 | | May-26 | | Jun-26 | |
| **Retirement Team** | Completed cases | KPI % | Completed cases | KPI % | Completed cases | KPI % |
| Active members | 93 | 96.8 | 91 | 86.8 | 94 | 86.2 |
| Deferred members | 174 | 95.4 | 186 | 91.9 | 160 | 92.5 |
| Refund notifications | 168 | 79.2 | 188 | 76.1 | 326 | 86.5 |
| Refund payments | 96 | 90.6 | 112 | 83.9 | 136 | 95.6 |
| Opt outs | 53 | 22.6 | 41 | 12.2 | 114 | 58.8 |


Payment of Retirement Benefits for Active Members
250
200
150
100
50
0
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Oct-25
Nov-25
Dec-25
Jan-26
Feb-26
Mar-26
Apr-26
May-26
Jun-26
Completed Cases in Month
Target KPI %
Monthly KPI %

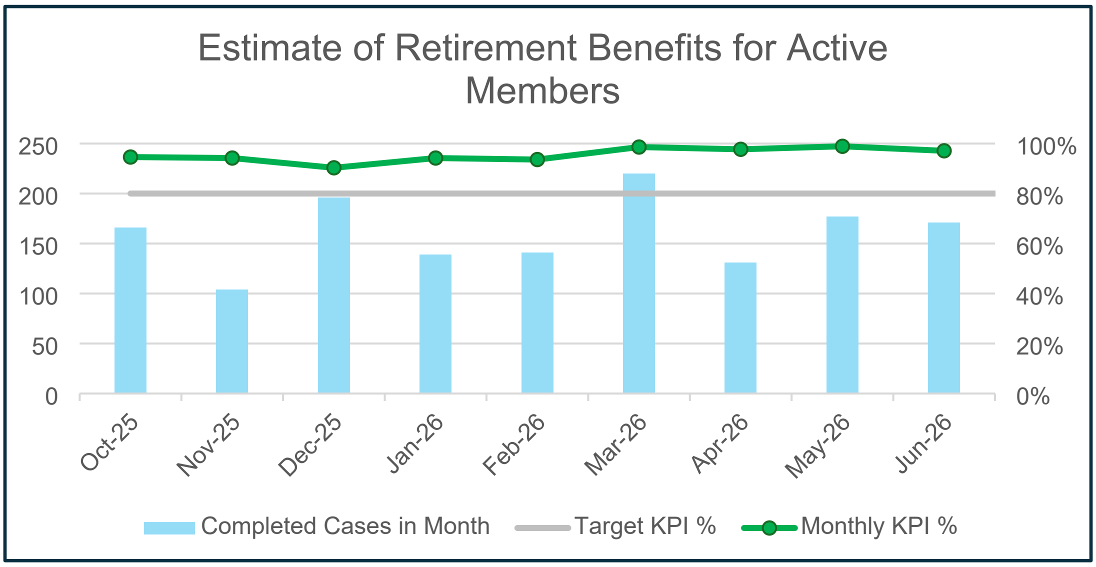

Payment of Retirement Benefits for Deferred Members
300
250
200
150
100
50
0
100%
80%
60%
40%
20%
0%
Oct-25
Nov-25
Dec-25
Jan-26
Feb-26
Mar-26
Apr-26
May-26
Jun-26
Completed Cases in Month
Target KPI %
Monthly KPI %

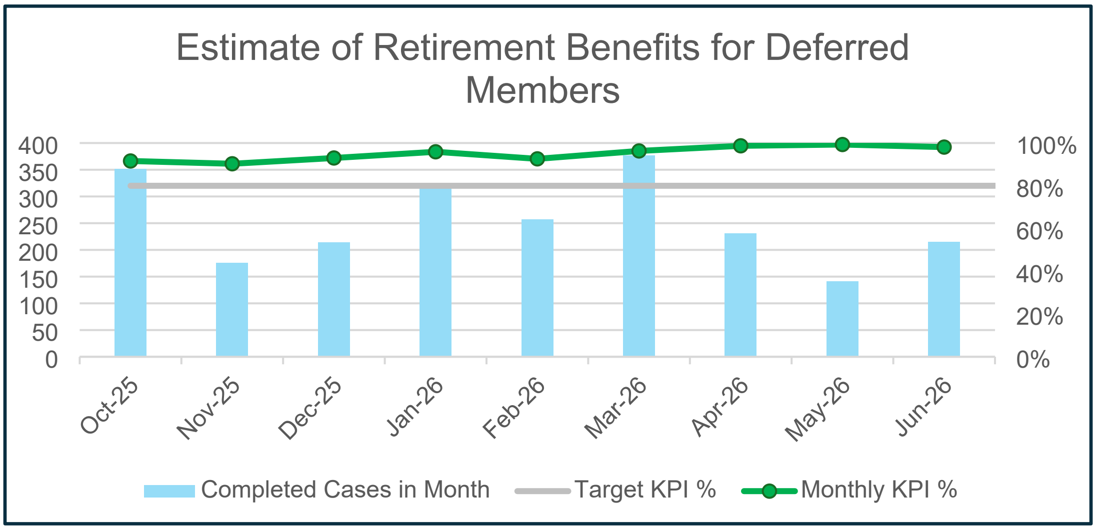

Payment of Refunds
160
140
120
100
80
60
40
20
0
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Oct-25
Nov-25
Dec-25
Jan-26
Feb-26
Mar-26
Apr-26
May-26
Jun-26
Completed Cases in Month
Target KPI %
Monthly KPI %

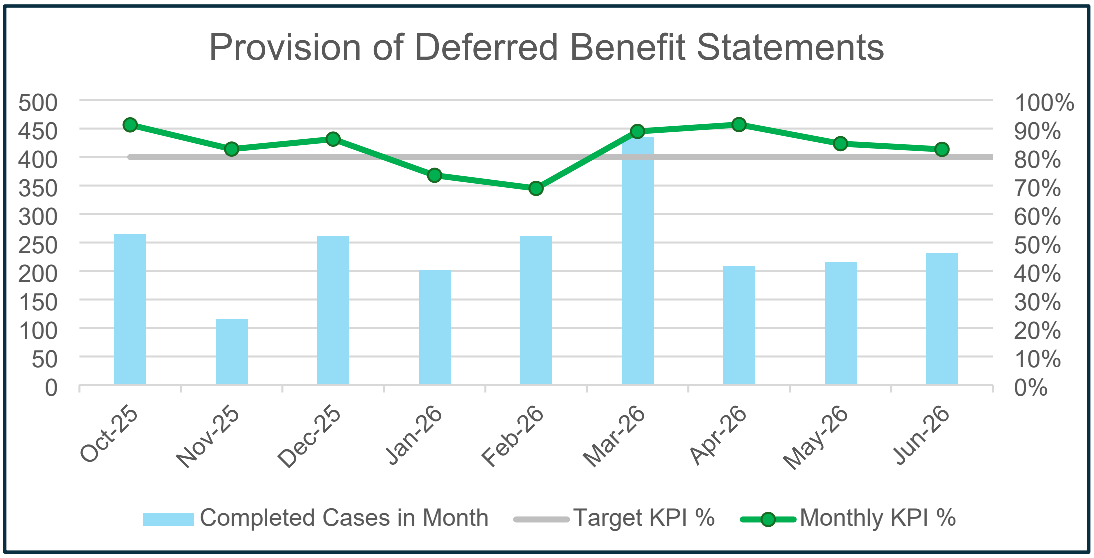


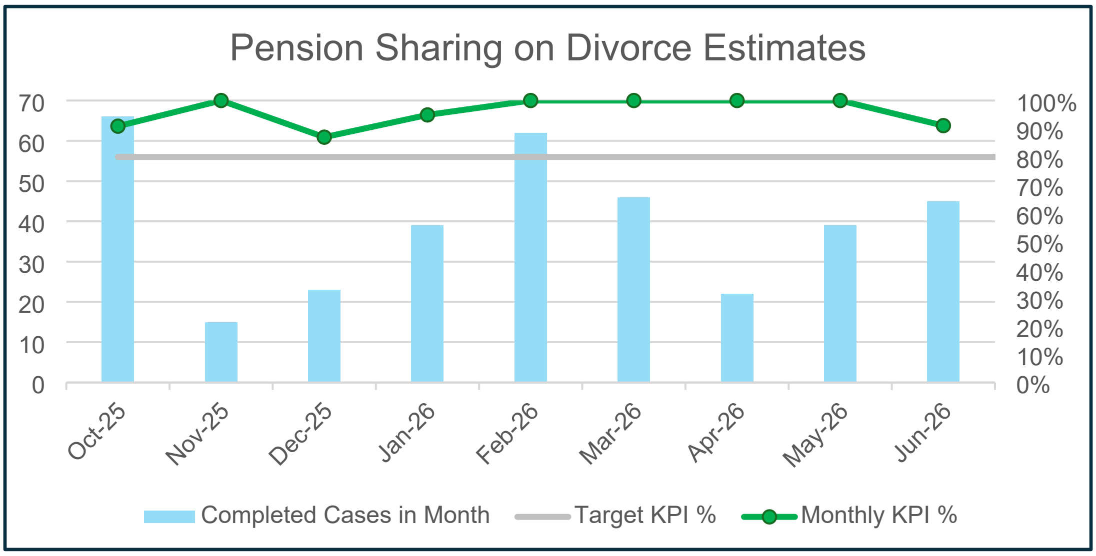

## Estimates and Divorce Team

| Key Performance Indicators | | | | | | |
|---|---|---|---|---|---|---|
| | Apr-26 | | May-26 | | Jun-26 | |
| **Estimate Team** | Completed cases | KPI % | Completed cases | KPI % | Completed cases | KPI % |
| Active members | 131 | 97.7 | 177 | 98.9 | 171 | 97.1 |
| Deferred members | 231 | 98.7 | 141 | 99.3 | 215 | 98.1 |
| DB's | 209 | 91.4 | 216 | 84.7 | 231 | 82.7 |
| Divorce - quotes | 22 | 100 | 39 | 100 | 45 | 91.1 |
| Divorce actual | 3 | 100 | 1 | 100 | 2 | 100 |
| Lost pension | 59 | 76.3 | 38 | 92.1 | 55 | 96.4 |


Estimate of Retirement Benefits for Active Members
250
200
150
100
50
0
100%
80%
60%
40%
20%
0%
Oct-25
Nov-25
Dec-25
Jan-26
Feb-26
Mar-26
Apr-26
May-26
Jun-26
Completed Cases in Month
Target KPI %
Monthly KPI %

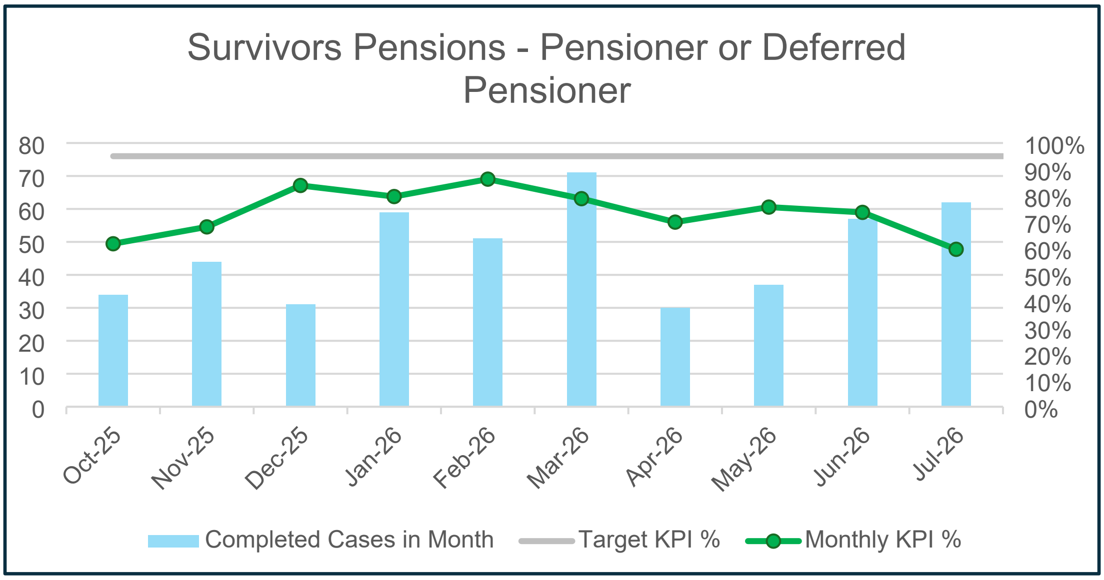

Estimate of Retirement Benefits for Deferred Members
400
350
300
250
200
150
100
50
0
100%
80%
60%
40%
20%
0%
Oct-25
Nov-25
Dec-25
Jan-26
Feb-26
Mar-26
Apr-26
May-26
Jun-26
Completed Cases in Month
Target KPI %
Monthly KPI %

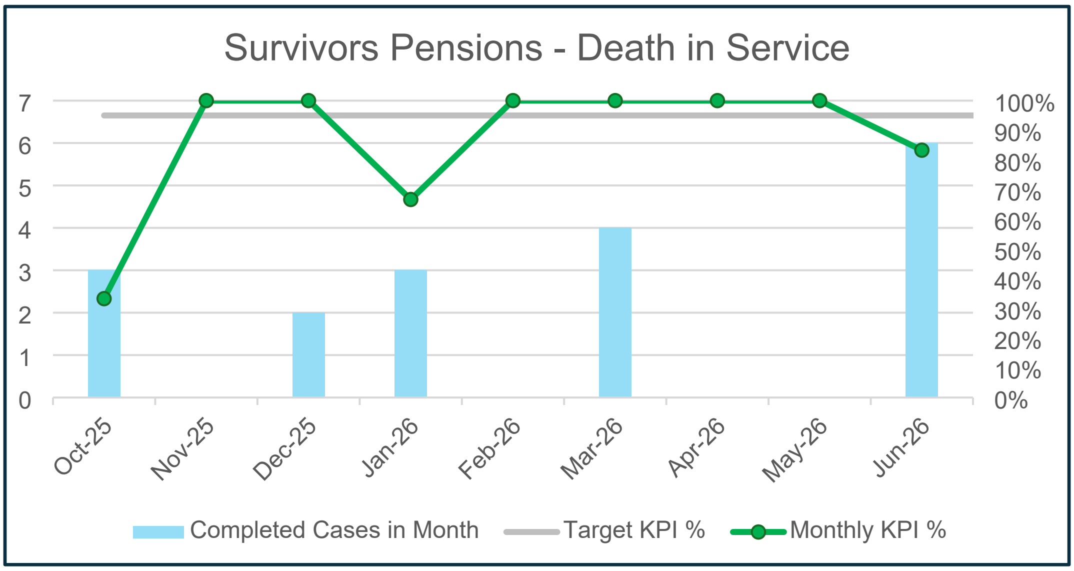

Provision of Deferred Benefit Statements
500
450
400
350
300
250
200
150
100
50
0
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Oct-25
Nov-25
Dec-25
Jan-26
Feb-26
Mar-26
Apr-26
May-26
Jun-26
Completed Cases in Month
Target KPI %
Monthly KPI %

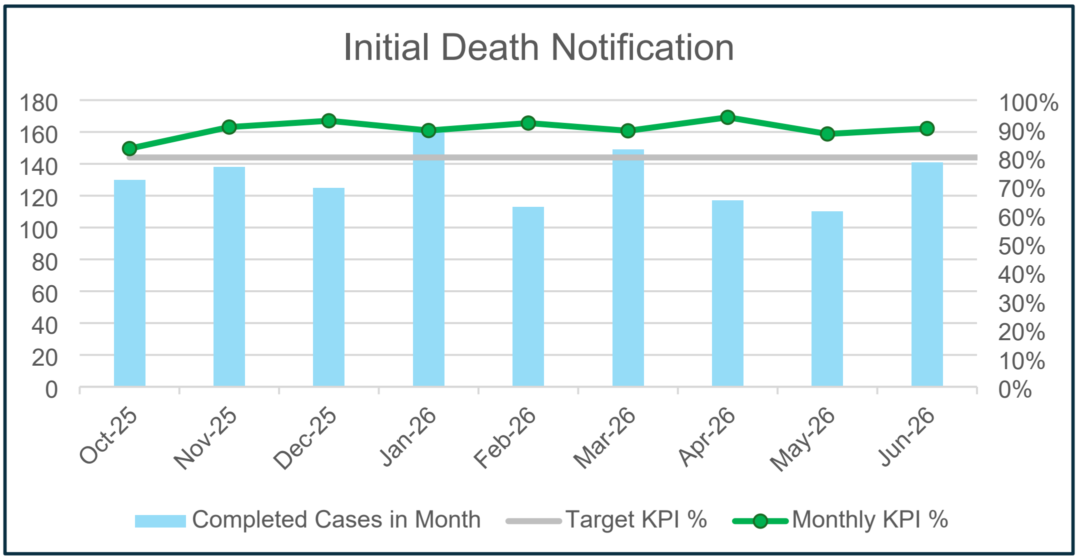


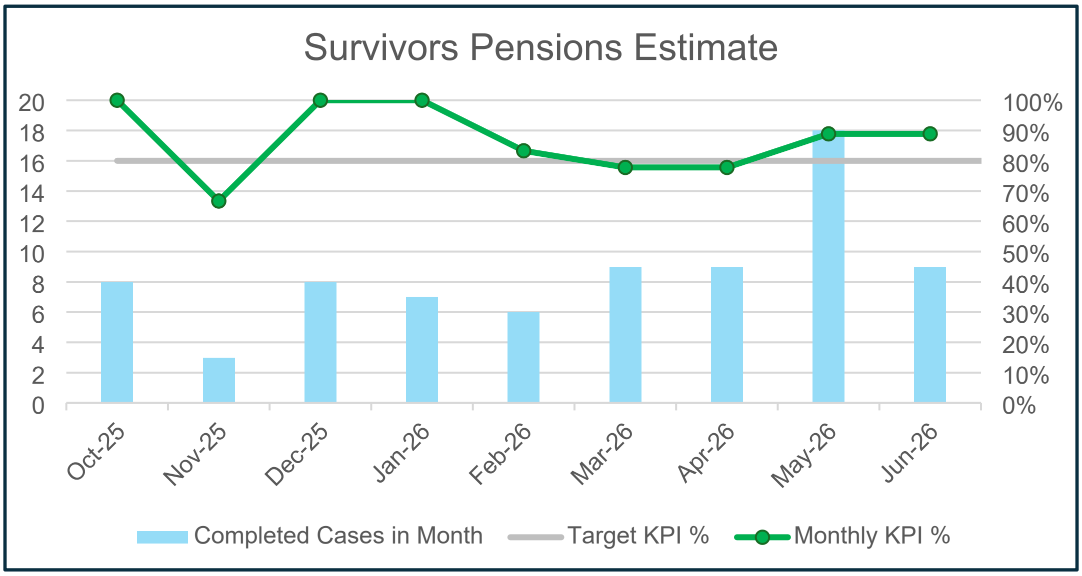

**Death Team**

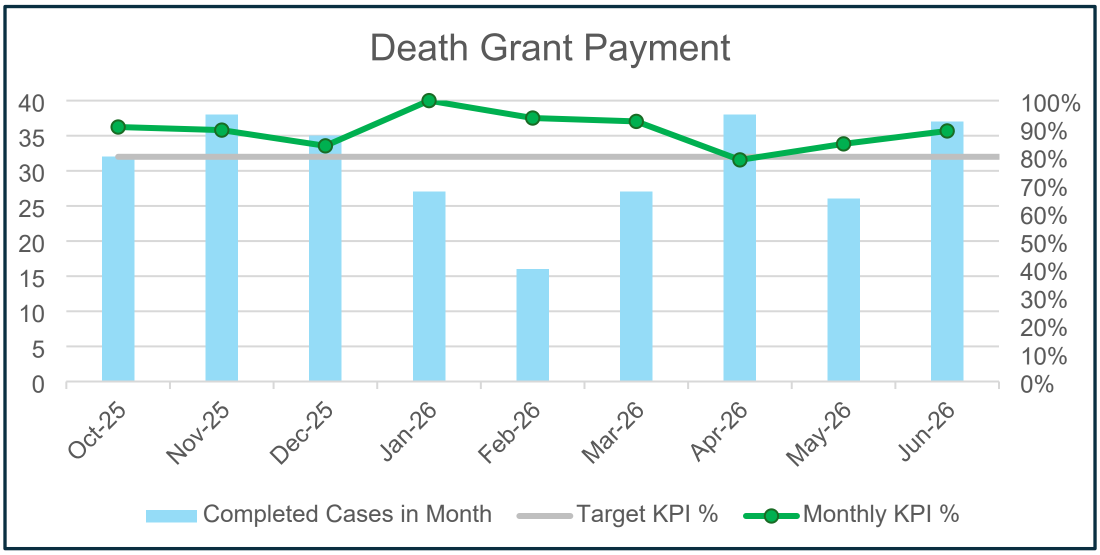
| Key Performance Indicators | | | | | | |
|---|---|---|---|---|---|---|
| | Apr-26 | | May-26 | | Jun-26 | |
| **Death Team** | Completed cases | KPI % | Completed cases | KPI % | Completed cases | KPI % |
| Survivors - Def/Pensioner | 30 | 70 | 37 | 75.7 | 57 | 73.7 |
| Survivors - DIS | 0 | | 0 | | 6 | 83.3 |
| Initial deaths | 117 | 94 | 110 | 88.2 | 141 | 90.1 |
| Survivors - estimates | 9 | 77.8 | 18 | 88.9 | 9 | 88.9 |
| Death Grant payments | 38 | 78.9 | 26 | 84.6 | 37 | 89.2 |




Survivors Pensions - Death in Service
7
6
5
4
3
2
1
0
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Oct-25
Nov-25
Dec-25
Jan-26
Feb-26
Mar-26
Apr-26
May-26
Jun-26
Completed Cases in Month
Target KPI %
Monthly KPI %

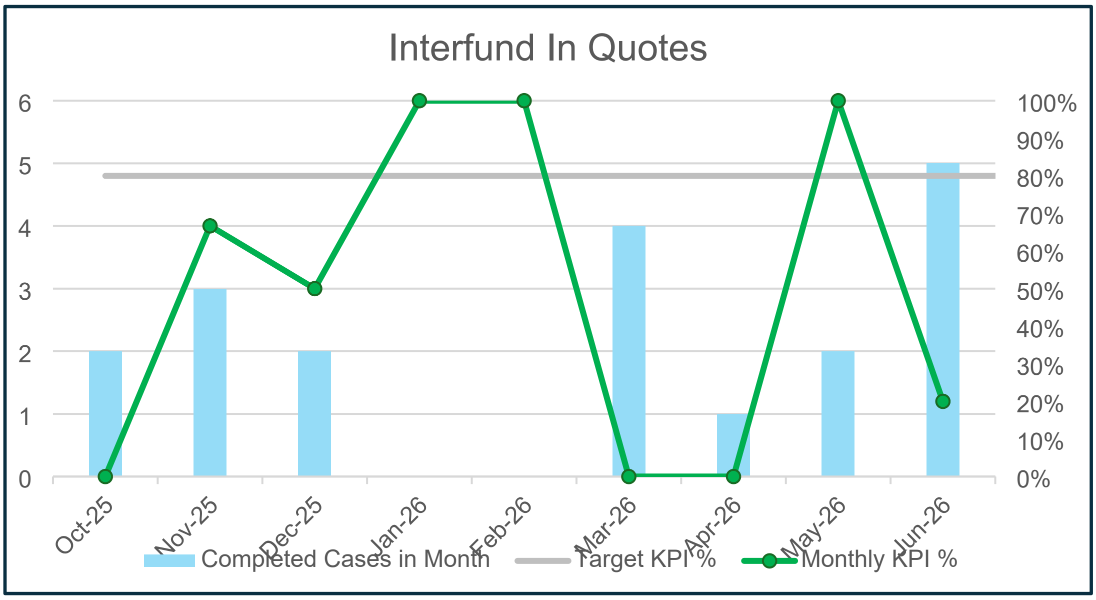

Initial Death Notification
180
160
140
120
100
80
60
40
20
0
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Oct-25
Nov-25
Dec-25
Jan-26
Feb-26
Mar-26
Apr-26
May-26
Jun-26
Completed Cases in Month
Target KPI %
Monthly KPI %

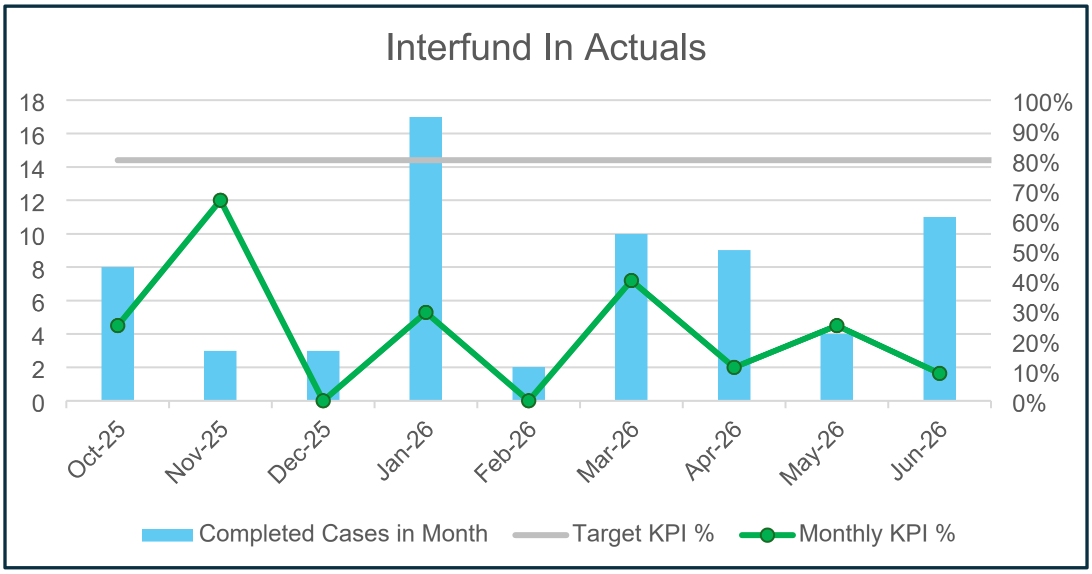

Survivors Pensions Estimate
20
18
16
14
12
10
8
6
4
2
0
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Oct-25
Nov-25
Dec-25
Jan-26
Feb-26
Mar-26
Apr-26
May-26
Jun-26
Completed Cases in Month
Target KPI %
Monthly KPI %

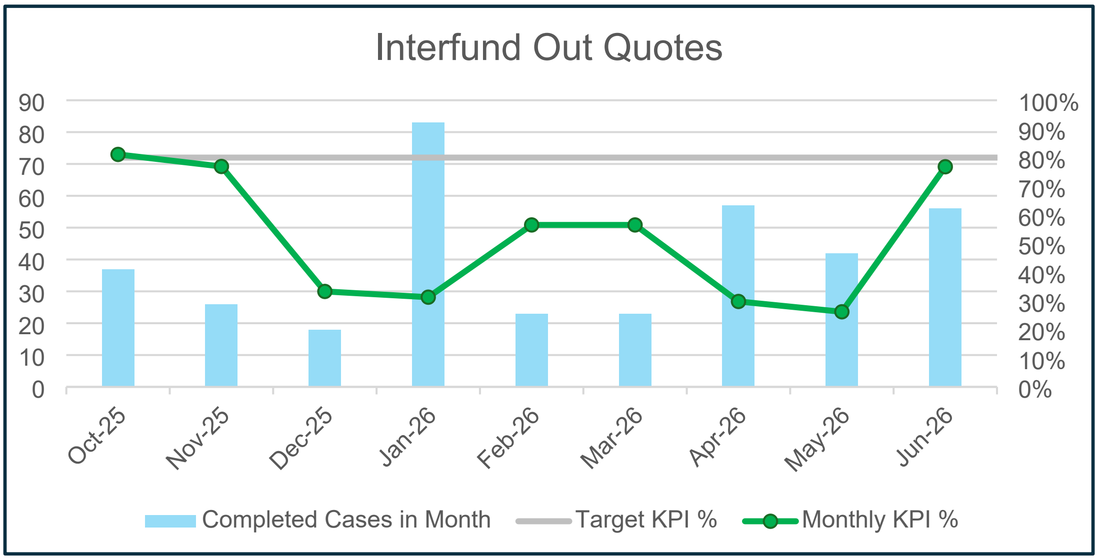


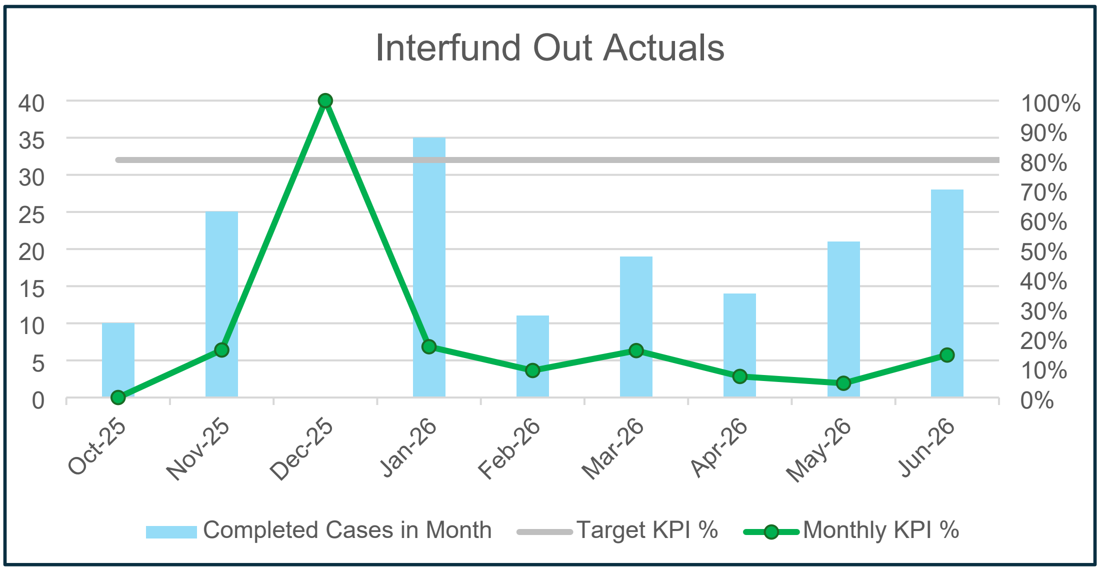

### Transfer and Interfund Team

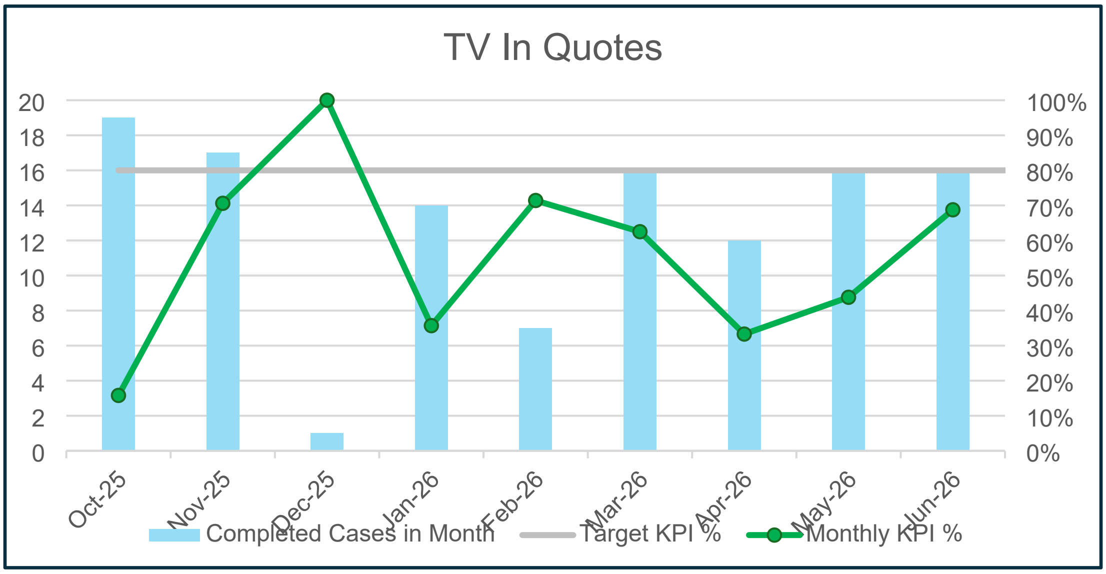
| Key Performance Indicators | | | | | | |
|---|---|---|---|---|---|---|
| | Apr-26 | | May-26 | | Jun-26 | |
| **Transfer/Interfund Team** | Completed cases | KPI % | Completed cases | KPI % | Completed cases | KPI % |
| Interfund In Quotation | 0 | 0 | 2 | 100 | 5 | 20 |
| Interfund In Actuals | 9 | 11.1 | 4 | 25 | 11 | 9.1 |
| Interfund Out Quotation | 57 | 29.8 | 42 | 26.2 | 56 | 76.8 |
| Interfund Out Actual | 14 | 7.1 | 21 | 4.8 | 28 | 14.3 |
| Transfer In Quotation | 12 | 33.3 | 16 | 43.8 | 16 | 68.8 |
| Transfer In Actuals | 7 | 28.6 | 1 | 100 | 2 | 100 |
| Transfer Out Quotation | 37 | 54.1 | 28 | 75 | 41 | 85.4 |
| Transfer Out Actual | 4 | 25 | 6 | 66.7 | 3 | 100 |
| New Starters | 1316 | 100 | 751 | 100 | 660 | 100 |

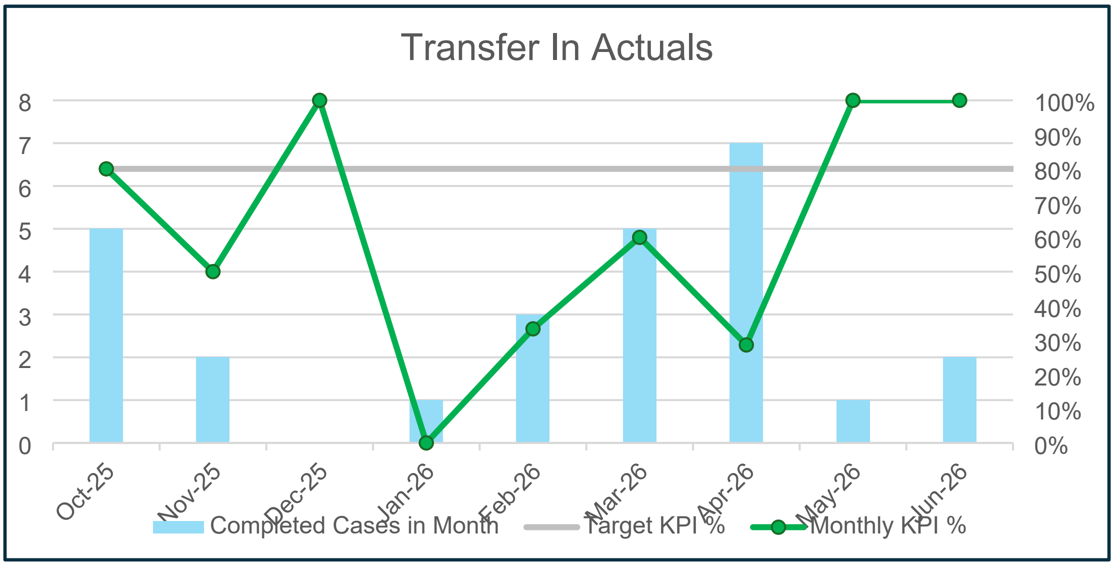

Interfund In Quotes
0
1
2
3
4
5
6
0%
10%
20%
30%
40%
50%
60%
70%
80%
90%
100%
Oct-25
Nov-25
Dec-25
Jan-26
Feb-26
Mar-26
Apr-26
May-26
Jun-26
Completed Cases in Month
Target KPI %
Monthly KPI %

