

SUPERANNUATION FUND COMMITTEE

Friday, 22nd March, 2013

10.00 am

Darent Room, Sessions House, County Hall, Maidstone





AGENDA

SUPERANNUATION FUND COMMITTEE

Friday, 22nd March, 2013 at 10.00 am
Darent Room, Sessions House, County
Hall, Maidstone

Ask for: **Ann Hunter**
Telephone: **01622 694703**
ann.hunter@kent.gov.uk

UNRESTRICTED ITEMS

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

A. COMMITTEE BUSINESS

RESOLVED that the minutes relating to the unrestricted items of the meeting held on 8 February 2013 are correctly recorded and that they be signed by the Chairman.

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)

1. Minutes (Pages 5 - 6)

C. MATTERS FOR REPORT/DECISION BY THE COMMITTEE

1. Schroder Investment Management- Global Active Value
2. Pyrford
3. YFM Private Equity

4. Fund Structure (Pages 7 - 20)

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 21 - 28)
2. Admissions to the Fund (Pages 29 - 32)

Peter Sass
Head of Democratic Services
(01622) 694002

Thursday, 14 March 2013

- (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, C3 and C4.*

KENT COUNTY COUNCIL

SUPERANNUATION FUND COMMITTEE

MINUTES of a meeting of the Superannuation Fund Committee held in the on Friday, 8 February 2013.

PRESENT: Mr J E Scholes (Chairman), Cllr J Burden, Mr D C Carr, Mr P Clokie, Mr J A Davies, Ms J De Rochefort, Ms A Dickenson, Mr N Eden Green, Mr P J Homewood, Mr M J Jarvis, Mr J F London, Mr R A Marsh, Mr R J Parry, Mr S Richards and Mrs M Wiggins.

ALSO PRESENT: Miss S Carey

IN ATTENDANCE: Mr A Wood (Corporate Director of Finance and Procurement), Mr N Vickers (Head of Financial Services), Ms A Mings (Treasury & Investments Manager), Ms S Surana (Senior Accountant - Investments), Mr S Tagg (Deputy Pensions Manager), Mrs A Hunter, Principal Democratic Services Officer.

UNRESTRICTED ITEMS

57. Minutes of the meeting held on 16 November 2012

(Item A3)

RESOLVED that the minutes relating to the unrestricted items of the meeting held on 16 November 2012 are correctly recorded and that they be signed by the Chairman.

EXEMPT ITEMS (OPEN ACCESS to Minutes)

RESOLVED that, under Section 100A of the Local Government Act 1972, the 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.

58. Exempt Minutes of the meeting held on 16 November 2012

(Item C1)

RESOLVED that the minutes relating to the unrestricted items of the meeting held on 16 November 2012 are correctly recorded and that they be signed by the Chairman

59. Invesco

(Item C2 – Mr W Deer and Mr H Ferrand from Invesco Perpetual were in attendance for this item)

Mr Deer and Mr Ferrand gave an update on the Invesco fund and answered Members' questions.

60. Fund Structure

(Item C3 - Report of the Chairman of the Superannuation Fund Committee and the Corporate Director of Finance and Procurement)

- (1) Mr Vickers introduced the report covered a range of issues relating to the management of the Fund.
- (2) **RESOLVED** to note the report.

61. Infrastructure Investment

(Item D1 - Report of the Chairman of the Superannuation Fund Committee and the Corporate Director of Finance and Procurement.

- (1) Mr Vickers introduced the report set out the key issues around Pension Fund investment in infrastructure and related assets.
- (2) Concerns about the potential returns on investment in housing were raised and there was general agreement that any such investments should focus primarily on providing a return for the superannuation fund. In response to a question Mr Vickers said that early exploratory discussions had started with fund managers and a report would be submitted to this Committee in due course.
- (3) Proposed by Mr Davies and seconded by Mr Marsh that the criteria be amended to ensure that there is a viable exit strategy.
- (4) Following discussion it was agreed to amend the recommendations to say that any future approach to infrastructure investing needs to meet, as a minimum, the criteria set out in paragraph 17 of the report and include a viable exit strategy.
- (5) **RESOLVED:**
 - (a) To note the report
 - (b) That any future approach to Infrastructure investing needs to meet, as a minimum, the criteria set out in paragraph 17 of the report subject to the addition of the words “and viable exit strategy” to the last criterion.

