

SUPERANNUATION FUND COMMITTEE

Friday, 21st March, 2014

10.00 am

Darent Room, Sessions House, County Hall, Maidstone





AGENDA

SUPERANNUATION FUND COMMITTEE

Friday, 21st March, 2014 at 10.00 am
Darent Room, Sessions House, County
Hall, Maidstone

Ask for: **Denise Fitch**
Telephone: **01622 694269**

UNRESTRICTED ITEMS

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

A. COMMITTEE BUSINESS

- A1 Substitutes
- A2 Declarations of Interests by Members in items on the Agenda for this meeting.
- A3 Minutes - 7 February 2014 (Pages 5 - 8)

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

- C1 Exempt Minutes - 7 February 2014 (Pages 9 - 12)
- C2 Schroder Investment Management (Pages 13 - 16)

UNRESTRICTED ITEMS

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

D. MATTERS FOR REPORT/DECISION BY THE COMMITTEE

- D1 Fund Position Statement (Pages 17 - 24)
- D2 Fund Structure (Pages 25 - 48)

- D3 Risk Register (Pages 49 - 52)
- D4 Update on Local Government Pension Scheme Reforms (Pages 53 - 98)
- D5 Admissions to the Fund (Pages 99 - 102)
- D6 Date of next meeting - 27 June 2014 at 10.00am

Peter Sass
Head of Democratic Services
(01622) 694002

Thursday, 13 March 2014

- (i) *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 Item C2.*

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, 7 February 2014.

PRESENT: Mr J E Scholes (Chairman), Mr D S Daley (Vice-Chairman), Cllr P Clokie, Mr J A Davies, Ms J De Rochefort, 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, Mr J D Simmonds, MBE, Mr A McKissack and Mr A Elliott (Hymans Robertson)

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

UNRESTRICTED ITEMS**40. Minutes - 15 November 2013**
(Item A3)

(1) Mr Vickers updated the Committee on the pensions administration system framework (minute no 32) and the decision to stay with the current provider, a contract had been entered into which would end in December 2016.

(2) RESOLVED that the minutes of the meeting held on 15 November 2013 are correctly recorded and that they be signed by the Chairman as a correct record.

41. URGENT BUSINESS

The Chairman informed the Committee that he had decided to take item C4, Admissions to the Fund, which was not available when the agenda was published, as an urgent item due to the need for the Committee to decide before the next meeting of the Committee whether to admit this organisation to the fund.

42. Motion to Exclude the Press and Public

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.

EXEMPT ITEMS (OPEN ACCESS TO MINUTES)

43. Exempt Minutes - 15 November 2013

(Item B1)

RESOLVED that the exempt minutes of the meeting held on 15 November 2014 are correctly recorded and that they be signed by the Chairman as a correct record.

44. UK Equity Managers

(Item C1)

(1) Mr Vickers introduced a report which set out the options available for the management of the Fund's UK Equities.

(2) Mr Vickers, Mr Elliott and Mr McKissack answered questions from Members in relation to the options set out in the report.

(3) RESOLVED that the Fund's UK equity exposure through State Street be retained and that the Committee consider this again at its meeting in June.

45. Fund Structure

(Item C2)

(1) Mr Vickers presented a report on a number of issues relating to the structure and management of the Fund, including a transition update on the transfer of funds between investment managers. Mr Vickers commended the work undertaken on behalf of the Committee by Ms Mings (Treasury & Investments Manager) and Ms Surana (Senior Accountant -Treasury and Investments).

(2) RESOLVED that the report be noted.

46. Harbourvest

(Item C3)

(1) The Chairman welcomed Mr George Anson and Ms Hannah Tobin from Harbourvest to the meeting and invited them to give a brief presentation to the Committee on their management of the Fund's private equality portfolio and answer questions from Members.

RESOLVED that the presentation and the comments made by Members of the Committee be noted.

47. Application for Admission to the Fund

(Item C4)

(1) Mr Vickers introduced a report on an application to join the Pension Fund.

(2) RESOLVED that the successful tenderer for the contract for the delivery of inward investment services in Kent, be admitted to the Kent County Council Pension Fund,

subject to the organisation providing a bond and KCC as letting authority providing a limited guarantee, and that once legal agreements have been prepared the Kent County Council seal can be affixed to the legal documents.

UNRESTRICTED ITEMS

(Committee open to the press and public)

48. Application for Admission to the Fund *(Item D1)*

(1) Mr Vickers introduced a report which set out information on applications from organisations to become admitted bodies within the Pension Fund. It also advised of the need to extend admission agreements, a termination, a name change and the closure of an admission agreement to new members. The Committee's approval was sought to enter into these agreements.

(2) In response to a question from a Member on the admission of Parish Councils to the Kent County Council Fund Pension scheme, Mr Tagg explained that Parish Councils did not have to offer this facility to their staff. However, if they decided to join the scheme they needed to pass a resolution and he would advise them to reflect in this resolution that there could be a potential long term liability for the Parish Council.

RESOLVED that:

(a) the successful bidder(s) for the East Kent total facilities management contract be admitted to the Kent County Council Pension Fund,

(b) the successful bidder(s) for the Mid Kent total facilities management contract be admitted to the Kent County Council Pension Fund,

(c) the successful bidder(s) for the West Kent total facilities management contract be admitted to the Kent County Council Pension Fund,

(d) Medway Community Healthcare CIC be admitted to the Kent County Council Pension Fund,

(e) an amended agreement be entered into with Superclean Services Wothorpe Limited,

(f) an amended agreement be entered into with Mytime Active,

(g) a termination agreement be entered into with Quadron Services Limited,

(h) an amended agreement be entered into with HOPE (Kent) Limited,

(i) an amended legal agreement be entered into with Ashford Leisure Trust,

(j) once legal agreements have been prepared for (a) to (i) above, the Kent County Council seal can be affixed to the legal documents.

49. Grant Thornton - Coming of Age: Development of the Local Government Pension Scheme
(Item D2)

(1) Mr Vickers referred the Committee to the report by Grant Thornton on key issues facing the LGPS which had been published in November 2013.

(2) RESOLVED that the report be noted.

50. Date of next meeting
(Item D3)

It was noted that the next meeting of the Committee would be held on Friday 21 March 2014.

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

Agenda Item C1

Document is Restricted

This page is intentionally left blank

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

Agenda Item C2

Document is Restricted

This page is intentionally left blank

By: Chairman Superannuation Fund Committee
Corporate Director Finance and Procurement

To: Superannuation Fund Committee – 21 March 2014

Subject: **FUND POSITION STATEMENT**

Classification: Unrestricted

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

FOR DECISION

INTRODUCTION

1. The Fund Position Statement is attached.
2. The Fund at 31 December 2013 recorded its highest ever value at £4,087m with a return of 18.6% in the year. As the Fund Position Statement shows in the section on Performance Returns the Fund has benefitted substantially from the Committee's decision to remain overweight in equities. Compared with the WM Local Authority Average the Fund was in the 10th percentile over 1 year, 15th over 3 years and 24th over 5 years-exceptionally strong performance.
3. The Fund continues to have an overweight position in Equities with a total allocation of 70.3% against a benchmark of 64% - an overweight of £260m. January saw general falls in equity markets with UK and Global equities down 3%, this was largely reversed in February with strong returns, UK equities and European ex UK Equities up 5%. Notwithstanding the major changes made recently to the investment manager roster the most important investment decision facing the Committee is whether to maintain the overweight to equities. There is also the subsidiary issue of what to do with any money taken out of equities, with yields likely to rise Fixed Income is not attractive and Pyrford already have a large allocation and have fallen behind their benchmark. Members are asked to consider whether they wish to reduce the overweight position.

RECOMMENDATION

4. Members are asked to:
 - (1) Note the Fund Position Statement.
 - (2) Determine whether to reduce the Equity overweight position.

Nick Vickers
Head of Financial Services
Ext 4603

Summary of Fund Asset Allocation and Performance

Superannuation Fund Committee

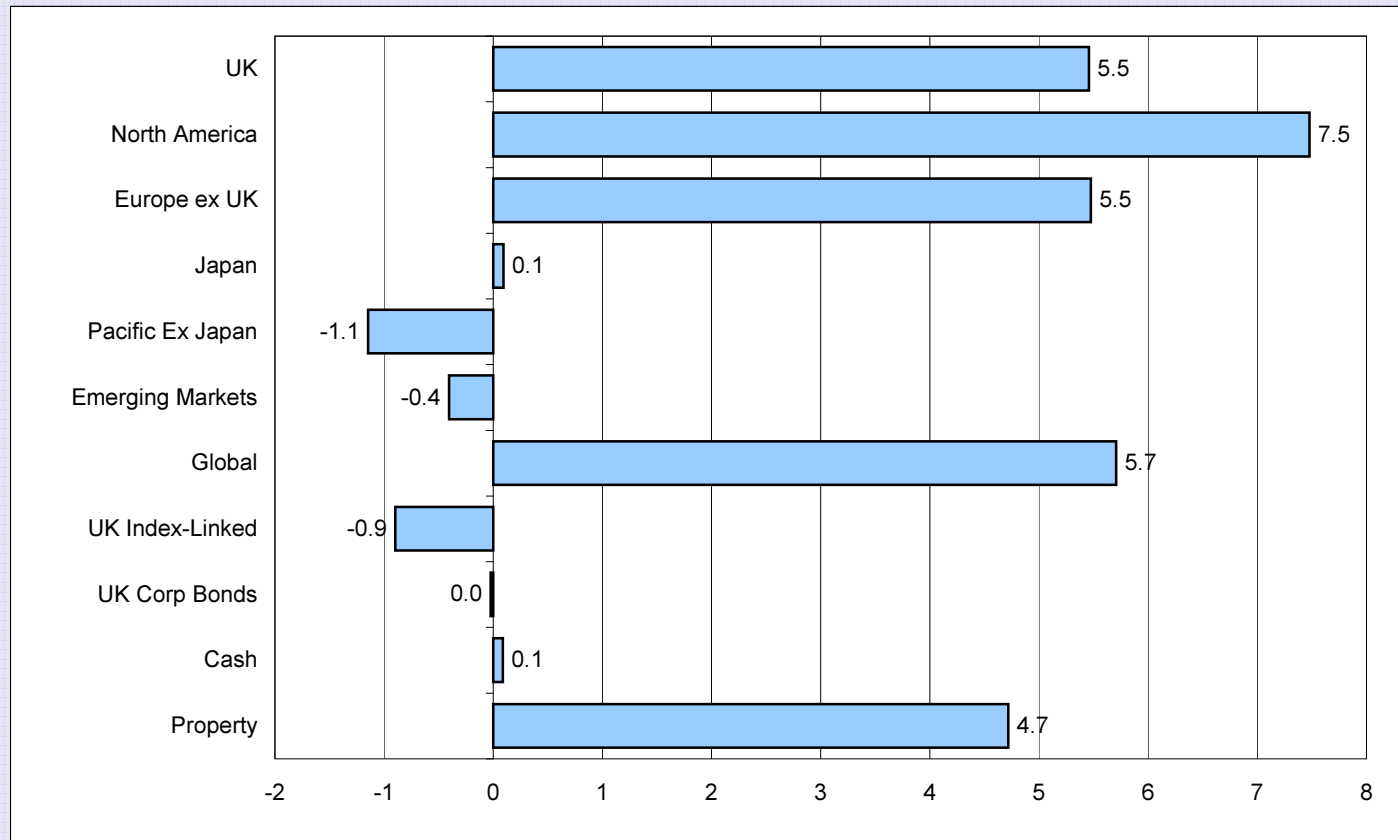
By: Chairman Superannuation Fund Committee
Corporate Director of Finance and Procurement



Kent County Council
Superannuation Fund 2013
Nick Vickers—Head of Financial Services

Market Returns - 3 Months to 31 December 2013

Classification: Unrestricted
Item: D1



The quarter saw very strong returns in developed equity markets

Emerging markets struggled in the quarter as concerns spread about the impact of the tapering of fiscal stimulus in the US

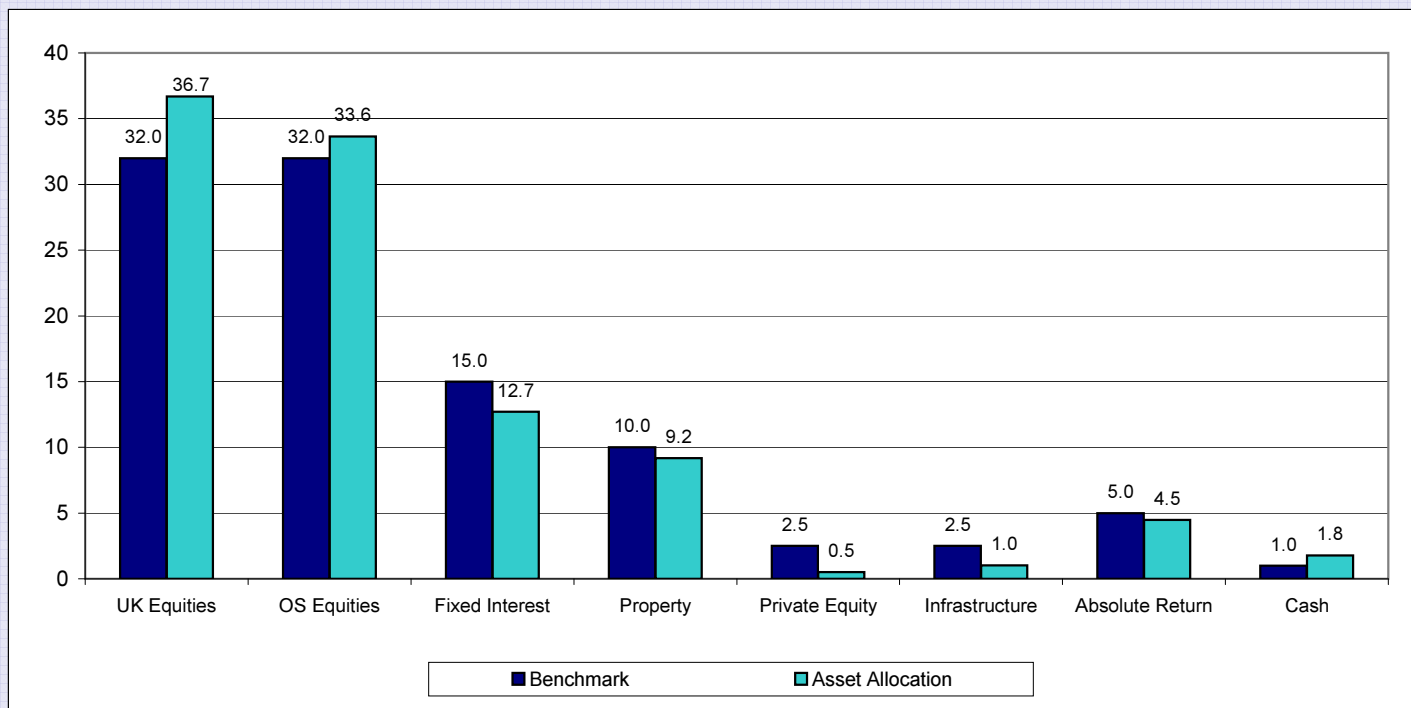
Fixed income returns were weak

UK property returns in the quarter were the strongest for some time

Asset Allocation vs Fund Benchmark - 31 December 2013

Classification: Unrestricted
Item: D1

Asset Class	Kent Fund		Benchmark
	£m	%	%
UK Equities	1,500	36.7	32.0
Overseas Equities	1,375	33.6	32.0
Fixed Interest	519	12.7	15.0
Property	375	9.2	10.0
Private Equity	21	0.5	2.5
Infrastructure	42	1.0	2.5
Absolute Return	183	4.5	5.0
Cash	73	1.8	1.0
Total Value	4,087	100	100.0



Asset Distribution Fund Manager - 31 December 2013

Classification: Unrestricted
Item: D1

Values (GBP)'000	Mandate	Value at 30/09/2013	Transactions	Capital Gain / loss	Income	Value at 31/12/2013	% Fund	Benchmark
Schroders	UK Equity	676,750	3,149	47,232	3,206	727,131	18	Customised
Invesco	UK Equity	507,353	-	26,044	-	533,397	13	Customised
State Street	UK Equity	181,119	-10,000	9,423	-	180,542	4	FTSE All Share
State Street	Global Equity	294,927	12,000	15,223	-	322,150	8	FTSE All World ex UK
Baillie Gifford	Global Equity	718,783	1,922	17,742	1,401	738,447	18	Customised
M&G	Global Equity	-	202,971	-2,167	-	200,804	5	MSCI AW
GMO	Global Quantitative	230,612	-240,761	10,149	-	-	0	MSCI World NDR
Schroders	Global Quantitative	174,044	-	7,674	-	181,718	4	MSCI World NDR
Goldman Sachs	Fixed Interest	296,843	-	6,685	-	303,528	7	+3.5% Absolute
Schroders	Fixed Interest	214,366	-	1,087	-	215,453	5	Customised
Impax	Environmental	27,598	-	1,782	-	29,380	1	MSCI World NDR
DTZ	Property	316,256	32,485	18,001	4,512	366,742	9	IPD All Properties Index
Fidelity	Property	-	9,829	176	-	10,005	0	IPD All Properties Index
Harbourvest	Private Equity	15,129	1,291	349	-	16,768	0	GBP 7 Day LIBID
YFM	Private Equity	3,324	649	125	-	4,098	0	GBP 7 Day LIBID
Partners	Infrastructure	34,745	-1,814	-380	-	32,550	1	GBP 7 Day LIBID
Henderson	Infrastructure	9,005	-	-12	-	8,993	0	GBP 7 Day LIBID
Pyrford	Absolute Return	182,634	289	137	-	183,059	4	RPI + 5%
Internally Managed	Cash	36,081	-4,250	-	38	31,831	1	GBP 7 Day LIBID
Total Fund		3,919,568	7,236	159,792	9,157	4,086,596	100	Kent Combined Fund

Performance Returns - 31 December 2013

Classification: Unrestricted
Item: D1

	Quarter		1 year		3 years (p.a.)	
	Fund %	Benchmark %	Fund %	Benchmark %	Fund %	Benchmark %
Total Fund	4.3	4.2	18.6	16.3	8.9	8.4
		2.8*		13.2*		8.4*
UK Equity						
Schroders UK	7.4	5.3	29.2	20.4	10.7	9.2
State Street	5.5	5.5	21.0	20.8	9.5	9.4
Invesco	5.1	5.5	27.5	20.8	15.0	9.4
Overseas Equity						
Baillie Gifford	2.7	4.3	21.7	21.0	9.4	7.8
GMO	3.5**	5.6	n/a	n/a	n/a	n/a
Schroders GAV	4.4	5.6	22.9	24.3	7.5	9.4
State Street	5.2	5.2	22.5	22.6	8.7	8.8
Impax Environmental Fund	6.5	5.6	29.0	24.3	3.4	9.4
M&G	-1.2**	5.0				
Fixed Interest						
Goldman Sachs Fixed Interest	2.3	0.9	1.8	3.2	7.4	7.4
Schroders Fixed Interest	0.5	-0.3	0.1	-0.7	3.6	3.2
Property						
DTZ Property	7.0	4.7	12.3	10.9	8.5	7.0
Fidelity	1.8**	4.7	n/a	n/a	n/a	n/a
Private Equity						
Harbourvest	2.1	0.1	9.6	0.4	-2.9	0.4
YFM	3.5	0.1	12.1	0.4	24.1	0.4
Infrastructure						
Partners	-1.4	0.1	3.6	0.4	-1.8	0.4
Henderson	-0.1	0.1	6.0	0.4	9.3	0.4
Absolute Return						
Pyrford	0.1	1.8	4.4	7.7		

Data Source: The WM Company

- returns subject to rounding differences

* Strategic Benchmark

** Indicates not invested for the entire period

The Fund performed strongly in the quarter with the Fund's above benchmark weighting to equities adding to performance (+1.4% in quarter, +3.1% in 12 months). This reinforces that the decision to retain the overweight in equities has been highly beneficial for the Fund.

