



AGENDA

SUPERANNUATION FUND COMMITTEE

Friday, 14th September, 2007 at 10.00 am
At the offices of Schrodgers Investment
Management Ltd, 32 Gresham Street,
London EC2V 7QA

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. Membership
2. Substitutes
3. Declarations of Interests by Members in items on the Agenda for this meeting.
4. Minutes - 15 June 2007 (Pages 1 - 2)
5. Dates of meetings 2008
 - 29 February
 - 6 June
 - 12 September
 - 21 November

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. Schrodgers Investment Management Ltd
(this will be followed by a training session)

12 noon - 1 pm - Lunch

2. Fund Structure (Pages 3 - 6)

UNRESTRICTED ITEMS

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

D. MATTERS FOR REPORT/DECISION BY THE COMMITTEE

1. PricewaterhouseCoopers Audit (Pages 7 - 8)
2. Fund Position Statement (Pages 9 - 16)
3. Statement of Investment Principles (Pages 17 - 18)
4. Annual Report and Accounts (Pages 19 - 20)
5. Admission to the Fund (Pages 21 - 22)

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

Thursday, 6 September 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, 15 June 2007.

PRESENT: Mr J E Scholes (Chairman), Mrs A Allen (substitute for Mr J A Davies), Mr K Bamber, Mr P Clokie, Mr D S Daley, Mrs J De Rochefort, Mr M J Fittock, Mr J F London, Mr R A Marsh, Mr J I Muckle, Mr R J Parry, Mr S Richards and Mrs M Wiggins.

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

UNRESTRICTED ITEMS

9. Membership

The Committee noted the appointment of Mr J Burden as the District Council Labour Member and the vacancy for a District Council Liberal Democrat Member.

10. Minutes

(Item A2)

RESOLVED that the Minutes of the meeting held on 16 March 2007 are correctly recorded and that they be signed by the Chairman.

11. Audit Plan

(Item A1 – Report by Director of Finance)

(Colette Archer and Penny Flint from PWC were in attendance)

RESOLVED that the report be noted.

12. Fund Position Statement

(Item D1 – Report by Director of Finance)

RESOLVED that the report be noted.

13. Employer Communication

(Item D2 - Report by Director of Finance)

RESOLVED that an Annual Investments and Pensions Conference be established and a report on Communication Strategy for this event be presented to the next meeting.

14. Pensions Administration

(Item D3 - Report by Director of Finance)

RESOLVED that the report be noted and the Committee's thanks expressed for the excellent production results which had been achieved.

15. Application for Admission to the Fund

(Item D4 - Report by Director of Finance)

RESOLVED that the admission of the Contract Dining Company Limited to the Pension Fund be agreed.

EXEMPT ITEMS

(Open Access to Minutes)

16. DTZ Investment Management – Property Strategy

(Item C1)

(Mr P O’Gorman and Mr R Saunders were in attendance for this item)

RESOLVED that the report be noted.

17. Goldman Sachs Asset Management

(Item C2)

(Ms C Minio-Paluella and Mr T Bird were in attendance for this item)

RESOLVED that the report be noted.

17. Fund Structure

(Item C3 - Director of Finance)

RESOLVED that:-

- (a) the decision on withdrawing money from the GTAA be delegated to the Director of Finance in consultation with the Chairman, Vice Chairman and Spokesmen and all Members to be notified of action taken;
- (b) a detailed report on cash flow management be presented to the September meeting;
- (c) DTZ to be asked for a plan and timing for funding the full allocation to European property;
- (d) the transition for the funding of the Invesco UK Equity Mandate be noted; and
- (e) the format for the September meeting be agreed.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Agenda Item C2

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By: Director of Finance
To: Superannuation Fund Committee - 14 September 2007
Subject: **PwC FUND AUDIT**
Clarification: Unrestricted

Summary: To report on a number of issues relating to the structure and management of the Fund.

FOR INFORMATION

INTRODUCTION

1. The 2006-07 accounts which are submitted to this meeting are the second which have been subject to a full audit by PwC. Previously the Fund's accounts were only scrutinised in the context of the accounts which were then included in KCC's accounts.
2. We believe that this is best practice and that we benefit from the specialist pensions expertise available to PwC. Our understanding is that the Audit Commission are moving to make a separate audit mandatory.
3. For KCC 2006-07 was the last year for which PwC are our appointed auditor. We are clarifying with the Audit Commission our options for 2007-08.

