

KENT COUNTY COUNCIL

SUPERANNUATION FUND COMMITTEE

MINUTES of a meeting of the Superannuation Fund Committee held in the Darent Room, Sessions House, County Hall, Maidstone on Friday, 30 August 2013.

PRESENT: Mr J E Scholes (Chairman), Cllr P Clokie, Mr D S Daley, Mr J A Davies, Ms J De Rochefort, Ms A Dickenson, Cllr N Eden Green, Mr B E MacDowall, Mr T A Maddison, Mr R A Marsh, Mr R J Parry, Mr S Richards, Mr C Simkins, Mrs M Wiggins and Cllr L Wicks.

ALSO PRESENT: Miss S J Carey

IN ATTENDANCE: Ms D Fitch (Democratic Services Manager (Council)), Ms A Mings (Treasury & Investments Manager), Ms S Surana (Senior Accountant - Investments), Mr S Tagg (Senior Accountant Pension Fund) and Mr N Vickers (Head of Financial Services).

UNRESTRICTED ITEMS

13. Election of Vice-Chairman

(Item A2)

Mr J Scholes proposed and Mr J Davis seconded that Mr D Daley be elected Vice-Chairman of the Committee.

Carried Unanimously.

14. Minutes - 28 June 2013

(Item A4)

RESOLVED that the minutes of the meetings held on 28 June 2013 are correctly recorded and that they be signed as a correct record by the Chairman.

15. EXEMPT ITEMS

RESOLVED 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.

16. Schroder Investment Management

(Item C1)

(Mr Troiano – Global Head of Institutional Management, Ms S Noffke – UK Equity Fund Manager and Mr Gareth Isaac – Senior Bond Portfolio Manager – Shroders)

(1) The Chairman welcomed Mr Issac, Mr Troiano and Ms Noffke to the meeting and invited them to give an oral update on the mandates for the Kent County Council Superannuation Fund and to respond to questions of detail from Members. Also circulated at the meeting were details of the performance of the Portfolio being managed by Schrodgers on behalf of the Superannuation Fund.

(2). RESOLVED that the information given in the update and in response to questions be noted.

17. Fund Structure

(Item C2)

(1) Mr Vickers presented a report from DTZ on activity on purchases and the updated the Committee on the proposals for the new global equity mandate.

(3) RESOLVED that:

(a) the property position be noted and,

(b) that the GMO global equity mandate be terminated with decisions on timing of any transition, use of a transition manager and the exact amounts being delegated to the Corporate Director of Finance in consultation with the Chairman and Vice Chairman of this Committee.

(carried unanimously)

18. UNRESTRICTED ITEMS (COMMITTEE IN OPEN SESSION)

The Committee considered the following items in open session.

19. Superannuation Fund Report & Accounts and External Audit

(Item D1)

(1) Mr Vickers presented the draft Superannuation Fund Report and Accounts for the year ended 31 March 2013 and the external auditor's Audit Findings report, and commended Ms Mings and her team on the quality of the Accounts.

(2) Ms Mings explained that the new auditor Grant Thornton UK LLP had adopted a different approach to the audit, and answered questions from the Committee.

(3) RESOLVED that:

(a) the content of the Annual Report be approved including

- The Statement of Investment Principles
- Governance Compliance Statement
- Communications Policy;

(b) the content of the Accounts for 2012-13 be noted;

(c) the Report and Accounts can be published;

(d) the external auditor's Audit Findings Report and the position with regard to the Governance & Audit Committee be noted

(e) in future the fund position statement will contain a standard paragraph requesting the Committee to make a decision regarding asset management.

- (f) Ms Mings and her team be congratulated on their work resulting in an unqualified opinion being given by the auditors.

20. Fund Structure

(Item D2)

(1) Mr Vickers presented a report which covered a range of issues relating to the structure and management of the Fund. Attached to the report was Hymans Robertson's July report and feedback on the main issues arising from the Head of Financial Services attendance at the DTZ Quarterly Investment Committee on 14 August 2013. In relation to the global equity manager appointment, the Committee were reminded that they would be interviewing four managers on 10 September 2013. A separate meeting was being arranged to interview PIMCO as an additional absolute return manager and Fidelity and Kames on secondary property investments.

(2) Mr Vickers confirmed that there would be a report to the next meeting of the Committee on 15 November 2013 seeking agreement on the amount of equity to be placed with the new Fund Manager.