At fund manager level the position is more mixed over the quarter with only Schroders UK equities of the main equity mandates outperforming.

Over the 12 months the outperformance was driven by exceptional performance from Schroders UK equities and Invesco UK equities, with Baillie Gifford global equities outperforming but more modestly.

From the WM Local Authority Average the 1 year performance was in the 10th percentile, 3 years in the 15th and 5 years 24th percentile.

Fund Structure - 31 December 2013

Classification: Unrestricted
Item: D1

UK Equities

Schroders
+1.5%
£727m

State Street
+0.0%
£181m

Invesco
Unconstrained
£533m

Global Equities

Baillie Gifford
+1.5%
£738m

M&G
+3.0%
£201m

Schroders
+3.0 - +4.0%
£182m

State Street
+0.0%
£322m

Impax
£29m

Fixed Interest

Goldman Sachs
+6.0% Abs.
£304m

Schroders
+2.0%
£215m

Property

DTZ
Property
£367m

Fidelity
Property
£10m

Cash/Alternatives

Kent Cash
£32m

Henderson
Secondary PFI
£9m

Partners
£33m

YFM Private
Equity
£4m

HarbourVest
£17m

Pyrford
RPI +5.0%
£183m

Market Value £4.1bn
as at 31 December 2013

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

To: Superannuation Fund Committee – 21 March 2014

Subject: **FUND STRUCTURE**

Classification: Unrestricted.

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

FOR INFORMATION

INTRODUCTION

1. This report will cover a number of issues relating to the structure and management of the Fund.

TREASURY STRATEGY

2. The Committee last received a report on Treasury Management on 28 June 2013. There are no proposed changes to the counterparties, durations or limits. These are:
 - Scottish Widows Global Liquidity Fund - £20m limit.
 - Insight Sterling Liquidity Fund - £20m limit.
 - Blackrock Institutional Sterling Government Liquidity Fund - £20m limit.
 - Goldman Sachs Sterling Liquid Reserves Fund - £5m limit.
 - NatWest SIBA - £20m limit.
 - HSBC BIBCA - £20m limit.
 - Treasury Bills – unlimited.
3. The NatWest SIBA and the HSBC BIBCA are call accounts. NatWest can only be used for overnight monies. To date we have not bought any Treasury Bills but the facility to do so is available.
4. As at 7 March the following Cash was held totalling £23.1m:
 - NatWest SIBA £18.7m
 - HSBC BIBCA £2m
 - Insight Sterling Liquidity Fund £2.4m

PROBATION TRANSFER

5. Due to the reorganisation of Probation Trusts nationally the Probation staff within the Kent Fund – active members, deferred pensioners and pensioners will transfer to a single LGPS employer from 1 June 2014, the employer will be the Greater Manchester Pension Fund.
6. It is estimated that £59m will need to transfer from the Fund as a result. Where the transfer will be funded from needs to be determined. It is proposed that this decision is delegated to the Corporate Director of Finance and Procurement in consultation with Members.

DTZ INVESTMENT MANAGEMENT

7. The Head of Financial Services attended DTZ's Investment Committee on 24 February. The main issues were:
 - (1) Provisional figures show a return of 13.1% on the Fund in 2013 against a benchmark of 10.5%. The 2013 performance was driven by capital uplifts mainly on newer properties such as Greenwich Promenade (+55.9%), Vine Hill, London (+33%) and Drury House, London (+18.2%).
 - (2) The longer term performance position, again on a provisional basis was:

	Fund	Benchmark
	%	%
3 years	9.6	6.5
5 years	11.3	7.8
10 years	8.8	6.3

This shows once again considerable added value from DTZ's choice of assets and their approaches to asset management.

- (3) The last quarter of 2013 saw the IPD All Property total return of +4.4%, the highest since March 2010.
- (4) There were no disposals or acquisitions to report. DTZ will present their annual strategy to Committee on 27 June.

INDIRECT PROPERTY PORTFOLIO

8. In 2010 the Fund sought to invest £50m in a number of indirect property funds to increase the exposure to property and the position is summarised in Appendix 1. There are 5 funds remaining:
 - (1) Industrial Property Investment Fund (£7m) – formerly the Falcon fund. Returned +11.4% in 2013 and is trading at NAV+ 5.5%. DTZ recommend holding the fund.

- (2) Airport Property Unit Trust (£10.2m) – returned +17.6% in 2013 and +4.3% per annum over 3 years. Most of the properties are in the Heathrow area and with secondary pricing at NAV +2% again DTZ recommend a hold.
 - (3) Lothbury Property Unit Trust (£8.3m) – a balanced fund favoured by DTZ, returning +10.1% in 2013 and +7.1% per annum over 3 years. Secondary pricing is at NAV +5.5% and again DTZ recommend a hold.
 - (4) Hercules Unit Trust (£9.4m) – this retail focussed fund managed by Schroders performed disappointingly in 2013 with a return of +3.5% and a 3 year return of +1.3% per annum. DTZ believe that due to some management and technical issues the fund could perform well. Indicative market pricing is NAV-3%.
 - (5) Quercus Healthcare Property Partnership (£4.7m) – this is a specialist healthcare fund which has performed poorly with a return of -15.9% in 2013 and -10.6% per annum over 3 years. There really is no secondary market, we need to hold and see what the manager, Aviva, can do with the fund.
- 9. IPIF, AIPUT and Lothbury could all be sold now at a dividend to NAV. Alternatively we can hold and regard as long term property holdings.
 - 10. With Quercus we have no option except to hold.
 - 11. There could be a case for seeking to sell the holding in the Hercules Fund in the secondary market.

INVESCO

- 12. This transaction was completed on 14 February with £532.5m being realised. The total cost was £4.4m and extracts from StateStreet's Post Transition Summary and Post Transition Analysis are attached in Appendix 2.
- 13. By way of perspective, Invesco were allocated £200m in March 2007, and returned 6.5% per annum with outperformance of 2.1% per annum over that period.

SARASIN

- 14. The transition of £150m from State Street International Equity Fund to Sarasin started on 5 March and should be complete by around 20 March. The projected cost is £511,000.

KAMES

14. The legal documentation has now been signed and the first drawdown of the £30m commitment will occur in April when Kames next add to the fund.

RECOMMENDATION

10. Members are asked to:
 - (1) Note the counterparties used for cash management.
 - (2) Note the Probation transfer and agree that the decision is delegated to the Corporate Director of Finance and Procurement in consultation with Members.
 - (3) Note the position on the DTZ discretionary portfolio.
 - (4) Determine whether to seek to sell any of the indirect property holdings.
 - (5) Note the Invesco transition.
 - (6) Note the Sarasin transition.
 - (7) Note the Kames investment.

Nick Vickers
Head of Financial Services
Ext 4603

KCCSF Advisory Indirect Mandate



Quarterly Update—Q4 2013

Please note that the Portfolio was not designed to provide KCCSF with balanced property exposure as KCCSF already had significant property exposure within a discretionary mandate managed by DTZ IM, when the Portfolio was created.

Portfolio performance

		Dec-13	Sep-13	Jun-13	Mar-13	12 months	3 year rolling (p.a.)	Since inception (p.a.)
Portfolio	NAV	39,542,676	38,308,044	38,703,310	48,991,301	-	-	-
	Capital return	3.2%	-0.5%	0.9%	-1.4%	2.2%	0.5%	1.3%
	Income return	1.1%	1.3%	0.9%	1.1%	4.4%	4.5%	4.4%
	Total return	4.3%	0.8%	1.8%	-0.3%	6.7%	5.1%	5.7%
IPD All Pooled Property Fund Index	Capital return	3.3%	1.4%	0.9%	-0.1%	5.5%	2.3%	4.4%
	Income return	0.8%	0.8%	0.8%	0.8%	3.3%	3.3%	3.3%
	Total return	4.1%	2.2%	1.7%	0.7%	9.0%	5.6%	7.9%
Portfolio Relative Return	Relative Total Return	0.2%	-1.4%	0.1%	-1.0%	-2.1%	-0.5%	-2.0%

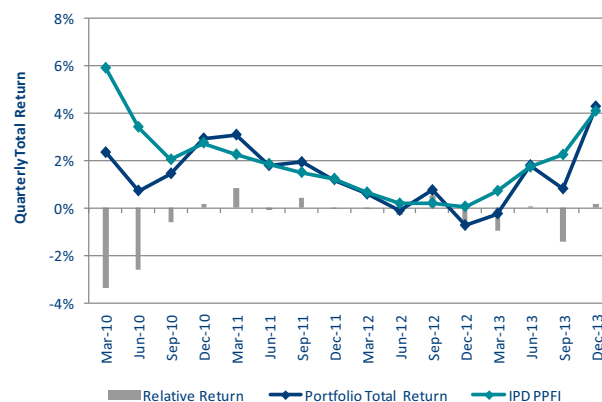
The advisory indirect portfolio (the Portfolio) delivered a total return of 4.3% during Q4 2013, outperforming the IPD All Pooled Property Fund Index (IPD PPF) which returned 4.1% over the same period.

Both industrial funds achieved strong returns during the quarter which were driven by positive market sentiment as well as the success of lettings and asset management initiatives.

HUT was the main drag on performance during the quarter with ERVs being rebased on a number of the portfolio's larger assets which has had a negative impact on valuations. The rebasing of ERVs across the portfolio should help to build a base from which to generate future performance as the void rate (currently below 2%) continues to fall.

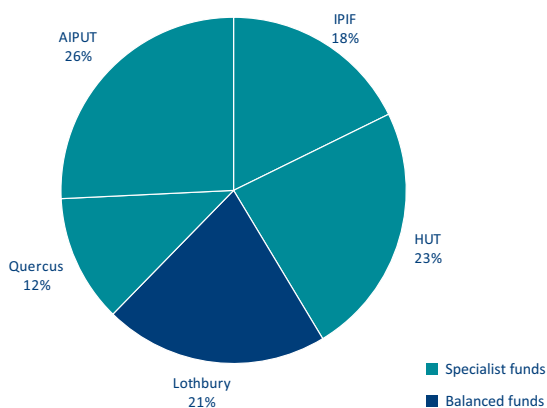
Quercus was again an underperformer during the quarter and although its NAV rose, this was the result of income retention rather than capital growth as income distributions were again withheld to provide funds if required to pay down debt should there be covenant pressures. We are actively lobbying Aviva to ensure that Retiring Partners, including KCC, are paid out by the end of 2014 in line with the fund documentation.

Portfolio quarterly returns vs. IPD PPF

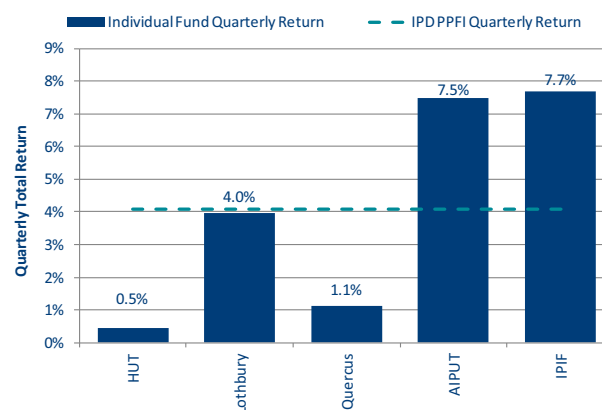


Source: DTZ IM/IPD
Please Note: Past performance is not a guide to the future

Breakdown by investment holdings



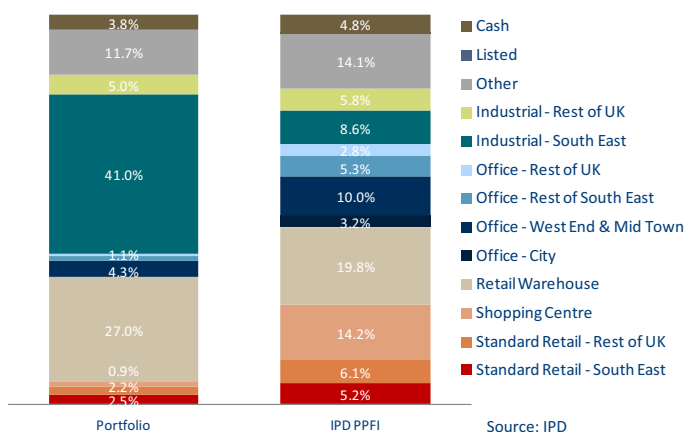
Portfolio quarterly returns vs. IPD PPF



Source: DTZ IM/IPD
Please note that this chart is for illustrative purposes only and past performance is not a guide to the future

Breakdown by property sector

Portfolio weighting



Please note that the Portfolio was not designed to provide a stand alone and diversified property exposure.

The Portfolio has a higher weighting to the retail warehouse and industrial sectors. This reflects the specialist investments made into IPIF, AIPUT and HUT. Quercus, a healthcare fund, provides the majority of exposure to the Other sector. Following the disposal of WELPUT in Q2 2013, the Portfolio is underweight to London Offices.

As a diversified fund Lothbury provides the minor exposure to the remaining sectors.

Investment Updates

Industrial Property Investment Fund (IPIF)—Occupational activity continued to increase with IPIF recording £1.3m of lettings taking the total to £7.8m, the highest annual total in its history. This helped to reduce IPIF’s void rate to 10.7%. Added value activity also saw a positive increase with £8.0m of transactions being recorded over the quarter, the most significant of these saw IPIF secure an outline planning application for 311 residential units at Walthamstow. Transactional activity saw IPIF market a portfolio of 17 small estates, while it completed the purchase of an estate in Heston for 7.5% and placed another regional estate under offer.

Hercules Unit Trust (HUT)—HUT has seen no retailer administrations since March 2013, however, improving the tenant mix has taken time and in some instances has resulted in falling ERVs. On some of the larger parks, the ERVs have therefore been rebased which has had a negative impact on valuations. Although sentiment is improving, the valuation yield for the portfolio has remained stable during Q4. However, a number of the smaller assets saw valuation increases based on recent market evidence and this partially offset the negative effect of the rebasing of ERVs.

Lothbury Property Unit Trust—Lothbury negotiated two lease re-gears during the quarter, providing an overall property value uplift of £1.6m. In the active portfolio, the Lothbury team completed the Clarendon Shopping Centre development in Oxford and H&M have now taken possession of the store and have begun the shop fit out with the target of opening for trade in March 2014. This store has resulted in a strong line up of desirable high street fashion stores adjacent to one another in the shopping centre, including Gap and Zara.

The Quercus Healthcare Property Partnership—The withheld Q1 and Q2 distributions were paid in Q4 as a result of progress made on sales over the latter part of 2013. However, Aviva has deemed it prudent to continue to hold two quarters dividends until further progress is made on sales and debt reduction. We expect valuations to continue to trend downwards in 2014 due to the largely secondary nature of the portfolio and the NAV will also continue to fall as assets are disposed of below valuation.

Airport Industrial Property Unit Trust (AIPUT)—AIPUT has again benefited from the positive impact of active management across the portfolio and the improving market conditions during the quarter. The most significant event was achieving practical completion at the Blackburn & Court Farm Estate (Heathrow) development in November, which was shortly followed by the completion of three leases with Dnata. The asset has seen considerable capital uplift over the life of the project, and the property is now the second largest asset in the portfolio by value. Further performance is expected once the rent free incentive periods within the portfolio reduce and in the event pricing for prime and ‘bond style’ industrial assets strengthen.

Disclaimer

In preparing this Report, DTZ Investment Management (“DTZIM”) has relied upon material; supplied by the Fund Managers of the respective underlying investments within the portfolio; or that is available in the public domain. Attention is drawn to the fact that any such information has not been verified by DTZIM and DTZIM gives no warranty and makes no representation as to the accuracy and completeness of the contents of this Report.

This report is issued by DTZIM for the information of the recipient only. The document and its contents are confidential and may not be provided or otherwise communicated to anyone other than to those it is addressed.

The communication of this document in the United Kingdom (if an authorised person) may only be made to persons who are defined as professional clients or eligible counterparties under the unregulated collective exemption scheme exemptions rules made by the FSA (COBS 4.12) or (i) may only be made to persons who fall within the category of "Investment Professionals" as defined in Article 14 (5) of the Financial Services & Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemption) Order 2001 and (ii) persons falling within any of the categories of person described in Article 22 of the CIS Order and in both cases (i) and (ii) to any other person to whom it may lawfully be made. Transmission of this document to any other person in the United Kingdom is unauthorised and may contravene FSMA.

Where funds are invested in property, investors may not be able to realize their investment when they want. Whilst property valuation is conducted by an independent expert, any such opinion is a matter of the valuer’s opinion. Property is a specialist sector which may be less liquid and produce more volatile performance than an investment in broader investment sectors.

We would also draw your attention to the following important issues:

- Past performance is not a guide to the future;
- The value of investments can go down as well as up;
- Investments in small and emerging markets can be more volatile than other overseas markets; and
- For funds that invest in overseas markets, the return may increase or decrease as a result of currency fluctuations.

Kent County Council

Post Trade Summary

Executive Summary

Kent County Council appointed State Street Transition Management (SSTM) to manage a UK equity restructure on their behalf. Kent County Council instructed the cash disinvestment from Invesco at their mid-day pricing point on the 28th of January. At the same time SSGM built up a long FTSE future position to hedge out of market exposure. Physical trading began on the 29th and SSGM sold futures while buying the SSgA UK Equity wish list. SSGM worked closely with SSgA as target manager to ensure a timely funding into their pooled fund and minimised the cash value of the funding through a secondary “wish list” cash buy.

Prior to commencing the restructuring several operational processes were required to be managed by SSTM:

- Ensuring all necessary documentation was signed and exchanged
- Cooperating with JP Morgan custody to agree and document the operational process
- Preparing comprehensive Pre-Transition Implementation Shortfall Analysis
- Preparing a futures overlay to maintain market exposure throughout the period of transition
- Arranging substitutions to minimise cash funding to SSgA

IMPLEMENTATION SHORTFALL

Physical trading commenced from the open on 29th January 2014 with trading taking place through the 6th of February. The final implementation shortfall associated with this restructure was 84.02 bps or GBP 4.4m. This compares to a pre-transition mean estimate of 85.22 bps. There were many factors that helped us achieve a favourable result in the transition including the fact that we could work directly with the target manager to ensure a basket that provided both effective index coverage and liquidity. The long FTSE hedge also helped manage the cost of the restructure. The cost of physical equities was 112.96 bps with an offsetting gain of nearly 29 bps from the futures hedging strategy.

UNIT FUND HOLDINGS

Securities and cash was transferred to SSgA using a trade date of 11th February and settlement of 14th February. Per the contract note 143,384,547.982 units of the MPF UK Equity Index sub-fund fund were provided in exchange for the transfer of securities. There remains one open corporate action in AZ Electronics which has yet to pay and will result in an additional cash funding upon settlement.