62. Pension Administration 6 Month Update

(Item D2 - Report of the Chairman of the Superannuation Fund Committee and the Corporate Director of Finance and Procurement. Patrick Luscombe, Pensions Manager was in attendance for this item)

- (1) The report provided members with a comprehensive update of administration issues including: workload position; achievements against Key Performance Indicators (KPIs); automatic enrolment; fraudulent overpayment cases; framework tender; annual benefit illustrations and CIPFA benchmark survey 2012.
- (2) **RESOLVED** to note the contents of the report.

63. LGPS - Consultation Response

(Item D3 - Report of the Chairman of the Superannuation Fund Committee and the Corporate Director of Finance and Procurement. Patrick Luscombe, Pensions Manager was in attendance for this item)

- (1) This report provided members with the proposed response, to the Department for Communities and Local Government (DCLG) consultation paper relating to the proposed reforms of the Local Government Pension Scheme 2014.
- (2) **RESOLVED** to note the content of the report and endorse the proposed response to the formal consultation presented by the DCLG

64. Application for Admission to the Fund

(Item D4 - Report by the Chairman of the Superannuation Fund Committee and the Corporate Director of Finance and Procurement. Steve Tagg, Deputy Pensions Manager was in attendance for this item)

- (1) The report set out details of applications to join the Pension Fund and a potential admission application relating to Tonbridge and Malling Borough Council's leisure centres and golf centre.
- (2) **RESOLVED:**
 - (a) To admit Medway Community Health Care CIC to the Kent County Council Pension Fund.
 - (b) To admit the successful bidder(s) for the Linked Services Contract(s) to the Kent County Council Pension Fund.
 - (c) To admit the successful bidder for the Maidstone Borough Council Hazlitt Arts Centre contract to the Kent County Council Pension Fund.
 - (d) To admit Caterlink Ltd to the Kent County Council Pension Fund
 - (e) To agree in principle that the admission agreement made by the trust, established by Tonbridge and Malling Borough Council relating to the leisure centres and golf centre, provides for a guarantee from Tonbridge and Malling Borough Council, and any formal application for admission is subject to a further decision by this Committee
 - (f) That once legal agreements have been prepared for the matters at (a) – (d) above, the Kent County Council seal can be affixed to the legal documents.

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

Agenda Item B1

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

Agenda Item C4

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By: Chairman Superannuation Fund Committee
Corporate Director Finance and Procurement

To: Superannuation Fund Committee – 22 March 2013

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:

Sangeeta Surana
Senior Accountant (Investments)
Ext 4642

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Summary of Fund Asset Allocation and Performance

Superannuation Fund Committee

By: Chairman Superannuation Fund Committee
Corporate Director of Finance and Procurement

