

SUPERANNUATION FUND COMMITTEE

Friday, 4th March, 2011

10.00 am

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



AGENDA

SUPERANNUATION FUND COMMITTEE

Friday, 4th March, 2011 at 10.00 am
Darent Room, Sessions House, County
Hall, Maidstone

Ask for: **Geoff Rudd**
Telephone: **01622 694358**

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 - 2)

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 3 - 4)
2. GMO
3. Fund Structure (Pages 5 - 24)
4. Employer Financial Security (Pages 25 - 30)

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 31 - 38)
2. Treasure Management Update (Pages 39 - 40)
3. Admissions to the Fund (Pages 41 - 42)

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

Thursday, 24 February 2011

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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, 11 February 2011.

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

ALSO PRESENT: Mr J McDonald of Hymans Robertson and Miss S J Carey.

IN ATTENDANCE: Mr N Vickers (Head of Financial Services), Ms K Gray (Senior Accountant Investments), Ms A Mings (Treasury & Investments Manager) and Mr G Rudd (Assistant Democratic Services Manager).

UNRESTRICTED ITEMS

A. COMMITTEE BUSINESS

50. Declarations of Interests by Members in items on the Agenda for this meeting.
(Item A2)

There were none.

51. Minutes
(Item A3)

RESOLVED that the Minutes of the meeting held on 19 November 2010 are correctly recorded and that they be signed by the Chairman.

52. Matters Arising from the Minutes

Mr N Vickers referred to paragraph 46(1) of the Minutes of the meeting held on 19 November 2010 and confirmed that the item relating to the risk register of outside bodies would be brought to the Committee at its meeting on the 4 March 2011.

D. MATTERS FOR REPORT/DECISION BY THE COMMITTEE

53. Admissions to the Fund
(Item D1- report by the Chairman of the Superannuation Fund Committee and the Head of Financial Services)

RESOLVED that:-

- (a) the admission to the Kent County Council Pension Fund of Project Salus Community Interest Company Ltd be agreed; and

- (b) once legal agreements have been prepared for the matter referred to in (a) above, the Kent County Council seal can be affixed to the legal documents.

C. MATTERS FOR REPORT/DECISION BY THE COMMITTEE

54. Minutes

(Item C1)

RESOLVED that the exempt Minutes of the meeting held on 19 November 2010 are correctly recorded and that they be signed by the Chairman.

55. State Street- Passive Equity Investing

(Item C2)

(1) Ms M Gorman and Mr R Hannam of State Street Global Advisors attended the meeting to give a presentation on Passive Equity Investing and answer Members questions.

(2) RESOLVED that the report from State Street Global Advisors be noted.

56. Baillie Gifford- Emerging markets

(Item C3)

(1) Ms L Dewar and Mr W Sutcliffe of Baillie Gifford attended the meeting to give a presentation on Emerging Markets and answer Members questions.

(2) RESOLVED that the report from Baillie Gifford be noted.

57. Active Currency Hedging

(Item C4 - report by the Chairman of the Superannuation Fund Committee and the Head of Financial Services)

(Mr J McDonald of Hymans Robertson was in attendance for this item)

The Committee agreed on how it wished to proceed with currency management.

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By: Chairman Superannuation Fund Committee
Head of Financial Services

To: Superannuation Fund Committee – 4 March 2011

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.