Key dates of the transition

		Action	Responsible Party	Comments
<u>Pre Transition Implementation</u>				
23-Jan-14	27-Jan-14	Draft transition plan and other documentation provided for review	Client, TM	
23-Jan-14	27-Jan-14	Instruction letters sent to managers	Client	
23-Jan-14	27-Jan-14	Legal documentation agreed and signed	Client, TM	
27-Jan-14	27-Jan-14	Final "Wish List" received from Target Manager	NM	By mid-day
27-Jan-14	27-Jan-14	Invesco provide indicative portfolio value	LM	By COB
28-Jan-14	28-Jan-14	Legacy manager terminated	LM, Client.	
28-Jan-14	28-Jan-14	Disinvestment from Legacy Manager in cash (T+4)	LM	Midday pricing point
28-Jan-14	28-Jan-14	State Street implement futures overlay to gain market exposure	TM	Mid-day
28-Jan-14	28-Jan-14	Client lends cash to cover futures margin	Client, TM	
28-Jan-14	28-Jan-14	Legacy manager confirms value of disinvestment	LM	By 4pm
28-Jan-14	28-Jan-14	Final Pre-Transition Implementation Shortfall Report	TM	Based on final list
29-Jan-14	29-Jan-14	Initial futures margin call	TM	
<u>Transition Implementation</u>				
28-Jan-14	28-Jan-14	Implementation shortfall benchmark	TM	
29-Jan-14	04-Feb-14	Portfolio restructuring	TM	
29-Jan-14	29-Jan-14	Indicative funding list provided to new manager	TM, NM	
03-Feb-14	03-Feb-14	Cash from Invesco redemption settles in account	TM, Cust.	
03-Feb-14	03-Feb-14	Cash lent by client to cover futures margin is returned	TM, Client	
03-Feb-14	07-Feb-14	Trade settlement and account reconciliation	TM, Cust.	
11-Feb-14	11-Feb-14	Final Funding list provided to new manager	TM, NM	
11-Feb-14	11-Feb-14	Assets transferred to new manager (T+3)	TM, NM, Cust.	
14-Feb-14	14-Feb-14	Assets settle at the new manager	TM, NM, Cust.	
<u>Post Transition</u>				
12-Feb-14	26-Feb-14	Post transition reporting	TM	

TM= Transition Managers	NM= New Managers
LM= Legacy Managers	Cust= Custodian

SSgA Contract Note



Managed Pension Funds Limited
Participant Record Keeping System

From: 01 February 2014
To: 20 February 2014
Lending Status: All Participants

Trade Summary Report

Page 1 of 2

Fund: HKEG - MPF UK Equity Index sub-Fund

Date	Participant	Participant	Trans Type	Units Traded	Price	Comm.	Market Effect	Total Cost/ Proceeds	Realized Gain/Loss
11 Feb 2014	80401	Kent County Council Pension Schem	Buy In-kind	143,318,858.066	3.713980	0.00	0.00	532,283,372.48	
11 Feb 2014	80401	Kent County Council Pension Schem	Buy	63,706.400	3.738860	0.00	0.00	238,189.31	
11 Feb 2014	80401	Kent County Council Pension Schem	Swap Buy	1,983.516	3.713980	0.00	0.00	7,366.74	
			Buy Subtotal:	143,384,547.982		0.00	0.00	532,528,928.53	0.00

Registered Number: 4486031 England
Registered Office and principal place of business:
20 Churchill Place, Canary Wharf, London. E14 5HJ

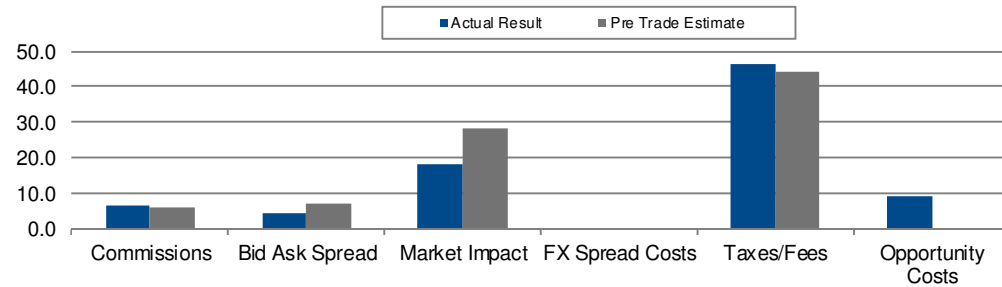
Regulated by the Financial Conduct
Authority

Report Created At: 20 February 2014 6:56 AM

Transition costs (GBP)

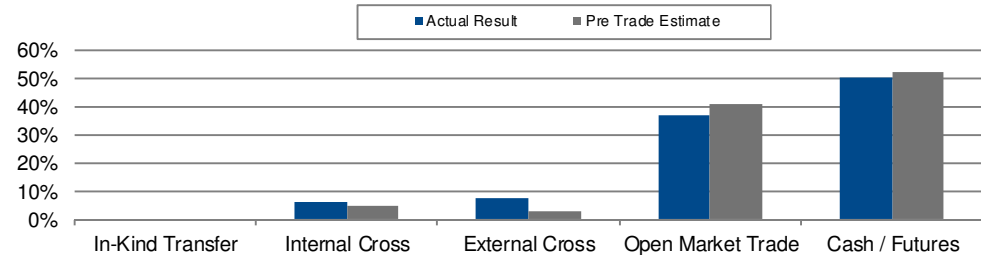
Cost Attribution in bps

	Actual Result	Pre Trade Estimate	Variance
Commissions	6.14	5.98	0.16
Bid Ask Spread	4.46	6.65	(2.19)
Market Impact	18.31	28.25	(9.94)
FX Spread Costs	-	-	-
Taxes/Fees	46.23	44.33	1.90
Opportunity Costs	8.88	-	8.88
Total Costs	84.02	85.22	(1.20)



Trading By Execution Method

	Actual Result	Pre Trade Estimate	Variance
In-Kind Transfer	0.0%	0.0%	0.0%
Internal Cross	6.1%	4.8%	1.4%
External Cross	7.4%	2.4%	5.0%
Open Market Trade	36.6%	40.7%	-4.2%
Cash / Futures	49.9%	52.1%	-2.2%



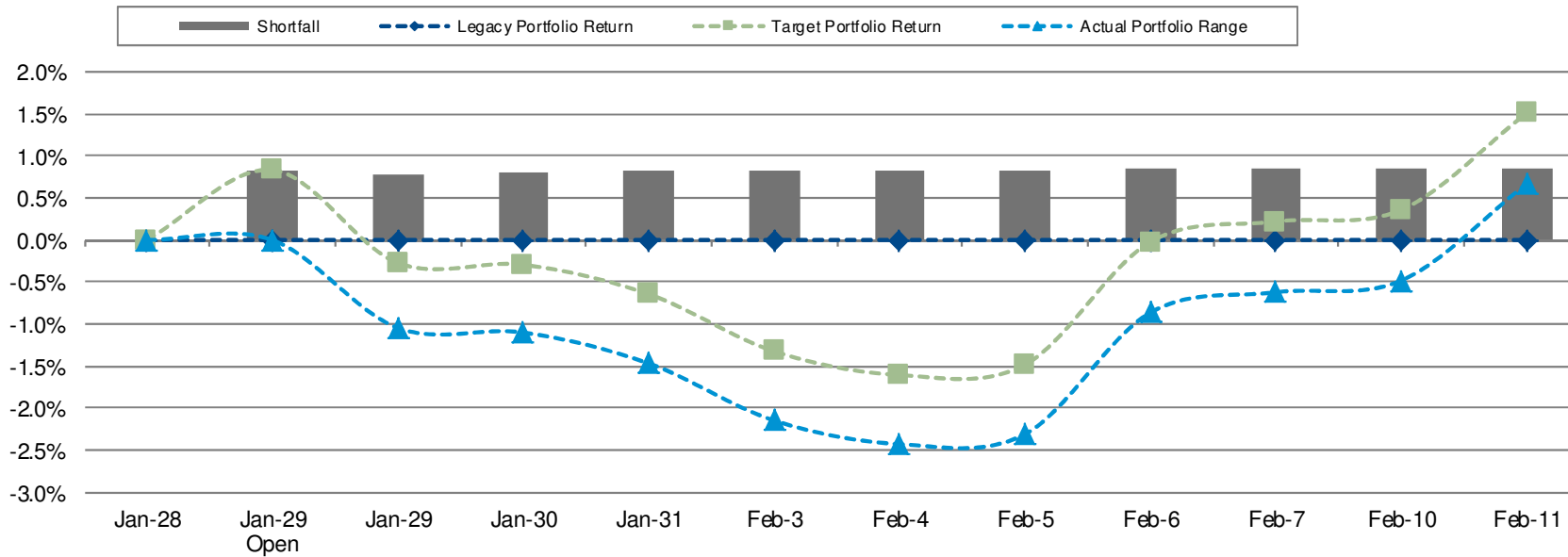
Summary

- The total implementation shortfall cost for event was 84.02 bps or GBP 4,439,718
- The pre trade mean cost estimate was 85.22 bps

Portfolio performance during event

Implementation Shortfall Summary

	Starting Value	Ending Value	Gain/Loss	Performance
Kent County Council Portfolio	528,412,748	531,936,234	3,523,485	0.67%
Target Portfolio	528,412,748	536,375,951	7,963,203	1.51%
Legacy Portfolio	528,412,748	528,412,748	-	0.00%
Implementation Shortfall (Target Return - Kent County)				0.84%



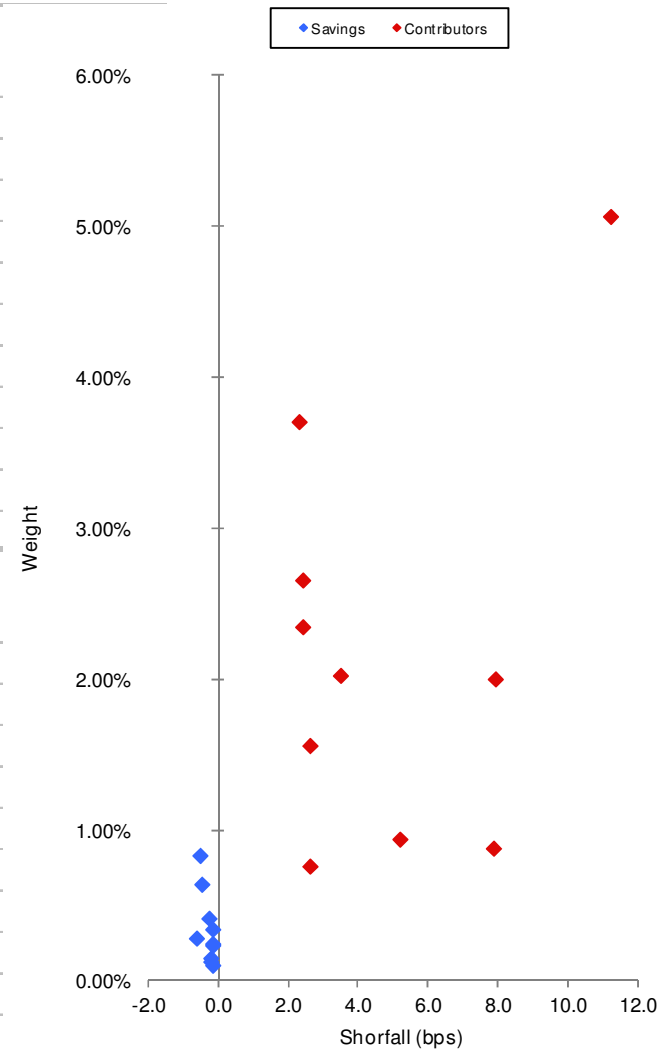
Individual security analysis - Target

Target Portfolio - Largest Savings to Shortfall

Name	Value Traded	Weight	Shortfall	Shortfall (bps)
GREENCOAT UK WIND PLC	1,480,387	0.27%	(31,733)	(0.60)
SHIRE PLC	4,225,413	0.83%	(26,951)	(0.51)
A VIVA PLC	3,376,790	0.64%	(24,172)	(0.46)
BRITISH SKY BROADCASTING GRO	2,124,399	0.41%	(12,236)	(0.23)
PENNON GROUP PLC	636,477	0.12%	(9,160)	(0.17)
COCA-COLA HBC AG-CDI	811,655	0.14%	(8,707)	(0.16)
SAINSBURY (J) PLC	1,241,938	0.23%	(8,153)	(0.15)
UNITED UTILITIES GROUP PLC	1,241,204	0.24%	(7,377)	(0.14)
BTG PLC	528,261	0.10%	(6,983)	(0.13)
BACIT LTD	1,803,292	0.34%	(6,673)	(0.13)

Target Portfolio - Largest Contributors to Shortfall

Name	Value Traded	Weight	Shortfall	Shortfall (bps)
VODAFONE GROUP PLC	27,955,706	5.06%	593,596	1123
BARCLAYS PLC	11,500,288	2.00%	420,900	7.97
CARPHONE WAREHOUSE GROUP PLC	4,713,382	0.87%	418,103	7.91
ANGLO AMERICAN PLC	4,679,865	0.93%	275,334	5.21
RIO TINTO PLC	10,241,890	2.02%	186,646	3.53
ENTERTAINMENT ONE LTD	3,726,672	0.76%	139,448	2.64
PRUDENTIAL PLC	8,276,648	1.56%	139,075	2.63
ROYAL DUTCH SHELL PLC-B SHS	14,108,826	2.66%	129,839	2.46
ASTRAZENECA PLC	12,318,826	2.34%	129,350	2.45
ROYAL DUTCH SHELL PLC-A SHS	19,775,269	3.70%	123,359	2.33



Summary

- ▶ Efficient implementation of the agreed strategy
- ▶ A robust operational strategy which involved cooperation between Kent County Council, State Street Transition Team, & SSgA
- ▶ Security substitution process to manage funding list liquidity
- ▶ Investment into SSgA pooled funds as directed
- ▶ All costs fully reconciled and reported to the client

NOTES AND DEFINITIONS

State Street Global Markets is the marketing name and a registered trademark of State Street Corporation used for its financial markets businesses.

Legal Disclaimer

Important Legal Information – Please Read

This communication is intended to provide generic background information about investments and investment strategies and does not take into account your individual needs and circumstances. Nothing in this communication should be construed as a solicitation, offer, recommendation or advice on the merits of acquiring or disposing of any particular investment or of participating in any specific trading strategy or in any other transaction or as investment, legal or tax advice. This communication does not provide any assessment of the value or prospects of any particular investment or issuer of investments. You should make your own assessment and evaluation of the communication in the light of your individual needs and circumstances. We also would remind you that past performance is no guarantee of future results.

The content of this communication is based on or derived from public information and data made available to us from a number of different sources, including third party sources. We, our affiliated companies and our and their directors and employees make no representation that the information and opinions contained in this communication comply with local accounting standards or are accurate, complete or up to date and hereby exclude all warranties, conditions and other terms, whether express or implied, in relation to such information and opinions and accept no liability, whether arising in contract, tort, including negligence, or for breach of statutory duty, misrepresentation or otherwise, for any losses, liabilities, damages, expenses or costs arising from or connected with this communication and the information and opinions expressed herein, provided, however that nothing herein shall limit or exclude liability for fraud or for any other liability to the extent that the same cannot be limited or excluded by applicable law. We also do not undertake and are under no obligation to update or keep current the information or opinions contained in this communication to account for future events.

You may only use and copy this communication for internal purposes and may not forward, amend or distribute the communication outside your immediate organization without our prior written consent. These terms are subject to any agreement between us governing the provision of the communication. This communication is not intended for distribution to, and may not be relied upon by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to applicable law or regulation.

This communication is not intended for and must not be provided to retail investors.

United States. This communication is being distributed in the United States by State Street Bank and Trust Company.

United Kingdom and European Economic Area. The products and services outlined in this communication are offered to Professional Clients or Eligible Counterparties in the United Kingdom and other Member States of the European Economic Area through State Street Bank Europe Limited which is authorised and regulated by the Financial Services Authority of the United Kingdom. This communication is intended for distribution in the United Kingdom and other Member States of the European Economic Area with respect to which State Street Bank Europe Limited has exercised passporting rights, where applicable, to provide cross-border services. Please note, certain foreign exchange business (spot and certain forward transactions) are not regulated by the Financial Services Authority.

Japan. This communication is disseminated in Japan by State Street Global Markets Japan Limited which is regulated by the Financial Services Agency of Japan as a financial instruments firm.

Hong Kong. This communication is made available in Hong Kong by State Street Bank and Trust Company, which accepts responsibility for its contents, and is intended for distribution to professional investors only (as defined in the Securities and Futures Ordinance).

Australia. This communication is being distributed in Australia by State Street Bank and Trust Company ABN 70 062 819 630, AFSL 239679 and is intended only for wholesale clients, as defined in the Corporations Act 2001.

Singapore. This communication is being disseminated by State Street Bank and Trust Company, Singapore Branch (“SSBTS”), which holds a wholesale bank license by the Monetary Authority of Singapore. In Singapore, this communication is only distributed to accredited, institutional investors as defined in the Singapore Financial Advisers Act (“FAA”). Note that SSBTS is exempt from Sections 27 and 36 of the FAA. When this communication is distributed to overseas investors as defined in the FAA, note that SSBTS is exempt from Sections 26, 27, 29 and 36 of the FAA.

South Africa. The products and services outlined in this document are offered through either State Street Global Markets International Limited, State Street Bank Europe Limited or State Street Bank and Trust Company, all of which are authorized in South Africa under the Financial Advisory and Intermediary Services Act, 2002 as a Category I Financial Services Provider; FSP No. 42823, 42838 and 42671 respectively.

Please contact your sales representative for further information.

© State Street Corporation, 2012

This page is intentionally left blank

Equity Post-Transition Implementation Shortfall Analysis

Kent County Council

Base Currency: GBP

Page 41

Equity Post-Transition Implementation Shortfall Analysis

Prepared for Kent County Council

February 27, 2014

Equity Post-Transition Implementation Shortfall Analysis

Kent County Council
 Base Currency GBP

Executive Summary

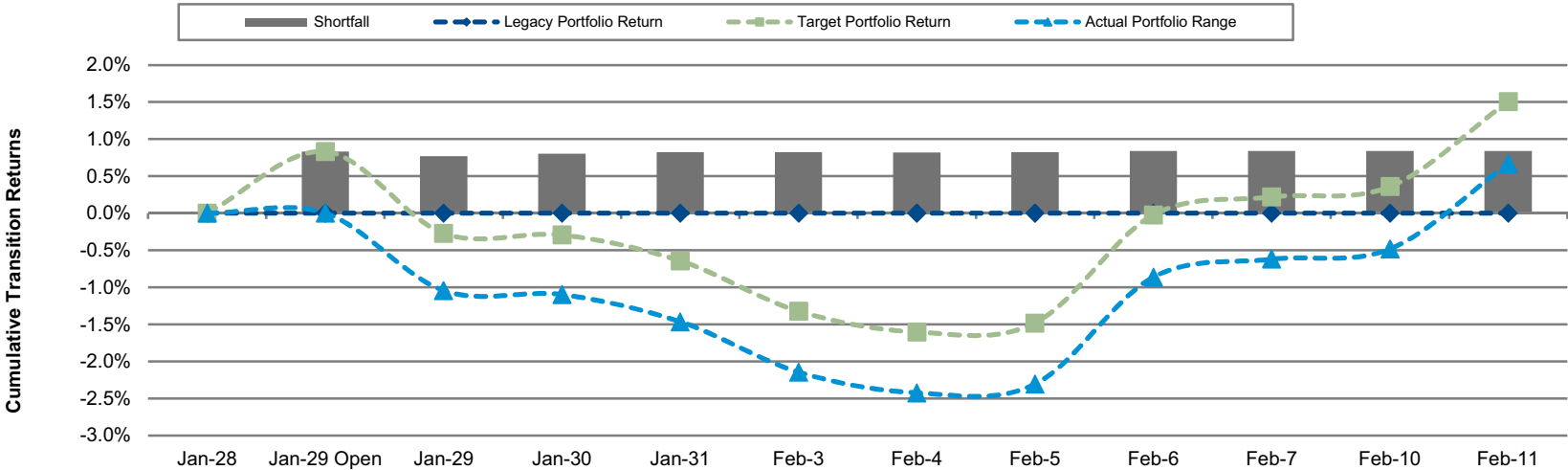
State Street Global Markets ("State Street") was appointed to manage the transition for Kent County Council where a legacy cash disinvestment was transitioned to SSgA. Transition trading began on Jan 29, 2014 and was managed at SSGM until the close on Feb 10, 2014. State Street has provided this report to detail the cost of the transition, the returns of the portfolios involved, the trading strategies utilized and the market conditions that took place during the transition. We have also reconciled the actual transition activity to the estimated results in our pre trade analysis. * Trades that fall outside the transition period may not be reflected in this report.