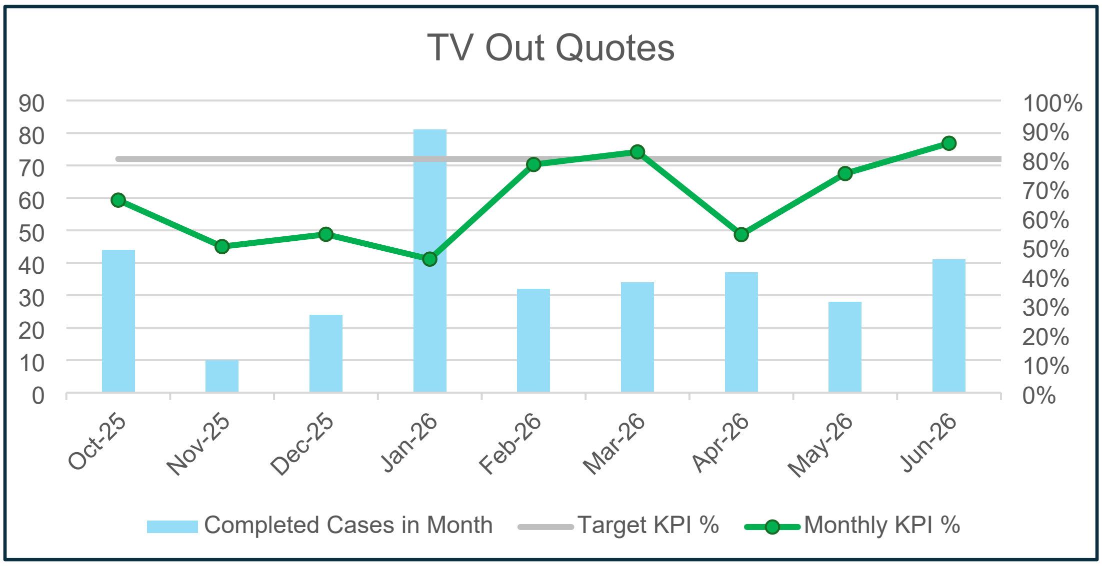

Interfund In Actuals
0
2
4
6
8
10
12
14
16
18
0%
10%
20%
30%
40%
50%
60%
70%
80%
90%
100%
Oct-25
Nov-25
Dec-25
Jan-26
Feb-26
Mar-26
Apr-26
May-26
Jun-26
Completed Cases in Month
Target KPI %
Monthly KPI %

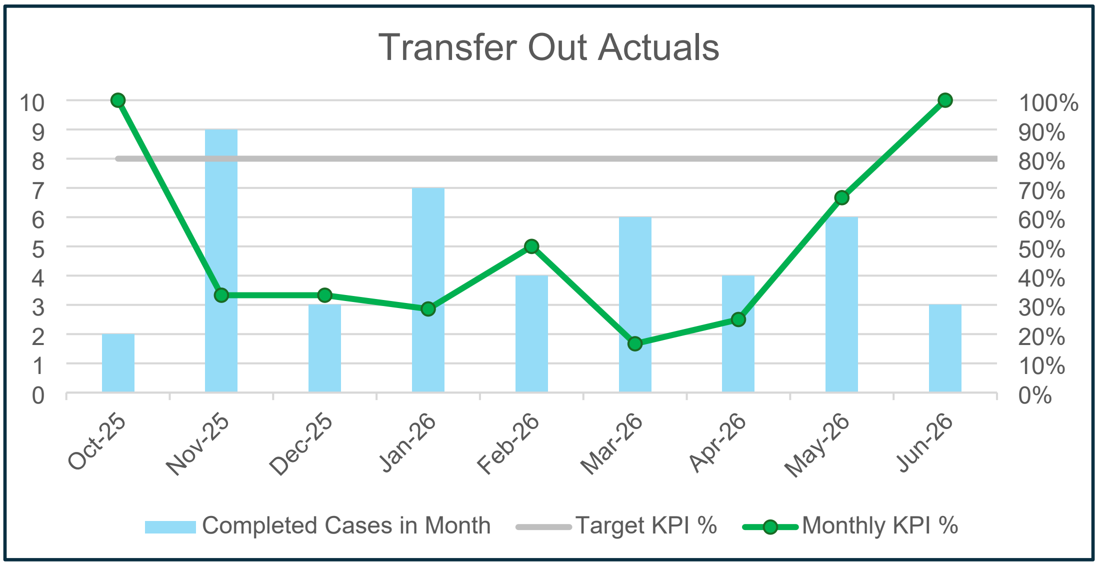

Interfund Out Quotes
0
10
20
30
40
50
60
70
80
90
0%
10%
20%
30%
40%
50%
60%
70%
80%
90%
100%
Oct-25
Nov-25
Dec-25
Jan-26
Feb-26
Mar-26
Apr-26
May-26
Jun-26
Completed Cases in Month
Target KPI %
Monthly KPI %

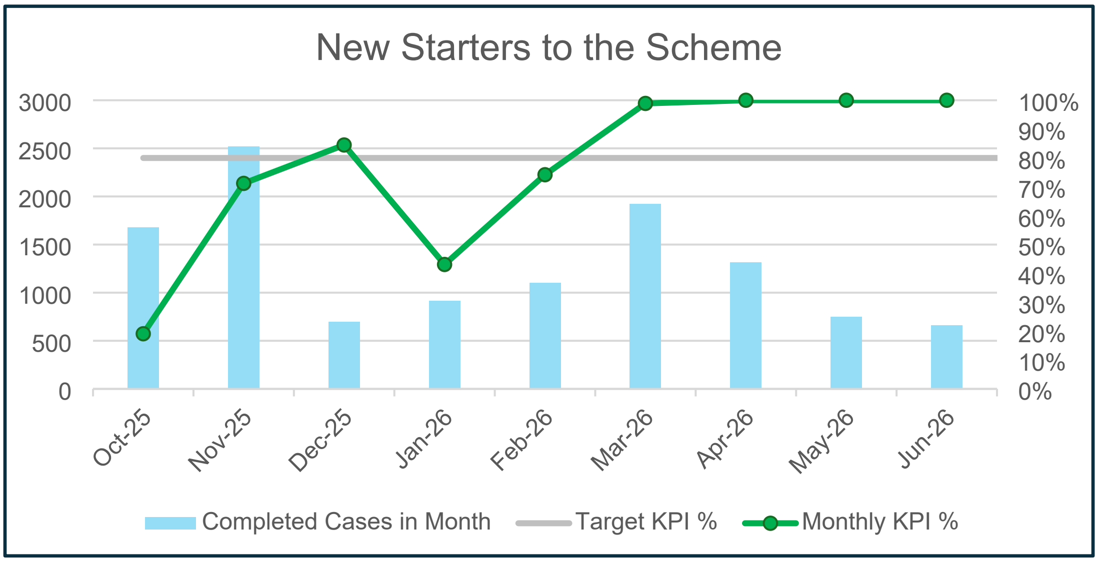

Interfund Out Actuals
40
35
30
25
20
15
10
5
0
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Oct-25
Nov-25
Dec-25
Jan-26
Feb-26
Mar-26
Apr-26
May-26
Jun-26
Completed Cases in Month
Target KPI %
Monthly KPI %


TV In Quotes
20
18
16
14
12
10
8
6
4
2
0
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Oct-25
Nov-25
Dec-25
Jan-26
Feb-26
Mar-26
Apr-26
May-26
Jun-26
Completed Cases in Month
Target KPI %
Monthly KPI %


Transfer In Actuals
8
7
6
5
4
3
2
1
0
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Oct-25
Nov-25
Dec-25
Jan-26
Feb-26
Mar-26
Apr-26
May-26
Jun-26
Completed Cases in Month
Target KPI %
Monthly KPI %

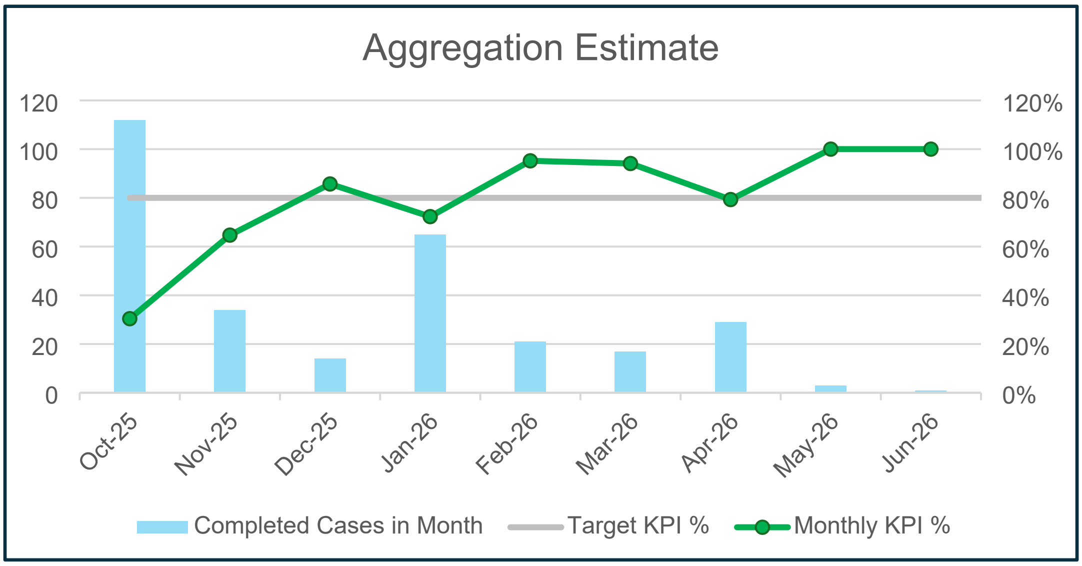

TV Out Quotes
90
80
70
60
50
40
30
20
10
0
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Oct-25
Nov-25
Dec-25
Jan-26
Feb-26
Mar-26
Apr-26
May-26
Jun-26
Completed Cases in Month
Target KPI %
Monthly KPI %

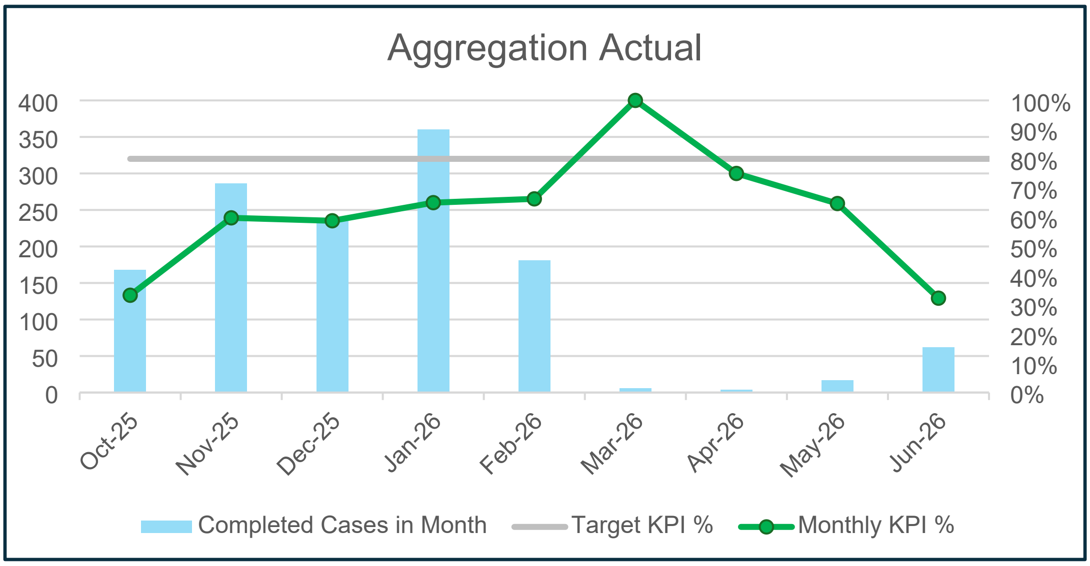

Transfer Out Actuals
10
9
8
7
6
5
4
3
2
1
0
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Oct-25
Nov-25
Dec-25
Jan-26
Feb-26
Mar-26
Apr-26
May-26
Jun-26
Completed Cases in Month
Target KPI %
Monthly KPI %

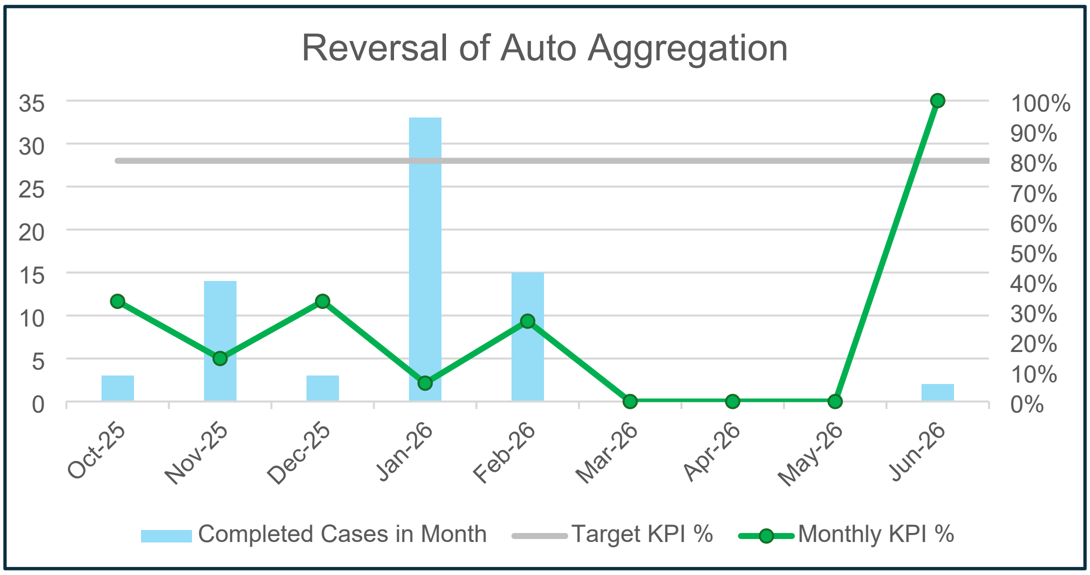

New Starters to the Scheme
3000
2500
2000
1500
1000
500
0
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Oct-25
Nov-25
Dec-25
Jan-26
Feb-26
Mar-26
Apr-26
May-26
Jun-26
Completed Cases in Month
Target KPI %
Monthly KPI %

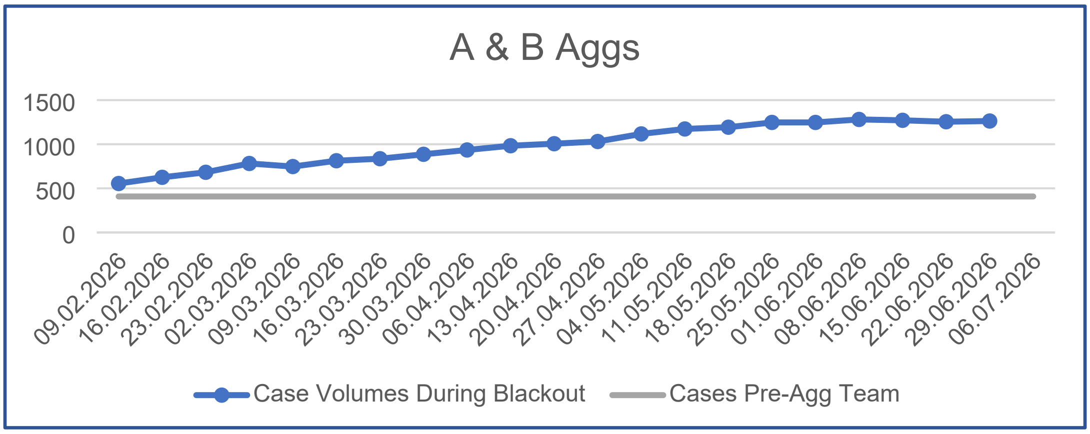
## Aggregation Team

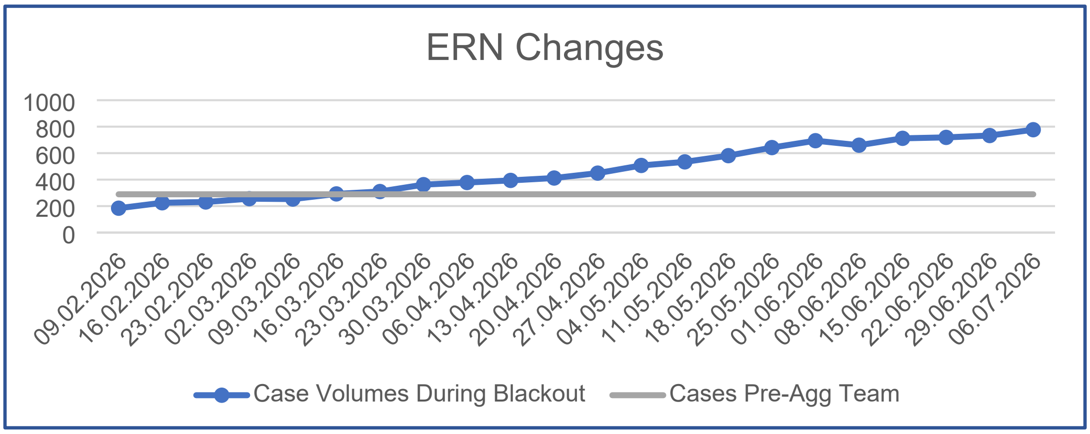
| Key Performance Indicators | | | | | | |
|---|---|---|---|---|---|---|
| | Apr-26 | | May-26 | | Jun-26 | |
| **Aggregation Team** | Completed cases | KPI % | Completed cases | KPI % | Completed cases | KPI % |
| Aggregation estimates | 29 | 79.3 | 3 | 100 | 1 | 100 |
| Aggregation actuals | 4 | 75 | 17 | 64.7 | 62 | 32.3 |
| Reversal of auto agg | 0 | NA | 0 | NA | 2 | 100 |

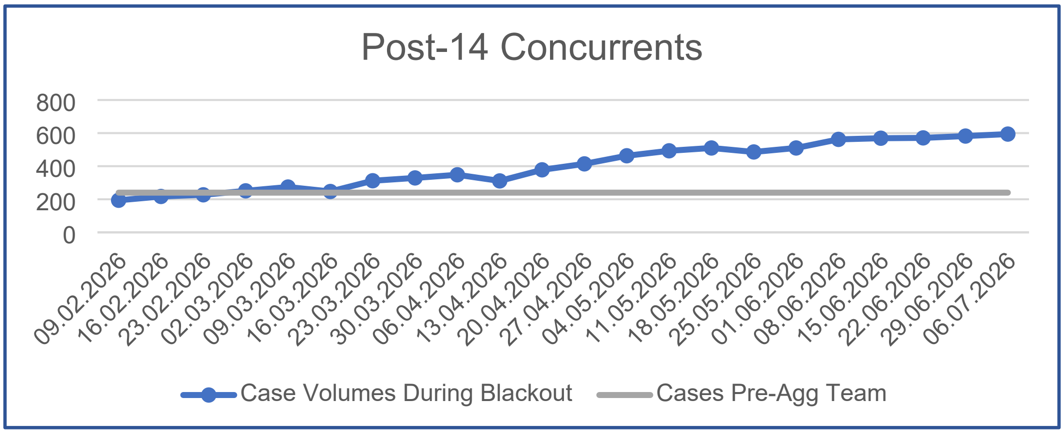


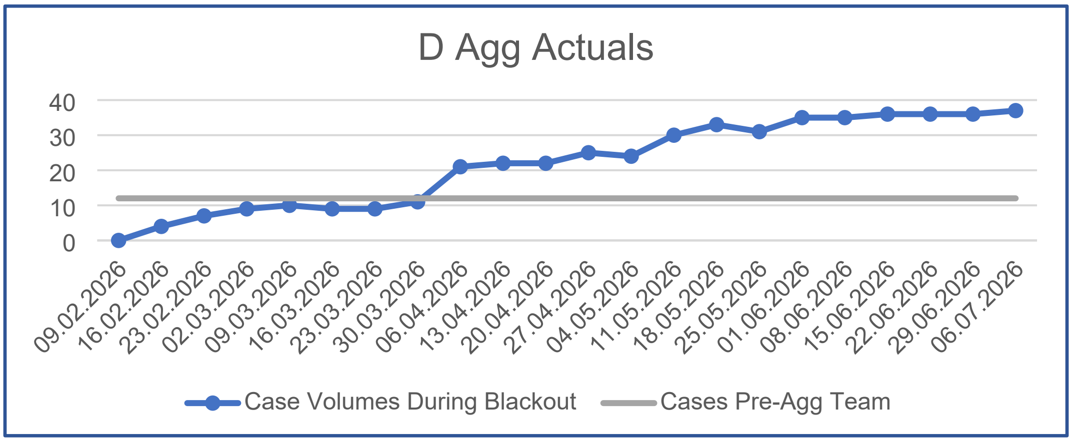




Reversal of Auto Aggregation
35
30
25
20
15
10
5
0
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Oct-25
Nov-25
Dec-25
Jan-26
Feb-26
Mar-26
Apr-26
May-26
Jun-26
Completed Cases in Month
Target KPI %
Monthly KPI %


A & B Aggs
1500
1000
500
0
09.02.2026
16.02.2026
23.02.2026
02.03.2026
09.03.2026
16.03.2026
23.03.2026
30.03.2026
06.04.2026
13.04.2026
20.04.2026
27.04.2026
04.05.2026
11.05.2026
18.05.2026
25.05.2026
01.06.2026
08.06.2026
15.06.2026
22.06.2026
29.06.2026
06.07.2026
Case Volumes During Blackout
Cases Pre-Agg Team


ERN Changes
1000
800
600
400
200
0
09.02.2026
16.02.2026
23.02.2026
02.03.2026
09.03.2026
16.03.2026
23.03.2026
30.03.2026
06.04.2026
13.04.2026
20.04.2026
27.04.2026
04.05.2026
11.05.2026
18.05.2026
25.05.2026
01.06.2026
08.06.2026
15.06.2026
22.06.2026
29.06.2026
06.07.2026
Case Volumes During Blackout
Cases Pre-Agg Team




**General Correspondence/Amendments**

| KPI Area | General Correspondence | |
|---|---|---|
| Month | Completed Cases in Month | Monthly KPI % |
| Apr-26 | 655 | 98.20 |
| May-26 | 658 | 97.70 |
| **Jun-26** | **729** | **97.40** |

| KPI Area | Change of Scheme Member Details | |
|---|---|---|
| Month | Completed Cases in Month | Monthly KPI % |
| Apr-26 | 471 | 95.1 |
| May-26 | 342 | 95.9 |
| **Jun-26** | **396** | **95.7** |

## Appendix 3 – Backlog Progress Update

| Case Type | Tender | Processed | Complete - Billed | % processed v tender | % complete v tender |
|---|---|---|---|---|---|
| Leaver - Aggregation | 7,932 | 1,639 | 1,635 | 20.66% | 20.61% |
| Leaver - Deferment | 6,465 | 2,285 | 2,272 | 35.34% | 35.14% |
| Leaver - Refund | 2,811 | 838 | 641 | 29.81% | 22.80% |
| Leaver - Concurrency | 2,449 | 330 | 330 | 13.47% | 13.47% |
| Interfund in | 2,417 | 438 | 298 | 18.12% | 12.33% |
| Interfund out | 650 | 118 | 98 | 18.15% | 15.08% |
| Leaver - Opt Out | 289 | Included in deferment and refund reporting | | | |
| **Total** | **23,013** | **5,648** | **5,274** | **24.54%** | **22.92%** |

## Appendix 4 – Member Engagement

| Month | Emails | Calls | 1:1 visits | Website Visits | MyPension Online (MPO) registration queries |
|---|---|---|---|---|---|
| **Apr** | 1,973 | 1,375 | 0 | 15,434 | 634 |
| **May** | 1,941 | 1,300 | 1 | 12,053 | 563 |
| **Jun** | 2,177 | 1,337 | 2 | 13,685 | 554 |

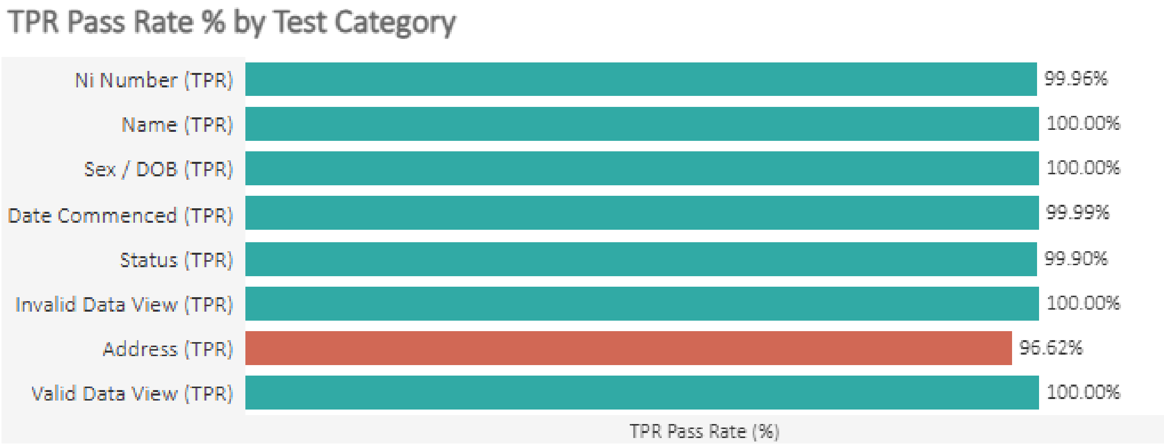
## Appendix 5 – MyPension Online Registrations

| | Unique member records | | | | Employment records | | |
|---|---|---|---|---|---|---|---|
| | **Apr** | **May** | **Jun** | | **Apr** | **May** | **Jun** |
| **Active** | 19,671 | 19,983 | 20,271 | | 21,373 | 21,719 | 22,014 |
| **Deferred** | 10,258 | 10,496 | 10,755 | | 11,530 | 11,797 | 12,090 |
| **Pensioner** | 10,630 | 10,940 | 11,178 | | 12,354 | 12,711 | 12,995 |

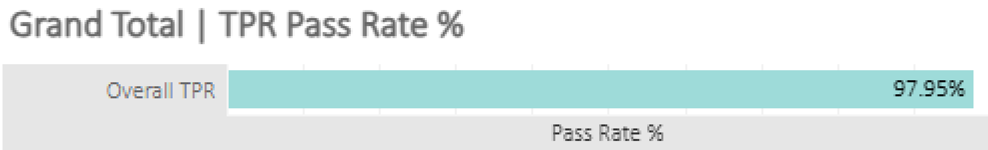
## Appendix 6 – Data Quality

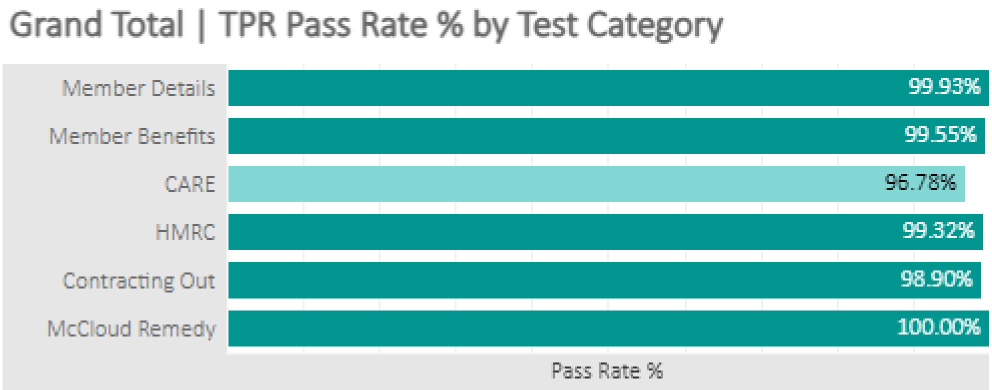
| Data Type | TPR Pass Rate % | |
|---|---|---|
| | **Jan – Mar** | **Apr – Jun** |
| Common | 98.00 | 97.7 |
| Scheme Specific | 83.15 | 97.95 |

**Common Data:**




**Scheme Specific Data:**




**Appendix 7 – iConnect Onboarding**

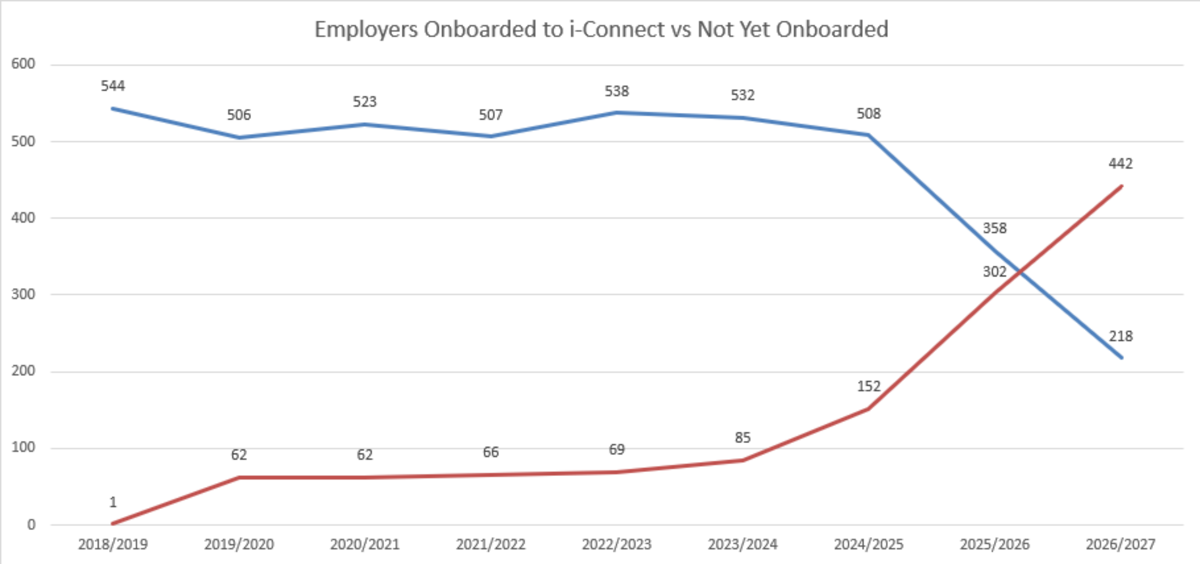
| | |
|---|---|
| 01/04/2026 | Gravesham Borough Council |
| 01/04/2026 | Medway Council |
| 01/04/2026 | St George's CE High School - KCC |
| 01/04/2026 | Mid Kent College |
| 01/04/2026 | John Maybe Academy - TEN |
| 01/04/2026 | New Line Learning Academy - FST |
| 01/04/2026 | Cornwallis Academy - FST |
| 01/04/2026 | Westlands Primary School (Academy) - SWA |
| 01/04/2026 | Holcombe Grammar School - TSAT |

| | |
|---|---|
| 01/04/2026 | The Abbey School (Academy) - HSAT |
| 01/04/2026 | Meopham School (Academy) - SWA |
| 01/04/2026 | Regis Manor Community Primary School (Academy) - SWA |
| 01/04/2026 | Milstead & Frinsted Acad - OCT |
| 01/04/2026 | Selling Primary Academy - OCT |
| 01/04/2026 | Lynsted & Norton Academy - OCT |
| 01/04/2026 | Homewood Academy – TEN |
| 01/04/2026 | Sittingbourne Academy - SWA |
| 01/04/2026 | Victory Academy - TSAT |
| 01/04/2026 | The John Wallis Academy - JWA |
| 01/04/2026 | Goodwin Academy – TSAT |
| 01/04/2026 | The Westlands Academy - SWA |
| 01/04/2026 | Rochester Grammar School (Academy) - TSAT |
| 01/04/2026 | Walderslade Girls Academy - SFLT |
| 01/04/2026 | Whitecliffs Primary Acad - SSE |
| 01/04/2026 | Shatterlocks Infant Acad - SSE |
| 01/04/2026 | Barton Junior Sch Acad - SSE |
| 01/04/2026 | Astor College Academy - SSE |
| 01/04/2026 | Greenacre Academy - SFLT |
| 01/04/2026 | All Faiths School Academy-TSAT |
| 01/04/2026 | Sturry CE Primary School (Academy) - SAT |
| 01/04/2026 | Water Meadows Academy - SAT |
| 01/04/2026 | Tiger Free Sch Academy - FST |
| 01/04/2026 | St James CE Primary School Academy - MAS |
| 01/04/2026 | The Academy of Woodlands - RIT |
| 01/04/2026 | Chantry Academy - SFLT |
| 01/04/2026 | St Peter's CEP School - KCC |
| 01/04/2026 | Staplehurst School - KCC |
| 01/04/2026 | Five Acre Wood School - KCC |
| 01/04/2026 | Laleham Gap School - KCC |
| 01/04/2026 | Foreland Fields School - KCC |

| | |
|---|---|
| 01/04/2026 | Grange Park School - KCC |
| 01/04/2026 | Petham Primary Academy - OCT |
| 01/04/2026 | Wayfield Primary Academy - PRFT |
| 01/04/2026 | Luton Academy - RIT |
| 01/04/2026 | Gordon Schools Federation - TSAT |
| 01/04/2026 | Bradfields Academy - FORT |
| 01/04/2026 | Adisham CEP School (Academy) - SAT |
| 01/04/2026 | Warren Wood Academy - SFLT |
| 01/04/2026 | Cuxton Infant School - PRFT |
| 01/04/2026 | Cuxton Juniors School - PRFT |
| 01/04/2026 | Inspire Academy - RIT |
| 01/04/2026 | New Horizons Children's Academy - TSAT |
| 01/04/2026 | The Howard School (Academy) - HSAT |
| 01/04/2026 | Lansdowne Primary School (Academy) - SAT |
| 01/04/2026 | South Borough Primary (Academy) - SWA |
| 01/04/2026 | Lydd Primary Academy - OCT |
| 01/04/2026 | Beaver Green School (Academy) - SWA |
| 01/04/2026 | Waterfront UTC - HSAT |
| 01/04/2026 | Medway Anglican Central - MAS |
| 01/04/2026 | Finberry Park Primary Acad - SAT |
| 01/04/2026 | Istead Rise Primary Acad - SWA |
| 01/04/2026 | Thistle Hill Academy - SAT |
| 01/04/2026 | Dymchurch Primary Academy - OCT |
| 01/04/2026 | North Kent College |
| 01/04/2026 | Howard Academy Central - HSAT |
| 01/04/2026 | Rivermead Trust Central - RIT |
| 01/04/2026 | Temple Mill Academy HSAT |
| 01/04/2026 | Priory Fields Academy - WHN |
| 01/04/2026 | Cedar Primary Academy - TSAT |
| 01/04/2026 | Halfway Houses - ISL |
| 01/04/2026 | Deanwood Primary Academy - HSAT |

| | |
|---|---|
| 01/04/2026 | Pilgrim Academy - PILT |
| 01/04/2026 | Westcourt Academy - PRFT |
| 01/04/2026 | Tenterden Infants Acad - TEN |
| 01/04/2026 | Tenterden Junior Acad - TEN |
| 01/04/2026 | St Michaels Primary Acad - TEN |
| 01/04/2026 | St Martin's Primary Acad - WHN |
| 01/04/2026 | Richmond Academy - SAT |
| 01/04/2026 | Minster In Sheppey Academy - ISL |
| 01/04/2026 | Thinking Schools Academy Trust - TSAT |
| 01/04/2026 | Thamesview Primary Acad - HSAT |
| 01/04/2026 | The Oaks Infant Academy - OCT |
| 01/04/2026 | Bredgar Primary Academy - OCT |
| 01/04/2026 | Borden Primary Academy - OCT |
| 01/04/2026 | Minterne Junior Academy - OCT |
| 01/04/2026 | Whitstable CC Academy - SWA |
| 01/04/2026 | St Marks Academy Eccles - PILT |
| 01/04/2026 | Rowans Pupil Ref Unit - HSAT |
| 01/04/2026 | Mierscourt School - HSAT |
| 01/04/2026 | St Margaret Troytown Acad - PILT |
| 01/04/2026 | Vale View Academy - WHN |
| 01/04/2026 | Hilltop Primary Academy - SFLT |
| 01/04/2026 | PIE Central Staff - OCT |
| 01/04/2026 | Cage Green Academy - MLT |
| 01/04/2026 | Rolvenden Academy - TEN |
| 01/04/2026 | Wainscott Academy - PRFT |
| 01/04/2026 | Chilmington Green School - SAT |
| 01/04/2026 | Pilgrims Trust Central - PILT |
| 01/04/2026 | Rivermill Free School - MLT |
| 01/04/2026 | Sunny Bank Academy - ISL |
| 01/04/2026 | Capel Manor College |
| 01/04/2026 | North West Kent APS Acad - ALT |

| | |
|---|---|
| 01/04/2026 | Springhead Park Acad - PRFT |
| 01/04/2026 | The North Academy - SWA |
| 01/04/2026 | St Margaret's Jnr Academy - MAS |
| 01/04/2026 | Will Adams Centre -ALT |
| 01/04/2026 | Hoo St Werburgh Academy - RIT |
| 01/04/2026 | Walderslade Primary Academy - RIT |
| 01/04/2026 | Rivermead Academy - RIT |
| 01/04/2026 | Maritime Academy - TSAT |
| 01/04/2026 | Rochester Riverside Acad -PILT |
| 01/04/2026 | The Holmesdale Academy – SWA |
| 01/04/2026 | St John’s Inf Academy - MAS |
| 01/04/2026 | All Saint’s Academy - MAS |
| 01/04/2026 | Estuary Academy Island - ALT |
| 01/04/2026 | Hempstead Infants Sch - Medway |
| 01/04/2026 | Hempstead Junior Sch - Medway |
| 01/04/2026 | Nourish Cont Catering - SAT |
| 01/04/2026 | Cucina Restaurants Ltd |
| 01/04/2026 | Kent Gurkha Company LTD |
| 01/04/2026 | Nore Academy - ALT |
| 01/04/2026 | Parkwood Fed Acad - PRFT |
| 01/04/2026 | Broadstairs and St Peters TC |
| 01/04/2026 | Fairview Primary Sch - Medway |
| 01/04/2026 | St Crispins Infant Acad - SAT |
| 01/04/2026 | BOUGHTON MONCHELSEA PC |
| 01/04/2026 | Birchington PC |
| 01/04/2026 | Guston COE Primary Acad - CDT |
| 01/04/2026 | The Leigh UTC |
| 01/04/2026 | St Augustines – Hythe – KCP |
| 01/04/2026 | Wickhambreaux CoE Acad - DAT |




