



AGENDA

SUPERANNUATION FUND COMMITTEE

Friday, 15th June, 2007 at 10.00 am
Medway Room, Sessions House, County Hall,
Maidstone

Ask for: **Mary Cooper**
Telephone **01622 694354**

UNRESTRICTED ITEMS

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

A. COMMITTEE BUSINESS

1. Substitutes
2. Minutes - 16 March 2007 (Pages 1 - 2)
3. Audit Plan (Pages 3 - 4)

B. MOTION TO EXCLUDE THE PRESS AND PUBLIC FOR EXEMPT ITEMS

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.

EXEMPT ITEMS

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

C. MATTERS FOR REPORT/DECISION BY THE COMMITTEE

1. DTZ Investment Management - Property Strategy
2. Goldman Sachs Asset Management
3. Fund Structure

UNRESTRICTED ITEMS

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

D. MATTERS FOR REPORT/DECISION BY THE COMMITTEE

1. Fund Position Statement (Pages 5 - 12)
2. Employer Communication (Pages 13 - 14)
3. Pensions Administration (Pages 15 - 18)
4. Application for Admission to the Fund (Pages 19 - 20)

Stuart Ballard
Head of Legal and Democratic Services
(01622) 694002

Thursday, 7 June 2007

- (i) *Please note that any background documents referred to in the accompanying papers maybe inspected by arrangement with the officer responsible for preparing the relevant report.*
- (ii) *In accordance with the current arrangements for meetings, representatives of the Managers have been given notice of the meeting and will be in attendance for Items C1 and C2.*

KENT COUNTY COUNCIL

SUPERANNUATION FUND COMMITTEE

MINUTES of a meeting of the Superannuation Fund Committee held at Sessions House, Maidstone, Kent on Friday, 16 March 2007.

PRESENT: Mr J E Scholes (Chairman), Mr P Clokie, Mrs M Cox, Mr D S Daley, Mrs J De Rochefort, Mr T Emes, Mr M J Fittock, Mr J F London, Mr R A Marsh, Mr J I Muckle, Mr R J Parry and Mr P Turner (substitute for Mr S Richards).

IN ATTENDANCE: Head of Financial Services, Mr N Vickers; and the Democratic Services Manager, Mrs M Cooper.

UNRESTRICTED ITEMS

1. Minutes
(Item A2)

RESOLVED that the Minutes of the meetings held on 24 November 2006 and 2 March 2007 are correctly recorded and that they be signed by the Chairman.

2. New Local Government Pension Scheme
(Item D1 – Report by Director of Finance)

RESOLVED that the report be noted.

3. Pensions Administration
(Item D2 – Report by Director of Finance)

RESOLVED that:-

- (a) the report be noted; and
- (b) the Committee's appreciation for the progress against Key Performance Indicators be passed to the Pensions Team.

4. University College of Creative Arts
(Item D3 - Report by Director of Finance)

RESOLVED that approval be given to seal the undertaking being given by the University College for the Creative Arts in favour of Kent County Council following the merger of the Kent Institute of Art and Design with the Surrey Institute of Art and Design.

5. Application for Admission to the Fund
(Item D4 - Report by Director of Finance)

RESOLVED that Quadron Services Limited to admitted to the Fund.

16 March 2007

EXEMPT ITEMS
(Open Access to Minutes)

6. Alliance Bernstein

(Item C1)

(Jenny Segal and Anthony Bor were in attendance for this item)

RESOLVED that the report be noted.

7. Fund Position Statement

(Item C2 – Report by Director of Finance)

RESOLVED that the report be noted.

8. Fund Structure

(Item C3 - Director of Finance)

RESOLVED that:-

(a) the report be noted; and

(b) a 1% allocation to European Property, funded by reducing GTAA from 6% to 5%, be agreed.

By: Director of Finance
To: Superannuation Fund Committee – 15 June 2007
Subject: **AUDIT PLAN**
Classification: Unrestricted

Summary: To receive PWC's draft audit plan.

FOR INFORMATION

1. This is the second year in which the Fund has had a separate audit which once again will be undertaken by PWC.
2. The Audit Plan is attached and Collette Archer and Penny Flint will be at the meeting.
3. Members are asked to note this report.