PwC REPORTS

4. Attached are the PwC reports which will be presented at Committee by PwC.

RECOMMENDATION

5. Members are asked to note the reports.

Nick Vickers
Head of Financial Services
Ext: 4603

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By: Director of Finance
To: Superannuation Fund Committee - 14 September 2007
Subject: **FUND POSITION STATEMENT**
Clarification: 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.

Katherine Gray
Senior Accountant (Investments)
Ext: 4642

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FUND POSITION STATEMENT

Classification: Unrestricted
Item: DI refers

Summary of Fund Asset Allocation and Performance Superannuation Fund Committee 14 September 2007

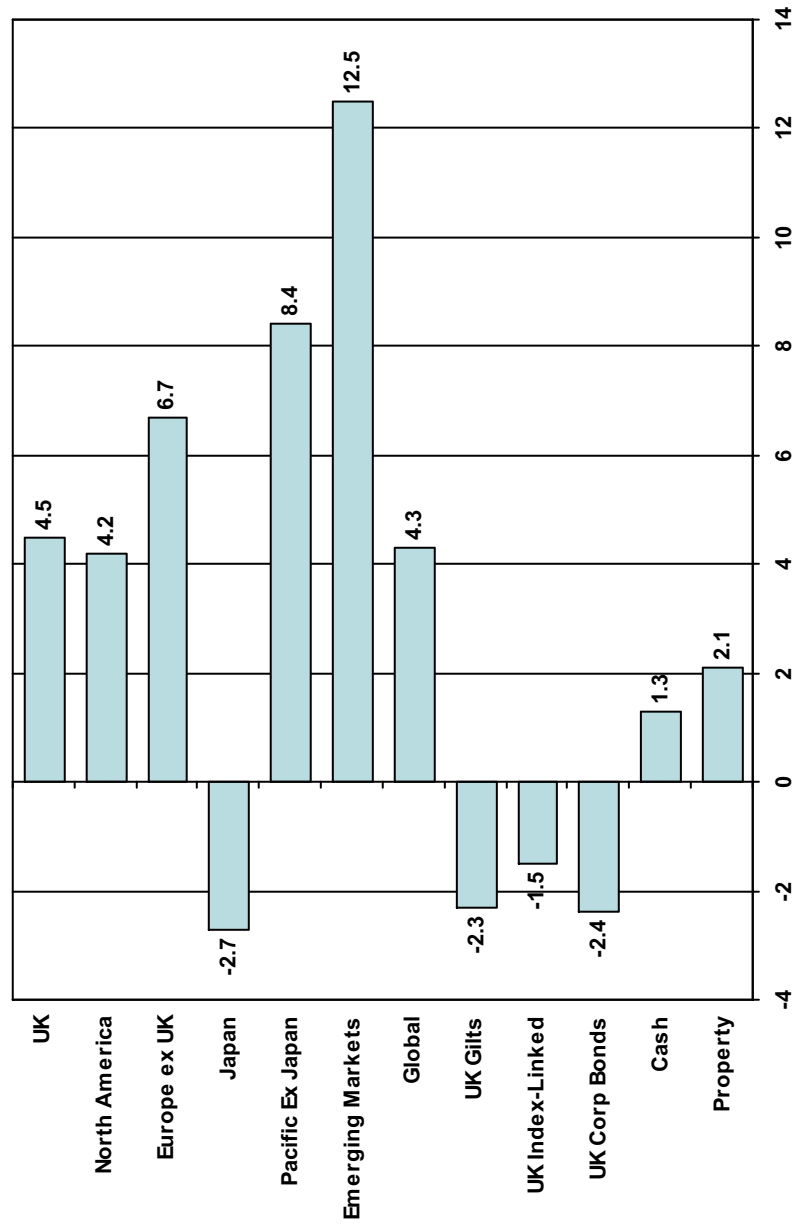
By: Director of Finance