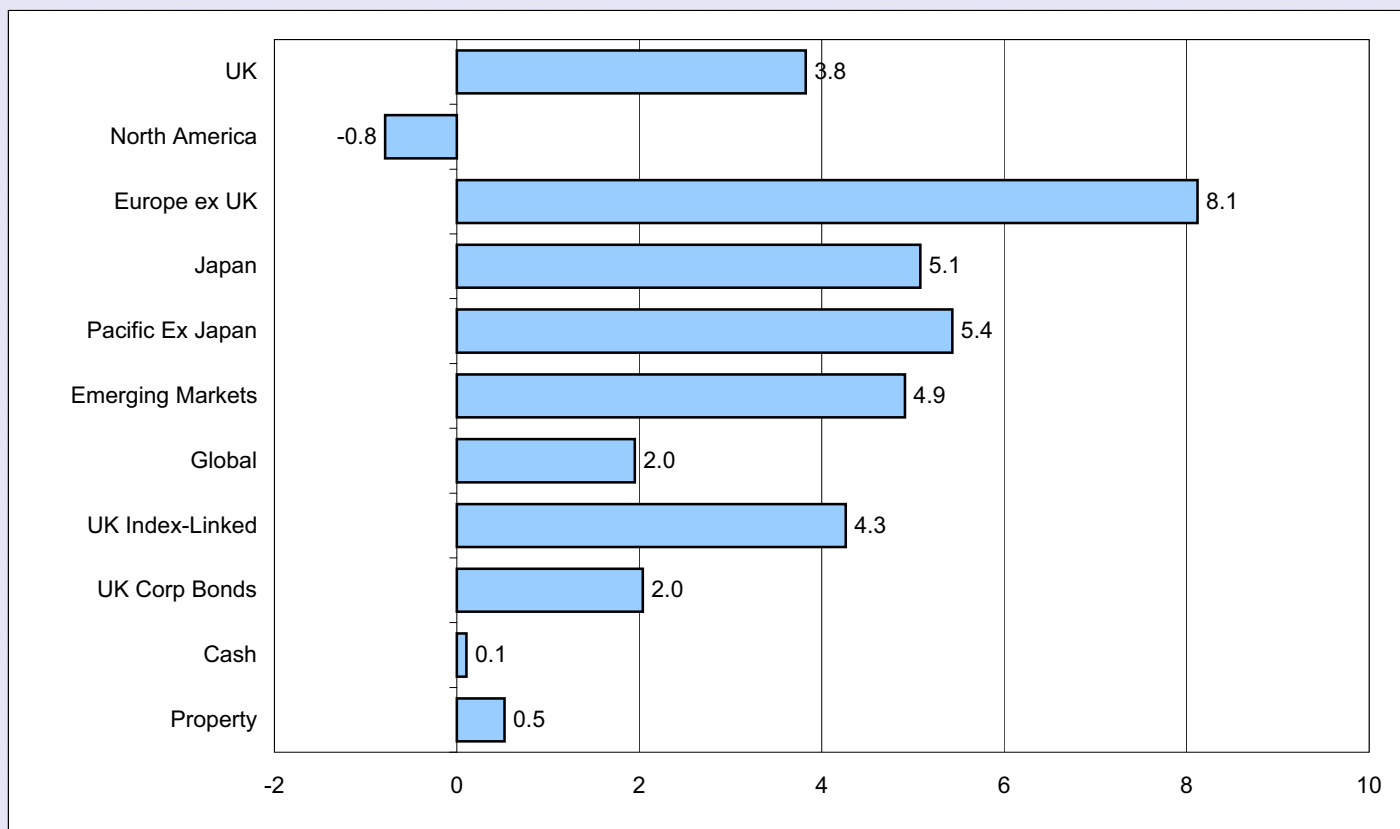


Kent County Council
Superannuation Fund 2012

Nick Vickers—Head of Financial Services

Market Returns - 3 Months to 31 December 2012

Classification: Unrestricted
Item: D1 refers



Page 24

Equity markets across the globe continued to rally during the quarter, with the exception of the US which saw some nervousness around the Presidential election in November and the cross party talks around the budget deficit reduction.

Japan saw a return to positive sentiment in wake of the election of the new Prime Minister.

The biggest gains were seen in Europe with the fears of a Eurozone break up receding.

In anticipation of the Chinese leadership considering new stimulus measures the international markets continued their path to recovery with Pacific, and emerging market equities returning the high growth. The global equities grew by a modest 2%.