Nick Vickers
Head of Financial Services
Ext 4603

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By: Director of Finance
To: Superannuation Fund Committee – 15 June 2007
Subject: **FUND POSITION STATEMENT**
Classification: Unrestricted

Summary: To provide a summary of the Fund asset allocation and performance.

FOR INFORMATION

INTRODUCTION

1. Attached is the Fund Position Statement report.
2. Members are asked to note this report.

Nick Vickers
Head of Financial Services
☎ 01622 694603

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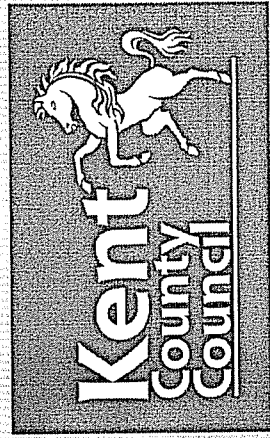
FUND POSITION STATEMENT

Summary of Fund Asset Allocation and Performance

Superannuation Fund Committee

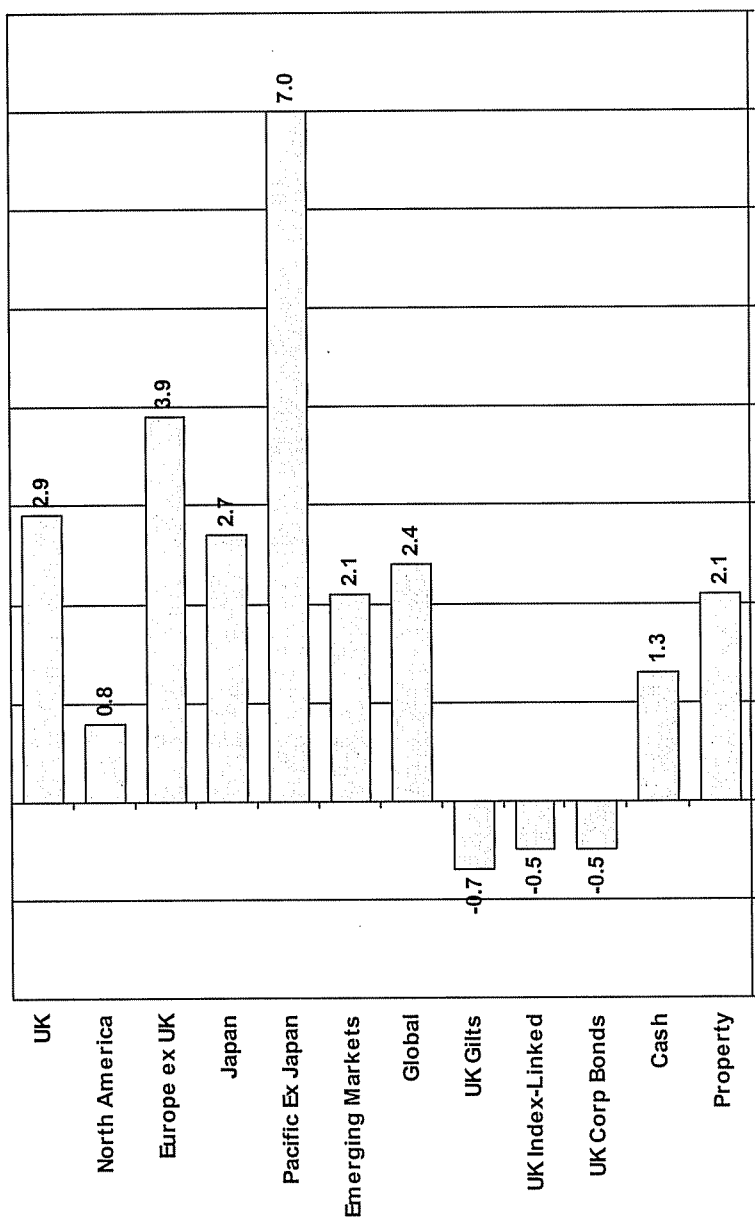
15 June 2007

By: Director of Finance



Kent County Council
Superannuation Fund 2007
Nick Vickers—Head of Financial Services

Market Returns-3 months to 31 March 2007



Equity markets overall provided positive returns in the quarter. However, in February a 9% drop in the Chinese market triggered a worldwide sell off which saw the FTSE 100 dip below 6,000 on 5 March.

