

SUPERANNUATION FUND COMMITTEE

Friday, 19th November, 2010

10.00 am

**Medway Room, Sessions House, County Hall,
Maidstone**



AGENDA

SUPERANNUATION FUND COMMITTEE

Friday, 19th November, 2010 at 10.00 am Ask for: **Geoff Rudd**
Medway Room, Sessions House, County Telephone: **01622 694358**
Hall, Maidstone

UNRESTRICTED ITEMS

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

A. COMMITTEE BUSINESS

1. Substitutes
2. Declarations of Interests by Members in items on the Agenda for this meeting.
3. Minutes (Pages 1 - 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. Minutes (Pages 5 - 6)
2. Baillie Gifford
3. Fund Structure (Pages 7 - 10)

UNRESTRICTED ITEMS

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

D. MATTERS FOR REPORT/DECISION BY THE COMMITTEE

1. Actuarial Valuation (Pages 11 - 12)
2. Fund Position Statement (Pages 13 - 20)
3. Pensions Administration (Pages 21 - 30)
4. Cash Management (Pages 31 - 32)
5. Admissions to the Fund (Pages 33 - 34)

Peter Sass
Head of Democratic Services and Local Leadership
(01622) 694002

Thursday, 11 November 2010

- (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 C2 and C3.*

KENT COUNTY COUNCIL

SUPERANNUATION FUND COMMITTEE

MINUTES of a meeting of the Superannuation Fund Committee held in the Medway Room, Sessions House, County Hall, Maidstone on Friday, 20 August 2010.

PRESENT: Mr J E Scholes (Chairman), Mr J Burden, Mr P Clokie, Mr J A Davies, Mrs J De Rochefort, Mr M J Jarvis, Mr J F London, Mr R A Marsh, Mr R Packham, Mr R J Parry, Mr S Richards and Mr M V Snelling.

ALSO PRESENT: Mr D Boyd and Mr S Birch of Hymans Robertson and Miss S J Carey.

IN ATTENDANCE: Ms L McMullan (Director of Finance), Mr N Vickers (Head of Financial Services) and Mr G Rudd (Assistant Democratic Services Manager).

UNRESTRICTED ITEMS

28. Minutes - 18 June 2010

(Item 3)

RESOLVED that the Minutes of the meeting held on 18 June 2010 are correctly recorded and that they be signed by the Chairman.

29. Superannuation Fund Report & Accounts

(Item 1 - report by the Chairman of the Superannuation Fund Committee and the Director of Finance)

(Mr G Brown of the Audit Commission was in attendance for this item)

RESOLVED that:-

- (a) the contents of the Annual Report and Accounts for 2009-10 be noted and that the report and accounts can be published;
- (b) the thanks of the Committee be conveyed to all staff involved in the preparation of the Annual Report and Accounts;
- (c) the external auditor's Annual Governance Report be noted;
- (d) the position with regard to Governance and Audit Committee be noted; and
- (e) the Chairman of the Superannuation Fund Committee and the Director of Finance attend the next meeting of the Governance and Audit Committee to come to an arrangement about what practical arrangements are required to gain the Committee's approval of the Fund's accounts.

30. Fund Position Statement

(Item 2 - report by the Chairman of the Superannuation Fund Committee and the Director of Finance)

RESOLVED that the report be noted.

31. Cash Management

(Item 3 - report by the Chairman of the Superannuation Fund Committee and the Director of Finance)

RESOLVED that the Treasury Management report be noted.

32. Application for Admission to the Fund

(Item 4 - report by the Chairman of the Superannuation Fund Committee and the Director of Finance)

RESOLVED that:-

- (a) the admission to the Kent County Council Pension Fund of the successful contractor from the four companies tendering for the East Kent Joint Waste Shepway District Council Street Cleansing Contract be agreed;
- (b) a legal agreement can be entered into in respect of Golding Homes Limited;
- (c) once legal agreements or deeds have been prepared for all of the matters referred to in (a) and (b) above, the Kent County Council seal can be affixed to the legal documents; and
- (d) the policy on employer contribution rates in respect of Kent County Council Schools and Medway Council Schools which became academies on or after 1 September 2010 be agreed.

33. Response to the Hutton Review of Public Sector Pensions

RESOLVED that it be noted that the Superannuation Fund has made a response to the Hutton Review of Public Sector Pensions.

EXEMPT ITEMS

(Open Access to Minutes)

34. Minutes - 18 June 2010

(Item 1)

RESOLVED that the exempt Minutes of the meeting held on 18 June 2010 are correctly recorded and that they be signed by the Chairman.

35. Schroders

(Item 2)

(1) Mr G Day and Mrs S Noffke of Schroders attended the meeting to give a presentation on Schroders performance and to answer Members questions.

(2) RESOLVED that the report from Schroders be noted.