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: D1 refers

Summary of Fund Asset Allocation and Performance

Superannuation Fund Committee

4th March 2011

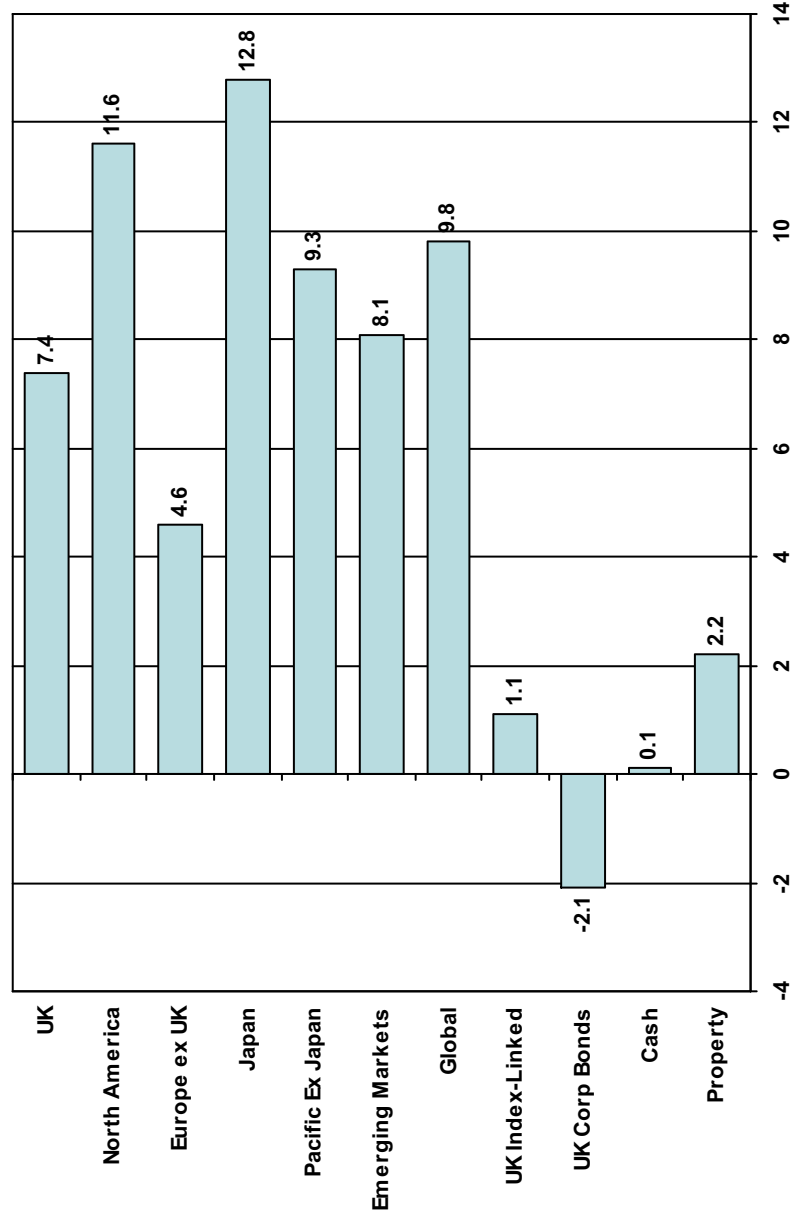
By: Chairman Superannuation Fund Committee
Head of Financial Services



Kent County Council
Superannuation Fund 2010
Nick Vickers Head of Financial Services