*Red line = employers onboarded to iConnect*

*Blue line = employers not onboarded to iConnect*

## Appendix 8 – Complaints, Compliments and Comments

| | **Complaints** | **Compliments** | **Comments** |
|---|---|---|---|
| **Apr** | 4<br>X3 – Poor Communication<br>X1 - Third party/contracted service supplier | 4<br>Good Communication | 5<br>Poor Communication |
| **May** | 0 | 4<br>x1 – Good Communication<br>x3 – Helpful Staff | 2<br>Poor Communication |
| **Jun** | 3<br>Poor Communication | 4<br>x2 – Good Communication<br>x2 – Helpful Staff | 7<br>x1 – Good Communication<br>x4 – Poor Communication<br>x2 – Third party/contracted service supplier |

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| | |
|---|---|
| To: | Kent Pension Board – 04 June 2026 |
| From: | Chairman Kent Pension Board<br>Corporate Director of Finance |
| Subject: | Investment Update |
| Classification: | Unrestricted |

---

**Executive Summary:**

As at 30 June 2026, the Fund's value was £9.96bn, an increase of more than £500million from the £9.42bn reported previously. The current asset allocation remains broadly in line with the Fund's strategic targets and approved tolerance bands, with the exception of fixed income. As was the case previously, no rebalancing is being recommended to the Committee at this stage, given the ongoing Investment Strategy Review and planned transitions to Border to Coast. Breakdown of the individual asset class allocations are provided in para 2 of this report.

For the quarter to 30 June 2026, the Fund returned +5.87%, a strong absolute return but marginally underperforming the strategic benchmark of +6.11%. Over the one-year period, the Fund returned +14.5%, a slight outperformance vs the benchmark of +14.3%, Whilst over three years, the Fund returned +8.8%, underperforming by -1.1%, Details of the asset class and manager performance are contained in paragraph 3 as well as Appendix 1 of this report.

The Fund is continuing to work with Mercer, with engagement from Border to Coast, to review and update its Investment Strategy. The approach taken on the strategy review and developing the updated ISS has been detailed in section 6 of the report below and will also be discussed in further detail during the scheduled Hot Topic Training. The draft ISS is due to be approved by the Committee at their meeting later this month, at which point officers will also share with the Board, before going out to consultation in October. Once the consultation is complete, the final ISS will be presented in the Committee's December meeting for approval, ahead of the extended deadline of 31 March 2027.

**Recommendation:**

The Board is recommended to note the report.

**FOR INFORMATION**

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## 1 Introduction

1.1 This report provides the Board with an update on the Fund's asset allocation, investment performance, and responsible investment developments since the last meeting. Additionally, the paper includes a progress update on the Investment Strategy Review as well as Pooling.

## 2 Fund value and asset allocation

2.1 As of 30 June 2026, the Fund's value was £9.96bn, up from the £9.42bn (as at 31 March 2026), previously reported to the Board. The table below sets out the current asset allocation versus the Fund's strategic asset allocation and its rebalancing ranges.

| Asset Class | Strategic Asset Allocation (%) | Tolerance Band (%) | Current Asset Allocation (%) | Variance | Status |
|---|---|---|---|---|---|
| **Equities** | **53** | **+/- 10** | **60.8** | **7.8** | **In range** |
| UK Equities | 10 | +/- 2.5 | 11.6 | 1.6 | In range |
| Global Equities | 38 | +/- 5 | 41.9 | 3.9 | In range |
| Emerging Market Equities | 5 | +/- 2.5 | 7.3 | 2.3 | In range |
| **Fixed Income** | **22** | **+/- 5** | **14.6** | **-7.4** | **In range** |
| Credit | 15 | +/- 5 | 14.0 | -1.0 | In range |
| RMF (Index Linked Gilts) | 7 | - | 0.6 | -6.4 | N/A |
| **Alternatives** | **25** | **+/- 10** | **22.6** | **-2.4** | **In range** |
| Absolute Return | 5 | - | 4.8 | -0.2 | N/A |
| Infrastructure | 5 | - | 4.1 | -0.9 | N/A |
| Private Equity | 5 | - | 4.1 | -0.9 | N/A |
| Property | 10 | - | 9.6 | -0.4 | N/A |
| **Cash** | **0** | **5** | **2.0** | **2.0** | **In range** |
| **Total** | **100** | | **100** | | |

2.2 The current asset allocation remains broadly in line with the strategic target and within approved tolerance bands, and largely unchanged from previously reported figures. As a whole, equities are overweight while alternatives are slightly underweight. Fixed income as a whole is largely underweight, primarily due to the impact of the Risk Management Framework (RMF) and Index Linked Gilts (ILG) performance. A large part of the underweight is also attributable to the withdrawal of funds out of the RMF in the latter part of 2025. Additionally, higher cash balance is being held pending making further commitments to Fund's alternatives investments in the new Pool.

2.3 The rebalancing position is unchanged from that previously reported. Officers are not recommending any rebalancing takes place at this stage given the ongoing strategy review and transitions to Border to Coast.

## 3 Investment Performance: Quarter to 30 June 2026

3.1 The Fund returned 5.9% over the quarter, marginally underperforming the benchmark return of 6.1%. After a dip in March, following the start of the Iran /US conflict, markets rebounded strongly during the period as concerns surrounding the conflict eased and investor sentiment was supported by continued strength in technology and AI-related sectors. Whilst the Fund benefited from this backdrop, performance was held back by relative underperformance within the fund's global and UK equity mandates and some alternative assets.

3.2 ***Equities*** delivered strong absolute returns, although developed market mandates lagged their benchmarks. **Global equities (ex. Protection)** returned 11.9% (vs 14.2% per the MSCI ACWI benchmark), whilst **UK equities** returned 4.1% (vs the FTSE All Share's 4.7%). The quarter was characterised by a sharp rally in technology and AI-related stocks, particularly within large-caps, which benefitted the Fund's growth and quality style mandates, but where they were not held at all or in the same proportion by the Fund's managers and it contributed to the relative underperformance. The Fund's Risk Management Framework which caps the upside gains linked to the Global indices caused a further a drag of -2.8% on the Fund's global equity performance. **Emerging market equities** were the standout performer, returning 29.8% in the quarter, significantly outperforming the benchmark of 23.3%. Strong performance from semiconductors and technology-related companies across Asia supported these returns.

3.3 ***Fixed income*** performed well over the quarter. The Fund's credit mandates returned 2.6%, comfortably ahead of the composite benchmark return of 0.9%. Corporate credit markets benefited from tightening spreads and resilient company earnings, which supported excess returns despite a mixed backdrop for government bonds. The Fund's buy-and-hold **Index Linked Gilts** portfolio, which is part of the Risk Management Framework, returned -2.3% in the quarter.

3.4 Performance across the ***alternative*** assets was mixed. The Fund's **absolute return** strategies performed in line with the UK RPI benchmark, returning 1.2%. **Infrastructure** returned -0.2%, underperforming the SONIA benchmark of 0.9%, while **private** equity returned -2.3% against the same benchmark. **Property** slightly underperformed the UK All Property Index return of 1.1%, posting returns of 0.8%. Property markets continued to generate positive income returns, with Q2 being one of the best quarters for rent collection, although transaction costs from recent property purchases affected overall returns during the quarter.

## 4 Longer Term Performance

4.1 For the year ended 30 June 2026, performance across the Fund was mixed. Emerging market equities were the strongest contributor, returning 65.2% against the benchmark of 48.2%. The asset class benefited from strong performance across Asian technology and semiconductor companies as investor demand for businesses exposed to the AI supply chain remained robust throughout the year. Credit also outperformed, returning 5.5% against a 3.8% benchmark, as tightening credit spreads and resilient corporate fundamentals supported returns. All alternatives bar property delivered returns ahead of the benchmark, though there were many purchases made within the direct property portfolio in the prior 12 months with transaction costs which have the effect of reducing the returns for the period in which the property is purchased.

4.2 The above positive returns were partly offset by weaker performance from developed market equities. Whilst both global equities and UK equities provided strong absolute returns, posting 19.9% and 16.5% respectively, they underperformed the benchmarks by 7.8% and 5.4%. Market returns over the year were increasingly concentrated in a small number of large technology companies, particularly within the US equity markets, which created a challenging backdrop for many of the Fund's managers, particular those with a growth or quality-style.

4.3 Over three years, relative performance has been held back again primarily by the Fund's developed market equity investments. Global equities posted an annualised return of 13.2% vs the benchmark return of 18.0%, whilst UK equities returned 12. % vs the 15.3% posted by the FTSE All Share. In contrast, credit, absolute return and infrastructure have all generated strong outperformance in the period, returning 7.9%, 6.5% and 10.9%, respectively.

4.4 Conversely, private equity delivered a return of 4.1% over the three years to 30 June 2026, underperforming the SONIA benchmark by 60 basis points. Property also underperformed, though by a larger margin, returning 2.7% against the 4.7% benchmark.

**5 Responsible Investment (RI) Update**

5.1 Work on responsible investment was more muted during the quarter and following the previous Board meeting, with Border to Coast not holding any RI Officer Groups meetings.

5.2 In the meantime, officers had been progressing and successfully completed Fund's submission for the UNPRI report.

5.3 The UNPRI submission is a detailed piece of work and covers 60+ pages of questions that are developed to identify the Fund's progress across six principles:

a) *We will incorporate ESG issues into investment analysis and decision-making processes;*

b) *We will be active owners and incorporate ESG issues into our ownership policies and practices;*

c) *We will seek appropriate disclosure on ESG issues by the entities in which we invest;*

d) *We will promote the acceptance and implementation of the Principles within the investment industry;*

e) *We will work together to enhance our effectiveness in implementing the Principles;*

f) *We will each report on our activities and progress towards implementing the Principles.*

5.4 Final results will not be available for some time. Officers will keep the Board updated once the results have been received.

5.5 The nature of the Fund's role in the submission going forward is uncertain, given the changes to responsibilities for both the Fund and the Pools, as well as implementation decisions being the responsibility of the Pool moving forward. As discussed previously, Border to Coast has already initiated discussions as to what that may look like going forward and how they can best support Funds when it comes to reporting requirements in the new LGPS regulatory environment.

## 6 Investment Strategy Update

6.1 As previously reported, following the 2025 actuarial valuation, the Fund is required to review its strategic asset allocation (SAA) and update its Investment Strategy Statement (ISS). The review is ongoing and is being undertaken with support from Mercer.

6.2 Since the last update, the Pension Fund Committee has considered the work undertaken on the strategy review and, at their June meeting, noted the progress made and approved the approach taken so far. Members have considered a number of strategy options, developed by Mercer, and had landed on two broadly similar strategy options, with the only difference being one would result in the introduction of a new asset class, i.e. Private Credit. As such, it was suggested that members would receive additional training to fully understand the risk and reward profiles and implications of the two strategy options.

6.3 Training has since been undertaken at the July Investment Sub-Group meeting by Mercer and supported by Border to Coast's private credit portfolio manager providing insight into Border to Coast's implementation approach and experience of the asset class. Following the training sessions members have received a summary note comparing the two options with a clear indication of the preferred option per advice from Mercer. A copy of the Mercer slides on the development of the SAA is attached in Appendix Two.

6.4 A draft ISS is now being prepared and reviewed to ensure that it meets the Government's newly published guidelines on preparation of an Investment Strategy Statement. This includes articulation of the Fund's investment beliefs and objectives as well as the Fund's approach to Responsible Investment and Local investment. Officers are continuing to work with Mercer and Border to Coast as the strategy develops and to consider the practical arrangements required for implementation.

6.5 Once drafted the proposed SAA and draft ISS will be presented to the Committee at their meeting on 29th September. The draft ISS will also be shared with the Board at that stage. Once the draft ISS is agreed by the Committee at that meeting, it will be issued for consultation with members and employers on 1 October for a period of 4 weeks.

6.6 Following the consultation, responses will be taken on board, and a final version will be presented to the Committee at their December meeting. This ensures that the Investment Strategy review remains on track to meet the new statutory deadline of 31 March 2027, as reported previously.

6.7 Finally, an important point to note is that the Board will receive a detailed presentation from officers of the approach taken for the investment strategy review and preparation of the ISS prior to today's Board meeting as part of the 'Hot Topic Training' which will include the proposed timetable and any key elements within the ISS.

## 7 Pooling Update

7.1 The previous update given to the Board was that the new Investment Management Agreement (IMA) with Border to Coast had been drafted and had undergone a legal review. Additionally, it was reported that the ACCESS Inter Authority Agreement (IAA) was being revised in order to reflect the new circumstances; to help facilitate the orderly winding down of the ACCESS Pool once all ACCESS assets are transitioned to the new Pool's.

7.2 We are happy to report that the IMA with Border to Coast and the revised ACCESS IAA have both now been signed.

7.3 Additionally, as reported in section 6 above, a focus for officers recently has been on developing the new investments strategy and ISS. Border to Coast have been involved in this process throughout and are continuing to engage with the Fund and Mercer on this. Border to Coast is also focussing on developing a number of investment propositions in order to support partner funds with implementation of their investment strategies and have started to share some early overview of timelines for potential transition of assets into the pool.

7.4 As members will be aware, the Fit for the Future reforms move a lot of the responsibility away from partner funds to the Pools. As a result, partner funds' responsibilities are focussed on maintaining effective oversight of the Pool. As such, we are continuing to work with other partner funds in order to develop a framework for oversight of the Pool, to reflect these new arrangements. Officers will continue to share updates on this and the transition plans with the Board at future meetings.

7.5 The Pool has provided an update on its approach and progress on all the different stands of activities in relation to pooling and is included in Appendix three of this paper.

**Appendices:**

| | |
|---|---|
| **Appendix One** | **Quarterly Performance Report (30 June 2026)** |
| **Appendix Two** | **Mercer Investment Strategy Review** |
| **Appendix Three** | **Pooling Update from Border to Coast** |

**Connor Steensel, Treasury and Investments, Principal Accountant**

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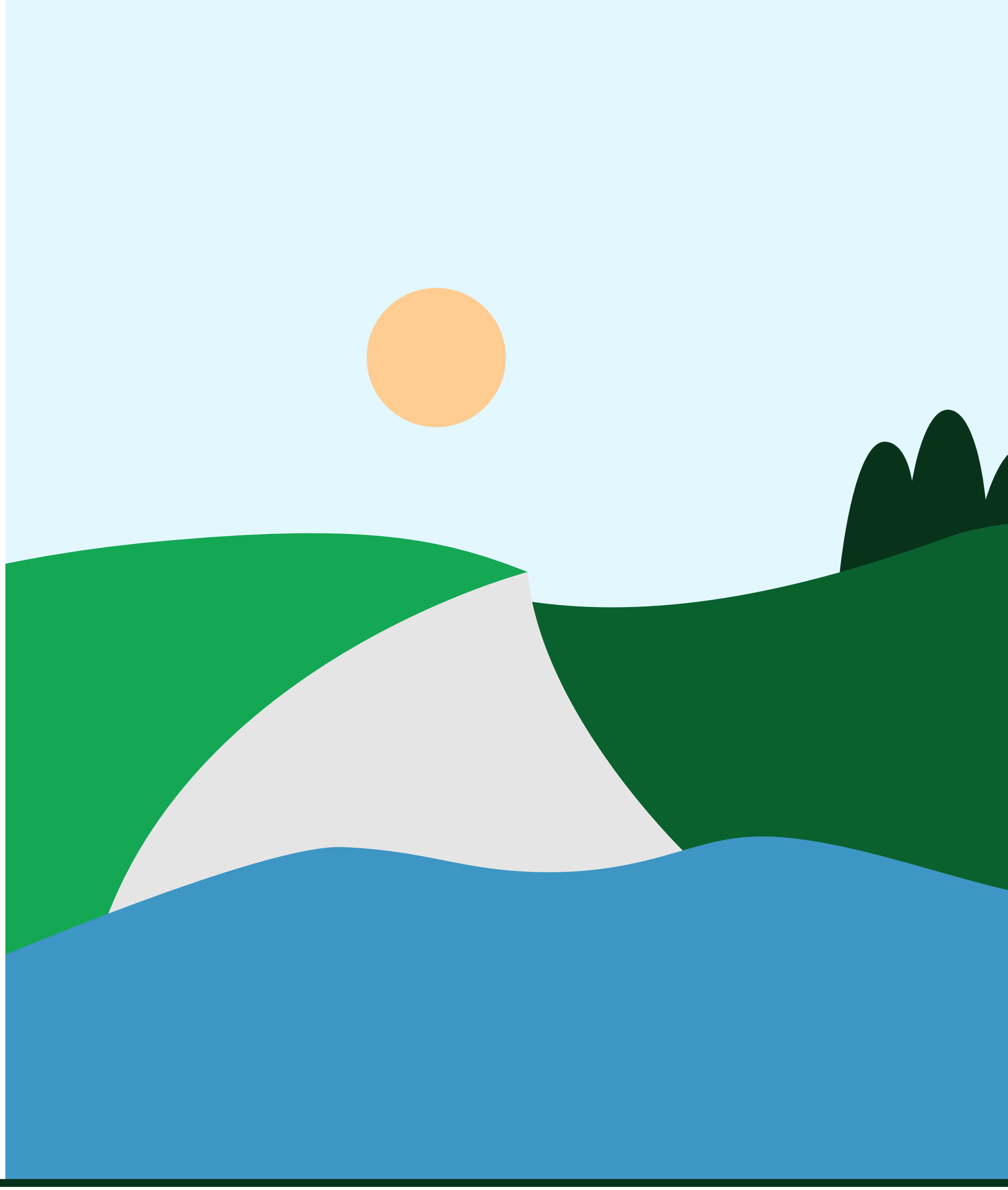
**August 2026**

Kent Pension Fund

# Q2 2026 Fund Performance





# Market Commentary

- In the second quarter of 2026, financial markets were driven by three main themes: geopolitical volatility, AI-led capex boom and scaling back of the hawkish central bank pricing witnessed earlier in the year. The US-Iran conflict led to a sharp spike in oil prices, which normalised to pre-conflict levels, later in the quarter, following an initial deal. While energy-driven inflation accelerated, second-round effects for major developed markets ("DM") remained contained. In Q2, DM central banks including the US Federal Reserve ("Fed") and Bank of England ("BoE") left their key policy rates unchanged.

- The Fed dropped its easing bias and presented a hawkish dot plot at the debut meeting with Kevin Warsh as Chair. Meanwhile, the European Central Bank ("ECB") and Bank of Japan ("BoJ") hiked the policy rates by 25 basis points ("bps") each. Overall, global equities ended the quarter at record highs on the back of the transformative AI/tech investment theme, while bonds yields showed a mixed trend across economies.

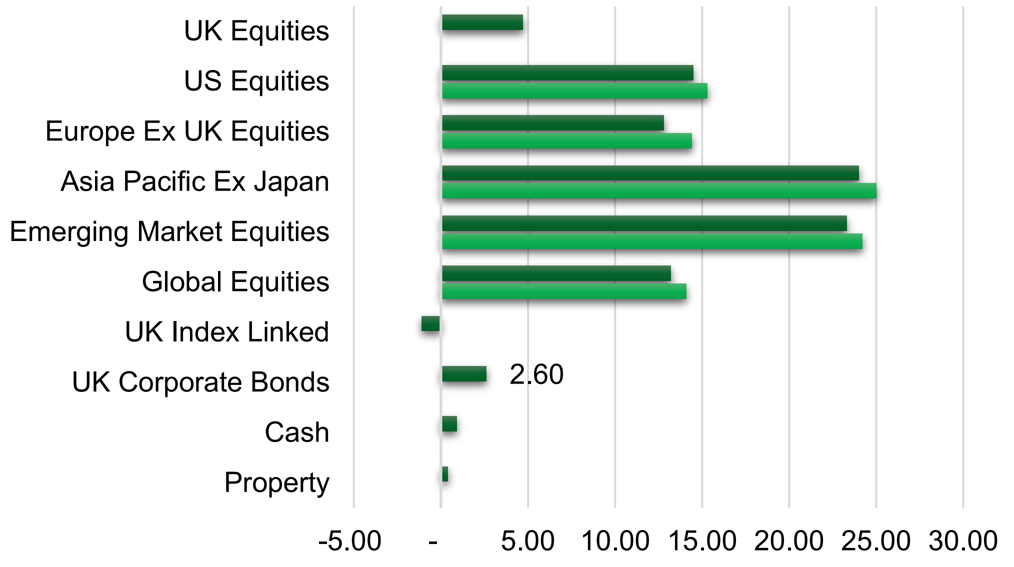
- US real GDP increased 2.1% (q/q saar) in Q1 2026, up from 0.5% annualized growth in Q4 2025. Headline US inflation increased to 4.2% in May 2026 from 3.3% in March 2026. Core inflation was at 2.9% in May, up from 2.6% at the end of March. The Fed, at its June meeting decided to keep the Federal funds rate to 3.5%-3.75%. The Summary of Economic Projections, dot plot turned more hawkish, with half of participants favouring at least one 25 bps hike in 2026. The median path shows rates unchanged in 2027 and down 25 bps in 2028.

- In Q1 2026, seasonally adjusted GDP decreased by 0.2% (q/q) in the euro area. At its June meeting, the ECB raised interest rates in response to higher inflation caused by the US-Iran conflict. This resulted in a deposit rate of 2.25%. Headline inflation in the eurozone rose to 2.8% in June from 2.6% in March.

- The UK economy grew by 0.6% (q/q) in Q1 2026 up from 0.1% growth recorded in Q4 2025. Headline inflation in the UK fell to 2.8% in May from 3.3% in March. In its June meeting, the monetary policy committee (MPC) voted 7-2 to keep the policy rate unchanged at 3.75%.
- Japan's economy expanded at an annualized rate of 1.8% in Q1 2026, up from 0.7% in Q4 2025, marking the strongest annualized rise in four quarters. In its June meeting, the BoJ raised its short-term policy rate to 1.0% (up from 0.75%), the highest it has been since 1995.

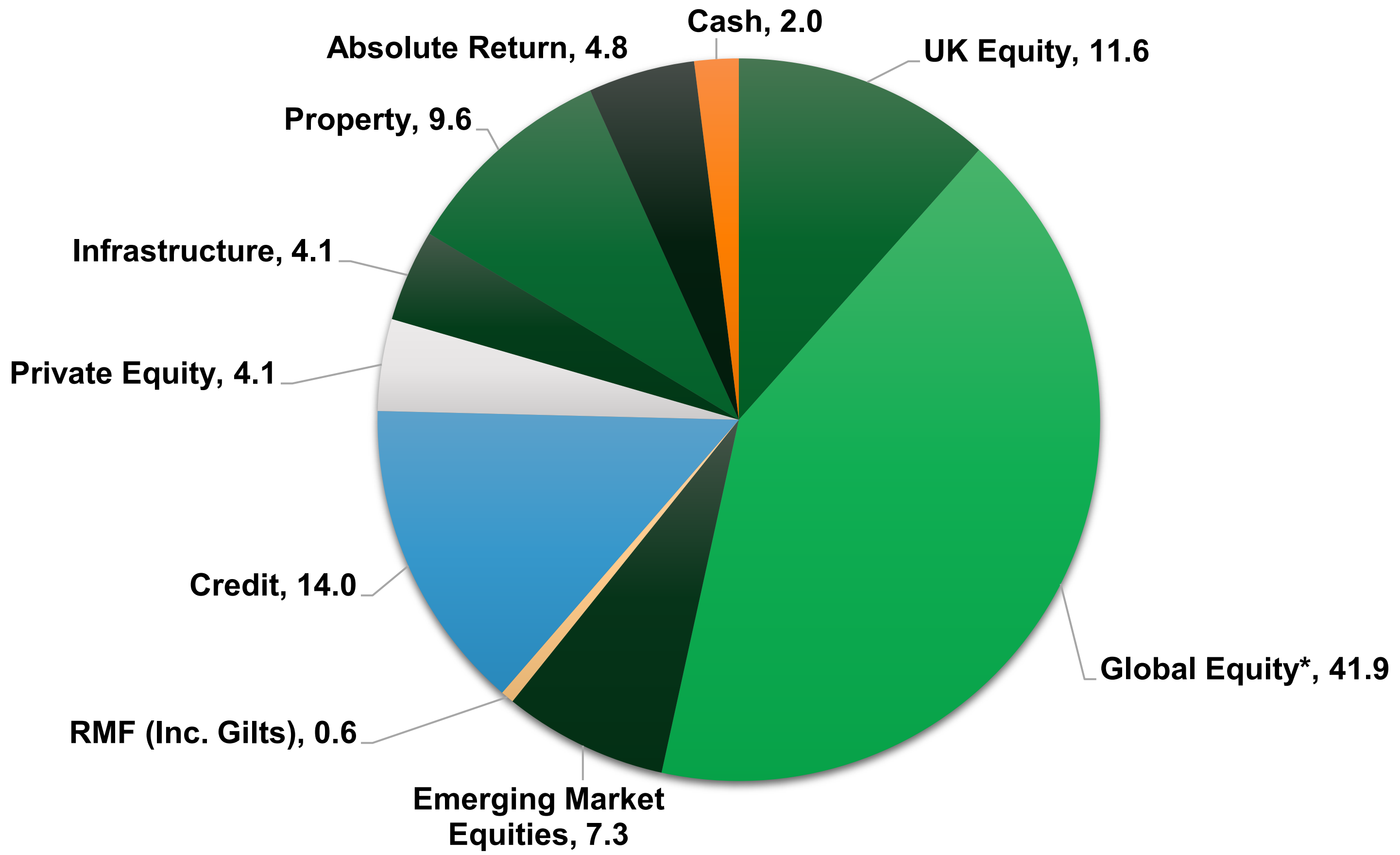
**Market Returns (%)**

Source: Mercer LLC




Source: Mercer LLC, Refinitiv and Schroders

# Asset Allocation – 30 June 2026




*Synthetic Equity exposure with Insight is included within Global Equity.
**Risk Management Framework is made up of Gilts, as well as Insight IWS contribution and Equity Protection collateral.