SUMMARY OF EXEMPT ITEMS

(Where Access to Minutes Remains Restricted)

36. Review of Asset Allocation And Equity Managers

(Item 3 - report by the Chairman of the Superannuation Fund Committee and the Director of Finance)

(Mr D Boyd and Mr S Birch of Hymans Robertson were in attendance for this item)

The Committee agreed a number of issues relating to the Fund's asset allocation and investment managers.

37. Fund Structure

(Item 4 - report by the Chairman of the Superannuation Fund Committee and the Director of Finance)

The Committee agreed a number of issues relating to the structure and management of the Fund.

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By: Chairman Superannuation Fund Committee
Head of Financial Services

To: Superannuation Fund Committee - 19 November 2010

Subject: **ACTUARIAL VALUATION**

Classification: Unrestricted

Summary: To report the initial results of the 31 March 2010 actuarial valuation of the Fund.

FOR INFORMATION

INTRODUCTION

1. Barnett Waddingham have undertaken the actuarial valuation of the Fund as at 31 March 2010.
2. Initial results at Fund level were shared with KCC Officers on 5 October and the local authority results were presented to a meeting of the Kent Finance Officers on 2 November by the actuary Graeme Muir. Graeme will be present at the Committee to present these initial results. The aim is to get results to the other employers by 30 November.
3. Individual Chief Finance Officers in the local authorities are still sharing the initial results with their members so at this stage the individual local authority results are not included in this report.

INITIAL RESULTS

4. The approach and initial results of the valuation are summarised by Barnett Waddingham in the attached Appendix.
5. It has always been expected that this would be a very challenging valuation largely because of the poor investment returns across the 3 year period of approximately +1% per annum compared with the return assumed by the actuary of +6.1%. The Kent Fund performed broadly in line with the WM Local Authority Average and the 1% per annum return reflects the poor returns on equities and property in-particular in the first 2 years of the valuation period.

6. At Fund level the highlights of the valuation are:
 - (1) An improvement in the funding level from 73% to 77%.
 - (2) A reduction in the contribution rate from 22.3% to 20.8%.
7. Two main factors can be identified that explain this surprising and highly welcome outcome:
 - (1) As they explained when appointed the Barnett Waddingham “Dynamic Gilts Plus” Model is more flexible and smoothes asset values and key assumptions. Barnett Waddingham have delivered on this.
 - (2) A number of recent events have helped the situation:
 - The Chancellor of the Exchequer’s decision to link pension increases to CPI not RPI reduced the employer contribution rates by 3%.
 - An increase in retirement age of +1 year reduced the contribution rate by 1.1%.
 - The 2 year pay freeze reduced the rate by 0.9%.
 - Updated mortality improved the rate by 0.4%.
8. The largest scheme employers; KCC, Medway, Police and Fire, show on initial results reductions of 1.1% to 2.6%. Reductions for District Councils range from 0.2% to 5%. Generally the higher the rate paid previously the bigger the reduction.
9. In the context of the Comprehensive Spending Review these reductions are very important – many of the Councils have budgeted for an increases in their contribution rate and will now receive a reduction. Barnett Waddingham are working with individual Chief Financial Officers to fine tune options, particularly around the impact of reductions in payroll which linked to budget savings on how much they should pay into the Fund.

RECOMMENDATION

10. Members are asked to note this report.

Nick Vickers
Head of Financial Services

Ext 4603

By: Chairman Superannuation Fund Committee
Head of Financial Services

To: Superannuation Fund Committee –19 November 2010

Subject: **FUND POSITION STATEMENT**

Classification: Unrestricted

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

FOR DECISION

INTRODUCTION

1. Attached is the Fund Position Statement report.

RECOMMENDATION

2. Members are asked to note this report.

Katherine Gray
Senior Accountant (Investments)
X4642

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FUND POSITION STATEMENT

Classification: Unrestricted
Item: D2 refers

Summary of Fund Asset Allocation and Performance Superannuation Fund Committee 19th November 2010

