

KENT COUNTY COUNCIL

SUPERANNUATION FUND COMMITTEE

MINUTES of a meeting of the Superannuation Fund Committee held in the Medway Room, Sessions House, County Hall, Maidstone on Friday, 29 August 2014.

PRESENT: Mr J E Scholes (Chairman), Mr D S Daley (Vice-Chairman), Mr A D Crowther, Mr D Coupland, 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, Mrs M Wiggins and Miss S J Carey (Substitute) (Substitute for Mr C Simkins).

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

UNRESTRICTED ITEMS

75. Minutes - 2 July 2014
(Item A3)

RESOLVED that the minutes of the meeting held on 2 July 2014 are correctly recorded and that they be signed as a correct record.

EXEMPT ITEMS

76. Motion to exclude the press and public

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.

77. Baillie Gifford
(Item C1)

(1) The Chairman welcomed Ms Dewar and Mr Roberts from Baillie Gifford to the meeting and invited them to present their annual report and report for the quarter ended 30 June 2014 on the global equalities portfolio that they manage on behalf of the KCC Superannuation Fund. Copies of these reports had been circulated to members of the Committee. Ms Dewar and Mr Roberts answered questions from Committee members.

(2) The Chairman noted the small underperformance in the last year and reminded the manager that he expects managers to outperform at least 2 years in every 3.

(3) RESOLVED that the presentation and the response to the questions from the Committee be noted.

UNRESTRICTED ITEMS

(Committee open to the press and public)

78. Fund Position Statement

(Item D1)

(1) Mr Vickers introduced a report which provided a summary of the Fund asset allocation and performance, including the Fund Position Statement as at 30 June 2014 along with Hymans Robertson Capital Markets Service Quarterly Update which was attached in the Appendix.

(2) Mr Vickers reported to the Committee that at his quarterly meeting with DTZ mention had been made of the possibility of investing in residential property and stated that DTZ were considering investing in a residential property fund for the first time. He explained that DTZ's investment committee would be considering whether they should invest in this type of fund and as part of this process would carry out the necessary due diligence. As the Superannuation Fund was currently overweight in equities and bearing in mind the interest previously expressed by the Committee in investing in residential property he sought the views of the Committee on whether they wished to pursue an investment in this fund on their behalf by DTZ, subject to their Investment Committee's approval.

(3) Members discussed the proposal and there was general agreement that this was something that the Fund should be investing in.

(4) Mr Vickers referred to the need for the Fund to pay £60m to the Greater Manchester Pension Fund when all Probation staff transfer to a single Local Government Pension Scheme fund, this would take place in January 2015. He reminded the Committee that the Fund was overweight in equities but underweight in fixed income. The Committee had previously decided that the funding should be taken from the Schroders Fixed Income mandate but he suggested that Members may wish to consider whether this was now the best option. He confirmed that there was time for the Committee to make a decision on this at their meeting on 14 November 2014.

(5) The Committee considered the WM annual report for 2013/14 which had been circulated with the agenda. Mr Vickers stated that a fundamental issue for the Committee was the overweight equity situation and this was a matter that would be considered at the annual strategy meeting.

(6) In response to a question Mr Vickers undertook to see if information on KCC Superannuation Fund's funding level compared to other County Council Superannuation Funds was available and if so to circulate it to members of the Committee.

(7) RESOLVED that:

(a) the Equity allocation be maintained at the current level subject to (b) below;

(b) authority be delegated to the Corporate Director of Finance and Procurement in consultation with the Chairman of this Committee to, subject to the necessary due diligence, authorise DTZ to invest up to £12.5m (no more than 10% of the total fund) from equities' into the M & G UK Residential Fund FCP-FIS;

- (c) further consideration of the means of funding the £60m for the transfer of Probation to the Greater Manchester Pension Fund be deferred until the 14th November 2014 meeting of the Committee; and
- (d) the WM Local Authority Annual Review 2013/14 be noted.

(Councillor Eden-Green declared a prejudicial interest in one of the residential properties in the proposed DTZ residential portfolio and took no part in the debate or decision thereon.)