Implementation Shortfall Summary

Implementation Shortfall, or IS, calculates the cost of a transition event as the amount of performance slippage incurred as a result of the move. Performance slippage is defined as the actual transition return achieved versus the return of the target portfolios, assuming the transition occurred instantaneously without any costs.

Implementation Shortfall Summary

	Starting Value	Ending Value	Gain/Loss	Performance
Kent County Council Portfolio	528,412,748	531,936,234	3,523,485	0.67%
Target Portfolio	528,412,748	536,375,951	7,963,203	1.51%
Legacy Portfolio	528,412,748	528,412,748	-	0.00%
Implementation Shortfall (Target Return - Kent County C				0.84%



Equity Post-Transition Implementation Shortfall Analysis

Kent County Council

Base Currency GBP

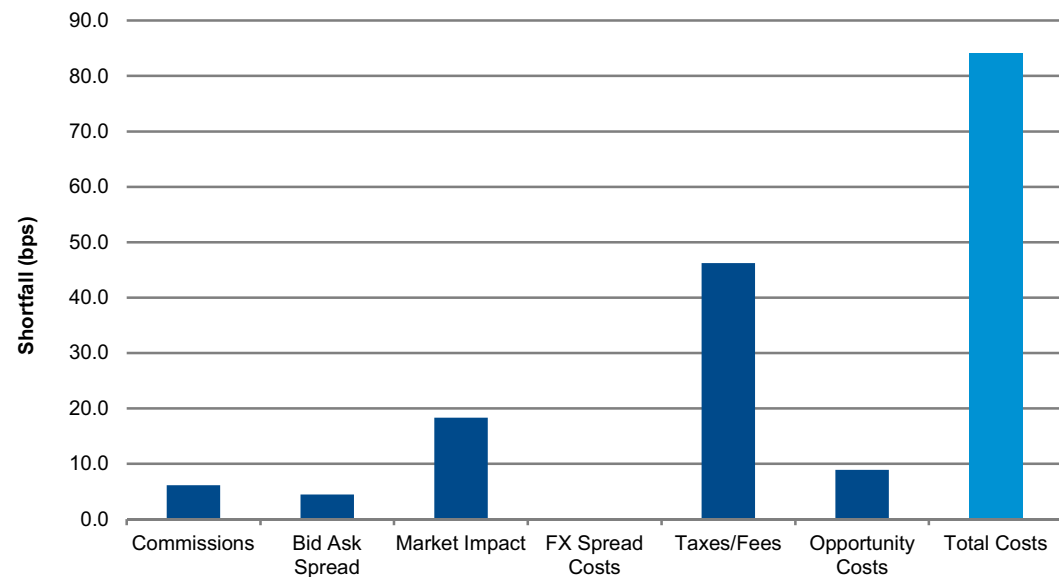
Implementation Shortfall Attribution

In this section, we attribute the costs to their various sources. A summary of these costs and how they are calculated are as follows:

1. **Commissions** – The total amount of commissions charged for all trades in the transition. [Calc: sum of all commissions]
2. **Bid Ask Spread** – The difference between the mid-point of the bid and ask for each security versus the actual execution price. [Calc: Each Execution Price vs. Mid point at that time]
3. **Market Impact** – The cost associated with accessing liquidity for larger orders. [Calc: k-coefficient * (Relative Trade Size) ^ Exponent]
4. **FX Spread Costs** – The estimated spread cost associated with reallocating currency. [Calc: FX execution price vs. WM Mid Rate]
5. **Taxes/Fees** - The total local taxes/fees paid to execute all trading. [Calc: sum of all taxes/fees]
6. **Opportunity Costs** – The timing cost of the transition due to tracking error between buys and sells. [Calc: Total Shortfall for each name less commissions, bid ask spread, market impact, FX spread costs and taxes/fees]

Implementation Shortfall Attribution

	Actual Cost	Basis Points
Commissions	324,346	6.14
Bid Ask Spread	235,726	4.46
Market Impact	967,588	18.31
FX Spread Costs	-	-
Taxes/Fees	2,442,817	46.23
Opportunity Costs	469,239	8.88
Total Costs	4,439,718	84.02



Equity Post-Transition Implementation Shortfall Analysis

Kent County Council

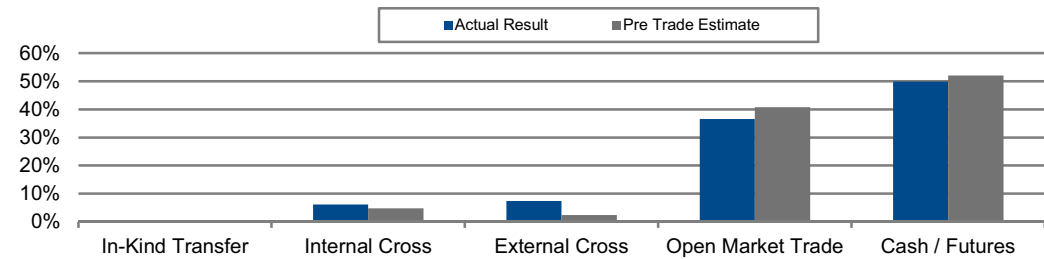
Base Currency GBP

Reconciliation to Pre Trade Analysis

State Street provided a pre trade analysis that estimated the cost of the transition prior to the start of the trade. In addition we estimated the allocation of trading across different execution methods. In the graphs and tables below we have compared the actual results to our pre trade estimates.

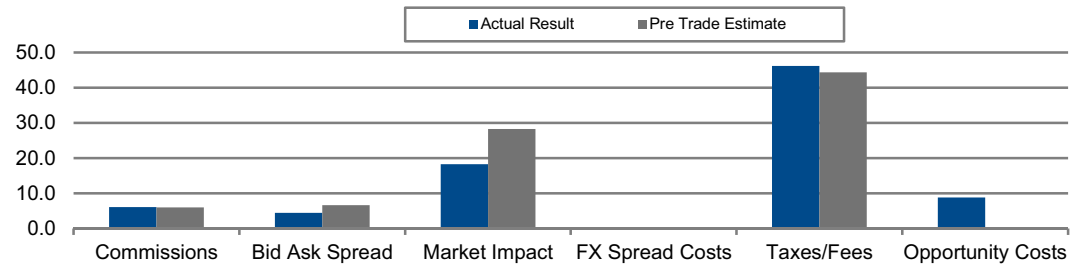
Trading By Execution Method

	Actual Result	Pre Trade Estimate	Variance
In-Kind Transfer	0.0%	0.0%	0.0%
Internal Cross	6.1%	4.8%	1.4%
External Cross	7.4%	2.4%	5.0%
Open Market Trade	36.6%	40.7%	-4.2%
Cash / Futures	49.9%	52.1%	-2.2%



Cost Attribution in bps

	Actual Result	Pre Trade Estimate	Variance
Commissions	6.14	5.98	0.16
Bid Ask Spread	4.46	6.65	(2.19)
Market Impact	18.31	28.25	(9.94)
FX Spread Costs	-	-	-
Taxes/Fees	46.23	44.33	1.90
Opportunity Costs	8.88	-	8.88
Total Costs	84.02	85.22	(1.20)



Trading Costs Distribution

Actual Cost of Transition	84.02
Pre-Trade Estimates	
Mean Cost of Transition (bps)	85.22
One Standard Deviation Event +/- bps from mean	44.43
Two Standard Deviation Event +/- bps from mean	88.87

Equity Post-Transition Implementation Shortfall Analysis

Kent County Council

Base Currency GBP

Implementation Shortfall Attribution - Target Portfolio

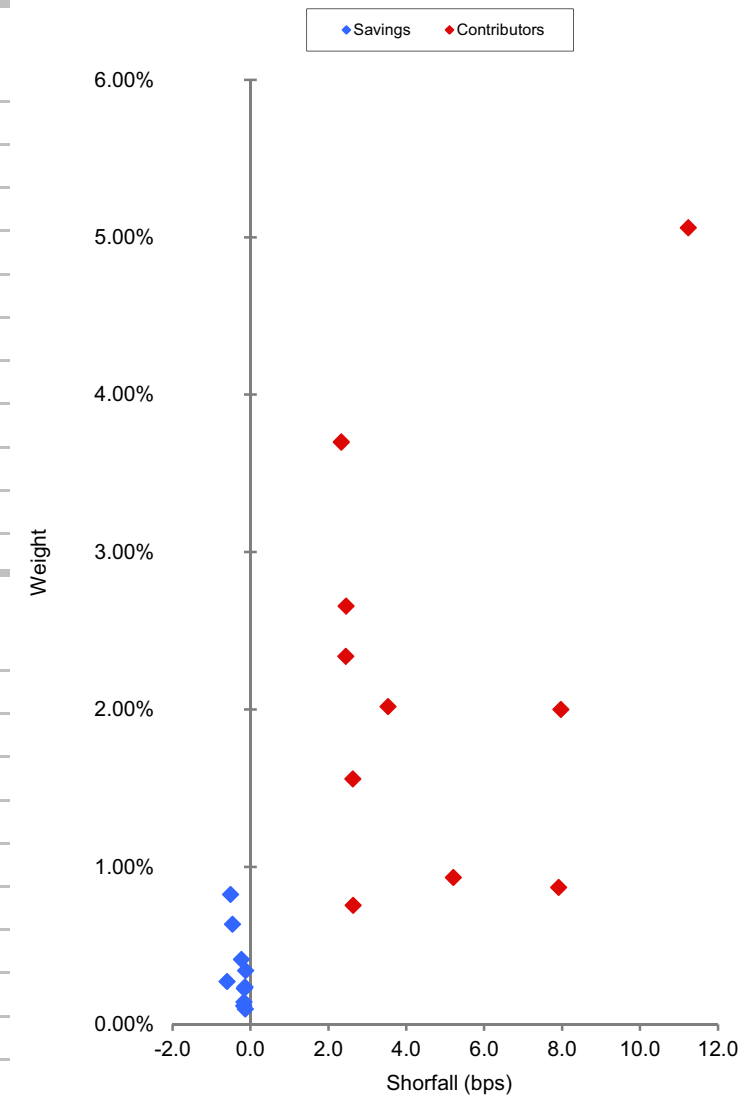
In this section, we detail the actual securities that contributed most to the total implementation shortfall of the transition. This section deals solely with the target portfolio.

Target Portfolio - Largest Savings to Shortfall

Name	Value Traded	Weight	Shortfall	Shortfall (bps)
GREENCOAT UK WIND PLC	1,480,387	0.27%	(31,733)	(0.60)
SHIRE PLC	4,225,413	0.83%	(26,951)	(0.51)
AVIVA PLC	3,376,790	0.64%	(24,172)	(0.46)
BRITISH SKY BROADCASTING GRO	2,124,399	0.41%	(12,236)	(0.23)
PENNON GROUP PLC	636,477	0.12%	(9,160)	(0.17)
COCA-COLA HBC AG-CDI	811,655	0.14%	(8,707)	(0.16)
SAINSBURY (J) PLC	1,241,938	0.23%	(8,153)	(0.15)
UNITED UTILITIES GROUP PLC	1,241,204	0.24%	(7,377)	(0.14)
BTG PLC	528,261	0.10%	(6,983)	(0.13)
BACIT LTD	1,803,292	0.34%	(6,673)	(0.13)

Target Portfolio - Largest Contributors to Shortfall

Name	Value Traded	Weight	Shortfall	Shortfall (bps)
VODAFONE GROUP PLC	27,955,706	5.06%	593,596	11.23
BARCLAYS PLC	11,500,288	2.00%	420,900	7.97
CARPHONE WAREHOUSE GROUP PLC	4,713,382	0.87%	418,103	7.91
ANGLO AMERICAN PLC	4,679,865	0.93%	275,334	5.21
RIO TINTO PLC	10,241,890	2.02%	186,646	3.53
ENTERTAINMENT ONE LTD	3,726,672	0.76%	139,448	2.64
PRUDENTIAL PLC	8,276,648	1.56%	139,075	2.63
ROYAL DUTCH SHELL PLC-B SHS	14,108,826	2.66%	129,839	2.46
ASTRAZENECA PLC	12,318,826	2.34%	129,350	2.45
ROYAL DUTCH SHELL PLC-A SHS	19,775,269	3.70%	123,359	2.33



Equity Post-Transition Implementation Shortfall Analysis

Kent County Council

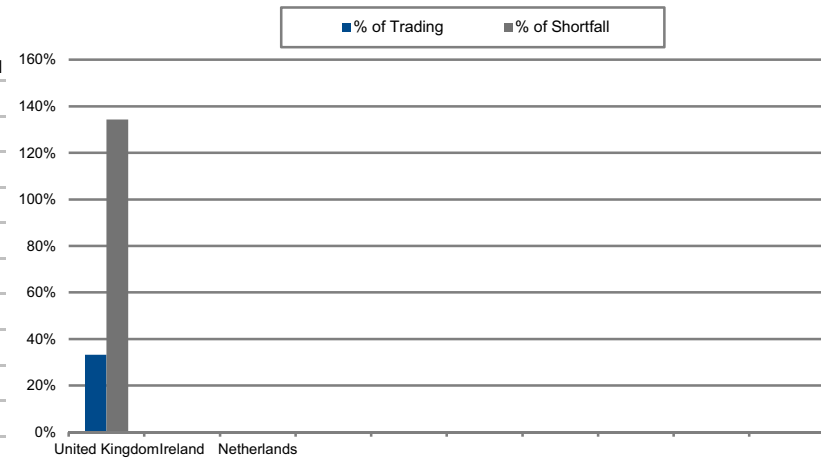
Base Currency GBP

Implementation Shortfall Attribution - Country and Sector

In this section we detail the countries who had the largest contribution to shortfall as well as the sectors and their contribution to shortfall. In addition we graphically detail each country's weight of trading and its corresponding contribution to shortfall.

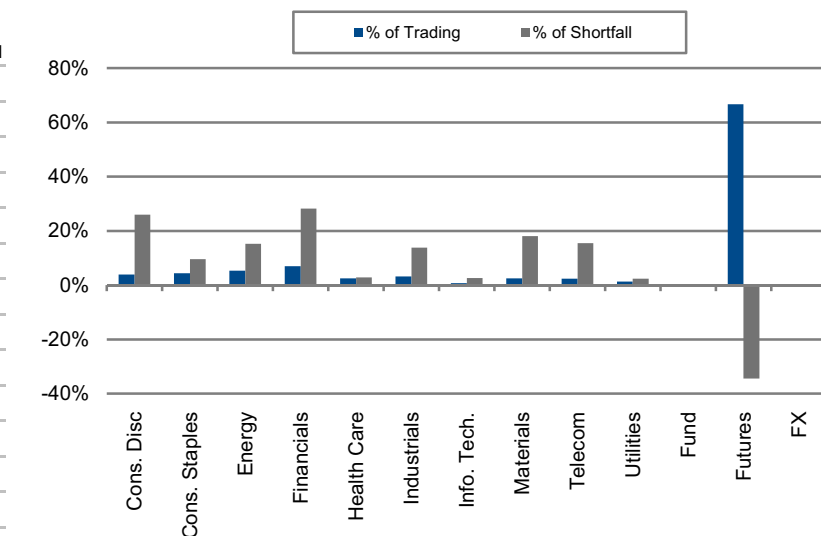
Top 10 Countries with largest Contribution to Shortfall

Country	Total Trading	Shortfall	% of Trading	% of Shortfall
United Kingdom	528,606,229	5,961,593	33.28%	134.28%
Ireland	149,218	3,867	0.01%	0.09%
Netherlands	950,493	3,238	0.06%	0.07%
		-		
		-		
		-		
		-		
		-		
		-		
		-		



Implementation Shortfall by Sector

Sector	Total Trading	Shortfall	% of Trading	% of Shortfall
Consumer Discretionary	61,822,450	1,154,631	3.89%	26.01%
Consumer Staples	69,212,296	424,503	4.36%	9.56%
Energy	84,104,280	676,072	5.30%	15.23%
Financials	110,685,449	1,253,842	6.97%	28.24%
Health Care	40,113,640	124,344	2.53%	2.80%
Industrials	50,841,909	615,823	3.20%	13.87%
Information Technology	10,815,725	115,686	0.68%	2.61%
Materials	38,882,972	800,210	2.45%	18.02%
Telecommunication Services	37,302,488	685,004	2.35%	15.43%
Utilities	20,396,604	103,151	1.28%	2.32%
Fund	5,528,127	15,432	0.35%	0.35%
Futures	1,058,578,628	(1,528,960)	66.65%	-34.44%
FX	-	(20)	0.00%	-0.00%



Equity Post-Transition Implementation Shortfall Analysis

Kent County Council

Base Currency GBP

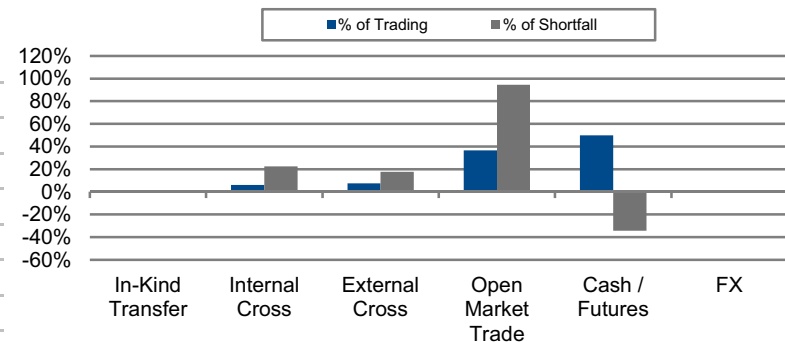
Trading Methodology

State Street utilizes four major sources of liquidity when executing transitions. We have detailed what these execution sources are below and also detailed what we allocated to each one of these categories:

1. **In-Kind Transfer** – Assets that are common to the legacy portfolio and the target portfolio. There are no costs associated with these trades.
2. **Internal Cross** – Assets that are crossed internally at State Street. These trades are crossed against other State Street clients and SSgA Index funds.
3. **External Cross** – Assets that are executed on blind external crossing networks, BlockCross or dark pools.
4. **Open Market Trading** – Assets that are executed in the market with State Street acting as agent.

