

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 Wednesday, 2 July 2014.

PRESENT: Mr J E Scholes (Chairman), Mr D S Daley (Vice-Chairman), Cllr J Burden, Cllr P Clokie, Mr A D Crowther, Mr D Coupland, 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 C Simkins, Mrs M Wiggins and Cllr L Wicks.

ALSO PRESENT: Miss S J Carey and Mr J D Simmonds, MBE

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

UNRESTRICTED ITEMS

61. Minutes
(Item A3)

RESOLVED that the minutes of the meeting held on 21 March 2014 are correctly recorded and that they be signed as a correct record.

EXEMPT ITEMS

(During these items the meeting is likely NOT to be open to the press and public)

62. Motion to Exclude the Press and Public
(Item B1)

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.

63. Minutes
(Item C1)

RESOLVED that the exempt minutes of the meeting held on 21 March 2014 are correctly recorded and that they be signed by the Chairman as a correct record.

64. DTZ Investment management

(1) The Chairman welcomed Mr O’Gorman and Ms Linacre from DTZ to the meeting and invited them to present their annual report on the KCC Superannuation Fund UK Property Portfolio. Mr O’Gorman and Ms Linacre answered questions from Committee members.

(2) The Chairman informed the Committee that KCC’s Superannuation Fund portfolio had won the Investment Property Databank (IPD) Investment Property Forum (IPF) UK Property Investment Award for the highest three year annualised return to December 2013 for Segregated Pension Funds between £100m and £350m. He thanked DTZ for the work they had carried out on behalf of the Fund which had led to this award.

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

65. Investment Strategy

(Item C2)

(1) Mr Vickers introduced a report on an approach to updating the investment strategy. Mr McKissack (Hymans Robertson), presented a paper on future investment strategy - current considerations including current asset allocation and asset class roles; rebalancing; strategic Flightpath and asset classes. Mr McKissack and Mr Vickers answered questions from the Committee.

(2) In recognition of the complexity of these issues it was agreed that a seminar would be arranged for the Committee. Members were invited to inform the Chairman or Mr Vickers of anything else that they would like included in the seminar.

(3) RESOLVED that the report and the proposed seminar be agreed.

66. Fund Structure

(Item C3)

(1) Mr Vickers introduced a report on a number of issues relating to the structure and management of the Fund which was discussed by the Committee.

(2) RESOLVED that

- (a) the position on Pyrford and Impax be noted;
- (b) £10m be invested in Chandos Fund 2 with the YFM VCT as co-investor; and
- (c) the approach on the RBS claim be endorsed.

UNRESTRICTED ITEMS

(Committee open to the press and public)

67. Local Government Pension Scheme Consultation: Opportunities for collaboration; cost savings and efficiencies

(Item D1)

(1) Mr Vickers referred to the draft response to the Local Government Pension Scheme Consultation: “Opportunities for collaboration, cost savings and efficiencies” which had been circulated with the agenda. The Committee discussed the draft response.

(2) RESOLVED that the draft response to the consultation document be agreed.

68. Fund Position Statement

(Item D2)

(1) Mr Vickers introduced a report which provided a summary of the Fund asset allocation and performance. A copy the Fund Position Statement at 31 March 2014 was circulated with the agenda.

(2) RESOLVED that the report be noted.

69. Fund Structure

(Item D3)

(1) Mr Vickers introduced a report which reported on a number of issues relating to the structure and management of the Fund including the selling equities, DTZ and secondary property.

(2) RESOLVED that:

(a) the existing overweight position in equities be considered by the Committee after the seminar agreed in minute no 65 above.

(b) the position on the DTZ discretionary mandate be noted.

(c) the position on funding the two Secondary Property mandates be noted.

70. Facing the Challenge

(Item D4)

(1) Mr Wood introduced a report which set out the issues for the management of the Superannuation Fund from the County Council's "Facing the Challenge: Delivering Better Outcomes" programme.