The fall in equity markets largely reflected concerns about US growth and the US housing market.

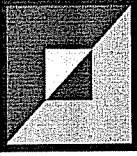
Markets have rebounded strongly since then and generally forecasters are positive about equity returns this year.

Europe performed particularly strongly based on good economic performance and earnings growth, plus continued market activity.

Fixed income produced negative returns.

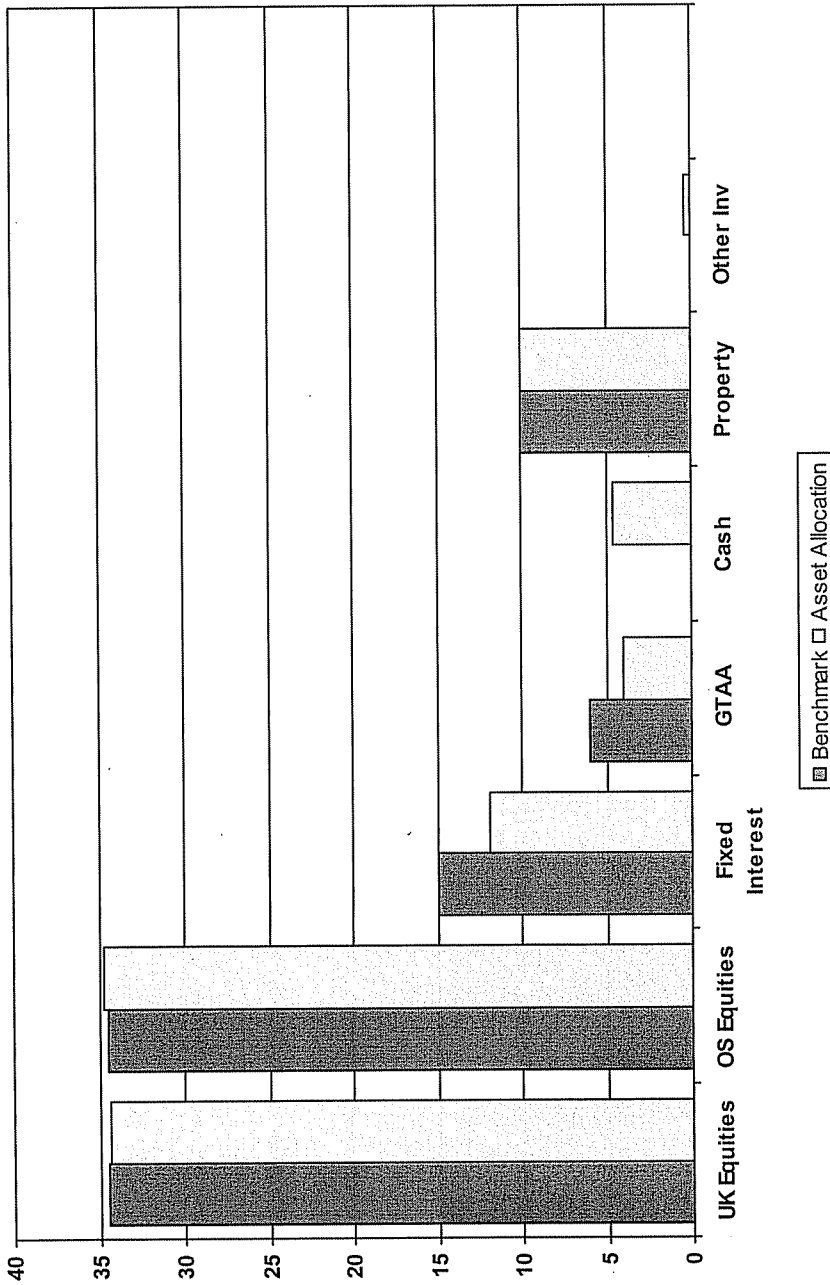
Property returns were positive but commentators are seeing evidence of a slowing in the market as expected.