Market Returns 3 months to 31 December 2010

Classification: Unrestricted
Item: DI refers

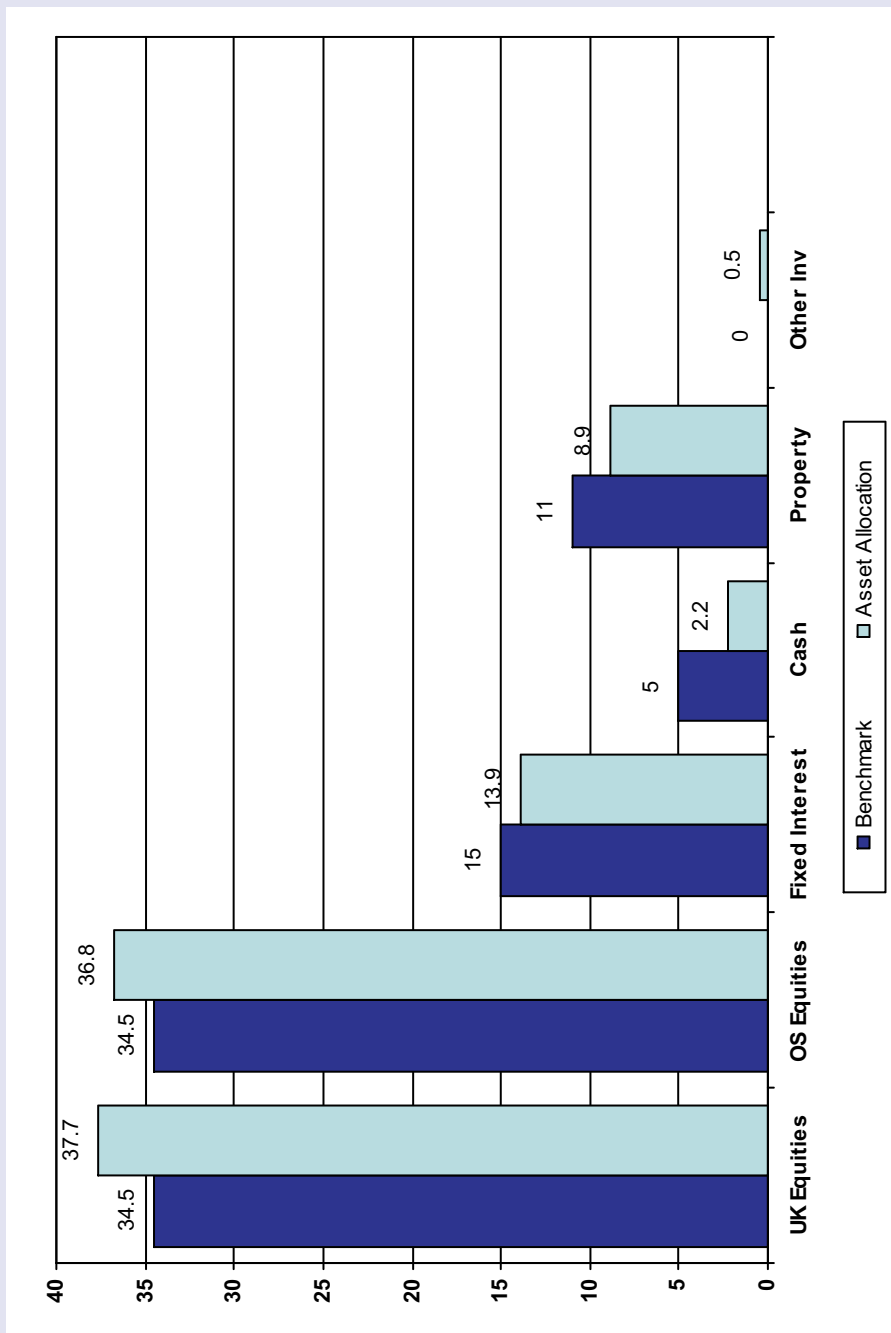


- Global Equity markets ended the year on a positive note with all equity markets rising over the quarter despite further talk of bail-outs and austerity measures.
- Japan produced the highest returns closely followed by North America, both enjoying double digit returns this quarter.
- Fixed Interest markets struggled over the quarter with UK Corporate bonds yielding negative returns.
- Property values continued to rise this quarter by 2.2%

Kent Fund Asset Allocation vs. Fund Benchmark

Classification: Unrestricted
Item: DI refers

Asset Class	Kent Fund		Benchmark
	£m	%	%
UK Equities	1,173	37.7	34.5
Overseas Equities	1,146	36.8	34.5
Fixed Interest	431	13.9	15
UK Property	262	8.4	10
European Property	16	0.5	1
Cash	67	2.2	5
Other Inv	18	0.5	-
Total Value	3,113	100	100