79. Superannuation Fund Report & Accounts and External Audit *(Item D2)*

(1) Mr Vickers presented a report on the Report & Accounts of the Superannuation Fund for 2013/14, which had been approved by the Governance and Audit Committee on 24 July 2014, and the External Audit Findings Report.

(2) A member suggested that a note should be included in the accounts to explain that the high communication costs were due to the information being sent direct to members of the scheme rather than just relying on the website which was not considered to be adequate and therefore this spend was positive.

(3) Mr Vickers undertook to confirm whether the new pensions software would allow members of the scheme to access their annual benefits illustration on line. He also undertook to come back to members regarding the increase in Investment Managers Fees for 2013-14 and agreed that an explanatory note would be added to the accounts.

(4) In response to a question on the amounts due to the fund from employers as set out on page 37 of the papers, Mrs Mings explained that all monies payable had been received by the due date. It was agreed that this would be emphasised in the accounts.

(5) The Chairman expressed the Committee's gratitude to Mrs Mings and her team for their hard work and accuracy in preparing the Fund's report and accounts.

(6) RESOLVED that:

- (1) the content of the Annual Report including
 - The Funding Strategy Statement
 - The Statement of Investment Principles
 - Governance Compliance Statement
 - Communications Policybe noted;
- (2) the content of the Accounts for 2013-14 be noted;
- (3) the Report and Accounts be published;
- (4) the external auditor's Audit Findings Report be noted; and
- (5) the position with regard to Governance & Audit Committee.

80. Local Government Pension Scheme - Draft Regulations on Scheme Governance
(Item D3)

(1) Mr Vickers referred to the report on the response to the draft consultation document on the Local Government Pension Scheme regulations. The response which had been sent on behalf of the Committee was set out in Appendix 2.

(2) RESOLVED that the response be noted.

81. Business Planning Update
(Item D4)

(1) Mr Vickers presented an report on the operational plans for Treasury & Investments and Pensions Administration (which were attached to the report). The report highlighted a number of issues and explained that KCC had changed its business planning arrangements for 2014/15 and now put a much greater emphasis on unit level operational plans. The report included details of the fund custodian review being undertaken. In relation to the details of training events for members of the Committee, which were set out in the report and advised at the meeting, it was suggested that this be forwarded to the Democratic Services Manager (Members) so that these could form part of the evidence for the Members Charter plus renewal. It was noted that two additional events attended by Mr Davies were not included in the report.

(2) RESOLVED that the operating plans and position on Member training be noted and the Custody Services Review be agreed.

82. Application for Admissions to the Fund
(Item D5)

(1) Mr Tagg introduced a report which set out information on applications from two organisations to become admitted bodies within the Pension Fund and three terminations. The Committee was advised that the minutes relating to the admission application from Compass Contract Services (UK) Limited needed to be signed at the end of the meeting to facilitate completion on the desired date.

(2) RESOLVED that the Committee:

- (1) agree to the admission to the Kent County Council Pension Fund of TCS Independent Limited (re: Istead Rise Primary School);
- (2) agree to the admission to the Kent County Council Pension Fund of Compass Contract Services (UK) Limited;
- (3) agree that a termination agreement may be entered into in respect of CAPITA IT Managed Limited (re: St John's School, Gravesend);
- (4) agree that a termination agreement may be entered into in respect of Pie Factory Music;

- (5) agree that a termination agreement may be entered into in respect of Avenues Trust;
- (6) agree that the Chairman may sign the minutes of today's meeting relating to recommendation (2) above at the end of today's meeting, and
- (7) agree that once legal agreements have been prepared for (1) to (5) above, the Kent County Council seal can be affixed to the legal documents.

83. Additional meeting
(Item)

Mr Vickers reminded the Committee that it had been agreed at the meeting on 2 July 2014 that an additional meeting of the Committee would be held to meet with a potential new investment manager for the Fund. Arrangements were in hand to set up a date for this meeting.

(Post meeting note: the additional meeting of the Committee was arranged for 7 November 2014)