Source: Northern Trust, RADAR Reporting

# Fund Manager Summary

| Asset Class | Fund Manager | Market Value as at 30th June 2026 (£m) | Market Value as at 31st March 2026 (£m) | Change in MV (£m) | % of Total |
|---|---|---|---|---|---|
| **UK Equity** | Schroders UK Equity | 1,152 | 1,107 | 45 | 11.1 |
| | Woodford Equity | 2 | 2 | 0 | 0.0 |
| **Global Equity** | Impax | 88 | 74 | 15 | 0.7 |
| | Baillie Gifford | 1,086 | 962 | 124 | 9.6 |
| | Robeco Global Stars | 809 | 704 | 105 | 7.1 |
| | Schroders Global Active Value | 722 | 638 | 85 | 6.4 |
| | M&G Global Dividend Fund | 816 | 785 | 31 | 7.9 |
| | Insight (Synthetic Equity Exposure) | 650 | 565 | 85 | 5.7 |
| **Emerging Markets Equity** | Columbia Threadneedle | 364 | 275 | 88 | 2.8 |
| | Robeco | 368 | 289 | 80 | 2.9 |
| **Risk Management Framework (inc. Gilts)** | Insight | 59 | 203 | -144 | 2.0 |
| **Credit** | CQS | 306 | 296 | 10 | 3.0 |
| | Goldman Sachs | 471 | 460 | 11 | 4.6 |
| | Schroders Strategic Bond Fund | 303 | 295 | 9 | 3.0 |
| | M&G Alpha Opportunities | 316 | 311 | 5 | 3.1 |
| **Absolute Return** | Ruffer | 203 | 205 | -2 | 2.1 |
| | Pyrford | 273 | 265 | 8 | 2.7 |
| **Property** | DTZ | 771 | 715 | 56 | 7.2 |
| | DTZ Pooled Property | 105 | 100 | 5 | 1.0 |
| | DTZ (previously Aegon) | 26 | 27 | -1 | 0.3 |
| | M&G Residential Property | 33 | 33 | 0 | 0.3 |
| | Fidelity | 25 | 44 | -19 | 0.4 |
| **Infrastructure** | Partners Group | 410 | 416 | -6 | 4.2 |
| **Private Equity** | HarbourVest | 351 | 352 | -1 | 3.5 |
| | YFM | 59 | 83 | -24 | 0.8 |
| **Cash** | Internal Cash | 197 | 217 | -20 | 2.2 |
| **Total** | | 9,966 | 9,421 | | |

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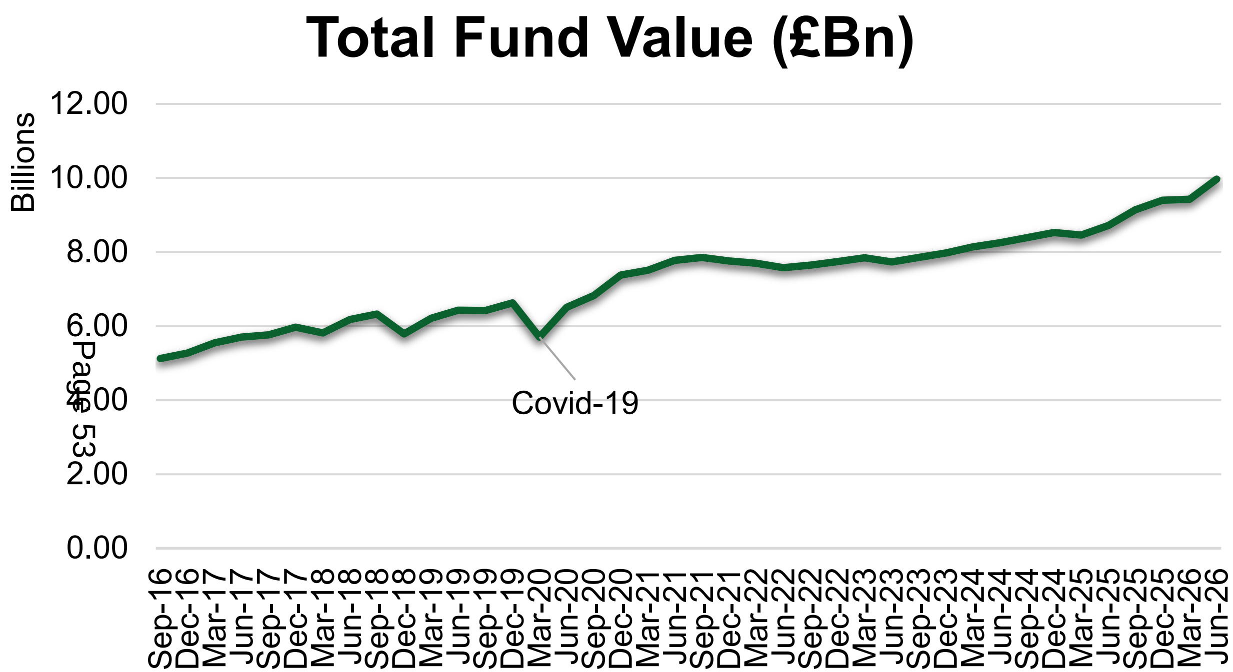
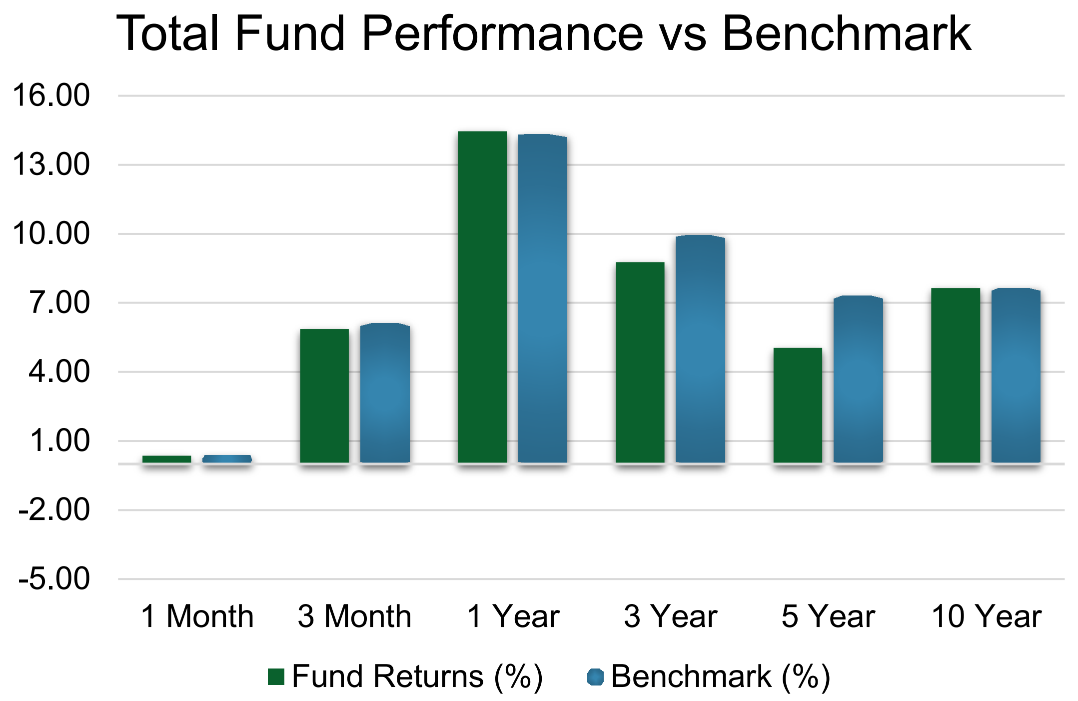
Source: Northern Trust, RADAR Reporting

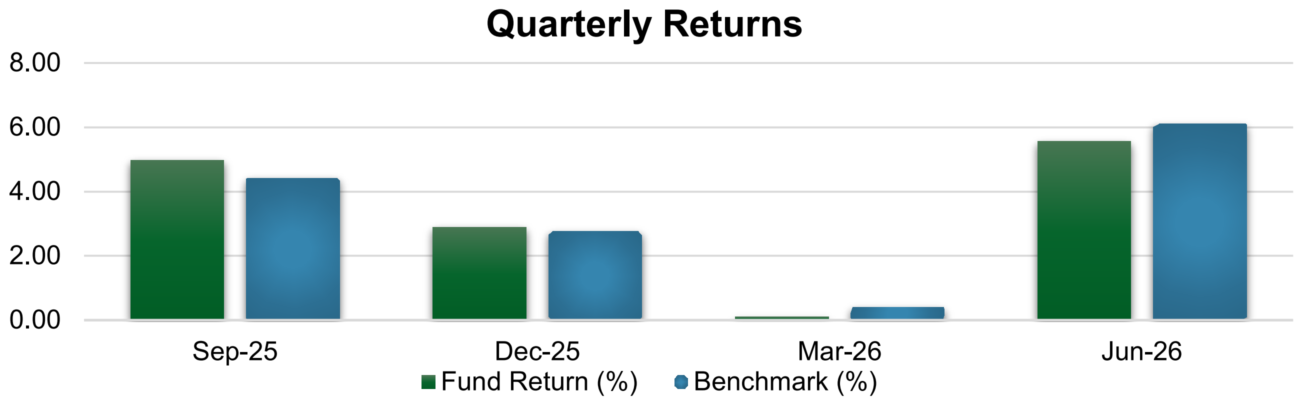
# Historical Performance




Source: Northern Trust, RADAR Reporting

# Discrete Performance



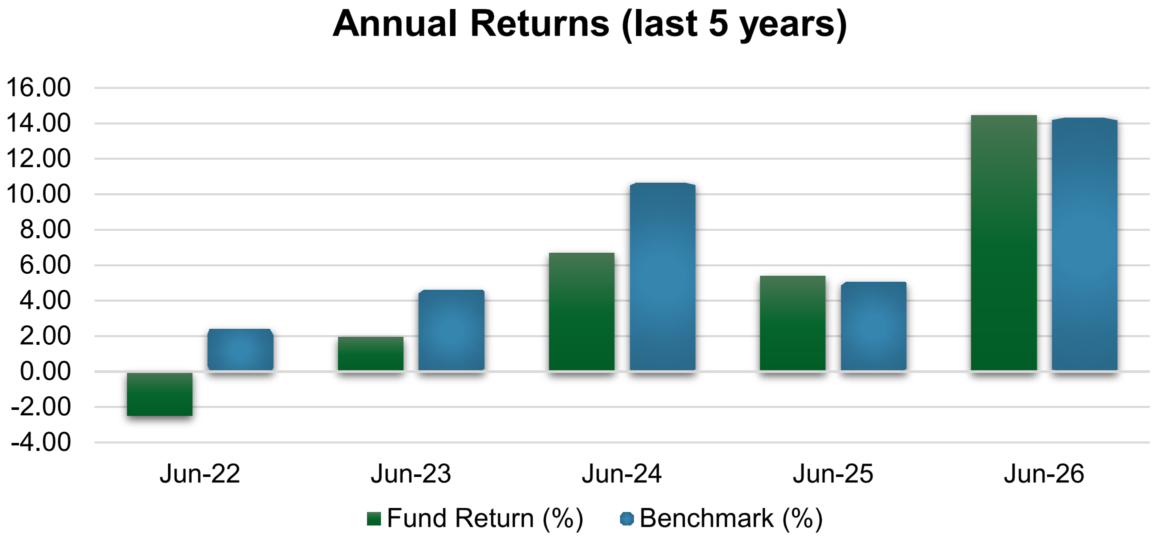

In the quarter to 30 June 2026, the Fund returned 5.9% - a strong absolute return – though still marginally underperforming the benchmark return of 6.1%. Markets rebounded strongly during this quarter as concerns around the Middle East conflict eased slightly and investor sentiment was supported by continued strength in technology and AI-stocks.

Prior to this quarter, much of the year has seen heightened volatility as a result of conflict and uncertainty around tariffs, technology and AI-sector speculation. The previous quarter saw underperformance for the Fund following the US-Iran conflict commencing at the end of February, whilst earlier quarters benefitted slightly from the Fund's diversification, following a slight rotation out of the US, as well as resilient economic data and interest rate cuts leading to a rally in equities.

Over the five years to 30 June 2026, the Fund has continued to experience mixed periods of performance following changes to investor sentiment and several challenging market conditions impacting the Fund's investments.

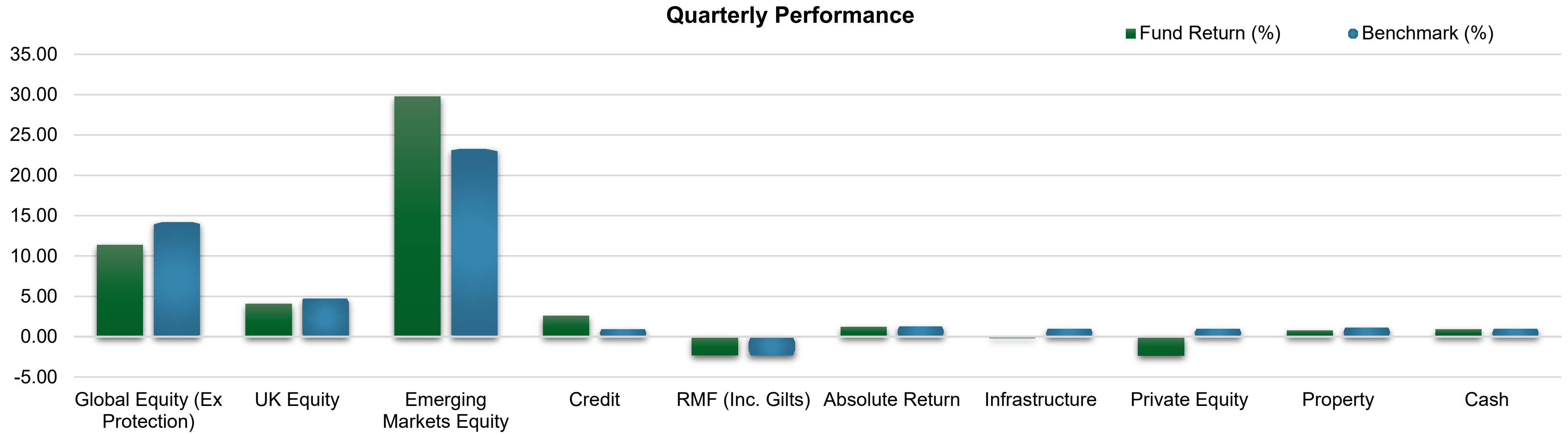
As at the most recent quarter, the Fund posted a very strong absolute return of 14.5%, though this was only an outperformance of 0.2%, highlighting the overall growth seen by the market during this period. This performance was again driven by large absolute returns from the Fund's equity portfolios, with equity performance being dominated by the emerging market managers as shown in the following slides.

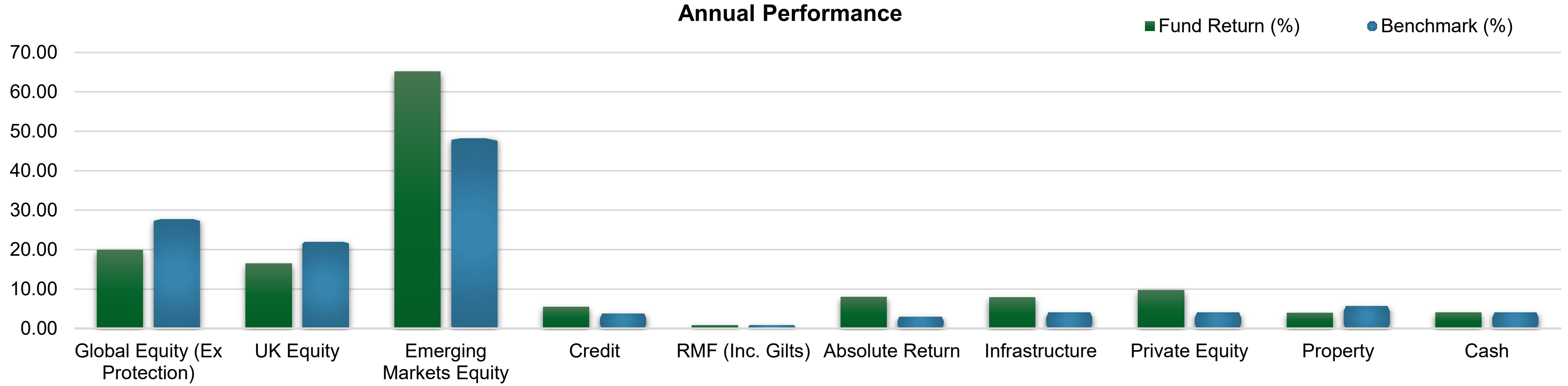
Absolute return also had a strong year for the Fund thanks to some exposure to equities, as well as some of the more defensive areas of the portfolios providing relief during uncertainty. Credit, infrastructure and private equity also all outperformed.




Source: Northern Trust, RADAR Reporting

# Asset Class Performance

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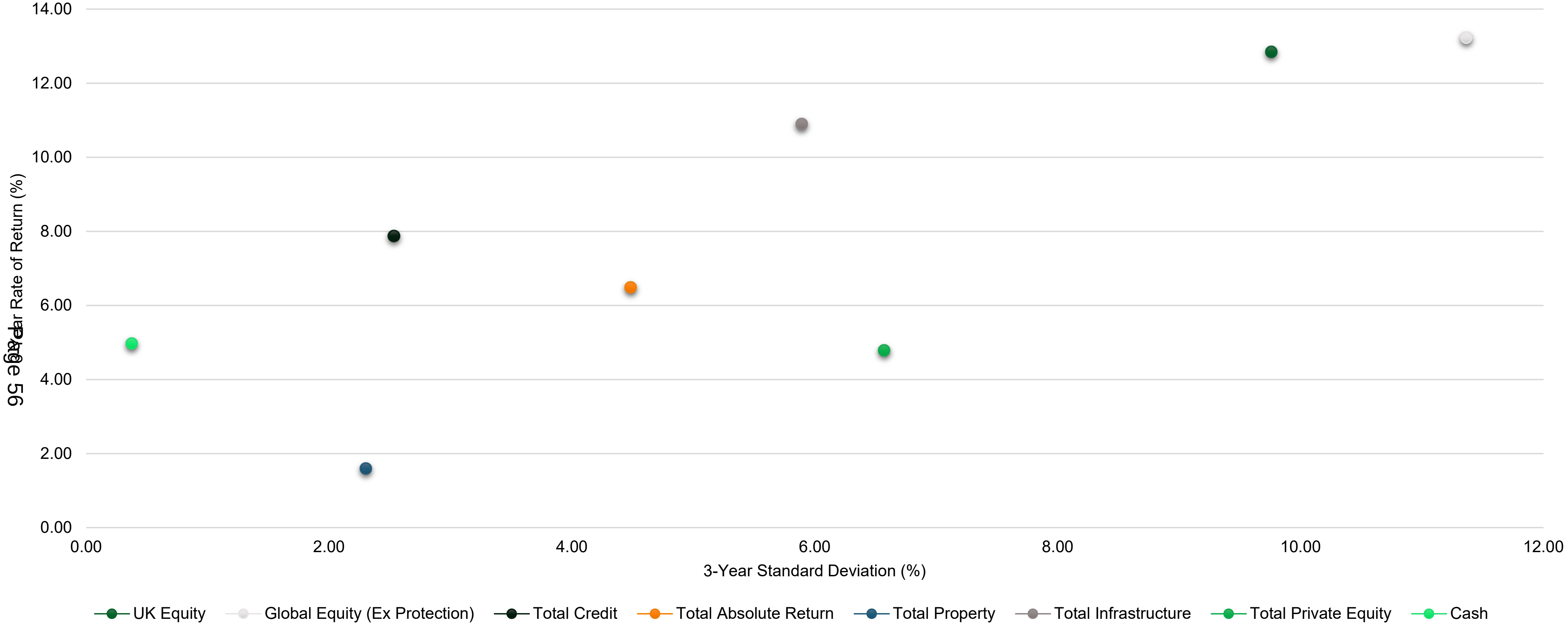
Source: Northern Trust, RADAR Reporting

# Risk vs Return – *Asset Class Level*




Source: Northern Trust, RADAR Reporting

# Detailed Performance by Manager

| | Quarter | | 1 Year | | 3 Year (p.a.) | |
|---|---|---|---|---|---|---|
| | Fund | Benchmark | Fund | Benchmark | Fund | Benchmark |
| **Total Fund** | 5.9 | 6.1 | 14.5 | 14.3 | 8.8 | 9.9 |
| **UK Equity** | | | | | | |
| Schroders - WS ACCESS UK Equity Fund | 4.1 | 4.7 | 16.5 | 21.9 | 12.5 | 15.3 |
| **Global Equity** | | | | | | |
| Baillie Gifford - WS ACCESS Global Equity Core Fund | 12.9 | 12.3 | 8.7 | 26.7 | 9.6 | 16.8 |
| Schroders - WS ACCESS Global Active Value Fund | 13.3 | 14.2 | 38.8 | 27.7 | 20.8 | 18.0 |
| Impax | 19.8 | 14.2 | 28.4 | 27.7 | 7.1 | 18.0 |
| M&G - WS ACCESS Global Dividend Fund | 4.0 | 14.2 | 18.3 | 27.7 | 15.0 | 18.0 |
| Robeco GS | 14.9 | 14.2 | 23.7 | 27.7 | -- | -- |
| **EM Equity** | | | | | | |
| Columbia Threadneedle - WS ACCESS Emerging Markets Equity Fund | 32.0 | 23.3 | 62.8 | 48.2 | -- | -- |
| Robeco - WS ACCESS Emerging Markets Equity Fund | 27.6 | 23.3 | 67.5 | 48.2 | -- | -- |
| **Credit** | | | | | | |
| Goldman Sachs | 2.3 | 0.9 | 4.6 | 3.5 | 6.7 | 3.5 |
| Schroders Fixed Income | 2.9 | 1.0 | 6.2 | 4.1 | 8.1 | 4.8 |
| CQS | 3.5 | 0.9 | 7.0 | 3.9 | 9.6 | 6.1 |
| M&G Alpha Opportunities | 1.8 | 0.9 | 4.7 | 3.9 | 7.9 | 6.1 |
| **Property** | | | | | | |
| DTZ | 0.8 | 1.1 | 4.2 | 5.6 | 3.2 | 4.7 |
| Fidelity | -0.1 | 0.5 | -0.6 | 3.3 | 3.7 | 3.3 |
| DTZ (Aegon) | 2.0 | 0.5 | 7.9 | 3.3 | 3.5 | 3.3 |
| M&G Property | 0.1 | 0.5 | -0.3 | 3.3 | -0.8 | 3.3 |
| **Private Equity** | | | | | | |
| Harbourvest | -2.3 | 0.9 | 9.7 | 4.0 | 4.1 | 4.7 |
| YFM | -2.7 | 0.9 | 8.9 | 4.0 | 7.3 | 4.7 |
| **Infrastructure** | | | | | | |
| Partners Group | -0.2 | 0.9 | 7.9 | 4.0 | 10.9 | 4.7 |
| **Absolute Return** | | | | | | |
| Pyrford | 2.9 | 1.2 | 9.5 | 3.0 | 7.9 | 4.7 |
| Ruffer - WS ACCESS Absolute Return Fund | -1.0 | 1.2 | 6.0 | 3.0 | 4.2 | 4.7 |





Source: Northern Trust, RADAR Reporting

# Alternatives Performance

| | AS AT 30 JUNE 2026 | | | | | | |
|---|---|---|---|---|---|---|---|
| Name of Fund | Value of commitment (£m) | Date of original commitment | Cumulative contributions made (£m) | Distributions received (£m) | Net Asset Value at 30/06/2026 (£m) | IRR | TVPI |
| HIPEP VI-Cayman Partnership Fund L.P. | 31 | Oct-10 | 28.8 | 56.0 | 7.6 | 13.2% | 2.13 |
| HarbourVest Partners IX L.P. | 53 | Oct-10 | 40.9 | 94.1 | 16.1 | 17.1% | 2.44 |
| HarbourVest 2018 Global Feeder AIF L.P. | 57 | Oct-18 | 49.6 | 38.2 | 48.1 | 14.8% | 1.77 |
| HarbourVest 2019 Global Feeder AIF SCSp | 57 | Mar-19 | 48.6 | 25.0 | 52.1 | 14.4% | 1.63 |
| HarbourVest 2020 Global Feeder AIF SCSp | 57 | Mar-20 | 50.3 | 9.1 | 59.0 | 9.2% | 1.38 |
| HarbourVest 2021 Global Feeder AIF SCSp | 57 | Mar-21 | 46.0 | 2.8 | 50.4 | 7.5% | 1.21 |
| HarbourVest 2022 Global Feeder AIF SCSp | 57 | Dec-21 | 32.1 | 2.2 | 41.4 | | 1.42 |
| HarbourVest 2023 Global Feeder AIF SCSp | 57 | Dec-23 | 27.4 | 0.7 | 33.4 | | 1.29 |
| HarbourVest 2024 Global Feeder AIF SCSp | 123 | Jun-24 | 38.5 | 1.2 | 42.9 | | 1.16 |
| Partners Group Direct Infrastructure 2011 S.C.A., SICAR | 19 | Oct-10 | 16.5 | 22.6 | 0.7 | 5.7% | 1.35 |
| Partners Group Global Infrastructure 2009 S.C.A., SICAR | 50 | Oct-10 | 43.3 | 60.5 | 1.7 | 6.8% | 1.42 |
| Partners Group Global Infrastructure 2018 L.P. INC | 222 | Oct-18 | 180.5 | 72.2 | 194.1 | 9.8% | 1.49 |
| Partners Group Direct Infrastructure 2020 LP SICAV RAIF | 222 | Nov-19 | 163.3 | 26.1 | 213.6 | 14.7% | 1.50 |
| Chandos | 6 | Oct-07 | 6.0 | 6.7 | 0.0 | | 1.13 |
| YFM Equity Partners Growth Fund 1 | 10 | Oct-14 | 10.0 | 19.8 | 7.5 | | 2.74 |
| YFM Equity Partners Buyout Fund 1 | 20 | Mar-16 | 18.3 | 55.7 | 2.4 | | 3.21 |
| YFM Equity Partners Growth Fund 2 | 10 | Oct-18 | 10.4 | 3.4 | 8.6 | | 1.17 |
| YFM Equity Partners Buyout Fund 2 | 20 | Oct-18 | 16.7 | 18.4 | 13.2 | | 1.90 |
| YFM Equity Partners Growth Fund 3 | 10 | Jun-21 | 9.1 | 1.5 | 9.9 | | 1.15 |
| YFM Equity Partners Buyout Fund 3 | 20 | Sep-23 | 14.8 | - | 17.2 | | 1.16 |

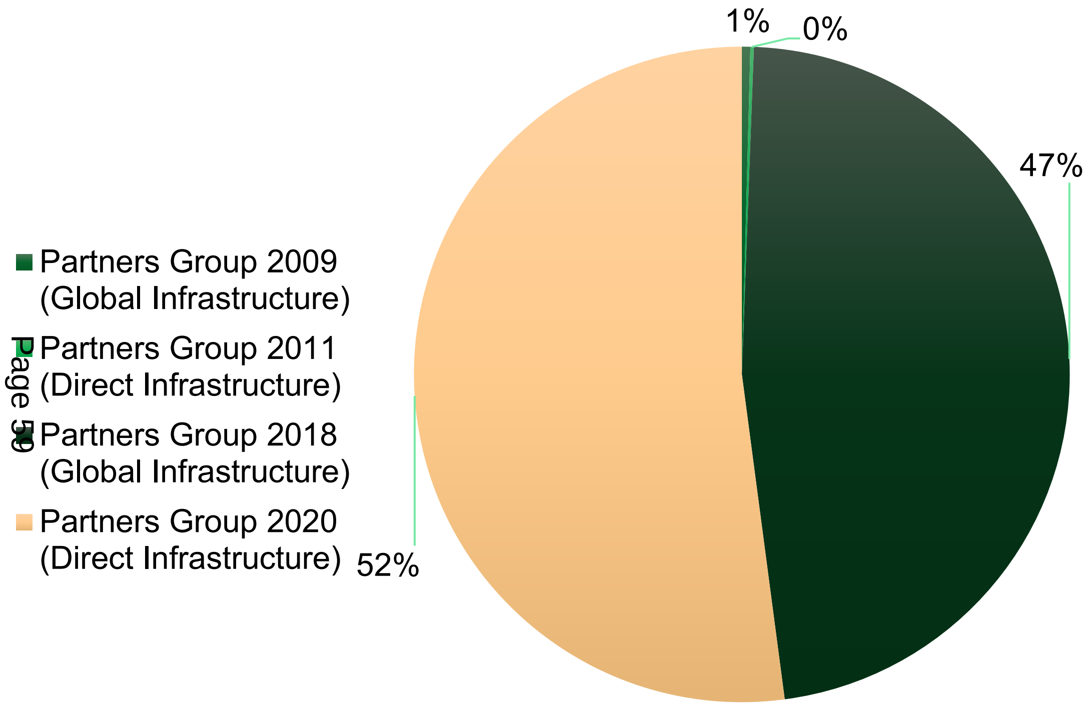




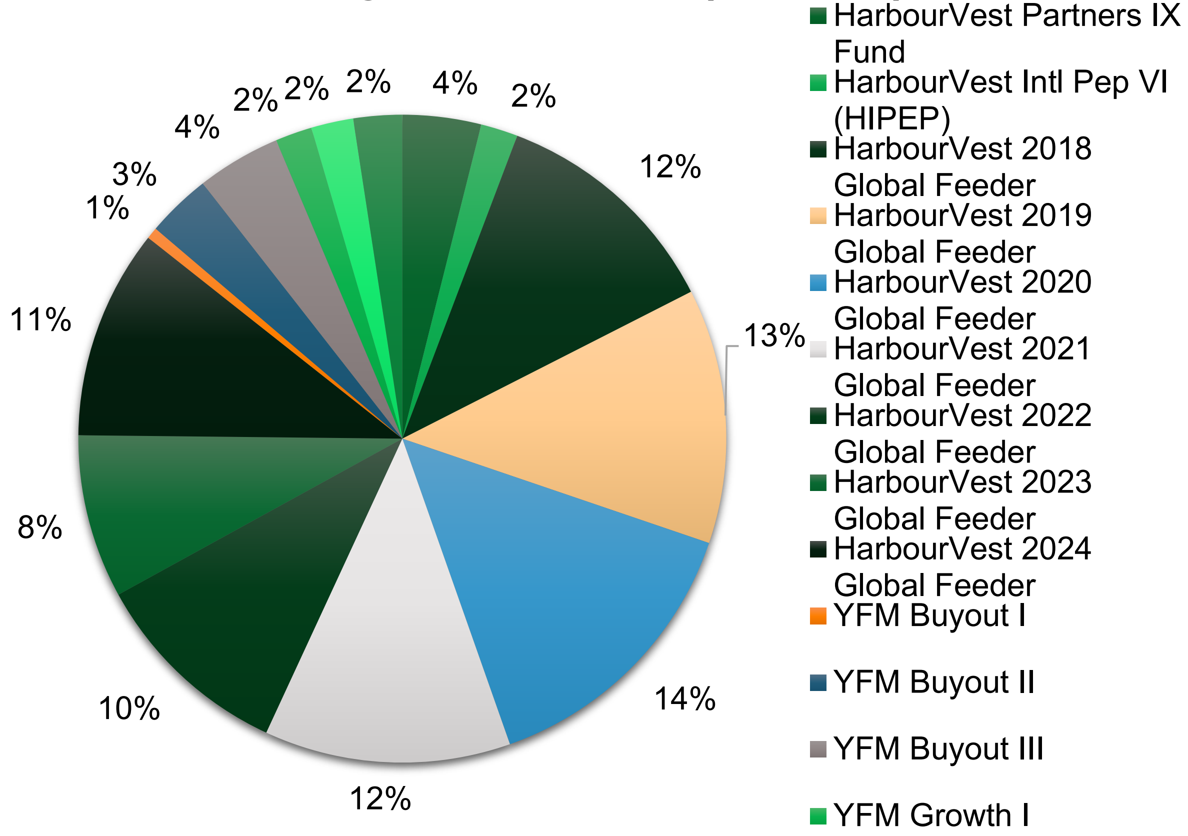
Source: Northern Trust, RADAR Reporting

# Alternatives Breakdown

## Infrastructure Allocation (£410m)

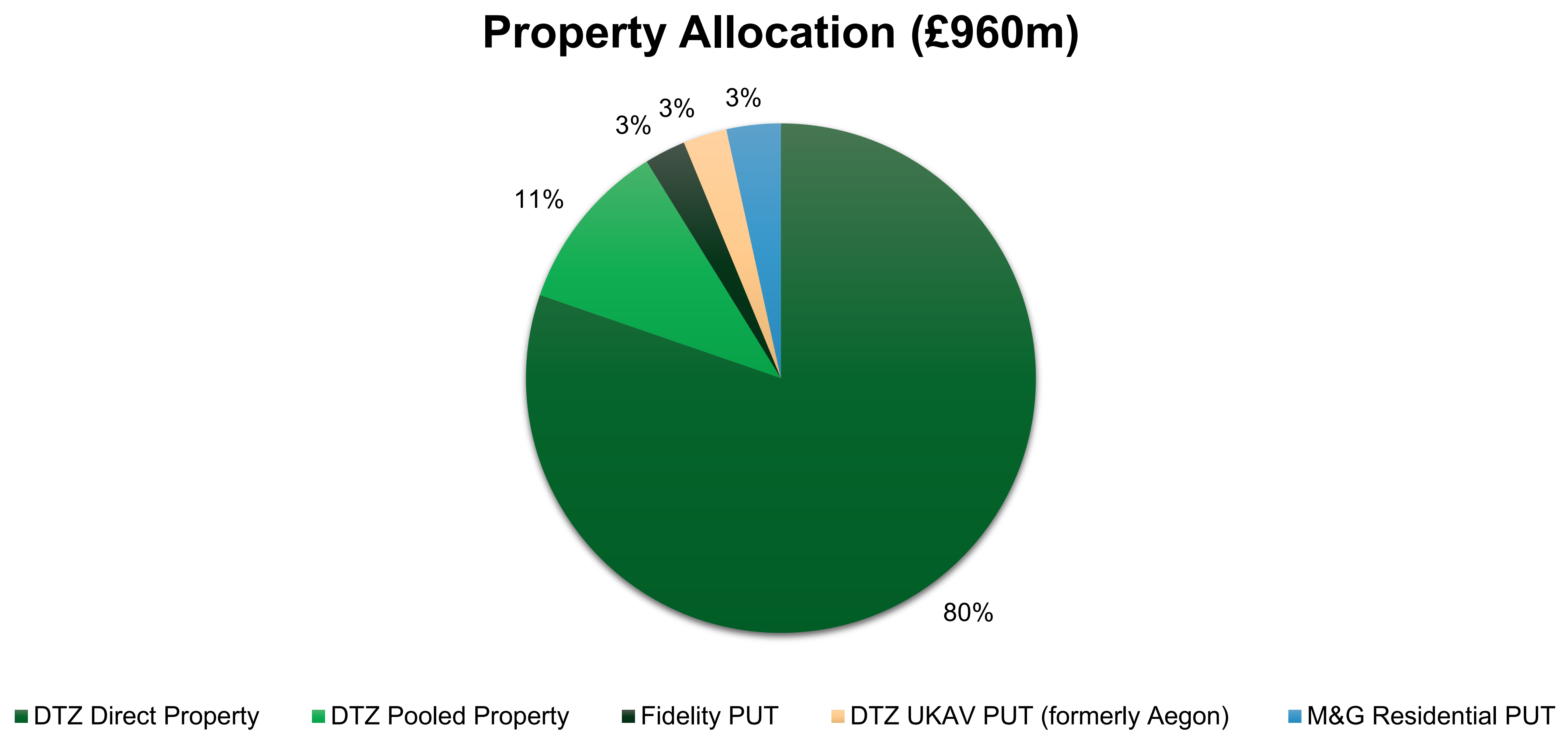



## Private Equity Allocation (£410m)




Note: The legend reads clockwise on the pie charts.

# Property Breakdown




Note: The legend reads clockwise on the pie chart.