Kent County Council
Superannuation Fund 2007

Nick Vickers—Head of Financial Services

Market Returns-3 months to 30 June 2007

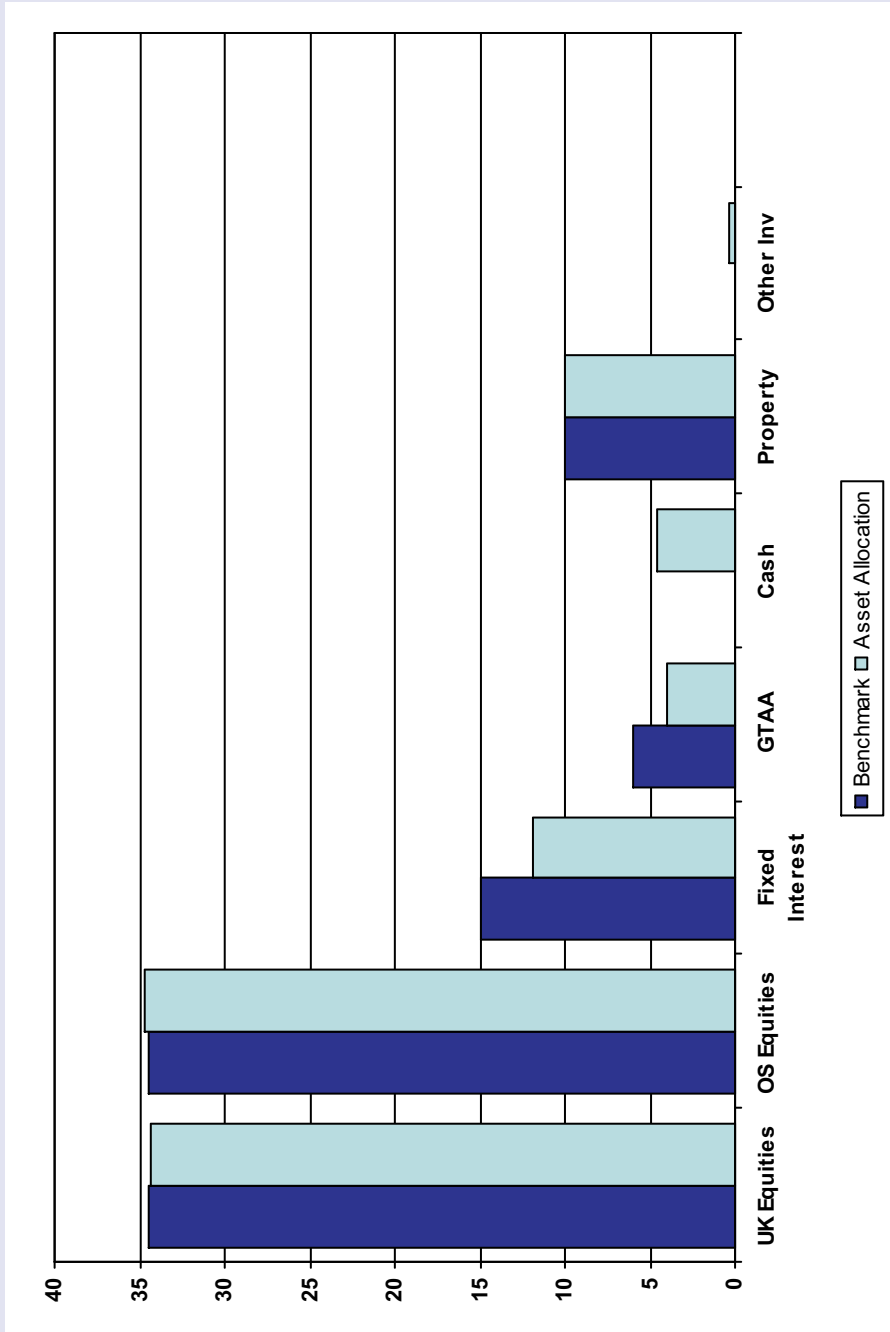


- Equity markets overall provided positive returns in the quarter with all regions gaining ground with the exception of Japan.
- Emerging markets were the top performer despite some recent weakness in the Chinese market.
- Japan posted negative returns during the quarter where the weak Yen had not yet helped Japanese exporters, and domestic stocks were dogged by lack of evidence of a consumer recovery.
- Fixed income produced negative returns for a second successive quarter.
- Property returns were positive but commentators are still seeing evidence of a slowing in the market as expected.