Kent Fund Asset Allocation vs Fund Benchmark

Asset Class	Kent Fund £m	%	Benchmark %
UK Equities	878	34.4	34.5
Overseas Equities	888	34.7	34.5
Fixed Interest	305	11.9	15
Property	256	10.0	10
GTAA	101	4.0	6
Cash	118	4.6	-
Other Inv	10	0.4	-
Total Value	2,556	100.0	100



Classification: Unrestricted
Item: DI refers



Asset Distribution Fund Manager

Values (GBP)'000	Value at		Capital		Income	Fund	Benchmark
	31/12/2006	31/03/07	Transactions	Gain / loss			
Schroders	409,920	422,397	2,805	9,672	5,063	16	FTSE
Societe Generale	439,715	448,594	2,397	6,482	4,256	18	FTSE
Alliance Bernstein	274,560	277,542	983	1,999	981	11	MSCI World
Balle Gifford	371,001	379,136	1,094	7,041	1,928	15	Customised
GMO	164,821	167,768	0	2,947	0	6	MSCI World
Schroders	113,764	119,681	0	5,917	0	5	MSCI World
Goldman Sachs	190,471	188,441	1,518	-3,549	2,491	7	ML £ Broad Market
Schroders	147,011	145,932	0	1,080	0	6	ML £ Broad Market
DTZ	260,287	256,994	-6,178	2,886	3,077	10	IPD All Properties Index
Goldman Sachs	107,414	100,912	0	-6,502	0	4	LIBID 7 Day Rate
Internally Managed	23,279	47,611	24,496	-164	388	2	LIBID 7 Day Rate
Black Rock (ML)	927	938	0	11	0	-	-
Total Fund	2,503,169	2,555,945	27,115	25,660	18,184	100	Kent Combined Fund

Performance Returns to 31 March 2007

Classification:
Unrestricted
Item: DI refers



- Once again the Fund has underperformed the benchmark with a return of +1.7% against +2.1%. This is in the 67th percentile against the WMLA average.
- All the investment mandates underperformed except for Schroders UK equities and Schroders GAV – the latter outperformed significantly.
- GTAA significantly underperformed.
- The 1 year performance is 6% against the benchmark of 7.5% – again 67th against the WMLA average
- Our 3 year performance is 35th against the WMLA average.

	Quarter		1 year		3 years	
	Fund %	Benchmark %	Fund %	Benchmark %	Fund %	Benchmark %
Total Fund	1.7	2.1	6.0	7.5	14.4	14.7
UK Equity						
Schroders UK	3.6	2.9	12.8	11.0	17.9	18.0
Societe Generale	2.4	2.9	10.4	11.0	16.1	17.8
Overseas Equity						
Alliance Bernstein	1.1	2.4	-	-	-	-
Baillie Gifford	2.4	2.9	2.6	5.7	16.2	16.4
GMO	1.8	2.4	-	-	-	-
Schroders GAV	5.2	2.4	-	-	-	-
Fixed Interest						
Goldmans Fixed Interest	-0.6	-0.5	0.3	0.8	4.7	4.7
Schroders Fixed Interest	-0.7	-0.5	-	-	-	-
GTAA	6.1	1.3	-25.4	4.9	-	-
Property	2.3	2.3	21.5	15.6	21.3	18.2

Data Source: The WM Company
- returns subject to rounding differences

Fund Structure

UK Equities

Schroders
+1.5%
£422m

Soc Gen
+2.0%
£200m

Invesco
Unconstrained
£275m
As at 31.05.07

Global Equities

Baillie Gifford
+1.5%
£379m

**Alliance
Bernstein**
+3.0%
£278m

GMO
+3.0%
£168m

Schroders
+3.0 - +4.0%
£120m

Fixed Interest

Goldman Sachs
+0.75%
£188m

Schroders
+1.0%
£146m

Alternative

DTZ
UK Property
£255m

DTZ
Europe Property
Euro 35m (£25m)
£5.1m invested
as at 13.04.07

Goldman Sachs
GTAA
£101m

Kent Cash
£37.9m

Henderson
Secondary PFI
£10m
£9.5m invested

YFM Private
Equity £4m
£1m invested
as at 23.04.07

**Market Value approx £2,566bn
as at 31 March 2007.**

By: Director of Finance
To: Superannuation Fund Committee – 15 June 2007
Subject: **EMPLOYER COMMUNICATION**
Classification: Unrestricted

Summary: To propose improvements to our employer communication arrangements.