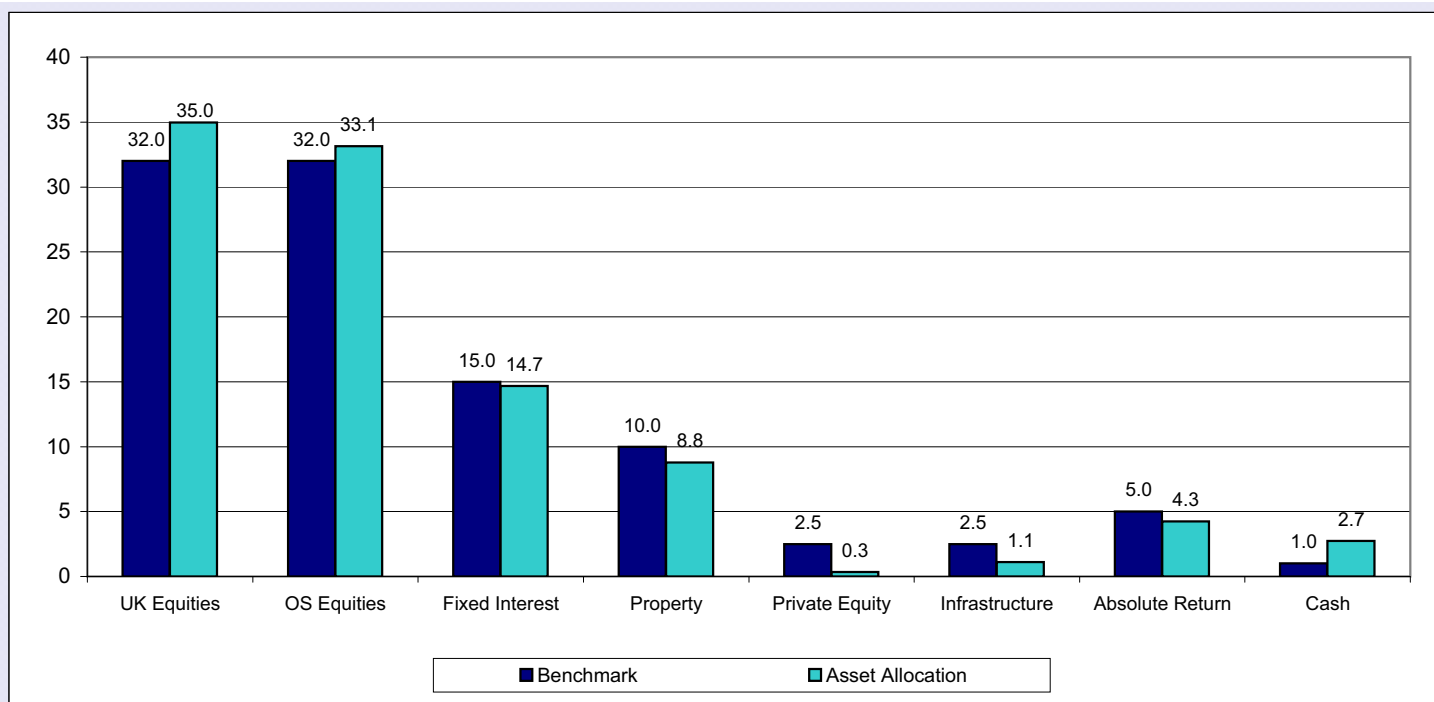
The index linked securities returned to strong positive growth with further nominal quantitative easing by the UK government.

The UK Corporate Bonds market growth of 2% reflects a surge in demand for higher yielding assets

Property continued to return very modest growth.

Asset Allocation vs Fund Benchmark - 31 December 2012

Classification: Unrestricted
Item: D1 refers



Asset Class	Kent Fund		Benchmark
	£m	%	%
UK Equities	1,201	35.0	32.0
Overseas Equities	1,138	33.1	32.0
Fixed Interest	504	14.7	15.0
Property	302	8.8	10.0
Private Equity	12	0.3	2.5
Infrastructure	38	1.1	2.5
Absolute Return	146	4.3	5.0
Cash	94	2.7	1.0
Total Value	3,434	100	100.0