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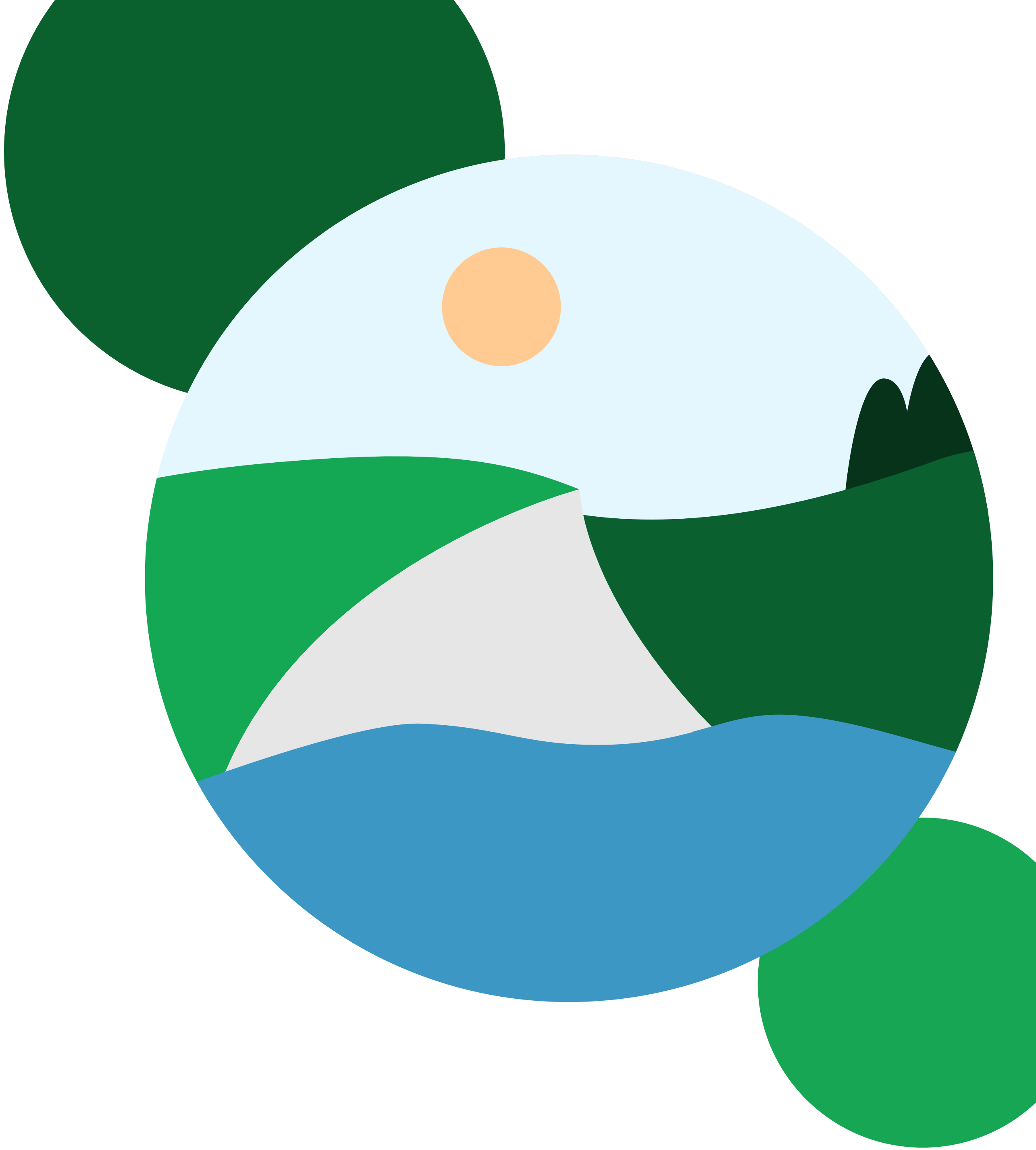
# Appendix





Kent Pension Fund

# Benchmarks and Targets

## Appendix A

| Asset Class / Manager | Performance Benchmark | Performance Target |
|---|---|---|
| **UK Equities:** | | |
| Schroders - WS ACCESS UK Equity Fund | FTSE All Share | +1.5% pa over rolling 3 years |
| Woodford | FTSE All Share | Unconstrained |
| **Global Equities:** | | |
| Baillie Gifford - WS ACCESS Global Equity Core Fund | Regional | +1.5% pa over rolling 3 years |
| Robeco GS | MSCI AC World Index NDR | |
| M&G - WS ACCESS Global Dividend Fund | MSCI AC World Index GDR | +3% pa |
| Schroders - WS ACCESS Global Active Value Fund | MSCI AC World Index NDR | +3% - 4% pa over rolling 3 years |
| Impax | MSCI AC World Index NDR | +2% pa over rolling 3 years |
| **Emerging Market Equities:** | | |
| Robeco – WS ACCESS Emerging Market Equities Fund | MSCI Emerging Markets ND | |
| Columbia Threadneedle – WS ACCESS Emerging Market Equities Fund | MSCI Emerging Markets ND | |
| **Fixed Income:** | | |
| Schroders Fixed Income | ICE BofA Sterling 3-month Gov Bill Index | +4% pa over a full market cycle |
| Goldman Sachs | +3.5% Absolute | +6% Absolute |
| CQS | SONIA | SONIA |
| M&G Alpha Opprtunities | SONIA | SONIA |
| **Property:** | | |
| DTZ | MSCI UK All Property Index | ≥ 3 year rolling average of benchmark returns |
| Fidelity | MSCI UK All Balanced Property | |
| DTZ (Aegon) | MSCI UK All Balanced Property | |
| M&G Property | MSCI UK All Balanced Property | |
| **Alternatives: (Cash / Other Assets)** | | |
| Private Equity – YFM | SONIA | |
| Private Equity – HarbourVest | SONIA | |
| Infrastructure – Partners Group | SONIA | |
| Absolute Return – Pyrford | Retail Price Index (RPI) | RPI + 5% |
| Ruffer - WS ACCESS Absolute Return Fund | Retail Price Index (RPI) | |
| Internally managed cash – KCC Treasury and Investments team | SONIA | |

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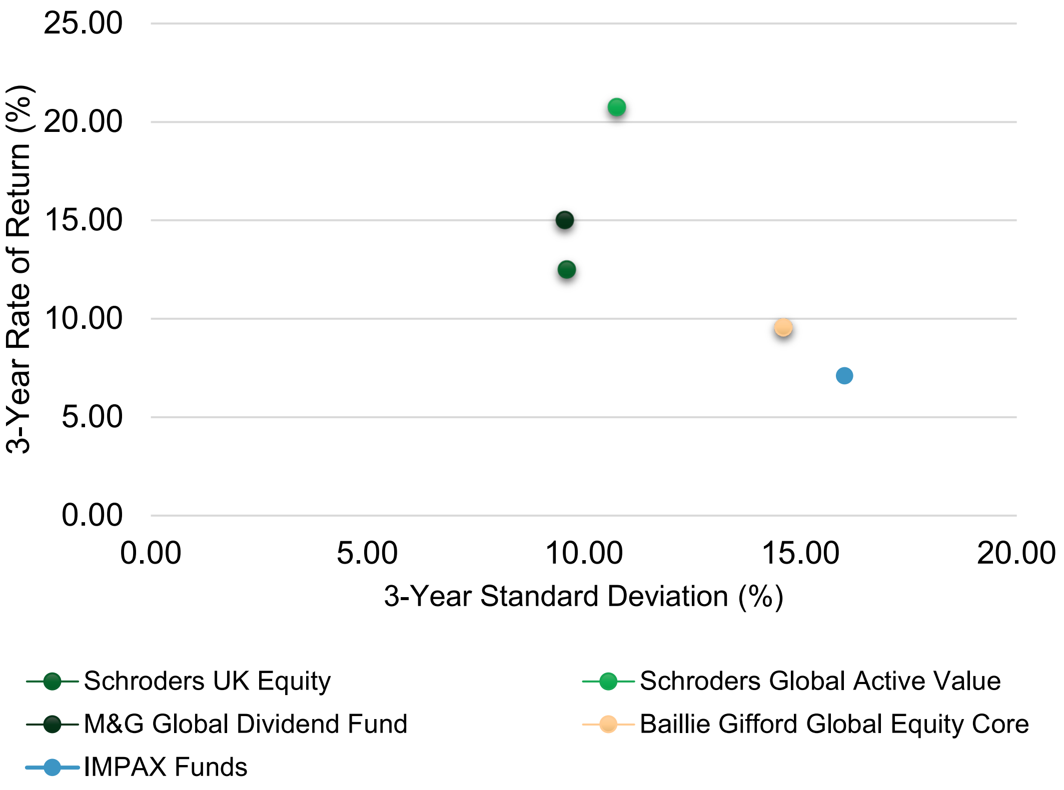
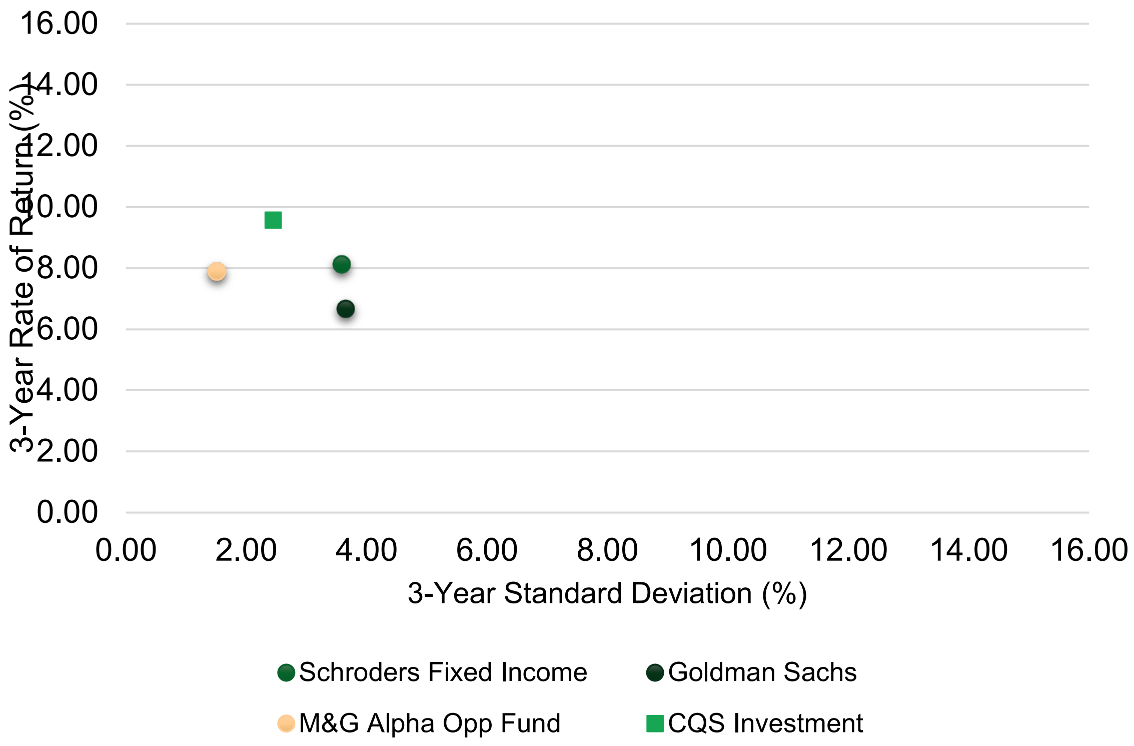
Source: Northern Trust, RADAR Reporting; Manager reports

# Risk vs Return – *Equities and Fixed Income*

## Appendix B

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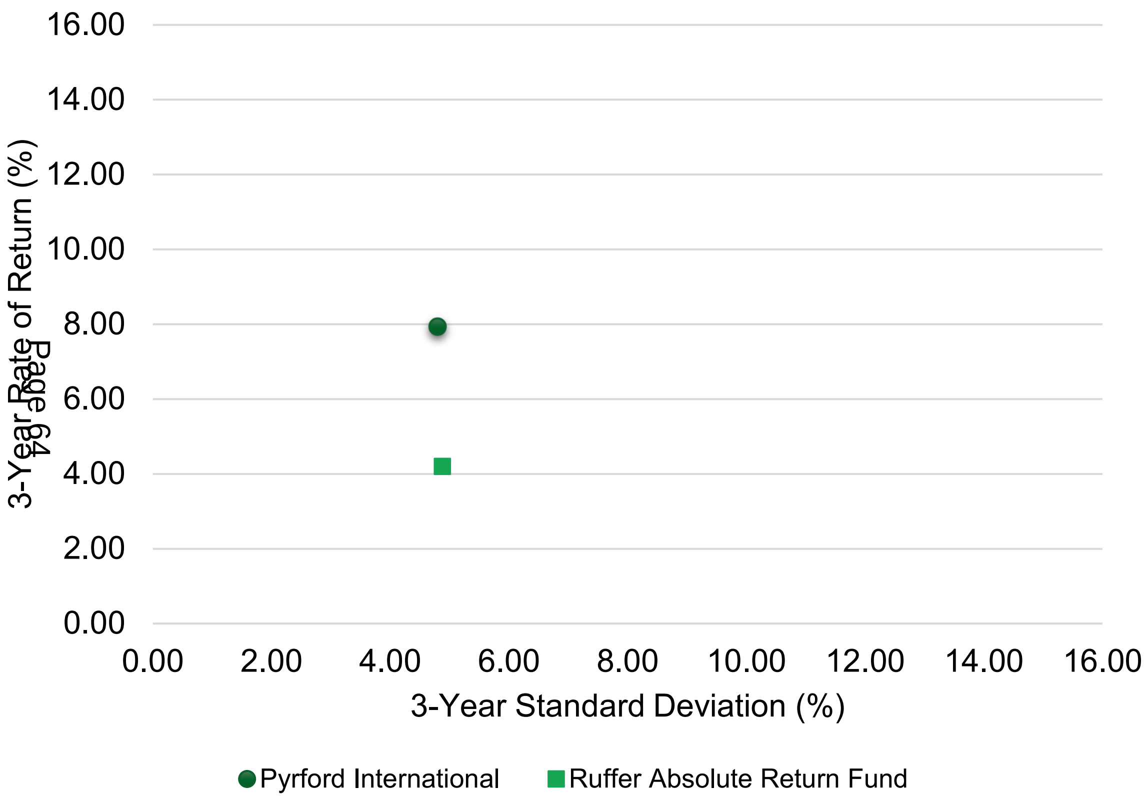
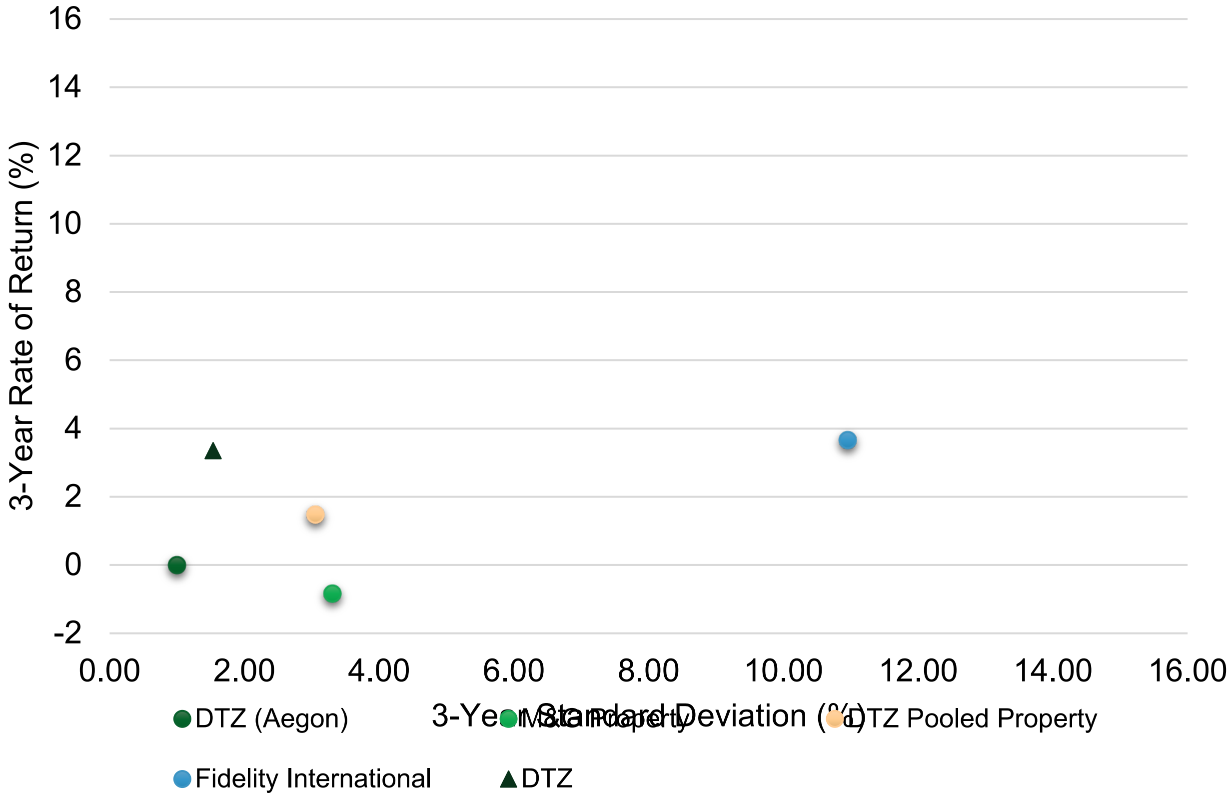
Source: Northern Trust, RADAR Reporting

# Risk vs Return – *Absolute Return and Property*

Appendix C

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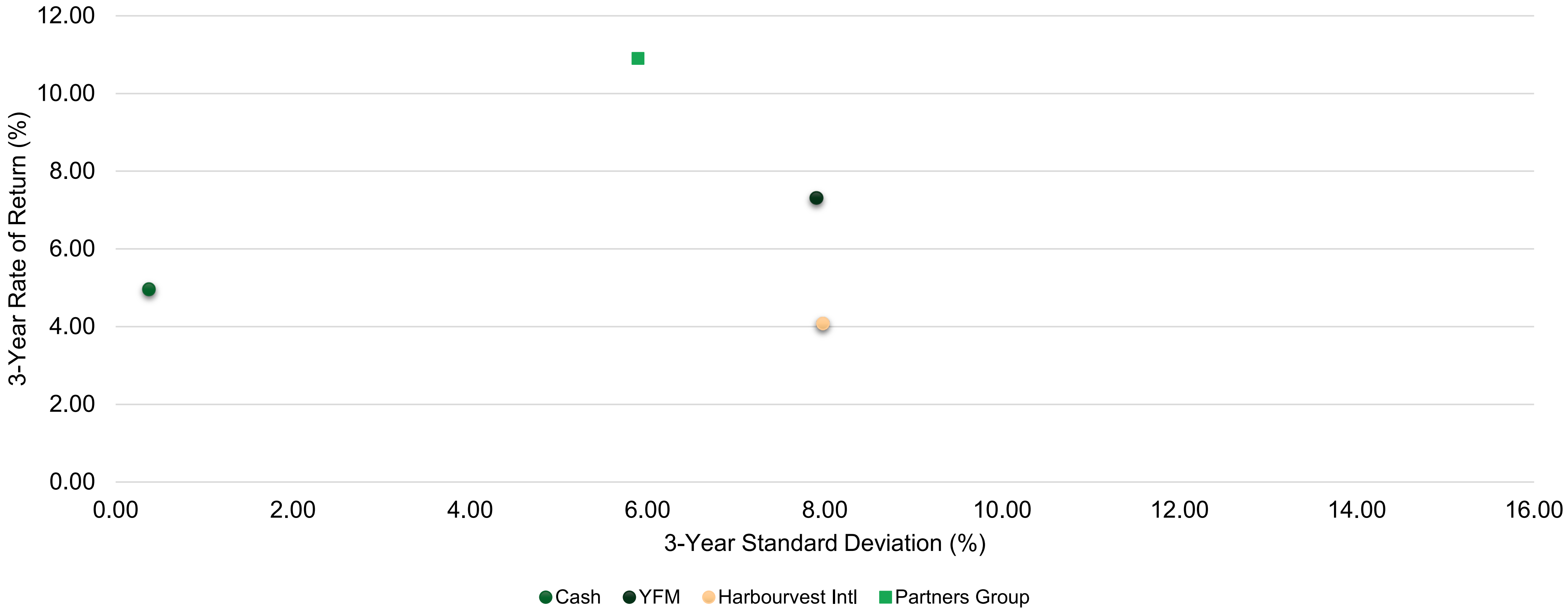
Source: Northern Trust, RADAR Reporting

# Risk vs Return - *Alternatives*

Appendix D




Source: Northern Trust, RADAR Reporting

# Kent Pension Fund

For more information, please visit

www.kentpensionfund.co.uk

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23 June 2026

# Kent Pension Fund

## Investment Strategy Review 2026



Nick Page FIA C.Act CERA
Robbie Sinnott, CFA

# Setting the Scene

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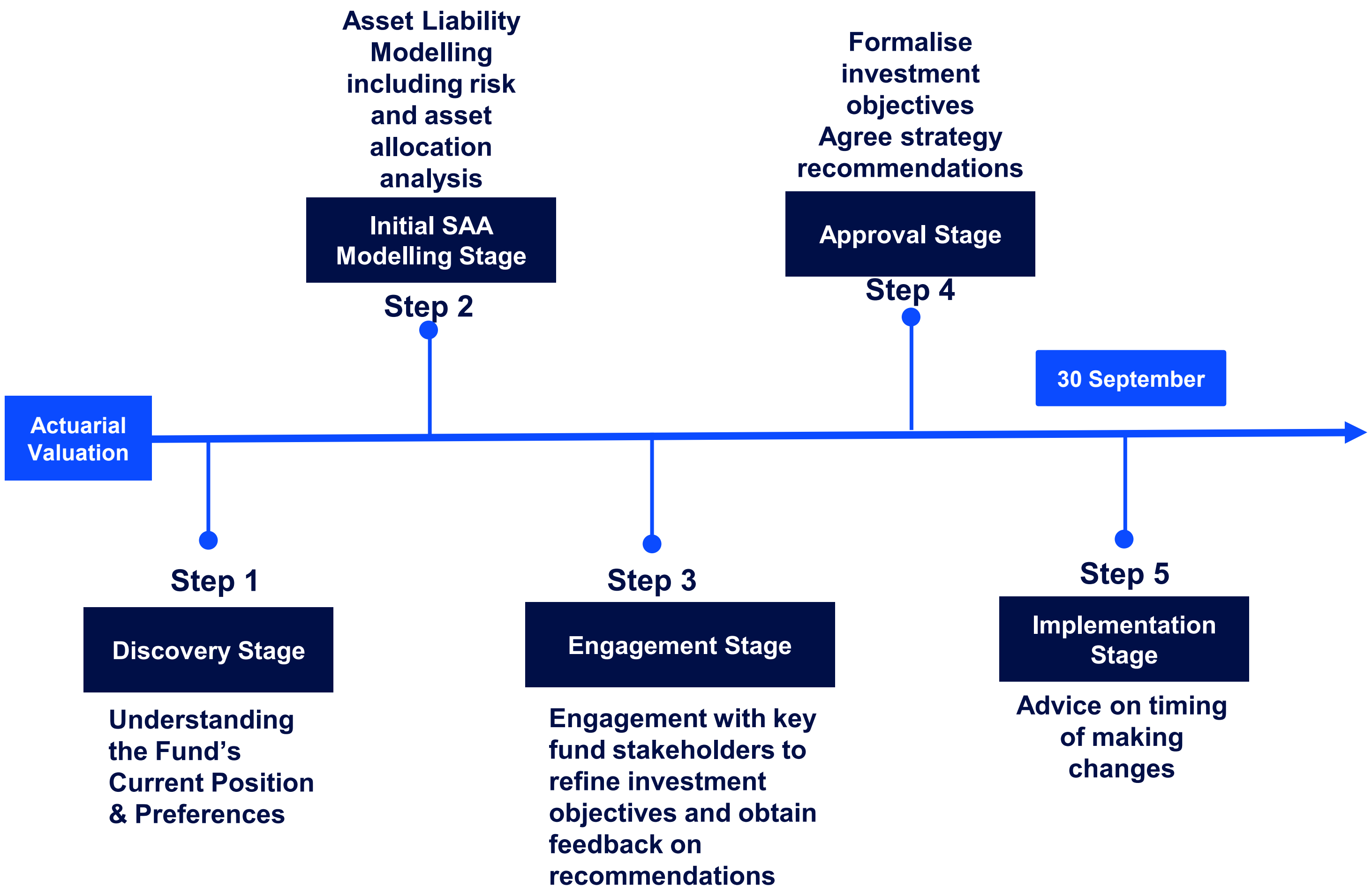
This presentation is addressed to the Pensions Committee (the "Committee") of the Kent Pension Fund (the "Fund").

The presentation sets out the modelling analysis of the current investment strategy alongside proposed strategies for consideration.

- Strategies are modelled based on Mercer's 31 March 2025 Capital Market Assumptions (CMAs) with an allowance made for investment management fees and longevity. Analysis at 31 March 2026 is included in the appendix.
- Liabilities have been shown as at 31 March 2025, provided by the Fund's actuary Barnett Waddingham.
- The funding position is therefore based on the 31 March 2025 Actuarial Valuation.




**<u>Decisions to be made at 23 June 2026 Committee Meeting</u>**

1. **Agree on provisional Investment Strategy, subject to further training on Private Markets**
2. **Agree high level Strategy Objectives for inclusion in ISS**

# Setting the Scene

## Roles and Responsibilities

| | | Responsibility | |
|---|---|---|---|
| **Stage** | **Activity** | **Kent Pension Fund** | **Border to Coast** |
| **1. Set Objectives** | - Meet benefit payments<br>- Affordable contributions | ✓ | |
| **2. Decide Long-Term Strategy** | - Target Return<br>- Risk budget | ✓ | |
| **3. Create Portfolio Structure** | - Strategic mix of equity, bonds and alternatives | ✓ | ✓ |
| **4. Select Managers** | - Diverse mix of best-in-class providers | | ✓ |
| **5. Implement** | - Keep costs low<br>- Diverse mix of best-in-class providers | | ✓ |
| **6. Monitor Results** | - Committee meetings and monitoring | ✓ | ✓ |



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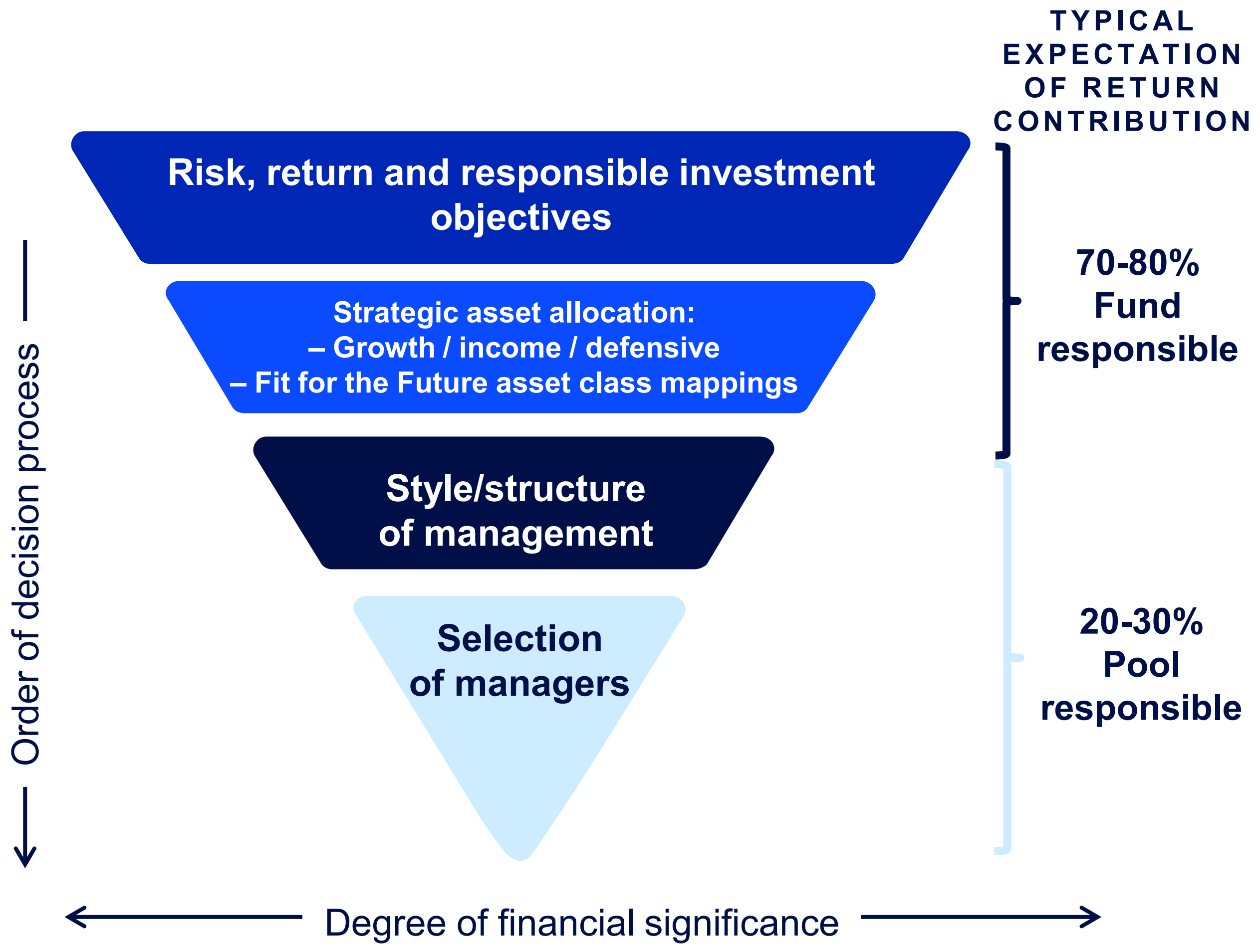
# Setting the Scene

## Importance of Investment Strategy

- Long term allocation between various asset classes
- Most important decision for the Fund - Returns between asset classes can vary significantly
- To be able to meet the future liabilities, the expected return of the investment strategy should be higher than the discount rate – the extent of which depends on the funding position of the Fund.






**Investment strategy contributes the majority of investment performance and – just as importantly – investment risk**

# Current Position & Objectives



01

# The Starting Point

## Striking the right balance

The ***funding level*** is an estimate of whether the Fund has sufficient assets today to meet all future pensions promises in the future, *assuming a certain investment return* known as the ***discount rate***

**Funding Level**

**104%**

Estimated funding level as at 31 March 2025

**Discount Rate**

**4.9% p.a.**

as 31 March 2025. This is the return required from the assets to 'stand still'.

**Expected Return**

**6.3% p.a.**[1]

Estimated 20 year average return at 31 March 2025

### Balancing Risk and Return

**Too little investment risk/return** = cost of pension provision is too expensive and contributions are not affordable

**Too much investment risk/return** = danger of market stress affecting funding and contributions are not stable

**Fund's objectives**

- Meet members benefits as they fall due
- Keeping contribution rates affordable but stable for employers

*Source: Barnett Waddingham, draft Actuarial Valuation results. CPI assumption of 2.7% has been used.*

*[1] Expected return based on Strategic Asset Allocation.*



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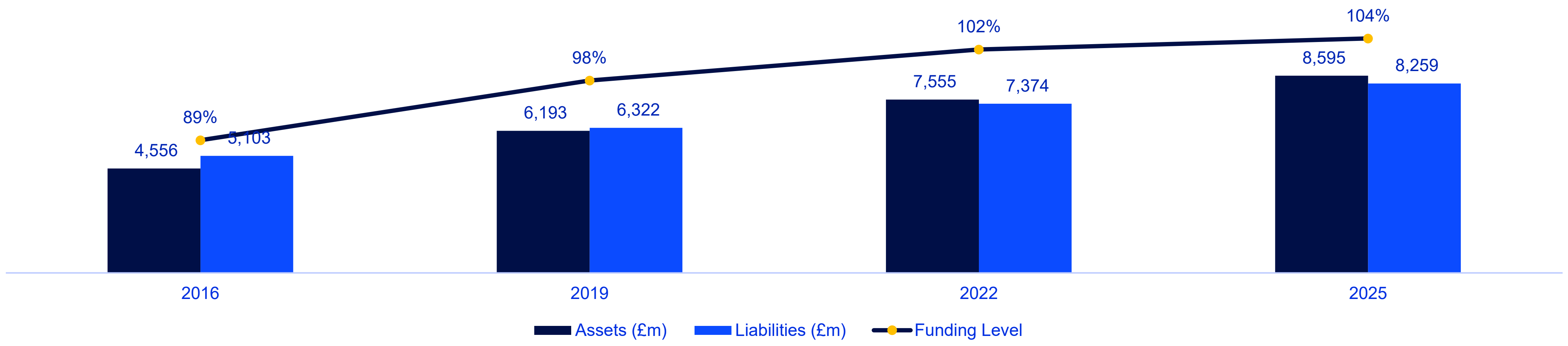
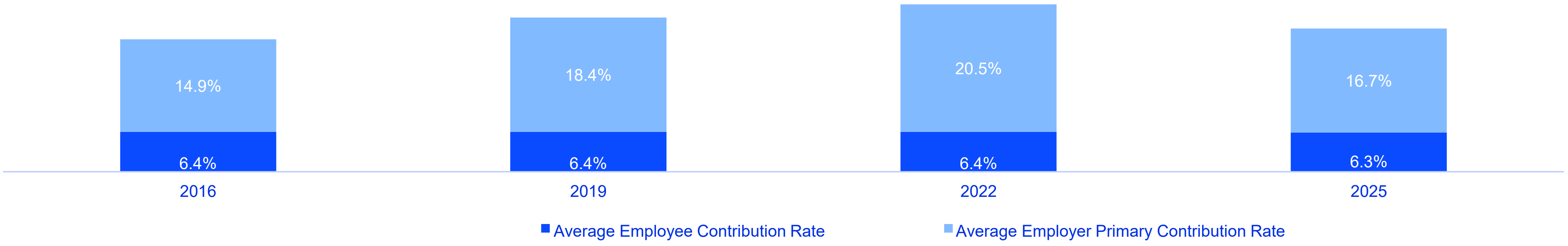
# Evolution of Funding Position

## Funding Level Progression

**Funding level has improved continuously over each of the last 3 valuations**




**The (average) employer's contribution to the cost of benefits (primary rate) accruing has been relatively stable and has fallen at 2025 valuation to 16.7%**




*Source: Barnett Waddingham.*

# Current SAA

## Overview of Fund

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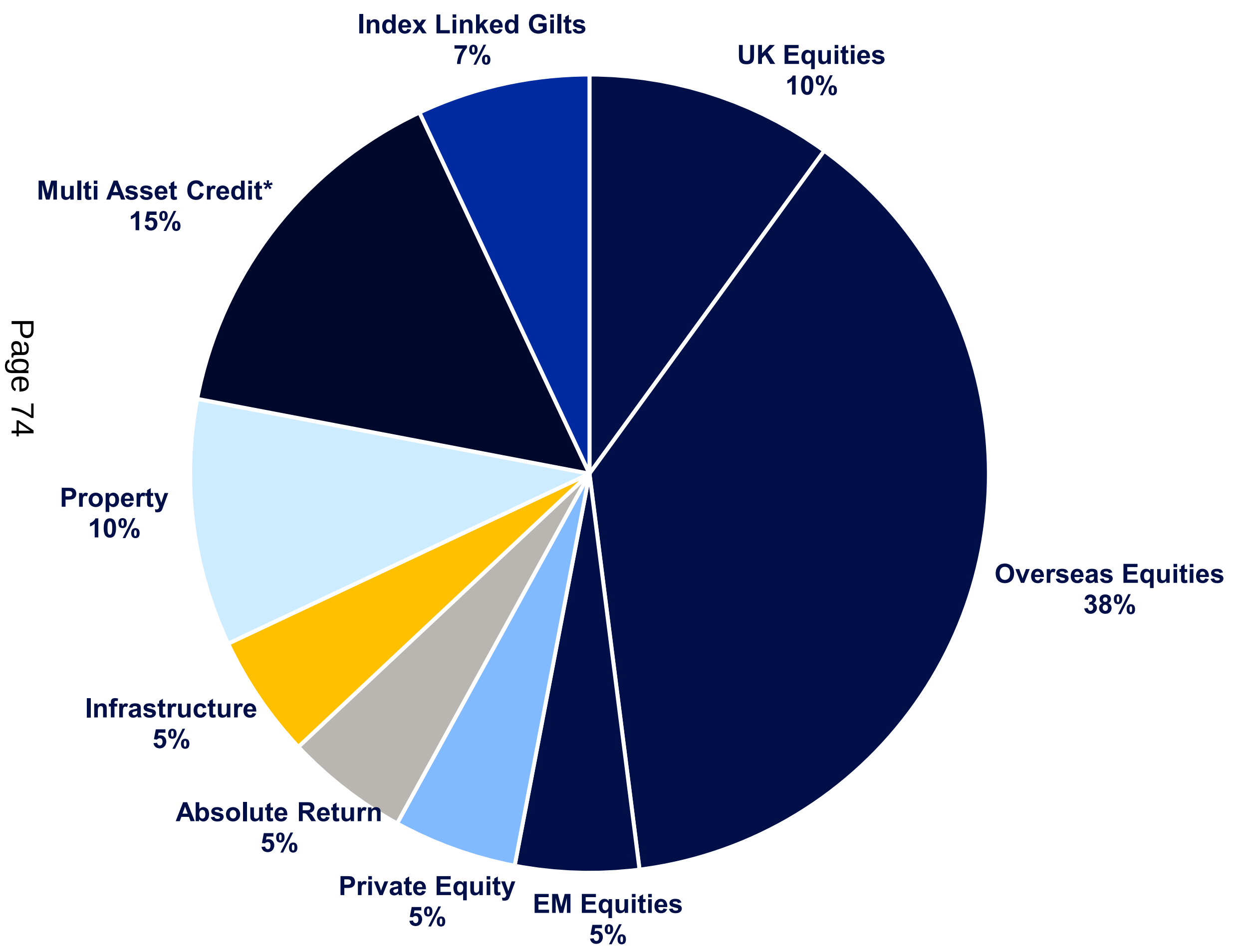
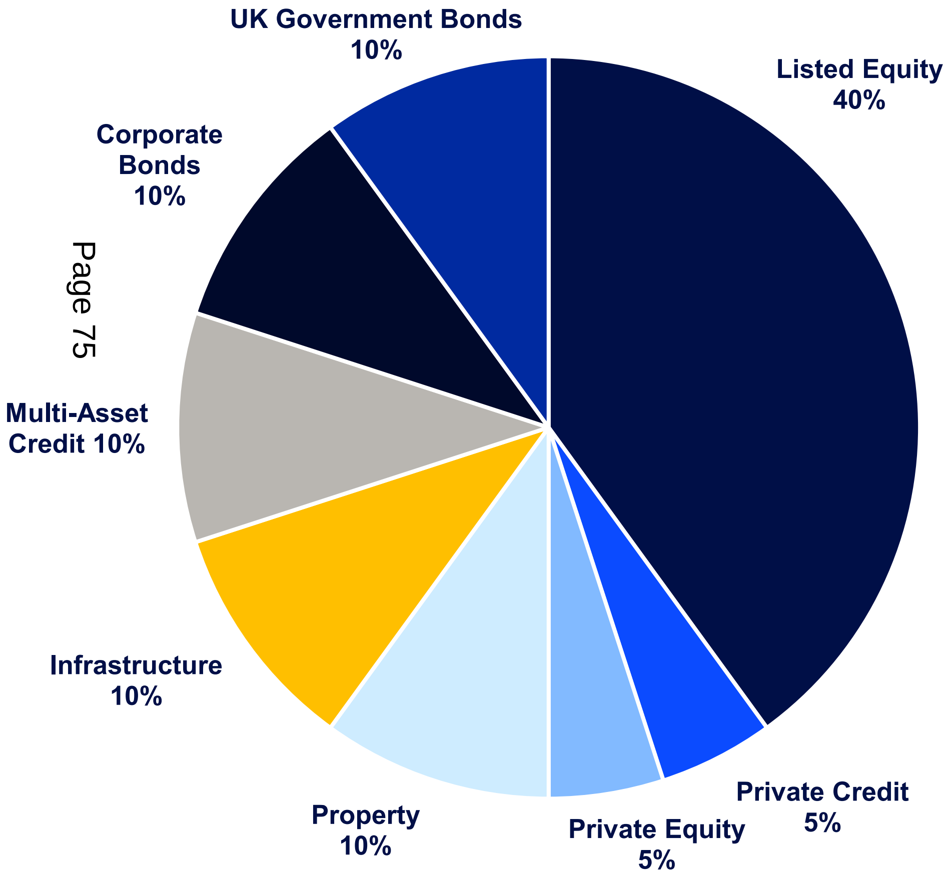