Asset Distribution Fund Manager

Classification: Unrestricted
Item: DI refers

		Value at	Capital	Value at	%			
Values (GBP 000)	Mandate	30/09/2010	Transactions	Gain / loss	Income	31/12/2010	Fund	Benchmark
Schroders	UK Equity	499,294	2,112	34,368	2,152	535,774	17	Customised
Invesco	UK Equity	336,608		14,020		350,628	11	Customised
State Street	UK Equity	225,768		16,660		242,428	8	FTSE 100 All Share
State Street	Global Equity	258,777	1,435	25,878		286,091	9	FTSE All World ex UK
Baillie Gifford	Global Equity	518,470	2,550	42,512	1,783	563,532	18	Customised
GMO	Global Quantitative	173,314		14,240		187,554	6	MSCI World
Schroders	Global Quantitative	135,010		11,156		146,166	5	MSCI World
Goldman Sachs	Fixed Interest	241,833	7,088	-3,850	85	245,071	8	ML £ Broad Market
Schroders	Fixed Interest	188,690	7,670	-2,499	670	193,861	6	ML £ Broad Market
Impax	Environmental	23,844		2,720		26,564	1	MSCI World
DTZ	Property UK	258,487	425	5,095	3,499	264,007	8	IPD All Properties Index
DTZ	Property Europe	15,948	27	62	43	16,037	1	IPD All Properties Index
Partners Group	Global Infrastructure		8,191	80		8,271		
Harbourvest	Private Equity		1,155	-20		1,135		
Internally Managed	Cash	47,357	-1,261	41	73	46,137	2	LIBID 7 Day Rate
Total Fund		2,923,401	29,392	160,462	8,305	3,113,255	100	Kent Combined Fund

Performance Returns to 31 December 2010

Classification: Unrestricted
Item: DI refers

	Quarter			1 year		3 years	
	Fund %	Benchmark %	Fund %	Benchmark %	Fund %	Benchmark %	
Total Fund	5.7	5.7	15.5	13.6	2.6	2.8	
UK Equity							
Schroders UK	7.3	7.2	20.1	14.3	4.6	1.5	
State Street	7.4	7.4	14.6	14.5			
Invesco	4.2	7.4	11.6	14.5	0.1	1.4	
Overseas Equity							
Baillie Gifford	8.5	8.6	21.2	14.9	7.2	3.6	
GMO	8.2	9.7	13.9	15.4	2.2	3.5	
Schroders GAV	8.3	9.7	19.0	15.4	6.2	3.5	
State Street	9.9	9.7	16.1	16.6			
Impax Environmental Fund	11.4	9.7					
Fixed Interest							
Goldman Sachs Fixed Interest	-1.6	-2.3	8.8	7.9	5.7	5.3	
Schroders Fixed Interest	-1.0	-1.1	5.3	4.3	6.9	4.5	
Property							
UK Property	3.4	2.2	33.7	14.5	-1.8	-3.2	
Overseas Property	0.7	2.2	-22.4	14.5	-11.7	-3.2	

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

- The Fund increased in value over the quarter to over £3bn.
- The fund equalled the benchmark over the quarter. This put the fund 46th in the WM local authority rankings.
- The fund produced a return of 15.5% over the year, an outperformance of nearly 2% ranking us 12th in the WM Local Authority rankings. The fund is ranked 46th over 3 years returning 2.6%.
- Most equity fund managers had a difficult quarter relative to their benchmarks. Schroders UK Equity and Impax were the only managers to outperform their benchmark.
- GMO , Invesco and Schroders GAV fared the worst all returning at least 1% under their benchmarks over the quarter
- Over the longer term, Baillie Gifford, Schroders UK Equity and Schroders GAV have performed particularly well, outperforming their benchmarks by around 3%
- Both Fixed Interest managers outperformed their benchmark for the quarter, over 1 year and 3 years.
- The UK Property mandate performed well this quarter outperforming the benchmark by 1.2%