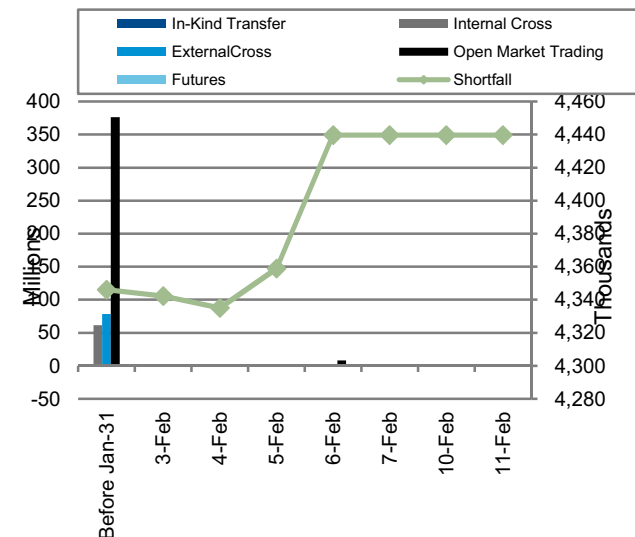
Implementation Shortfall by Execution Method

	Securities	Shares	Market Value	% of Trading	Explicit Cost (bps)	Implicit Cost (bps)
In-Kind Transfer	-	-	-	0.00%	-	-
Internal Cross	95	9,816,498	64,974,100	6.15%	5.80	13.14
External Cross	303	13,631,381	78,311,370	7.41%	7.63	7.10
Open Market Trade	615	85,606,978	386,420,470	36.56%	36.79	42.50
Cash / Futures	-	-	527,119,577	49.88%	2.15	(31.08)
FX	-	-	-	0.00%	-	(0.00)
Totals	1,013	109,054,857	1,056,825,517	100.00%	52.37	31.65



Implementation Shortfall by Day

Date	In-Kind Transfer	Internal Cross	ExternalCross	Open Market Trading	Futures	Total Shortfall
Before Jan-31	-	61,495,261	78,298,922	376,467,762	(1,569,492)	4,346,089
03-Feb	-	1,824,405	7,530	1,114,031	(1,508,041)	4,342,168
04-Feb	-	588,194	1,328	347,177	(1,496,288)	4,335,101
05-Feb	-	299,602	-	260,318	(1,508,248)	4,358,920
06-Feb	-	766,637	3,590	8,231,181	(1,528,960)	4,439,718
07-Feb	-	-	-	-	(1,528,960)	4,439,718
10-Feb	-	-	-	-	(1,528,960)	4,439,718
11-Feb	-	-	-	-	(1,528,960)	4,439,718



This page is intentionally left blank

By: Chairman Superannuation Fund Committee
Corporate Director Finance and Procurement

To: Superannuation Fund Committee – 21 March 2014

Subject: **PENSION FUND RISK REGISTER**

Classification: Unrestricted.

Summary: To seek agreement to the Pension Fund Risk Register..

FOR DECISION

INTRODUCTION

1. The Pension Fund Risk Register was last presented to the Committee on 31 August 2012. It is timely to refresh the register.

UPDATE

2. The last report identified the following as the highest risks:
 - Changes to the LGPS – ongoing and still a high risk.
 - Impact of the 2013 Valuation – now done and in process terms this went very smoothly.
 - Investment manager under performance, complexity of the manager structure – still a high risk area.
 - Loss of key personnel – both the member and officer position shows substantial continuity over the 2 year period.
 - Council downsizing – again a high risk area still.
 - Employees opting out of the scheme – this risk has not materialised.
 - Auto-enrolment – proceeding for some employers and postponed by many.
3. Senior Officers working on the Fund have prepared the updated Risk Register in the Appendix which reflects the latest KCC corporate approach to presenting risk registers. We have also compared it with the Essex Pension Fund Risk

Register and generally we have put less emphasis on the risk of not being able to deliver core business.

4. Risks have been analysed into 4 sub-categories:

- Governance
- Employer
- Investment
- Administration

Whilst risk owners have been identified that is within the overriding responsibility of the Committee and the Corporate Director of Finance and Procurement.

5. The highest risks identified are:

- A1 Administration system not implemented to timescale (12)
- A5 Inadequate implementation of the 2014 regulations (12)
- I3 Increased maturity of Fund as local authority payroll budgets reduce (12)
- I5 Investment returns below actuarial assumptions (12)

6. Mitigating actions are in place to reduce the level of risks, particularly on “red risks”. Further details of the mitigations can be provided on request.

7. Members comments on the risks and scoring are requested.

RECOMMENDATION

8. Members are asked to consider the Pension Fund Risk Register.

Nick Vickers
Head of Financial Services
Ext 4603

KENT PENSION FUND RISK REGISTER MARCH 2014

Category	Ref	Risk	Impact	Likelihood	Risk Score	Risk Owner	Possible actions
Governance Risks							
Governance	G1	Call for Evidence leads to the amalgamation of LGPS Funds	4	2	8	N Vickers	Fund submission to CLG. Working with SE7 on other options. Respond to next consultation.
Governance	G2	Failure to establish the new Pension Board in accordance with legislation	3	1	3	N Vickers	Apply regulations when published.
Governance	G3	Compliance with data protection laws	4	1	4	N Vickers	KCC policies and protocols, training
Governance	G4	Inadequate skills & knowledge of members/officers	4	2	8	N Vickers	Emphasis on member and officer training & development Attendance at training events run by Fund Managers, CIPFA, NAPF etc
Governance	G5	Loss of experienced members/staff	3	2	6	N Vickers	Succession planning
Employer Risks							
Employer	E1	Poor communication with employers	1	1	1	B Cheate/ A Mings/ S Tagg	Employer Forums, meetings Regular communication
Employer	E2	Financial failure of an employer	2	4	8	A Mings/ S Tagg	Monitoring of employers, bond / guarantees, credit risk management information Agree shorter recovery periods. Cash deficit contributions
Employer	E3	Employer outsourcing	3	3	9	S Tagg	Clear process and communication with employers pre decisions Liaise with KCC Legal Services Liaise with actuary.
Employer	E4	Failure to collect pension contributions in line with regulatory guidelines	3	1	3	A Mings/ S Tagg	Regular monitoring and recovery action, KPI's Annual internal audit review
Employer	E5	Increased number of employers in the fund	2	3	6	S Tagg/ A Mings	Appropriate staffing resources and systems Liaison with actuary. Clear communication.
Employer	E6	Implementation of actuarial valuation results	2	2	4	A Mings/ S Tagg	Clear communication. monitoring of monthly returns
Employer	E7	Local Government Review in Kent	4	2	8	N Vickers	Communication with employers
Investment Risks							
Investment	I1	Fund managers' compliance with LGPS 2009 regs and Fund SIP / FSS	2	1	2	A Mings/ S Surana	IMA's. monthly reporting, Committee reviews, officer reviews
Investment	I2	Lack of adequate internal controls at Fund Managers and Custodian	3	1	3	A Mings/ S Surana	AAF/01/16 and SSAE16 reports
Investment	I3	Increased maturity of fund as local authority payroll budgets reduce	3	4	12	N Vickers/ A Mings	Funding Strategy Statement Cash flow monitoring. Triennial valuation and annual interim reviews
Investment	I4	Changes in maturity mean that different employers need different investment strategies	2	2	4	N Vickers/	Investment strategy. Liaison with actuary.
Investment	I5	Fund investment return below that assumed by the actuary	4	3	12	N Vickers	Diversified investment strategy with annual review. Advice from Hymans Robertson. Monitoring of investment managers. Tactical asset allocation
Investment	I6	High inflation	3	2	6	N Vickers	Inflation protection investments.
Investment	I7	Investment management arrangements become too complex	2	2	4	N Vickers	Investment strategy. Advice Hymans Robertson.
Investment	I8	Increased longevity	3	3	9	N Vickers	Actuarial assumptions, increased employer contributions
Investment	I9	Derisking not implemented at the right time	3	2	6	N Vickers	Investment strategy. Monitoring of funding levels. Advice Hymans Robertson.
Investment	I10	Failure of manager or custodian	3	2	6	N Vickers	Quarterly monitoring SSAE16 audit reports; diversification of manager mandates; diversification of custody via pooled funds Advice from Hymans Robertson.
Investment	I11	Insufficient liquidity, poor cashflow management	3	2	6	A Mings/ S Surana	Cashflow forecasting and monitoring
Investment	I12	Poorly managed treasury strategy	2	2	4	A Mings/ S Surana	Selection of counterparties. KCC TMPs
Investment	I13	Completeness and accuracy of investment records including income	2	2	4	A Mings/ S Surana	Reconciliation of KCC accounting systems with fund managers' reports. Annual internal audit review

Category	Ref	Risk	Impact	Likelihood	Risk Score	Risk Owner	Possible actions
Administration Risks							
Administration	A1	Administration system not implemented to timescale	4	3	12	B Cheatle	Project planning. Heywood support.
Administration	A2	Poor communication with employees	1	1	1	B Cheatle/	Regular communication, ABI's
Administration	A3	Fraudulent payments	2	1	2	B Cheatle A Mings	Atmos monitoring process. Internal controls. Regular internal audits.
Administration	A4	Failure of employers to provide timely and accurate information	2	3	6	B Cheatle S Tagg	Regular communication. Intervention with problem employers.
Administration	A5	Inadequate implementation of the 2014 Regulations	3	4	12	B Cheatle S Tagg	Regular communication. Staff training.
Administration	A6	Failure to maintain proper records leading to inadequate data, which could lead to increased complaints and errors	3	1	3	B Cheatle	Engagement with employers, employer manuals in place, electronic interface, year end data cleansing, officer checking,
Administration	A7	Security and integrity of member data	3	1	4	B Cheatle	Access controls, authorisations, reconciliations
Administration	A8	System failure	3	1	3	B Cheatle	Business continuity arrangements with Heywood.
Administration	A9	Manual calculations due to late/non receipt of new Regulations	2	4	8	B Cheatle	Staff training.
Administration	A10	Impact of tax changes on individuals-annual allowance/lifetime allowance	2	3	6	B Cheatle	Briefing material.

By: Chairman Superannuation Fund Committee
Corporate Director Finance and Procurement

To: Superannuation Fund Committee – 21 March 2014

Subject: **UPDATE ON LGPS REFORMS**

Classification: Unrestricted.

Summary: To update on changes to the LGPS

FOR INFORMATION

INTRODUCTION

1. This is a period of unprecedented change in the LGPS and this report gives a latest position statement. Attached in the Appendix are presentations made at a conference attended by Mr Davies and the Head of Financial Services from CLG and the Pensions Regulator.

1 APRIL 2014 LGPS REGULATIONS

2. Key elements of the new LGPS Regulations for the Career Average Revalued Earnings Scheme introduced from 1 April 2014 were only received on 10 March. This also means that updates to the pensions administration software have been delayed. This is highly unsatisfactory and means that there may be no alternative but to delay benefit calculations or calculate them manually in April.

DRAFT GOVERNANCE REGULATIONS

3. Draft governance regulations to take effect from 1 April 2015 are expected to be published in late March. The regulations are required as part of the overhaul of public sector pensions following the Hutton Report.
4. Key features of the new arrangements are:
 - (1) The Secretary of State for Communities and Local Government will be the Responsible Authority for the LGPS.
 - (2) The Scheme Advisory Board will advise the Secretary of State but he can also seek advice from elsewhere.

- (3) Local administering bodies become the “Scheme Manager” – also now referred to as the Section 101 Local Government Act 1972 statutory committee. For the Kent Fund this is the Superannuation Fund Committee.
- (4) There is a new requirement for a Pension Board – the precise role of this body is as yet unclear for the LGPS. But it is understood that it will be a requirement, membership has to be equally drawn from employees and employers and the CLG may set down a minimum frequency for meetings. To date there has been no explanation of what problem the Pension Board is supposed to address. Establishing a Pension Board from 1 April 2015 will be a major piece of work in the coming year.

PENSIONS REGULATOR

5. The Pensions Regulator was set up by the 2004 Pensions Act but from 1 April 2015 their remit will be extended to cover public sector pension schemes.
6. In their oversight of the LGPS the Pension Regulator states that:
 - (1) Scheme manager – must apply adequate internal controls.
 - (2) Pension board – must have knowledge and understanding.
7. Their draft code of practice covers:
 - Governing your scheme
 - Knowledge and understanding required by pension board members
 - Conflicts of interest
 - Information to be published about schemes
 - Managing risks
 - Internal controls
 - Administration
 - Scheme record-keeping
 - Maintaining contributions
 - Information to be provided to members
 - Resolving issues
 - Internal dispute resolution
 - Reporting breaches of the law

CALL FOR EVIDENCE

8. Again some announcement is supposed to be imminent on what happens next.

RECOMMENDATION

9. Members are asked to note the report.

Nick Vickers
Head of Financial Services
Ext 4603

This page is intentionally left blank

LGC Investment Seminar 2014

“Regulatory Oversight – the New World”

27 February 2014

Page 57

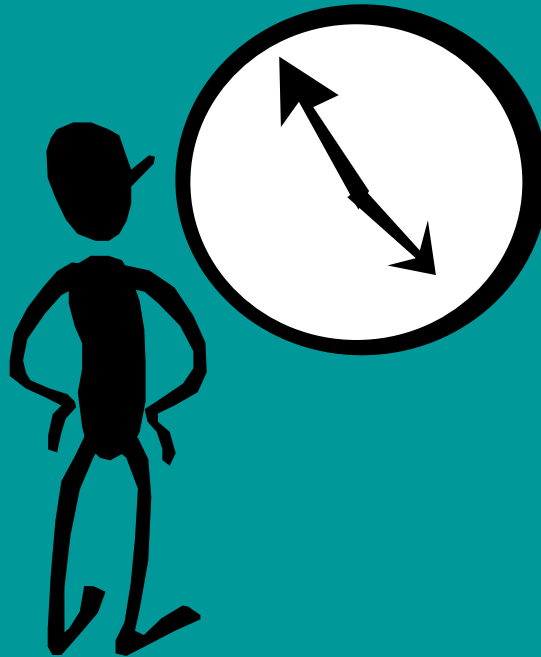
Bob Holloway

DCLG

Workforce Pay & Pensions Division

32 Days 14 Hours

Page 58







Quite Likely

The Local Government Pension Scheme Regulations 2013

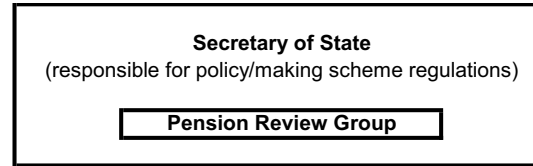
Part 1 – membership, contributions and benefits

Part 2 – administration

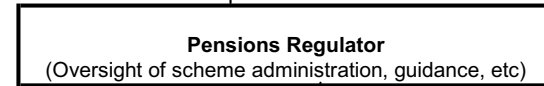
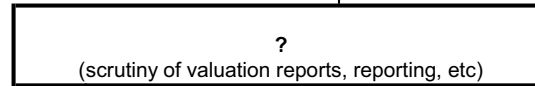
Part 3 – scheme governance, cost management and pensions protection

The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014

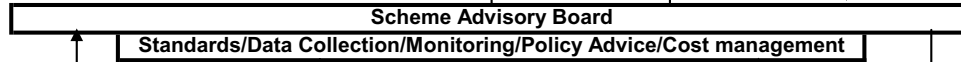
Responsible Authority



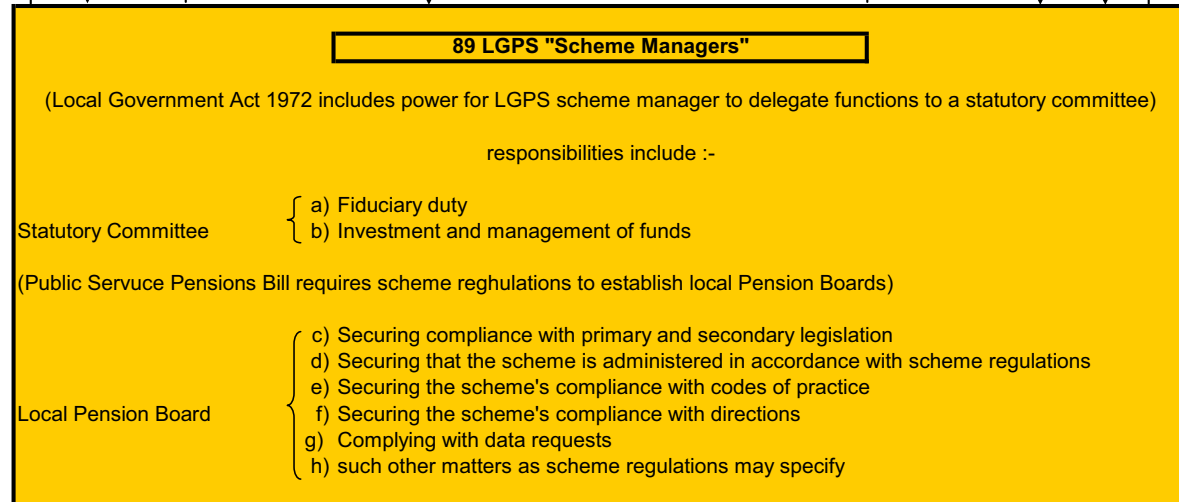
National Scrutiny



Scheme Advisory Board



Scheme Managers



- Shadow board already in operation
- Underpinned by sub-committees
- Role of SAB defined in PSP Act 2013
- Other key issues :-
 - Legal status
 - Effective representation
 - Appointments
 - Funding
 - Information
 - Working relationships (avoid duplication)

Local Scrutiny Board?

Local Compliance Board?

Local Pension Board?

- Minimum requirements of the 2013 Act :-
 - Assisting scheme managers
 - Securing compliance with scheme regulations
 - Securing compliance with Pensions Regulator codes of practice, etc
 - No conflict of interest
 - Provision of information to scheme managers
 - Equal number of employer and scheme member representatives
 - Scheme managers to publish information about pension boards.
- No power to make statutory decisions
- But do we go further than the compliance role?
- If so, how do we fill the gap?
- Local flexibility v central prescription.

- Separation from scheme manager function?
- Terms of office
- Regularity of meetings
- Skills and knowledge requirements
- Information requirements
- Reporting arrangements
- Funding
- Limitations

Central Prescription

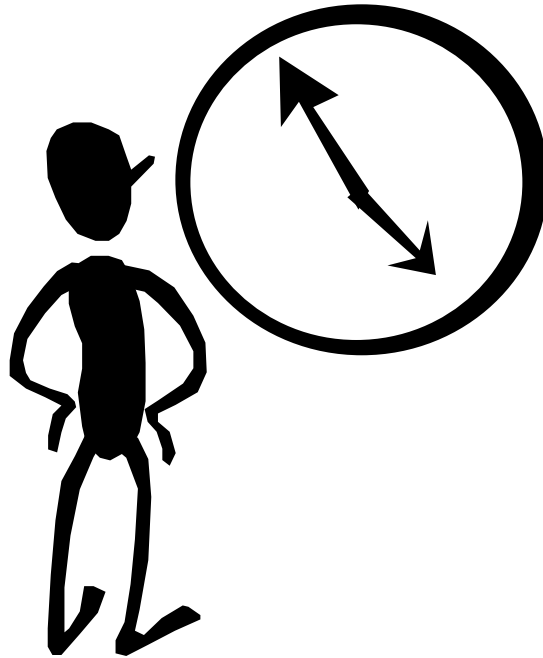
V

Local Flexibility

Governance Timetable

- Primary legislation not enabled
- April 2015 start date for other schemes
- Likely start date for LGPS = April 2015
- Reasonable lead in time
- Instruct lawyers = February 2014
- Consultation = Spring 2014
- Regulations made = Summer –ish 2014!