(2) Mr Wood explained that over the next 3 – 4 years every service in KCC would go through a service review leading to a potential full market engagement process. In May 2014 the County Council agreed to proceed with a full market engagement process for Finance, HR and ICT on a joint basis. At this stage elements of pension's administration were included in the Finance scope. There is still a great deal of work to be done before the Council makes any decision and the Committee will be kept fully informed.

(3) Mr Wood updated the Committee on the KCC employer contribution rate and the approach to be taken in relation to the Future Service Rate for staff transferring from KCC. He confirmed that this approach takes full account of the financial liability the Council has to the Pension Fund and retains core budget to meet this liability.

(4) Mr Wood and Mr Vickers answered a number of questions and noted comments from members which included the following:

- Mr Wood confirmed that there was currently no formal in-house bid for pensions administration, the earliest that any changes would take place would be April 2015 and in the meantime there would be savings made in the current year.
- Mr Vickers stated that the Management of the Pension Fund had been identified as a strategic service and therefore would be remaining in house.
- In relation to the information in the report on KCC's Employer Contribution Rate, Mr Wood stated that no provider would take on the pension deficit and therefore he wanted to make sure that there was not a burden 5 years into a contract. He stated that there tended to be fewer employees in the pension scheme 3 to 4 years after they transferred.

(5) RESOLVED that the report be noted.

71. Treasury Management *(Item D5)*

(1) Mr Vickers introduced a report on the Superannuation Fund's cash holdings which included the latest position on cash holdings on 4 June 2014.

(2) In response to a question from a Member, Mr Vickers confirmed that there was no conflict between the £6,002,780.25 in Black Rook ICS International Sterling Government Liquidity Core Dis and the £20m held in the DTZ investment in the Blackrock Property Fund.

(3) RESOLVED that the report be noted.

72. Pensions Administration Update *(Item D6)*

(1) Ms Cheatle provided members with a comprehensive update of administration issues including changes to the LGPS from 1 April 2014, workload position, achievements against Key Performance Indicators (KPIs), automatic enrolment, the pensions administration system and tax changes from April 2014.

(2) Ms Cheatle answered a number of questions from members about the pensions administration system and the proposed solution to the issues that had been experienced with providing estimates for staff regarding retirement or redundancy. Mr Wood confirmed that 80% of estimates were produced within 20 working days with the remainder produced within 25 working days.

(3) Ms Cheatle explained the basis of the hosted service with Heywood and confirmed that the contract with Heywood's would end in December 2016 so there would be a need to go out to tender in due course.

(4) RESOLVED that the report be noted.

73. Admissions to the Fund *(Item D7)*

(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 three

contract extensions and two name changes. The Committee were advised that the minutes relating to the two new admission applications, the Total Facilities Management matters and the name change for MCCH Society Limited were to be signed at the end of today's meeting to facilitate completion on the desired dates.

(2) RESOLVED that the Committee:

- a) agree to the admission to the Kent County Council Pension Fund of Mears Limited, and
- b) agree to the admission to the Kent County Council Pension Fund of Rochester Care Home Kent Limited, and
- c) note the amended Bond levels and employer contribution rates for KCC's Total Facilities Management contract relating to the admissions agreed by Committee on the 7 February 2014, and
- d) note the name change for MCCH Society Limited, and
- e) agree that an amended agreement can be entered into with Capita IT Managed Solutions Limited (re St George's CE Foundation School, Broadstairs), and
- f) agree that an amended agreement can be entered into with Capita IT Managed Solutions Limited (re Thamesview School, Gravesend), and
- g) agree that an amended agreement can be entered into with Project Salus, and
- h) note the name change of MITIE Cleaning and Support Services Limited and,
- i) agree that the Chairman may sign the minutes of today's meeting relating to a), b), c), d) above at the end of the meeting, and
- j) agree that once legal agreements have been prepared for a) to h) above, the Kent County Council seal can be affixed to the legal documents.

74. Date of next meeting - 29 August 2014 at 10.00am
(Item D8)