### Current SAA Per the Government Template

| Asset Class | SAA |
|---|---|
| Listed Equity | 53% |
| Private Credit | - |
| Private Equity | 5% |
| Property / Real Estate | 10% |
| Infrastructure | 5% |
| Other Alternatives | 5% |
| Credit | 15% |
| UK Government Bonds | 7% |
| Cash | 0% |
| **Total** | **100%** |

# Mercer’s LGPS Reference Portfolio

## Comparison with Kent Pension Fund’s Portfolio






| Asset Class | LGPS Reference Portfolio | Current SAA | Common Themes |
|---|---|---|---|
| **Global Equity** | 40% | 53% | ✓ Global equities |
| **Private Equity** | 5% | 5% | ✓ Private Equity |
| **Infrastructure** | 10% | 5% | ✓ Infrastructure |
| **Property** | 10% | 10% | ✓ Property |
| **Private Credit** | 5% | - | X Private Credit |
| **Credit** | 20% | 15% | ✓ MAC<br>✓ Corporate Bonds* |
| **UK Government bonds** | 10% | 7% | ✓ Index-linked gilts |
| **Other Alternatives** | - | 5% | - DGFs |

**Note that while the Fund does not hold an explicit corporate bond mandate, the Fund has exposure to these assets through the Growth Fixed Income funds.*

**LGPS reference portfolio**

- Represents Mercer’s “starting point” for how to construct investment strategy for a typical LGPS fund with a return target of c.6-7% p.a. and volatility target of 2/3rds of equities.
- Combines long-term intellectual capital and market views, and based on a generic set of objectives and constraints.
- The Fund has many of the elements within the Reference Portfolio, excluding Private Credit. The Reference Portfolio also doesn’t include DGFs.
- The Fund’s allocation will differ due to its exact objectives and circumstances – not intended to be a “one size fits all” portfolio

# Draft Investment Objectives

## ISS and Strategy Review

| | |
|---|---|
| **Investment Return Objective** | To have a modelled expected long-term return that exceeds the discount rate of 4.9% p.a. |
| Probability of investment returns exceeding the discount rate over 20 years | > 67% |
| **Investment Risk Objective / Contribution stability** | To invest in such a way that the 3-year 95% asset value at risk (VaR) is limited to less than 25% of the Liability Value |
| Probability of being 100% funded in 20 years | > 90% |
| Average Likelihood of Maintaining 16.7% Employer Rate Over Next 3 Valuation Cycles | > 67% |
| Likelihood of a 5% increase in employer contribution rate (over next 3 years) | < 25% |
| **Cash Flow Objective** | To ensure up to £X is available over the valuation period including a margin of X% for higher-than-expected growth in benefits. |
| Maximum strategic target allocation to illiquid assets | Max. 30% (scope to increase should be subject to detailed liquidity analyis) |

- Investment Objectives set out in the dark blue boxes will need to be documented within the ISS.
- The Fund will need to agree with Border to Coast the most appropriate place to document supplementary investment objectives (light blue rows) such as the Investment Policy Statement (IPS).
- Objectives have been tested as part of the strategy review.



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# Areas of Focus



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02

# Evolving the Current Strategy

## Considerations

### Focus of the Review

- The main objective of the review is to **improve the efficiency of the portfolio from a risk/return perspective**.
- The Fund currently is running overweight equity risk and there are **opportunities to refine the current strategy.**

### Main Areas of Refinement

- **Equity:** Given the Funding position and discount rate, and our forward-looking assumptions for equity (comparatively lower relative to other asset classes) **there is opportunity to reduce the equity allocation and reduce risk, without negatively impacting return.**
- **Equity Protection:** The Fund can **reduce equity allocation outright, take off Equity Protection and end up with a lower risk, higher returning strategy** as a result.
- **DGF:** Remove from target allocation, Fund is already well diversified, and the **allocation can be used more efficiently elsewhere.**
- **Index-linked gilts:** Real yields are attractive by historic standards and provide diversification and protection benefits. **Strong case for increasing allocation.**
- **Infrastructure / Private Credit:** **Increase allocation to infrastructure** and **introduce Private Credit** to increase cashflows that are similar to the liabilities accruing in the Fund.

### Key Metrics

- The modelling output outlines the expected returns and discount rate to **ensure that the hurdle rate for investment strategies is met.**
- We have also included a **risk metric that assesses how much the asset valuation could fall by in 3 years time with a 5% probability** (3yr 95th Value-at-Risk) This is a key measure for assessing funding risk.
- Furthermore, we have assessed the **expected funding level over the next 20 years** to ensure the strategies risk and return profile is well balanced.
- Finally, we also look at **contribution stability**. This looks at the likelihood of being able to maintain current contribution rates at future valuations.



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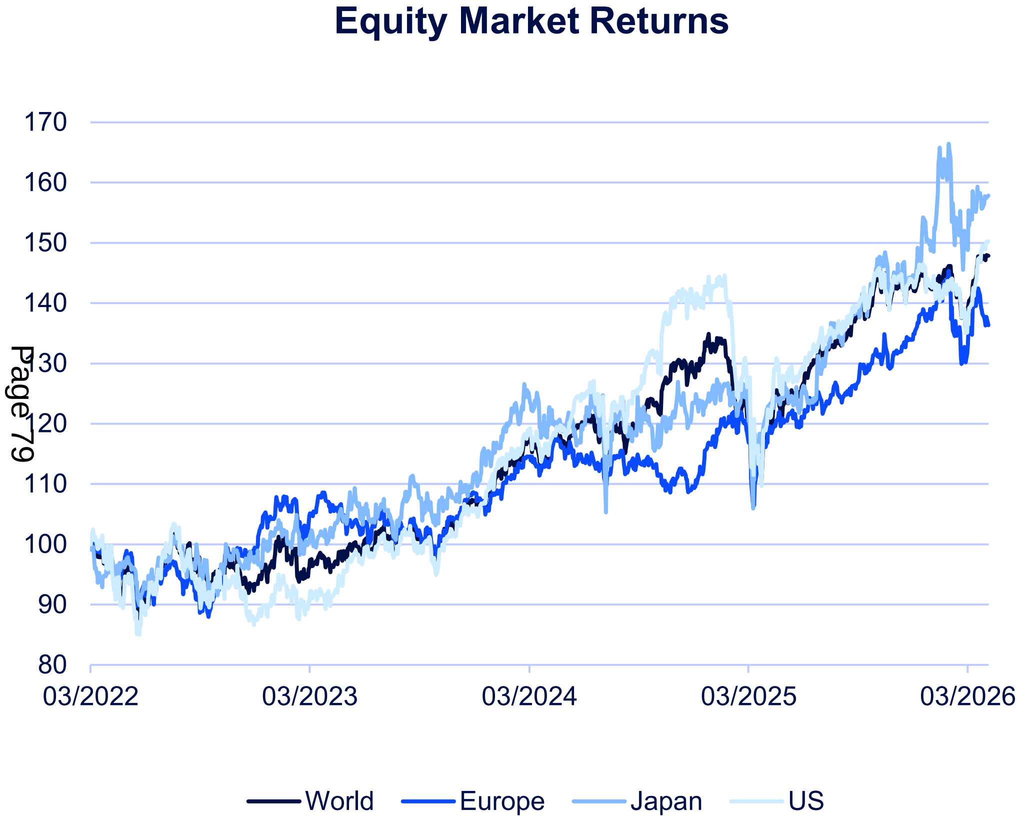
# Market Background

## Elevated Equity Market Risks




*Source: Refinitiv, MSCI. Rebased to 100 as at 31/03/2022. 29/04/2026.*

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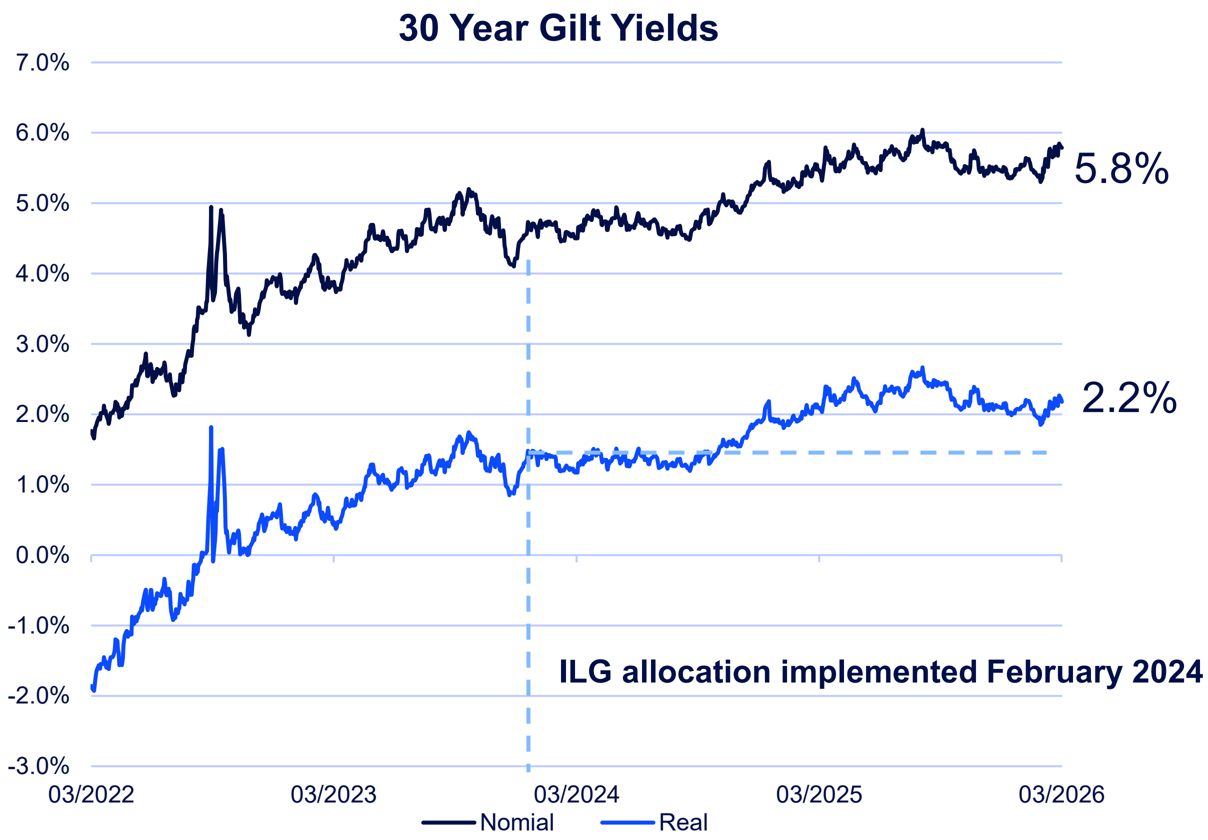
**Reason for consideration: All time equity valuation highs**

- Over the past decade, equity markets have delivered strong returns, supported by favourable economic conditions, low interest rates, and significant technological advancements.
- However, the environment that fuelled this growth is changing. Elevated valuations, moderating economic growth, high market concentration and a challenging political landscape suggest that the strong returns of the past 10 years may not be repeated.
- Mercer's forward looking return assumptions for equities assume returns may be more modest and volatility more pronounced compared to other asset classes.
- The above warrants a reduction in the allocation to public equities.

**Recommendation: Consider the equity allocation and equity protection strategy holistically**

# Market Background

## Attractive Opportunity to Allocate More to Index-Linked Gilts

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**Reasons for consideration: Real Yields high in the historical context**

- The Fund currently has a 7% strategic allocation to Index-Linked Gilts; from both a strategic and a market timing perspective, we believe them to offer value, and we see a further role for Index Linked Gilts ("ILG") within the Fund's investment strategy from both an inflation linkage and diversification perspective.
- Current ILG yields are at interesting levels historically with long-dated ILGs yielding >2% above long-term inflation (CPI) expectations.
- There is therefore the potential for ILG allocation without adversely impacting the overall strategy metrics whilst increasing the inflation linked return the Fund will receive.
- Buying ILGs with a positive yield means the Fund can earn a yield above long-term CPI expectations (if held to maturity). As LGPS pension benefits are linked to uncapped CPI, buying ILG will allow the Fund to protect these pension payments should inflation increase in future.

**Recommendation: Increase Index-Linked Gilts to at least 10%**

# Diversified Growth Fund Allocation

## Potential refinements

There is currently an **5% strategic allocation** to **Diversified Growth Funds ("DGFs")** within the Alternatives portfolio.

As part of our proposed amendments to the Fund's Alternatives portfolio, we are recommending **removing the allocation to DGFs.** Based on our experiences and the information outlined below, the rationale to **remove** the allocation to DGFs is:

- As the Fund currently stands, there are enough levers to ensure diversification without the need for a separate allocation to DGFs. Historically, the DGF has played a diversifying role as a liquid alternative to equities, however with increasing returns available on fixed income and other alternatives, this rationale has weakened.

- There is wide dispersion of outcomes across DGF managers - outcomes are highly dependent on active decisions (asset allocation, hedge positions, alternatives). Ruffer has recently reduced allocations to equites in an aim to reduce downside volatility. However, that defensive positioning can cause them to not fully participate in large upside equity rallies.



| Asset holding | 3yr performance to 31 December 2025 |
|---|---|
| Equities (MSCI ACWI) | 16.7% p.a. |
| Total Fund | 6.6% p.a. |
| Ruffer | 1.4% p.a. |
| Pyrford | 6.2% p.a. |

**Recommendation: remove the allocation DGFs from the SAA**

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# Does the Fund need to retain equity protection?

**Reasons to remove equity protection**

- Mercer's return outlook for equities has **reduced**. Protected equity is expected to return c.70% of equity returns and therefore the forward-looking return expectations for protected equities does not look as attractive as it has done historically relative to other asset classes.
- One of the alternative SAAs that is being recommended to the Committee **reduces** the Fund's equity allocation from 53% to 40%, which significantly reduces the **equity risk** within the Fund's strategy.
- By removing the equity protection, the expected returns from the equity portfolio in absolute terms would be **similar** to those seen under the current allocation with equity protection under this alternative SAA and for a similar level of risk.
- Removing the equity protection strategy would also result in a strategy that is **simpler and cheaper** for BCPP to implement.
- Equity protection protects from broad market movements, and doesn't account for **active manager underperformance**.
- The Fund is a long-term investor, and can absorb some market volatility given the **stronger funding position**.



**Reasons to retain equity protection**

- With **improvements in funding level**, the Fund does not need to increase risk or generate higher returns from its assets to achieve the required return.
- The equity portfolio has **both** a protected (the global exposure) and unprotected (UK and EM) element limiting the drag on returns in bull markets.
- Equity market valuations are high and there remains **material uncertainty** in the market outlook for equities.
- Equity (and credit) markets are becoming increasingly **concentrated** with AI-related companies and the growing concentration heightens market interconnectedness and elevates the risk of contagion.
- Additional volatility driven by the Trump presidency and **geopolitical events** could exert further pressure on the markets.
- Consequently, maintaining the equity protection strategy may serve as an **effective hedge** for the Fund against these risks.

**Reducing the equity allocation outright would support removing the equity protection strategy, resulting in a lower risk, higher returning strategy**

# Why invest in private infrastructure?

**Large and established asset class** now worth almost $1.4 trillion[1]

Emerging in the mid-1990s, infrastructure investing has grown to become a well-established asset class. 54 per cent of institutional investors are expected to be invested in infrastructure equity by 2029.[2]

**Capturing transformative trends** currently shaping our society

Uniquely positioned to support key trends such as digitization and AI, the energy transition and resource scarcity

**Uncorrelated, resilient returns and inflation protection**

The defensive nature of infrastructure, characterised by stable cash flows and inflation-linked returns, can provide a level of resilience and stability during market downturns.

**Best accessed through a private market implementation**

Private infrastructure provides direct exposure to diverse assets powered by key megatrends.

Unlike listed infrastructure, success depends more on operational execution than market swings. Plus, private ownership fosters stronger alignment between owners and management.

Sources: 1) Preqin (January 2025) | 2) IFM Private Markets 700 (2024)

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**The potential for attractive, diversifying risk-adjusted returns and strong fundamentals are driving demand for infrastructure investments**

# Private Credit Primer

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03

# What is Private Credit?



**Asset managers source and lead…**

The terms of the loan are **agreed between the lender and borrower privately**

**…replacements for bank loans…**

**Borrowers with no access to public credit markets**, or (increasingly) those who choose not to

**…to "mid-market" companies…**

**Typically privately owned companies.** In general, annual revenues of $10m to $1bn

**… with seniority and security…**

**Backed by senior claims** on company cash flows, or assets

**… and held to maturity or refinanced.**

Loans are **not traded** and are considered "illiquid"

**Attractive risk adjusted returns are available but it is usually an illiquid investment, which requires investors to lock-up capital for a term (typically 8-10 years).**

# Comparison vs. Credit Universe

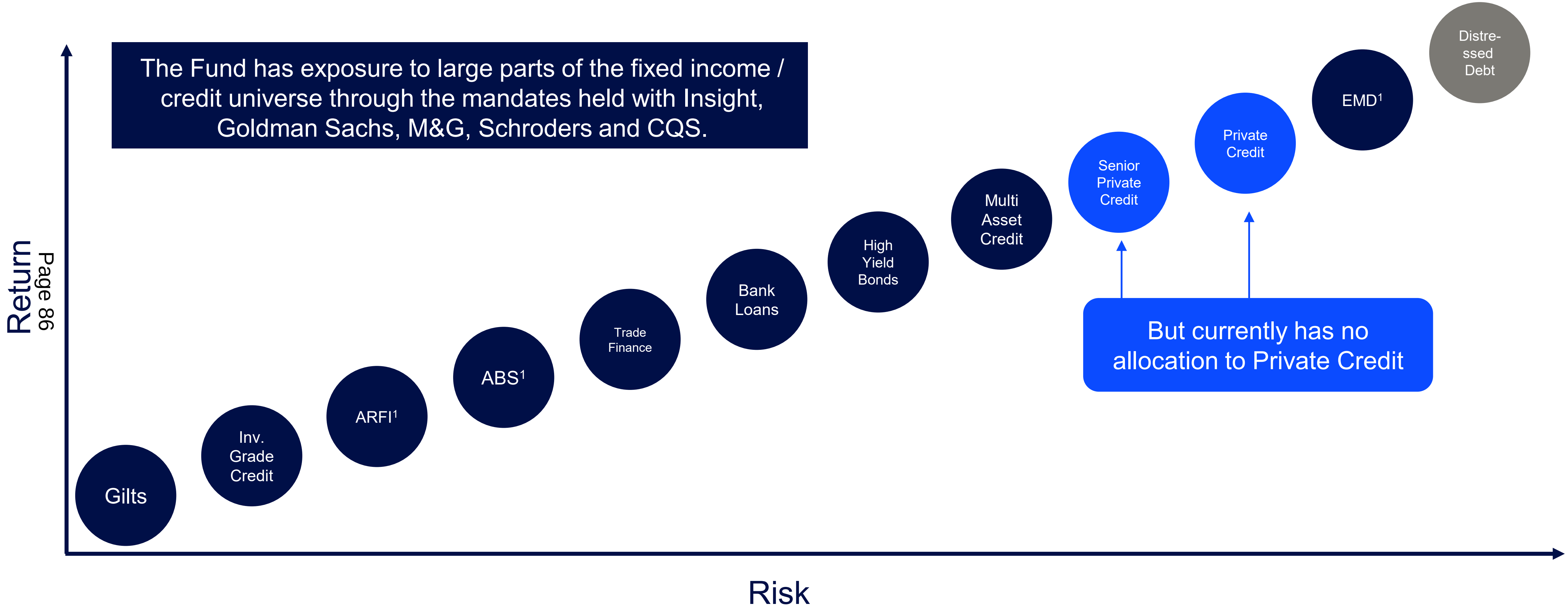
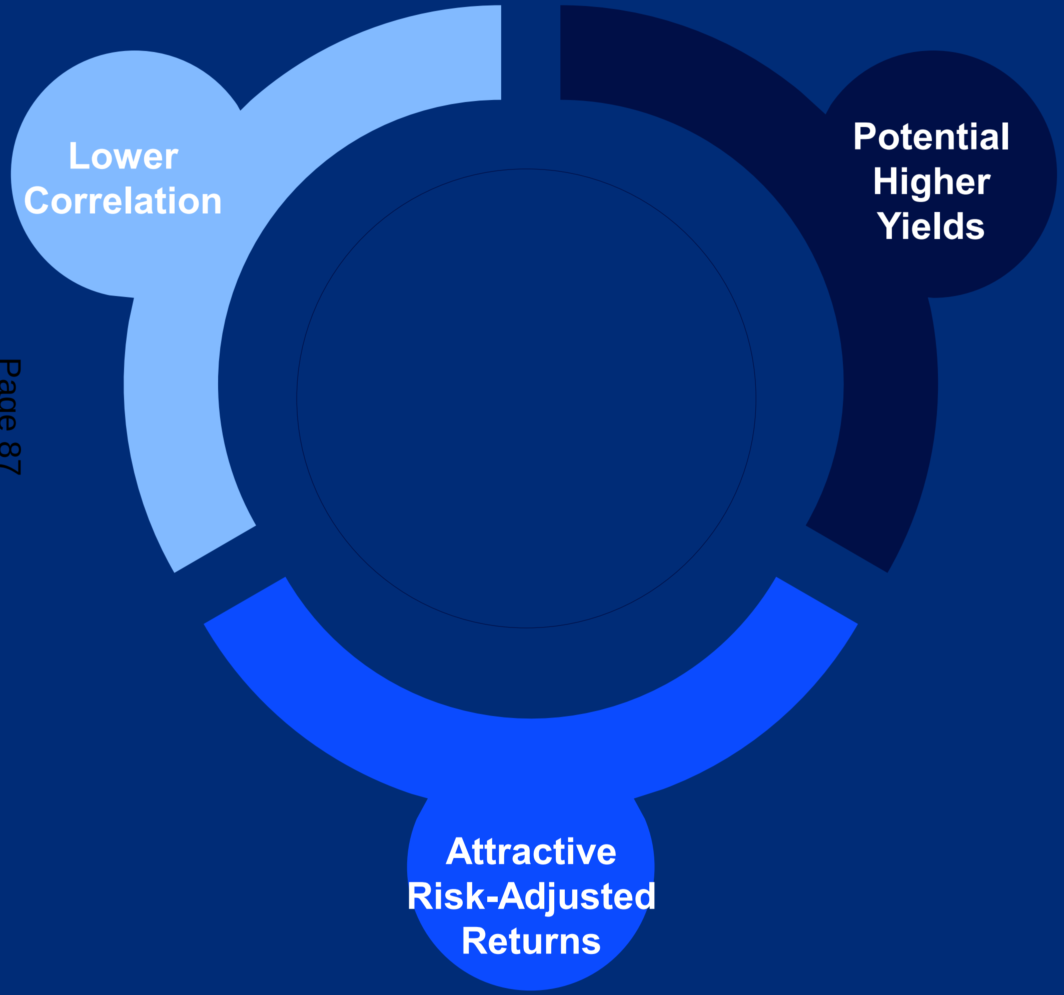



*Chart shown for presentation purposes only. Actual risk and return characteristics of asset classes mentioned will vary.*

*[1] ARFI = Absolute Return Fixed Income; ABS = Asset Backed Securities; EMD = Emerging Market Debt*

# Why Invest in Private Credit?

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**1** **Typically, higher spreads than the liquid credit markets**

Capitalising on the retreat of the banking sector

**2** **Higher return does not necessarily mean higher risk**

Secured lending with more rigorous terms and protections than low rated corporate bonds.

**3** **Diversifying total portfolio risk**

A broad and differentiated opportunity set




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# Analysis and Proposal



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04

# Required Decisions

**Recommendation for all alternative strategies:**

**Increase Index-Linked Gilt allocation from 7% to at least 10%**

**Increase Infrastructure allocation from 5% to 10%**

**Remove 5% allocation to Diversified Growth Funds**

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**Consideration of alternative investment strategies**

**Decision 1:** Retain higher physical equity allocation with protection OR reduce physical equity and remove protection

**Recommendation: Remove protection and physically de-risk to 40% allocation.** Reducing the equity allocation outright would support removing the equity protection strategy, resulting in a lower risk, higher returning strategy.

**Decision 2:** Are the Committee comfortable with introducing a new allocation to Private Credit?

**Recommendation: Allocate 5% to Private Credit.** Attractive risk adjusted returns are available through Private Credit

# Strategy Modelling Outputs

| | | | | |
|---|---|---|---|---|
| **Decision 1:** Retain higher physical equity allocation with protection OR reduce physical equity and remove equity protection (EP) | | **Retain** | **Reduce to 40% & Remove EP** | **Reduce to 40% & Remove EP** |
| **Decision 2:** Introduce a new allocation to Private Credit? | | N/A | **No** | **Yes** |
| | **SAA** | **Alt 1** | **Alt 2** | **Alt 3** |
| **Listed Equity** | **53%** | **50%** | **40%** | **40%** |
| *- Global Equity (protected)* | *38%* | *35%* | *-* | *-* |
| *- Global Equity (unprotected)* | *-* | *-* | *30%* | *30%* |
| *- UK Equity* | *10%* | *10%* | *5%* | *5%* |
| *- EM Equity* | *5%* | *5%* | *5%* | *5%* |
| **Private equity** | **5%** | **5%** | **5%** | **5%** |
| **Private Credit** | **-** | **-** | **-** | **5%** |
| **Property** | **10%** | **10%** | **10%** | **10%** |
| **Infrastructure** | **5%** | **10%** | **10%** | **10%** |
| **Other Alternatives (Absolute Return)** | **5%** | **-** | **-** | **-** |
| **Credit** | **15%** | **15%** | **20%** | **15%** |
| *- Multi-Asset Credit* | *15%* | *15%* | *15%* | *15%* |
| *- Investment Grade Credit* | *-* | *-* | *5%* | *-* |
| **UK Government Bonds (index-linked)** | **7%** | **10%** | **15%** | **15%** |
| **Cash** | **0%** | **-** | **-** | **-** |
| **Total** | **100%** | **100%** | **100%** | **100%** |
| | | | | |
| **Expected Return (p.a.)** | 6.30% | **6.35%** | **6.65%** | **6.75%** |
| **Value at Risk (VaR 3yr 95%)** | £1.99bn | **£1.90bn** | **£1.89bn** | **£1.93bn** |
| **VaR 3yr 95% relative to current SAA** | | **-4.5%** | **-5.0%** | **-3.0%** |
| | | | | |
| **Probability of Achieving Discount Rate (4.9% p.a.) over 20y** | 67% | **69%** | **78%** | **80%** |
| **Average Likelihood of Maintaining 16.7% Employer Rate Over Next 3 Valuation Cycles** | 71% | **73%** | **78%** | **78%** |

Fund position and Mercer CMS at 31 March 2025. We have modelled all equity as passive to take a prudent approach and not to take credit for active management. Equity protection has been modelled as defensive equity, with a -15% adjustment to returns and volatility. Multi-Asset Credit has been modelled as 2/3 liquid and 1/3 illiquid. Private Credit has been modelled as senior private Credit. Modelling is TAS compliant.



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# Recommendation

## Areas of Focus

**Our recommendations are as follows:**

1. Reduce target allocation to Diversified Growth Funds[1] from 5% to 0%.
2. Reduce target allocation to Listed Equity from 53% to 40%.
3. Remove the equity protection in a risk-controlled manner.
4. Increase target allocation to UK Government Bonds from 7% to 15%.
5. Increase the allocation to Infrastructure to 10% and introduce a 5% allocation to Private Credit.

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| | SAA | Recommended (Alt 3) |
|---|---|---|
| **Listed Equity** | **53%** | **40%** |
| *- Global Equity (protected)* | *38%* | *-* |
| *- Global Equity (unprotected)* | *-* | *30%* |
| *- UK Equity* | *10%* | *5%* |
| *- EM Equity* | *5%* | *5%* |
| **Private Equity** | **5%** | **5%** |
| **Private Credit** | **-** | **5%** |
| **Property** | **10%** | **10%** |
| **Infrastructure** | **5%** | **10%** |
| **Other Alternatives (Absolute Return)** | **5%** | **-** |
| **Credit** | **15%** | **15%** |
| *- Multi-Asset Credit* | *15%* | *15%* |
| *- Investment Grade Credit* | *-* | *-* |
| **UK Government Bonds (index-linked)** | **7%** | **15%** |
| **Cash** | **0%** | **-** |
| **Total** | **100%** | **100%** |
| | | |
| **Expected Return (p.a.)** | 6.30% | **6.75%** |
| **Value at Risk (VaR 3yr 95%)** | £1.99bn | **£1.93bn** |
| **VaR 3yr 95% relative to current SAA** | | **-3.0%** |
| | | |
| **Probability of Achieving Discount Rate (4.9% p.a.) over 20y** | 67% | **80%** |
| **Average Likelihood of Maintaining 16.7% Employer Rate Over Next 3 Valuation Cycles** | 71% | **78%** |

**Subject to additional Committee training on Private Markets**

# Comparison versus Investment Objectives

## Recommended Strategy

| | | |
|---|---|---|
| **Investment Return Objective** | To have a modelled expected long-term return that exceeds the discount rate of 4.9% p.a. | **6.7% p.a.** |
| Probability of investment returns exceeding the discount rate over 20 years | > 67% | **80%** |
| **Investment Risk Objective / Contribution stability** | To invest in such a way that the 3-year 95% asset value at risk (VaR) is limited to less than 25% of the Liability Value | **23%** |
| Probability of being 100% funded in 20 years | > 90% | **99%** |
| Average Likelihood of Maintaining 16.7% Employer Rate Over Next 3 Valuation Cycles | > 67% | **78%** |
| Likelihood of a 5% increase in employer contribution rate (over next 3 years) | < 25% | **20%** |
| **Cash Flow Objective** | To ensure up to £X is available over the valuation period including a margin of X% for higher-than-expected growth in benefits. | **N/A** |
| Maximum strategic target allocation to illiquid assets | Max. 30% (scope to increase should be subject to detailed liquidity analyis) | **30% (incl Property)** |



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# Summary, Considerations and Next Steps



04

# Summary and Next Steps



### Summary

- We have identified opportunities to refine the current investment strategy, given the relatively high equity allocation and attractive yields available in the UK government bond market.
- All strategies are expected to generate a return above the required discount rate (4.9%) and have a high probability of achieving this.
- We are comfortable with all strategies modelled for the Fund, but recommend Alt 3.

### Next Steps

- The Committee has options regarding the investment strategy decision as set out below:
  - Adopt Alt 3
  - Consider alternative strategies
- Once the Committee have agreed the provisional investment strategy they wish to adopt, the next steps are to:
  - Undertake Private Markets Training
  - Formally agree the investment strategy
  - Update the Fund's Investment Strategy Statement (ISS)
- Border to Coast to implement the chosen investment strategy considering the Fund's requirements and RI considerations

**REQUIRED ACTION: The Committee should review the proposed strategies and agree on their preferred investment strategy in principle, subject to additional training on Private Markets**

# Appendix



A

# Recap: Fit for the Future Changes

## Rules for investment decision-making and implementation responsibilities are changing from April 2026

**Figure 1: The division of responsibilities between administering authority and pool**

| | Task | Impact on overall investment outcome of the fund | AA Role | Pool role | Definitions |
|---|---|---|---|---|---|
| Strategy | Investment objectives | High | Decide | Advise | Return objectives, risk tolerances, investment preferences, constraints and limitations, and the approaches to local investment and responsible investment. |
| Strategy | Strategic asset allocation | | Decide (optional) | Advise/ Decide | Long-term, stable allocation based on overall investment objectives and risk tolerance |
| Implementation | Tactical asset allocation | | Monitor | Decide | Adjustments to the asset mix, such as in respect of geographic allocation, consistent with the asset allocation strategy. |
| Implementation | Investment manager selection | | Monitor | Decide | Appointment of external (or in-house) managers of specific investment mandates |
| Implementation | Stock selection | | Monitor | Decide | Choosing individual investment opportunities based on detailed analysis of the opportunity |
| Implementation | Investment stewardship | | Monitor | Decide | Engagement with the invested companies in line with Investment Objectives. |
| Implementation | Cashflow management | Low | Monitor | Decide | Management of the disinvestment (or investment of contributions) in collaboration with administrators and Fund Actuary |

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The following proposals will be implemented as consulted upon:

- Requirement on Administrating Authorities (AAs) to delegate the implementation of their investment strategy to their pool in line with the illustration in Figure 1. The investment strategy set by AAs may include a high-level strategic asset allocation (SAA).
- Requirement on AAs to take their **principal** investment advice from the pool.
- Requirement for AAs to transfer all assets to the management of their pool.
- Requirement for AAs to set local investment target.