FOR DECISION

INTRODUCTION

1. With over 200 employers in the scheme effective communication is a key issue for us and this report summarizes our current approach and seeks Member agreement to proposed changes.

CURRENT POSITION

2. In 2000 the Committee decided that it would no longer hold an Annual General Meeting. This was a half day morning meeting held in County Hall to which all scheme employers were invited. All managers also attended and one of them gave a presentation. Attendance by employers was generally poor.
3. We agreed to set up a Pension Advisory Forum which would meet twice a year for larger employers. Meetings have been held but increasingly the discussions have taken place through agenda items at the Kent Finance Officers where Medway, Police, Fire and the District Councils are present.
4. There is also a Pensions Forum run by the Pensions Manager which meets twice a year and focuses on administration issues.
5. Over the last five months Pat Luscombe and myself have delivered update sessions to District Council staff in Canterbury, Dartford, Maidstone, Sevenoaks, Swale, Tonbridge & Malling and Tunbridge Wells at their invitation. These sessions have been very well attended (approaching 1,000 attendees) and received.
6. I recently attended a Member meeting at Sevenoaks District Council which highlighted:
 - (1) We send the Kent Finance Officers the Committee booklet including confidential items but only unrestricted items are posted on KCC's website. So reports on the performance of the Fund are not available via the website.

- (2) Elected members in employers do not have an opportunity to attend any meeting to understand more about how the Fund operates and ask questions.
7. In reality for much of the time the level of interest from employers in our work is largely limited to concerns over investment performance. Currently the valuation and the introduction of a new scheme in 2008 do give particular issues to focus on.

PROPOSED CHANGES

8. The main changes I propose are:

- (1) Limit use of Confidential items – for this meeting the only Confidential items are the investment manager presentations and the Fund Structure report. I hope that Members support this change.
- (2) Annual Investments and Pensions Conference – this would be a new half day event to which all employers were invited, not necessarily during the day or in Maidstone. The focus would be:
 - Reporting back on major issues for the Fund in the year.
 - Investment performance.
 - Major LGPS / pensions administration issues.
 - A presentation on a topical issue.

I would not invite the investment managers unless they were presenting.

RECOMMENDATION

9. Members are asked to agree to establishing an Annual Investments and Pensions Conference.

Nick Vickers
Head of Financial Services
Ext 4603

By: Director of Finance
To: Superannuation Fund Committee – 15 June 2007
Subject: **PENSIONS ADMINISTRATION**
– **Key Performance Indicators**
– **New Look Scheme**
– **Valuation Process**

Classification: Unrestricted

Summary: To advise members of progress against key performance indicators since the last report in March 2007. To provide members with a summary of the key elements of the 'new look' scheme proposed for April 2008 and an update on the 2007 valuation process.

FOR INFORMATION

INTRODUCTION

1. Members were advised of much improved results against the key performance indicators at the meeting of 16 March 2007. This report confirms the improved position has been maintained since the last report and during the very busy period when the section is preparing for the 2007 valuation.
2. Attached in the Appendix are the results against key performance indicators to 26 May 2007.

COMMENTARY ON RESULTS

3. During a period when production resource has been diverted to assist the valuation team it is particularly pleasing to see the key performance results have been improved against the previous high standards reported at the last meeting.
4. Every effort will be made to maintain this performance through to July 2007 when the valuation work is scheduled for completion.