Asset Distribution Fund Manager - 31 December 2012

Classification: Unrestricted
Item: D1 refers

Values (GBP)'000	Mandate	Value at 30/09/2012	Transactions	Capital Gain / loss	Income	Value at 31/12/2012	% Fund	Benchmark
Schroders	UK Equity	534,175	3,009	25,637	3,050	562,821	16	Customised
Invesco	UK Equity	418,409	-	(130)	-	418,279	12	Customised
State Street	UK Equity	160,478	-	6,146	-	166,624	5	FTSE All Share
State Street	Global Equity	247,703	16	5,354	-	253,073	7	FTSE All World ex UK
Baillie Gifford	Global Equity	587,924	3,186	15,737	2,622	606,847	18	Customised
GMO	Global Quantitative	191,542	-	2,776	-	194,318	6	MSCI World NDR
Schroders	Global Quantitative	142,970	-	4,934	-	147,905	4	MSCI World NDR
Goldman Sachs	Fixed Interest	290,024	167	7,982	99	298,173	9	Customised
Schroders	Fixed Interest	212,221	1,404	1,566	1,404	215,191	6	Customised
Impax	Environmental	21,858	-	925	-	22,783	1	MSCI World NDR
DTZ	Property UK	274,855	9,869	3,683	4,042	288,408	8	IPD All Properties Index
DTZ	Property Europe	14,991	-	347	25	15,338	0	IPD All Properties Index
Harbourvest	Private Equity	6,819	1,504	(84)	-	8,239	0	GBP 7 Day LIBID
YFM	Private Equity	3,573	-	103	-	3,676	0	GBP 7 Day LIBID
Partners	Infrastructure	27,916	1,825	36	-	29,777	1	GBP 7 Day LIBID
Henderson	Infrastructure	8,568	(109)	23	-	8,482	0	GBP 7 Day LIBID
Internally Managed	Cash	54,484	(6,125)	(0)	71	48,359	1	GBP 7 Day LIBID
Pyrford	Absolute Return	146,264	198	(459)	-	146,003	4	RPI + 5%
Total Fund		3,344,775	14,944	74,576	11,314	3,434,295	100	Kent Combined Fund

Performance Returns - 31 December 2012

Classification: Unrestricted
Item: D1 refers

	Quarter		1 year		3 years (p.a.)	
	Fund %	Benchmark %	Fund %	Benchmark %	Fund %	Benchmark %
Total Fund	2.6	2.7	10.1	10.0	7.9	7.6
		2.0*		9.0*		7.3*
UK Equity						
Schroders UK	5.4	3.7	13.3	12.1	8.1	7.4
State Street	3.8	3.8	12.4	12.3	7.6	7.5
Invesco	0.0	3.8	8.8	12.3	10.0	7.5
Overseas Equity						
Baillie Gifford	3.1	4.0	13.1	12.7	9.3	5.9
GMO	1.4	1.8	7.1	10.7	5.7	6.7
Schroders GAV	3.5	1.8	10.7	10.7	6.4	6.7
State Street	2.2	2.2	11.8	11.9	6.8	6.9
Impax Environmental Fund	4.2	1.8	5.9	10.7		
Fixed Interest						
Goldman Sachs Fixed Interest	2.8	2.4	11.9	10.7	9.8	9.1
Schroders Fixed Interest	1.4	0.3	6.6	3.4	5.3	4.9
Property						
DTZ UK Property	2.7	0.5	6.7	2.4	15.3	8.2
DTZ Overseas Property	2.5	0.5	-6.2	2.4	-8.7	8.2
Private Equity						
Harbourvest	-0.8	0.1	-5.5	0.4		
YFM	2.9	0.1	9.3	0.4	12.6	0.4
Infrastructure						
Partners	0.2	0.1	-1.9	0.4		
Henderson	0.3	0.1	-2.8	0.4	14.2	0.4
Absolute Return						
Pyrford	-0.3	2.2				

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

With equity markets continuing to rally this quarter, the Fund has performed well, although a significant below benchmark performance by Invesco and marginal underperformance by Ballie Gifford, two big fund managers in the Fund, has brought the overall performance of the fund below its floating benchmark. Schroders was the star performer this quarter, with its fundamental stock picking strategy returning consistent above benchmark performance over the one and three year periods. On the other hand Invesco's defensive portfolio strategy underperformed the market in the 'risk on' scenario, which has adversely affected its performance in the quarter and 1 year performance against benchmark. Baillie Gifford has shown strong growth throughout the three year period although the performance in the last 2 quarters has been marginally below the benchmark. Schroders' Global portfolio performed strongly this quarter and was close to benchmark for the 1 year and three years. Fixed interest portfolios have continued to return strong growth across all the three years, with positive strong selection contributing to higher than benchmark returns. DTZ's Property portfolio continues to return above benchmark figures due to its overweight position in Central London and the South East.