Individual LGPS Pension Committees will have significantly less influence over how assets are invested

Establishing clear investment beliefs and objectives will be crucial

Source: Local Government Pension Scheme (England and Wales): Fit for the future – government response - GOV.UK

# Summary positions

## Key Metrics and Strategic Asset Allocation

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### Key Fund Metrics

| Assets | As at 31 March 2025 |
|---|---|
| Value | £8,595m[1] |
| Expected Return[2] | 6.3% p.a. |
| Value-at-Risk[3] | £1.99bn |
| Local investment allocation | 0% |
| **Liabilities** | |
| Value | £8,259m |
| Discount rate | 4.9% p.a. |
| **Funding** | |
| Funding Level | 104% |
| Funding Surplus | £336m[1] |
| Average Employer Primary contribution rate | 16.7% |

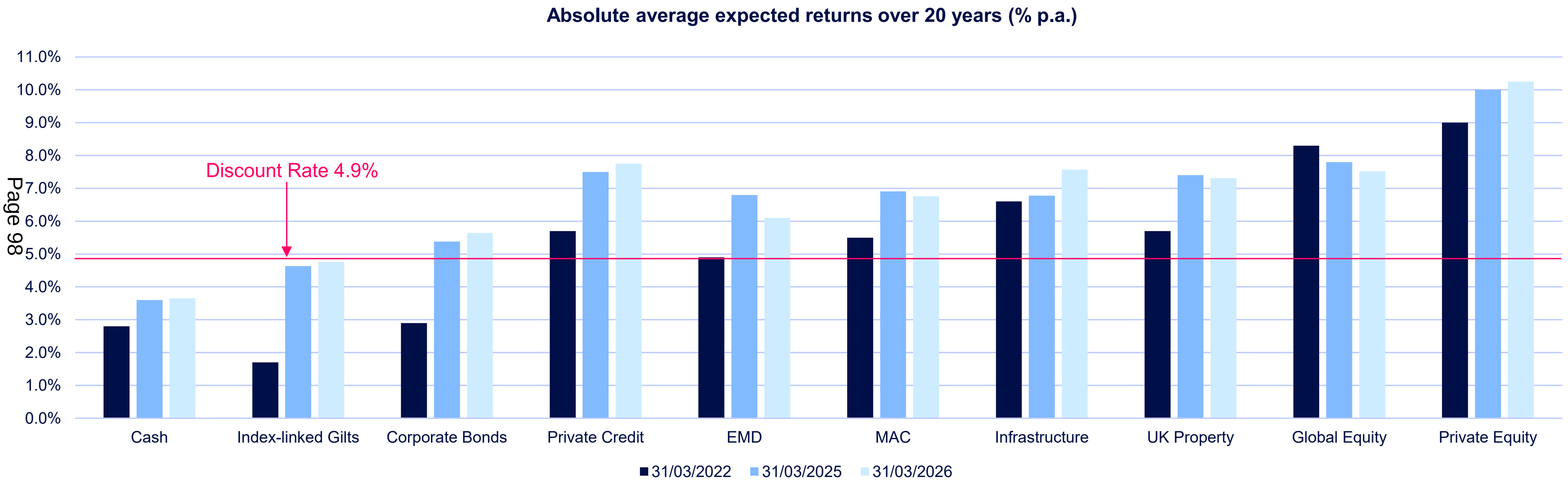
*Figures may not sum due to rounding. Asset data sourced from Northern Trust. Liability data sourced from Barnett Waddingham. For further details on the modelling assumptions, please refer to Appendix.*
*[1] in line with BW's smoothed asset value*
*[1]20-year median absolute return using 31 March 2025 market conditions and strategic asset allocation.*
*[2]3-year value at risk relative to median, using 31 December 2025 market conditions and current strategic asset allocation.*

### Current Strategic Asset Allocation Per the Government Template

| Asset Class | SAA |
|---|---|
| Listed Equity | 53% |
| Private Credit | - |
| Private Equity | 5% |
| Property / Real Estate | 10% |
| Infrastructure | 5% |
| Other Alternatives | 5% |
| Credit | 15% |
| UK Government Bonds | 7% |
| Cash | 0% |
| **Total** | **100%** |

# Investment Return Assumptions
## How do asset classes differ?

Changes between 31 March 2022, 31 March 2025, and 31 March 2026

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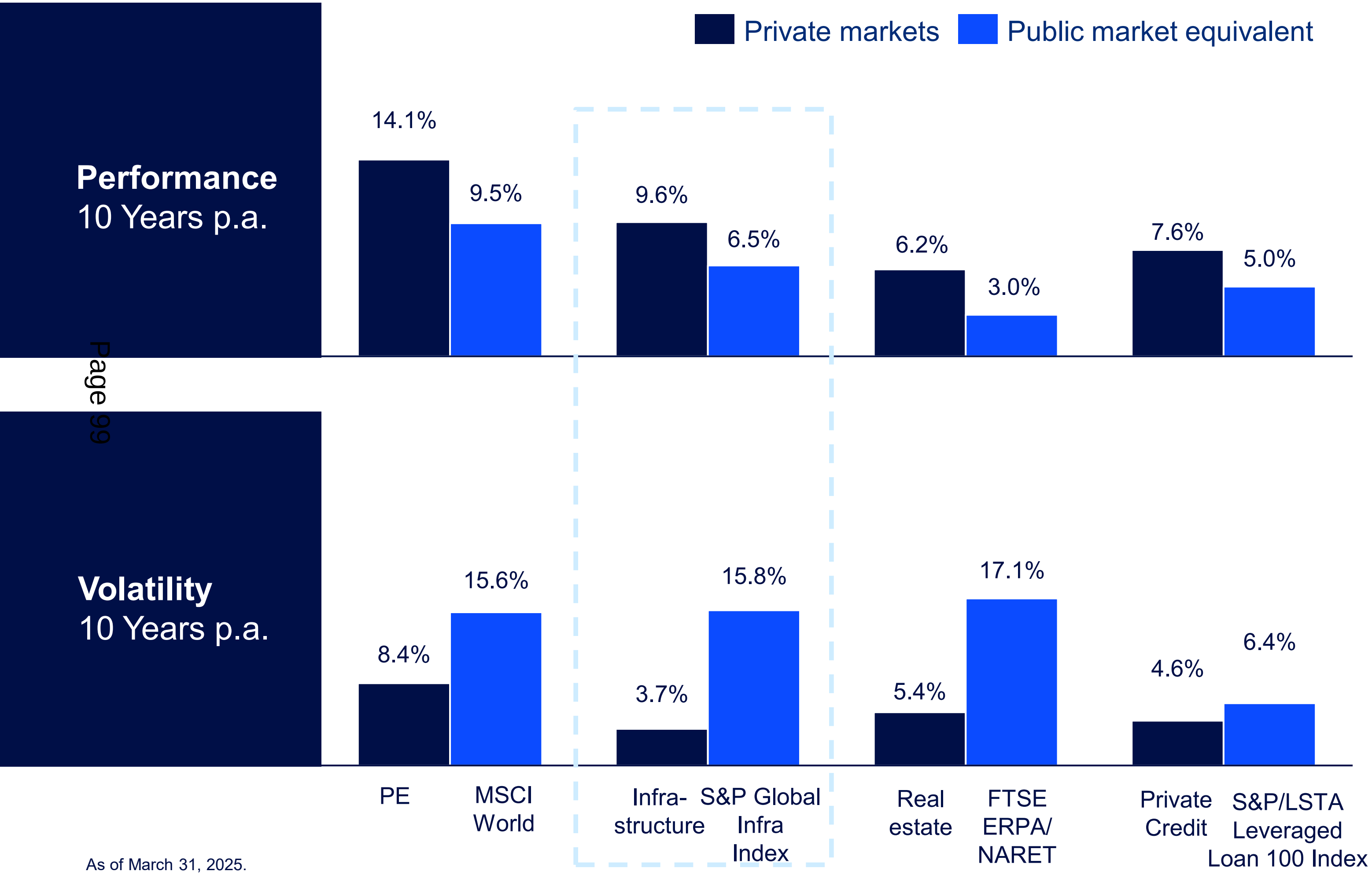
**A combination of higher yields and high equity valuations means the outlook for fixed income now looks attractive relative to equities**

Chart shows annualised median return. Global Equity is based on a passive management approach.

# Infrastructure boosts the total portfolio by providing

## (1) strong risk-adjusted returns rooted in... ...(2) cyclical and inflation resilience






**Maximum drawdown for selected time periods**

| | Dot Com | GFC | COVID-19 | 2022 |
|---|---|---|---|---|
| **Private Equity** | -39% | -28% | -8% | -9% |
| ***Buyout*** | *-24%* | *-31%* | *-10%* | *-5%* |
| ***Venture*** | *-69%* | *-18%* | *-3%* | *-20%* |
| **Private Credit** | -3% | -29% | -9% | -1% |
| **Infrastructure** | **-10%** | **-23%** | **-5%** | **0%** |
| **Real Estate** | 0% | -53% | -6% | -3% |
| **MSCI World** | -46% | -49% | -20% | -23% |
| **Russell 3000** | -42% | -50% | -20% | -22% |
| **S&P Infrastructure** | -10% | -49% | -29% | -15% |
| **FTSE EPRA/NAREIT** | -10% | -66% | -28% | -29% |
| **High Yield Index** | -16% | -26% | -15% | -18% |

As of March 31, 2025.
Source: Burgiss Private iQ. Private markets: all funds in the corresponding asset class covered by the system since 1978.
Public market equivalents are MSWRLD (PE), SPGINF (Infra), FEGLOB (Real Estate) and a mix of 60% MLHECCL and 40% MLHMA (PD); Indices unhedged in USD.
Quarterly returns in USD for private market investments. PE = private equity

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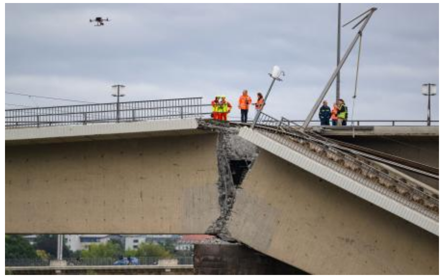
# Opportunities in both emerging trends and existing infrastructure

**The infrastructure market is highly attractive due to three key forces:**



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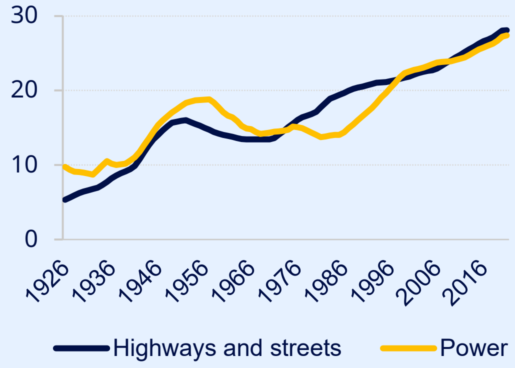
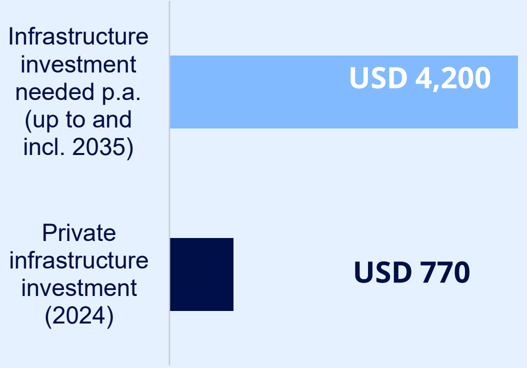
1. **Ageing, outdated assets needing urgent renewal[1]**
2. **Extreme weather events accelerate upgrade needs[2]**
3. **Emerging trends are reshaping what infrastructure means[3]**

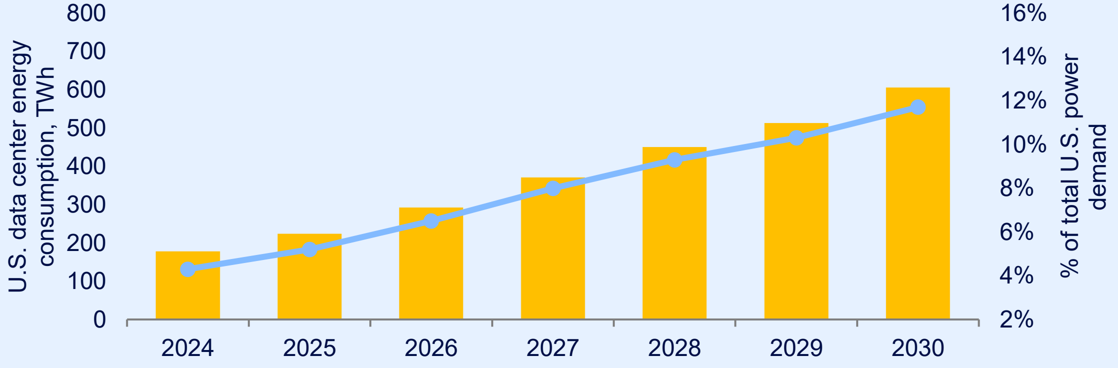
**Average age of public fixed assets in the US (in years)**




**Global infrastructure funding gap (in $bn)**




**Data Centers Driving Growing Demand for Power**




Sources: 1) Bundes Rechnungs Hof, 2025 2) Multiple sources including Washington Post, 2025; Bloomberg, 2025 & Reuters, 2025 3) Multiple sources including MIT Energy Initiative, 2025 & S&P Global, 2025

Source: BEA, Apollo (top); Infralogic, Allianz (bottom)

# Strategy Modelling Outputs - 31 March 2025 CMS

| **Decision 1:** Retain higher physical equity allocation with protection OR reduce physical equity and remove protection | | **Reduce to 45% & Remove** | **Reduce to 45% & Remove** | **Reduce to 40% & Remove** |
|---|---|---|---|---|
| **Decision 2:** Introduce a new allocation to Private Credit? | | N/A | **No** | **Yes** |
| | **SAA** | **Appendix 1** | **Appendix 2** | **Appendix 3** |
| **Listed Equity** | **53%** | **45%** | **45%** | **40%** |
| *- Global Equity (protected)* | *38%* | - | - | - |
| *- Global Equity (unprotected)* | - | 35% | 35% | 30% |
| *- UK Equity* | *10%* | 5% | 5% | 5% |
| *- EM Equity* | *5%* | 5% | 5% | *5%* |
| **Private equity** | **5%** | **5%** | **5%** | **5%** |
| **Private Credit** | **-** | **5%** | **-** | **5%** |
| **Property** | **10%** | **10%** | **10%** | **10%** |
| **Infrastructure** | **5%** | **10%** | **10%** | **10%** |
| **Other Alternatives (Absolute Return)** | **5%** | **-** | **-** | **-** |
| **Credit** | **15%** | **15%** | **20%** | **20%** |
| *- Multi-Asset Credit* | *15%* | *15%* | *15%* | *15%* |
| *- Investment Grade Credit* | - | - | *5%* | *5%* |
| **UK Government Bonds (index-linked)** | **7%** | **10%** | **10%** | **10%** |
| **Cash** | **0%** | **-** | **-** | **-** |
| **Total** | **100%** | **100%** | **100%** | **100%** |
| | | | | |
| **Expected Return (p.a.)** | 6.30% | 6.80% | 6.75% | 6.80% |
| **Value at Risk (VaR 3yr 95%)** | £1.99bn | £2.08bn | £2.03bn | £1.96bn |
| **VaR 3yr 95% relative to current SAA** | | +4.5% | +2.0% | -1.5% |
| | | | | |
| **Probability of Achieving Discount Rate (4.9% p.a.) over 20y** | 67% | 80% | 78% | 80% |
| **Average Likelihood of Maintaining 16.7% Employer Rate Over Next 3 Valuation Cycles** | 71% | 76% | 76% | 78% |

Fund position and Mercer CMS at 31 March 2025. We have modelled all equity as passive to take a prudent approach and not to take credit for active management. Equity protection has been modelled as defensive equity, with a -15% adjustment to returns and volatility. Multi-Asset Credit has been modelled as 2/3 liquid and 1/3 illiquid. Private Credit has been modelled as senior private Credit. Modelling is TAS compliant.



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# Strategy Modelling Outputs - 31 March 2026 CMS

| **Decision 1:** Retain higher physical equity allocation with protection OR reduce physical equity and remove protection | | Retain | Reduce to 40% & Remove | Reduce to 40% & Remove | Reduce to 45% & Remove | Reduce to 45% & Remove | Reduce to 40% & Remove |
|---|---|---|---|---|---|---|---|
| **Decision 2:** Introduce a new allocation to Private Credit? | | N/A | No | Yes | N/A | No | Yes |
| | **SAA** | **Alt 1** | **Alt 2** | **Alt 3** | **Appendix 1** | **Appendix 2** | **Appendix 3** |
| **Listed Equity** | **53%** | **50%** | **40%** | **40%** | **45%** | **45%** | **40%** |
| *- Global Equity (protected)* | *38%* | *35%* | - | - | - | - | - |
| *- Global Equity (unprotected)* | - | - | *30%* | *30%* | 35% | 35% | 30% |
| *- UK Equity* | *10%* | *10%* | *5%* | *5%* | 5% | 5% | 5% |
| *- EM Equity* | *5%* | *5%* | *5%* | *5%* | 5% | 5% | 5% |
| **Private equity** | **5%** | **5%** | **5%** | **5%** | **5%** | **5%** | **5%** |
| **Private Credit** | **-** | **-** | **-** | **5%** | **5%** | **-** | **5%** |
| **Property** | **10%** | **10%** | **10%** | **10%** | **10%** | **10%** | **10%** |
| **Infrastructure** | **5%** | **10%** | **10%** | **10%** | **10%** | **10%** | **10%** |
| **Other Alternatives (Absolute Return)** | **5%** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Credit** | **15%** | **15%** | **20%** | **15%** | **15%** | **20%** | **20%** |
| *- Multi-Asset Credit* | *15%* | *15%* | *15%* | *15%* | *15%* | *15%* | *15%* |
| *- Investment Grade Credit* | - | - | *5%* | - | - | *5%* | *5%* |
| **UK Government Bonds (index-linked)** | **7%** | **10%** | **15%** | **15%** | **10%** | **10%** | **10%** |
| **Cash** | **0%** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Total** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** |
| | | | | | | | |
| **Expected Return (p.a.)** | 6.65% | 6.65% | 6.75% | 6.85% | 6.90% | 6.80% | 6.85% |
| **Value at Risk (VaR 3yr 95%)** | £2.04bn | £1.91bn | £1.90bn | £1.94bn | £2.11bn | £2.06bn | £2.00bn |
| **VaR 3yr 95% relative to current SAA** | | -6.4% | -6.9% | -4.9% | +3.4% | +1.0% | -2.0% |
| | | | | | | | |
| **Probability of Achieving Discount Rate (4.9% p.a.) over 20y** | 74% | 76% | 79% | 80% | 81% | 79% | 80% |
| **Average Likelihood of Maintaining 16.7% Employer Rate Over Next 3 Valuation Cycles** | 73% | 76% | 78% | 78% | 76% | 76% | 78% |

Fund position and Mercer CMS at 31 March 2025. We have modelled all equity as passive to take a prudent approach and not to take credit for active management. Equity protection has been modelled as defensive equity, with a -15% adjustment to returns and volatility. Multi-Asset Credit has been modelled as 2/3 liquid and 1/3 illiquid. Private Credit has been modelled as senior private Credit. Modelling is TAS compliant.

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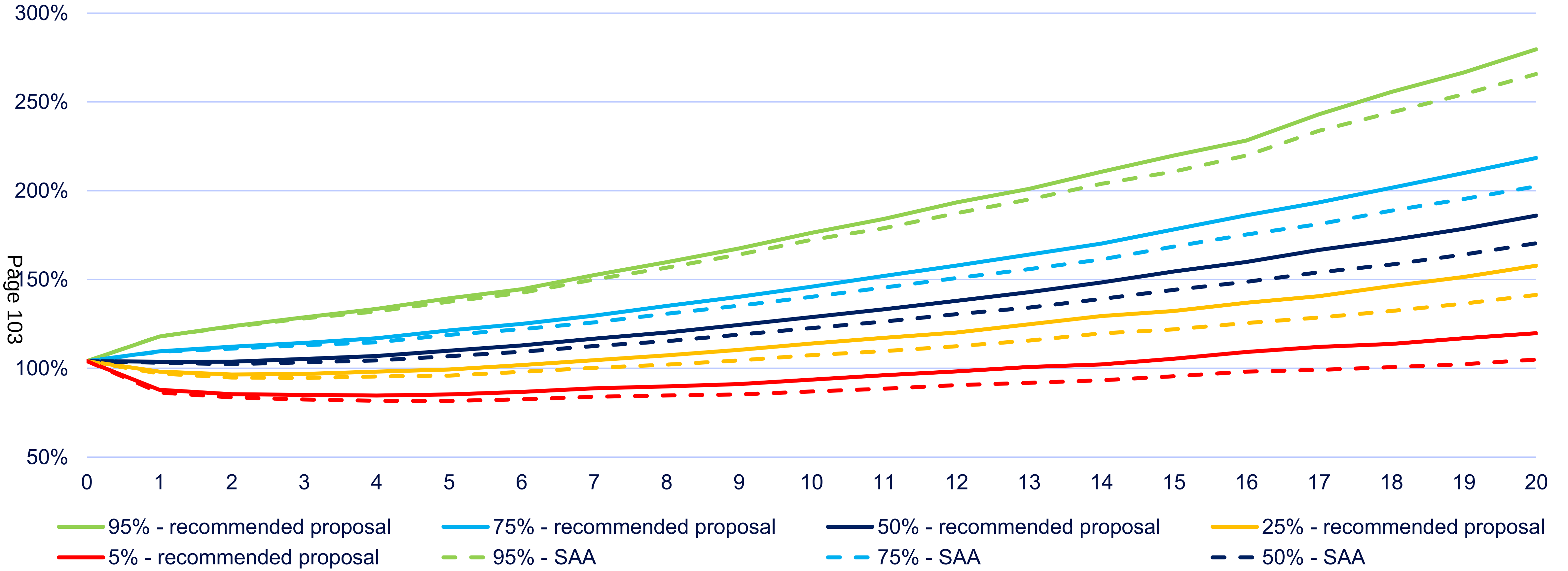
# Funnel Projections

## Projected Funding Level – Current SAA vs Recommended SAA (Alt 3)

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- The chart shows funding level projections using 31 March 2025 assumptions. The solid line represents the recommended strategy, while the dashed lines represent the projected funding level for the current SAA.
- By comparing bars of the same colour, you can see the impact of the changes in the projected funding level. The recommended strategy improves the median outcome (dark blue line), while also reducing downside risk – represented by the red and yellow lines.

# Contribution Sustainability – 31 March 2025

## Likelihood of maintaining contributions at future valuations

**16.7% employer rate:** Return all surplus over 8 years with no contribution sustainability reserve

Total Employer Contribution Projections

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| Likelihood of | Current SAA | | | Recommended SAA | | |
|---|---|---|---|---|---|---|
| | 3 Yrs | 6 Yrs | 9 Yrs | 3 Yrs | 6 Yrs | 9 Yrs |
| Maintain 16.7% or lower | 60.50% | 70.50% | 81.50% | 66.20% | 78.40% | 88.30% |
| Increase by 1% or more | 35.90% | 27.00% | 17.40% | 30.30% | 19.80% | 10.40% |
| Increase by 2% or more | 32.60% | 24.90% | 15.90% | 27.40% | 17.40% | 9.60% |
| Increase by 3% or more | 29.90% | 23.00% | 14.30% | 24.50% | 15.60% | 8.80% |
| Increase by 4% or more | 27.30% | 20.80% | 13.00% | 21.80% | 14.20% | 8.00% |
| Increase by 5% or more | 24.60% | 18.80% | 11.90% | 19.60% | 12.50% | 7.20% |
| Average Likelihood of Maintaining 16.7% Employer Rate Over Next 3 Valuation Cycles. | 70.8% | | | 77.6% | | |

*Source: Mercer*
*Projected contribution rates, assuming the set contributions are paid until that point, but any surplus/deficit that arises at that point is spread over 8 future years, subject to a 0.0% of Liabilities sustainability reserve*
*Based on financial factors only, contributions may increase due to other factors.*

# Modelling Assumptions

## 31 March 2025 – 20y Assumptions

| Asset Class | Absolute Mean Expected Return (% p.a.) | Absolute Volatility (% p.a.) |
|---|---|---|
| ILG Over5 | 4.6% | 8.3% |
| DGF | 6.8% | 9.2% |
| PrivateCredit senior | 7.5% | 7.5% |
| MAC Illiquid | 6.9% | 7.8% |
| MAC Liquid | 6.1% | 7.4% |
| IG UK AssetBacked | 5.0% | 7.3% |
| Infra Unlisted Eq | 6.8% | 6.2% |
| UK Property | 7.4% | 10.5% |
| Defensive Equity Unhedged | 5.0% | 5.5% |
| Global Equity Unhedged | 6.3% | 7.7% |
| EM Equity Unhedged | 7.1% | 10.0% |
| Private Equity | 10.0% | 11.5% |

# Modelling Assumptions

## 31 March 2026 – 20y Assumptions

| Asset Class | Absolute Mean Expected Return (% p.a.) | Absolute Volatility (% p.a.) |
|---|---|---|
| **ILG Over5** | 4.8% | 8.4% |
| **DGF** | 6.7% | 9.2% |
| **PrivateCredit senior** | 7.8% | 7.7% |
| **MAC Illiquid** | 6.8% | 7.6% |
| **MAC Liquid** | 6.0% | 7.1% |
| **IG UK AssetBacked** | 5.0% | 7.4% |
| **Infra Unlisted Eq** | 7.6% | 9.3% |
| **UK Property** | 7.3% | 10.4% |
| **Defensive Equity Unhedged** | 5.9% | 5.6% |
| **Global Equity Unhedged** | 6.4% | 7.7% |
| **EM Equity Unhedged** | 6.7% | 9.8% |
| **Private Equity** | 10.3% | 11.5% |

# Notes on, Data, Assumptions, Risk Identification and Model

## Asset Liability Modelling

**Data**

Slides 24- 26 and 35 - 36 cover the data used in the analysis presented in this report.  This includes the asset allocation modelled , the contributions modelled and the extent to which additional benefits will be accrued.

**Assumptions**

The key assumptions used in carrying out the analysis shown in this report are the expected returns on assets and the volatility of these returns.  These assumptions are summarised on slide 39 and 40.

**Risk Identification**



The analysis shown in this report includes stochastic analysis.  This means many potential outcomes were projected to illustrate the uncertainty around the return that may be achieved from investments and the potential development of the value placed on the liabilities.  We consider this to be a good way to consider risk associated with market prices, interest rates, inflation and credit.

Other risks that could be considered in addition to these are longevity risk, risks associated with member choices and climate risk.  We would be happy to discuss these risks more if would be of interest.

**Model**

We consider our ALM model to be robust for the requirements of the analysis shown in the work. We have used a model that provides 4000 simulations and we consider this a good indication of the range of potential outcomes.  We do, however, highlight some limitations.

- The use of annual time steps (rather than a shorter step) means some effects of dynamic derisking or rebalancing may not be fully reflected.
- The model does not allow for tracking error in liability hedging strategies.  i.e. a strategy with 100% hedging provides zero interest rate/inflation risk.
- The model ignores transition costs associated with rebalancing or changing investment strategy.

**Comparison with previous projects**

The method for deriving the assumptions was broadly consistent with previous Investment Strategy Reviews. Hence expected returns above cash rates are consistent.  Variation in credit spreads has caused a decrease in expected return from credit assets.  The increase in yields increases absolute returns across all asset classes.

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## Executive Summary

The LGPS pooling landscape is undergoing significant change following the Pension Schemes Act 2026 and associated regulatory guidance. These changes are intended to strengthen the LGPS through greater scale, enhanced investment capability and more consistent governance arrangements. Importantly, while Pools will take on greater responsibility for implementing investment strategies, Partner Funds will continue to retain responsibility for setting investment strategy and beliefs, determining funding and investment objectives, and overseeing delivery. This evolution enables Pension Committees to focus on the key strategic decisions that drive long-term outcomes, with implementation undertaken by the Pool on their behalf.

Border to Coast has made substantial progress in preparing for this new environment. As at 31 March 2026, 91% of Partner Fund assets were either invested through pooled vehicles or forecast to fall under Pool management. Work is underway to integrate assets from seven new Partner Funds, transition remaining assets into Pool management where appropriate, and establish the operational capabilities required under the new regulatory framework.

To support these changes, the Partnership is evolving its investment implementation model, oversight arrangements, customer strategy and approach to local investment to ensure it remains fit for purpose in light of the new regulatory environment. This paper provides a high-level update on these developments and their implications for Partner Funds.

## 1. Progress Towards the New Pooling Model

The Pension Schemes Act 2026 introduces a strengthened pooling framework which requires LGPS assets to be fully managed through FCA-authorised pools (either through pool vehicles, or through external holdings that the pool can oversee and act on), while maintaining Partner Fund responsibility for setting investment objectives, funding strategies and risk appetite. The reforms are intended to improve value for money, increase investment capability and deliver greater benefits of scale across the LGPS, whilst ensuring Pension Committees remain responsible for the strategic decisions and oversight that underpin delivery of member outcomes.

Border to Coast has made significant progress towards these objectives. As at 31 March 2026, 91% of assets across the Partnership were either already pooled or expected to come under Pool management. Over the next 18-24 months, the Partnership will undertake a significant programme of transition activity, driven by the integration of seven new Partner Funds, the pooling of remaining assets, changes to the investment framework and the implementation of recent investment strategy reviews by Partner Funds.

This transition programme will be delivered progressively, beginning with selected asset classes such as credit and emerging market equities. The Pool forecasts that material long-term savings of £45-50m per annum can be delivered across the Partnership.

Alongside asset transitions, Border to Coast is introducing the advisory and investment management services required under the new legislation. An Investment Management Agreement has been agreed with Partner Funds and new capabilities will be implemented in phases through 2026 and early 2027. These services will support Partner Funds in delivering their investment objectives while preserving local accountability for strategic decision-making.

**2. Evolution of the Investment Implementation Model**

A key consequence of the new regulations is a shift in the role of pools from providers of investment building blocks to organisations responsible for implementing Partner Fund investment strategies and delivering investment outcomes.

To support this, Border to Coast has developed a Portfolio Implementation Framework which establishes four layers of decision-making. Partner Funds remain responsible for determining their long-term investment objectives, risk appetite and strategic asset allocation. Border to Coast then takes responsibility for portfolio construction within asset classes, dynamic allocation decisions and implementation of the underlying investment propositions, operating within a framework informed by Partner Fund objectives, investment beliefs and implementation preferences.

The framework is designed to combine Partner Fund objectives and investment beliefs with the Pool's investment expertise, providing a more integrated approach to portfolio management while retaining local ownership of investment strategy. The approach is intended to strengthen accountability, improve implementation efficiency and ensure that investment portfolios remain aligned with the long-term objectives and preferences established by Pension Committees.

In practice, the framework establishes a clear division of responsibilities. Pension Committees continue to determine the outcomes they wish to achieve, while Border to Coast takes responsibility for delivering those outcomes through portfolio construction, investment implementation and ongoing management. This allows Committees to focus on strategic decisions and oversight of outcomes, rather than the management of individual mandates or portfolio components.

**3. Strengthening Governance, Oversight and Partnership**

As the Partnership expands from 11 to 18 Partner Funds and takes on additional responsibilities, governance arrangements are also evolving to ensure that Partner Funds continue to exercise effective oversight and remain closely involved in shaping the future direction of the Pool.

During the last year, Border to Coast and Partner Funds have undertaken a programme of work to reaffirm the culture that has underpinned the success of the Partnership since inception. Workshops involving all 19 partners have resulted in the development of a Culture Charter, designed to promote consistent behaviours, collaboration and shared accountability while recognising the individuality of each Partner Fund. The objective is to reinforce a strong sense of collective ownership as the Partnership grows and evolves.

In parallel, Officers are developing an Oversight Framework Statement to provide greater clarity on the respective roles of the Joint Committee, Senior Officer Group and Officer Operations Group. The aim is to create a more consistent and outcome-focused approach to oversight, supported by clear reporting, relevant performance information and reduced duplication across governance forums.

The Partnership has also begun preparatory work for a wider governance review. This will consider how governance arrangements should evolve in response to the expanded Partnership, changing regulatory requirements and feedback from Partner Funds regarding the effectiveness of existing governance structures. The objective is to ensure governance arrangements remain proportionate, efficient and effective as pooling enters its next phase of development.

**4. Delivering the 2030 Customer Strategy**

The 2030 Customer Strategy provides the blueprint for how Border to Coast intends to support Partner Funds through a period of significant change and beyond. Its ambition is for Border to Coast to be regarded not simply as a service provider, but as a trusted and embedded partner to all participating funds.

The strategy focuses on successfully integrating new Partner Funds, delivering new investment management and advisory services, strengthening governance and oversight arrangements, and maintaining high-quality engagement throughout a period of substantial change. A particular emphasis is placed on collaboration, co-design and continuous improvement to ensure that services evolve in response to Partner Fund needs and expectations.

Central to the strategy is the principle that successful pooling depends on strong relationships, mutual trust and clear ownership of outcomes. The strategy therefore seeks to ensure that Partner Funds continue to feel informed, supported and engaged as the Partnership grows, while providing a clear mechanism through which Partner Fund feedback can continue to shape future developments.

**5. Progress on UK and Local Investment**

The Government has placed increased emphasis on investment in UK productive finance and local economies. In response, Border to Coast is working with Partner Funds to develop a practical and scalable approach to local investment that remains consistent with fiduciary responsibilities and long-term investment objectives.

Border to Coast already has significant exposure to UK assets through a range of public and private market investments. This includes the UK Opportunities proposition, which seeks to generate attractive long-term returns while supporting investment in areas such as infrastructure, housing, renewable energy and business growth. The proposition provides a means of accessing UK investment opportunities at scale while maintaining diversification and appropriate risk management.

Looking ahead, Border to Coast is developing a Local Investment Playbook to support a consistent approach across the expanded Partnership. The playbook draws on experience gained through pilot activity and is intended to help Partner Funds, Pools and Strategic Authorities work together to identify, develop and implement investable opportunities at scale. The objective is to combine local knowledge and priorities with the benefits of shared expertise, scale and investment capability, recognising that successful local investment requires close collaboration between all parties involved.

**Conclusion**

Pooling is entering a new phase of development. The Pension Schemes Act 2026 has accelerated the evolution of LGPS pools beyond collective investment vehicles towards organisations responsible for investment implementation, portfolio management and stewardship on behalf of Partner Funds.

For Pension Committees, this represents an evolution to existing arrangements. Committees will continue to determine investment objectives, funding requirements, risk appetite and strategic asset allocation, while benefiting from greater implementation support, investment capability and scale delivered through the Pool. The focus of governance will increasingly be on setting strategic direction and overseeing outcomes rather than monitoring individual investment mandates.

Border to Coast has made significant progress in preparing for this transition through the expansion of the Partnership, development of new investment management capabilities, evolution of governance arrangements and continued enhancement of its investment propositions. While considerable work remains over the next 18-24 months, the Partnership is well positioned to deliver the new statutory requirements while continuing to focus on its core objective of delivering long-term value for Partner Funds, employers and scheme members.