Kent Fund Asset Allocation vs Fund Benchmark

Classification: Unrestricted
Item: D I refers

Asset Class	Kent Fund		Benchmark
	£m	%	%
UK Equities	935	35.1	34.5
Overseas Equities	909	34.2	34.5
Fixed Interest	352	13.2	15
UK Property	256	9.6	10
European Property	12	0.5	1
GTAA	104	3.9	5
Cash	74	2.8	-
Other Inv	19	0.7	-
Total Value	2,661	100.0	100



Asset Distribution Fund Manager

Classification: Unrestricted
Item: DI refers

Values (GBP)'000	Mandate	Value at		Capital		Value at		Fund	Benchmark
		31/03/07	30/06/07	Gain / loss	Income	%			
Schroders	UK Equity	422,397	445,517	16,803	6,348	17	Customised		
Invesco	UK Equity	0	269,876	510	0	10	Customised		
Societe Generale	UK Equity	448,594	206,080	11,196	1,962	8	Customised		
Alliance Bernstein	Global Equity	277,542	297,109	13,603	2,530	11	MSCI World		
Ballie Gifford	Global Equity	379,136	405,635	19,691	2,742	15	Customised		
GMO	Global Quantative	167,768	176,360	8,591	0	7	MSCI World		
Schroders	Global Quantative	119,681	128,603	5,500	0	5	MSCI World		
Goldman Sachs	Fixed Interest	188,441	187,080	-6,343	2,549	7	ML £ Broad Market		
Schroders	Fixed Interest	145,932	145,039	-3,128	2	5	ML £ Broad Market		
DTZ	Property UK	256,112	260,007	886	2,797	10	IPD All Properties Index		
DTZ	Property Europe	882	11,838	2	0	0	IPD All Properties Index		
Goldman Sachs	Global TAA	100,912	104,208	3,296	0	4	LIBID 7 Day Rate		
Internally Managed	Cash	47,611	22,282	0	314	1	LIBID 7 Day Rate		
Black Rock (ML)	Transition	938	1,375	437	0	-	-		
Societe Generale	Transition	0	19	-139	18	-	-		
Total Fund		2,555,945	2,661,028	70,906	19,263	100	Kent Combined Fund		

Performance Returns to 30 June 2007

Classification:
Unrestricted
Item: D1 refers

	Quarter		1 year		3 years	
	Fund %	Benchmark %	Fund %	Benchmark %	Fund %	Benchmark %
Total Fund	3.5	3.1	12.7	13.3	15.4	15.2
UK Equity						
Schroders UK	5.5	4.5	20.5	18.1	17.0	16.8
Societe Generale	3.8	4.5	17.9	18.1	17.1	18.7
Overseas Equity						
Alliance Bernstein	5.7	4.3	-	-	-	-
Baillie Gifford	5.9	5.4	16.5	18.6	19.1	18.0
GMO	5.1	4.3	15.1	14.5	-	-
Schroders GAV	4.5	4.3	-	-	-	-
Fixed Interest						
Goldmans Fixed Interest	-2.0	-2.4	-0.2	-0.3	4.2	4.7
Schroders Fixed Interest	-2.1	-2.4	-	-	-	-
GTAA	3.3	1.4	-23.8	5.2	-	-
Property						
UK Property	1.4	2.1	17.7	12.4	19.7	17.1
European Property	-	2.1	-	-	-	-

- The fund increased in value by £105m in the quarter

- The fund outperformed the benchmark for the quarter posting a return of 3.5% compared to a benchmark return of 3.1%, placing us 40th against the WMLA average

- All the investment mandates outperformed in the quarter except for Societe Generale and DTZ

- GTAA gained some ground after last quarter's poor results. However, it has fallen very sharply in the early part of the current quarter.

- The 1 year performance is 12.7% against the benchmark of 13.3% - placing us 73rd against the WMLA average

- Our 3 year performance is 15.4% against a benchmark return of 15.2%. This places us 35th against the WMLA average.

Fund Structure

UK Equities

Schroders
+1.5%
£446m

Soc Gen
+2.0%
£206m

Invesco
Unconstrained
£270m

Global Equities

Baillie Gifford
+1.5%
£406m

Alliance
Bernstein
+3.0%
£297m

GMO
+3.0%
£176m

Schroders
+3.0 - +4.0%
£129m

Fixed Interest

Goldman Sachs
+0.75%
£187m

Schroders
+1.0%
£145m

Alternative

DTZ
UK Property
£256m

DTZ
Europe Property
Eur 35m (£25m)
£11.8m invested
as at 30.06.07

Goldman Sachs
GTAA
£104m

Kent Cash
£22.3m

Henderson
Secondary PFI
£10m
£9.5m invested

YFM Private
Equity £4m
£1m invested
as at 30.06.07

Market Value approx £2,661bn
as at 30 June 2007.