(3) RESOLVED that the report be noted.

21. Fund Position Statement

(Item D3)

(1) Mr Vickers introduced the Fund Position Statement. The Fund had a strong performance in the period up until 30 June 2013. He also reported that the Fund had continued to have an overweight position in equities with a total allocation of 70.6% against a benchmark of 64%. The Committee discussed whether it wished to reduce this overweight position.

(2) Mr Vickers also explained that the Committee should receive a report on the results of the actuarial valuation at its November meeting. The Committee would then be asked at its February 2014 meeting to consider the Fund's asset allocation.

(3) Mr Vickers raised a concern around the substantial reduction in local authorities' workforces and the impact that this would have on the cash flow of the Fund.

(4) RESOLVED that:

(a) the Fund Position Statement be noted

(b) no action be taken to reduce the equities overweight position at the present time but that a full report be submitted to the meeting of the Committee on 7 February 2014 to enable the Committee to consider the Fund's asset allocation and decide on any re-allocation of assets.

22. Response to CLG Consultation on Scheme Governance

(Item D4)

(1) Mr Vickers introduced a report on the Department of Communities and Local Government (DCLG) discussion paper which sought views on the future governance arrangements of the Local Government Pension Scheme. Circulated with the agenda was a draft response to this consultation.

(2) The Committee discussed the consultation and emphasised that the Kent Superannuation Fund Committee was already constituted in a way which included a range of different representatives. Members could see no reason to have a "Pension Board" and considered that this Committee already provided adequate scrutiny of the Fund.

(3) RESOLVED that the draft response set out in pages 171 – 174 of the papers for the meeting be submitted to the DCLG as this Committee's response to the consultation on governance.

23. Response to call for Evidence of Fund Organisation

(Item D5)

(1) Mr Vickers introduced a report on the call for evidence on the future structure of the Local Government Pension Scheme. A draft response was circulated with the report. This response needed to be submitted by 27 September 2013 so there was an opportunity for Members to make additional comments.

(2) The Committee discussed the issues around this and made the point that small Local Government Pension funds should be looked at differently to large well managed funds such as the Kent Superannuation Fund. They acknowledged that there may be a need for central oversight of LGPS Funds but not centralised management of them.

(3) RESOLVED that the draft response set out pages 181 – 184, with minor amendments made by Members be submitted as the response from this Committee to the Call for evidence.

24. Admissions to the Fund

(Item D6)

(1) Mr Vickers introduced a report which set out information on several applications to join the Pension Fund, a number of other admission matters and related issues.

(2) Ms Mings and Mr Tagg answered questions from Members in relation to these matters.

(3) RESOLVED that the Committee:

(a) agree to the admission to the Kent County Council Pension Fund of Principle Catering Consultants, and

(b) agree that the admission agreement made by Rochester Care Home Limited relating to Robert Bean Lodge provides for a guarantee from Medway Council, and

- (c) agree that the admission agreement made by Victory Care Home Limited relating to Nelson Court, provides for a guarantee from Medway Council, and
- (d) agree that an admission agreement can be entered into with Your Leisure Kent Ltd, and
- (e) Agree that an amended legal agreement can be entered into with Gravesham Community Leisure, and
- (f) agree that an amended legal agreement can be entered into with Active Life Limited, and
- (g) note the withdrawal of Brenwards Limited as a participating employer in the Pension Fund, and
- (h) agree that a termination agreement can be entered into for The Avenues Trust based on the Closed Fund Approach on the basis that the actuary certifies what, if anything, is payable at each future valuation. A Bond is in place at the amount recommended by our actuary and it's with an acceptable financial institution to us. The level of Bond is reviewed annually. We reserve the right to terminate on the Full Cessation basis if, at any time in the future, we wish to do so and that the Committee be informed annually of situation
- (i) note the information on Parish Councils, and
- (j) note the position re the recovery of the Pension Fund's costs and that there would be a full report to the Committee on 15 November 2013, and
- (k) note the issue regarding the signing of the minutes, and agree that the Chairman may sign the minutes of today's meeting re the admissions of Rochester Care Home Ltd and Victory Care Home Ltd at the end of today's meeting, and
- (l) agree that once legal agreements have been prepared for (1) to (8) above, the Kent County Council seal can be affixed to the legal documents.