To: Kent Pension Board – 3 September 2026

From: Chairman – Kent Pension Board
Corporate Director of Finance

Subject: Fund Governance

Classification: Unrestricted

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**Executive Summary:**

The Fund's budget outturn for 2026/27 so far, is predicting a slight overspend of £200k as the Fund responds to new requirements.

Good progress has been made on the Fund's Business Plan targets for 2026/27. McCloud Remedy work is identified as an area for close monitoring due to the complexity and volume of the work.

Statutory guidance has been released by MHCLG to assist Fund Governance, ISS preparation and asset pooling. The guidance is being used by Officers to prepare documentation and inform decision making.

Work has continued as per the Barnett Waddingham Governance Review checklist. Notable developments include the commencement of seeking an Independent Person for Committee and the draft preparation of Senior LGPS Officer documentation.

Recruitment activity has been productive over the Summer. A number of appointments have been made across the Fund to help fill vacancies. The Fund continues to attract external candidates and fill vacancies via internal promotions.

The Fund's external audit has continued. An Audit Findings Report will be sent to Officers in early September.

**Recommendation:**

The Board is recommended to note the report.

**FOR INFORMATION**

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**1** **Budget Forecast Q1 2026-27**

1.1 The Fund's budget for 2026-27 has been compared against the **actual spend for April to June and the forecast spend for the remainder of the year in Appendix One** of this report. The forecast is suggesting a slight overspend of approximately £200k. The majority of costs remain as budgeted due to the fact that there has only been three months of actual spend so far.

1.2 **Administration Staffing –** There is some underspend due to unfilled vacancies. Recruitment activity is anticipated throughout 2026/27, and the underspend will be reduced as vacancies are filled.

1.3 **IT Expenses –** Annual Heywood fees were budgeted to increase from 25/26 actuals plus a 5.5% indexation. However, they were £50k higher than expected as a result of additional requirements for McCloud development. The remainder of the variance relates to 25/26 costs paid in the new year.

1.4 **Pension Payroll –** A review was undertaken of the costs paid for additional payment runs which identified that, due to the growing workload of the team processing the payments, the Funds costs have increased by around £14k.

1.5 **Printing and Mailing Costs –** A statutory requirement to write out to every scheme member to explain regulation changes relating to Access and Fairness led to a bulk printing exercise which was not anticipated at the time of budget setting. This cost the fund £71k.

1.6 **Actuarial Fee –** Officers have been liaising with the actuary to negotiate that bond reviews (of which we have approximately 35) can be completed in line with triennial valuation. This has incurred an unbudgeted cost of £24,500. However, the actuary has confirmed this should save the fund around £50k over the next three years.

1.7 **Pooling costs –** 25/26 Border to Coast costs of £172k paid at start of year when the Fund legally joined the pool on 01 April 2026. This was offset by the ACCESS underspend in 25/26 for which a refund was due and paid in 26/27.

1.8 **KCC Overhead Charges –** Cost of treasury service to be paid to KCC was not included during the budget setting process. Whilst this has now been anticipated to be £51k (based on the actuals for 25/26), the actual cost will not be known until towards year as is based on the total value of the fund at that time.

**2** **Business Plan – RAG Progress**

2.1 Officers have been working on the activity outlined in the Business Plan for 2026/27 for the three areas of the Fund: Investments & Funding; Pensions Delivery; and Fund Governance. Please see **Appendices Two, Three and Four,** which give an update on each of these areas. All activity is shown as green with the exception of the work on McCloud which is shown as amber. The McCloud remedy is a large piece of work for the Fund, which is both technically complex and involves a very high volume of data. Officers will continue to closely monitor the work on McCloud remedy. Training has been provided to team members and reference notes have been made available.

## 3 Legislation and Fund Policies

3.1 Statutory guidance was released on 29 June and along with the associated regulations into effect on 30 June. The guidance covers Fund Governance, asset pooling and Investment Strategy Statement preparation.

- Local Government Pension Scheme: fund governance - GOV.UK
- Local Government Pension Scheme: asset pooling - GOV.UK
- Local Government Pension Scheme: preparing and maintaining an Investment Strategy Statement - GOV.UK

3.2 Officers are using the guidance to help document preparation and to inform operational and strategic decision making.

## 4 Governance Review Checklist (Checklist provided by Barnett Waddingham in March 2026)

4.1 Please see **Appendix Five**. Good progress has been made since June and Officers have used the recently released statutory guidance to help with arrangements.

## 5 Resourcing

5.1 Resourcing updates since June 2026, across the Fund:

| | Total No. | Details |
|---|---|---|
| Leavers | 0 | |
| New starters (external) | 6 | 3 x Pensions Assistants (Pensions Admin) and 1x Business Support Assistant (Governance & Projects) 12-month fixed-term contract – all have start dates in September 2026<br><br>1 x Pension Fund & Investments Officer 9-month fixed term contract commenced in June 2026.<br><br>1 x Pensions Technical Consultant (return of ex KPF-colleague) in July 2026 |
| KPF internal promotions | | 1 x Technical & Training Lead Manager (acting up made permanent, 1st July 2026)<br><br>1x Senior Engagement & Systems Officer (August 2026) |
| Recruitment campaigns currently in progress | 5 | 1 x LGR Project Manager (18-month fixed term contract)<br><br>1 x Training Officer (Pensions Technical & Training Team)<br><br>2 x Pensions Assistant (Pensions Engagement & Systems Team)<br><br>1 x Independent Person for Pension Fund |

| | | |
|---|---|---|
| | | Committee (not a KCC appointment but a role sought for the Fund).<br><br>1 x Team Manager (Pensions Operations Team) |
| New roles created to manage business demand, currently being grade evaluated by KCC HR (will then be advertised) | 2 | 1 x Business Support Assistant (Employer Governance Team)<br>1 x Business Change Lead Manager (Governance & Projects Team) |
| Remaining vacancies to be advertised (not including any backfilling that may result) | | 3 x Pensions Officer (Sept 2026)<br>7 x Pensions Administrator (Sept 2026)<br>1 x Engagement & Systems Officer (tbc) |

5.2 The Fund has continued to fill vacancies since June 2026, attracting external candidates and through internal promotions. The structure charts on the Member portal were last updated in August 2026, including where vacancies held.

## 6 Audits

6.1 **External Audit** - Work has progressed on the Fund's 2025/26 External Audit of Accounts. The auditors have continued to work through and test the information supplied to them. The auditors are aiming to close out their substantive work by the end of August 2026 and issue the Fund's Audit Findings Report to Officers early September. The report will then be taken to KCC's Governance & Audit Committee on 30 September for review and sign off of the Audit Opinion. This assumes that KCC receives their Audit Opinion with the same timeframe, which is currently expected to be the case.

## 7 Conclusion

7.1 Further updates to be provided to the Board and Committee in due course.

**Appendices:**

**Appendix One: Draft Budget Outturn 2025/26**
**Appendix Two: Administration Business Plan RAG reports for activity 2026/27.**
**Appendix Three: Investment Business Plan RAG reports for activity 2026/27.**
**Appendix Four: Governance Business Plan RAG reports for activity 2026/27.**
**Appendix Five: Barnett Wadingham Checklist updates**

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**Date: August 2026**

**Appendix One**

**Kent Pension Fund Budget Forecast Q1 2026-27**

| | 2026-27 Budget | 2026-27 Forecast | Forecast (Overspend)/Underspend |
|---|---|---|---|
| Administration Staff | 4,296,332 | 4,141,234 | 155,098 |
| IT Expenses | 1,383,295 | 1,535,939 | (152,644) |
| Data Rectification Project | 2,796,143 | 2,796,143 | 0 |
| Pension Payroll Services | 292,969 | 316,025 | (23,056) |
| Printing and Mailing costs | 188,150 | 257,798 | (69,648) |
| Administration Other | 95,796 | 95,796 | 0 |
| **Administration Expenses** | **9,052,685** | **9,142,935** | **(90,250)** |
| Audit Fee | 132,460 | 132,460 | 0 |
| **Audit Fee** | **132,460** | **132,460** | **0** |
| Actuarial Fee | 321,076 | 345,576 | (24,500) |
| Direct Recovery of actuary, legal fees and admin costs | -348,649 | -348,649 | 0 |
| Investment Consultancy | 250,000 | 260,000 | (10,000) |
| Legal Fees | 81,607 | 81,607 | 0 |
| Governance Consultancy | 55,000 | 55,000 | 0 |
| Cyber Security | 20,000 | 20,000 | 0 |
| Performance Measurement Fees | 45,348 | 45,348 | 0 |
| **External Advice** | **424,382** | **458,882** | **(34,500)** |
| Governance Staff | 1,164,502 | 1,172,750 | (8,248) |
| Governance Other | 135,591 | 147,051 | (11,460) |
| KCC Overheads Recharges | 608,198 | 659,100 | (50,902) |
| **Governance and Oversight Expenses** | **1,908,291** | **1,978,901** | **(70,610)** |
| Pooling Costs | 934,176 | 972,076 | (37,900) |
| Fund Manager Fees | 36,914,810 | 36,914,810 | 0 |
| Custody | 47,358 | 47,358 | 0 |
| Transaction Costs | 10,000,000 | 10,000,000 | 0 |
| **Investment Management Costs** | **47,896,344** | **47,934,244** | **(37,900)** |
| **Total** | **59,414,162** | **59,647,422** | **(233,260)** |

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| Pension administration Actions | RAG status re. progress as at 28th August 2026 | Notes |
|---|---|---|
| Develop a Data Improvement Plan (Action identified in BP for 26/27 only) | Green - action closed. Action completed. | Data Improvement Plan developed and is in use. |
| Deliver McCloud project – historic Underpin cases (Action identified in BP for 26/27 only) | Amber - work in progress but is technically complex. System developments being sought to ensure bulk rectification as much as possible (to reduce mnanual intervention). | |
| Plan for and deliver Pensions Dashboard project – including data cleansing and clearance of historic casework (Action identified in BP for 26/27, 27/28 and 28/29) | Green - work in progress | Go live date awaited from DWP. Expected to be 2027/2028. |
| Clear historic casework in an efficient and effective way (target end date = 31 March 2028) (Action identified in BP for 26/27 and 27/28) | Green - work in progress. | Third party support being provided in 2026/27. |
| Ensure that the impact of KCC moving to the Oracle Cloud system is considered and managed effectively (Action identified in BP for 26/27 only) | Green - work in progress. | KCC go-live date of Oracle Cloud phase 2 tbc, but preparation work by KPF completed. |
| Procurement of Administration system (current system has contracted use until May 2028) (Action identified in BP for 26/27 only) | Green - work in progress. | New contract must be in place by May 2028. Invitations to tender went live on 17th August 2026. Tenders will be evaluated and moderated in September 2026. Contract award decision to be made by end of 2026. |
| Prepare for and deliver anticipated regulatory changes including but not limited to: | | |
| Access and Fairness (Action identified in BP for 26/27 and 27/28) | Green - work in progress | June 2026 - Comms sent. Training undertaken. |
| Access and Protections (Action identified in BP for 26/27 and 27/28) | Green - work in progress | June 2026 - Comms sent. Training undertaken. |
| Fit for the Future (Action identified in BP for 26/27 and 27/28) | Green - work in progress | Admin Strategy review to be undertaken. |

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| **Investment and Funding Actions** | **RAG status re. progress as at 31st August 2026** | **Notes** |
|---|---|---|
| Development and implementation of the LGPS Manage and employer database (Action identified in BP for 26/27 and 27/28) | Green - work in progress | LGPS Manage being further developed with Actuary and Employer data base completed and at user testing stage before launch |
| Review Investment Strategy including Risk Management and Strategy (Action identified in BP for 26/27 only) | Green - work in progress | Being actively developed with Committee |
| Review, revise and update the Investment Strategy Statement (Action identified in BP for 26/27 only) | Green - work in progress | On track for completion by Dec 2026 |
| Manage transition of assets into the BCPP in an orderly and cost-efficient way (Action identified in BP for 26/27 only) | Green - work in progress | Awaiting completion of Investment Strategy Review as well as development of plans by Pool |
| Collaborate with ACCESS colleagues to establish an appropriate governance arrangement for orderly wind down of ACCESS Pool (Action identified in BP for 26/27 only) | Green - work in progress | Updated Inter Authority Agreement signed, with roles and responsibilities agreed with Pools and Waystone |
| Coordinate implementation of changes to investment strategy with the new pool BCPP Review and update the Fund’s Responsible Investment approach (Action identified in BP for 26/27 only) | Green - work in progress | Pool is involved in strategy review discussions to ensure alignment with Pool's implementation capability. Responsible Investment beliefs survey undertaken with members confirmed that existing policy is consistent with their beliefs and will be further updated once pooling arrangements are embedded |

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| Fund Governance Actions | RAG status re. progress as at 31st August 2026 | Notes |
|---|---|---|
| Implement process changes related to regulatory change (i.e. impacting Governance arrangements). (Action identified in BP for 26/27 only). | Green - work in progress | Senior LGPS Officer and Independent Person apppointment required by 31/12/26 and arrangements are in place to make this possible. |
| Support the Pension Fund Committee and Kent County Council in decision making to meet Government's Fit for Future pooling requirements (Action identified in BP for 26/27 and 27/28) | Green - work in progress. | Fund moved to BCPP in April 2026. Transition of assets to BCPP will be over next few years due to property requirements. ISS in production. |
| Ensure smooth transition of accounting processes (including payroll) to KCC's new Oracle Cloud system (Action identified in BP for 26/27 only) | Green - work in progress | KCC iConnect payroll testing completed in July 2026. Local Government and Teachers Compensation Pension separated in payroll August 2026 and budget codes changed from 21 to 29 digits. Awaiting go-live date for using new system from KCC corporate project team. |
| Undertake activity related to Local Government Re-organisation (Action identified in BP for 26/27, 27/28 and 28/29 | Green - work in progress. | An LGR Risk Register is in place, maintained by the LGR Pensions Project Action Group. Risks are being carefully monitored and an action plan is being implemented. Working towards an administering authority recommendation to be made for KPF by the end of 2026. |

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| Subject area | Action required | Developments since June 2026 |
| --- | --- | --- |
| 1: New strategies and policies | 1a Schedule review of the existing policies and approval of the new policies taking into account the timing of Board and Committee meetings in the next 6-9 months | Awaiting specific guidance from SAB. |
| | 1b Wait and see if the new Governance Strategy will replace the current Governance Compliance Statement for the 2025/26 report and accounts | The new Governance Strategy requirement replaces the Governance Compliance Statement. |
| 2. Constitution changes - needed for the senior LGPS officer and independent person | 2a Check the process for approving changes to the Constitution, Terms of Reference, Scheme of Delegation and raise with senior officers e.g. the Section 151 Officer, Monitoring Officer, Chief Executive and possibly the HR Director. Timetable the process to take to full Council and Selection and Member Services Committee | Discussions with S.151, KCC HR, Legal and Democratic Services has identified that changes need to be made. Updates will be made to give delegations to the Senior LGPS Officer. |
| 3: Senior LGPS Officer | 3a Review the current role of Head and Pensions and Treasury and either amend it reflect the new requirements or create a new senior LGPS officer role | Draft documentation for the LGPS Senior Officer prepared and currently being reviewed. |
| | 3b Review the Constitution, Scheme of delegation and Pension Fund Committee's Terms of Reference to allow for the role | Wil be progressed when draft documentation for the Senior LGPS Officer finalised. |
| | 3c Review any sub-scheme of delegation to allow for the role | Existing delegations to be considered. |
| | 3d Ensure the senior LGPS officer represents the Fund on any officer working group of Border to Coast Pensions Partnership | Wil be progressed when draft documentation for the Senior LGPS Officer finalised. |
| | 3e Consider what the appointment process will be, which may depend on whether a new role is created or an existing officer role is designated to this role. | Draft documentation for the LGPS Senior Officer prepared and currently being reviewed. |
| | 3f Consider the appropriate level of remuneration | Draft documentation for the LGPS Senior Officer prepared and currently being reviewed. |
| | 3g Appoint to the new role within 6 months of the regulations coming into force | Draft documentation for the LGPS Senior Officer prepared and currently being reviewed. |
| 4: Independent Person | 4a Review the Constitution and Pension Fund Committee's Terms of Reference to allow for the role - noting the current expectation that it is a non-voting committee member | Review required. |
| | 4b Review the scheme of Delegation, sub-scheme of delegation and possibly the Administering Authority’s discretions policy, to identify where the independent person's support could or should be included | Review required. |
| | 4c Consider what the appointment process will be, and consider starting the recruitment process early to navigate HR processes | Advert and information pack prepared. IP appointment process commenced. Interviews to |

| | | |
|---|---|---|
| | | be held in September 2026. |
| | 4d Consider the appropriate level of remuneration | Confirmed in advert. |
| | 4e Appoint to the new role within 6 months of the regulations coming into force | Interviews to be held in September 2026. |
| 5: Knowledge and Understanding | 5a Build on the Fund's existing approach, keep records of all training and ensure the new training plan is adhered to | Training options and monitoring currently being considered. |
| | 5b Encourage Committee and Board members to feed in thoughts on the existing approach | To be discussed in due course. |
| | 5c The senior LGPS officer should ensure training logs are reviewed regularly and identify any non-compliance | Training options and monitoring currently being considered. |
| | 5d Put the new training strategy on the agenda for the Pensions Board and Pensions Committee March meetings | Training options and monitoring currently being considered. |
| | 5e Review and amend the Board and Committee's terms of reference to reflect the new knowledge and understanding requirements | Training options and monitoring currently being considered. |
| 6: Independent Governance Reviews | 6a Consider the previous governance review and if any additional actions should be carried out before the Independent Governance Review | Considerations to be commenced in Autumn 2026. |
| | 6b Decide who will carry out the independent governance review | Considerations to be commenced in Autumn 2026. |
| | 6c Decide on the scope of the review i.e. whether to include additional areas not required in the final guidance which would nevertheless add value for the Fund | Considerations to be commenced in Autumn 2026. |
| | 6d Decide when the first independent governance review will be carried out before 31 March 2028 | Considerations to be commenced in Autumn 2026. |
| | 6e Consider when the subsequent IGRs will be carried out | Considerations to be commenced in Autumn 2026. |
| | 6f Consider if Kent County Council want to enter the LGPS peer support process (this is not just for funds which require active support) | Considerations to be commenced in Autumn 2026. |

| | |
|---|---|
| To: | Kent Pension Board – 3 September 2026 |
| From: | Chairman Kent Pension Board, Corporate Director - Finance |
| Subject: | Employer Governance Matters |
| Classification: | Unrestricted |

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**Executive Summary:**

This report provides an update on Fund employers' governance, and admission matters.

Summary of key employer governance statistics and employer activity:

- The total number of employers in the Fund has increased from 469 to 476 over the quarter to 30 June 2026.
- Contribution income for this quarter totalled £85.8m.
- The Fund received an average of 99% of contributions measured by value and an average of 96% of contributions measured by employer on time during this quarter.
- A number of new admissions and exiting employer arrangements have been agreed by the Head of Pensions and Treasury as routinely reported to the Board and Committee, detailed in the attached Appendix One issued on the Member Portal.

**Recommendation:**

The Board is recommended to note the report.

**FOR INFORMATION**

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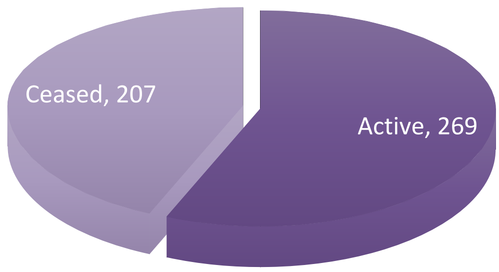
## 1 Employer update for the 3 months to 30 June 2026

1.1 On 31 March 2026 there were 469 employers in the Fund. This number increased by 7 overall since then to 476 employers in the Fund on 30 June 2026.

1.2 During this period, 3 admitted bodies and 4 resolution bodies legally joined the Fund as active employers[1]. 3 employers ceased as active employers[2] (which does not affect the total number).

[1] 'Pending' to 'Active' on Fund database.
[2] 'Active' to 'Ceased' on Fund database.

Split of Employers between Active and Ceased




| Type | New Employers | Date Joined Fund | Date Legally Completed |
|---|---|---|---|
| Admitted Body | Seeclear Facilities UK Ltd (re Orion Education) | 1 December 2022 | 27 May 2026 |
| Admitted Body | KGB Cleaning South West Ltd (re The Arete Trust) | 1 September 2023 | 9 June 2026 |
| Admitted Body | Purgo Supply Services Ltd (re Bourne Alliance Trust) | 23 July 2025 | 30 June 2026 |
| Resolution Body | Boughton Monchelsea Parish Council | 5 March 2026 | 1 April 2026 |
| Resolution Body | Birchington Parish Council | 23 March 2026 | 1 April 2026 |
| Resolution Body | Brasted Parish Council | 18 June 2026 | 1 April 2026 |
| Resolution Body | Seal Parish Council | 27 May 2026 | 25 May 2026 |

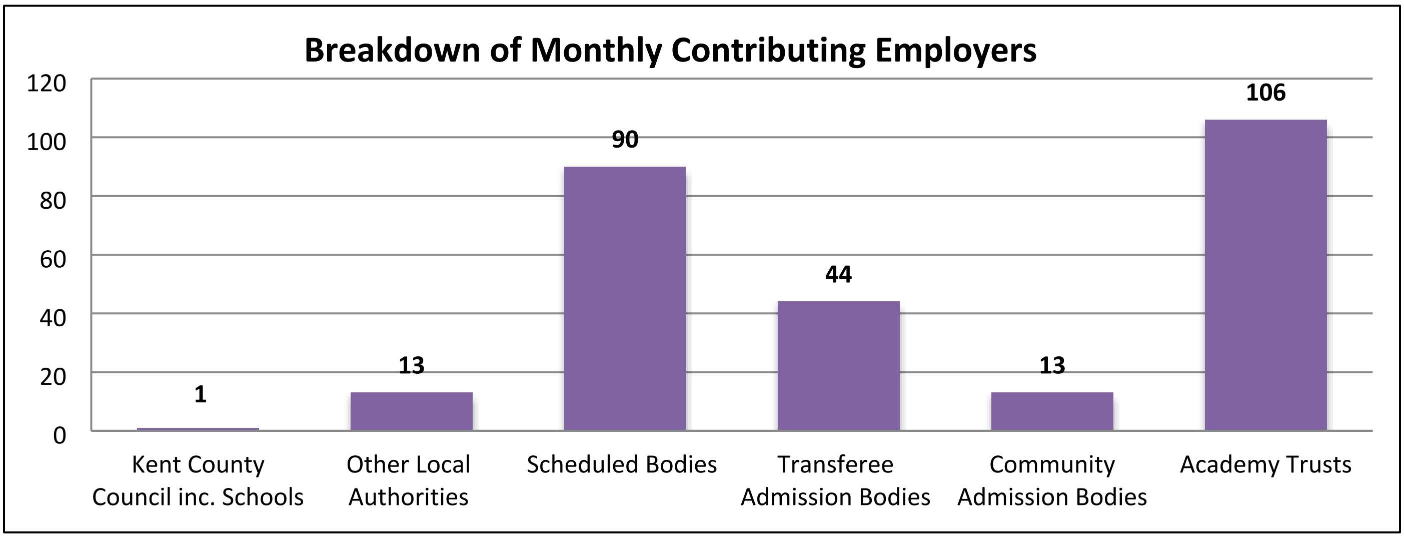
| Type | Ceased Employers | Cessation Date |
|---|---|---|
| Admitted Body | Sota Solutions Ltd | 3 April 2026 |
| Admitted Body | Amey Highways Ltd | 30 April 2026 |
| Admitted Body | Fusion Lifestyle | 30 June 2026 |

1.3 In quarter 1 the Fund received £85.8m in respect of monthly contributions (employer and employee) as follows:

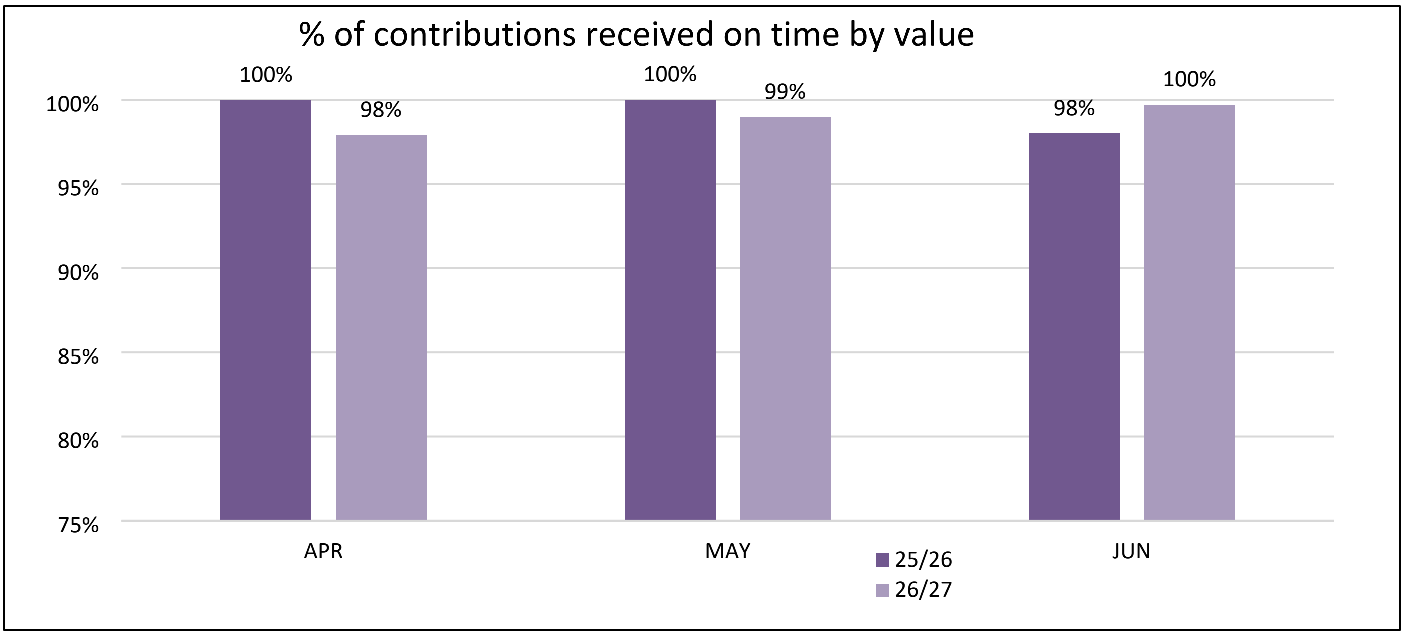
| | Received Early | Received on 19th | Received Late | Total |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| **April** | £18,489,664.28 | £9,658,515.85 | £607,257.60 | £28,755,437.73 |
| **May** | £19,036,741.44 | £9,119,104.37 | £296,383.85 | £28,452,229.66 |
| **June** | £18,495,128.86 | £10,050,772.02 | £83,831.19 | £28,629,732.07 |

1.4 The £85.8m compares with contributions received for quarter 1 of 2025/26 of £88.6m as employer and employee membership will have changed and following the 2025 triennial valuation employer contribution rates have largely decreased for the three years to 31 March 2029.

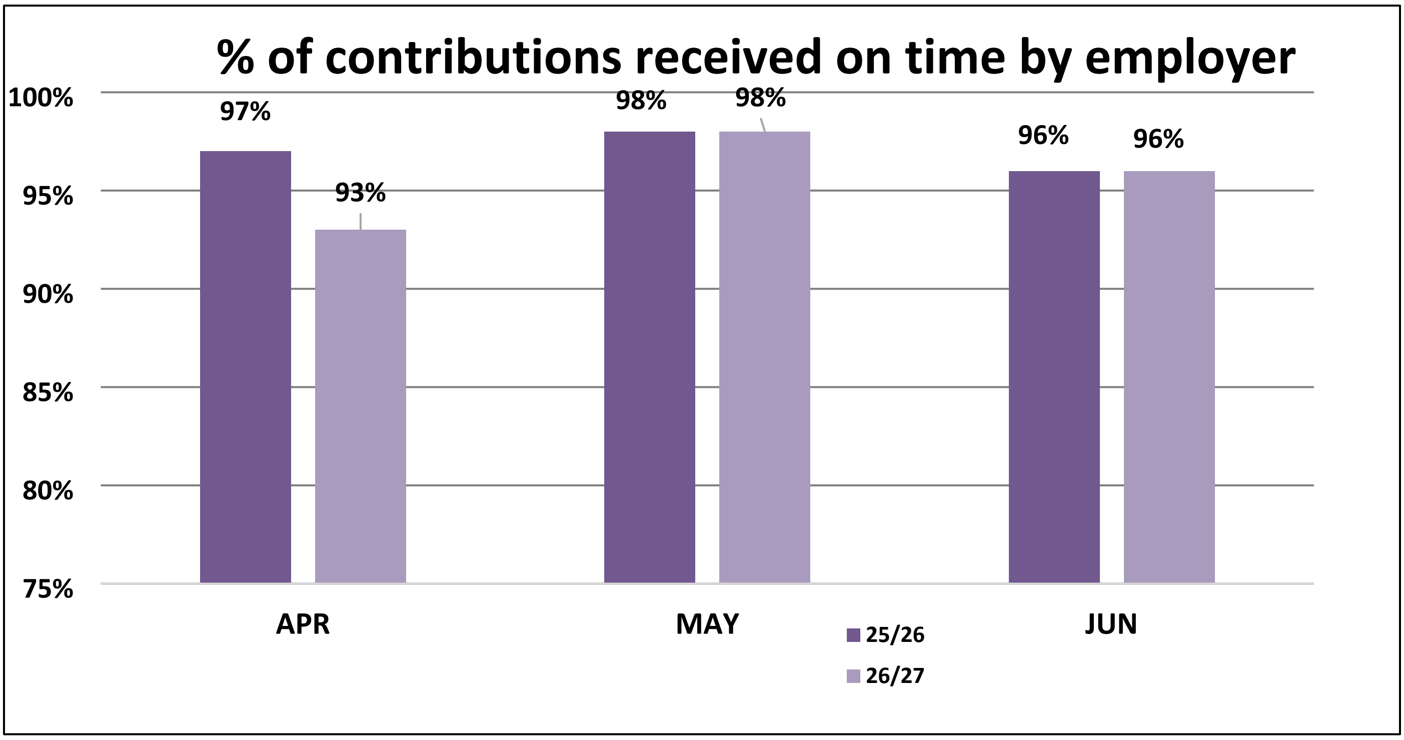
1.5 The following chart shows employers from whom the Fund receives monthly contributions by Employer Group. We note that two employers are not included, as they contribute annually.



1.6 The following table shows the % of contributions received on time by value:




1.7 The following table shows the % of contributions received on time by employer: In April 22 employers paid late, with 5 of these being related to one payroll provider. Further analysis of the 17 does not indicate a trend such as new employer contribution rates from the 2025 triennial valuation resulting in April late payments.




## 2 Employer admission and associated matters

2.1 New employer admission cases and associated matters were agreed by Nick Buckland under Committee's delegated authority as detailed on Appendix One issued on the Member Portal.

**Appendix One Employer admissions and associated matters (Member Portal)**

**Steven Tagg, Employers’ Governance, Compliance and Funding Principal Accountant.**

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**20 August 2026**

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**Employer admission and associated matters**

The following matters were agreed by Nick Buckland Head of Pensions and Treasury under Committee's delegated authority as agreed at their meeting on 3 December 2024.

## New Employers

| | Admitted Body/Company Number | Scheme Employer | Admission Date | Contract Length | Security | Contribution Rate | Transferring staff |
|---|---|---|---|---|---|---|---|
| 1 | Junior Adventures Group UK Ltd (Company Number 07054337) | The Academy of Woodlands (now Rivermead Inclusive Trust) | 01/09/2021 | 1 Year Wraparound Care | Guarantee £8,000 | 30.5% Closed | 5 |
| 2 | Birkin Cleaning Services Ltd (Company Number 01057375) | Maritime Academy Trust | 09/08/2023 | 3 Year Cleaning | Guarantee £22,000 | 25.1% Closed | 2 |
| 3 | Seeclear Services Group Ltd (Company Number 09952390) | Future Schools Trust | 01/09/2025 | 5 Year Cleaning | Guarantee £42,000 | 22% Closed | 5 |

## Cessations

| | Admitted Body/Fund accounting code | Scheme Employer | Admission date | Cessation date | Cessation Position | Officer Decision |
|---|---|---|---|---|---|---|
| 1 | Olive Dining Ltd 70869 | Sir Roger Manwood School | 01/05/2019 | 31/10/2020 | Cessation Surplus of £9,000 - Paid | Discharge of Bond |
| 2 | Capita Managed IT Solutions Ltd | Kent County Council | 20/12/2012 | 01/04/2022 | Cessation | Allocation of surplus to |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | | | Surplus of £33,000 | Kent County Council's notional share of the Fund, less £2.2k in outstanding legal fees |
| 3 | Cleantec Services Ltd 70865 | Dartford Grammar School for Girls Academy | 01/10/2019 | 31/08/2023 | Cessation Deficit of £10,000 - Paid | Discharge of Bond |
| 4 | Sodexo Ltd 70847 | Oasis Community Learning | 01/09/2018 | 31/08/2023 | Cessation Deficit of £46,000- Paid | Discharge of Bond |
| 5 | Sodexo Ltd 70908 | Oasis Community Learning | 01/09/2023 | 31/08/2024 | Cessation Deficit of £4000 – Paid | Discharge of Bond |
| 6 | The Contract Dining Company Ltd 70903 | Rivermead Inclusive Trust | 01/06/2022 | 31/07/2025 | Cessation Surplus of £2,000 – allocated to the Academy Pool | Discharge of Bond |
| 7 | Amey Highways Ltd (KCC) 70890 | Kent County Council | 01/09/2023 | 30/04/2026 | Nil Balance | Discharge of Bond |



## Other Decisions

| | Admitted Body | Scheme Employer | Event date | Decision |
|---|---|---|---|---|
| 1 | EcoServ Group Ltd | Aletheia Anglican Academies Trust | 05 April 2021 | EcoServ Group Ltd was awarded a cleaning contract by Whitehill Primary School (then part of Decus Educational Trust and now part of Aletheia Anglican |

| | | | | |
|---|---|---|---|---|
|  | | | | Academies Trust) with a commencement date of 05 April 2021 which involved 2 staff with previous LGPS membership.<br>EcoServ did not complete their admission and went into administration on 9 February 2023. Although LGPS contributions were taken from the 2 staff over the course of the contract, EcoServ is not honouring any of their debts.<br><br>A pragmatic solution was proposed as follows:<br><br>• Treat staff as if they had never transferred to EcoServ;<br><br>• Aletheia Anglican Academies Trust to pay over employee contributions and employer contributions at the Academy rate for the period of the contract; and<br><br>• Members pension records would show as continuous with Whitehill Primary School. |

**Steven Tagg, Employers Governance, Compliance and Funding Principal Accountant.**

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**20 August 2026**

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