32 Days 13 Hrs 40 Mins



This page is intentionally left blank

Regulation of public service pension schemes from April 2015

Page 71
Robert Plumb
Scheme liaison manager

The Pensions
Regulator

Who we are

Established by Pensions Act 2004 to regulate work-based pensions

Our statutory objectives:

- protect member benefits
- reduce calls on the Pension Protection Fund
- ensure employers comply with automatic enrolment
- promote good administration.

Page 72

We aim to be: **P**roportionate, **A**ccountable, **C**onsistent, **T**ransparent and **T**argeted and risk-based

The Pensions
Regulator

Application to public service schemes

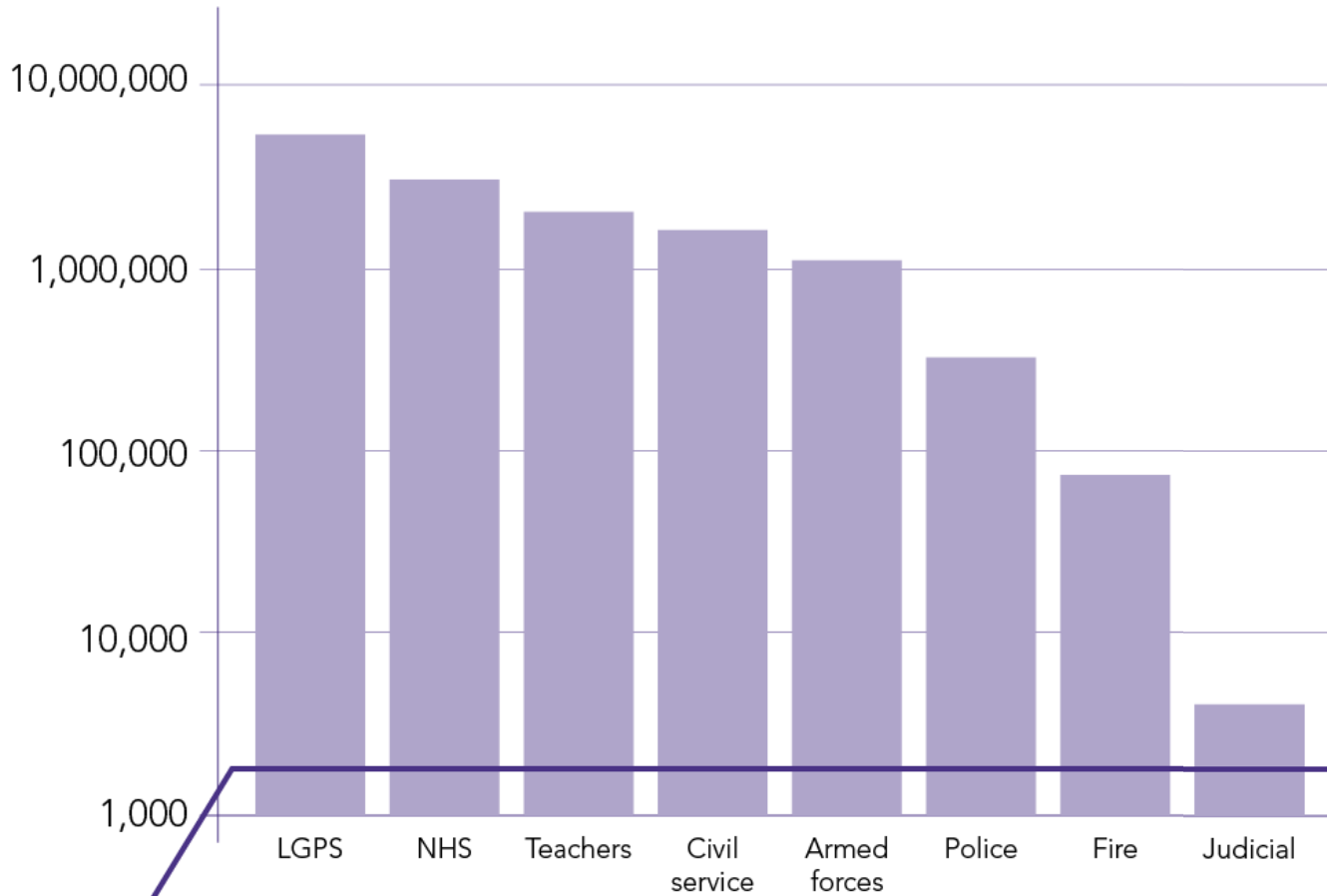
Hutton report 2011

Public Service Pensions Act 2013

- Schemes defined
- Reform of benefit design
- Governance arrangements
- Explicit regulatory oversight
- Governance and administration – not funding
- Largely analogous to private sector

Public service pension scheme membership

Page 74

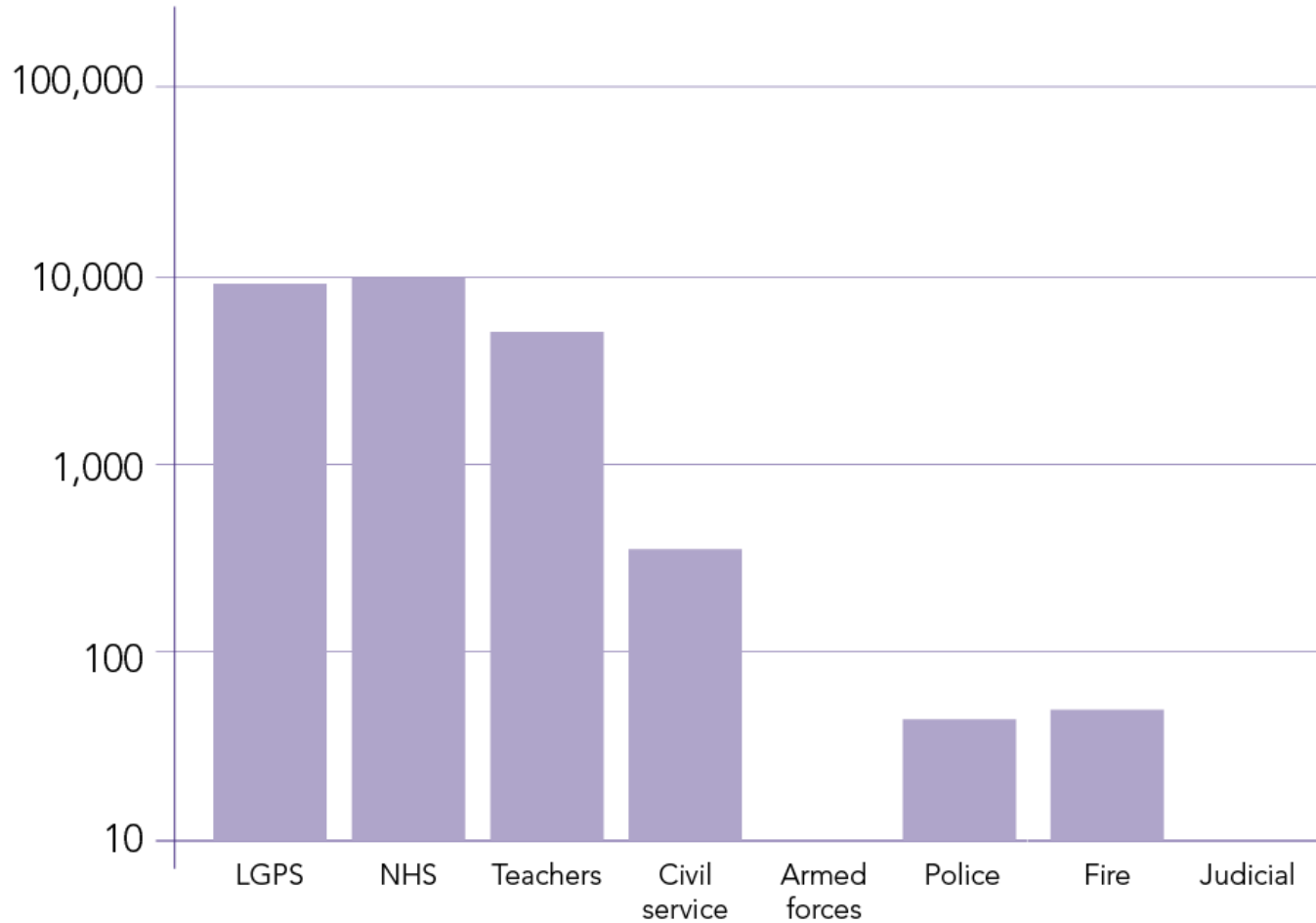


Average private sector scheme

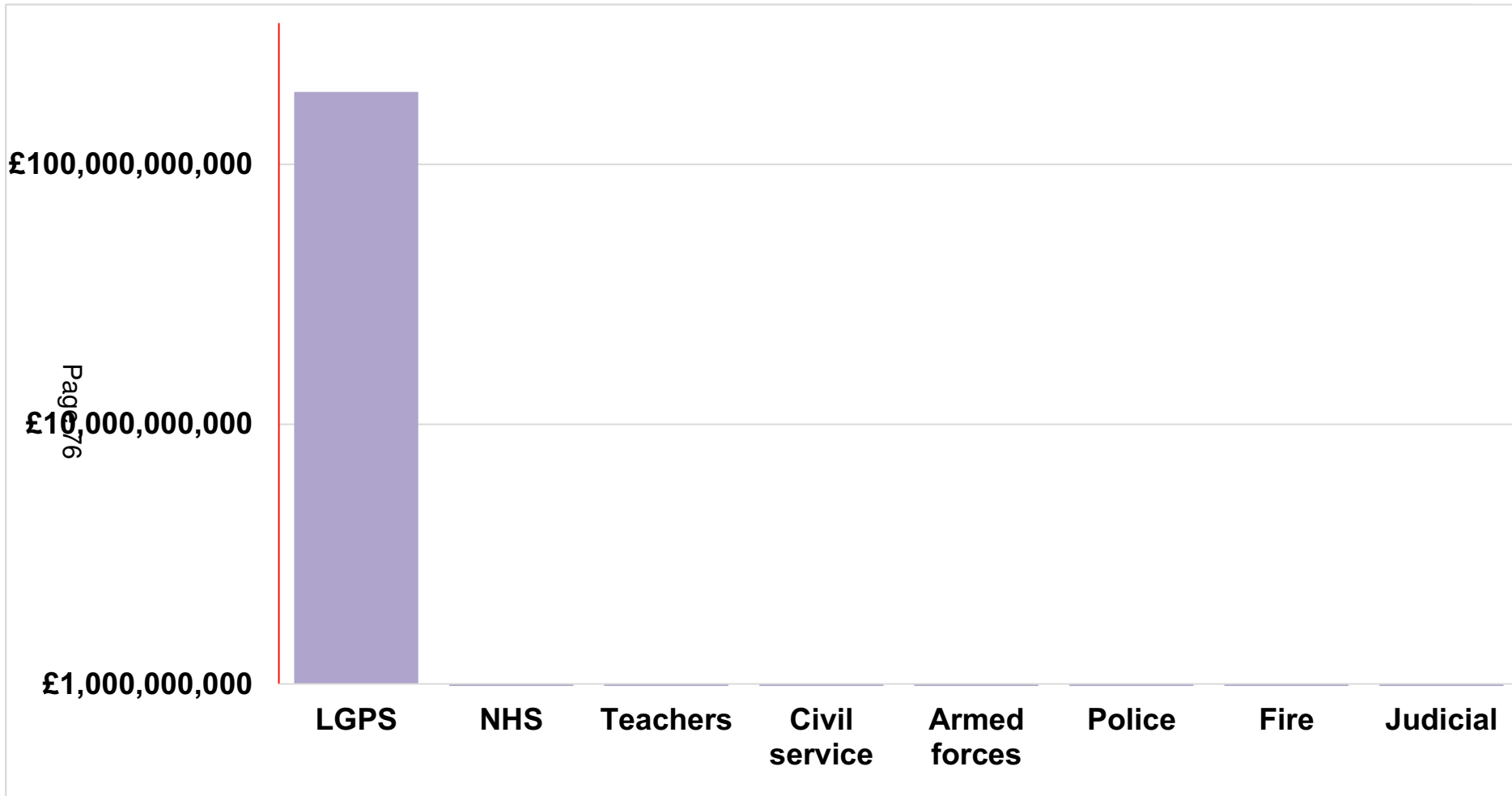
The Pensions Regulator

Number of employers

Page 75

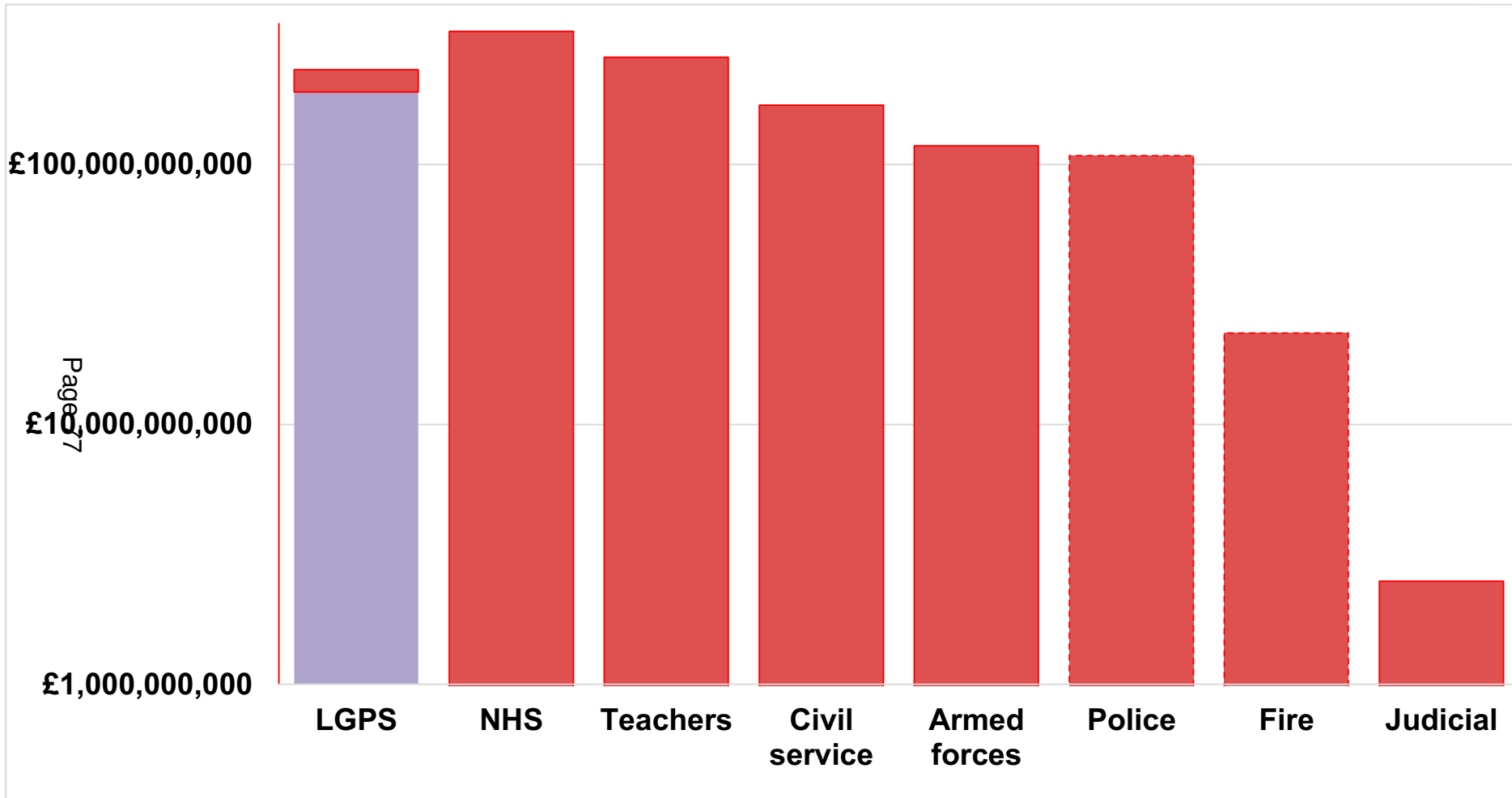


Assets



Page 7/6

Assets and liabilities

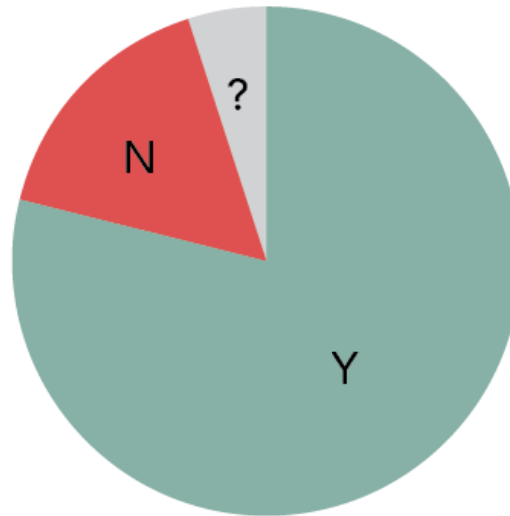


Is there a board training plan?

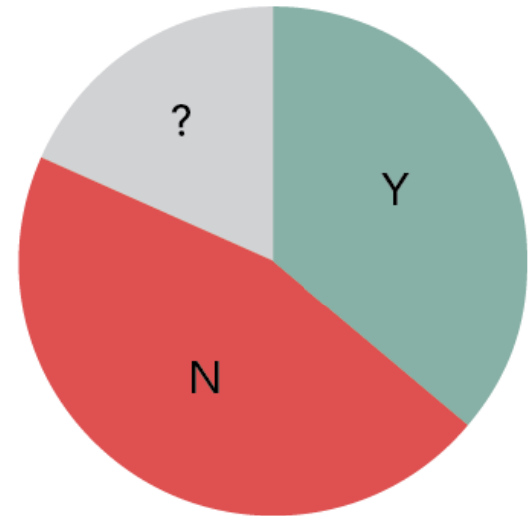
Fire and police



LGPS



National

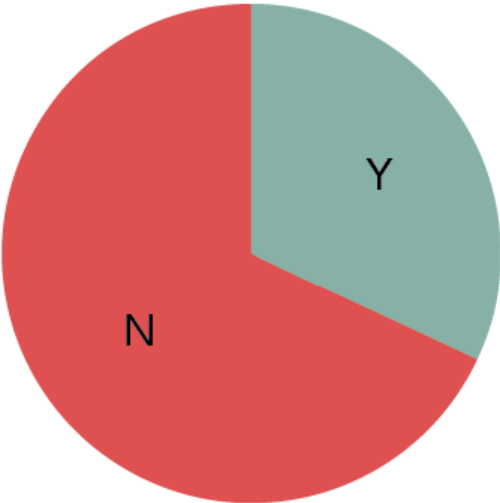


Page 78

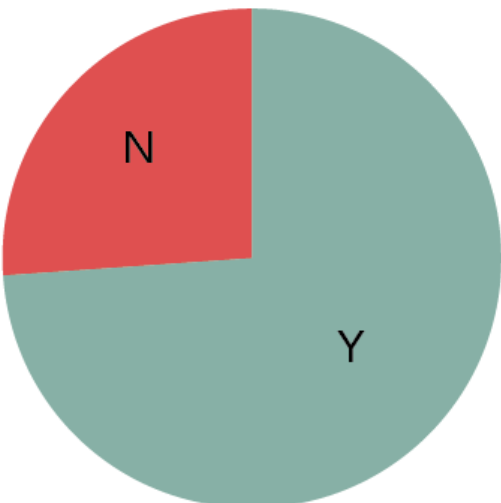
Y Yes **N** No **?** Don't know

Is there a conflicts of interest policy?