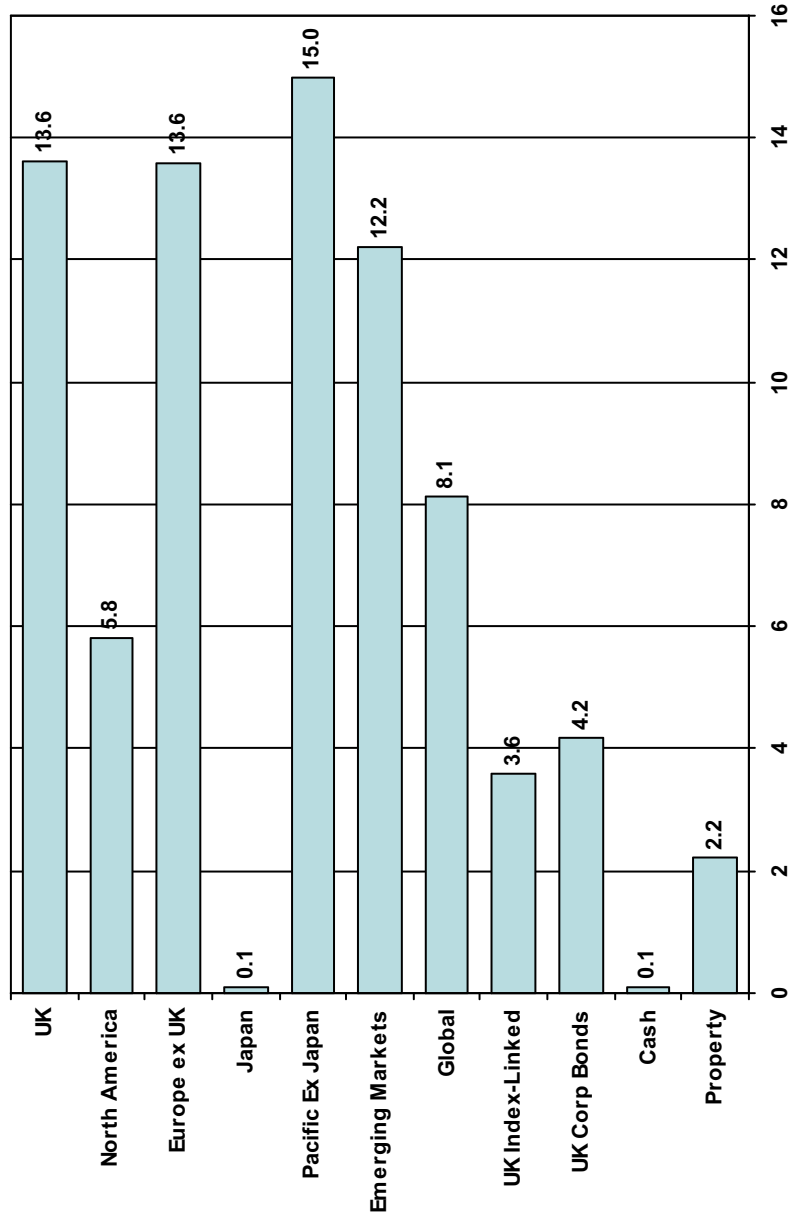
**By: Chairman Superannuation Fund Committee
Head of Financial Services**