Fund Structure - 31 December 2012

Classification: Unrestricted
Item: D1 refers

UK Equities

Global Equities

Fixed Interest

Property

Cash/Alternatives

Schroders
+1.5%
£563m

Baillie Gifford
+1.5%
£607m

Goldman Sachs
+0.75%
£298m

DTZ
UK Property
£288m

Kent Cash
£48m

State Street
+0.0%
£167m

GMO
+3.0%
£194m

Schroders
+1.0%
£215m

DTZ
Europe Property
£15m

Henderson
Secondary PFI
£8m

Invesco
Unconstrained
£418m

Schroders
+3.0 - +4.0%
£148m

Partners
£30m

State Street
+0.0%
£253m

YFM Private
Equity
£4m

Impax
£23m

HarbourVest
£8m

Pyrford
RPI +5.0%
£146m

Market Value £3.4bn
as at 31 December 2012

By: Chairman Superannuation Fund Committee
Corporate Director Finance and Procurement

To: Superannuation Fund Committee – 22 March 2013

Subject: **ADMISSIONS TO THE PENSION FUND**

Classification: Unrestricted

Summary: To report on a number of admission matters and to provide an update on Commercial Services Kent Limited.

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 seeks committee approval to enter into an admission agreement with this organisation. It also advises of the need to extend an admission agreement and to make a new agreement with an admitted body due to a change of name. Committee approval is sought to enter into these agreements. Members are also asked to note the update on Commercial Services Kent Limited further to the committee meeting of the 31 August 2012.

MEDWAY NORSE LIMITED

2. Medway Council is awarding a contract to Medway Norse Limited for facility services although the effective date is not yet known.
3. This involves the transfer of approximately 170 employees from Medway Council to Medway Norse Limited. To ensure the continuity of pension arrangements for these employees, Medway Norse Limited 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 assess the level of bond for the first year and the employer's contribution rate.
5. The completed questionnaire and Memorandum and Articles of Association provided by Medway Norse Limited have been examined by Legal Services to ensure compliance with the Local Government Pension Scheme Regulations. Legal Services have given a favourable opinion.

TOTAL CATERING SOLUTIONS

6. Total Catering Solutions is a Transferee Admission Body who joined the Pension Fund on the 2 April 2012, following the award of a contract by Medway Council to provide catering services to 31 July 2013.
7. As this contract has now been extended by 3 years it is necessary to extend the original admission agreement by a Deed of Modification.

RELIANCE SECURE TASK MANAGEMENT

8. Reliance Secure Task Management is a Transferee Admission Body within the Pension Fund following the transfer of staff to them on 15 July 2008 from Kent Police Authority. On 14 January 2013 the company changed its name to Tascor Services Limited.
9. As the Local Government Pension Scheme Regulations have also been amended since the original admission agreement was made, it is proposed that a new admission agreement be entered into which reflects both the name change and the changes in Regulations.

COMMERCIAL SERVICES KENT LIMITED

10. At its meeting on 31 August 2012 the Committee was advised that Commercial Services Kent Limited, a company under the control of Kent County Council, was joining the Pension scheme as a scheduled body, under Schedule 2 Part 2.5 of the LGPS (Administration) Regulations 2008. KCC and Commercial Services Kent Limited have agreed that KCC will act as guarantor for the company's Pension Fund liabilities.

RECOMMENDATION

11. Members are asked to:
 - (1) Agree to the admission to the Kent County Council Pension Fund of Medway Norse Limited, and
 - (2) Agree that a Deed of Modification can be entered into in respect of Total Catering Solutions, and
 - (3) Agree that an admission agreement can be entered into with Tascor Services Limited, and
 - (4) Note that KCC is acting as guarantor for Commercial Services Kent Limited, and

- (5) Agree that once legal agreements have been prepared for (1) to (3) above, the Kent County Council seal can be affixed to the legal documents.

Steven Tagg
Treasury and Investments
X4625

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