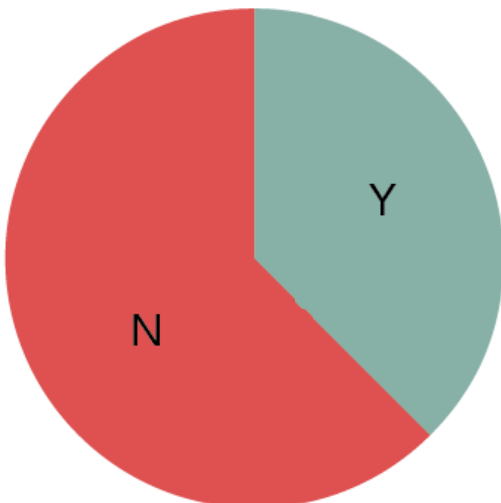
Fire and police



LGPS



National

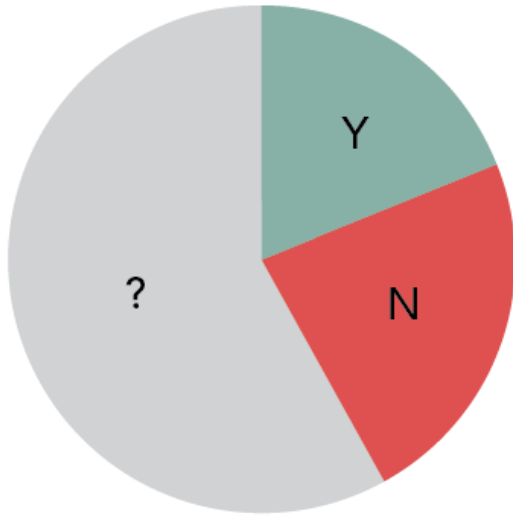


Page 79

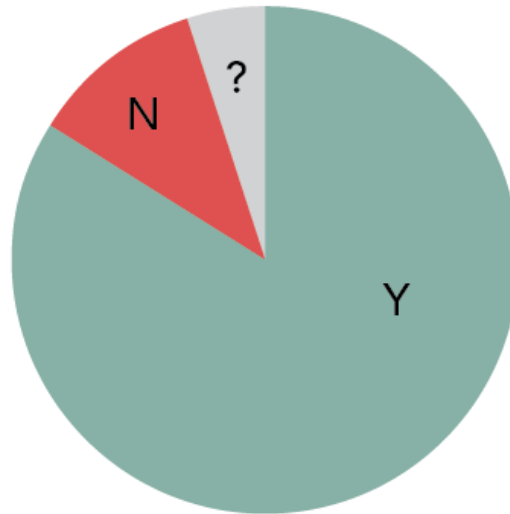
Y Yes N No

Are there formal processes to identify and manage risks?

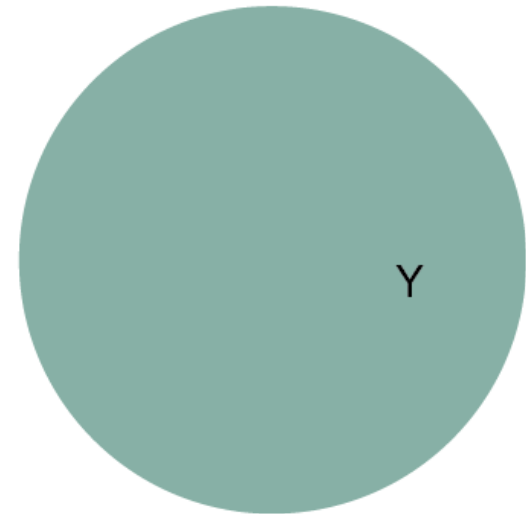
Fire and police



LGPS



National



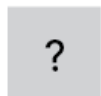
Page 80



Yes



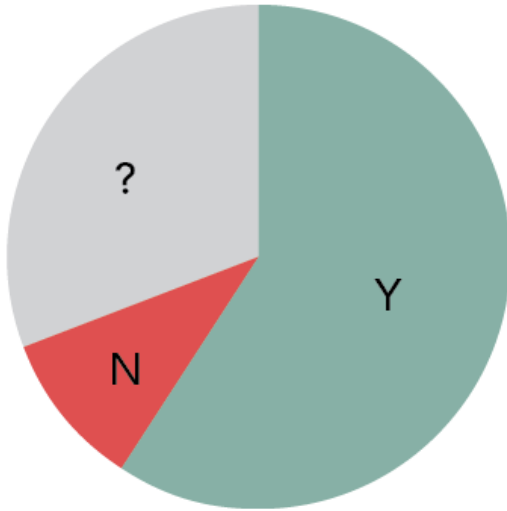
No



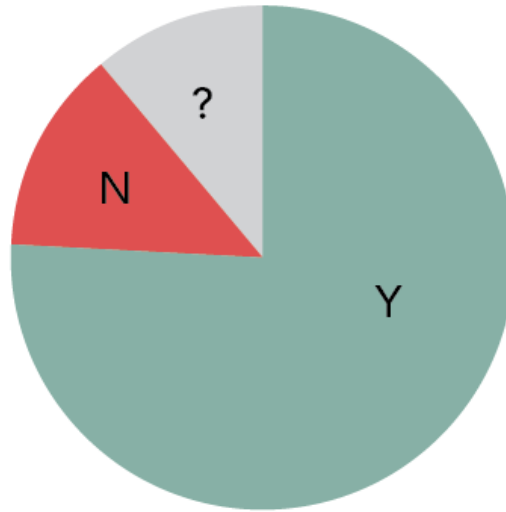
Don't know

Have internal controls been documented?

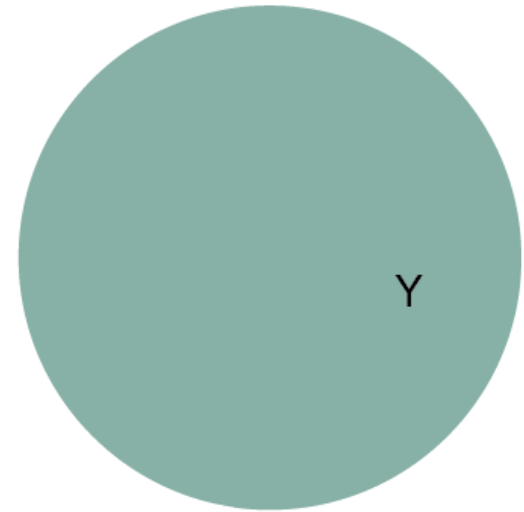
Fire and police



LGPS



National

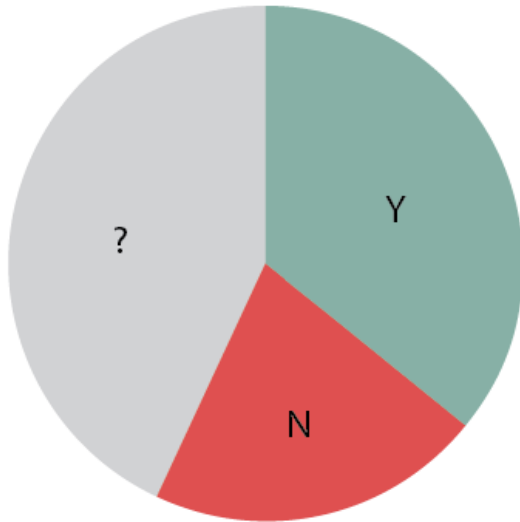


Page 81

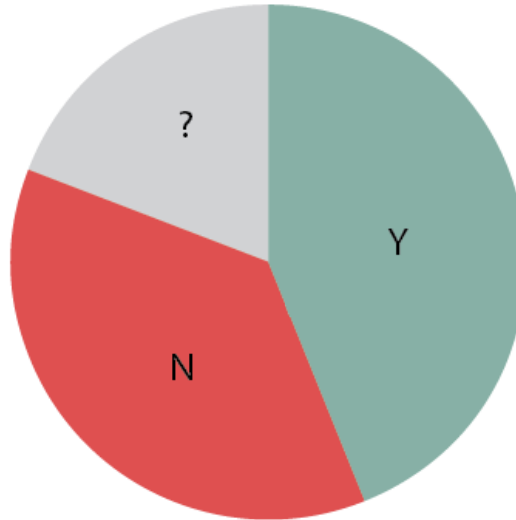
Y Yes **N** No **?** Don't know

Has common data been measured?

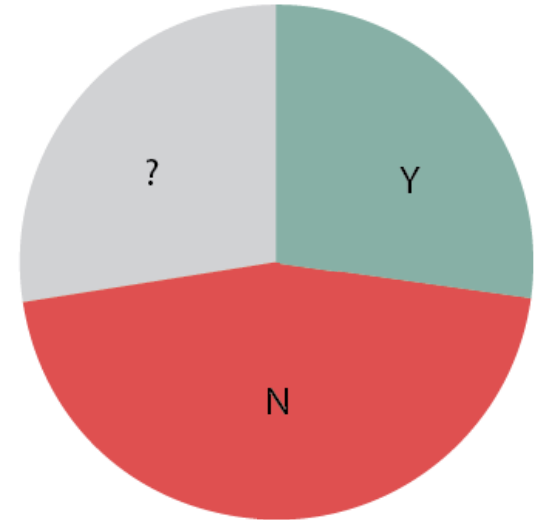
Fire and police



LGPS



National

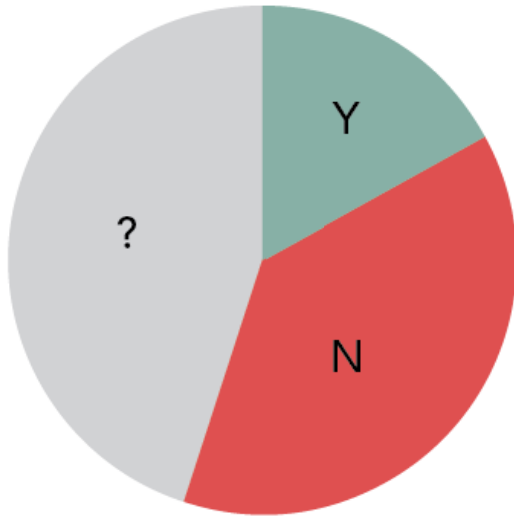


Page 82

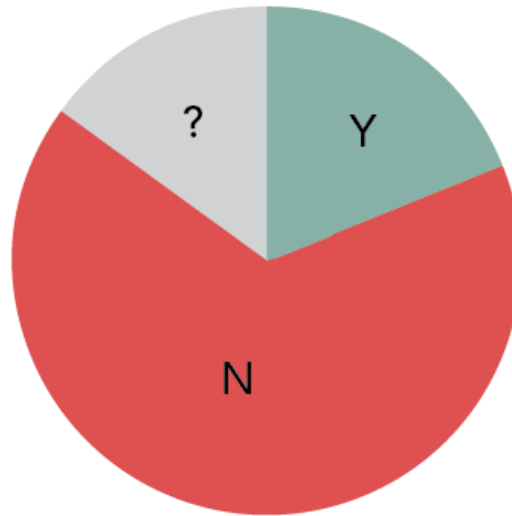
Y Yes N No ? Don't know

How about conditional data?

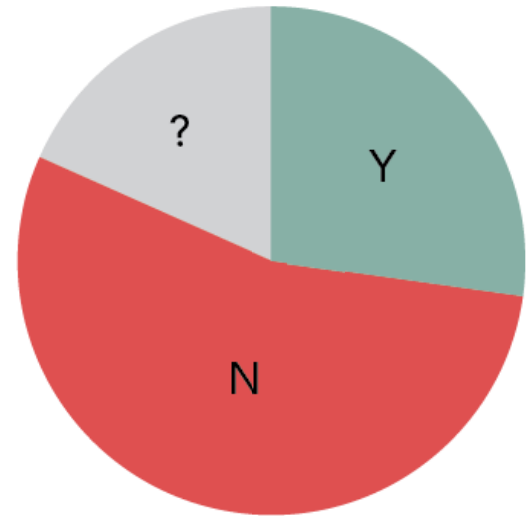
Fire and police



LGPS



National

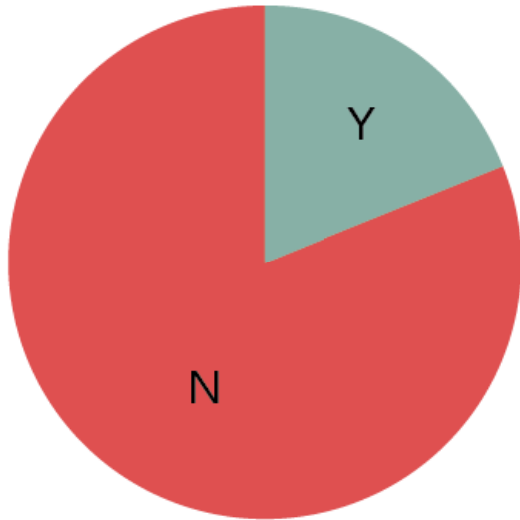


Page 83

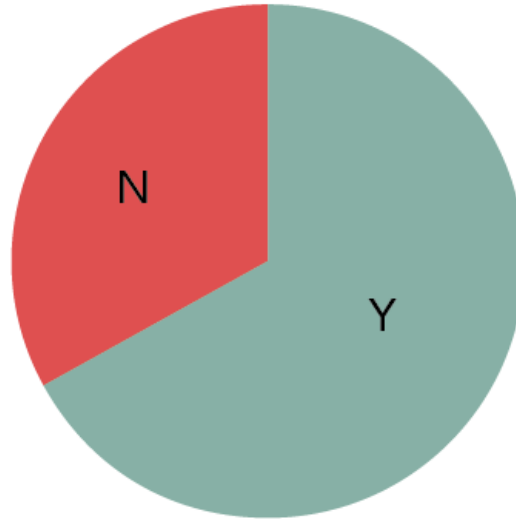
Y Yes **N** No **?** Don't know

Are service levels published?