Kent County Council
Superannuation Fund 2010

Nick Vickers—Head of Financial Services

Market Returns-3 months to 30 September 2010

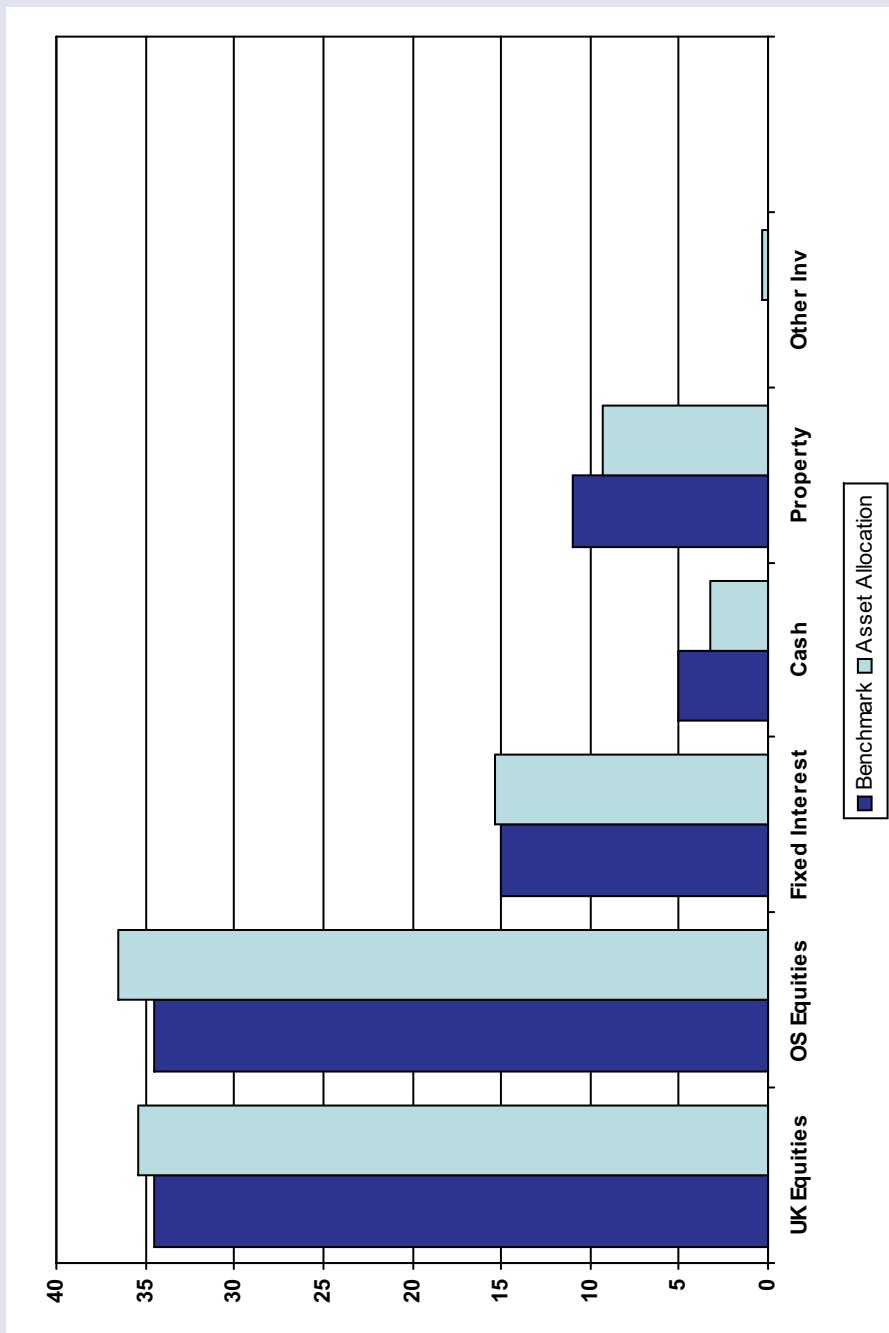


- Global Equity markets rose strongly over the quarter with September being a particularly strong month as fears over a double dip recession receded. News that the US may embark on a further round of quantitative easing was a major contributing factor.
- The Pacific ex Japan region produced the best returns, closely followed by the UK and Europe.
- UK Bond and index linked markets showed steady returns over the quarter of 4.2% and 3.6% respectively.
- Property values continued to rise this quarter by 2.2%

Kent Fund Asset Allocation vs Fund Benchmark

Classification: Unrestricted
Item: D2 refers

85	Kent Fund		Benchmark
	£m	%	%
Asset Class			
UK Equities	1,102	37.7	34.5
Overseas Equities	1,050	35.9	34.5
Fixed Interest	427	14.6	15
UK Property	257	8.8	10
European Property	16	0.6	1
Cash	62	2.1	5
Other Inv	9	0.3	-
Total Value	2,923	100	100



Asset Distribution Fund Manager

Classification: Unrestricted
Item: D2 refers

Values (GBP)'000	Mandate	Value at		Capital		Income	Value at 30/09/2010	Fund	Benchmark
		30/06/2010	Transactions	Gain / loss	%				
Schroders	UK Equity	436,185	3,792	59,316	3,809	499,294	17	Customised	
Invesco	UK Equity	311,074		25,534		336,608	12	Customised	
State Street	UK Equity	171,680	30,559	23,529		225,768	8	FTSE 100 All Share	
State Street	Global Equity	50,851	200,850	7,077		258,777	9	FTSE All World ex UK	
Alliance Bernstein	Global Equity	219,775	-228,961	9,187	1,099	0	0	MSCI World	
Baillie Gifford	Global Equity	466,998	2,057	49,415	2,515	518,470	18	Customised	
GMO	Global Quantitative	159,599		13,715		173,314	6	MSCI World	
Schroders	Global Quantitative	123,163		11,847		135,010	5	MSCI World	
Goldman Sachs	Fixed Interest	230,635	140	11,058	131	241,833	8	ML £ Broad Market	
Schroders	Fixed Interest	183,236	659	4,796	659	188,690	6	ML £ Broad Market	
Impax	Environmental	22,674	0	1,170		23,844	1	MSCI World	
DTZ	Property UK	235,914	19,679	2,893	3,381	258,487	9	IPD All Properties Index	
DTZ	Property Europe	16,674	13	-739	62	15,948	1	IPD All Properties Index	
Internally Managed	Cash	54,921	-8,505	941	67	47,367	2	LIBID 7 Day Rate	
Total Fund		2,683,381	20,282	219,738	11,722	2,923,401	100	Kent Combined Fund	

Performance Returns to 30 September 2010

Classification:
Unrestricted
Item: D2 refers

	Quarter		1 year		3 years	
	Fund %	Benchmark %	Fund %	Benchmark %	Fund %	Benchmark %
Total Fund	8.6	8.5	13.1	11.6	0.9	0.8
UK Equity						
Schroders UK	14.5	13.4	16.9	12.3	2.7	-0.9
State Street	13.7	13.6	12.6	12.5		
Invesco	8.2	13.6	12.0	12.5	-0.5	-1.0
Overseas Equity						
Baillie Gifford	11.1	9.3	17.7	8.6	5.5	1.2
GMO	8.6	8.0	8.2	8.6	-0.7	0.4
Schroders GAV	9.6	8.0	13.2	8.6	2.4	0.4
State Street	7.8	8.0				
Impax Environmental Fund	5.2	8.0				
Fixed Interest						
Goldman Sachs Fixed Interest	4.8	4.2	11.2	9.2	7.5	7.3
Schroders Fixed Interest	3.0	2.2	7.7	5.4	8.4	6.0
Property						
UK Property	2.5	2.2	31.4	22.6	-2.5	-6.7
Overseas Property	-4.1	2.2	-18.1	22.6	-11.3	-6.7