Fund Structure

Classification: Unrestricted
Item: DI refers

UK Equities

Schroders
+1.5%
£536m

State Street
+0.0%
£242m

Invesco
Unconstrained
£351m

Global Equities

Baillie Gifford
+1.5%
£564m

GMO
+3.0%
£188m

Schroders
+3.0 - +4.0%
£146m

State Street
+0.0%
£286m

Impax
£27m

Fixed Interest

Goldman Sachs
+0.75%
£245m

Schroders
+1.0%
£193m

Alternative

DTZ
UK Property
£264m

DTZ
Europe Property
€19m (£16m)

Kent Cash
£39m

Henderson
Secondary PFI
£7m

YFM Private
Equity £2m

Partners Group
£8m

Harbourvest
£1m

Market Value £3.1bn
as at 31 December 2010.

By: Chairman Superannuation Fund Committee
Head of Financial Services

To: Superannuation Fund Committee – 4 March 2011

Subject: **CASH MANAGEMENT**

Classification: Unrestricted

Summary: Update on the Pension Fund's cashflow and internally managed cash

FOR INFORMATION

INTRODUCTION

1. The Pension Fund's cash is managed separately from the KCC pool and invested in accordance with the Treasury Management Strategy agreed by the Superannuation Committee on 18 June 2010. The aim is to maintain a minimum balance of £15m to cover the payment of pensions and other ongoing expenses. Any surplus may be transferred to existing fund managers or used to fund new investments.

CASH MANAGEMENT

2. As at 31 January 2011 the internally managed cash balance was £23.4m. £23.1m was in an RBS call account and £0.3m invested in the JP Morgan Sterling Liquidity Fund.
3. Since July the average overall return on the cash has been just over 1.03% pa.
4. At 1 April 2010 the available cash balance was £42m. During 2010/11 the Fund's cashflow has been positive with contributions and other receipts exceeding outgoings by some £70m. From this surplus together with the cash in hand some £72.7m has been transferred to fund managers and £15.5m used for the purchase of properties. It is anticipated that the available cash balance at 31 March 2011 will be £21m.
5. Total receipts in 2010/11 are forecast to be in line with 2009/10 at £240m. Total employers' contributions are expected to amount to £176m of which £60m, 25%, relate to funding the past deficit.

RECOMMENDATION

6. Members are asked to note the Pension Fund's cash balance and cashflow.

Alison Mings
Treasury and Investments Manager

By: Chairman Superannuation Fund Committee
Head of Financial Services

To: Superannuation Fund Committee – 4 March 2011

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

Classification: Unrestricted

Summary: To report on an application to join the Pension Fund.

FOR DECISION

INTRODUCTION

1. This report sets out information on an application from an organisation to become an admitted body within the Pension Fund.

NORTHGATE MANAGED SERVICES LTD

2. Northgate Managed Services Ltd (Northgate) is an existing Admitted Body within the Pension Fund. This is a Closed Agreement relating to the Wave 3 ICT contract (Building Schools for the Future).
3. KCC are awarding a further contract to Northgate on behalf of Isle of Sheppey Academy for the provision of ICT managed services and ICT hardware within the Academy, effective from 1 April 2011.
4. This involves the transfer of 6 employees from the Isle of Sheppey Academy to Northgate. To ensure the continuity of pension arrangements for these employees, Northgate have made a further application for admission to join the Pension Fund.
5. 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 has assessed the level of bond at £8,000 and set an employer's contribution rate of 12%.
6. The completed questionnaire and Memorandum and Articles of Association provided by Northgate have been examined by Legal Services to ensure compliance with the Local Government Pension Scheme Regulations. Legal Services have given a favourable opinion.

RECOMMENDATION

7. Members are asked to agree:
- (1) to the admission to the Kent County Council Pension Fund of Northgate Managed Services Ltd.
 - (2) that once legal agreements have been prepared for the above matter, the Kent County Council seal can be affixed to the legal documents.

Steven Tagg
Deputy Pensions Manager
Ext. 4625