By: Director of Finance
To: Superannuation Fund Committee - 14 September 2007
Subject: **STATEMENT OF INVESTMENT PRINCIPLES**
Clarification: Unrestricted

Summary: To seek member agreement to a revised Statement of Investment Principles

FOR DECISION

1. Under the Local Government Pension Scheme Regulations the Fund since 2000 has been required to produce a Statement of Investment Principles (SIP). We last updated the document in 2005.
2. The document needs to be updated to reflect:
 - (1) The new post of Director of Finance.
 - (2) The new investment management structure.
 - (3) The need to respond to the PwC recommendation on asset classes moving out of the agreed range (7.(2)).
 - (4) Clarification formally of our approach to reallocating surplus cash (7.(7)).

RECOMMENDATION

3. Members are asked to agree the revised SIP.

Nick Vickers
Head of Financial Services
Ext: 4603

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By: Director of Finance
To: Superannuation Fund Committee – 14 September 2007
Subject: **SUPERANNUATION FUND REPORT AND ACCOUNTS**
Classification: Unrestricted

Summary: To present the draft Report and Accounts of the Superannuation Fund for 2006-07.

FOR DECISION

1. A draft version of the Superannuation Fund Report and Accounts for the year ended 31 March 2007 (before typesetting and design) is appended. It should be noted that this is the second year that the Pension Fund accounts have been subject to a full annual audit by the external auditor, PricewaterhouseCoopers.
2. The main features of the Fund Account shown on pages 15 and 16 are: -
 - (1) An increase in the level of employers' contributions from £139.9m to £149.8m. This reflects the increased employer contribution rates determined by the Fund's actuary at the 2004 valuation.
 - (2) Overall, the net new money available for investment decreased from £133.9m to £129.2m.
3. The Net Assets Statement on page 17 of this report shows that the net assets of the Fund have increased from £2,375.1m to £2,573.6m.
4. The Pension Fund investment performance for the year 2006-07 was disappointing with a return of +6% against the Kent benchmark of +7.5% and the WM Local Authority average of +7%. In comparison with other Local authorities, the Kent Fund was ranked in the 73rd percentile for the year 2006-07.

RECOMMENDATION

5. Members are asked to note the contents of the Annual Report and Accounts for 2006-07 and confirm that they can be formally adopted and printed.

Jane Gibbons
Group Accountant (Investments & Treasury)
Ext 4625

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By: Director of Finance
To: Superannuation Fund Committee – 14 September 2007
Subject: **PROCESS FOR ADMISSION TO THE FUND**
Classification: Unrestricted

Summary: To report on the process for organisations to participate in the Superannuation Fund.

FOR DECISION

1. The current Local Government Pension Scheme Regulations allow for applications from organisations to participate in the Pension Fund either as a Community Admission Body or a Transferee Admission Body.
2. The Superannuation Fund Group in 1990 stipulated that applications should meet criteria stipulated by members as resolved and stated in minutes 12(90) of the Superannuation Fund Group. The criteria as stated are:-
 - (1) Organisations must employ 20 or more people, but those with a lesser number would be accepted only if they had been set up to take over a function divested either from the County or District Councils; and
 - (2) No organisation wholly based outside the County is admitted
3. Russet Homes and its subsidiary Invicta Telecare, both existing employers in the Fund, have taken the decision to become part of a larger Housing association group. Circle Anglia manages homes in London, Hertfordshire, Bedfordshire, Cambridgeshire, Norfolk, Suffolk and Essex. The staff will remain employed by Russet Homes or Invicta Telecare apart from the two managing directors who will transfer to Circle Anglia.
4. Circle Anglia will be making an application for admission to the Pension Fund but this would be affected by the member resolution set out above.
5. It would be permissible under the LGPS Regulations to agree the admission and it is important to provide individual employees with as much continuity in pension terms as possible.

RECOMMENDATION

6. Members are asked to delete the policy set out in paragraph 2. provided that the financial position of the Fund is protected in each case by a bond or indemnity.

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