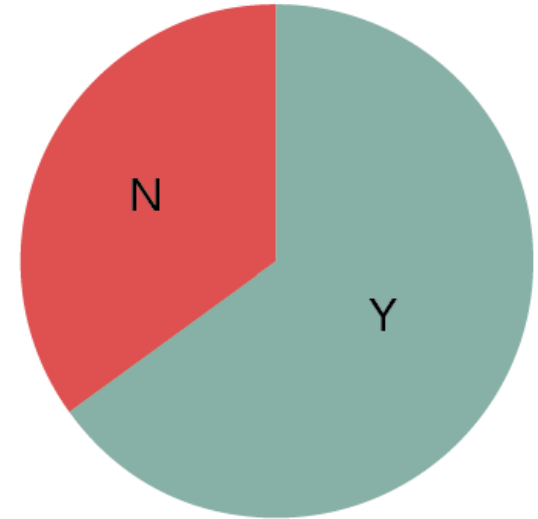
Fire and police



LGPS



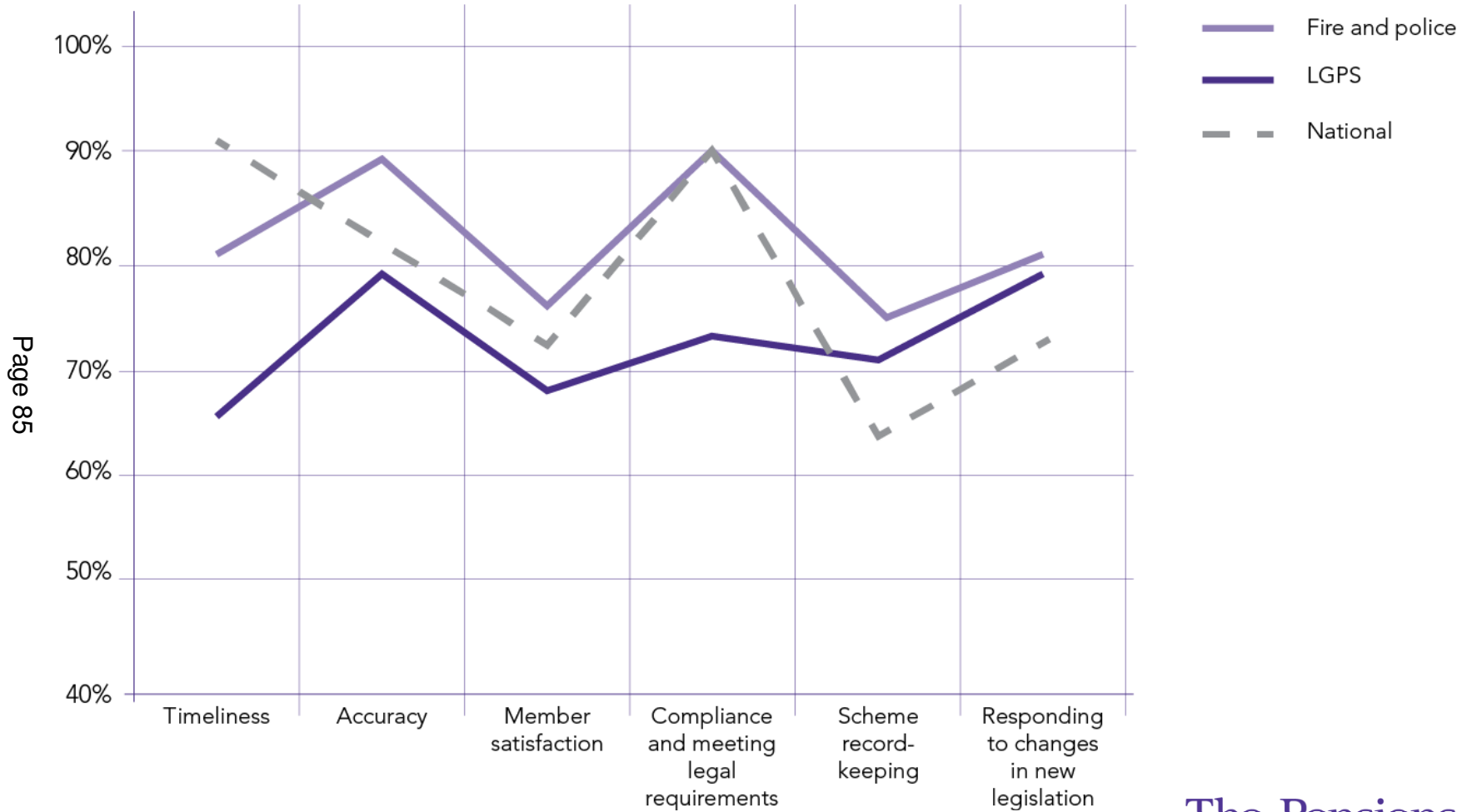
National



Page 84

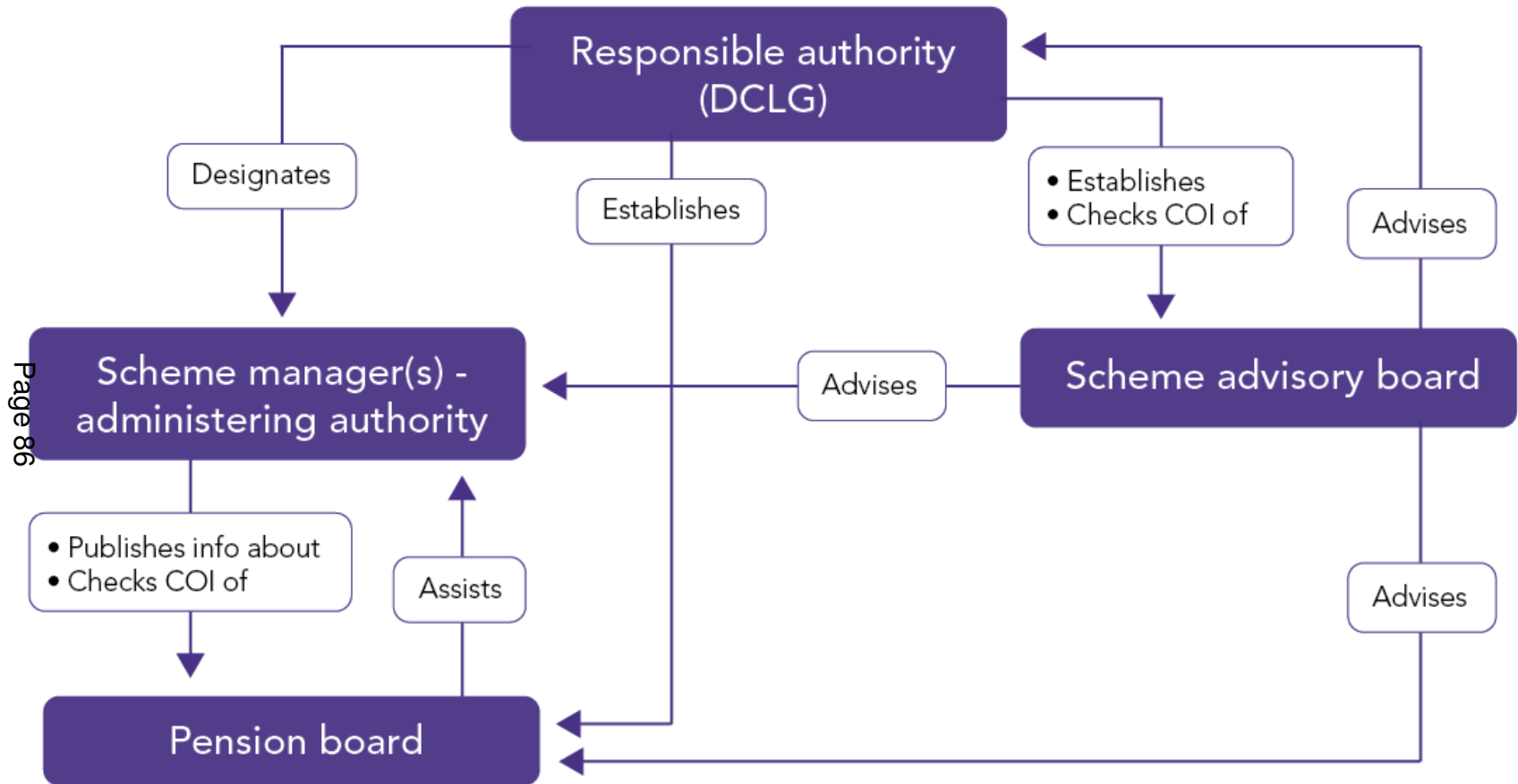
Y Yes N No

Where are administration standards 'very good'?

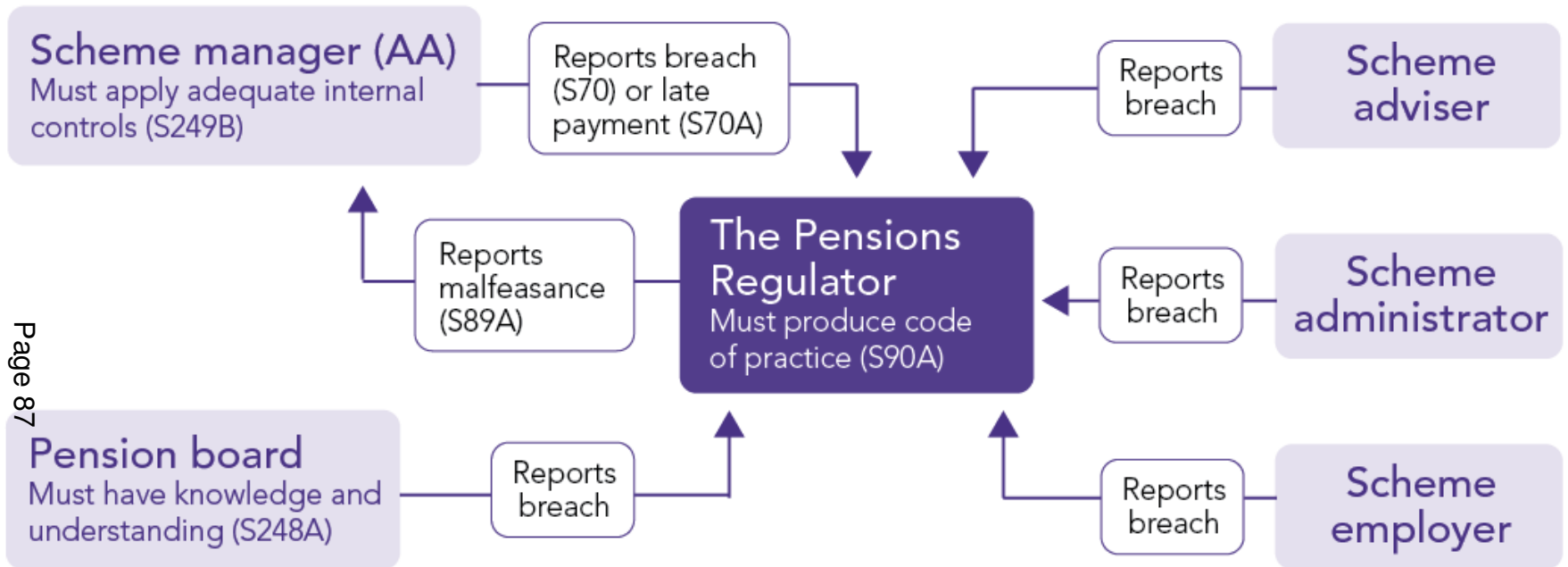


Page 85

New governance structure (LGPS England and Wales)



Requirements under PA 2004



Draft code of practice

Governing your scheme

1. Knowledge and understanding required by pension board members
2. Conflicts of interest
3. Information to be published about schemes

Managing risks

4. Internal controls

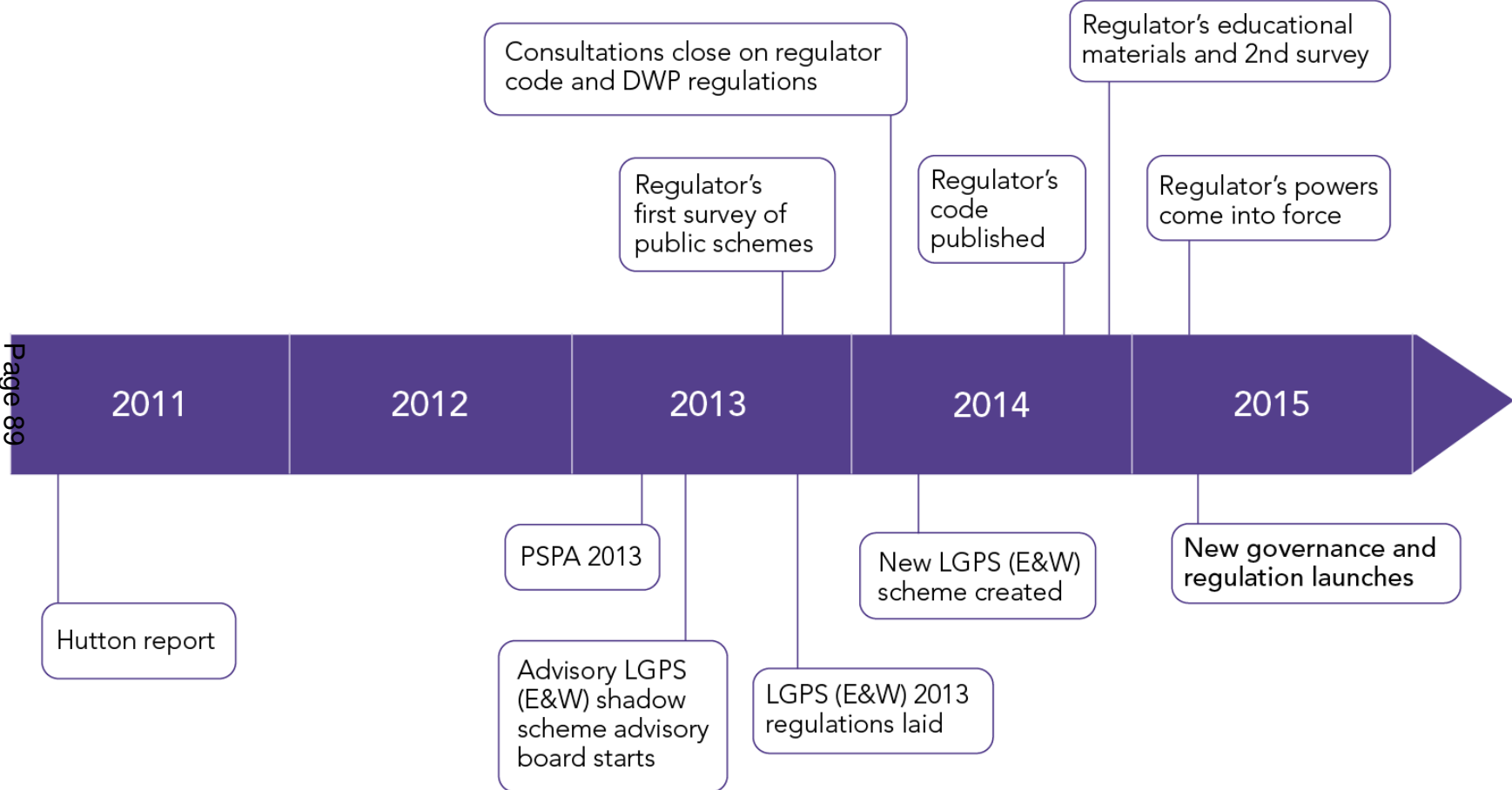
Administration

5. Scheme record-keeping
6. Maintaining contributions
7. Information to be provided to members

Resolving issues

8. Internal dispute resolution
9. Reporting breaches of the law

Public service pensions reform timings (GB)



Regulatory powers

1. **Information** – require any relevant person to produce any relevant document or information
2. **Inspection** – send in an inspector
3. **Skilled person report** – require scheme managers to commission a report
4. **Improvement notices** – require anyone to stop contravening pensions law
5. **Appoint skilled person** – to assist the pension board
6. **Report misfeasance** – notify the scheme manager about pension board conflicts or misuse regarding assets
7. **Publish reports** – about a case
8. **Civil penalties** – up to £5,000 to an individual or £50,000 to a corporate body

What will regulation look like?

- Educate, enable and enforce
- **P**roportionate, **A**ccountable, **C**onsistent, **T**argeted, **T**ransparent
- Consistent with private sector approach
- Determined nearer to April 2015
- Driven by the extent of breaches of pensions legislation

Questions?

Robert Plumb

The Pensions Regulator

Napier House

Brighton

BN1 4DW

Page 92

tel: 01273 648472

email: robert.plumb@thepensionsregulator.gov.uk

The Pensions
Regulator

Appendix 1 - scheme manager

The regulations must designate a person as scheme manager to manage or administer the scheme and connected schemes. The scheme manager **may** be the responsible authority.

The regulations **may** provide for parts of a scheme to have different scheme managers, which will probably apply to schemes split by local authority.

Page 33

(In centrally-administered schemes, the scheme manager will probably be the relevant secretary of state or minister.)

Appendix 2 - pension board

Scheme regulations must provide for a pension board for ‘assisting’ the scheme manager(s) in:

- securing compliance with scheme regulations, other governance and administration legislation and TPR requirements
- whatever else the regulations specify.

The regulations must:

- specify that prospective and existing members do not have a conflict of interest
- require members to provide the scheme manager with information to show there is no conflict of interest
- require employer and member representatives in equal numbers.

The regulations **may** give the pension board responsibility for other matters.

Appendix 3 - scheme advisory board

Scheme regulations must establish a 'scheme advisory board' to advise the responsible authority (on request) on the desirability of scheme changes. The regulations must require the responsible authority to be satisfied that prospective and existing members do not have a conflict of interest, and require members to provide the responsible authority with information.

Page 96
Where there is more than one scheme manager (eg the LGPS), the regulations **may** also provide for the scheme advisory board to advise the scheme managers or pension boards, on request or otherwise, on the effective and efficient administration and management of the scheme and fund.

Anyone advised by the scheme advisory board must have regard to the advice.

Appendix 4 – secondary legislation and commencement orders

Secondary legislation

- Scheme regulations (Local Government Pension Scheme Regulations 2013)
- Treasury directions on benefit information statements (S14) – to come
- Treasury directions on information about schemes (S15)
- Records (S16) – DWP consultation Dec 2013 – Feb 2014

Page 96

Commencement orders

- First order to enable review of MOD fire and police – July 2013
- Second order bringing in more provisions – October 2013
- Most regulator powers likely to commence April 2015

Appendix 5 – references for our regulatory powers

- Information – S72 PA 2004
- Inspection – S73 PA 2004
- Skilled person report – S71 PA 2004
- Improvement notices – S13/14 PA 2004
- Appoint skilled person – S14A PA 2004
- Report misfeasance – S89 PA 2004
- Publish reports – S89 PA 2004
- Civil penalties – S10 PA1995

This page is intentionally left blank

By: Chairman Superannuation Fund Committee
Corporate Director Finance and Procurement

To: Superannuation Fund Committee – 21 March 2014

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

Classification: Unrestricted

Summary: To report on an application to join the Pension Fund and a number of admission matters.

FOR DECISION

INTRODUCTION.

1. This report sets out information on an application from an organisation to become an admitted body within the Pension Fund. It also advises of two extensions, an extension including a name change and termination, a closure of an admission agreement to new members and a termination. An update is also given on a matter previously agreed by Committee at an earlier meeting. Committee's approval is sought to enter into these agreements.

TCS INDEPENDENT LIMITED (Sutton at Hone Primary School)

2. Total Catering Solutions is a transferee admission body who joined the Kent Pension Fund on the 2 April 2012 following a transfer of one employee to them from Sutton at Hone Primary School.
3. It has now been established that this catering contract was in fact awarded to TCS Independent Limited and not as previously thought Total Catering Solutions Limited. It is believed that this was due to an administrative error from the transferee admission body and, since coming to light, should be rectified.
4. To ensure the continuity of pension arrangements for this employee, TCS Independent Limited have made an application for admission to 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 assessed the level of bond at £500 for the first year and set an employer's contribution rate of 18.2%.

6. The completed questionnaire and supporting documents provided by TCS Independent Ltd have been examined by Officers to ensure compliance with the Local Government Pension Scheme Regulations, and Legal Services have given a favourable opinion on the application.

PROJECT SALUS

7. Project Salus is a transferee admission body who joined the Pension Fund on 31 May 2011 following a transfer of staff to them from Kent County Council, to deliver training to other public, private and voluntary organisations to better enable them to work with vulnerable young people. Their current contract which is due to expire on 22 June 2014 is being extended, although the exact duration of extension is currently unclear.
8. It is therefore necessary to extend the original admission agreement by a Deed of Modification.

CHILDREN AND FAMILIES LIMITED

9. Children and Families Limited is a transferee admitted body who joined the Pension Fund on 1 August 2011 following a transfer of staff to them from Kent County Council, to provide early education and childcare services.
10. The original contract has been extended by five years and it is necessary to extend the original admission agreement by a Deed of Modification.

CONNEXIONS KENT AND MEDWAY (2) (CXK LIMITED)

11. Connexions Partnership Kent and Medway (2) is a transferee admission body who joined the Pension Fund on the 31 March 2010 following the award of a three year contract by Kent County Council, to provide youth services.
12. Connexions Partnership Kent and Medway has changed its name to CXK Limited and will continue to provide this service until 31 March 2014. It is therefore necessary to amend and extend the original admission agreement by a Deed of Modification and enter into a termination agreement. A cessation report will be obtained which will show what, if anything, is payable to the Pension Fund.

MAIDSTONE HOUSING TRUST (GOLDING HOMES)

13. Maidstone Housing Trust is an admitted body participating within the Pension Fund who joined on 27 January 2004. At its meeting in August 2010 the Committee agreed a new admission agreement could be entered into, to reflect their change of name to Golding Homes and changes in Regulations. This new admission agreement still needs to be completed which is why they are still referred to as Maidstone Housing Trust.
14. Maidstone Housing Trust has given notice to close their admission agreement to new members although existing members will be allowed to continue. A further update to the admission agreement is therefore required.

MITIE CLEANING AND SUPPORT SERVICES

15. Mitie Cleaning and Support Services is a transferee admission body who joined the Pension Fund on the 18 August 2006 following the transfer of staff from three Kent schools, to provide cleaning services.
16. As their last active member left on the 31 January 2014 it is necessary to enter into a termination agreement with them. A cessation report will be obtained which will show what, if anything, is payable to the Pension Fund.

ORBIT SOUTH HOUSING ASSOCIATION LIMITED (previously Thanet Community Housing Association Limited)

17. At their meeting on the 16 November 2012 the Committee agreed that a termination agreement can be entered into with Orbit South Housing Association Limited based on the Closed Fund Approach.
18. Since that time Officers have been discussing with Legal Services and Orbit South Housing Association Limited arrangements for the company to continue in the Fund on a Closed Fund approach. It has been established that a termination agreement may only be entered into at a future date and the Committee's approval will be sought at that time.
19. The Committee is now being asked to agree a new admission agreement to reflect the Company's historical name change and closure of the agreement to new members; a supplementary admission agreement to support their continued membership of the Fund on a Closed Fund Approach; and to accept a parent company guarantee from Orbit Group Limited in support of the supplementary agreement.
20. The Actuary will be asked to assess the liabilities of Orbit South Housing Association Limited to the Fund every three years as part of the triennial

valuation. At 31 March 2013 the valuation results show there is nothing payable on the Closed Fund Approach from 1 April 2014 to 31 March 2017.

21. The Chairman is asked to sign the minute of the decision re Orbit South Housing Association Limited at the end of today's meeting to facilitate completion of the agreements on 31 March 2014.

RECOMMENDATION

22. Members are asked to:

- 1) Agree to the admission to the Kent County Council Pension Fund of TCS Independent Limited, and
- 2) Agree that an amended agreement can be entered into with Project Salus, and
- 3) Agree that an amended agreement can be entered into with Children and Families Limited, and
- 4) Agree that an amended agreement and a termination agreement can be entered into with Connexions Kent and Medway (2) (CXL Limited), and
- 5) Agree that an amended agreement can be entered into with Maidstone Housing Trust/Golding Homes, and
- 6) Agree that a termination agreement can be entered into with Mitie Cleaning and Support Services, and
- 7) Agree that the admission agreement, supplementary agreement and parent company guarantee can be entered into with Orbit South Housing Association Limited and their parent company, and
- 8) Agree that the Chairman may sign the minute of the decision re Orbit South Housing Association Limited at the end of today's meeting, and
- 9) Agree that once legal agreements have been prepared for (1) to (7) above, the Kent County Council seal can be affixed to the legal documents.

Steven Tagg
Treasury and Investments
Ext. 4625