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

- The Fund increased in value over the quarter by £240m to £2.9bn.
- The fund marginally outperformed the benchmark over the quarter by 0.2%. This put the fund 42nd in the WM local authority rankings.
- The fund produced a return of 13.1% over the year, an outperformance of 1.5% ranking us 11th in the WM Local Authority rankings. The fund is ranked 55th over 3 years.
- Most equity fund managers outperformed their benchmarks for the quarter with Baillie Gifford being the top performer showing an out-performance of 1.8%
- GMO recovered well this quarter and have made some progress in rectifying their recent poor performance
- Over the longer term, Baillie Gifford and Schroders UK Equity performed particularly well, outperforming their benchmark by 4.3% and 3.6% respectively
- Both Fixed Interest managers outperformed their benchmark for the quarter, over 1 year and 3 years.
- Alliance Bernstein's mandate was terminated during the quarter and assets successfully transferred to Statstreet.

Fund Structure

UK Equities

Schroders
+1.5%
£499m

State Street
+0.0%
£226m

Invesco
Unconstrained
£337m

Global Equities

Baillie Gifford
+1.5%
£518m

GMO
+3.0%
£173m

Schroders
+3.0 - +4.0%
£135m

State Street
+0.0%
£259m

Impax
£24m

Fixed Interest

Goldman Sachs
+0.75%
£242m

Schroders
+1.0%
£189m

Alternative

DTZ
UK Property
£258m

DTZ
Europe Property
€19m (£16m)

Kent Cash
£39m

Henderson
Secondary PFI
£7m

YFM Private
Equity £2m

Market Value £2.9bn
as at 30 September 2010.

By: Chairman Superannuation Fund Committee
Head of Financial Services

To: Superannuation Fund Committee-19 November 2010

Subject: **PENSIONS ADMINISTRATION**

Classification: Unrestricted

Summary: To provide members with a comprehensive update of administration issues including:-

- Workload position
- Achievements against Key Performance Indicators (KPIs)
- Performance in 2010 CIPFA benchmark survey
- Technology strategy
- The Hutton review – impact upon administration
- Other topical issues

FOR INFORMATION

INTRODUCTION

1. This report updates members on a range of issues concerning the administration of the Kent Pension Scheme.

WORKLOAD POSITION (APPENDIX I)

2. Members have been advised in previous reports of the increasing workload being experienced by the section.
3. To meet this increase, Appendix 1 confirms that the total number of tasks completed in a 20 week period (May/Sept) in 2009 and 2010, shows an increase from 15641 cases to 19010. Monthly output is now running at over 4000 cases.
4. At 31 October 2010, cases outstanding at 6436 confirms a reduction against the last figure reported at 6604. This level of outstanding cases represents around 6 weeks output.
5. Cases outstanding, represent those tasks where all documentation is in place to undertake the process. Members are advised that a further 3000 cases await documentation prior to our being able to process the task.
6. In addition to this 'standard' workload, the section is experiencing increases in other administrative tasks as follows:-

- Bulk estimates
We are able to provide employers with bulk estimates of employer costs for the premature release of benefits in redundancy. In preparation for budget cuts employers are seeking high levels of bulk estimates.
 - Review of Police and Fire injury allowances
Where an officer is injured in the line of duty, an injury allowance is paid in the form of an 'annual pension'. If DWP benefits are payable, as a direct result of that injury, the injury allowance is reduced by the sum of all benefits. This year there was no 'inflationary' increase applied to injury allowances, whereas, DWP benefits were increased. It is therefore necessary to review all such cases.
 - Valuation data
In order to complete the 2010 valuation in a timely fashion, the section was required to despatch all data by 23 July 2010.
7. Despite both the increases in workload and the extra work mentioned in point 6 above, the section continues to maintain work levels/output at a satisfactory level.

KEY PERFORMANCE INDICATORS (KPIs) (APPENDIX II)

8. I am delighted to report that in all the recorded KPI areas we have outperformed, for the fourth consecutive six month period, the target set of 95% within turnaround time.
9. KPIs represent a small part of the sections overall workload. However, the KPI tasks are processes resulting in an output to scheme members, and as such, are a measure of service quality.