KEY ELEMENTS OF THE NEW LOOK SCHEME

5. Members are aware that the consultation period on the design of the proposed 'new look' pension scheme ended in February 2007. Since the last committee meeting, regulations have been issued by CLG the main points of which are as follows:

- All scheme members move to the new scheme on 1 April 2008
 - The scheme remains on a 'final salary' basis with a 1/60th accrual rate
 - Benefits to be calculated on last years whole time equivalent pay
 - Normal retirement age 65 years
 - Membership can run to age 75 years
 - Immediate payment of benefits upon redundancy/efficiency to be 55 years from 1 April 2008 (current members at age 50 years to 31 March 2010 as present)
 - Two tier ill health benefits
 - Flexible retirement option from age 55 years
 - Death in service lump sum to be 3 times annual salary
 - Partners benefits
 - 7 tiered contribution bands for employees ranging from 5.5% (pay up to £12,000) to 7.5% (pay over £75,000). Average employee rate 6.3%.
 - AVC schemes to be available but contributions limited to 50% of pay
 - Employers may award up to 10 years extra membership or grant extra pension of up to £5,000 per annum.
6. The new look scheme was designed to deliver savings in respect of future service for both existing and new scheme members.
7. It is generally believed that only marginal savings, if any, will result from the above scheme design.
8. It is the opinion of officers that the new look scheme does not deliver sufficient future cost savings, does not encourage membership of young and low paid employees and will be more complex in terms of administration (for both employers and the Pensions Section). The proposals have not generally been well received by employers.
9. Consultation regarding transitional protection in respect of the 85 year rule continues.

VALUATION PROCESS

10. I am pleased to advise members that data returns have been received from 210 of our 253 employers. All districts have responded with the exception of Thanet District Council who have moved to a new payroll provider. The system is not currently able to extract the membership data but efforts are being made to solve this problem.
11. KCC employee returns are being delayed, given, the new Capita 'Midland Trent' payroll system used by schools has no facility to extract data for the valuation. This represents circa 50% of KCC membership and in common with Thanet District Council, all effort is being made to resolve the problem.
12. If these two large issues are resolved then I am confident that the valuation data reports will be available to our actuary by the first week in August (the target date).

RECOMMENDATION

13. Members are asked to note this report.

**Patrick Luscombe
Pensions Manager
Extension 4714**

Achievements against Key Performance Indicators

Case Type	Target Time	6 mths to Sept 2006		3 mths to Dec 2006		January 2007		February 2007		March 2007		April 2007		May 2007	
		No	% in Target	No	% in Target	No	% in Target	No	% in Target	No	% in Target	No	% in Target	No	% in Target
Calculation and payment of retirement award	10 days from receipt of all paperwork	748	85%	406	87%	102	99%	126	100%	128	99%	115	99%	148	100%
Calculation and payment of dependant benefits	10 days from receipt of all paperwork	138	88%	82	96%	19	100%	33	94%	21	100%	31	100%	32	100%
Provision of Benefit estimate	20 days from receipt of all paperwork	1081	73%	463	85%	145	97%	150	92%	245	95%	204	94%	193	94%
Reply to correspondence	Full reply within ten working days	567	69%	268	81%	90	98%	105	94%	116	93%	125	97%	129	97%

By: Director of Finance
To: Superannuation Fund Committee – 15 June 2007
Subject: **APPLICATION FOR ADMISSION TO THE FUND**
Classification: Unrestricted

Summary: To report on the request from The Contract Dining Company Limited to participate in the Superannuation Fund

FOR DECISION

1. The Contract Dining Company Limited has been awarded a contract by St Simon Stock School to provide the school catering service. The contract has been awarded for three years commencing September 2007.

There are currently ten employees providing catering services at St Simon Stock School. The application to join the Pension Fund has been made to ensure the continued pension provision of those employees.

The application has been made under Regulation 5A(2)(a)(i) of the Local Government Scheme Regulations. This Regulation requires the contractor to provide a form of Bond or indemnity. The bond is assessed by the Fund actuary to cover the level of risk arising on premature termination of the provision of the service. This calculation requires information on the transferring employees which is still awaited from the applicant body. Once this has been received, the actuary will be requested to calculate the level of bond, together with the employer contribution rate.

2. The completed questionnaire and Memorandum and Articles have been examined by Legal Services to ensure compliance with the Local Government Pension Scheme Regulations. Legal Services have given a favourable opinion.

RECOMMENDATION

3. Members are asked to agree the admission of The Contract Dining Company Limited to the Pension Fund.

Jane Gibbons
Group Accountant (Investments & Treasury)
Ext. 4625

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