CIPFA ADMINISTRATION BENCHMARK SURVEY 2010

10. The results of the 2010 survey are shown at Appendix III. Kent is compared with 18 other shire counties (comparator survey) and 62 LGPS authorities (all schemes survey).
11. I am pleased to say that at £19.12 per member, total administration costs are lower than both the comparator average (£19.84) and the all schemes average (£22.72). Our position in each survey was eighth of 19 in comparator survey and seventeenth of 63 in the all schemes survey.
12. It is important to remember that this survey merely reviews costs and does not test or have a measure for 'quality' of service. Lowest cost in itself does not necessarily represent the best outcome, if, this is achieved at a cost to the quality of service.
13. Staff costs per member at £10.19, are at the average cost for both comparator and all schemes (£9.51 and £10.05 respectively).
14. Pension payroll costs are significantly lower than both other survey averages (£1.43 : £2.76/£3.49). This reflects the practice in some authorities of charging the scheme on the basis of a full/dynamic payroll cost despite pensions remain constant and payslips are only issued once per annum.

15. The survey shows that our direct/overhead costs at £7.61 per member are lower than both other averages in the two surveys (£7.65 per member and £9.48 per member).
16. Costs warranting mention are our actuarial fees which were around twice that of other LGPS administration units. These costs are for 2009/10 and largely relate to Hymans Robertson..
17. Communication costs at £2.03 per member were higher than both other surveys (£0.95 and £0.92 respectively).

We have over 350 employers, the third largest number in the all schemes survey, and send all communications to home addresses. It is not possible to communicate via employers and previous pension ombudsman rulings, confirm that all formal notices need to be addressed to a members personal residence.

18. We are one of only three authorities communicating in this way. (See further comments on communication under section headed 'Technology Strategy'.)
19. Finally, the survey compared the cost of administration in the LGPS, both in house and outsourced, with the private sector, again, both in house and outsourced. The results were as follows:-

Kent LGPS in house	£19.12
LGPS in house	£22.85
LGPS outsourced	£21.11
Private sector in house	£47.00
Private sector outsourced	£41.00

(The above private sector figures were taken from the Capita Hartshead review. For the private sector results they **exclude** the cost of pensioner payroll).

TECHNOLOGY STRATEGY

20. Members have previously been advised of our plans to use technology to improve both the quality and cost of the administration service. This strategy essentially focuses on improvements in the data we receive from scheme employers and the way in which we communicate with both employers and scheme members. However, there remains two further developments, which can be introduced, to further improve the processing undertaken within the section.

SCHEME EMPLOYERS

21. We have installed Axis Employer which is the software package, part of the Heywood suite of administration software, which enables employers to remotely access the pensions database and undertake administrative tasks. We have a duty of care to ensure all processes are completed accurately and under our initial 'testing' period, all transactions will be checked for accuracy and then authorised, for the 5 pilot employers selected. To reach full competence, each scheme employer, will proceed through 3 stages of training.

22. I very much regret to advise members that we continue to suffer from delays/problems with the KCC ISG department, in achieving remote access for the test employers. We have been in discussions for over 2 years with our ISG colleagues and at the point of this report, are still unable to provide remote access as a consequence of compatibility issues with the KCC system. Our project leader continues to seek a solution but I regret the ISG response has been far from positive or timely.

SCHEME MEMBERS

23. Work is well underway to move the KCC pensions website to its own unique www domain site. Branding and templates have been agreed and work will soon begin on moving the existing pages (employers, pensioners, investments etc) over to the new domain to be www.kentpensionfund.gov.uk.
24. In the longer term both Employer (Axis Employer (mentioned in point 21) and scheme members will be able to access pensions database remotely. For scheme members this will be via a PIN number and allow estimates, AVC and ARC quotations to be requested online.
25. It is hoped that via the website it will be possible to reduce our communication costs by posting 'Annual Benefit Statements' on a members site and save postage. In much the same way as 'online banking'.
26. These initiatives represent the future for the administration of the scheme and it is hoped the very real problems being currently experienced can be overcome and progress will be made.

PROCESSING TECHNOLOGY

27. Over the next 2-3 years we need to move our complete database to Axis Altair, which is the latest software release from our supplier, Heywood via the CLASS consortium arrangements.
28. Axis Altair is run on a 'relationship database platform' which enables the administration of multi contract/assignment staff to be undertaken by a single input. All amendments to a single assignment are automatically posted to all other assignments under that National Insurance number. We will need to ensure all assignments have a separate record to gain best advantage from this arrangement before moving to this version of the Heywood systems.
29. Finally, we continue to run the Axis pensioner database (currently on AXISe) and the Axis pensioner database (currently on Axis Payroll) on separate databases. Axis payroll allows a basic payroll record to be automatically set up upon calculation of the benefit with electronic transfer of data between Pensions and Shared Services. To ensure this is successful we will need to compare and update both databases to confirm consistency of the records held.

THE HUTTON REVIEW – IMPACT UPON ADMINISTRATION

30. Lord Hutton has at this point completed the 'interim review', of public sector pensions in readiness for the spending review. He is now calling for evidence to inform his final report which is scheduled for completion by the Spring of 2011.
31. However, the interim report contained a number of clear messages with the potential to significantly impact upon the ongoing administration of public service pensions.
32. The clear messages are as follows:
 - A final salary pension scheme is not sustainable in the future.
 - Options for change include a CARE scheme with potential for 'capping' pensionable pay under the main scheme package.
 - The introduction of Hybrid arrangements to 'top up' where a member so decides.
 - A combination of the above.
 - All existing 'accrued' benefits to be protected.
33. A move to a CARE would in itself not prove significant in terms of the basic calculation process. However, it would require each of our 370 employers to provide, annually, an accurate pensionable pay figure, upon which the benefit accrual could be based. We currently have to question around 4500 pay figures each year. For a final salary arrangement this does not present an immediate problem, given, the benefit is based upon 'final salary' at retirement. In a CARE arrangement, the benefit is based upon the sum total of each annual pension for each year of service. We would therefore have to have an accurate figure each year.
34. LGPS administrators have no experience of running DC/Hybrid schemes and I suspect any 'top up' arrangement would be administered externally and on a National basis.
35. There is a real likelihood that in protecting existing 'accrued' rights, as confirmed in the review, the Government will defer these benefits and increase them by CPI until the normal retirement date. This being the case we will have to obtain all the data from employers to undertake deferred benefit calculations for every scheme member. This represents a very significant amount of work.

OTHER TOPICAL ISSUES

HMRC review of tax allowances on pensions

36. The long awaited review of the changes to HMRC pension legislation have now been published.

The outcome, whilst not as strong as was first considered likely, will nonetheless place further pressures on scheme administrators.

The responsibility of identifying those people in excess of the revised annual allowance (£50k) will fall to the administrator. This is achieved by comparing the value of a persons pension 'pot', on an annual basis year on year.

37. As currently drafted, legislation requires this to be completed and for members to be advised by the end of July. This will require all 370 scheme employers to complete contribution returns and salary confirmations, by the end of June each year. Under present arrangements this deadline would not be achievable. HMRC is proposing to impose penalties on schemes who fail to deliver at a cost initially of £60 per member.

Data quality legislation

38. The Pensions Regulator (PR) has issued guidance on the need to improve member data by December 2012.

The guidance requires that schemes have 100% accuracy in terms of common data and 95% accuracy in terms of scheme specific data.

The PR expects all schemes to undertake a data audit in 2011 and formulate plans to achieve the performance standards by December 2012. The PR expects schemes to have taken all 'reasonable endeavours' to achieve the data objectives.

Mortality screening/member tracing

39. We are now concluding our review of systems, to achieve a satisfactory 'mortality' screening process and member tracing process, having considered four providers offerings.
40. We are about to arrange a free data audit via ATMOS (one of the four providers and part of the Heywood software package). This will assist us not only in terms of mortality screening, but, will also inform the data audit mentioned under 'Data Quality Legislation' paragraph 38.

Administration software system

41. In light of the uncertainty around the future structure of the scheme following the Hutton review, which dictates the specification/requirements of any potential tender process, the CLASS Group has postponed any future collective tender process until the way forward is clear. It is anticipated that some collective tender process could therefore recommence around the Spring of 2011.

Valuation

42. The valuation process was completed satisfactorily by the deadline of 23 July 2010, to despatch data reports to Barnet Waddingham (BW). BW have confirmed the data to have been in good condition upon receipt.

Staffing

43. Members are advised we are presently interviewing for 4 x Trainee Administrator posts, as advised to Committee at the last report.

RECOMMENDATION

44. Members are asked to note this report.

**Patrick Luscombe
Pensions Manager
Extension 4714**

Appendix I

Workload Summary

Cases completed in key administration areas.

Case Type	(Financial Year)				
	2005/06	2006/07	2007/08	2008/09	2009/10
Benefit calculation	1255	1547	1544	1814	1797
Divorce quotations	-	304	306	373	490
Estimate calculations	1206	2302	2121	2364	2348
Preserved Benefit calculations	-	3810	3923	4443	3913
Transfers In (Actual and Quote)	-	499	754	597	664
Transfers Out (Actual and Quote)	-	239	430	542	555
Widows benefits	342	307	346	379	311

Total cases completed and total cases outstanding (20 weeks comparison each year May/September).

	2006	2007	2008	2009	2010
Total cases completed	11464	15240	14885	15641	19010
Total cases outstanding	7844	9937	9129	7753	6436 (at Oct10)

Appendix II
Achievements against Key Performance Indicators

Case Type	Target Time	6 months 04/08		6 months 09/08		6 months 04/09		6 months 09/09		6 months 03/10		6 months 09/10	
		No	% in target	No	% in target	No	% in target	No	% in target	No	% in target	No	% in target
Calculation and payment of retirement award	20 days*	731	96%	977	92.5%	837	98.5%	907	98%	913	98%	1069	98%
Calculation and payment of dependant benefit	15 days*	170	91%	172	95.8%	200	100%	134	99%	178	98%	141	100%
Calculation and provision of benefit estimate	20 days*	951	95%	1198	91.5%	1166	98%	1161	98%	1244	99%	1366	98%
Reply to correspondence	Full reply 10 days *	607	95%	741	91.0%	862	98%	785	99%	893	98%	691	98%

* All targets run from the day all necessary data is received from the employer.

Appendix III

CIPFA Administration Benchmark Survey 2010

	Kent County Council	Average comparator survey	Average all schemes survey
Total administration costs per member	£19.12	£19.84	£22.72
Staff costs per member	£10.19	£9.51	£10.05
Direct costs per member*	£4.43	£3.07	£3.26
Pension payroll costs per member	£1.43	£2.76	£3.49
Overheads per member	£3.18	£4.92	£5.99

* Direct costs per member

Total scheme members	109,568
Total pensioners	25,004
Full time	20,447
Part time	23,314
Deferred	29,011
Dependants	4,71
Other	7,321
	109,568

	Kent	Comparator average	All schemes average
Communications	£2.03	£0.95	£0.92
Actuaries	£2.03	£1.11	£1.11

By: Chairman Superannuation Fund Committee
Head of Financial Services

To: Superannuation Fund Committee – 19 November 2010

Subject: **CASH MANAGEMENT**

Classification: Unrestricted

Summary: Update on the treasury management for the internally managed cash

FOR DECISION

INTRODUCTION

1. Since July 2010 the Pension Fund's cash has been managed separately from KCC's cash and invested in accordance with the Treasury Management Strategy agreed by the Superannuation Committee on 18 June 2010.

CASH BALANCE

2. As at 31 October the total internally managed cash balance was £28.9m an increase of £14.4m over the 3 months from 31 July.
3. The overall return earned on the cash was just over 1.1% pa. Of the total balance £13.4m was on deposit in an RBS call account and £15.3m was invested in the JP Morgan Sterling Liquidity Fund.
4. The present cash balance is in excess of the agreed minimum amount of £15m required to cover the Fund's ongoing payments and the Treasury Management Strategy states that surplus cash should be transferred to fund managers.

RECOMMENDATION

5. Members are recommended to confirm the transfer of £14m to fund managers and to agree the fund allocation.

Alison Mings
Treasury and Investments Manager

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By: Chairman Superannuation Fund Committee
Head of Financial Services

To: Superannuation Fund Committee – 19 November 2010

Subject: **APPLICATION FOR ADMISSION TO THE FUND**

Classification: Unrestricted

Summary: To report on an application to join the Pension Fund and Kent Music School changes to basis of admission

FOR DECISION

INTRODUCTION

1. This report sets out information on an application from an organisation to become an admitted body within the Pension Fund and also changes to an existing admission agreement and seeks committee approval to enter into legal agreements with these organisations.

SUPERCLEAN SERVICES WOTHORPE LIMITED

2. Tonbridge & Malling Borough Council awarded a contract for cleaning of their leisure centre on 1 April 2010 to Superclean Services Wothorpe Limited (Superclean).
3. This involves the transfer of one employee to Superclean. To ensure the continuity of pension arrangements for this employee, Superclean has made an application for admission to join the Pension Fund.
4. The application has been made under Regulation 6(2)(a)(i) of the Local Government Pension Scheme (Administration) Regulations 2008, as amended and under this regulation the admitted body is required to provide a form of bond or indemnity. The Fund Actuary will be asked to assess the level of bond.
5. The completed questionnaire and Memorandum and Articles of Association provided by Superclean have been examined by Legal Services to ensure compliance with the Local Government Pension Scheme Regulations. Legal Services have given a favourable opinion.

KENT MUSIC SCHOOL

6. Kent Music School, an existing employer in the Pension Fund, closed the Pension scheme to both future and existing employees as at 16 April 2010 and the Fund Actuary has prepared a cessation valuation which discloses the pensions liability attributable to Kent Music School.

7. The most likely scenario for Kent Music School is the Accrual Cessation, where although Kent Music School will not have any active members in the Fund, it is still a going concern and the deficit can be recovered over an agreed period.
8. On this basis the Fund Actuary has assessed that the projected deficit is £395,000. Kent Music School would need to make payment to the Pension Fund until all liabilities are extinguished. As the assets & liabilities are reviewed at each triennial actuarial valuation, this could potentially be in fifty years time.
9. The Head of Financial Services is liaising with Kent Music School with regard to setting the amount and frequency of the deficit payment to the Pension Fund.
10. As there has been a change to the original Admission Agreement a new agreement will be drafted for agreement between the parties.

RECOMMENDATION

11. Members are asked to agree:
 - (1) to the admission to the Kent County Council Pension Fund of Superclean Services Wothorpe Limited; and
 - (2) that a legal agreement can be entered into in respect of Kent Music School; and
 - (3) that once legal agreements have been prepared for all of the above matters, the Kent County Council seal can be affixed to the legal documents.

Jane Gibbons
Principal Accountant (Investments)
Ext. 4625